The Effect Of Conventional Banking Credit On Indonesian Economic Growth In The Last 5 Years

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Abstract: The distribution of funds in the bank has a very large influence on the economic life of the community. With the distribution of funds to the public from conventional banking, the public can use these funds for both micro and macro business activities that have an impact on Indonesia's economic growth. This study aims to analyze the effect of conventional banking credit on Indonesia's economic growth for 5 (five) years from 2017 to 2021. The stages of the method used in this study are research flowcharts, data collection, literature study, problem identification, preprocessing, data analysis. (data analysis used is multiple linear regression, normality test, classical assumption test (multicollinearity test and autocorrelation test), statistical test (coefficient of determination (R^2), F statistic test, and t statistic test), results of data analysis, final evaluation, and research approach.The result of this research is that the conventional bank credit variable has a significant effect on the Gross Domestic Product (GDP) variable, then the conventional bank credit variable simultaneously has a significant effect on the Gross Domestic Product (GDP) variable.
Keywords: Conventional Banking Credit, Economic Growth

INTRODUCTION

In Indonesia, banking has a very important and very large influence on economic growth. Banks in Indonesia apply a dual banking system, namely conventional banking which applies the interest system.

The distribution of public funds from banks has a very large impact on both small and large entrepreneurs and society in general. In the last 5 years, the national banking development has been very good with sustainable growth every year. This can be seen from the development of conventional banking, namely the development of Conventional Commercial Banks and Rural Banks.

The development of conventional banking credit data that the author obtained from 2017 to 2021 experienced positive growth every year. Conventional banking credit in 2017 amounted to Rp. 4,871,441 billion, in 2018 of Rp. 5,456,232 billion, in 2019 it was Rp. 5,633,000 billion, in 2020 it was Rp. 5,481,560 billion and in 2021 it was Rp. 5,768,580 billion. Within a period of 5 (five) years starting from 2017 to 2021, conventional banking credit grew by 18.42%.

From the data above, it can be seen that conventional banking credit has experienced significant and positive growth every year. Meanwhile, Indonesia's economic growth has also

fluctuated in the last 5 (years) years. Indonesia's economic growth in 2017 was 4.5%, in 2018 it was 6.1%, in 2019 it was 6.5%, in 2020 it was 6.03%, in 2021 it was 5.56%. (Bank Indonesia, 2022).

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

From the descriptions above, the author argues that the effect of conventional bank credit is very interesting to study academically. Regulations issued by the Government of Indonesia, the Financial Services Authority, Bank Indonesia, can assist and further develop conventional banking and Islamic banking in Indonesia.

1. Banking

   Banking is everything related to banks, including institutions, business activities, as well as methods and processes in carrying out their business activities. Bank is a business entity that collects funds from the public in the form of savings and distributes them to the public in the form of credit and/or other forms in order to improve the standard of living of the people at large. Bank's business activities include funding (collecting funds from the public), lending (distributing funds to the public), and service (services) (Kasmir, 2014).

2. Credit

   Credit is the provision of money or an equivalent claim, based on an agreement or loan agreement between a bank and another party that requires the borrower to repay the debt after a period of time with interest (Kasmir, 2014).

3. Economic Growth

   Economic growth is the development of activities in the economy which causes the goods and services produced in the community to increase and the prosperity of the community to increase. The problem of economic growth can be viewed as a macroeconomic problem in the long run. The development of the ability to produce goods and services as a result of the increase in production factors in general is not always followed by an increase in the production of goods and services of the same magnitude.

4. The increase in production potential is often greater than the actual increase in production. Thus, economic development is slower than its potential (Sadono Sukirno, 2013).

