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Analysis of Financial Inclusion on Economic Growth of Indonesia For The Years 2016-2022

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Abstract:
To achieve sustainable development goals, the government in Indonesia implements a financial inclusion strategy with the aim of improving economic growth in order to achieve sustainable economic development. This study aims to identify the conditions of financial inclusion (the dimensions of banking penetration, the dimensions of the availability of banking services, and the dimensions of the use of banking services) and analyze their impact on economic growth in Indonesia in 2016-2022. The method of analysis in this study is to use descriptive statistical analysis and panel data regression with simple regression analysis. The results of the descriptive analysis show that overall the financial inclusion index in Indonesia has fluctuated and tends to fall into the medium category. The results of panel data regression with simple regression analysis using the Random Effect Model show that the Financial Inclusion Index has a positive and significant effect on economic growth in Indonesia in 2016-2022. Based on the results of research with an increase in financial inclusion, economic growth will also increase.

Keywords:
financial inclusion, banking penetration dimensions, banking service availability dimensions, banking service utilization dimensions, financial inclusion index, and economic growth

Background

The Sustainable Development Goals (SDGs) are a joint agenda created by 193 member countries of the United Nations (UN) in 2015 with the aim of improving the welfare of people around the world. To achieve this goal, the Indonesian government has formulated 17 global SDGs goals that will be achieved for Indonesia's SDGs towards 2030, one of which is to increase inclusive and sustainable economic growth. According to Sukirno (2011) economic growth is the development of economic activity which causes the goods and services produced by the community to increase and is accompanied by an increase in people's welfare. Increasing economic growth will result in better economic development. Therefore, each country through SDG's seeks to be able to achieve increased economic growth that is inclusive and sustainable.

Increased economic growth can be seen from the creation of a stable financial system that can provide benefits to all levels of society in the regions (Rizkianda, 2022). Based on the work of Schumpeter (1912), Shaw (1973), and McKinnon (1970) the financial sector is one of the fundamentals

in explaining patterns of economic growth. In the distribution of scarce resources available in an economy, the financial sector plays an important role in providing affordable financial services, thus driving economic growth. From this theoretical perspective it is believed that financial inclusion is a force in driving economic growth. According to Otoritas Jasa Keuangan (2014) financial inclusion is all efforts aimed at eliminating all forms of price and non-price barriers to public access in utilizing financial services. In this case the financial sector, especially the banking sector, plays an important role through its intermediary function, namely as a collector and distributor of public funds to encourage economic growth. According to Levine (2005) there are four roles of the financial sector that are beneficial to the economy, namely being able to reduce risk, mobilize savings, reduce transaction and information costs, and encourage specialization. Through this role the financial sector is able to create capital accumulation and technological innovation which in turn increases economic growth.

The National Financial Inclusion Strategy (SNKI) was prepared in order to create better financial inclusion compared to previous years, with this strategy the financial inclusion index numbers increased rapidly because the results of a survey conducted by the Financial Services Authority stated that in 2022 the financial inclusion index increased by 85.10% compared to the previous year, namely 76.19% in 2019, with DKI Jakarta Province providing the highest financial inclusion contribution, namely 96.62% and the lowest in West Sulawesi Province, namely 70.39%. The data also shows that there are still disparities between provinces in Indonesia, so that studies on inclusive financial policies that are able to promote financial system stability and economic growth are currently in accordance with conditions in Indonesia.

Sarma (2012) states that there are three indicators that can be used as benchmarks for the condition of financial inclusion in an area, namely the dimensions of banking penetration, availability of banking services, and use of banking services. Banking indicators are used to see the condition of financial inclusion in an area because the banking sub-sector is the sector that has the biggest role in the formal financial sector compared to other sub-sectors. The dimension of banking penetration (accessibility) shows the extent to which people in an area have access to banking services. Ownership of a bank account is an indicator that describes how people have accessed banking services. Second, the dimension of availability of banking services relates to the banking service infrastructure available to the public. To see the dimension of availability of banking services, the indicator used is the number of bank offices available in an area. While the dimension of the use of banking services (usage) serves to determine the extent to which people use banking services. The indicator used in the dimension of utilization of financial services is the amount of bank deposits and credit in an area.

