



The Effect of Sharia Financial Inclusion on Indonesian Economic Growth

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ABSTRACT

Financial Inclusion has a role to play in driving economic growth. This study aims to identify and analyze the influence of Islamic banking inclusion in driving economic growth. This study uses a descriptive quantitative method with a literature survey. The data used is secondary data from Sharia Banking Statistics obtained from OJK web and Indonesian Statistics from BPS Web with annual data series from 2011-2020. The results of the study found that together indicators of sharia banking inclusion statically affect economic growth. But when viewed partially, only accessibility indicators statistically have a positive effect on economic growth. Simultaneously, the indicator of usability, although statistically significant but not according to a thesis that has quality indicators, is statically proven to be independent of economic growth. This means that even if people can access sharia banking services, it does not necessarily increase economic growth that will have implications for the community's welfare.

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1. INTRODUCTION

Economic growth is an indicator of the performance of a country's economy. From BPS data, it is recorded that Indonesia's economic growth tends to fluctuate during the period 2016 to the second quarter of 2020 and is still around 5%. If you look at the magnitude of this figure, economic growth can be said to be moderate growth. Various economic crises, both domestic and foreign, also affect the achievement of domestic economic growth. Entering 2020, the world economy, including Indonesia, was hit by the Covid 19 pandemic. Various economic activities have slowed down, and there are even many business closures. Various efforts have been made by the government to keep the economy growing, both from monetary policy and fiscal policy so that the Indonesian economy in the second quarter of 2020 was still positive. Banks have also issued various relaxation policies from the sectoral side so that real sector activities continue to grow. From BPS data (2018), the banking sector's contribution to Indonesia's GDP in 2017 reached IDR 78 trillion, while in 2019, it reached IDR 80 trillion. Along with the growth of Indonesia's GDP, the amount of money in circulation increases, which indicates the increasing number of public financial transactions for both personal and business needs. Thus, public knowledge about financial planning needs to be improved to keep pace with increased financial transactions (OJK, 2017). The high level of financial transactions will involve the higher contribution of banks to the economy. This condition is inseparable from the various breakthroughs that banks have made, both in terms of providing physical infrastructure for buildings, distribution of branch offices, ATM networks, as well as various plastic card services and financial technology to make it easier for people in all corners of the region to access and use bank services. In September 2020, the total assets of conventional banks were IDR 870.45 trillion, while Islamic banks' total assets had exceeded IDR 561.84 trillion. This condition shows that the banking sector has been able to maximize its potential to raise funds from the public even though it is not optimal. Besides, the high role of banking can be seen from its contribution to the distribution of bank loans, which reached Rp4,709.5 trillion in 2016 and increased again by 5,615.6 Trillion in 2020. Meanwhile, the total distribution of financing by Islamic banks in 2016 was 94,752, and As of November 2020, it has reached 179,564. Besides, the number of savings accounts and their nominal value has grown from time to time. During 8 (eight) years, the number of savings accounts at commercial banks increased from 82.7 million to 199.3 million accounts or 141%. The number of savings in Islamic banks was 19.31 million in 2020. With the increase in the number of accounts on average -An average of 17.6% per year, it is hoped that all groups of people will have one savings account. In terms of nominal value, total public deposits in commercial banks reached IDR 4,900.3 trillion in 2016, or an average of IDR 24.6 million for each account. This figure increased compared to the average nominal amount of accounts in 2008, which was IDR 21.4 million (OJK, 2017). Financial services availability will make it easier for people to access and use various financial service products (financial Inclusion), both conventional and Islamic banks. According to the Center for Financial Inclusion (CFI, 2016), financial Inclusion refers to access to suitable financial products, including credit, savings, insurance and payments, the availability of quality access, including convenience,

affordability, suitability, and due observance of consumer protection, as well as this availability. Given to everyone. Furthermore, the public is also expected to be informed and able to make sound financial management decisions. Besides, CFI also mentioned the importance of a diversity of service providers and a competitive market with strong infrastructure and a clear regulatory framework. The financial inclusion index in 2013 was 59.7%. This means that the Indonesian people have accessed formal financial service institutions. Meanwhile, Indonesia's financial inclusion index in 2016 experienced an increase of 8.1% compared to 2013 or 67.8%. In 2019 the financial inclusion index was 76.19%. When viewed from the trend of growth in financial Inclusion, it shows that performance continues to improve. However, whether the increase in financial Inclusion provides a positive correlation to Indonesia's economic growth. The Ningrum study (2018) found a negative relationship between financial Inclusion and economic growth. Meanwhile, Anwar's research (2017) found the opposite result, where financial Inclusion positively affects economic growth. By looking at this phenomenon, the author is interested in further researching how the influence of Islamic financial inclusion on Indonesia's economic growth?

