

Analysis of Commercial Bank Credit Distribution on Economic Growth and Employment Absorption in Indonesia

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ABSTRACT

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The research to determine the effect of commercial bank lending on economic growth and employment absorption in Indonesia. The data sources used are BPS, Bank Indonesia, and OJK. The data collection method is using periodic report data (time series) for 2007-2017. The method is quantitative analysis, using path analysis. The results: commercial bank credit has a direct effect on economic growth; commercial bank credit has a direct effect on employment absorption; Economic growth does not directly affect employment absorption; Commercial bank credit has no indirect effect on employment absorption through economic growth.

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Introduction

Economy growth is indicator development the country 's economy (Sukirno, 2013). For it is necessary existence financing, one of them from sector banking. Sector banking have sufficient proportion share for move growth economy. This thing involved from total credit banking used for financing. Utilization of sourced funds from community and saved in the banking world, bringing role in circulation banking and economics macro. Besides that, as institution working intermediary as transmission policy Central Bank monetary also plays a role in activity economy. So that the bank becomes one of the object important in effectiveness policy monetary (Syahfitri, 2013).

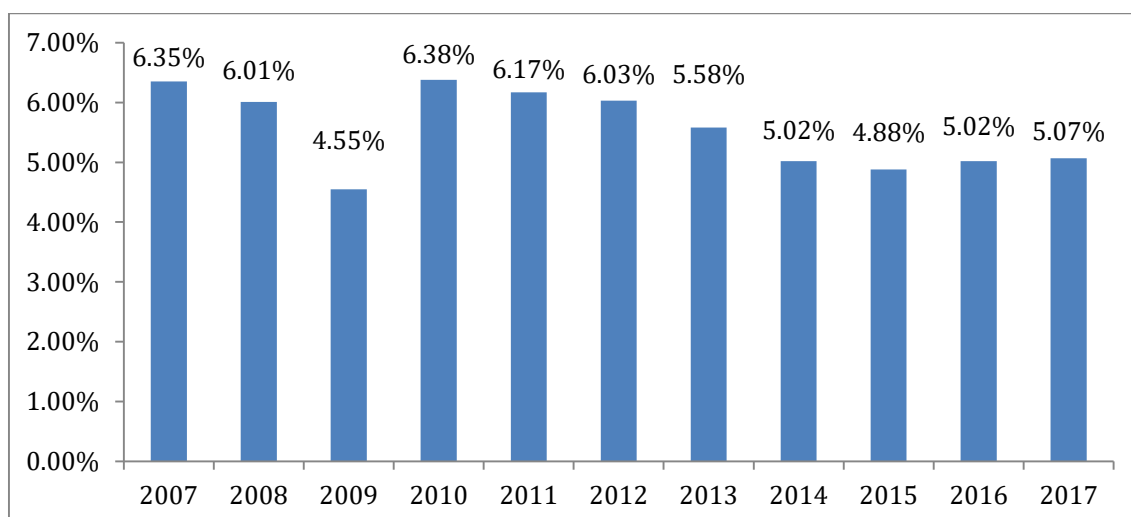
Since 2007 to with 2017, distribution credit *commercial banks* based on type use Keep going increase. Based on Table 1. can see if distribution credit *commercial banks* based on type use no once decrease from 2007 to 2017.

Table 1. Credit Commercial Banks 2007–2017 (Billion Rp.)

Year	Credit Commercial Banks (Billion Rp)
2007	1.002.011
2008	1.307.689
2009	1.437.930
2010	1.765.844
2011	2.200.093
2012	2.707.862
2013	3.283.874
2014	3.674.309
2015	4.057.904
2016	4.377.195
2017	4.737.972

Source: Bank Indonesia, Financial Services Authority, Statistics Indonesian Banking (2021)

(Lee, 2015) say there is connection variable finance with variable real. Connection that seen from request products finance with growth economy. Following Figure 1, growth Indonesian economy in 2007-2017 which experienced development fluctuating.



Source: Central Bureau of Statistics (2021)

Figure 1. Growth Indonesian Economy In 2007-2017

(Todaro, 2003) states tall low development a country is measured from National Gross National Product (GNP) nor per capita. State this will bring effect *trickledown effect* to field profession as well as life social economy. Whereas economy classic explain factor growth economy, namely "population, total stock of goods and capital, land area and natural wealth and level of technology " (Sukirno, 2013). Growth economy that sees residents as one factor of production will Upgrade total labor *force* as well as push *induced investment* and growth economy (Gravitiani, 2006). Following is development total absorption power work period 2007-2017 by employment status major in Indonesia served Table 2:

Table 2. Employment Absorption 2007-2017

Year	Absorption of Employment (Person)
2007	99.930.217
2008	102.552.750
2009	104.870.663
2010	108.207.767
2011	107.416.309
2012	112.504.868
2013	112.761.072
2014	114.628.026
2015	114.819.199
2016	118.411.973
2017	121.022.423

Source: Central Bureau of Statistics (2021)

Table 2, employment absorption in Indonesia in 2007-2017, experienced increase, except in 2011 where occur a little drop from 108,207,767 people/person in 2010 to 107,416,309 people/person in 2011 or reduce amounted to 791,458 inhabitants/person.