In 2021, the World Bank will release the main indicators of financial inclusion in various countries, including Indonesia. The indicators used are the ratio of people aged 15 years and over who have a bank account, the ratio of 4 people aged 15 years and over who save at formal financial institutions, and the ratio of people aged 15 years and over who borrow from formal financial institutions. financial institutions. financial institutions.

Table 1 Main Indicators of Financial Inclusion in Several ASEAN Countries in 2021

No	Indicator	Bank Account (Age 15+)	Formal Savings (Age 15+)	Formal Borrowing (Age 15+)
1	Indonesia	51%	20%	13%
2	Malaysia	88%	47%	13%
3	Singapura	97%	60%	43%
4	Thailand	94%	52%	28%
5	Filiphina	46%	19%	17%

Source: World Bank, 2021

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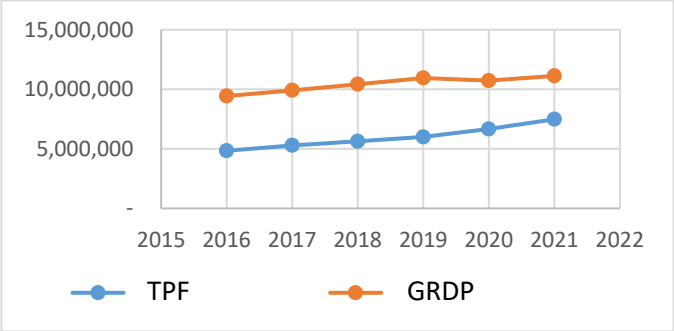
Table 1.1 shows that the main indicators of Indonesia's financial inclusion in 2014 are still much lower when compared to Malaysia, Singapore and Thailand. If you look at the population aged 15 years and over in Indonesia, only 51% already have a bank account. In addition, from the point of view of the use of banking services, it is still low, the number of people aged 15 years and over who deposit funds in banks is only 20%, even from a bank credit perspective it is only 13% lower. This shows that there are still many residents aged 15 years and over or of working age in Indonesia who are unreached and use banking financial services.

According to Bank Indonesia (2014), several factors cause low financial inclusion in Indonesia, namely from the supply side and the demand side. On the supply side, information asymmetry causes financial institutions to select customers too strictly, resulting in an increase in operational costs in remote areas. In addition, financial institutions believe that low-income households' services are unprofitable, and they do not know the needs of low-income households, resulting in inappropriate product designs. From the demand side, these factors include household income that is too low, administrative requirements that are too complicated, office locations that are difficult to reach, low trust in financial institutions, and the perception that banks are only for the rich.

The low number of people accessing banking services and the uneven number of available bank offices are also accompanied by low public funds collected and distributed by banks. Figure 1.4 shows the development of Third Party Funds (TPF) compared to GRDP in Indonesia in 2016-2021.

Figure 1 Proportion of TPF Growth to GRDP in Indonesia in 2016-2021



Source: Badan Pusat Statistik (BPS), processed 2021

From Figure 1 it can be seen that for Third Party Funds (DPK) from 2016 to 2021 it increased by IDR 2,642,531 billion Rupiah or 54.63%, previously in 2016 it was IDR 4,836,932 billion to IDR 7,479,463 billion, and for Gross Regional Domestic Income (GDP) from 2016 to 2021 increased by 1,685,465 billion Rupiah or 17.86%, from 9,434,613 billion Rupiah in 2016 to 11,120,078 billion Rupiah. The consistent increase in Third Party Funds (DPK) and Gross Regional Domestic Income from year to year shows that the potential for economic development in Indonesia is enormous.

From the explanation above, it can be seen that Indonesia has sufficient potential to achieve the SDGs goals, namely achieving inclusive and sustainable economic growth. Several empirical studies show that financial inclusion has a positive effect on economic growth, such as research conducted by Sanjaya Kumar Lenka and Ruchi Sharma in Sharma (2017) which shows that financial inclusion has a positive and significant effect on economic growth in India, others. Research was also conducted by Dai Won Kim, Jung Suk Yu, and M. Kabir Hasan (2018) which showed that financial inclusion had a positive and significant effect on economic growth in OIC countries.

