THE ROLE OF BANKING IN INDONESIA IN INCREASING ECONOMIC GROWTH AND COMMUNITY WELFARE

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ABSTRACT

The role of banking is very important for the development and progress of a country. Bank business activities are not only for profit but are directed at improving the standard of living of the community. Bank are financial intermediary institutions that can connect parties who have capital with those who need capital because they have a very important and strategic role to support national economic development. The banking sector is also one of the sectors that contribute to national income and can create economic growth. Financial service institutions play a real role in channeling funds to people who need business capital through micro, small, and medium enterprises. Funds for the real sector in society, then indirectly the bank plays a role in driving the wheels of the economy so that people's welfare increases.

Keywords: Banking, Third Party Funds, Credit, Economic Growth, and Welfare.

INTRODUCTION

A country's economy can grow and develop in the long run, determined by high savings and investment. Saving and investment affect the economic growth of the community. If the people's savings and investments are low, then the economic growth of the community or country is also low. According to Harrod-Domar, saving and investment will consistently encourage people's economic growth, the government as a regulator in making policies in the banking sector in realizing healthy, strong, and strong banking (Arsyad, 1999).

The framework of the country's economic development in encouraging increased public savings and investment with the existence of banking in economic development is in a strategic position and role (Usman, 2001). The role of the banking sector as a means of supporting the implementation of national development. Financial infrastructure is developed to address the savings and investment gap through the effectiveness of monetary policy in maintaining macroeconomic stability. The implemented economic development takes into account the harmony, harmony, and balance in the elements of equitable development, economic growth, and national stability. to increase equitable development, national stability, and the results of economic growth towards increasing the standard of living of the people at large (Janni, 2018). Banking must encourage the spirit of people's savings and investment because through saving and investment it is believed to be able to encourage and stimulate people's economic growth as an endeavor towards the realization of development goals for the welfare of the people (Bachtiar, 2016).

The banking sector plays an important role in driving the wheels of the country's economy for national economic development which functions as a means of transmitting monetary policy. Sustainable national development can be carried out by building a sound and resilient banking system as an important prerequisite for a country, where banking is a provider of payment transactions for smooth cash flows, both nationally and internationally to support economic activity. (Harahap, et al, 2017).

Banking as a financial institution distributes funds to people who need business capital, namely micro, small, and medium enterprises. Distribution of funds for the real sector functions in moving the wheels of the economy for the community (Fahrial, 2018). To realize the strategic role of banking, it is necessary to take steps to improve the quality and quantity of bank savings and credit while maintaining economic stability

LITERATURE REVIEW

The role of banking is very important for the development and progress of a country. In carrying out business activities, banks are not only looking for profit but are directed at improving the standard of living of the community. This is a commitment to every bank that runs its business in Indonesia. Banking Law No.10 of 1998 states that a bank is a business entity that collects funds from the public in the form of savings and distributes it to the public in the form of credit and or other forms to improve the standard of living of the people at large. The banking function is to act as an intermediary between parties with excess funds and parties requiring funds. Funds that were successfully collected from the community were then channeled back to the community in the form of credit (Taufiq and Kefi, 2013). Banking institutions are at the core of the financial system in every country. A bank is a financial institution that is a place for individuals, private business entities, state-owned enterprises, even government institutions to store their funds. Through credit activities and various services provided, bank serve financing needs and streamline payment system mechanisms for all sectors of the economy (Simatupang, 2019).

The role of banking institutions is so strategic in achieving national development goals, it is necessary for banking institutions to always have effective guidance and supervision based on a solid foundation of motion so that banking institutions in Indonesia are efficient, healthy, reasonable, and able to face global competition, protect well, the funds are entrusted by the community, and can channel public funds to productive sectors for achieving development goals (Fahrial, 2018).

Banking as a medium that bridges the monetary sector with the real sector. Banking acts as a mediator in accommodating excess funds from the public and channeling them back to parties who need funds in the form of credit so that the allocation of funds is efficient. Bank can identify asymmetric information problems that occur in the credit market, because they act as a liaison between investors and entrepreneurs, thus providing balanced information between the two parties. This can be seen from the function of the bank as an intermediary to increase the trust of the wider community (Nurjannah and Nurhayati, 2017).