   Economic growth is the process of increasing output per capita in the long run. There are three aspects that need to be considered, namely process, output per capita and long term. Economic growth is a process, not an economic picture at a time. Here we can see the dynamic aspects of an economy, namely seeing how the economy develops or changes from time to time. Economic growth is related to an increase in output per capita. There are two sides of things that need to be considered, namely the total output side and the population side. Output per capita is the total output divided by the total population. So the process of increasing the output per

   capita, inevitably, must be analyzed by looking at what happens to the total output on the one hand, and the total population on the other. The indicator used to measure economic growth is the growth rate of Gross Domestic Product (GDP). There are several reasons that underlie the choice of choosing the growth of Gross Domestic Product (GDP) and not other indicators such as the growth of Gross National Product (GNP) as an indicator of growth (Cahya Hendra Purwanggono, 2015).

5. Previsious Research

   Research conducted by Muhamad Abduh and Mohd Azmi Omar (2012) entitled "Islamic Banking and Economic Growth: The Indonesian Experience". His research concludes that there is a significant two-way relationship in the short and long term between the development of Islamic finance and economic growth in Indonesia using quarterly data from 2003 to 2010 (Muhamad Abduh and Mohd Azmi Omar, 2012).

   Maya Panorama (2017), in her research entitled "Effect of Monetary Aspects on The Performance of Islamic Banks in Indonesia" concludes that all variables are significantly affected. By using a random effect that shows a positive effect on the money supply, exchange rate, and interest rates and has a negative effect on the customer price index. Then the long-term results using an autoregressive distributed lag approach found that for the pooled mean group (PMG) the variable sum.

6. Conceptual Framework

To facilitate the implementation of the research as well as to facilitate the writing so as not to deviate from the core of the problem, it is necessary to explain a conceptual framework as the basis for the discussion. The conceptual framework is described in the chart as follows:

| Conventional Banking Credit X | → | Indonesia's Economic Growth Y |

X : Conventional Banking Credit (Independent Variable).
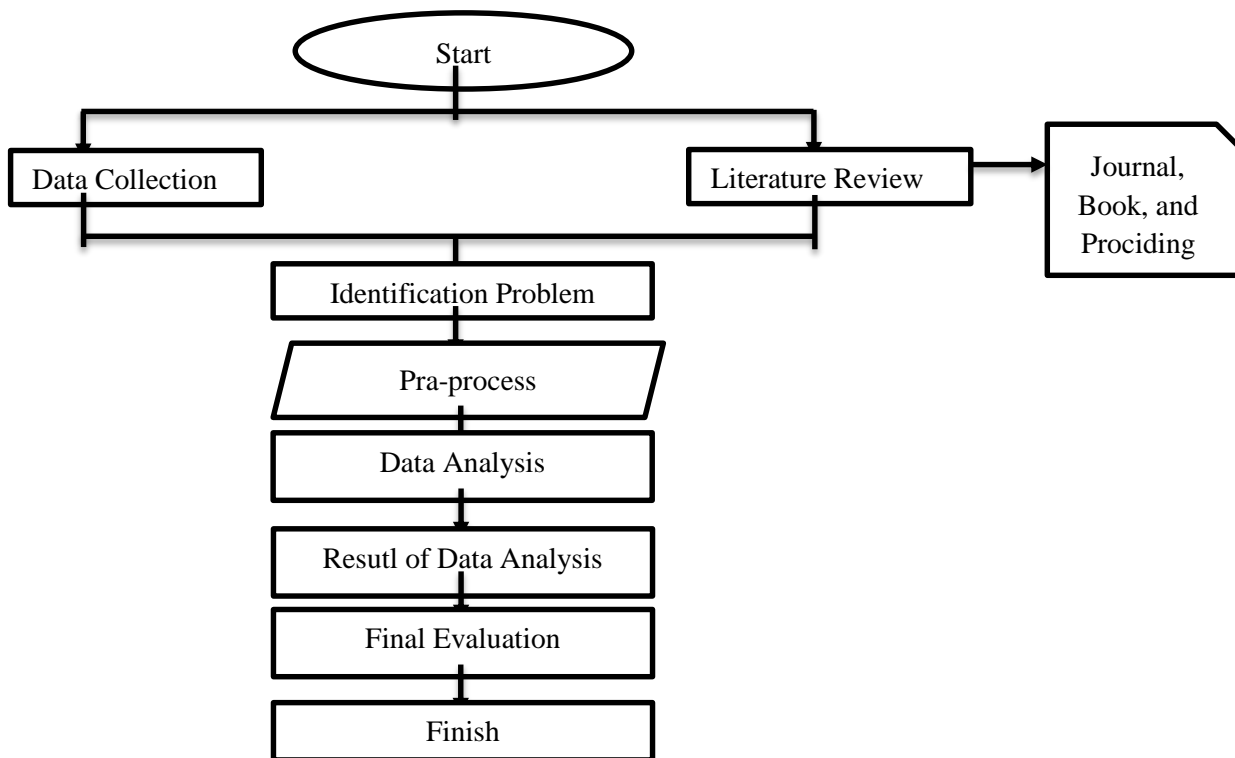Y : Indonesia's Economic Growth (Dependent Variable).