Causality sector banking to growth economy already many researched, however there is different results. Study Rajan & Zingales (1998) and Demirgüç & Maksimovic (2002) show impact negative credit banking to growth economy. However, there are difference results research. Augier, and Soedarmono (2011); Crouzille et al. (2012); and (Deidda, L., & Fattouh, 2012) explain connection positive sector financial with growth economy

Besides study regarding the banking sector and growth economy. There is results study impact credit banking to growth economy. Beck (2012) and (Sassi, S. and Gasmi, 2014) show that impact credit banking have impact positive to growth economy in various countries. However, Enrico (2012) and Samargandi et al. (2015) shows that impact credit banking have impact negative to growth economy.

(Rustiono, 2008) examines the effect of investment, labour, and government spending on economic growth. The result, the labour force has a positive impact on economic growth. However Sangdji (2016) explain that the labour force has a negative impact on growth economy.

The result of the research above, there are difference results research (*research gap*) between distribution credit banking to growth economy and labor absorption. Thus, the authors are interested in studying the effect of commercial bank lending on economic growth and labor absorption in Indonesia in the period 2007-2017

Method

The research uses *time series data*. Data includes credit *commercial banks*, growth economics, as well as absorption data power working in Indonesia period year 2007-2017. Data sources are secondary data obtained from BPS, BI, and OJK. Type study is study quantitative. Technique use Path Analysis / *Path Analysis*.

Results and Discussion

Variable research: Credit *Commercial Banks* (X), Economic Growth (Y1), and Employment Absorption (Y2). Analysis path, distinguished becomes 2, namely the coefficient Paths I and II are listed in Tables 3 and 4:

Table 3. Value of Path Coefficient of Diversity I

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.580 ^a	.336	.262	.0056960

a. Predictors: (Constant), X Credit Commercial Banks

Coefficient value determination 0.336 or 33.6%. This thing means diversity growth economy that can explained by variable credit *commercial banks* are by 33.6%, while the other 66.4% explained by other variables outside of the variables used researcher.

Table 4. Output Path Coefficient I

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.064	.004		15.329	.000
	X_Credit Commercial Banks	-2.900E-09	.000	-.580	-2.134	.062

a. Dependent Variable: Y1_Economic Growth

Coefficient path I for test influence direct among variable Credit *Commercial Banks* (X) against Economic Growth (Y1). If mark significance (*p-value*) $\leq 10\%$, then the hypothesis influential, will but if mark significance (*p-value*) $> 10\%$ then the hypothesis no influential. SPSS results, value significance (*p-value*) = 0.062 $< 10\%$, meaning H_0 rejected, then there is influence direct Among variable Credit *Commercial Banks* (X) against Economic Growth (Y1). The result analysis on coefficient path II is presented in table 5.:

Table 5. Value of Pathway Coefficient of Diversity II

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.975 ^a	.951	.939	1643540.427

a. Predictors: (Constant), Y1_Economic Growth, X_Credit Commercial Banks

Coefficient value determination of 0.951 or 95.1%. This means that the diversity of employment absorption that can be explained by the *commercial bank credit variable* and

economic growth is 95.1%, while the other 4.9% is explained by other variables outside the research model.

Table 6. Output Path Coefficient II

Coefficients ^a						
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
(Constant)	94439107.300	6229466.119		15.160	.000	
1 X_Credit CommercialBanks	4.994	.481	.999	10.380	.000	
Y1_Economic Growth	42101570.933	96180629.360	.042	.438	.673	

a. Dependent Variable: Y2_ S absorption

Coefficient path II for test influence direct among variable *Credit Commercial Banks* (X) against Employment Absorption (Y2), variable Economic Growth (Y1) against Employment Absorption (Y2), and test influence no direct among variable *Credit Commercial Banks* (X) against Employment Absorption (Y2) through Economic Growth (Y1). SPSS calculation for test influence direct variable *Credit Commercial Banks* (X) against Employment Absorption (Y2), value the significance (*p-value*) = 0.000 < 10%, meaning H_0 rejected, then there is influence among variable *Credit Commercial Banks* (X) against Employment Absorption (Y2) so that *Credit Commercial Banks* (X) direct influence and significant to Employment Absorption (Y2) in Indonesia.

