

The Role of Banking in Supporting Regional Development Economies (Literature Review)

Endah Suci Damayanti

Universitas Bhayangkara Jakarta Raya, Jakarta

Corresponding Author: Endah Suci Damayanti endahsuci2505@gmail.com

ARTICLE INFO

Keywords: Banking, Economy, Regional Development

Received: 19, January

Revised: 22, February

Accepted: 17, March

©2023 Damayanti: This is an open-access article distributed under the terms of the [Creative Commons Attribution 4.0 International](https://creativecommons.org/licenses/by/4.0/).



ABSTRACT

The purpose of the study is to provide an overview with a literature review of scientific articles related to variables and will be given an answer according to the perspective of the researcher in this scientific article and also to make a reference to science and knowledge, especially in regional development, banking, and other related sciences. The research method used is a literature review derived from existing scientific articles from various journals in the world related to variables. The research result that is related to variables and can be used as an additional reference for novelty or giving rise to a phenomenon. The researcher concluded there are three according to the discussion of the first research methods and objects of scientific articles, secondly the perspective of the reference researcher exists and this is only a small part, the three results of scientific articles have been compiled and given perspective by researchers in this scientific article.

INTRODUCTION

Regional development is currently very rapid and cannot be separated from the assistance of funds from various parties, the bank is one of the institutions that helps fund the development of an area that exists today. Regions with programs created certainly have targets, planning, and funding. This all becomes one inseparable part so it requires a synergy. In a set of discussion papers from (Griffith-Jones et al., 2008) their article states The funding gap of at least US\$180 billion per year currently exists in Asia-Pacific infrastructure, according to recent estimates over the next 20 years, or nearly three times the current rate, spending on infrastructure in Latin America will be necessary if it is to achieve a level of development comparable to that of China and Korea. In addition, the banking world is very important in the Supply chain integrated (SCI) process according to the article from (Silvestro & Lustrato, 2014) (Silvestro & Lustrato, 2014) work together, share information, coordination and information disclosure.

The lack of funding in an area to be assisted is according to a scientific article from (Clifton et al., 2014) due to the main reason why private sector initiatives are often unable to allocate sufficient funds to expand public services around the world are (Clifton et al., 2014) also needed in the public sector. , so the role of funding from the private sector must also be supported by funding by public banks in the regions. One of the efforts of Bank Indonesia through its program in an area through the creative economy program with creative industry in the area (OJK, 2022), (OJK, 2022) with (UU Nomor 10 Tahun 1998, 1998) states that the purpose of banking in Indonesia is to support the implementation of national development in order to increase equity, economic growth, and national stability to improve general welfare. Banking itself will certainly support with all consequences.

According to a scientific article (Simatupang, 2019) banking is a facilitator where institutions are able to change and divide risks through mobilization and transfer of capital directly or indirectly. Along with the opinion of (Karamoy et al., 2022) states that a bank's financial performance is a representation of its financial position over a period of time, whether in terms of fundraising or asset allocation, which is usually monitored using a number of metrics such as capital adequacy, liquidity, and bank profitability, direct or indirect contributions from the banking system for regional development, for example through loans to regional companies, also affect the growth of regional initial income (Sri Endang, 2010). So, the role of banking here in growing regional development, both infrastructure, programs for the regions, and others can provide a benefit.

Changes at the national and international levels challenge financial institutions, including Indonesian banks, as their environment changes rapidly, bank must focus on continuously improving operations and performance in order to remain competitive and survive in a dynamic business environment (Supriyono & Herdhayinta, 2019) as an illustration of the banking system in a countries published in scientific articles (Mataveli et al., 2021) (Mataveli et al., 2021) system is divided into large segments, on the other

hand, banking institutions refer to the group consisting of commercial banks, commercial banks, credit unions, and many banks, di on the other hand, active institutions in other areas of the financial market: bank development, investment Bank, Credit Company, Financial and Investment Company, Leasing Company and Real Estate Credit Company, and others. Based on the phenomena of various scientific articles related to the above where banking variations in providing support in the development of an area based on scientific articles , then the purpose of this study is to provide an overview with a literature review of scientific articles related to variables and will be given an answer according to the perspective researcher in this scientific article and also adheres to the characteristics of science and knowledge, especially in regional development, banking, and other related sciences .

THEORETICAL REVIEW

Bank

Bank is a place to exchange money, send money or receive all kinds of payments and deposits, such as electricity, telephone, water, land and building taxes, tuition, wages and other payments (Cashmere, 2016), according to (Hermansyah, 2013)(Hermansyah, 2013) a bank is an independent institution that accepts deposits, cash, checks or money orders, discounted commercial paper, provides loans and issues debt securities the so-called bonds. And in Indonesia there is a legal umbrella for banks as conveyed by (Simatupang, 2019) the Banking Law of the Republic of Indonesia No. 7 of 1992, as amended (Simatupang, 2019) , Number 182.B. Law of the Republic of Indonesia No. 23 of 1999 concerning Banks Indonesia as amended by Law No. 3 of 2000 of the Republic of Indonesia statute book No. 7 of January 15, 2004.