2. LITERATURE REVIEW

2.1 Economic Growth

According to the Ministry of Finance, economic growth is a process of changes in economic conditions that occur in a country on an ongoing basis to achieve a better state for a certain period. Several supporting indicators are needed to achieve good economic growth, such as an increase in the Human Development Index (education and health), Natural Resources (SDA), technology development, and capital formation. Each of these indicators is related to one another, where when there is an increase in education and health, it will affect how high the quality and productivity of the workforce, which in turn will have an impact on how much profit or output will be obtained from the production of a company so that this will help the economy grow. Besides, natural resources (SDA) also play a role in improving the economy, where people can take advantage of natural resources to be maximized properly. Besides, financial institutions also play an important role in increasing economic growth. As with financial Inclusion, if there is equal access in various institutions and good financial products and services, this will also help improve the economy and improve the community's welfare by meeting the needs of the community. Financial institutions also have an important role in increasing economic growth. As with financial Inclusion, if there is equal access in various institutions and good financial products and services, this will also help improve the economy and improve the community's welfare by meeting the needs of the community. Financial institutions also have an important role in increasing economic growth. As with financial Inclusion, if there is equal access in various institutions and good financial products and services, this will also help improve the economy and improve the community's welfare by meeting the needs of the community.

In the classical economic growth theory put forward by several experts, namely: 1) Adam Smith's theory reveals that the economy will grow and develop if there is an increase in population which will expand the market and encourage specialization; 2) David Ricardo's theory explains that too large a population growth will cause a decrease in wages which makes the economy stagnant; 3) Thomas Malthus argues that creating a large population growth will lack food so that people will live barely. Thus, based on (Zenius 2020) by looking at these three experts' views from classical economics, there are four factors that influence economic growth: Population; Amount of capital goods; Land area, and natural resources; The level of technology used.

1. Neo-Classical Economic Growth Theory: in neoclassical economic growth theory, the assessment of economic growth in terms of supply depends on the development of production factors. The figures in this theory include: 1) Harrod-Domar, argues that the need for capital formation (investment) is a condition for achieving solid economic growth; Furthermore, Schumpeter argues that entrepreneurial ability is one of the skills that greatly influences economic growth; Robert Solow, argues that the effect of saving/capital, population/labor, and technology on output levels and economic growth. This means that the higher the saving rate, the higher the capital and output produced. Vice versa, the lower the saving rate,
2. Historical Economic Growth Theory: This theory developed in Germany which is marked by the statement that economic growth is carried out gradually. As for the figures who expressed their views on economic growth, namely: 1) Frederich List, who argued that economic growth would emerge due to the production procedures carried out by humans; Warner Sombart argues that the stages of economic growth occur because society has an organizational structure and societal ideology; Walt Whitman Rostow argued that a country's economic growth would experience five stages; Karl Burcher argues that a country's economic growth is based on the relationship between producers and consumers (Zenius, 2020).

The calculation of economic growth can be done using the following formula:

$$R = \frac{GDPT - GDPT-1}{GDPT-1} \times 100 \%$$

Information: R (Economic growth rate expressed in percent); GDP (National income in year t); GDPT-1 (National income in year t (previous year)).

2.2 Financial inclusion

World Bank (2018) defines financial Inclusion as access to financial products and services that are useful and affordable in meeting the community's needs and their businesses, in this case, transactions, payments, savings, credit, and insurance used responsibly and sustainably. Based on the Regulation of the Financial Services Authority (POJK) Number 76 /POJK.07/2016 concerning Increasing Financial Literacy and Inclusion in the Financial Services Sector for Consumers and Communities, Financial Inclusion is the availability of various financial institutions, products, and services according to their needs. And community capacity to improve community welfare. As for the definition that has been put forward by one of the Indian financial institutions, namely "process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low-income groups in particular, at an affordable cost fairly and transparently by regulated, mainstream institutional players" (RBI / Reserve Bank of India).

