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Strengthening Financial Intermediation: A Prospect of Sustainable Economic Growth in Indonesia

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ABSTRACT: *Indonesian Economy has remained to date maintained driven by domestic demand, mainly driven by private and government consumption, but economic performance in the regions faces challenges due to global uncertainty which in turn affects overseas export demand from various regions. Overall, Indonesia's economic growth is estimated to be below the midpoint of the range of 5.0% - 5.4%, with domestic demand as the main source of growth.And the intermediary performance of financial service institutions is still growing strong.*

This research tries to identify various factors that influence economic and financial growth in Indonesia. The data analysis technique used is time series analysis to determine past data patterns such that measurements can be obtained that can be used to make decisions. So as to be able to contribute in strengthening Indonesia's economic fundamentals.

KEYWORDS *: Financial Intermediation, Economic Fundamentals, Economic Growth*

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I. INTRODUCTION AND LITERATURE REVIEW

Indonesia is a strategic country because it is located between 2 continents, Asia and Australia and 2 oceans, the Pacific and Indian. Based on the results of the OECD (survey, the Organization for Economic Co-operation and Development)Indonesian economy has grown positively, making economic resilience even stronger and more inclusive, even though the OECD projects Indonesia's economic growthin 2020 to hold at 5 percent. This projection is lower than the IMF and World Bank projections that predict Indonesia's economic growth at 5.1 percent and the Asian Development Bank (ADB) which projects at 5.2 percent. According to the OECD, the Indonesian economy will be supported by an increase in labor force, expansion of social assistance, and a decrease in interest rates that spur growth in domestic consumption. Household consumption alone is projected to grow 5.2 percent. The OECD projects that there is a risk of capital outflows from developing countries such as Indonesia that could encourage monetary authorities to increase the benchmark interest rate. This will ultimately reduce domestic consumption and investment.

Previously, Indonesia was often mentioned as the right candidate to be included in the BRIC group of countries (Brazil, Russia, India and China). Another group that is often mentioned earlier - which is part of the acronym CIVETS (ie Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa) - also received attention because its members have a fairly sophisticated financial system and a fast-growing population. A few years ago the gross domestic product(GDP) of CIVETS was estimated to contribute about half of the global economy in 2020. However, due to the prolonged global economic slowdown after 2011 we rarely hear the terms BRIC and CIVETS again.

The Indonesian economy is a market economy in which state-owned enterprises (BUMN) and large private business groups (conglomerates) play an important role. There are hundreds of diversified private groups doing business in Indonesia (but they constitute a small part of the total number of companies active in Indonesia). Together with the SOEs they dominate the domestic economy. This also means that wealth is concentrated in the upper part of society (and there is usually a close relationship between the corporate elite and the political elite in the country). other than thatMicro, small and medium enterprises in Indonesia, together contributing 99 percent of the total number of active companies in Indonesia, are no less important. They contribute about 60 percent of Indonesia's GDP and create jobs for nearly 108 million Indonesians. This means that micro, small and medium enterprises are the backbone of the Indonesian economy.

Policies and strategies The Indonesian economy focuses on 3 main strategies namely strengthening the trade balance. Second, strengthening domestic demand. Third, structural transformation. Where to strengthen the trade balance, the Government focuses on increasing exports through the development of export-oriented horticulture and the acceleration of international negotiations. In addition, the Government is also committed to reducing import dependency through the synergy of SOEs in accelerating the mandatory B30, TPI / TPPI restructuring, and developing the coal gasification business. In addition to strengthening domestic demand, the Government will increase public consumption through KUR policy, the application of pre-employment cards, and the ease of Halal Certification for MSEs. Then to increase government consumption will be achieved by accelerating and expanding the digitization of regional transactions. Whereas the structural transformation was carried out through the revitalization of the processing industry, the transformation of the service sector, the transformation of agriculture, sustainable infrastructure development, and mining downstreaming.

Economically the Indonesian state has a dependency on international trade, production and finance. Therefore the Indonesian state is vulnerable to international pressures and globalization (Suprijanto, 2011) as well as global dynamics influenced by conditions in the United States causing economic turmoil for Indonesia so that it requires ammunition and strategies in the form of a policy mix to deal with these pressures so that Indonesia's economic fundamentals remain strong and able to mitigate the risk of weakening the rupiah.

Diera Industrial Revolution 4.0 Indonesia has set four strategic steps in dealing with this era, namely: First, encourage the workforce in Indonesia to continue to improve their capabilities and skills, especially in using internet technology of things or integrating internet capabilities with production lines in the industry. Second, the use of digital technology to spur productivity and competitiveness for small and medium industries (IKM) to be able to penetrate the export market through the E-smart IKM program. Third, the use of digital technology that is more optimal in national industries such as Big Data, Autonomous Robots, Cybersecurity, Cloud, and Augmented Reality. Fourth, encourage technological innovation through startup development by facilitating business incubation so that more technology-based entrepreneurs in the Indonesian region. (Satya, VE, 2018). So that the economic transformation carried out by the government will encourage private investment including the development of economic clusters based on tourism, industry, downstreaming and agriculture and fisheries, including MSMEs. (Harefa, M., 2017).

In the past 5 years (2015-2019 period) the Quarterly Gross Domestic Product Growth Rate (GDP) can be seen in the following:

TableTable 1: 2017-2019 Quarterly GDP Growth Rate (Percent)year on year/ *yoy*

2017				2018				2019		
Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**
5,01	**5,01**	**5,06**	**5,19**	**5,06**	**5,27**	**5,17**	**5,18**	**5,07**	**5,05**	**5,02**

Source: Statistics Indonesia, 2019

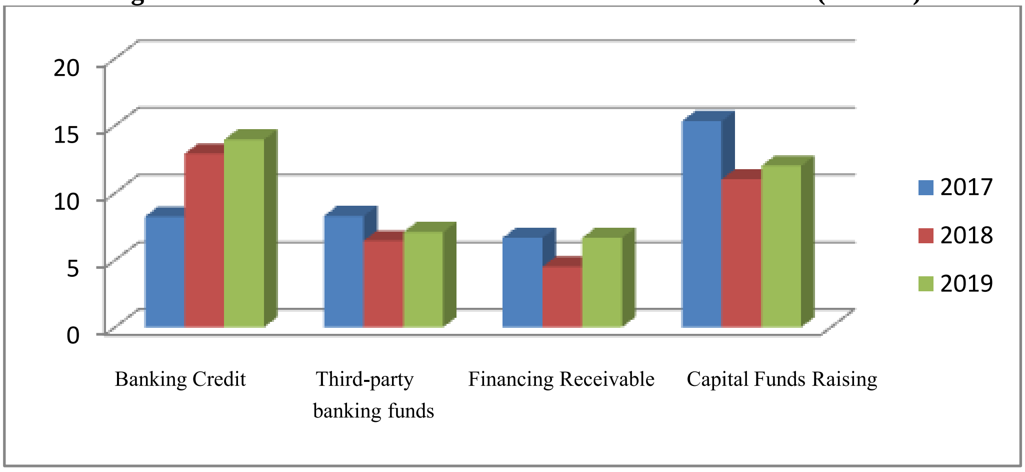
From table 1 it can be seen that Indonesia's economic growth only moves in the range of 5% (*year on year*/ yoy) which tends to slow down compared to the rate of economic growth in the previous quarter. The slowdown was driven by the not quite good performance realization on various economic growth indicators. Slowing household consumption, which is still the main pillar of economic growth, is indicated by the decline in retail sales and the decline in farmer exchange rates. In addition, sales growth in the same outlets of several retail companies also showed a declining trend.This growth is better than other countries whose decline is already too steep. such as China from 6.5 percent to 6 percent (yoy), the US from 3.1 percent to 2 percent (yoy), and Singapore from 2.6 percent to 0.1 percent (yoy). (Fika Nurul Ulya, 2019)