Meanwhile, research discussing the relationship between financial inclusion and economic growth in Indonesia is still rare, for this reason research on economic growth through the financial sector, namely financial inclusion, is an interesting thing to do. So this research was written to find out the causal relationship that occurs between financial inclusion and economic growth in Indonesia with the title "Analysis of Financial Inclusion on Economic Growth in Indonesia in 2016-2022”

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THEORETICAL FRAMEWORK

Economic Growth

To analyze the economic development of a region, one very important indicator is economic growth. Economic growth shows how much economic activity will develop and generate additional income for the community during a certain period of time. improvement and development in the financial sector is one way to encourage the economic growth of a country or region, this is in line with economic theory Harrord-Domar Economic Growth Theory with development in the financial sector so that the savings rate is higher, it will have a positive impact on economic growth in a region or country and Solow's Theory of Economic Growth which states that population growth, technology, and savings rates can affect the output of a region or country, it is also stated that market mechanisms can create their own balance, so that the government's role is limited to making fiscal and monetary policy settings.

Financial Inclusion

The concept of financial inclusion was born after the concept of financial exclusion. Financial inclusion according to OJK (2019) is the availability of opportunities for the public to be able to take advantage of official financial products or services that can be used according to the needs and capabilities of the community in order to achieve prosperity. To determine the level of financial inclusion in a region, there are three aspects used in measuring the Financial Inclusion Index (FII) developed by Sarma (2012), including the penetration index of banking services, the index of availability of banking services, and the index of using banking services. .

The Relationship between Financial Inclusion and Economic Growth

Economic growth also has a close relationship with the existence of an innovation in the financial sector which can be proven from several countries that have transmission of financial innovation so that it can increase economic growth (Permatasari, 2018). The existence of development in the financial sector can encourage increased economic growth (Mohan, 2006). Based on the theory of endogenous economic growth which states that the financial sector through financial institutions plays an important role in creating capital accumulation through investment that can contribute to economic growth (Levine, 1997). Lenka & Sharma (2017) in his research also states that there is a positive and significant influence between financial inclusion on economic growth in India, besides that Kim (2018) in his research also states that financial inclusion has a positive effect on economic growth in countries that are members of the OKI.

METHOD

The data analysis technique used in this study is descriptive statistical analysis and panel data regression analysis using a simple linear regression model. Descriptive statistical analysis using Microsoft Excel to analyze the condition of the financial inclusion index in 33 provinces in Indonesia in 2016-2022 using the approach used by Sarma (2012). Panel data regression analysis is a simple regression model using the Eviews application software version 9.0 to analyze the effect of the financial inclusion index on economic growth in 33 provinces in Indonesia in 2016-2022.

Descriptive statistical analysis is statistics that aims to analyze data by describing various data that has been collected as it is without making general conclusions or generalizations (Sugiyono, 2014). To measure the financial inclusion index, the calculation formula used by Sarma (2012) is used. This financial inclusion index includes three dimensions, namely the dimension of banking penetration, the dimension of the availability of financial services, and the dimension of the use of banking services. Before calculating the financial inclusion index, the indicators for each dimension are normalized using the following formula:

(1)

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$$d_i = w_i \frac{A_i - M_i}{M_i - M_i}; \text{i} = 1, 2, 3$$

Information:
d_i = Dimensional index i
W_i = Weight for dimension I, 0 ≤ Wi ≤1
A_i = Current value at change i
m_i = Minimum value (lower limit) of change i
M_i = Maximum value (upper limit) of change i

Equation (1) will produce a value of 0 <di < 1. The higher the value in, the higher the provincial gain in dimension i. If there are three dimensions of financial inclusion that are calculated, namely p for penetration, a for availability, and u for use, then the Province's gain from these dimensions is represented by point X = (dp,da,du) in three-dimensional space (Figure). In three-dimensional space, point O = (0,0,0) indicates poor financial inclusion conditions, while point W = (wp, wa, wu) indicates ideal conditions of financial inclusion from each dimension.