Meanwhile, Islamic financial Inclusion is the same as the definition above. Still, the difference is that it uses the principles of Islamic norms in every implementation of its activities in its implementation. From the existing definitions, it can be concluded that the elements that play a role in financial Inclusion are access, availability of financial products and services, use, and quality. Access is the infrastructure provided by financial service institutions to reach formal financial institutions, products, and services. Examples of expanding access to finance include 1—other office networks; 2. Increase the number of agents; 3. They are adding the number of ATMs; 4. Adding a point of access through digital services; 5. Preparation of infrastructure in the form of branchless facilities; 6. Further cooperation with other parties; and 7.

Development of delivery channels or distribution channels for financial products and services. As noted in the Ministry of Finance, financial inclusion indicators are divided into three dimensions: Adding the number of ATMs; 4. Adding a point of access through digital services; 5. Preparation of infrastructure in the form of branchless facilities; 6. Further cooperation with other parties; and 7. Development of delivery channels or distribution channels for financial products and services. As noted in the Ministry of Finance, financial inclusion indicators are divided into three dimensions: Adding the number of ATMs; 4. Adding a point of access through digital services; 5—preparation of infrastructure in the form of branchless facilities; 6. Additional cooperation with other parties; and 7. Development of delivery channels or distribution channels for financial products and services. As noted in the Ministry of Finance, financial inclusion indicators are divided into three dimensions, namely:

- [1] Accessibility/access dimensions; According to Sarma (2012), this dimension is the main dimension in the indicator of financial Inclusion. The purpose of access here is to use formal financial services in terms of physical affordability and cost. The calculation formula is carried out in the dimension of access, namely:

$$D1 = \frac{\Sigma \text{Service Office year } t}{\text{Total Population year } t} \times 100.000$$

According to their individual needs, all groups of society need the availability of financial products and services to utilize financial products and services. In this case, financial service institutions need to provide financial products and services for all social levels. Besides, the availability of financial products and services needs to be adjusted to the character and needs of the community that can be reached both in terms of price and access

- [2] Usage Dimensions

This dimension represents the actual use of financial services and products. This means that measurements carried out in this usage dimension are used to see to what extent the community can and can use the services of formal financial institutions and the extent to which formal institutions serve the community's needs. The calculation formulas used in the dimensions of use are:

$$D2 = \frac{\Sigma \text{DPK year } t}{\text{Total Population year } t} \times 1.000$$

The use of financial products and services by the public is the ultimate goal of financial Inclusion. It is hoped that the community will enjoy the financial products and services they use and improve the community's welfare.

- [3] Quality Dimensions

Quality dimension, namely the level of fulfillment of the needs for financial products and services that can meet the community's needs. The following is the calculation of the quality dimension formula:

$$D3 = \frac{\Sigma \text{Financing year } t}{\text{GDP year } t} \times 1.000$$

Quality is a condition in which financial products and services can benefit people who use these financial products and services. Quality in this case also means the active use of financial products and services by the public, which means that financial products and services are "fit" with what is needed by the community so that their frequency of use is relatively high.