Based on Bank Indonesia Regulation Number 20/4 / Pbi / 2018 Regarding Macroprudential Intermediation Ratio and Macroprudential Liquidity Buffer For Conventional Commercial Banks, Sharia Commercial Banks, and Sharia Business Units, wherein the regulation describes banks as an institution intermediation that brings together two parties with different interests, both in the collection and investment of funds, as well as in other banking services including payment traffic services. Related to this matter The Financial Services Authority (OJK), which is incorporated in the Financial System Stability Committee (KSSK), views that financial system stability, especially in the financial services sector, is still maintained until 2019. OJK also assesses that the performance of financial intermediation is still solid with bank credit growth still at double digit levels and supported with a risk profile maintained at a low level. Meanwhile , bank credit growth was driven by productive loans, namely investment loans which grew by 13.96% and working capital loans which grew by 12.75%. In addition, bank lending is driven by 4 sectors whose credit growth is higher than the industry average, namely the mining sector; electricity, gas and water; construction; and transportation. On the other hand financing from financial institutions as of February 2019 still grew positively to reach 4.61% yoy with Non Performing Financing (NPF) of finance companies which were relatively maintained at 2.70%.

In the capital market, in the first quarter of 2019, non-resident investors recorded net buy in the stock market and the SBN market, amounting to Rp12.13 trillion and Rp73.87 trillion, respectively, as pressure from global financial markets eased. Meanwhile. raising funds in the Capital Market reached Rp.28.34 trillion. Overall positive intermediation performance was supported by a high level of capital in financial service institutions with Capital Adequacy Ratio (CAR) at the level of 23 86%. Sedangkan Risk-Based Capital (RBC) for general insurance and life insurance respectively by 316%. For the banking liquidity indicator, it is still at a manageable level with the LA / DPK ratio recorded at 22.33% AL / NCD at 107.25% and the LCR recorded at 218.45%, still at its threshold limit.

For a clearer picture of the performance of financial intermediation during 2017 - 2019 as follows:

Figure 1: Financial Intermediation Performance in 2017-2019 (Percent)



Source: Financial Services Authority, 2019 The

Increase in interest rates and liquidity has driven slowing of bank credit in 2017 as well as the growth of Third Party Funds (DPK) where DPK is based on foreign exchange with depreciation in the value of the rupiah so that the growth of DPK in 2018 has decreased. Data from the Financial Services Authority (FSA) on the statistics of financial institutions shows that the total financing receivables from 2017 reached Rp 406.51 trillion, amounting to Rp. 373.17 trillion is conventional financing, while the remaining Rp33.34 trillion is Islamic financing. Whereas the Financial Services Authority (OJK) recorded that in 2017 the total fund collection in the capital market experienced growth. Furthermore, pooling has reached Rp. 257.02 trillion and of funds in raising funds in the capital market the capital market *(fundraising)*in 2018 shrank compared to last year's achievements and has strengthened again in 2019.

This condition has encouraged Government Policy to encourage the banking intermediation function through macroeconomic stability is the main prerequisite for financial system stability; in financial system stability (financial crisis) in addition to influencing bank liquidity, has also led to an increase in problem loans, which has resulted in a slowdown in credit growth and other financing. (Sri Haryati, 2009), in addition financial regulations are needed because intermediation cannot be excluded from trading on the capital market.(In Tella, S, 2019)

Based on these various problems, this research will explain the extent of the role of financial intermediation in increasing the acceleration of government performance and economic growth in Indonesia. Which will be focused on the factors driving economic growth in the financial sector.

The structure of this research starts from the background and current conditions of Indonesia's economic growth by revealing various empirical evidence and theoretical approaches from various previous studies as supporting the phenomenon to be revealed. Furthermore, it also explains the research methodology and data analysis that will uncover and solve research problems, so as to produce conclusions and suggestions in research.

1.2. Objectivity of Research The

object of this study is to identify various factors of financial intermediation that affect directly or indirectly on the Acceleration of Economic Growth as measured by Gross Domestic Product (GDP)

1.3. Research Methodology and Data Analysis

This research will explain the influence of Financial Intermediation Factors which include Banking Credit, Banking DPK, Financing Receivables and Funds Collection in the Capital Market that directly or indirectly affect the Acceleration of Economic Growth.

The Banking Credit Indicator is the Loan to Deposit Ratio, where if the LDR is high, the level of credit growth is high, so that the condition of bank liquidity is maintained.

Whereas Third Party Funds (DPK) are funds trusted by the public to banks in the form of demand deposits, time deposits, certificates of deposit, savings or which can be likened to it.

Financing Receivables are measured by Non Performing Loans for Conventional banking and Non Performing Financing for Sharia banking, which is the ratio of problem loans, or loans classified as substandard, doubtful and loss.

Fund raising in the capital market is calculated based on the debt to equity ratio, which is a financial ratio that shows the relative proportion between equity and debt to finance the company's assets. Debt to Equity Ratio is also known as the Leverage Ratio as a leverage ratio to measure how well the investment structure is carried out.

Gross Domestic Product (GDP) is the market value of all goods and services produced by a country in a certain period. GDP is one method for calculating national income. GDP can be calculated using two approaches, the expenditure approach and the income approach. The general formula for GDP with the expenditure approach is:

GDP =consumption+investment+government expenditure + (export-import)

While the income approach calculates the income received production factors

GDP =rent+wages+interest+profit

In this study the data used is secondary data in the form of a Report from Bank Indonesia. In the analysis of data, it will first be described descriptively of intermediation factors and then to see the direct or indirect effects of financial intermediation factors on Economic Growth using models multiple regression analysis with the help of analytical tools used to manage data is the SPSS 22 program (Statistical Product and Service Solution) for Windows. As for the Multiple Linear Regression Formula as follows: (Fadilah, MA, Putro, TS, & Mayes, A., 2017; Zhiltsov, YI, & Koreeva, EB, 2017)

$Y = \beta0 + \beta1X1 + \beta2X2 + \beta3X3 + \beta4X4 + \mu$

Remarks : Y = Economic Growth (Gross Domestic Product)

$\beta0$ = intercept $\beta1$ $\beta2$ $\beta3$ $\beta4$ = regression coefficient