The existence of banks in a country also contributes to efforts to improve the realization of people's welfare. The business of a bank does not merely revolve around money for corporate profits, but the law requires that the standard of living of the people at large and cannot be separated from development activities so that it is useful for the benefit of the community. The important and strategic role of this banking institution is evidence that building a healthy banking system is one of the main pillars for economic development and as an Agent of Development in supporting the implementation of national development. As one of the Stakers in economic development, banking is required to always be able to create and support an increase in economic growth which leads to an increase in the standard of living of the people (Judisseno, 2005).

According to Judisseno (2005) Banking is an institution that was born because of its function as an agent of trust and an agent of development. Agent of trust, banking functions as an intermediary that is believed to serve all financial needs for the community. Agents of development, so that banks can encourage development progress through credit facilities and facilities for payments and withdrawals in the transaction process carried out by economic actors.

The main function of banking is to collect and channel public funds. Banking is an intermediary institution from parties with excess funds (surplus of funds) and parties who need funds (lack of funds). The role of the banking sector is to run businesses based on economic democracy with the principle of prudence in supporting the implementation of national development to increase equity, economic growth, and national stability towards increasing welfare. Bank gain trust from the precautionary principle that is implemented because trust is the main keyword for the development of a bank (Manurung, 2004 and Judisseno, 2005).

The first banking activity is to raise funds from the wider community, namely activities funding. Funding is collecting or seeking funds by buying funds from the wider community (Aprianida, 2017). Praktek banking in Indonesia stipulated in the Banking Law and the terms of the function there is variation in the extent of the activity or the amount of product that can be offered as well as the range of the operational area. According to the Basic Banking Law, Number 7 of 1992 and reaffirmed by the issuance of Law of the Republic of Indonesia Number 10 of 1998, the types of banking consist of Commercial Bankss and Rural Banks (Simatupang, 2019).

1) Commercials Bank is a bank that carries out business activities conventionally or based on Sharia Principles, where its activities are to provide services in payment traffic. The nature of the services provided is general, meaning that it can provide all existing banking services. The operational area can be carried out throughout the territory of the Republic of Indonesia and abroad. Commercial banks are often referred to as commercial banks.
2) Rural Banks.
   Bank that carry out business activities conventionally or based on sharia principles and do not provide services in payment traffic. The activities of Rural Banks are much narrower when compared to those of commercial banks, which include activities to raise funds and channel funds. Rural Banks are prohibited from accepting deposits in the form of Demand Deposits, covering operational areas, not accepting foreign exchange transactions, and is restricted to the territory of the Republic of Indonesia.

The banking sector for a country has a very important role in regulating the arteries of the national economy. The smooth flow of money is necessary to support economic activity. Public trust in banking is one of the missions of the Bank in providing credit to its customers to support the improvement of the people's economy. The provision of bank credit aims to help community businesses to participate in development. Providing credit is one of the bank's efforts that the government has felt the role of in supporting national development which aims to improve the standard of living and welfare of the people at large (Johanes, 2016). The banking business is a belief in which customers deposit their funds in the bank. Saving funds in a bank is of course aimed at supporting the business activities carried out by customers. Bank trust must be maintained and supported by the government for the sustainability of the banking industry and overall economic activity to realize national development to create a prosperous society (Santiago, 2018).

Banks play an important role in the economy as institutions that can influence economic activity and as actors in the implementation of monetary policy. The Central Bank in implementing monetary policy with various instruments uses commercial banks as mediators in influencing the money supply through the reserve requirement policy. Commercial banks can increase or reduce purchasing power in the economy, namely through credit policies (Suciningtyas, 2019)

Bank Indonesia plays a very important role in the economic structure in Indonesia. As the highest financial institution under the Ministry of Finance of the Republic of Indonesia, Bank Indonesia is at the heart of the economy. Bank Indonesia functions to maintain good and balanced monetary stability to support the growth of the economy in Indonesia, maintain existing foreign exchange reserves by implementing two systems, namely Internal reserve, which deals with the amount of money circulating in society, and External reserve, which deals with international payment instruments, supervise and determine proper regulations and law enforcement of financial institutions under the control of Bank Indonesia to create and maintain sound and performing financial institutions, regulate and maintain a smooth payment system, as a financial system safety net, namely providing liquidity during normal and crisis conditions, Bank Indonesia is the only institution entitled to design, print and regulate the circulation of money. One of them is making demand deposits such as billiards, checking accounts, and checks. For the issue of printing Bank Indonesia money according to the situation and conditions in society, Bank Indonesia acts as an intermediary or bridging two parties that need each other, namely between parties who need funds and those who have or have excess funds, the role of managing payment flows and services. banking activities, and in its role, Bank Indonesia routinely seeks and digs up all important information, especially those that could threaten the stability of state finances.

