

# Analysis of the Influence of Bank Credit on Economic Growth in West Nusa Tenggara Province

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## ABSTRACT

This research is motivated by the influence of banking credit on economic growth in NTB. The purpose is to analyze in depth the effect of bank lending consisting of investment loans, working capital loans and consumptive loans in NTB Province on the economic growth of NTB Province. The type of research used is descriptive quantitative. The type of data used in this study is time series data. The source of data used in this study is secondary data collected through documentation techniques, where data collection is done by studying some of the data contained in the archives, economic report documents, BPS NTB Province and Bank Indonesia from 2010 - 2023. Data analysis used is multiple linear regression. The results showed that investment credit and working capital credit partially had a positive and significant effect on economic growth in NTB, but consumptive credit showed that partially had no significant effect on economic growth in NTB. While simultaneously, the variables of investment credit, working capital credit and consumptive credit together have a positive and significant effect on economic growth in NTB.

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## 1. INTRODUCTION

West Nusa Tenggara Province (hereinafter referred to as NTB) is a province consisting of two large islands, namely Lombok Island and Sumbawa Island. NTB Province is surrounded by 279 other small islands, of which 44 are inhabited. In the context of regional economic development, NTB is one of the provinces with relatively good economic projections.

This is reflected in the massive development and development of NTB's

potential in recent times, such as the development of the Mandalika Special Economic Zone (KEK) in Central Lombok, the development of the PT. Amman Mineral Nusa Tenggara (AMNT) smelter and the implementation of international events such as MotoGP, WSBK, MXGP and other events. The development and development of the regional economy that continues to be carried out in various sectors such as tourism and the creative economy, the processing and mining industry sectors and other strategic sectors have contributed and had a positive impact on

the regional economy which can be seen from the level of NTB's economic growth.

Looking at the dynamics of the NTB economy, it is impossible denied that the economic performance of NTB is still supported or highly dependent on the mining sector. The mining and excavation sector does produce products that have competitive advantages, but even so, the mining and excavation sector is very vulnerable to fluctuations in global commodity prices, thus affecting the dynamics of regional economic growth.

Banking is a financial institution that plays a role in intermediary financing of economic activities. Overall, it can be said that banks are a channel of funds from economic units that have excess funds to units that lack funds. Banking in its activities is an institution that acts as a media that bridges the monetary sector with the real sector. This function is called the intermediation function or financial intermediary [1].

Bank credit distribution is a source of capital needed to expand production, increase capacity, and develop innovation. The distribution of public funds from banking has a very large influence on small entrepreneurs, large entrepreneurs and the community in general. In the last 10 years (2009 - 2018) the development of banking nationally has been very good with sustainable growth every year [2]. Banking credit consisting of working capital credit, investment credit and consumer credit has a positive relationship with the economic growth of a region [3].

From the credit distribution structure, working capital credit is the type of credit distribution with the largest portion in NTB Province, which is 34.61% of total credit. Then followed by consumer credit and investment credit, each recorded at 32.81% and 32.58%. This indicates that bank credit distribution in NTB Province is dominated by credit distributed to the productive sector which is intended to drive the business world, namely

working capital credit and investment credit compared to credit in the consumer sector. So that credit distribution in NTB Province based on the credit structure and allocation of credit distribution has good quality.

Several studies in Indonesia show varying results regarding the relationship between bank credit distribution consisting of investment credit, working capital credit, and credit. Consumptive and economic growth. As shown by the concentration by [4], that in general credit causes economic growth and vice versa (non-monotonicity). There is a correlation of around 96% between GDP and credit, which indicates a positive relationship between the variables were bank credit causes expanse on economy and vice versa. Physical capital, human capital, technology and labor supply are considered real factors that enable growth. However, the importance of the financial side in the development process is now increasingly apparent, with credit being a determining factor in economic growth. Meanwhile, research conducted by [1] found that working capital credit, investment credit and consumer credit have a positive and significant effect on economic growth.