X1 = financial intermediation variable Banking Credit

X2 = intermediate variable Banking DPK

X3 = Intermediate Variable Financing Receivables

X4 = Variable Fund Collection in Capital Market

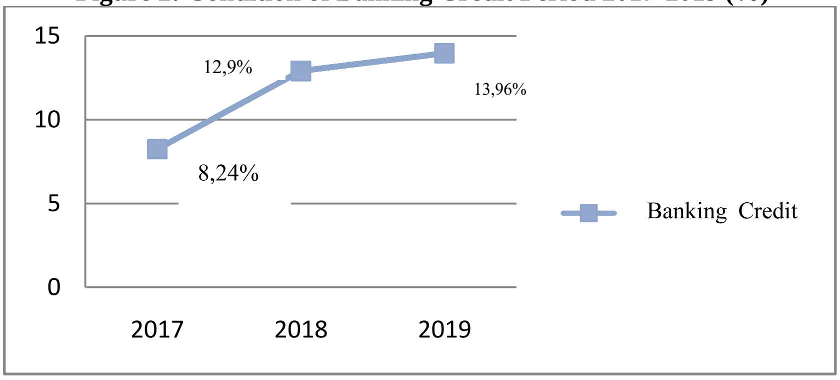
μ = variable random intruders

For more details about the results of descriptive analysis and the direct and indirect effects of intermediation factors on Economic Growth can be described in the following sections:

1.3.1. Descriptive Analysis Results of Financial Intermediation Factors of Banking Credit Indicators for Economic Growth

To see a descriptive analysis of the conditions of Financial Intermediation Factors with Banking Credit indicators can be presented in the following figure:

Figure 2: Condition of Banking Credit Period 2017-2019 (%)



Source: Secondary Data Processing, 2019

Based on Figure 2, the condition of bank credit in the last 3 years (2017-2019) showed a significant increase, so that the loan to deposit ratio was also high which affected the condition of bank liquidity was maintained.

Next to see the direct effect of bank credit on economic growth as measured by Brutto Domestic Products, namely:

Table 2. Results of Banking Credit Regression on Economic Growth (GDP)

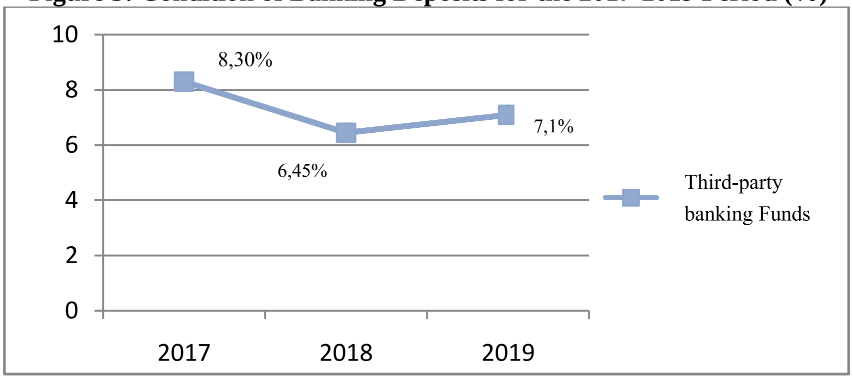
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	5,017	, 196		25,606	, 025
Credit	, 008	, 016	, 425	, 470	, 720

Source: SPSS Data Processing version 22, 2019

Based on the results of data processing shows there is a significant effect of Banking Credit on Economic growth of 42.5 % is in the sufficient category, it shows that if the bank credit measured by the Loan to Deposit ratio is high enough, bank liquidity will be high which will ultimately increase Gross Domestic Product in the form of Savings, Investment and consumption so that Economic Growth also increases.

1.3.2. Results of Analysis of Financial Intermediation Factors for Deposit Funds (Third Party Funds) Indicators for Economic Growth The
results of descriptive analysis of Banking Third Party Funds in the form of demand deposits, time deposits, certificates of deposit, savings can be seen in the following graph:

Figure 3: Condition of Banking Deposits for the 2017-2019 Period (%)



Source: Secondary Data Processing, 2019

Based on the graph above, it can be seen that the Third Party Funds of Banks in the last three years have tended to decline and experienced a slowdown, the slowdown in DPK growth was mainly due to the components of foreign currency demand deposits and time deposits. Foreign currency demand deposits were even negatively corrected apart from the slowdown in deposit growth in line with variable interest rate movements.
To see the extent of the direct influence of Third Party Funds on Economic Growth in the following table:

Table 3; Results of Banking DPK Regression on Economic Growth (GDP)

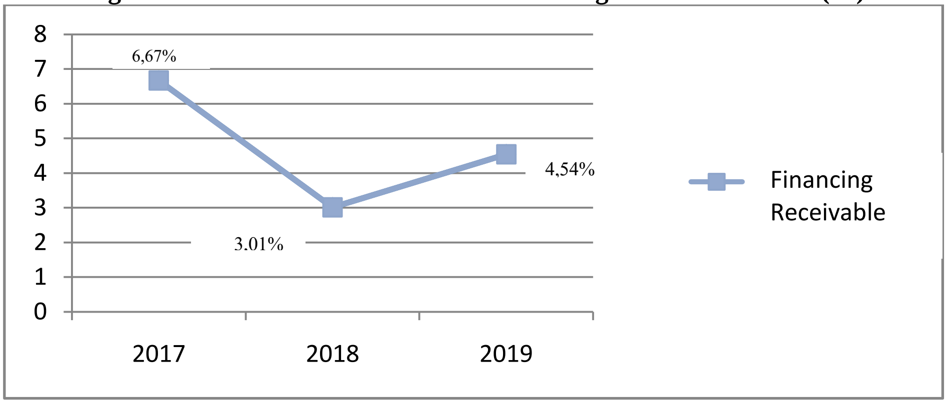
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	5,459	, 244		22,407	, 028
DPK	-, 048	, 033	-, 824	-1,453	, 384

Source: SPSS Data Processing version 22, 2019

Based on the results of data processing shows there is a negative influence of DPK Banking on economic growth of - 82.4%, it happened because the components of third-party funds were corrected negatively and slowed down so that it affected the low Gross Domestic Product in the form of Savings, Investment and consumption, thereby affecting the slowdown in Economic Growth.

1.3.3. Results of Analysis of Financial Intermediation Factors for Financing Receivables Indicators for Economic Growth
Based on the data collected, a descriptive analysis of Financing Receivables can be measured as measured by Non-Performing Loans for Conventional Banking and Non-Performing Financing for Sharia Banking for the 2017-2018 Period as follows:

Figure 4: Conditions of Receivables Financing Period 2017-2019 (%)



Source: Secondary Data Processing, 2019

From the graph it appears that Financing Receivables measured by NPL (Non Performing Loans) for Conventional Banking and Non Performing Financial for Islamic Banking in the last 3 years tend to decrease and are positive, although in 2019 there has been an increase but it is still below 5%, meaning that the number of bad loans has relatively decreased.
Meanwhile, to see the direct effect of Financing Receivables on Economic Growth as measured by Brutto Domestic Products, namely:

Table 4; Results of the Regression of Financing Receivables on Economic Growth (GDP)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)		5.229,075,		69.790	009
Receivables,	026	.015	.864	1.718,	336