RESEARCH METHODS

The method used in this research is to use a literature review, documentary study, and to strengthen it with the empirical study related to this article.

RESULTS AND DISCUSSION

Bank activities in collecting or mobilizing funds from the public and companies are then channeled into productive businesses for various economic sectors such as agriculture, mining, industry, transportation, trade, and other services that will increase national income and income. society (Fahrial, 2018). Bank lending policy plays a very important role because it determines the distribution of public income. Credit is a means used to obtain funds because by obtaining credit, a person can control the production factors for his business activities. The greater the credit obtained, the production factors controlled will also increase, so that the greater the share of income received by the community (Lubis, 2010).

Banking in Indonesia has a role in maintaining monetary stability, based on Bank Indonesia's policy on public savings as well as paid traffic. A bank is a business entity whose goal is to generate profits or profits, so there is a principle, going concerned which means that business activities must be carried out continuously, not only once but not sustainable (Hidayat, 2012). Banking is a financial institution that functions as an intermediary institution, namely collecting funds from the public and smoothing financial traffic which contributes to the mobility of a country's economic growth.

Banking makes a positive contribution to improving the people's economic welfare with the role of banking in supporting the people's economic activity, both in the micro, small, medium, and large scale businesses. The banking policy in disbursing credit is more to the portion of Micro, Small and Medium Enterprises which is guided by the economic crisis in Indonesia, the economic activities of the small people in the form of Micro, Small and Medium Enterprises which constitute the largest part of the economic activities of the people in Indonesia which can still survive. The role of banking has not reached all segments of the community's economy on a micro and small scale. Micro and small business actors still face problems related to the unbankable market. The potential for micro and small businesses that have not been touched by formal banking (unbankable market) is very large (Ginting, et al, 2018).

Micro and small businesses are the pillars of the people's economy, especially in overcoming the impact of the economic crisis, but micro and small businesses are not sufficiently provided with capital services and continue to expect the fulfillment of capital needs on time, with easy requirements and at low cost. The problem that arises is in the financing, where as bank provide financial services by certain requirements and procedures as standard parameters that must be met, but micro and small businesses cannot always meet these requirements (Chalid, 2011).

Based on this, micro and small businesses rely more on non-banking financing to fund their businesses, because micro and small businesses have very limited access to banking facilities. This shows that the role of banks has not been maximal in efforts to encourage people's economic activities. This limitation of financial access is overcome by the government through banks providing a credit policy with certain loans. It's just that the amount of credit disbursed from Bank Indonesia data appears to be still small and only reaches a small part of the community. In carrying out its role effectively and dynamically for the welfare of the people, it is necessary to revitalize the role of banking towards healthy and resilient banking in strengthening and taking sides in the people's economy (Kristiyanti, 2012).

Building a banking system that makes the people prosperous is an important prerequisite for an increased role of banking in supporting national development efforts. Banking in the welfare of the people can only be realized by revitalizing its role towards a healthy and resilient banking system that is pro people's economy (Syahril, 2016). The strategy for revitalizing the role of banking, namely:

1) Revitalizing the Prudential Banking Principle. This strategy is important considering that the banking sector is the industry most regulated by various legal provisions. Banking activities cannot be separated from the various policies issued by banking authorities.
2) Restrictions on bank ownership. The problem of bank ownership structure is critical in achieving a healthy banking system. Some banking experts argue that the size of bank share ownership tends to be related to low banking development.
3) Implementation of Good Corporate Governance Best Practices. The need to build a sound and resilient banking system cannot be separated from the rapid changes in the business climate in the era of globalization.

Banking assets in Indonesia, both Commercial Banks and Rural Banks for the period 2015 to 2019 tend to increase, however, in terms of the number of Commercial Banks and Rural Banks, the condition decreased until the last period at Commercial Banks 110 unit and Rural Bank 1545 unit, This means that several banks have gone bankrupt due to ineffective and efficient bank management. Also, banks tend to conduct mergers to improve their operational performance.