The location of points X, O and W is an important factor in measuring the level of provincial financial inclusion. The greater the distance between O and point X, the higher the level of financial inclusion. The smaller the distance between point X and point W, the higher the level of financial inclusion. The two distances are normalized by the distance between W and O so that the value is between 0 and 1. The higher the index value, the more inclusive the financial system is.
If the distance between point O and point X is denoted by X1, that is:

$$\text{X}_1 = \frac{\sqrt{\text{dp}^2 + \text{da}^2 + \text{du}^2}}{\sqrt{\text{wp}^2 + \text{wa}^2 + \text{wu}^2}} \qquad (2)$$

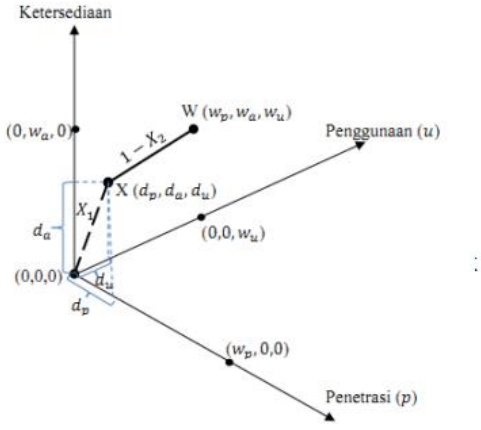
And the distance between point X and point W is denoted by X2, that is:

$$\text{X}_2 = 1 - \frac{\sqrt{(\text{wp} - \text{dp})^2 + (\text{wa} - \text{da})^2 + (\text{wu} - \text{du})^2}}{\sqrt{\text{wp}^2 + \text{wa}^2 + \text{wu}^2}} \qquad (3)$$

Then the value of the financial inclusion index is the average of both, that is:

$$\text{FII} = \frac{1}{2}[\text{X}_1 + \text{X}_2] \qquad (4)$$

If described in three dimensions, the financial inclusion index is as follows:



Source: Sarma (2012)

The measurement of the financial inclusion index is 0-1, if the financial inclusion index value is close to 0 then the financial inclusion dimension index is getting lower, and if the financial inclusion dimension index value is close to 1 then the financial inclusion dimension index is getting higher. The

index of the dimensions of financial inclusion is said to be low if the index value is less than 0.3 and is said to be moderate if the index value is 0.3-0.6 and is said to be high if the index value is 0.6-1.

Analysis of the effect of financial inclusion on economic growth in this study uses the panel data regression method. Panel data is a combination of cross section and time series. According to Gujarati and Porter (2013) in analyzing the panel data model using the common effect model (CEM), fixed effect model (FEM), and random effect model (REM) approaches. The model suitability test can use the F test (Chow test) for the significance of the fixed effect model, the LM test for the significance of the random effect model, and the Hausman test for the significance of the fixed and random effect models (Sriyana, 2014). This study uses a simple regression analysis technique. In the simple regression analysis used for the classic assumption test are the normality test, multicollinearity test, autocorrelation test and heteroscedasticity test (Ghozali, 2018). Testing the model parameters aims to determine the feasibility of the model and whether the estimated coefficients are in accordance with the theory or hypothesis. This test includes the individual parameter significant test (t test), F test, and the coefficient of determination test ($R2$).

RESULT

Financial Inclusion Index Measurement

To calculate the index for each dimension of financial inclusion, an upper limit (maximum) and lower limit (minimum) are required. The upper limit value (maximum) is the highest value for each indicator, determining the upper limit value (maximum) using the highest value from the distribution of data for each indicator.

Table 2 Weight, Maximum and Minimum Limits of Financial Inclusion Index

Dimensions	Indicator	Weight	Lower Limit	Upper Limit
Banking Penetration	Total third party funds per 1,000 adult population	1	0	26962378,52
Availability of Banking Services	Number of bank offices per 1,000 adult population	1	0	38,29430303
Use of Banking Services	Number of bank loans per 1,000 adult population	1	0	1589789287

Source: processed by researchers, 2023

The following is the result of calculating the Financial Inclusion Index (FII) in 33 Provinces in Indonesia in 2016-2022.