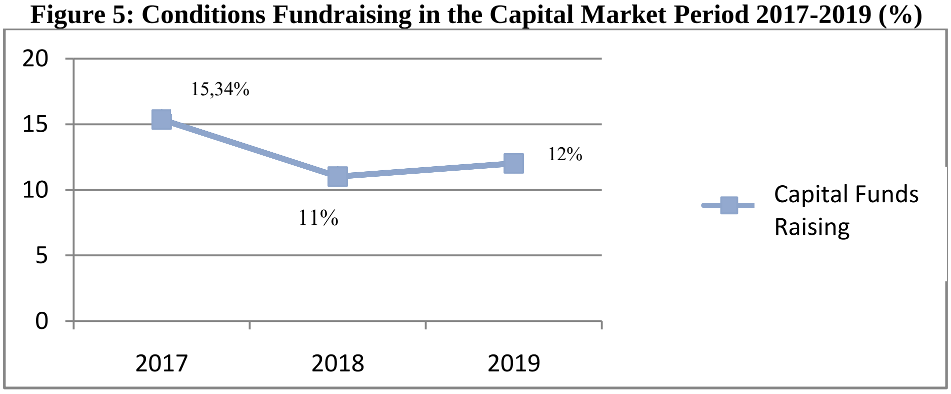
Sources: Data Processing SPSS version 22, 2019

Based on the regression calculation shows that there is a positive and significant effect of Financing Receivables Against Economic Growth, where The ratio of financing receivables as measured by NPL and NPF tends to decrease which means the number of bad credit ratios has decreased but has a positive impact on Economic Growth.

1.3.4. Results of Analysis of Financial Intermediation Factors Capital Fund Raising Indicators to Economic Growth

To find out the amount of Fund Raising in the Capital Market as measured by Debt to Equity Ratio to measure how well the investment structure is carried out can be seen in the following graph:

Figure 5: Conditions Fundraising in the Capital Market Period 2017-2019 (%)



Source: Secondary Data Processing, 2019

Based on the results of the analysis it appears that the collection of funds in the Capital Market 2017-2019 tends to decrease and starts to be corrected positively in 2019 with this condition indicating that investors are still willing to channel their funds through the capital market because of the certainty of return received.

Meanwhile, to see the direct effect of fund raising in the Capital Market on Economic Growth can be calculated by the following regression analysis:

Table 5; Fundraisers regression results in Capital Markets to Economic Growth (GDP)

Model	unstandardizedCoefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	5,337	, 210		25,444	, 025
FUNDS	, 018	, 016	, 742	1,107	, 468

Source: SPSS Data Processing version 22, 2019

Based on the results of data processing shows there is a positive influence of Fund Raising in the Capital Market on Economic Growth due to Market Presence capital has an important influence in the implementation of a country's national economic development, because the capital market is an alternative funding for both the government and private sector. So it can be concluded that there is a strong relationship between stock prices and macroeconomic performance. Capital market performance will react to macroeconomic changes such as changes in exchange rates, interest rates, and inflation.

1.3.3. Simultaneous Analysis Results of Financial Intermediation Factors on Economic Growth

Below is explained all the effects of these factors on Economic Growth as measured by Gross Domestic Product (GDP) as follows:

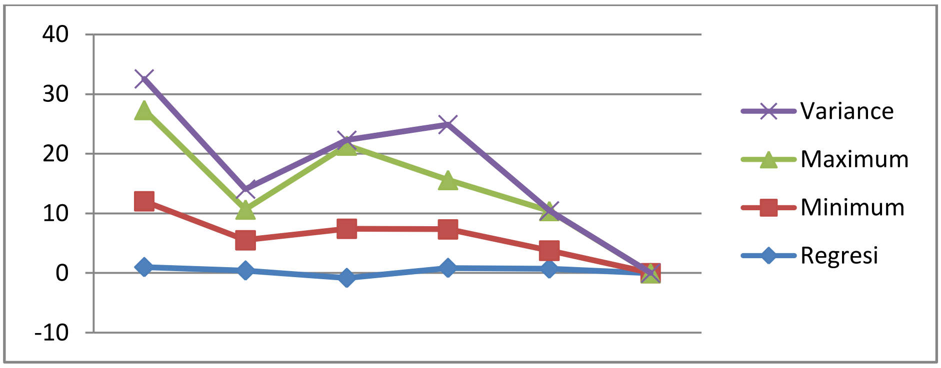
Table 6; Descriptive Statistics Calculation Results The Effects of Financial Intermediation Factors on Economic Growth (GDP)

	Gross Domestic Product	Banking Credit	Third-party banking Funds	Financing Receivable	Fundraising in the Capital Market
Mean	5,1067	11,7000	7,2833	4,7400	12,7800
Std. Deviation	,05508	3,04296	,93853	1,83818	2,27271
Variance	,003	9,260	,881	3,379	5,165
Minimum	5,07	8,24	6,45	3,01	11,00
Maximum	5,17	13,96	8,30	6,67	15,34

Source: SPSS Data Processing version 22, 2019

Furthermore, based on the table, the graph can be described as follows:

Figure 6: Overall Results of the Effects of Financial Intermediation Factors on Economic Growth Period 2017-2019



Source: SPSS Data Processing version 22, 2019

Based on the results of the analysis it can be explained that there are influences of Financial Intermediation Factors where overall each variable has a positive and significant value in increasing Economic Growth as measured by Gross Domestic Product. This indicates that if all the factors of financial intermediation which include bank loans with a size of Loan To Deposit Ratio, Banking deposits in the form of savings, deposits, financing receivables with NPL and NPF size and fund collection in the Capital Market with a size of Debt to Equity ratio shows a positive increase is then able to increase the acceleration of government performance and economic growth in Indonesia.

II. FINDINGS AND INTERPRETATION

This study identifies financial intermediation factors that can increase the acceleration of Economic Growth as measured by Gross Domestic Product (GDP) which includes consumption, investment, government spending, exports and imports.

The data analysis technique used in this study is a simple regression analysis that tries to influence the financial intermediation factors which include Banking Credit. Perbanomi Third Party Funds.

In this study it was found that the Indonesian economy grew positively so as to make economic resilience stronger and more inclusive, even though Indonesia faced pressures of weakening of the rupiah exchange rate, for that the Government issued Policies to encourage the banking intermediary function through macroeconomic stability which are the main prerequisites for achieving financial system stability. Where the financial system stability is still maintained because the Indonesian economy will be supported by an increase in labor force, expansion of social assistance, and a decrease in interest rates that spur growth in domestic consumption.

Based on the results of the study there is a positive influence of financial intermediation factors consisting of bank credit as measured by a high Loan to Deposit ratio, hence bank liquidity will be high, which in turn can increase Gross Domestic Product in the form of Savings, Investment and consumption so that Economic Growth also increases . Furthermore, there is a negative influence of DPK Banking on economic growth. it happened because the components of third party funds were corrected negatively and slowed down so that it affected the low Gross Domestic Product. Next there is a positive and significant influence of Financing Receivables on Economic Growth, where the ratio of financing receivables as measured by NPLs and NPF tends to decrease which means the number of bad credit ratios has decreased but has a positive effect on Economic Growth, most recently Funds Collection on the Market tends to decrease but starts corrected positively in the final period where investors were willing to channel their funds through the capital market because of the certainty of return received. So there is a positive influence of pooling of funds in the Capital Market on Economic Growth. Finally, overall the factors of financial intermediation have a positive influence on economic growth.