Table 1.1 Asset Indicators and Number of Banks in Indonesia 2015-2019

Bank Indicators	2015	2016	2017	2018	2019
Total Assets (Billion Rupiah)					
Commercial Banks	6,095,908	6,729,799	7,387,634	7,913,491	8,562,974
Rural Banks	101,713	113,501	125,945	135,570	149,623
Number of Banks (Units)					
Commercial Banks	118	116	115	115	110
Rural Banks	1.636	1.633	1.619	1.593	1.545
Total Office (Unit)					
Commercial Banks	32.953	32.720	32.276	31.609	31.127
Rural Banks	5.982	6.075	6.192	6.014	5.939

Source: Statistics of Indonesian Banking, 2020

Contributions in lending carry a big role in economic growth can be seen in figure 1.1, however, if compared to Asia Pacific countries, in 2014, Indonesia had the lowest level of credit disbursement at 37 percent, and the highest was Japan at 374 percent.

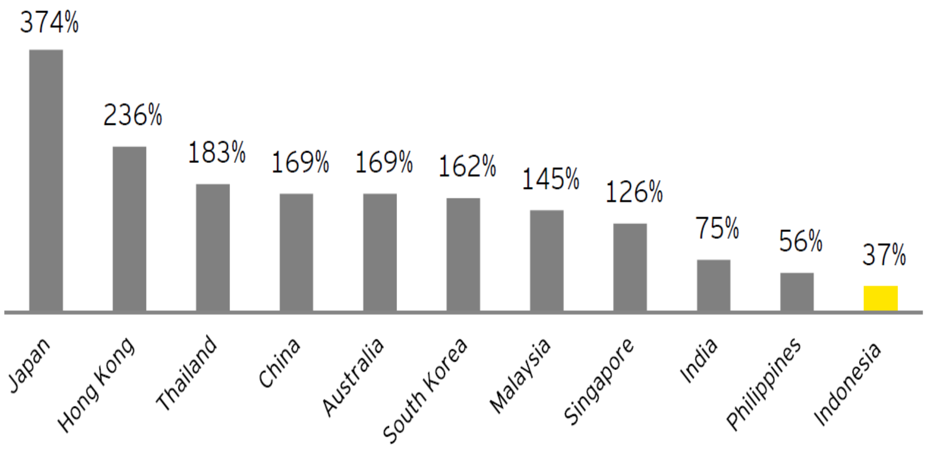

Figure 1 Contribution of Credit Distribution to APAC Countries (Asia Pacific) in 2014
Source: Bank Indonesia Survey, 2015

The existence of the banking industry in Indonesia in fact must be recognized as having provided an intermediary role for improving people's welfare. One of the missions of the Bank in conducting banking activities is to provide credit to its customers to support the improvement of the people's economy. The provision of bank credit aims to help community businesses to participate in development. Credit growth tends to increase coupled with stable growth in Gross Domestic Product, this means that the banking industry in Indonesia must continue to develop and expand its access throughout the archipelago. The largest number of banks is Java Island with 52 percent and the lowest is Maluku and Papua, only 4 percent so that from these conditions a strategy must be made to expand banking access throughout Indonesia. The relatively low banking penetration is partly due to Indonesia's geographical conditions, which have an impact on access to financial service providers. More than half of the commercial banks are located in Java, and most of them are located in big cities because the less access to bank outlets, the little third party fundraising, and the allocation of lending is also reduced which will affect the Gross Domestic Product.

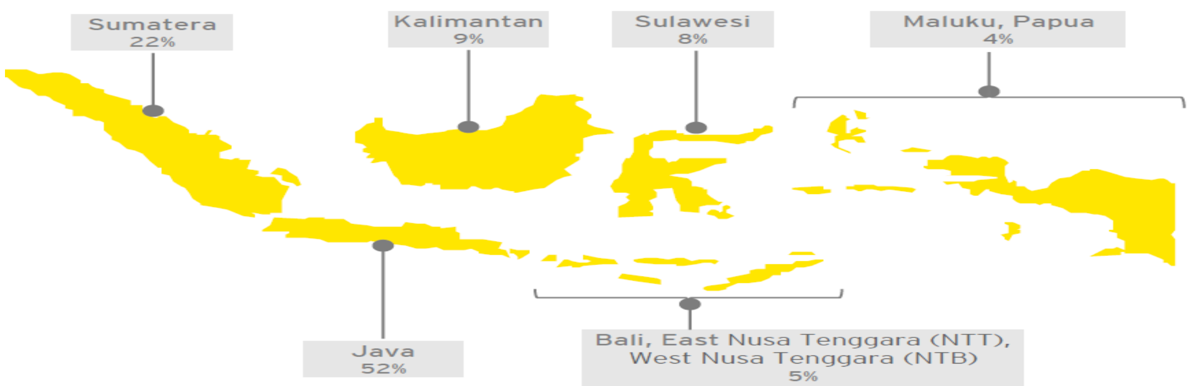

Figure 2 Percentage Distribution of Commercial Bank Outlets in Indonesia
Source: Bank Indonesia Survey, 2015