#### *a. Formulation of the problem*

This research starts from the formulation of the problem, namely how the influence of bank credit distribution consisting of investment credit, working capital credit and consumer credit in NTB Province on the economic growth of NTB Province.

#### *b. Research purposes*

This study aims to analyze in depth the influence of bank credit distribution in NTB Province on economic growth in NTB Province.

#### *c. Conceptual Framework*

In forming a logical hypothesis, this research is structured based on the following flow and framework of thought:

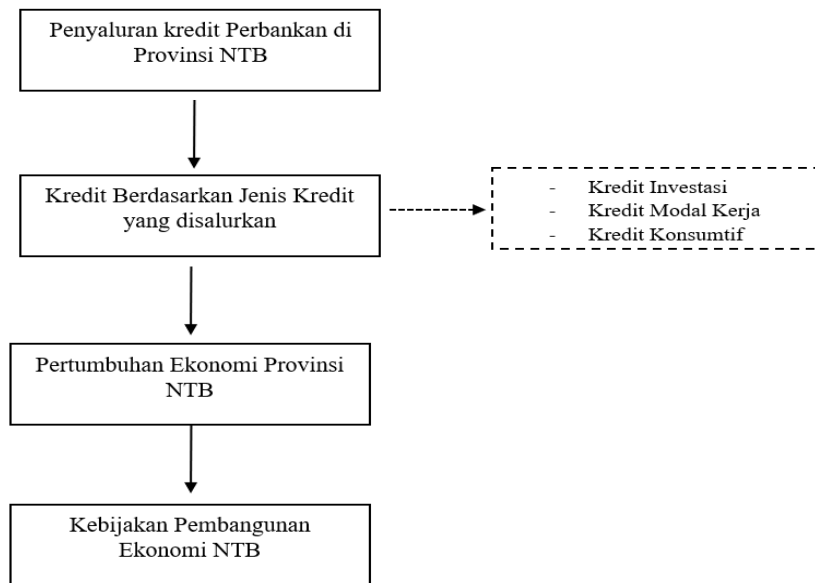


Figure 1. Conceptual Framework

## 2. RESEARCH METHODS

### 2.1 Types of research

This research is descriptive quantitative research with the aim of the research to analyze in depth the influence of bank credit distribution on economic growth in NTB Province. The descriptive quantitative research method is research that aims to describe and explain a situation objectively and then draw a conclusion from the phenomena that can be observed using numbers. In quantitative research, data analysis is directed to answer the problem formulation or test the hypothesis that has been formulated with data analysis techniques using available statistical methods [5].

### 2.2 Operational Definition of Variables

#### a. Dependent variable (Y)

The dependent variable (Y) in this study is the Gross Regional Domestic Product of West Nusa Tenggara Province in 2010-2023 in rupiah units which is a representation of NTB's economic growth. Economic growth is an increase in the ability of an economy to produce goods and services (output/gross domestic product/GDP). Economic growth is also an indicator that can show the extent to which economic activity will

generate additional income for the community in a certain period.

#### b. Independent variable (X)

##### Investment credit (X1)

namely credit used for business expansion purposes or building new projects/factories where the usage period is for a longer period and usually the use of this credit is for the main activities of a company. In this study, investment credit is the total investment credit distributed in NTB during 2010-2023, measured in rupiah.

##### Working capital credit (X2)

namely credit used for the purpose of increasing production in its operations. In this study, working capital credit is the total working capital credit distributed in NTB during 2010-2023 which is measured in rupiah.

##### Consumer credit (X3)

namely credit used for consumption or used personally. In this study, consumer credit is the total consumer credit distributed during the period 2010-2023 measured in rupiah.

### 2.3 Data Types and Sources

This research is quantitative research so that the data used is quantitative data in the form of time series

data. Based on the source, the data in this study is secondary data sourced from documents or archives of official reports that can be used to support the completion of this research. In obtaining secondary data, the author collected data using documentation techniques, where data collection was carried out by studying several data contained in the archives and documents of the NTB provincial economic report. In addition, this study also refers to related data sourced from Bank Indonesia and BPS from 2010 - 2023 which are closely related to the problems and objectives of the research.