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LEMBAR

HASIL PENILAIAN SEJAWAT SEBIDANG ATAU PEER REVIEW

ATAS NAMA Dr. Nurdiana Mulyatini, S.E., M.M.

KARYA ILMIAH : JURNAL ILMIAH

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[ ] Jurnal Ilmiah Nasional Tidak Terakreditasi

Hasil Penilaian Peer Review

Komponen yang Dinilai	Nilai Maksimal Jurnal Ilmiah			Nilai Akhir Yang Diperoleh
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a. Kelengkapan Unsur Isi Artikel (10%)	2			1,5
b. Ruang Lingkup & Kedalaman Pembahasan (30%)	6			5
c. Kecukupan & Kemutakhiran Data/Informasi & Metodologi (30%)	6			5
d. Kelengkapan Unsur & Kualitas terbitan/Jurnal (30%)	6			5
Total= (100%)	20			16,5

CATATAN PENILAIAN :

Secara keseluruhan kelengkapan dan isi artikel serta ruang lingkup dan kedalaman pembahasan, kemutakhiran data terbaru bagus, tetapi daftar pustaka yang digunakan sangat terbatas.

Ciamis, 23 Pebruari 2021

Reviewer 1 / ~~2~~

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Jabatan Fungsional : Lektor Kepala

Unit Kerja : Fakultas Ekonomi Univ. Galuh

Bidang Ilmu : Manajemen

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HASIL PENILAIAN SEJAWAT SEBIDANG ATAU PEER REVIEW

ATAS NAMA Dr. Nurdiana Mulyatini, S.E., M.M.

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Strengthening Financial Intermediation: A Prospect of Sustainable Economic Growth in Indonesia

by Nurdiana Mulyatini

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Strengthening Financial Intermediation: A Prospect of Sustainable Economic Growth in Indonesia

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ABSTRACT: *Indonesian Economy has remained to date maintained driven by domestic demand, mainly driven by private and government consumption, but economic performance in the regions faces challenges due to global uncertainty which in turn affects overseas export demand from various regions. Overall, Indonesia's economic growth is estimated to be below the midpoint of the range of 5.0% - 5.4%, with domestic demand as the main source of growth.And the intermediary performance of financial service institutions is still growing strong.*

This research tries to identify various factors that influence economic and financial growth in Indonesia. The data analysis technique used is time series analysis to determine past data patterns such that measurements can be obtained that can be used to make decisions. So as to be able to contribute in strengthening Indonesia's economic fundamentals.

KEYWORDS *: Financial Intermediation, Economic Fundamentals, Economic Growth*

Date of Submission: 18-01-2020 Date of Acceptance: 06-02-2020

I. INTRODUCTION AND LITERATURE REVIEW

Indonesia is a strategic country because it is located between 2 continents, Asia and Australia and 2 oceans, the Pacific and Indian. Based on the results of the OECD (survey, the Organization for Economic Co-operation and Development)Indonesian economy has grown positively, making economic resilience even stronger and more inclusive, even though the OECD projects Indonesia's economic growthin 2020 to hold at 5 percent. This projection is lower than the IMF and World Bank projections that predict Indonesia's economic growth at 5.1 percent and the Asian Development Bank (ADB) which projects at 5.2 percent. According to the OECD, the Indonesian economy will be supported by an increase in labor force, expansion of social assistance, and a decrease in interest rates that spur growth in domestic consumption. Household consumption alone is projected to grow 5.2 percent. The OECD projects that there is a risk of capital outflows from developing countries such as Indonesia that could encourage monetary authorities to increase the benchmark interest rate. This will ultimately reduce domestic consumption and investment.

Previously, Indonesia was often mentioned as the right candidate to be included in the BRIC group of countries (Brazil, Russia, India and China). Another group that is often mentioned earlier - which is part of the acronym CIVETS (ie Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa) - also received attention because its members have a fairly sophisticated financial system and a fast-growing population. A few years ago the gross domestic product(GDP) of CIVETS was estimated to contribute about half of the global economy in 2020. However, due to the prolonged global economic slowdown after 2011 we rarely hear the terms BRIC and CIVETS again.

The Indonesian economy is a market economy in which state-owned enterprises (BUMN) and large private business groups (conglomerates) play an important role. There are hundreds of diversified private groups doing business in Indonesia (but they constitute a small part of the total number of companies active in Indonesia). Together with the SOEs they dominate the domestic economy. This also means that wealth is concentrated in the upper part of society (and there is usually a close relationship between the corporate elite and the political elite in the country). other than thatMicro, small and medium enterprises in Indonesia, together contributing 99 percent of the total number of active companies in Indonesia, are no less important. They contribute about 60 percent of Indonesia's GDP and create jobs for nearly 108 million Indonesians. This means that micro, small and medium enterprises are the backbone of the Indonesian economy.

Policies and strategies The Indonesian economy focuses on 3 main strategies namely strengthening the trade balance. Second, strengthening domestic demand. Third, structural transformation. Where to strengthen the trade balance, the Government focuses on increasing exports through the development of export-oriented horticulture and the acceleration of international negotiations. In addition, the Government is also committed to reducing import dependency through the synergy of SOEs in accelerating the mandatory B30, TPI / TPPI restructuring, and developing the coal gasification business. In addition to strengthening domestic demand, the Government will increase public consumption through KUR policy, the application of pre-employment cards, and the ease of Halal Certification for MSEs. Then to increase government consumption will be achieved by accelerating and expanding the digitization of regional transactions. Whereas the structural transformation was carried out through the revitalization of the processing industry, the transformation of the service sector, the transformation of agriculture, sustainable infrastructure development, and mining downstreaming.

Economically the Indonesian state has a dependency on international trade, production and finance. Therefore the Indonesian state is vulnerable to international pressures and globalization (Suprijanto, 2011) as well as global dynamics influenced by conditions in the United States causing economic turmoil for Indonesia so that it requires ammunition and strategies in the form of a policy mix to deal with these pressures so that Indonesia's economic fundamentals remain strong and able to mitigate the risk of weakening the rupiah.

Diera Industrial Revolution 4.0 Indonesia has set four strategic steps in dealing with this era, namely: First, encourage the workforce in Indonesia to continue to improve their capabilities and skills, especially in using internet technology of things or integrating internet capabilities with production lines in the industry. Second, the use of digital technology to spur productivity and competitiveness for small and medium industries (IKM) to be able to penetrate the export market through the E-smart IKM program. Third, the use of digital technology that is more optimal in national industries such as Big Data, Autonomous Robots, Cybersecurity, Cloud, and Augmented Reality. Fourth, encourage technological innovation through startup development by facilitating business incubation so that more technology-based entrepreneurs in the Indonesian region. (Satya, VE, 2018). So that the economic transformation carried out by the government will encourage private investment including the development of economic clusters based on tourism, industry, downstreaming and agriculture and fisheries, including MSMEs. (Harefa, M., 2017).