2.3 The link between financial Inclusion and economic growth

Financial Inclusion, of course, has a close relationship with economic growth. As stated in the Financial Services Authority, the general objective of financial Inclusion is to improve the people's economy by reducing economic inequality through increasing and equitable public accessibility to financial products and services. This financial Inclusion can provide many benefits for the community and also the country. From the OJK side, financial Inclusion has three important things for the economy: improving people's welfare, encouraging the process of national economic recovery, and supporting the community's economic resilience in any condition. An important objective of financial Inclusion is to promote development and reduce poverty. This is reinforced by the findings of Sarma and Pais (2011), who found HDI and financial Inclusion have a positive relationship to development in several countries in the world. Furthermore, Yang (2019) found a positive relationship between the financial system and long-term economic growth. The banking sector can be a major milestone in driving economic growth (Boukhatem and Ben Moussa, 2018). The banking sector is a financial institution that can minimize asymmetric information, reduce costs and problems of moral hazard (Mishkin, 2008). Perfect information and lower costs can increase tires' role in channeling financing to increase investment and increase economic growth. Furthermore, Yang (2019) found a positive relationship between the financial system and long-term economic growth. The banking sector can be a major milestone in driving economic growth (Boukhatem and Ben Moussa, 2018). The banking sector is a financial institution that can minimize asymmetric information, reduce costs and problems of moral hazard (Mishkin, 2008). Perfect information and lower costs can increase tires' role in channeling financing to increase investment and increase economic growth. Furthermore, Yang (2019) found a positive relationship between the financial system and long-term economic growth. The banking sector can be a major milestone in driving economic growth (Boukhatem and Ben Moussa, 2018). The banking sector is a financial institution that can minimize asymmetric information, reduce costs and problems of moral hazard (Mishkin, 2008). Perfect information and lower costs can increase tires' role in channeling financing to increase investment and increase economic growth. The banking sector is a financial institution that can minimize asymmetric information, reduce costs and problems of moral hazard (Mishkin, 2008). Perfect information and lower costs can increase tires' role in channeling financing to increase investment and increase economic growth. Financial Inclusion will not run well if there is a lack of financial literacy in society; therefore, financial inclusion literacy is needed to create financial inclusion efficiency. As quoted from the OJK release (2020), Member of the OJK Board of Commissioners for Education and Consumer Protection Tirta said, "We believe that a better level of public knowledge and understanding of financial products and services accompanied by adequate financial management capabilities will encourage the public to use financial products and services following their needs and abilities in doing economic activities".

3. METHODOLOGY

The research method used is descriptive quantitative research, namely research that analyzes data by describing the data collected following existing facts (Adriani and Wiksuana, 2018). The type of research is a literature survey in the form of data published by the OJK and BPS and literature on empirical studies that have been conducted by previous researchers and various references from books. To answer research problems, the type of data used is secondary data obtained from the OJK Web and BPS Web. The data used are annual time series data from 2011 to 2020. The method of analysis used in this research is the Ordinary Least Square (OLS) method. Ordinary Least Square is a method often used by scientists or researchers to calculate a simple regression equation. Several basic assumptions can produce the best unbiased linear estimator from the regression model so that the regression coefficient estimates are BLUE, namely the best, linear, unbiased estimator (Harhara 2009). The analysis models built in this study are:

$$LPE = f(d1, d2, d3)$$

Or the mathematical model is

$$LPE = \beta_0 d_{1t} + \beta_1 d_{2t} + \beta_2 d_{3t} + \beta_3 d_{4t} + \epsilon t$$

Where is the LPE (Economic Growth Rate); β_0 (Constant); β_i (coefficient value of a dependent variable), ϵ (error term), and t are years.

There were two tests carried out in the study, namely the econometric test and the statistical test. For more details, explained in the following section.

Econometric test

The normality test aims to test whether the confounding variable has a normal distribution (Sari et al., 2020). This study, using the Jarque-Bera test (JB test) to see whether the data is normally distributed or not. With the hypothesis:

H0: The sample comes from a population that is normally distributed

H1: The sample comes from a population that is not normally distributed

In this test, the Jarque-Bera test (JB test) probability is seen; if the Jarque-Bera probability is greater than 5% (using the 5% significance level), the data is normally distributed, or in other words,, H0 is accepted.

The linearity test aims to determine whether the linear model specifications used are correct or not. Knowing whether there is a linear relationship between the dependent and independent variables is tested (Sari et al., 2020). Using the Ramsey Reset Test with the following hypotheses:

H0: The correct model specification to use is in the form of a linear function.

H1: The correct model specification to use is in the form of a nonlinear function.

The value of the calculated F value > F table, then the null hypothesis (H0), which says that the model specification used in the form of a linear function is true, is rejected (In other words, H0 is rejected). And vice versa, if F count < F table, then the null hypothesis (H0), which says that the model specification is used in the form of a linear function is true, cannot be rejected (In other words, H0 is accepted).

The heteroscedasticity test is used to test whether there is an inequality of variants of the residuals from one observation to another (Sari et al., 2020). Testing the heteroscedasticity problem was carried out using the White Heteroscedasticity Test. The hypothesis used is:

H0 = Homoscedasticity

H1 = Heteroscedasticity

This test is done by looking at the Probability Obs * R-squared. Suppose the Probability Obs * R-Squared value is smaller than the whole level. In that case, it means there is heteroscedasticity in the model or rejects the hypothesis H0. Still, if the Probability Obs * R-squared value is greater than the fundamental level, there are no heteroscedasticity symptoms in the model or accept the hypothesis H0. It is known that the whole level or $\alpha = 0.05$.