Table 3 Financial Inclusion Index (FII) in 33 Provinces in Indonesia in 2016-2022

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NO	Province	Financial Inclusion Index (IIK)							Average	Category
		2016	2017	2018	2019	2020	2021	2022		
1	ACEH	0,36	0,38	0,37	0,38	0,39	0,33	0,31	0,36	Medium
2	SUMATERA UTARA	0,60	0,63	0,61	0,62	0,66	0,69	0,70	0,64	High
3	SUMATERA BARAT	0,39	0,40	0,41	0,42	0,43	0,44	0,45	0,42	Medium
4	RIAU	0,48	0,50	0,51	0,52	0,55	0,61	0,61	0,54	Medium
5	JAMBI	0,41	0,43	0,44	0,45	0,49	0,53	0,53	0,47	Medium
6	SUMATERA SELATAN	0,37	0,40	0,43	0,44	0,45	0,48	0,50	0,44	Medium
7	BENGKULU	0,35	0,36	0,35	0,34	0,36	0,39	0,38	0,36	Medium
8	LAMPUNG	0,34	0,37	0,37	0,38	0,40	0,41	0,42	0,38	Medium
9	KEP. BANGKA BELITUNG	0,53	0,55	0,56	0,56	0,56	0,65	0,67	0,58	Medium
10	KEP. RIAU	0,56	0,57	0,56	0,56	0,55	0,55	0,95	0,62	High
11	DKI JAKARTA	0,91	0,91	0,90	0,90	0,90	0,90	0,90	0,90	High
12	JAWA BARAT	0,37	0,40	0,40	0,42	0,44	0,47	0,47	0,42	Medium
13	JAWA TENGAH	0,36	0,39	0,41	0,44	0,46	0,49	0,51	0,44	Medium
14	DI YOGYAKARTA	0,65	0,69	0,71	0,73	0,78	0,80	0,81	0,74	High
15	JAWA TIMUR	0,46	0,49	0,51	0,53	0,56	0,59	0,61	0,54	Medium
16	BANTEN	0,48	0,53	0,55	0,58	0,61	0,64	0,65	0,58	Medium
17	BALI	0,87	0,88	0,89	0,89	0,88	0,88	0,91	0,89	High
18	NUSA TENGGARA BARAT	0,26	0,29	0,31	0,30	0,32	0,33	0,35	0,31	Medium
19	NUSA TENGGARA TIMUR	0,27	0,27	0,26	0,29	0,29	0,30	0,29	0,28	Low
20	KALIMANTAN BARAT	0,46	0,49	0,49	0,51	0,54	0,57	0,57	0,52	Medium
21	KALIMANTAN TENGAH	0,41	0,44	0,46	0,47	0,50	0,56	0,60	0,49	Medium
22	KALIMANTAN SELATAN	0,49	0,51	0,53	0,53	0,55	0,60	0,66	0,55	Medium
23	KALIMANTAN TIMUR	0,85	0,85	0,86	0,87	0,88	0,89	0,89	0,87	High
24	SULAWESI UTARA	0,51	0,54	0,54	0,56	0,60	0,58	0,59	0,56	Medium
25	SULAWESI TENGAH	0,39	0,42	0,43	0,47	0,48	0,53	0,52	0,46	Medium
26	SULAWESI SELATAN	0,46	0,48	0,48	0,49	0,51	0,53	0,53	0,50	Medium
27	SULAWESI TENGGARA	0,37	0,39	0,39	0,42	0,46	0,50	0,48	0,43	Medium
28	GORONTALO	0,29	0,29	0,28	0,28	0,28	0,29	0,29	0,29	Low
29	SULAWESI BARAT	0,21	0,22	0,22	0,22	0,23	0,24	0,24	0,23	Low
30	MALUKU	0,50	0,53	0,53	0,55	0,55	0,55	0,55	0,54	Medium
31	MALUKU UTARA	0,36	0,37	0,36	0,39	0,38	0,40	0,42	0,38	Medium
32	PAPUA BARAT	0,82	0,87	0,88	1,00	0,96	0,91	0,82	0,90	High
33	PAPUA	0,57	0,57	0,58	0,61	0,60	0,61	0,65	0,60	Medium
	Average in Indonesia	0,48	0,50	0,50	0,52	0,53	0,55	0,57	0,52	Medium

Source: processed by researchers, 2023

Based on table 3 it shows that the financial inclusion index (FII) in 33 provinces in Indonesia in 2016-2022 experienced positive growth from year to year, with an average financial inclusion index of 0.52 which states that financial inclusion in Indonesia is in the medium category. with the highest financial inclusion index in West Papua Province in 2019 which was 1.00 and the lowest was in West Sulawesi Province in 2016 with a financial inclusion index of 0.21.