Research Hypothesis
The hypotheses in this study are:
H0: There is no effect of conventional banking credit on Indonesia's economic growth.
Ha: There is an effect of conventional banking credit on Indonesia's economic growth.

METHODS
Research Flowchart

Source: Data Research 2022

Figure 1. Research Flowchart.

Data collection

Data collection was carried out to obtain the information needed in order to achieve the research objectives. Data were collected from a pre-determined sample. At this stage, the data collected is data on the development of conventional banking credit sourced from the official website of the Financial Services Authority (OJK) as well as economic growth data measured from the development of Gross Domestic Product (GDP) sourced from the official website of Bank Indonesia (BI) starting from 2009 to 2018.

1. Literature review

To achieve the objectives to be determined, it is necessary to study some of the literature that will be used. Literature study is the first step in this research, this literature study was conducted to complement the theories used in this research. The literature study in this

research is sourced from journals, books, proceedings, or other sources related to the title of the research with the literature sources for the last 5 (five) years.

2. Identification of problems

    At the problem identification stage, after all the data is met, then the appropriate data is obtained to carry out the process at the predetermined data conversion stage.

3. Preprocess

    The preprocessing stage is the data selection stage which aims to obtain data that is suitable and ready to be used in this study.

4. Data analysis

    After getting enough data, the next process is to analyze the data that has been obtained. The data analysis used was multiple linear regression, normality test, classical assumption test (multicollinearity test and autocorrelation test), statistical test (coefficient of determination (R^2), statistical F test, and statistical t test).

5. Data Analysis Results

    After the data analysis process is complete, the stages of the data analysis results will be carried out on the research topic.

6. Final Evaluation

    The final evaluation is carried out to determine whether the results of the data analysis are in accordance with the expected results. After all the data has been processed, analyzed, tested and evaluated, a focus group discussion (FGD) will be conducted between the lead researcher and the research members regarding the research results obtained.

RESULT AND DISCUSSION

This type of research is a research with quantitative methods to test hypotheses or in answering the formulation of the problem.

Table 1. Gross Domestic Product (GDP) 2009 – 2018 (in Billion rupiah)

Year	Quarterly			
	Quarter 1	Quarter 2	Quarter 3	Quarter 4
2017	2.378.097	2.473.433	2.552.302	2.508.872
2018	2.498.488	2.603.748	2.684.186	2.638.894
2019	2.624.911	2.740.966	2.822.958	2.775.589
2020	2.757.732	2.885.414	2.968.905	2.919.365
2021	2.897.273	3.037.476	3.122.397	3.211.302

(Source: www.bi.go.id)

From table 1 above, it can be seen that in the last 5 (five) years the Gross Domestic Product (GDP) in Indonesia continues to increase every year. From the author's observations for 20 (twenty) quarters from quarter 1 of 2017 to quarter 4 of 2021, it can be seen that the lowest Gross Domestic Product (GDP) is 2,378,097 billion rupiah in quarter 1 of 2017 and Gross Domestic Product (GDP) the highest was 3,211,302 billion rupiah in the 4th quarter of 2021. Furthermore, the Gross Domestic Product (GDP) increased in the 1st quarter of 2021 by 2,897,273 billion rupiah and the Gross Domestic Product (GDP) increased in the 4th quarter of 2021 by 3,211 .302 billion rupiah.