In the past 5 years (2015-2019 period) the Quarterly Gross Domestic Product Growth Rate (GDP) can be seen in the following:

TableTable 1: 2017-2019 Quarterly GDP Growth Rate (Percent)year on year/ *yoy*

2017				2018				2019		
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
5,01	5,01	5,06	5,19	5,06	5,27	5,17	5,18	5,07	5,05	5,02

Source: Statistics Indonesia, 2019

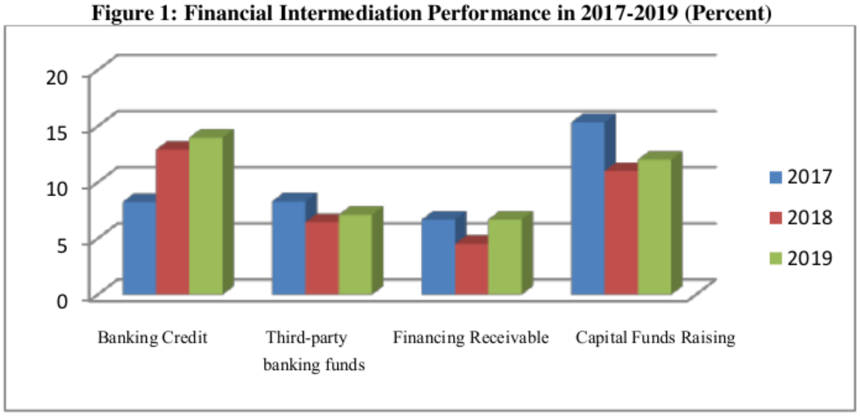
From table 1 it can be seen that Indonesia's economic growth only moves in the range of 5% (*year on year*/ yoy) which tends to slow down compared to the rate of economic growth in the previous quarter. The slowdown was driven by the not quite good performance realization on various economic growth indicators. Slowing household consumption, which is still the main pillar of economic growth, is indicated by the decline in retail sales and the decline in farmer exchange rates. In addition, sales growth in the same outlets of several retail companies also showed a declining trend.This growth is better than other countries whose decline is already too steep. such as China from 6.5 percent to 6 percent (yoy), the US from 3.1 percent to 2 percent (yoy), and Singapore from 2.6 percent to 0.1 percent (yoy). (Fika Nurul Ulya, 2019)

Based on Bank Indonesia Regulation Number 20/4 / Pbi / 2018 Regarding Macroprudential Intermediation Ratio and Macroprudential Liquidity Buffer For Conventional Commercial Banks, Sharia Commercial Banks, and Sharia Business Units, wherein the regulation describes banks as an institution intermediation that brings together two parties with different interests, both in the collection and investment of funds, as well as in other banking services including payment traffic services. Related to this matter The Financial Services Authority (OJK), which is incorporated in the Financial System Stability Committee (KSSK), views that financial system stability, especially in the financial services sector, is still maintained until 2019. OJK also assesses that the performance of financial intermediation is still solid with bank credit growth still at double digit levels and supported with a risk profile maintained at a low level. Meanwhile , bank credit growth was driven by productive loans, namely investment loans which grew by 13.96% and working capital loans which grew by 12.75%. In addition, bank lending is driven by 4 sectors whose credit growth is higher than the industry average, namely the mining sector; electricity, gas and water; construction; and transportation. On the other hand financing from financial institutions as of February 2019 still grew positively to reach 4.61% yoy with Non Performing Financing (NPF) of finance companies which were relatively maintained at 2.70%.

In the capital market, in the first quarter of 2019, non-resident investors recorded net buy in the stock market and the SBN market, amounting to Rp12.13 trillion and Rp73.87 trillion, respectively, as pressure from global financial markets eased. Meanwhile. raising funds in the Capital Market reached Rp.28.34 trillion. Overall positive intermediation performance was supported by a high level of capital in financial service institutions with Capital Adequacy Ratio (CAR) at the level of 23 86%. Sedangkan Risk-Based Capital (RBC) for general insurance and life insurance respectively by 316%. For the banking liquidity indicator, it is still at a manageable level with the LA / DPK ratio recorded at 22.33% AL / NCD at 107.25% and the LCR recorded at 218.45%, still at its threshold limit.

For a clearer picture of the performance of financial intermediation during 2017 - 2019 as follows:

Figure 1: Financial Intermediation Performance in 2017-2019 (Percent)



Source: Financial Services Authority, 2019 The

Increase in interest rates and liquidity has driven slowing of bank credit in 2017 as well as the growth of Third Party Funds (DPK) where DPK is based on foreign exchange with depreciation in the value of the rupiah so that the growth of DPK in 2018 has decreased. Data from the Financial Services Authority (FSA) on the statistics of financial institutions shows that the total financing receivables from 2017 reached Rp 406.51 trillion, amounting to Rp. 373.17 trillion is conventional financing, while the remaining Rp33.34 trillion is Islamic financing. Whereas the Financial Services Authority (OJK) recorded that in 2017 the total fund collection in the capital market experienced growth. Furthermore, pooling has reached Rp. 257.02 trillion and of funds in raising funds in the capital market the capital market *(fundraising)*in 2018 shrank compared to last year's achievements and has strengthened again in 2019.

This condition has encouraged Government Policy to encourage the banking intermediation function through macroeconomic stability is the main prerequisite for financial system stability; in financial system stability (financial crisis) in addition to influencing bank liquidity, has also led to an increase in problem loans, which has resulted in a slowdown in credit growth and other financing. (Sri Haryati, 2009), in addition financial regulations are needed because intermediation cannot be excluded from trading on the capital market.(In Tella, S, 2019)

Based on these various problems, this research will explain the extent of the role of financial intermediation in increasing the acceleration of government performance and economic growth in Indonesia. Which will be focused on the factors driving economic growth in the financial sector.

The structure of this research starts from the background and current conditions of Indonesia's economic growth by revealing various empirical evidence and theoretical approaches from various previous studies as supporting the phenomenon to be revealed. Furthermore, it also explains the research methodology and data analysis that will uncover and solve research problems, so as to produce conclusions and suggestions in research.

1.2. Objectivity of Research The

objective of this study is to identify various factors of financial intermediation that affect directly or indirectly on the Acceleration of Economic Growth as measured by Gross Domestic Product (GDP)

1.3. Research Methodology and Data Analysis

This research will explain the influence of Financial Intermediation Factors which include Banking Credit, Banking DPK, Financing Receivables and Funds Collection in the Capital Market that directly or indirectly affect the Acceleration of Economic Growth.

The Banking Credit Indicator is the Loan to Deposit Ratio, where if the LDR is high, the level of credit growth is high, so that the condition of bank liquidity is maintained.

Whereas Third Party Funds (DPK) are funds trusted by the public to banks in the form of demand deposits, time deposits, certificates of deposit, savings or which can be likened to it.

Financing Receivables are measured by Non Performing Loans for Conventional banking and Non Performing Financing for Sharia banking, which is the ratio of problem loans, or loans classified as substandard, doubtful and loss.

Fund raising in the capital market is calculated based on the debt to equity ratio, which is a financial ratio that shows the relative proportion between equity and debt to finance the company's assets. Debt to Equity Ratio is also known as the Leverage Ratio as a leverage ratio to measure how well the investment structure is carried out.