Economy

The economy is frugality referring to the rules applied to meet household needs (Nawawi & Abdurrahman, 2009), (Nawawi & Abdurrahman, 2009) according to (Dictionary, 2011) the economy(Dictionary, 2011) is a collection of groups of people who have experienced the way of life, norms, customs in the environment.

Regional Development

According to(Arsyad, 1999) regional development is a process by which cities and communities manage existing resources and form a partnership model between local governments and the private sector to create new jobs and encourage the development of economic activities in the region.

METHODOLOGY

This research uses a qualitative research method by describing from the literature review of scientific articles related to the variables in this scientific article.

RESULTS

From a scientific article (Sri Endang, 2010) with the results of his research states that there is a role of banking towards the regions directly and indirectly, directly in the form of credit to regionally owned enterprises so as to have an effect on local income, and not directly given to individuals in the form of credits for regional income to increase the economy, but not yet banks in this area have not financed so The direct influence has not been seen from banks, but indirectly it has begun to be seen with the distribution of credit to those who want to borrow capital in businesses in this area. The next article from (Condosta, 2012) in the results of its research (Condosta, 2012) banks work for social responsibility, not only following the rules but also trying to support the local economy in which they operate, subsequently scientific articles belong (Silvestro & Lustrato, 2014) with (Silvestro & Lustrato, 2014) the study banks can support buyers and suppliers by promoting supply chain integration; Coordination, cooperation, information exchange and information disclosure.

The scientific article from (Clifton et al., 2014) gives an idea from the results of his qualitative research that the conservative approach of conservative euro banks today to loans with general interest dates back to the 1970s and was achieved entirely in 1990 until the end, the subsequent scientific articles belong (Simatupang, 2019) with the results of the research which is conveyed in the results of his research qualitatively Banking as one of the fields of SOEs not only seeking profit but must support the government's efforts to improve the national economy. This is explicitly stated in the paragraph of the Banking Law of the Republic of Indonesia number 7 of 1992 which states: The purpose of banking in Indonesia is to support the realization of national development in the context of equity, economic growth and increasing equity. national stability. the welfare of the people in general. Furthermore, the scientific article ((Supriyono & Herdhayinta, 2019) in its research results states that the profitability of BPD Bank, as measured by Return on Equity (ROA) and Return on Equity (ROE), is internally driven by Balance Sheet, LDR, OE / OI and NIM and externally by BIRATE and Inflation. These variables are positively related to profitability, except for OE/OI and inflation which are negatively related to profitability. In addition, these two hypotheses are only partially supported because Tier 1 and CAR capital only have a negative relationship with ROE

The results of the research from the scientific article (Bhegawati & Utama, 2020)(Bhegawati & Utama, 2020) qualitative methods state that the banking sector is also a sector that can affect national income and create economic growth. Financial institutions play a real role in distributing funds from micro, small, and medium enterprises to parties who need business capital. Money is for the real sector of society, banks indirectly play a role in the wheels of the economy so that people's welfare increases. Furthermore, the scientific article belongs to (Karamoy et al., 2022) with the results of banking sector research, profitability is the most accurate measure of bank performance. The instruments used to measure profitability are return on equity (ROE) and return on assets (ROA). This study analyzes the impact of bank risk based on Non Performing Loan (NPL), Net Interest Margin (NIM), Loan to Deposit

(LDR) and Expansion Operating Income (OCOI/). BOPO) on the financial performance of regional development banks in Indonesia, NPL, NIM, LDR and OBOI/BOPO are simultaneously important for ROA; While partial failure is significant and negatively affects ROA, NIM is significant and has a positive impact on ROA, LDR is insignificant and has a negative impact on ROA, and OCOI/BOPO is significant and negatively affects ROA. : This means that banks must minimize the ratio of NPL, LDR and BOPO because it negatively affects ROA. On the other hand, banks should maximize the NIM ratio because NIM has a positive impact on ROA.

The next scientific article belongs ((Simatupang, 2019) with the results of research qualitatively states that banking as one of the fields of SOEs is not only profit-seeking but must support the government's efforts to improve the national economy, there is proverb in economics: who controls the banking system masters the country's economy . Then there is the political saying that whoever controls the country's economy will master the politics of the country. The next scientific article from (Mataveli et al., 2021)(Mataveli et al., 2021) describing from banking in one of the south American countries with the results of research bank public and private Brazil can offer exporter banking services, other technical aspects, and export advice, b Depending on the size of the company to be implemented, there is a clear difference between loans from government and private banks.