The autocorrelation test is carried out to see if there is a relationship between the regression equation's errors. If we ignore autocorrelation, it will have an impact on hypothesis testing and the forecasting process. The autocorrelation test used is the Durbin-Watson Statistical test. The hypothesis used is:

H0 = There is autocorrelation

H1 = No autocorrelation

Conclusions can be made by seeing whether the Durbin-Watson statistic value is close to the value of two or four. If the value of the Durbin Watson statistic is close to the value of two, reject H0. This means that there is no autocorrelation in the obtained regression model (accepting the H1 hypothesis). But if the value of the Durbin-Watson statistic is close to the value four, then accept H0. This means that there is autocorrelation in the regression model obtained (rejecting the H1 hypothesis).

Statistic test

The t-test is used to see the independent variable's level of significance partially on the variable is not large.

H0: $B1 = 0$; The independent variable partially does not affect the dependent variable

H0: $B1 \neq 0$; the independent variable partially affects the dependent variable

If t count > t table statistic, then h0 is rejected, which means that the independent variable partially influences the independent variable.

The F test is used to see the independent variables' significance level jointly affecting the dependent variable.

H0: $B1 = B2 = 0$; The independent variables together do not affect the dependent variable

H0: $B1 \neq B2 \neq 0$; The independent variables together do not affect the dependent variable

If F count is greater than F table, then ho is rejected. This means that the free variables jointly affect the dependent variable.

Table 1. Operational Variables

| No. | Definition | Variable | Data |
|-----|---|--|---|
| [1] | Economic growth is the change in real GNP in year t minus the previous year's GNP multiplied by 100 | $LPE = (GDP_t - GDP_{t-1}) / GDP_{t-1} * 100$ | LPE (Economic Growth Rate) |
| [2] | Financial Inclusion is access to financial products and services from Islamic banking, which consists of three dimensions. | $D1 = \frac{\sum Service\ Office\ year\ t}{Total\ Population\ year\ t} \times 100.000$ | Accessibility ratio data is the number of Sharia Bank Service Offices |
| [3] | The dimensions of use are the actual use of financial services and products | $D2 = \frac{\sum DPK\ year\ t}{Total\ Population\ year\ t} \times 1.000$ | Usage ratio data is the number of third-party funds |
| [4] | The quality dimension is the level of fulfillment of the needs for financial products and services that can meet the community's needs. | $D3 = \frac{\sum Financing\ year\ t}{GDP\ year\ t} \times 1.000$ | The quality ratio data is Total Financing |

4. RESULTS AND DISCUSSION

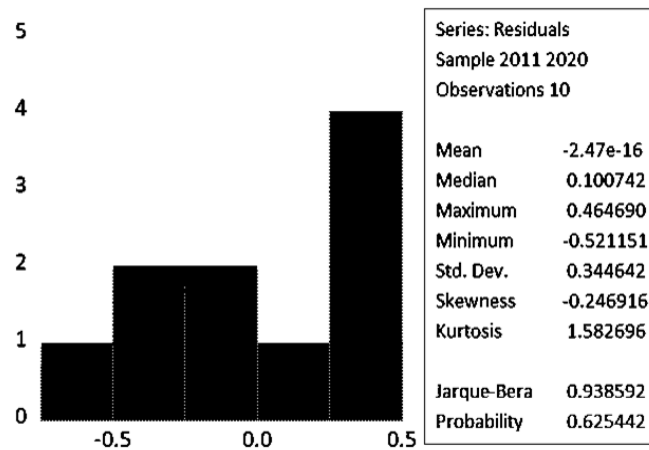
This section displays the results of econometric and statistical tests as well as a section on analysis and discussion based on the test results.

4.1 Econometric Test

The econometric tests were the normality test, linearity test, heteroscedastic test, and autocorrelation test. For more details regarding this econometric test, it is described in the following section.

4.1.1 Normality Test

From the normality test results, it was identified that the Jarque value with the normality test statistic was 0.938592, while the probability value was 0.625442. This means that H_0 is accepted. In conclusion, the residuals of the data are normally distributed.