For test influence direct Economic Growth (Y1) against Employment absorption (Y2), value the significance (*p-value*) = 0.673 < 10%, meaning H_0 accepted, then no there is influence economic growth (Y1) against employment absorption (Y2). So that economic growth (Y1) no influential by direct to employment absorption (Y2) in Indonesia.

To test the indirect effect of the *Commercial Banks Credit variable* (X) on Employment Absorption (Y2) through Economic Growth (Y1), it is done by multiplying the beta between X against Y1 and Y1 against Y2, which is as follows:

$$\begin{aligned} \text{Beta } (X \rightarrow Y_1 \rightarrow Y_2) &= \text{Beta } (X \rightarrow Y_1) \times \text{Beta } (Y_1 \rightarrow Y_2) \\ &= (-0,58) \times (0,042) = -0,0244 \end{aligned}$$

Influence value direct between X and Y2 is as big as 0,999 and the indirect effect is equal to -0,0244. If, the researcher to do the test two direction or *two tails* so mark absolute/minus removed so that becomes 0.0244. If second mark the compared, then mark influence direct bigger than mark influence no straight away. This result show by no direct X no influential significant against Y2 through Y1. So that *Credit Commercial Banks* (X) no influential by no direct to employment absorption (Y2) through Economic Growth (Y1) in Indonesia.

Coefficient line 1, R^2 of 0.336, with an error of 1 of $\sqrt{1 - 0,336} = 0,8149$. Coefficient line 2, R^2 of 0.951 with an error of 2 of $\sqrt{1 - 0,951} = 0,2214$. Diagram analysis path (*path analysis*) is shown in Figure 2 below this:

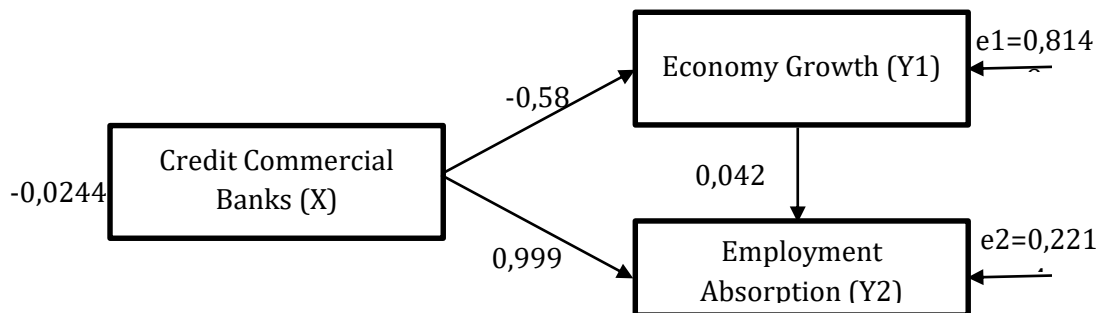


Figure 2. Path Analysis Result Diagram

The result chart analysis track on seen that credit *commercial banks* influence to growth economy is of -0.58 with coefficient negative. This thing means every enhancement mark credit *commercial banks* of 1 billion Rupiah so will impact to drop growth economy by 0.58%. Effect exerted credit *commercial banks* against s catch power work is of 0.999 with coefficient positive. This thing means every enhancement mark credit *commercial banks* of 1 billion Rupiah so will impact to enhancement s catch power work by 0.99%. The effect given by economic growth on employment absorption is 0.042 with a positive coefficient. This means that every 1% increases in the value of economic growth will have an impact on increase of employment absorption by 0.042%. The effect of commercial bank credit on employment absorption through economic growth is $-0.58 \times 0.042 = -0.0244$ with a negative coefficient. This means that every increase in the credit value of commercial banks by 1 billion Rupiah will have an impact on decreasing employment absorption by 0.0244% through economic growth variables.

Conclusion

Based on the results of research on the influence of distribution *commercial banks* credit (X) on economic growth (Y1) and employment absorption (Y2) in Indonesia in 2007-2017 can be concluded: there is and influence significant direct among variable credit *commercial banks* (X) against growth economy (Y1); there is a significant direct effect between *commercial banks* kredit credit variables (X) to employment absorption (Y2); Growth economy (Y1) no have a direct and significant effect on employment absorption (Y2); and by no direct *commercial bank* credit (X) no influential significant to employment absorption (Y2) through growth economy (Y1).

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