**2.4 Data Analysis Methods**

The collected data were then analyzed using multiple linear regression

model analysis with the aim of determining the effect of independent variables on dependent variables. Multiple linear regression analysis was made into a model based on the number of dependent variables used.

The model is then processed using the SPSS 16 application with the multiple linear regression method, the results of which are then analyzed using econometric parameter tests with t-statistic tests, F-statistic tests, and coefficient of determination (R<sup>2</sup>).

**3. RESULTS AND DISCUSSION**

**3.1 Development of Credit Distribution in NTB**

As for development NTB banking credit can be seen in the following graph:

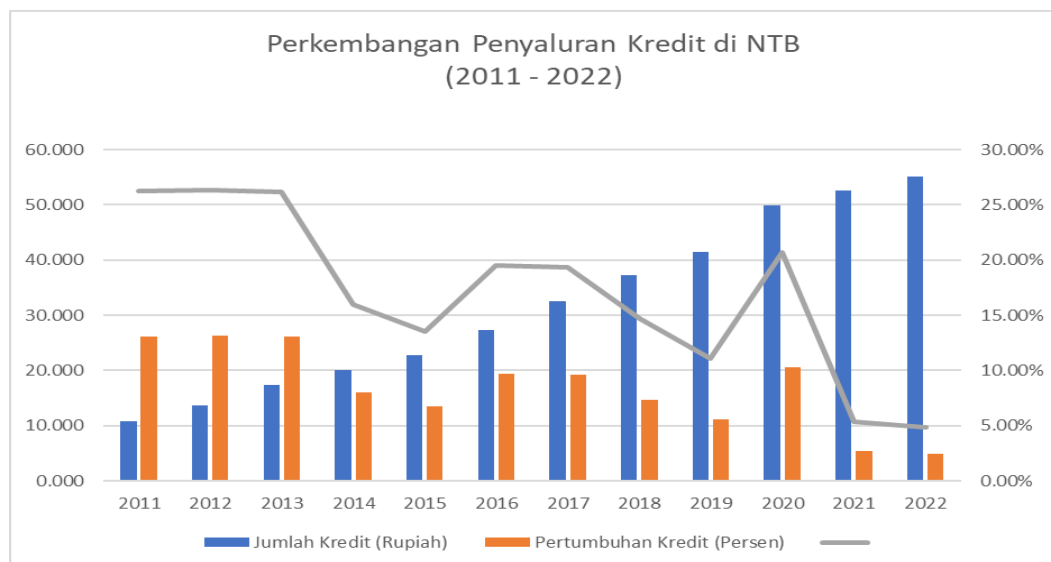


Figure 2. Development of Credit Distribution in NTB Province 2011 – 2022  
Source: Processed Secondary Data

Based on the data in the graph above, it can be seen that the development of NTB credit distribution when viewed from the aspect of credit growth tends to fluctuate, but in aggregate and the amount of credit, the development of NTB banking credit distribution shows a good trend and projection or consistently continues to increase every year. This indicates that the productivity of the banking sector and the NTB economy is in

relatively good condition. In general, the increase in the amount of credit distribution can be a measure of the level of good trust from consumers and business actors towards current and future economic conditions.