Table 1.1 describes public savings in Indonesia according to bank groups from 2014 to 2019, which continues to increase, and the most public savings are in National Private Banks followed by the Persero Public Bank. This is because National Private Bank provide higher interest on deposits than other banks, and the smallest public savings are in Rural Banks, which do not accept deposits in the form of demand deposits, and transactions in foreign currency. The amount of public third party funds continues to increase, but the growth in the increase in public third party funds tends to slow down.

Table 2Data on Public Savings in Indonesia According to Bank Groups and Types of Deposits (Billion Rupiah)

Bank Groups and Types of Deposits	2014	2015	2016	2017	2018	2019
Persero Commercial Banks	1,500,730	1,647,680	1,882,370	2,087,382	2,232,952	2,382,514
Regional Development Banks	325,222	346,123	366,295	430,814	460,348	517,174
National Private Bank	1,828,975	1,954,142	2,089,844	2,230,620	2,332,374	2,476,400
Foreign Bank and Mixed Bank	296,441	315,500	329,638	302,725	331,843	318,590
Rural Banks	62,449	71,823	81,253	91,451	99,711	110,252
Total	4,013,817	4,335,269	4,749,400	5,142,991	5,457,228	5,804,931
Growth in Third Party Funds	12 %	8%	10%	8%	6%	6%

Source: Statistics of Indonesian Banking, 2020

The provision of credit is one of the bank efforts that the government has greatly felt its role in supporting national development which aims to improve the standard of living and welfare of the people at large. Public funds collected at the bank will be channeled by banks through credit, whether productive loans used for business or non-productive loans used by the community or consumptive. In Table 2.2, it can be seen that the amount of credit that was mostly channeled was in National Private Banks from 2014 to 2019 at most in state-owned banks, this was due to the start of the COVID 19 outbreak which reduced the business sector, especially in the tourism sector, so that the Bank Persero can survive in distributing credit, and the smallest is the People's Credit Bank because it does not distribute credit in foreign currency. The distribution of credit disbursed by banks is of more type in productive credit or business credit with a double amount compared to consecutive credit, this is because the community uses business credit to increase their income.

Table 3 Data Loans / Productive and Non-Productive Communities in Indonesia According to the Bank Group (Billions of Rupiah)

Bank Group	2014	2015	2016	2017	2018	2019
Persero Commercial Banks	1,167,365	1,344,497	1,554,477	1,719,425	1,934,125	2,107,457
Regional Development Banks	298,086	325,374	351,744	387,434	419,606	463,085
National Private Bank	1,407,613	1,538,850	1,605,971	1,731,698	1,887,621	2,031,814
Foreign Bank and Mixed Bank	180,024	209,581	217,677	200,500	247,389	215,197
Rural Banks	73,306	80,513	88,244	97,087	107,035	118,220
Total	3,126,394	3,498,815	3,817,953	4,136,145	4,595,776	4,935,772
Credit Growth in Indonesia	12.63%	11.91%	9.12%	8.33%	11.11%	7.40%
Credit Earning / Enterprises	2,079,409	2,360,323	2,575,296	2,759,253	3,088,652	3,323,369
Loan Growth Productive	13.03%	13.51%	9.11%	7.14%	11.94%	7.60%
Loans Non-earning	1,046,985	1,138,492	1,242,657	1,376,893	1,507,124	1,612,402
Loan Growth of Non-earning	11.85%	8.74%	9.15%	10.80%	9.46%	6.99%

Source: Statistics of Banking Indonesia, 2020

The amount of credit disbursed by banks continues to increase each period, from 2014 to 2019. The growth of credit disbursed tends to fluctuate, but the performance of credit growth is greater than the growth of third party funds. Indonesia implements a dual banking system or dual banking system in which two types of bank businesses operate, namely Islamic banks and conventional banks (Antonio, 2001). The inclusion of foreign banks can increase efficiency and improve the function of domestic banks, the impact of the entry of foreign banks to domestic banks depends on the level of economic development of the country concerned. The Empirical Results of Lensink (2004) state that a low level of economic development has an effect on underdeveloped banking markets such as a less competitive developing banking market, and causes domestic banks to increase the margin for bank operational costs.