Provinces with the highest average financial inclusion index are DKI Jakarta and West Papua with an average financial inclusion index of 0.90. Provinces with an average high level of financial inclusion include DKI Jakarta, West Papua, Bali, East Kalimantan, Yogyakarta, North Sumatra, and Kep. Riau. Provinces with average financial inclusion include Papua, Kep. Bangka Belitung, Banten, North Sulawesi, South Kalimantan, Riau, Maluku, East Java, West Kalimantan, South Sulawesi, Central Kalimantan, Jambi, Central Sulawesi, South Sumatra, Central Java, Southeast Sulawesi, West Java, West Sumatra, Lampung, Maluku North, Bengkulu, Aceh and West Nusa Tenggara. Meanwhile, provinces that have a low average financial inclusion include Gorontalo, East Nusa Tenggara and West Sulawesi.

Measurement of Financial Inclusion on Economic Growth in Indonesia

Analysis of the effect of financial inclusion on economic growth in 33 provinces in Indonesia in 2016-2022 uses panel data regression with simple regression analysis. There are several stages of the test carried out, namely the selection of the analysis model, the classical assumption test, and the statistical test. Based on the results of these tests, interpretation is then carried out for each variable. The analytical model chosen in this study is a random effect model with the results of the multiplier lagrange test.

Table 4 Lagrange Multipier Test Result

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	603.1481 (0.0000)	0.187115 (0.6653)	603.3352 (0.0000)

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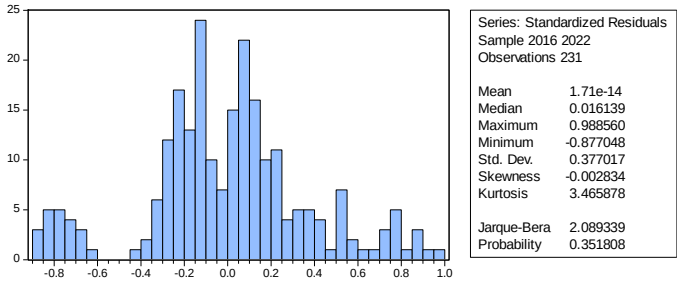
Based on table 4 it shows that the Lagrange Multipier Test has a breush-pagan (BP) probability value in the sub-cross section of 0.0000 (significance <0.05), then H0 is rejected and H1 is accepted, so it can be interpreted that the random effects model is better than the common effects model.

Classic assumption test

Figure 2 Normality Test Result



Based on Figure 2 it shows that the results of the normality test obtained a Jaque-Bera (JB) value of 2.089339 and a probability value of Jarque Bera of 0.351808 which is greater than the alpha level of 0.05, so that the data is normally distributed.

Table 5 heteroscedasticity Test Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.006034	0.000755	7.996038	0.0000
NFII	-0.004693	0.003355	-1.398818	0.1632

Based on table 6 it shows that the heteroscedasticity test has a probability value of F-Statistics (F-Count) greater than alpha (0.05) which is equal to 0.1632, so it can be concluded that H1 is rejected and H0 is accepted, meaning that the data is free from heteroscedasticity problems.

Table 6 Autocorrelation Test Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.29E-05	0.000942	0.013705	0.9891
NFII	9.42E-05	0.004195	0.022457	0.9821
RESID(-1)	0.022803	0.066499	0.342904	0.7320

Based on table 7 it shows that the autocorrelation test has a probability value of F-Statistics (F-Count) greater than alpha (0.05) which is equal to 0.7320, so it can be concluded that H1 is rejected and H0 is accepted, meaning that the data is free from autocorrelation problems.