The amount of credit distribution in regencies/cities throughout NTB in 2018-2023 can be seen in the following graph:

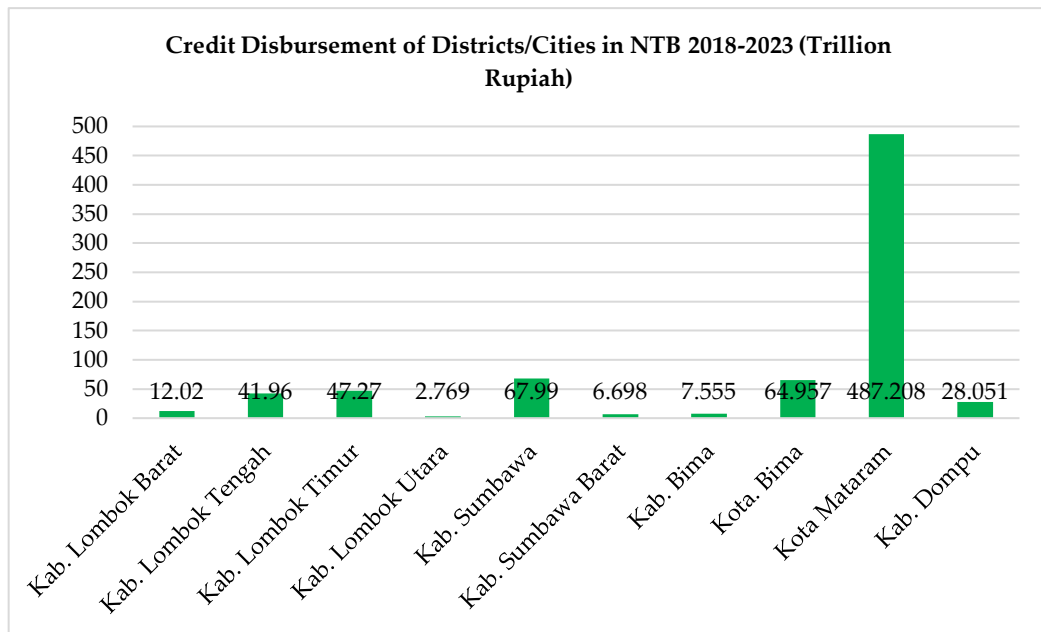


Figure 3. Credit Distribution for Regency/City Throughout NTB 2018-2023  
Source: Processed Secondary Data

3.2 Economic Growth of NTB Province

Economic growth must be focused on the poor and focused on inequality in order to improve the welfare and distribution of community income where the pattern of economic growth can

be seen from the structure of GRDP. To be able to see the picture of the structure, dynamics and sectors that contribute to the economy of NTB Province, the following is a graph of the structure of NTB GRDP for the period 2010-2023.

Table 1. GRDP Structure of NTB Province 2010 - 2023

Economic Sector	Average
Agriculture, Forestry and Fisheries	22.64%
Mining and Quarrying	18.13%
Processing industry	4.26%
Electricity and Gas Procurement	0.07%
Water Supply, Waste Management, Waste and Recycling	0.09%
Construction	9.17%
Wholesale and Retail Trade; Car and Motorcycle Repair	13.36%
Transportation and Warehousing	6.70%
Provision of Accommodation and Food and Beverages	1.88%
Information and Communication	1.99%
Financial Services and Insurance	3.43%
Real Estate	3.10%
Corporate Services	0.17%
Government Administration, Defense and Compulsory Social Security	6.28%
Educational Services	4.76%
Health Services and Social Activities	1.91%
Other services	2.05%

Source: Processed Secondary Data

The economy of NTB Province is dominated by 2 economic sectors that contribute above 40% of NTB's GRDP, namely the agriculture, forestry and

marine sector and the mining & processing sector. The agriculture, forestry and marine sector contributes

22.64%, followed by the mining and excavation sector at 18.13%.