The causal relationship between bank credit and economic growth in Cameroon is that financial development in banking credit increases economic growth. Implementing policies that will encourage the development of bank credit has a significant impact on Cameroon's economic development. Bank recommendations can provide multinational companies, small and medium enterprises, and individuals with very affordable interest rates to promote bank credit (Belinga, et.al, 2016).

The role of financial development in the economic growth of the central countries of Eastern and Southeastern Europe in the post-communist era, the global financial crisis and the period after. The financial systems of the central countries of Eastern and Southeastern Europe evolved from the early 1990s, so that bank credit could become an important source of economic growth by development banks involved in the process of extending credit to the private sector (Bongini, Iwanicz-Drozdowska, Smaga, & Witkowski, 2017). The economy in Jordan is experiencing many unstable political events from hindering nearby countries' growth over several periods from 1990. The poor provision of infrastructure in financing various economic sectors can be one of the main factors that slow down economic growth (Ananzeh, 2016).

The banking industry contributed to economic growth in Palestine from 2000 to 2015. Measurements in the growth of the banking sector are bank credit facilities, customer deposits, number of branches, and loan interest rates. The Gross Domestic Product is strongly influenced by several banking indicators, especially bank credit facilities. Funding for the economic sector tends to improve economic conditions in Palestine, both local productivity in the public and private sectors (Abusharbeh, 2017). Financial development and economic growth can be seen from how access to financial institutions will have an impact on economic growth. Financial markets play an important role in economic growth in various countries over a long period. Financial development can be used to imply prosperity so that financial development in the world for long-term economic growth and small economic risk becomes two sides of the same thing. Economic performance can be reflected in the quality of financial institution intermediation such as financial services and the number of financial institutions such as the size of the bank (Popov, 2017).

Mergers in the banking sector, taking into account the effect not only on the banks themselves but also on the stability of the entire financial system. The effect of interbank mergers by expanding the structural model of the banking industry with the possibility of a bank run was developed by Egan et al (2017). The merger increases the market share of the combined banks and sets a higher markup meaning lower deposit rates on credit. This competition reduces the incidence of defaults than normal banks. The results of the bank merger bring increased profits, thereby increasing social welfare (Ino & Matsuki, 2020). Research conducted by Nurjannah and Nurhayati (2017) states that investment credit and working capital credit have a significant effect, partially having no significant effect on the growing economy in Indonesia.

The development of financial institutions is analyzed in terms of its long-term relationship to economic growth in 16 low-income countries. This relationship shows that the development of financial institutions, economic growth, trade openness, capital formation, the consumer price index, and labor have a long-term relationship. The development of financial institutions is reflected in the credit extended to the private sector and has a positive and significant impact on economic growth (Bist, 2018). A more advanced banking system is a prerequisite for the development of the industrial sector, developing countries must first attempt to modernize the banking system. The development of the banking sector follows industrial developments, so it must help facilitate the development of the industrial sector and have a positive effect on the development of the banking sector (Tongurai, J., & Vithessonthi, C, 2018). Bank profitability has an impact on economic growth. First, if the bank's high profitability will support economic growth. Second, the level of bank profitability in the past can hurt economic growth. Bank profitability has a different effect on economic growth in the short and medium-term based on the relationship between financial stability and economic growth, while low bank profitability is a major concern from a growth perspective. economy except in the short term (Klein & Weill, 2018).

Financial innovation, banking sector development, and economic growth in Asian countries for the period 1974 to 2016. The relationship between financial innovation and economic growth and banking sector development with economic growth both in the short and long term shows that the government must encourage financial innovation in the system. finance through technological advances and institutional integration Increasing the banking sector with a greater economic contribution in the process of economic development (Qamruzzaman & Jianguo, 2018). The banking sector development index from both output and input has a causal relationship to economic growth in twenty-five countries, where the development of the banking sector is the most important determinant of economic growth in each country. The development of the banking sector and economic growth is sensitive to the choice of the index used by Output or Input from the development of the banking sector. An index of banking sector development that led to economic growth in twenty-three countries of Burkina Faso, Cameroon, Central African Republic, Dominican Republic, Ecuador, Egypt, El Salvador, Guatemala, Haiti, India, Jamaica, Kenya, Liberia, Mali, Mexico, Nepal, Paraguay, Peru, Philippines, Sierra Leone, Tunisia, Venezuela, and Zimbabwe (Mhadhbi, Terzi & Bouchrika, 2019).