Convensional Banking Credit

Table 2. Convensional Banking Credit 2017 – 2021 (in Billion Rupiah)

Quarterly Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4
2017	4.487.405	4.613.824	4.668.459	4.871.441
2018	4.880.438	5.123.024	5.240.852	5.456.232
2019	5.307.964	5.688.606	5.883.380	6.110.980
2020	5.772.941	6.316.628	6.604.682	6.844.298
2021	6.278.650	7.013.983	7.414.416	7.665.613

Source: www.ojk.go.id

From table 2 above, it can be seen that in the last 5 (five) years, conventional banking credit in Indonesia has continued to increase every year. From the author's observations for 20 (twenty) quarters from the 1st quarter of 2017 to the 4th quarter of 2021, it can be seen that the lowest conventional banking credit was 4,487,405 billion rupiah in the 1st quarter of 2017 and the highest conventional banking credit was 7,665,613 billion rupiah in the fourth quarter of 2021.

Table 3. *Descriptive Statistics*

	Mean	Std. Deviation	N
GDP	1456867	898000,23574	40
Conventional Banking Credit	3249031	1267141,655	40

Source: Data Research 2022

Tabel 4. Correlations

|		GDP	Conventional Banking Credit
Pearson Correlation	GDP	1,000	,917
	Conventional Banking Kredit	,917	1,000
Sig. (1-tailed)	GDP	.	,000
	Conventional Banking Kredit	,000	.
N	GDP	40	40
	Conventional Banking Kredit	40	40

Source: Data Research 2022

From table 3, it is known that the amount of data for 20 quarters means that the average Gross Domestic Product (GDP) is Rp. 1,456,867, with a standard deviation of Rp.

898.000,23574. The average conventional bank credit is Rp. 3,249,031, with a standard deviation of Rp. 1,267,141,655..
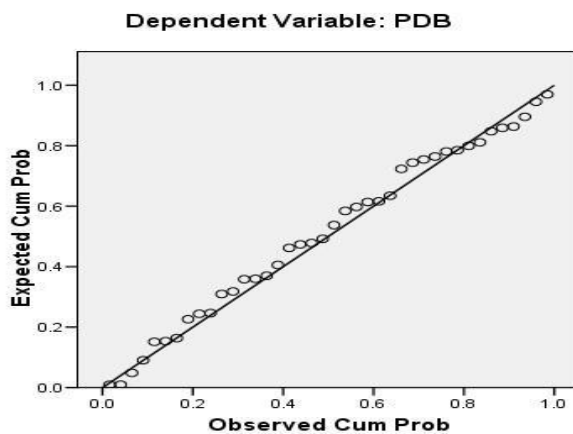
From table 4 above, it can be seen that the correlation between conventional banking credit and Gross Domestic Product (GDP) is 0.917. Thus, based on the correlation guideline table, the relationship between these variables is strong.

Classic Assumption Test
Normality Test
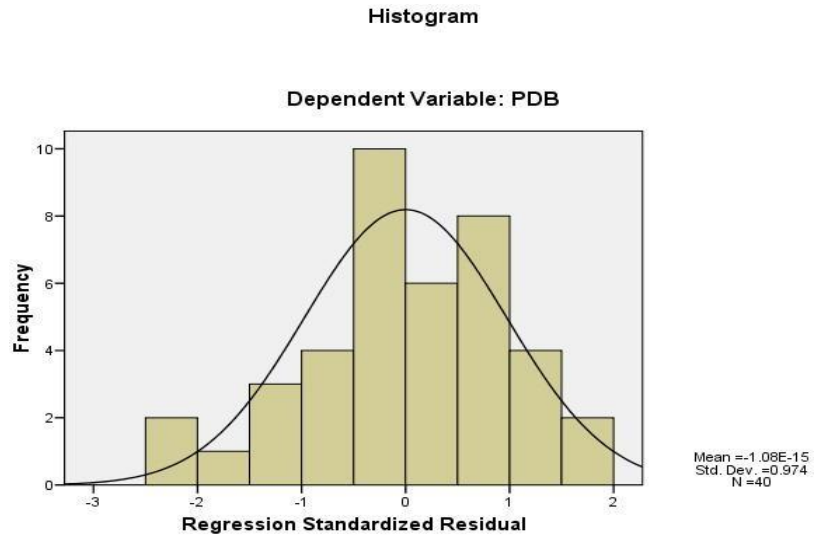
Source: Data Research 2022