Statistic Test

Table 7 t-test Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	18.65572	0.087642	212.8633	0.0000
FII	1.235079	0.078621	15.70935	0.0000

Table 8 shows partial regression results based on the results of the t-test can be seen that the value of Prob. The t-statistic of the independent variable Financial Inclusion Index (X) is 0.0000, which is less than the significance level of 0.05 (5%). So according to the basis of decision making in the t test it can be concluded that $H0$ is rejected and $H1$ is accepted. In other words, the Financial Inclusion Index (X) partially has a significant effect on Economic Growth (Y) in Indonesia in 2016-2022.

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Table 8 F-test Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	18.65572	0.087642	212.8633	0.0000
FII	1.235079	0.078621	15.70935	0.0000

Table 9 shows that the Prob value (F-statistic) is 0.0000, which is less than the significance level of 0.05 (5%). Then according to the basis of decision making in the F test it can be concluded that $H0$ is rejected and $H\alpha$ is accepted. In other words, the Financial Inclusion Index (X) simultaneously has a significant effect on Economic Growth (Y) in Indonesia in 2016-2022

Table 9 R^2-test Result

R-Squared	Keterangan
0,518776	51,8776%

Based on table 10 it shows that the R-squared value is 0.518776 which shows that the proportion of the effect of the Financial Inclusion Index variable (X) on Economic Growth (Y) in Indonesia in 2016-2022 is 0.518776. This means that the Financial Inclusion Index has a proportion of influence on Economic Growth of 51.8776% while the remaining 48.1224% (100% - 51.8776%) is influenced by other variables that are not in the regression model.

DISCUSSION

Analysis of Financial Inclusion on Economic Growth in Indonesia in 2016-2022 using the panel data regression method using Eviews 9. The panel data regression method used is the random effect model to produce the following regression estimates:

Table 11 Panel Data Regression Results (Random Effect Model)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	18.65572	0.087642	212.8633	0.0000
FII	1.235079	0.078621	15.70935	0.0000

Based on table 11 the regression coefficient values for each variable can be written into the following equation:

$$PE = 18.65572 + 1.235079FII + U_{it}$$

The regression coefficient of the Financial Inclusion Index has a positive direction with a regression coefficient of 1.235079 and a probability of 0.0000. This shows that the Financial Inclusion Index (FII) has a positive and significant influence (α = 0.05) on economic growth in Indonesia. Each change of one unit of the Financial Inclusion Index (IIK) variable will cause an increase in economic growth by 1.235079.

This is in line with research conducted by Sharma (2016) which states that financial inclusion is a driver of economic growth. This is also in line with research conducted by Kim (2018) which states that financial inclusion and economic growth have a positive relationship. This is also in line with research conducted by Ifediora (2022) which states that the dimensions of the availability of financial inclusion, the dimensions of financial inclusion penetration and the financial inclusion composite (all indicators put together) have a significant and positive impact on economic growth.

CONCLUSION

Based on the results of the analysis that has been carried out, the conclusion in this study is that the condition of financial inclusion in Indonesia in 2016-2022 seen from the financial inclusion index (FII) in general has experienced fluctuating developments and tends to have a moderate value

with an average financial inclusion index of (FII) 0.52. The results of panel data regression analysis using simple regression analysis show that the financial inclusion index has a positive and significant influence on economic growth in Indonesia in 2016-2022. For this reason, it is necessary to have policies and efforts from related government agencies to increase financial inclusion through the three dimensions of financial inclusion, namely the dimension of banking penetration, the dimension of availability of banking services, and the dimension of use of banking services, especially in regions in Indonesia that have moderate financial inclusion and low. The general public must also actively contribute to increasing financial inclusion by using banking services as best they can and avoiding using non-banking financial services such as through moneylenders.

The limitation of this research is that it has not been able to explain other aspects of financial inclusion such as aspects of the community's affordability of banking services, aspects of public knowledge of the use of financial products, and aspects of the quality of banking services. For this reason, future researchers need to examine the influence of other aspects of financial inclusion on economic growth that did not exist in this study and examine the determinants of financial inclusion in Indonesia to find out what factors influence the condition of financial inclusion in Indonesia.

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