Source: E-Views 11 Processing Software

Figure 1. Normality test

4.1.2 Linearity Test

After doing the normality test, the next step is to do the linearity test. To make sure the model is linear or not, the Ramsey Reset test is used. From the Ramsey test results, a probability F-statistic value of 0.0158 is greater than 0.01 (real level value); namely, H_0 is accepted, which means that the residual model is linearity.

Table 2. Ramsey Reset Test

Ramsey RESET Test

Equation: UNTITLED

Omitted Variables: Squares of fitted values

Specification: Y1 C D1 D2 D3

| | Value | df | Probability |
|-------------------|------------|--------|--------------|
| t-statistic | 3.586539 | 5 | 0.0158 |
| F-statistic | 12.86326 | (1, 5) | 0.0158 |
| Likelihood ratio | 12.73308 | 1 | 0.0004 |
| F-test summary: | | | |
| | Sum of Sq. | df | Mean Squares |
| SSR test | 0.769786 | 1 | 0.769786 |
| Restricted SSR | 1.069004 | 6 | 0.178167 |
| Unrestricted SSR | 0.299219 | 5 | 0.059844 |
| LR test summary: | | | |
| | Value | | |
| Restricted LogL | -3.010099 | | |
| Unrestricted LogL | 3.356444 | | |

Source: E-Views 11 Processing Software

4.1.3 Heteroscedastic Test

To perform the heteroscedastic test using the white heteroscedastic test.

Table 3. Heterostedasticity Test

Null hypothesis: Homoskedasticity

| | | |
|---------------------|-------------------------------|--------|
| F-statistic | 0.958419 Prob. F (3,6) | 0.4706 |
| Obs * R-squared | 3.239633 Prob. Chi-Square (3) | 0.3561 |
| Scaled explained SS | 0.339790 Prob. Chi-Square (3) | 0.9524 |

Source: E-Views 11 Processing Software

From the white heteroscedastic test, the probability value of Obs * R squared is 0.3561, greater than 0.05 (real level value), so Ho is accepted, or the regression model is homoscedastic.

4.1.4 Autocorrelation Test

In addition to the heteroscedastic test, the next step is to perform an autocorrelation test using the Breusch Godfrey test LM collation serial.

Table 4. Breusch-Godfrey Serial Correlation LM Test:

Null hypothesis: No serial correlation at up to 2 lags

| | | | |
|-----------------|----------|----------------------|--------|
| F-statistic | 34.10352 | Prob. F (2,4) | 0.0031 |
| Obs * R-squared | 9.446037 | Prob. Chi-Square (2) | 0.0089 |

Test Equation:

Dependent Variable: RESID

Method: Least Squares

Date: 02/16/21 Time: 20:25

Sample: 2011 2020

Included observations: 10

Pre sample missing value lagged residuals set to zero.

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|--------------------|-------------|-----------------------|-------------|-----------|
| C | 0.361627 | 0.190896 | 1.894370 | 0.1311 |
| D1 | -7.17E-07 | 1.99E-06 | -0.360355 | 0.7368 |
| D2 | -8.42E-05 | 9.61E-05 | -0.876066 | 0.4305 |
| D3 | -0.027185 | 0.009484 | -2.866469 | 0.0456 |
| RESID (-1) | 1.385575 | 0.176231 | 7.862249 | 0.0014 |
| RESID (-2) | -0.993275 | 0.166133 | -5.978803 | 0.0039 |
| R-squared | 0.944604 | Mean dependent var | | -2.47E-16 |
| Adjusted R-squared | 0.875358 | SD dependent var | | 0.344642 |
| SE of regression | 0.121675 | Akaike info criterion | | -1.091224 |
| Sum squared resid | 0.059219 | Schwarz criterion | | -0.909672 |
| Log likelihood | 11.45612 | Hannan-Quinn criter. | | -1.290385 |
| F-statistic | 13.64141 | Durbin-Watson stat | | 3.599020 |
| Prob (F-statistic) | 0.012690 | | | |

Source: E-Views 11 Processing Software

To find out whether the data under study is affected by autocorrelation or not, we can look at the Chi-Square Probability value (2), which is the value of the Breusch-Godfrey Serial Correlation LM Test, which is 0.0089 where > 0.05 is the fundamental level, so that H_0 is accepted or which means there is serial autocorrelation problem.