Figure 2. Histogram of Normality Test

Source: Data Research 2022

Figure 3. Normal P-Plot

From Figure 3 the histogram graph display and Figure 3 the normal p-plot graph, it can be concluded that the histogram graph provides a distribution pattern that is close to normal. Meanwhile, on the normal p-plot graph, it can be seen that the dots spread around the diagonal line, and the distribution follows the direction of the diagonal line. These two graphs show that the regression model is feasible because it fulfills the assumption of normality.

Multicolinearity Test

Table 6. Coefficients[a] Multicolinearity

Model	UnstandardizedCoefficients		Standardized Coefficients			Collinearity Statistics	
	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
(Constant)	-1997794	321218,6		-6,219	,000		
Conventional Banking Credit	2,482	,403	3,503	6,161	,000	,818	1,176

Source: Data Research 2022

From table 6, it can be seen that the results of the calculation of the tolerance value show that there is no independent variable that has a tolerance value less than 0.1. For conventional banking credit, the tolerance value is 0.818 or about 81.8%.

The results of the calculation of the value of the variance inflation factor (VIF) also show the same thing, not one independent variable has a VIF value of more than 10. The conventional banking credit variable has a VIF value of 1.176 while the Islamic banking financing variable has a VIF value of 1.176. Thus, it can be concluded that there is no multicollinearity between the independent variables in the regression model.

Autocorrelation Test

Table 7. Summary[b] Durbin Watson Model

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,948[a]	,898	,893	293928,638	1,778

a. **Predictors: (Constant), Conventional Banking Credit**
b. **Dependent Variable GDP**
Source: Data Research 2022

Table 8. Durbin Watson

	K = 3	
N	4-du	du
40	2,401	1,599

Source: Data Research 2022

From the table above, it can be seen that the Durbin-Watson value is 1.778. The Durbin-Watson value based on the table with a degree of confidence of 5% is dl of 1.390 and du of 1.599, so the 4-du value is 2.401. A regression equation is said to be free from autocorrelation if the Durbin-Watson value lies between du and 4-du. The Durbin-Watson value in this study is 1.778 which means that the value lies between du and 4-du. So this regression equation model shows no autocorrelation.

Heteroskedacity Test
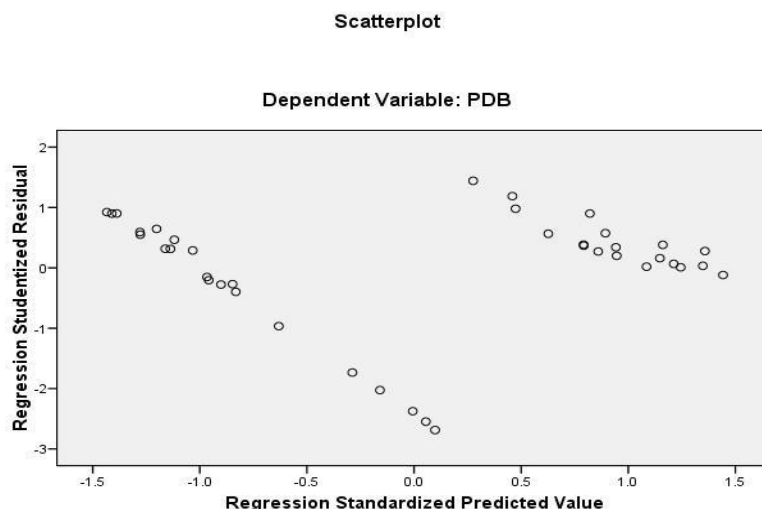
Scatterplot

Source: Data Research 2022
Figure 4. Scatterplot of Heteroskedacity Test

From the graph 4 of the Heteroscedasticity Test Scatterplot, it can be seen that the points spread randomly and are spread both above and below the number 0 on the Y axis. It can be concluded that there is no heteroscedasticity in the regression model, so the regression model is feasible to use to predict the product.