DISCUSSION

From the above phenomenon from several scientific artifacts related to variables, the role of banks in supporting regional development as follows (*Sri Endang*, 2010) discusses banking in providing assistance directly and indirectly to regions in one of the districts in Indonesia, (Condosta, 2012) states(Condosta, 2012)discusses that banks have social responsibility, (Silvestro & Lustrato, 2014), (Silvestro & Lustrato, 2014) with their supply chain management with openness, (Silvestro & Lustrato, 2014)(Silvestro & Lustrato, 2014) banking from the past in Europe in providing assistance to European countries. (Simatupang, 2019) states that state-owned banks do not have to seek profit by being supported by Law Number 72 of 1992. Increased optimization Regional banks have a central role for regional development. (Suryawan et al., 2021)

(Supriyono & Herdhayinta, 2019) of research on banking performance, (Bhegawati & Utama, 2020) banking sector that affects the regional and (Bhegawati & Utama, 2020) economy, (Karamoy et al., 2022) regional banking performance results(Karamoy et al., 2022) measuring banking performance . Directly with the scientific article of this researcher there is a connection with the presentation of variables with different research methods and research objects, so in the results of this study The results of the research perspective state that there is a reference to the variables discussed, both the results of these scientific articles are only a small part of the picture found by researchers, lastly that the research from this scientific article is only the

beginning according to the researcher and hopefully can contribute to the specialization in the field of banking, and finance in general.

CONCLUSIONS AND RECOMMENDATIONS

From the results and discussion above, there are variables of several variables that are the same as the same object, there are also research results those are related or related to variables and can used as an additional reference to novelty or giving rise to a phenomenon. The researcher concluded there are three according to the discussion of the first research methods and objects of scientific articles, secondly the perspective of the reference researcher exists and this is only a small part, the three results of scientific articles have been compiled and given perspective by researchers in this scientific article.

Recommendations for subsequent researchers can proceed with the same variables, different methods or different objects, the limitations of researchers are currently due to the reachability in searching for scientific articles as well as expounding in this scientific article.

FURTHER STUDY

It can be developed in subsequent studies with a breadth of reference materials and new ideas.

ACKNOWLEDGMENT

It's great to be able to add the results of this scientific article in the world of research and the specialty of science and knowledge, especially in the field of finance.

REFERENCES

- Arsyad, L. (1999). *Pengantar perencanaan dan pembangunan ekonomi daerah*.
- Bhegawati, D. A. S., & Utama, M. S. (2020). the Role of Banking in Indonesia in Increasing Economic Growth and Community Welfare. *South East Asia Journal of Contemporary Business, Economics and Law*, 22(1), 1.
- Clifton, J., Díaz-Fuentes, D., & Revuelta, J. (2014). Financing utilities: How the role of the European Investment Bank shifted from regional development to making markets. *Utilities Policy*, 29, 63–71. <https://doi.org/10.1016/j.jup.2013.10.004>
- Condosta, L. (2012). How banks are supporting local economies facing the current financial crisis: An Italian perspective. *International Journal of Bank Marketing*, 30(6), 485–502. <https://doi.org/10.1108/02652321211262230>
- Dictionary, I. (2011). *Kamus Besar Bahasa Indonesia*. Jakarta: Balai Pustaka.
- Griffith-Jones, S., Griffith-Jones, D., & Hertova, D. (2008). Enhancing the role of regional development banks. *Enhancing the Role of Regional Development Banks*, 50, xi, 24 p.
- Hermansyah, H. P. N. I. (2013). Jakarta. *Kencana Prenada Media Group*.
- Karamoy, Herman, Tulung, & Elly, J. (2022). The Effect Of Banking Risk On Indonesia ' s Regional Development Banks. *MPRA Paper No. 113948*, 113948.
- Mataveli, M., Ayala, J. C., & Gil, A. J. (2021). Banks' support for the development of internationalization in Brazil: a perspective from Brazilian export companies. *European Journal of Management Studies*, 26(2/3), 87–102. <https://doi.org/10.1108/ejms-05-2021-0046>
- Nawawi, I., & Abdurrahman, A. (2009). *Ekonomi Islam: perspektif teori, sistem, dan aspek hukum*. Putra Media Nusantara.
- OJK. (2022). *Peran Bank Indonesia*. Otoritas Jasa Keuangan.
- Silvestro, R., & Lustrato, P. (2014). Integrating financial and physical supply chains: The role of banks in enabling supply chain integration. *International Journal of Operations and Production Management*, 34(3), 298–324. <https://doi.org/10.1108/IJOPM-04-2012-0131>
- Simatupang, H. B. (2019). Peranan perbankan dalam meningkatkan

perekonomian indonesia. *JRAM (Jurnal Riset Akuntansi Multiparadigma)*, 6(2), 136-146. *sri endang10.pdf*. (n.d.).

Supriyono, R. A., & Herdhayinta, H. (2019). Determinants of Bank Profitability: the Case of the Regional Development Bank (Bpd Bank) in Indonesia. *Journal of Indonesian Economy and Business*, 34(1), 1-17.

Suryawan, R. F., Susanto, P. C., Parmenas, N. H., & Setiadi, D. (2021). Strategy to Increase Bank Satisfaction in the New Normal Era of Covid-19. *Jurnal Mantik*, 5(3), 1977-1981.

UU Nomor 10 Tahun 1998. (1998). Undang-Undang Republik Indonesia Nomor 10 Tahun 1998 Tentang Perbankan. *Bank Indonesia*, 1-65.