Gross Domestic Product (GDP) is the market value of all goods and services produced by a country in a certain period. GDP is one method for calculating national income. GDP can be calculated using two approaches, the expenditure approach and the income approach. The general formula for GDP with the expenditure approach is:

GDP =consumption+investment+government expenditure + (export-import)

While the income approach calculates the income received production factors

GDP =rent+wages+interest+profit

In this study the data used is secondary data in the form of a Report from Bank Indonesia. In the analysis of data, it will first be described descriptively of intermediation factors and then to see the direct or indirect effects of financial intermediation factors on Economic Growth using models multiple regression analysis with the help of analytical tools used to manage data is the SPSS 22 program (Statistical Product and Service Solution) for Windows. As for the Multiple Linear Regression Formula as follows: (Fadilah, MA, Putro, TS, & Mayes, A., 2017; Zhiltsov, YI, & Koreeva, EB, 2017)

$Y = \beta0 + \beta1X1 + \beta2X2 + \beta3X3 + \beta4X4 + \mu$

Remarks : Y = Economic Growth (Gross Domestic Product)

$\beta0$ = intercept $\beta1$ $\beta2$ $\beta3$ $\beta4$ = regression coefficient

X1 = financial intermediation variable Banking Credit

X2 = intermediate variable Banking DPK

X3 = Intermediate Variable Financing Receivables

X4 = Variable Fund Collection in Capital Market

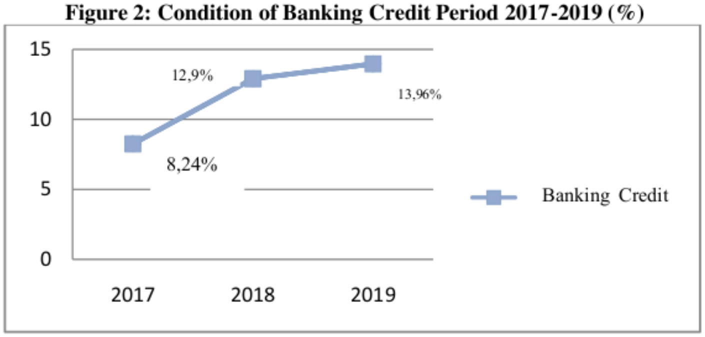
μ = variable random intruders

For more details about the results of descriptive analysis and the direct and indirect effects of intermediation factors on Economic Growth can be described in the following sections:

1.3.1. Descriptive Analysis Results of Financial Intermediation Factors of Banking Credit Indicators for Economic Growth

To see a descriptive analysis of the conditions of Financial Intermediation Factors with Banking Credit indicators can be presented in the following figure:

Figure 2: Condition of Banking Credit Period 2017-2019 (%)



Source: Secondary Data Processing, 2019

Based on Figure 2, the condition of bank credit in the last 3 years (2017-2019) showed a significant increase, so that the loan to deposit ratio was also high which affected the condition of bank liquidity was maintained.

Next to see the direct effect of bank credit on economic growth as measured by Brutto Domestic Products, namely:

Table 2. Results of Banking Credit Regression on Economic Growth (GDP)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	5,017	,196		25,606	,025
Credit	,008	,016	,425	,470	,720

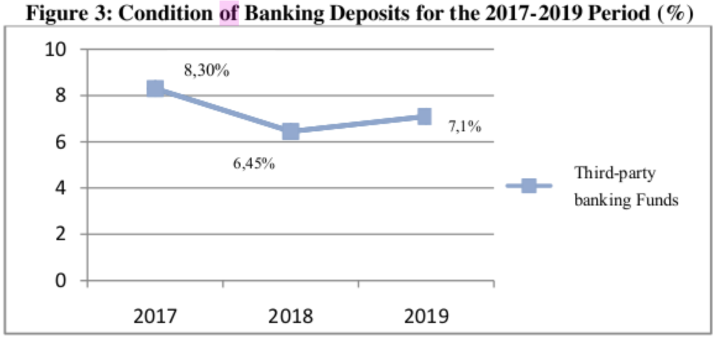
Source: SPSS Data Processing version 22, 2019

Based on the results of data processing shows there is a significant effect of Banking Credit on Economic growth of 42.5 % is in the sufficient category, it shows that if the bank credit measured by the Loan to Deposit ratio is high enough, bank liquidity will be high which will ultimately increase Gross Domestic Product in the form of Savings, Investment and consumption so that Economic Growth also increases.

1.3.2. Results of Analysis of Financial Intermediation Factors for Deposit Funds (Third Party Funds) Indicators for Economic Growth The

results of descriptive analysis of Banking Third Party Funds in the form of demand deposits, time deposits, certificates of deposit, savings can be seen in the following graph:

Figure 3: Condition of Banking Deposits for the 2017-2019 Period (%)



Source: Secondary Data Processing, 2019

Based on the graph above, it can be seen that the Third Party Funds of Banks in the last three years have tended to decline and experienced a slowdown, the slowdown in DPK growth was mainly due to the components of foreign currency demand deposits and time deposits. Foreign currency demand deposits were even negatively corrected apart from the slowdown in deposit growth in line with variable interest rate movements.

To see the extent of the direct influence of Third Party Funds on Economic Growth in the following table:

Table 3; Results of Banking DPK Regression on Economic Growth (GDP)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	5,459	,244		22,407	,028
DPK	-,048	,033	-,824	-1,453	,384

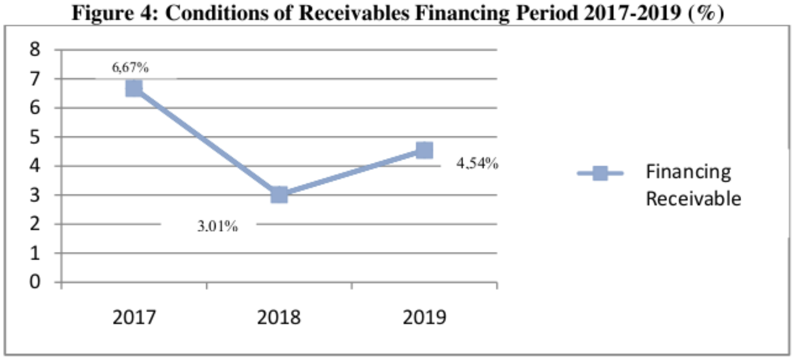
Source: SPSS Data Processing version 22, 2019

Based on the results of data processing shows there is a negative influence of DPK Banking on economic growth of - 82.4%, it happened because the components of third-party funds were corrected negatively and slowed down so that it affected the low Gross Domestic Product in the form of Savings, Investment and consumption, thereby affecting the slowdown in Economic Growth.