Gross Domestic Product (GDP) based on the input of the independent variable of conventional banking credit.

Statistic Test

Determination Coefficient (R^2)

The following is the value of the coefficient of determination from the research obtained from the output of SPSS:

Table 9. Determination Coeffisient (R^2)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,948[a]	,898	,893	293928,638	1,778

a. *Predictors: (Constant), Conventional Banking Credit*
b. *Dependent Variable GDP*

Source: Data Research 2022

From the output results above, the coefficient of determination (R^2) shows that the value of R = 0.948 and R × R = R^2 is 0.898 or 89.8%, meaning that the dependent variable on Gross Domestic Product (GDP) can be explained by the independent variable, namely credit. conventional banking and Islamic banking financing amounted to 89.8% and the rest was explained by other variables outside of the variables used.

t-Test Statistics

Table 10. t-Test Statistics

Model	UnstandardizedCoefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)	-1997794	321218,6		-6,219	,000
Conventional Banking Credit	2,482	,403	3,503	6,161	,000

Source: Data Research 2022

t-test to test the significance of the constant and dependent variable (Gross Domestic

Product). The analysis and conclusions from table 10 are:

1. With a significance level of 0.05, N = 40 (number of samples), K = 2 (number of independent variables, N-K = 40-2 = 38 then the t table will get a value of 2.024:
   a. From the data above, it is known that the conventional banking credit variable has a tcount of 6.161 which is greater than a ttable of
   b. 2.024, so H0 is rejected and Ha is accepted. In conclusion, conventional banking credit variables have an effect on the Gross Domestic Product (GDP) variable. Based on the significance, the significance value of the conventional banking credit variable (probability 0.000) is smaller than the 0.05 significance level, so H0 is rejected and Ha is accepted. In conclusion, conventional banking credit variables have a significant effect on the Gross Domestic Product (GDP) variable.
2. Interpretation of the multiple linear regression equation.
   GDP = = -1997794 + 2,482 X_1 - 26,539 X_2
   a. The constant of -1997794 states that if there is no conventional banking credit ratio (X_1) and Islamic banking financing ratio (X_2), then the GDP ratio is -1997794%.
   b. The conventional banking credit regression coefficient of 2.482 states that each addition (because it is marked +) the ratio of the amount of conventional banking credit by 1% will increase the Gross Domestic Product (GDP) by 2.482% provided other variables are considered constant.

F-Test Statistic

Tabel 11. Anova[b] F-test Statistic

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2,8E+013	2	1,413E+013	163,514	,000[a]
	Residual	3,2E+012	37	8,639E+010		
	Total	3,1E+013	39			

a. Predictors: (Constant), Conventional Banking Credit
b. Dependent Variable: GDP

Source: Data Research 2022

From table 11 the results of the F test or ANOVA test, the analysis and conclusions are as follows:

1. The Fcount value is 163.514. From the distribution table F with a significance level of 0.05 with df 1 (number of variables –1) or 3-1 = 2, and df 2 (N-K-1 = 40-2-1 = 37), the Ftable value is 3.25, so that H0 is rejected and Ha is accepted (163.514 > 3.25). In conclusion, the conventional banking credit variable and the Islamic banking financing variable simultaneously significantly affect the Gross Domestic Product (GDP) variable.
2. Obtained a significance value of 0.000 less than 0.05. This shows that the conventional banking credit variable regression model and Islamic banking financing variable can be used to predict the Gross Domestic Product (GDP) variable.

CONCLUSIONS

The conventional banking credit variable has an effect on the Gross Domestic Product (GDP) variable. Simultaneously, conventional banking credit variables affect the Gross Domestic Product (GDP) variable.

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