4.2 Test Statistics

The statistical tests performed were the t-test and f test. For more details regarding this statistical test, it is described in the following section.

4.2.1 Statistical T-Test

The t value for the three financial inclusion variables is obtained from the model estimation results, namely the level of accessibility, level of usability, and the level of quality to economic growth. The t value for the level of accessibility is 0.0236, greater than 0.01, which means that the level of accessibility partially affects economic growth in Indonesia. The t value for the level of reusability coefficient is 0.0138, greater than 0.01, meaning that partially the level of usability affects economic growth. However, the t value for the quality level indicator of 0.4627 is smaller than 0.05, which means that H_0 is accepted. This means that the level of quality partially does not affect Indonesia's economic growth.

4.2.2 Statistical F Test

From the results of the F test, it is obtained that the F statistical value is 10,780 with a probability of 0.0078 smaller than 0.05. These results indicate that the indicators of financial Inclusion, namely the level of accessibility, level of reusability, and quality level, affect economic growth in Indonesia.

4.2.3 Analysis of Results and Discussion

From the estimation results using Eviews, the following results are obtained:

Table 5. Estimation Results of Financial Inclusion Model on Economic Growth in Indonesia

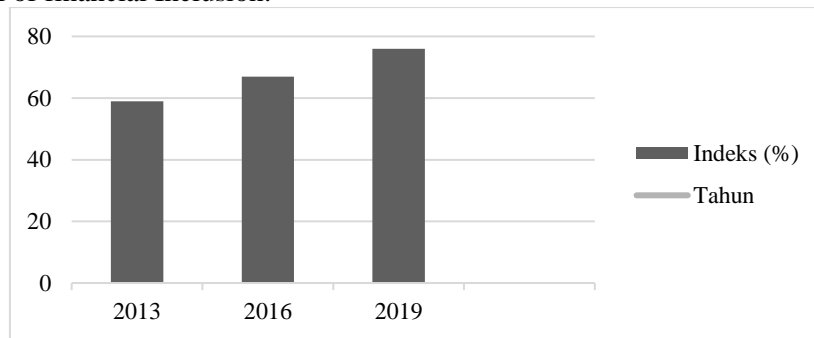
| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|--------------------|-------------|-----------------------|-------------|-----------|
| C | 4.764846 | 0.636830 | 7,482132 | 0.0003 |
| D1 | 1.87E-05 | 6.20E-06 | 3.013570 | 0.0236 |
| D2 | -0.001132 | 0.000329 | -3.442758 | 0.0138 |
| D3 | 0.021128 | 0.026937 | 0.784333 | 0.4627 |
| R-squared | 0.843509 | Mean dependent var | | 5.091 000 |
| Adjusted R-squared | 0.765263 | SD dependent var | | 0.871212 |
| SE of regression | 0.422099 | Akaike info criterion | | 1.402020 |
| Sum squared resid | 1.069004 | Schwarz criterion | | 1.523054 |
| Log-likelihood | -3.010099 | Hannan-Quinn criter. | | 1.269246 |
| F-statistic | 10,78028 | Durbin-Watson stat | | 0.854588 |
| Prob (F-statistic) | 0.007875 | | | |

Source: E-Views 11 Processing Software

Financial Inclusion is proxied by the level of accessibility, level of reusability, and level of quality. The estimation results show that accessibility has a statistically positive effect on economic growth in Indonesia. The level of public accessibility to Islamic banks is calculated by comparing Islamic bank service offices with the total population. This means that the more the distribution of Islamic bank service offices, the easier it is for the public to access bank products in the form of savings, time deposits and current accounts, and the ability of Islamic banks to channel their funds to the public. Besides, the wider the distribution of Islamic bank branch offices, the greater the Islamic banks' ability to benefit from fees for their service products. The effect is that Islamic banks' ability to channel funds is getting bigger, increased investment activity, and increased economic growth. The findings of this study reinforce the findings of Anwar and Amri (2017), Iramayasari et al. (2020) which found a positive effect of financial Inclusion on Indonesia's GDP, which was indicated by the number of bank branch offices, the number of ATMs distributed, the amount of credit extended.