1.3.3. Results of Analysis of Financial Intermediation Factors for Financing Receivables Indicators for Economic Growth

Based on the data collected, a descriptive analysis of Financing Receivables can be measured as measured by Non-Performing Loans for Conventional Banking and Non-Performing Financing for Sharia Banking for the 2017-2018 Period as follows:

Figure 4: Conditions of Receivables Financing Period 2017-2019 (%)



Source: Secondary Data Processing, 2019

From the graph it appears that Financing Receivables measured by NPL (Non Performing Loans) for Conventional Banking and Non Performing Financial for Islamic Banking in the last 3 years tend to decrease and are positive, although in 2019 there has been an increase but it is still below 5%, meaning that the number of bad loans has relatively decreased.
Meanwhile, to see the direct effect of Financing Receivables on Economic Growth as measured by Brutto Domestic Products, namely:

Table 4; Results of the Regression of Financing Receivables on Economic Growth (GDP)

	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std. Error	Beta	t	Sig.
1 (Constant)		5.229,075		69.790	009
Receivables,	026	.015	.864	1.718	336

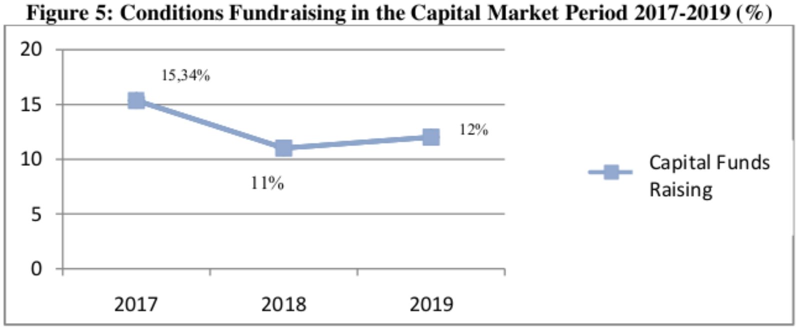
Sources: Data Processing SPSS version 22, 2019

Based on the regression calculation shows that there is a positive and significant effect of Financing Receivables Against Economic Growth, where The ratio of financing receivables as measured by NPL and NPF tends to decrease which means the number of bad credit ratios has decreased but has a positive impact on Economic Growth.

1.3.4. Results of Analysis of Financial Intermediation Factors Capital Fund Raising Indicators to Economic Growth

To find out the amount of Fund Raising in the Capital Market as measured by Debt to Equity Ratio to measure how well the investment structure is carried out can be seen in the following graph:

Figure 5: Conditions Fundraising in the Capital Market Period 2017-2019 (%)



Source: Secondary Data Processing, 2019

Based on the results of the analysis it appears that the collection of funds in the Capital Market 2017-2019 tends to decrease and starts to be corrected positively in 2019 with this condition indicating that investors are still willing to channel their funds through the capital market because of the certainty of return received.

Meanwhile, to see the direct effect of fund raising in the Capital Market on Economic Growth can be calculated by the following regression analysis:

Table 5; Fundraisers regression results in Capital Markets to Economic Growth (GDP)

	unstandardizedCoefficients		Standardized Coefficients		
Model	B	Std. Error	Beta	t	Sig.
1 (Constant)	5,337	, 210		25,444	, 025
FUNDS	, 018	, 016	, 742	1,107	, 468

Source: SPSS Data Processing version 22, 2019

Based on the results of data processing shows there is a positive influence of Fund Raising in the Capital Market on Economic Growth due to Market Presence capital has an important influence in the implementation of a country's national economic development, because the capital market is an alternative funding for both the government and private sector. So it can be concluded that there is a strong relationship between stock prices and macroeconomic performance. Capital market performance will react to macroeconomic changes such as changes in exchange rates, interest rates, and inflation.

1.3.3. Simultaneous Analysis Results of Financial Intermediation Factors on Economic Growth

Below is explained all the effects of these factors on Economic Growth as measured by Gross Domestic Product (GDP) as follows:

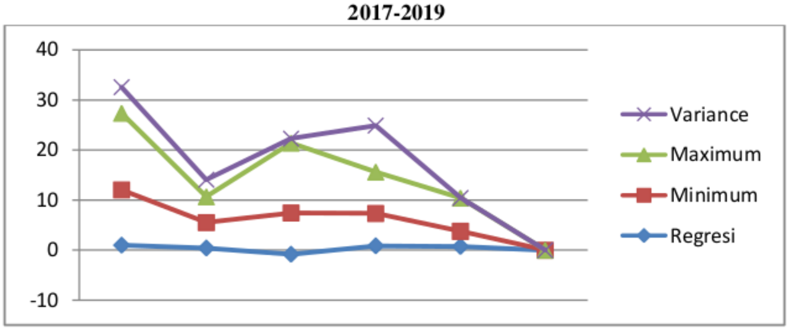
Table 6; Descriptive Statistics Calculation Results The Effects of Financial Intermediation Factors on Economic Growth (GDP)

	Gross Domestic Product	Banking Credit	Third-party banking Funds	Financing Receivable	Fundraising in the Capital Market
Mean	5,1067	11,7000	7,2833	4,7400	12,7800
Std. Deviation	,05508	3,04296	,93853	1,83818	2,27271
Variance	,003	9,260	,881	3,379	5,165
Minimum	5,07	8,24	6,45	3,01	11,00
Maximum	5,17	13,96	8,30	6,67	15,34

Source: SPSS Data Processing version 22, 2019

Furthermore, based on the table, the graph can be described as follows:

Figure 6: Overall Results of the Effects of Financial Intermediation Factors on Economic Growth Period 2017-2019



Source: SPSS Data Processing version 22, 2019

Based on the results of the analysis it can be explained that there are influences of Financial Intermediation Factors where overall each variable has a positive and significant value in increasing Economic Growth as measured by Gross Domestic Product. This indicates that if all the factors of financial intermediation which include bank loans with a size of Loan To Deposit Ratio, Banking deposits in the form of savings, deposits, financing receivables with NPL and NPF size and fund collection in the Capital Market with a size of Debt to Equity ratio shows a positive increase is then able to increase the acceleration of government performance and economic growth in Indonesia.

II. FINDINGS AND INTERPRETATION

This study identifies financial intermediation factors that can increase the acceleration of Economic Growth as measured by Gross Domestic Product (GDP) which includes consumption, investment, government spending, exports and imports.

The data analysis technique used in this study is a simple regression analysis that tries to influence the financial intermediation factors which include Banking Credit. Perbanomi Third Party Funds.

In this study it was found that the Indonesian economy grew positively so as to make economic resilience stronger and more inclusive, even though Indonesia faced pressures of weakening of the rupiah exchange rate, for that the Government issued Policies to encourage the banking intermediary function through macroeconomic stability which are the main prerequisites for achieving financial system stability. Where the financial system stability is still maintained because the Indonesian economy will be supported by an increase in labor force, expansion of social assistance, and a decrease in interest rates that spur growth in domestic consumption.

Based on the results of the study there is a positive influence of financial intermediation factors consisting of bank credit as measured by a high Loan to Deposit ratio, hence bank liquidity will be high, which in turn can increase Gross Domestic Product in the form of Savings, Investment and consumption so that Economic Growth also increases . Furthermore, there is a negative influence of DPK Banking on economic growth. it happened because the components of third party funds were corrected negatively and slowed down so that it affected the low Gross Domestic Product. Next there is a positive and significant influence of Financing Receivables on Economic Growth, where the ratio of financing receivables as measured by NPLs and NPF tends to decrease which means the number of bad credit ratios has decreased but has a positive effect on Economic Growth, most recently Funds Collection on the Market tends to decrease but starts corrected positively in the final period where investors were willing to channel their funds through the capital market because of the certainty of return received. So there is a positive influence of pooling of funds in the Capital Market on Economic Growth. Finally, overall the factors of financial intermediation have a positive influence on economic growth.

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