Research conducted by Cave, J et al (2019) states that economic growth hurts the development of the banking sector. The impact captures the effect of economic growth on the net interest margin. With good economic conditions, domestic banks tend to increase their deposit interest rates to attract more deposits to increase their lending capacity. *Shadow banking* is an integral part of China's financial transformation. The rapid growth of Chinese shadow banking since 2008 has brought profound changes to how credit is valued and allocated in the economy and has accelerated the process of interest rate liberalization. Wealth management products increase investment opportunities for investors while trusteeship loans and entrusted loans help meet the credit demands of borrowers who have limited access to bank loans (Dang, TV, Liu, L., Wang, H., & Yao, A., 2019).

World banking is transforming significantly towards a greater concentration and reduction in the number of intermediaries with the result of owning a larger and more complex bank. The problem faced by several countries during the financial crisis was the risk of bank reserve funds so that it became a new concern for the role of small banks in the local economy and cooperatives

(Malikov et al., 2017). Microfinance in cooperatives focuses on financing individuals and small and medium enterprises (SMEs) and facilitates the screening of lower borrowings so that they are effective in promoting local and regional economic growth. The role of microfinance in the national banking market, and the existence of dispersed regional microfinance, especially cooperative ones, can reduce the flow of local financial resources and promote widespread economic development (Coccorese & Shaffer, 2020).

The dynamic impact of banking performance on economic growth in thirteen Southeast European countries during the period 2000-2015. A healthy and effectively performing banking sector is the main determinant of economic growth in Southeast European countries. An alternative indicator of banking efficiency is the Return On Assets (ROA). The positive and significant impact of human capital, investment, and open economy on economic growth in Southeast European countries. (Zeqiraj, Hammoudeh, Iskenderoglu & Tiwari, 2020). The causal relationship between economic growth, financial development, and income inequality in BRICS countries, namely, Brazil, Russia, India, China, and South Africa, uses annual panel data covering the period 1990-2015. The financial development index for each country by applying the main component method of financial development, domestic credit provided by the banking sector, domestic credit provided to the private sector, broad money supply, and stock market capitalization. (Younsi, & Bechtini, 2020). Nigeria's economy, the financial sector plays an important role. Credit market expansion as measured by bank credit to the private sector leads to economic growth carried out with many innovative projects that generate investment, employment, and output that will increase the country's economic growth. The global financial crisis that occurred made the banking sector prone to economic cycles and risks, while the private sector was the most irresponsible (sector Okunlola, Masade, Folaranmi & Ajayi, 2020).

CONCLUSION

Banking is one sector that is expected to play an active role in supporting national or regional development activities. Indonesia is a developing country, so the banking industry has an increasingly important role. The role of banking is manifested in its main function as an intermediary institution or as an intermediary for debtors and creditors so that economic actors can support their activities by fulfilling the availability of funds and can move the wheels of the economy. The involvement of banks in collecting and distributing public funds will greatly assist the process of economic development. Banking plays a role in improving people's welfare by supporting the economic activity of the people, both on the micro, small, medium, and large scale businesses. In terms of proportion, the role of banking has not reached all segments of the community's economy on a micro and small scale. The main function of banking in an economy is to mobilize public funds by appropriately and quickly channeling these funds through effective and efficient investment. The government should reaffirm the role of banking in supporting economic activities based on the people's economy at the micro and small scale through the making of regulations and economic development policies that are in favor of strengthening the people's economy. The scope of banking services is expanded not only to medium and large scale businesses but also to focus on micro and small enterprises. On the other hand, the government should also be the guarantor for problems related to the unbankable market faced by micro and small businesses.

The government, represented by the banking authority consisting of Bank Indonesia and the Financial Services Authority, needs to continue to make systematic and consistent efforts to revitalize the role of banking in supporting the people's economy. Healthy and resilient banking that is in favor of the people's economy can only be realized when the regulatory, supervisory, and fostering functions of banks are properly and responsibly played by the government.

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