Meanwhile, Yanti (2019), Sanistasi et al. (2019) found that financial Inclusion improves the performance of MSMEs. This means that when MSMEs can access bank services, MSMEs can meet their capital needs and can expand their business, and will be able to create many jobs and provide a multiplier effect on increasing economic growth. Financial literacy is seen from general usability indicators towards Islamic banks, which found significant results but negatively. This means that the more people use Islamic banking services, the greater the third-party funds that the bank can collect, but the results reduce economic growth. On the other hand, the quality indicator does not significantly affect economic growth. This indicates that the high collection of third-party funds from the public will not necessarily improve the quality of sharia bank financing. Economic growth will not be boosted by the increasing use of bank service products. This finding is supported

by Iramayasari (2020), who found that ATM inclusion statistically does not affect economic growth in ASEAN countries. Awanti (2018) found that financial Inclusion has a negative and insignificant impact on financial system stability. Ummah et al. (2015) found that the level of financial Inclusion in Indonesia is low. The size of the economy and income inequality has a significant positive effect on financial Inclusion. Furthermore, Ummah found the opposite result, where widening income inequality increases financial Inclusion in Indonesia. The number of mobile phone and internet users has a positive effect on Indonesia's level of financial Inclusion.



Source: Financial Services Authority

Figure 2. Financial Inclusion Index

From the data above, the national financial inclusion development index in 2013 was 59.74%. OJK member of the Board of Commissioners for Education and Consumer Protection Kusumaningtuti S. Soetiono targets financial Inclusion of only 2 percent. However, the results of the 2016 survey exceeded the target, which should have increased by only 6 percent, if the target was 2 percent per year. However, the results of the 2016 survey on financial Inclusion amounted to 67.82 percent. In detail, the banking inclusion index rose from 57.28 percent in 2013 to 63.63 percent in 2016. Then, the insurance inclusion index rose from 11.81 percent in 2013 to 12.08 percent in 2016. The pension fund inclusion index rose from 1.53 percent in 2013 to 4.66 percent in 2016. Meanwhile, the financial institution inclusion index reached 6.33 percent in 2013 to 11.85 percent in 2016. The mortgage inclusion index increased from 5.04 percent in 2013 to 10.49 percent in 2016. The capital market inclusion index increased significantly from 0.11 percent in 2013 to 1.25 percent in 2016. The BPJS Kesehatan inclusion index in 2016 reached 63.83. percent and BPJS Employment reached 5.05 percent. The third National Financial Literacy Survey (SNLIK) conducted by the Financial Services Authority (OJK) in 2019 showed a financial inclusion index of 76.19%. This figure is an increase compared to the results of the 2016 OJK survey, namely the financial inclusion index of 67.8%. Thus, in the last three years, there has been an increase in access to financial products and services (financial Inclusion) by 8.39%. As in 2016, SNLIK 2019 also uses the same methods, parameters, and indicators, namely the financial literacy index, which consists of parameters of knowledge, skills, beliefs, attitudes, and behaviors, while the financial inclusion index uses usage parameters. Based on the regional strata, urban community financial inclusion in urban areas is 83.60%, while the financial Inclusion for rural communities is 68.49%. The survey results also show that based on gender, the literacy index and male financial Inclusions are 39.94% and 77, 24%, relatively higher than women at 36.13% and 75.15%. OJK will use the 2019 financial literacy survey results to refine a national financial literacy development strategy that is more effective and right on target. According to a member of the OJK board of commissioners in the field of education and consumer protection Tirta that the increase was the result of joint work between the government, OJK, related ministries/institutions, The Financial Services Industry, and various other parties, which continuously strive to increase financial Inclusion in society. Tirta said that financial Inclusion had reached the government's expected target of 75 percent by 2019. Following the target set out in Presidential Regulation (Perpres) Number 82 of 2016 concerning the National Strategy for Financial Inclusion (SNKI).

5. CONCLUSION

From the previous explanation, it can be concluded that the level of public accessibility to the distribution of Islamic bank branch offices has a statistically positive effect on economic growth. However, the level of community reusability towards Islamic banks, although statistically significant, negatively impacts Indonesia's economic growth. This finding is reinforced by the insignificance of the level of quality of Islamic bank financial inclusion. In other words, the increase in third-party fund collection does not lead to an increase in the distribution of Islamic bank financing so that economic growth does not affect the increase in public reusability of Islamic banking services.

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