**3.3 The Influence of Credit Distribution on NTB's Economic Growth**

**a. The influence of credit distribution based on its use**

The influence of bank credit distribution based on its use on NTB's

economic growth can be seen from the econometric parameters produced from the statistical analysis process of the multiple linear regression method. The econometric parameters can be seen in the following table:

Table 2. Econometric Parameter

Parameter		Standardized Coefficients	t-statistic	Sig.
Variables	Constants		18,803	0.000
	Investment Credit	0.337	4.056	0.000*
	Working Capital Credit	0.650	7,813	0.0002*
	Consumer Credit	-0.075	-1,350	0.183
R-Square				0.854
F - Statistics				93.23
Prob (f-statistic)				0.0000000
Note: *=significant at alpha 0.01 **=significant at alpha 0.05 ***=significant at alpha 0.1				

Source: Processed Secondary Data

**b. Coefficient of determination (R2)**

Based on the multiple linear regression process that has been carried out, the R-square value is 0.854, which means that the independent variables in the model, namely investment credit, working capital credit and consumption credit, can explain the dependent variable, namely economic growth, by 85.4%. While 14.6% of NTB's economic growth is explained by variables outside this research model.

**c. Simultaneous Test (F-Statistic Test)**

Simultaneous test is conducted by looking at the value of the prob f-statistic produced from the multiple linear regression process where if the value of the prob f-statistic <alpha 0.05 then the independent variable in the model significantly affects the dependent variable. The value of the prob f-statistic model is 0.0000 where the value is smaller than alpha 0.05 so that the independent variables, namely investment credit, working capital credit and consumer credit

together have a significant effect on NTB's economic growth at a confidence level above 95%. So, the research hypothesis, namely that credit distribution based on its use together has a significant effect on NTB's economic growth, can be accepted.

**d. Partial Test (T-Statistic Test) and model interpretation**

Partial Test (T-statistic Test) is conducted to determine whether the independent variables in the model, namely investment credit, working capital credit and consumer credit separately or individually have an influence on the dependent variable, namely NTB's economic growth. Partial test is conducted by looking at the t-statistic prob value generated from the multiple linear regression process where if the t-statistic prob value <alpha 0.05 then the independent variables in the model separately have an influence on the dependent variable. The t-statistic prob value is as follows:

### 1. Investment Credit (X1)

Investment credit has a t-statistic prob value of 0.0000 where this value is significant at alpha 0.01 ( $0.0000 < 0.001$ ) so that investment credit significantly affects economic growth at a confidence level of 99%. Investment credit also has a positive standardized coefficient with a value of 0.337 so that investment credit has a positive and significant effect which means that investment credit has a positive relationship and influence on NTB's economic growth, where if investment credit increases, NTB's economic growth will also increase. An increase in investment credit by 1% can increase NTB's economic growth by 0.337% *ceteris paribus*. So the research hypothesis that investment credit has a significant effect on NTB's economic growth can be accepted.

### 2. Working capital credit (X2)

Working capital credit has a t-statistic prob value of 0.0002 where this value is significant at alpha 0.01 ( $0.0002 < 0.001$ ) so that working capital credit significantly affects economic growth at a confidence level of 99%. Working capital credit also has a positive standardized coefficient with a value of 0.650 so that working capital credit has a positive and significant effect which means that working capital credit has a positive relationship and influence on NTB's economic growth, where if working capital

credit increases, NTB's economic growth will also increase. An increase in working capital credit by 1% can increase NTB's economic growth by 0.650% *ceteris paribus*. So the research hypothesis that working capital credit has a significant effect on NTB's economic growth can be accepted.

### 3. Consumer credit (X3)

Consumer credit has a t-statistic prob value of 0.183 where this value is greater than alpha 0.05 so that consumer credit does not significantly affect economic growth. Consumer credit also has a negative standardized coefficient with a value of 0.075 so that consumer credit is not significant which means that consumer credit has a negative relationship and influence on NTB's economic growth, where if consumer credit increases, NTB's economic growth will decrease. An increase in consumer credit by 1% can reduce NTB's economic growth by 0.075% *ceteris paribus*. So the research hypothesis that consumer credit has a significant influence on NTB's economic growth is rejected.

To produce comprehensive information and knowledge regarding the influence of credit distribution based on its use, the following analysis is presented:

#### a. Investment Credit

To see an overview of investment credit distribution in NTB Province, the following is a graph showing the dynamics of investment credit distribution from 2010 - 2022 in NTB Province.

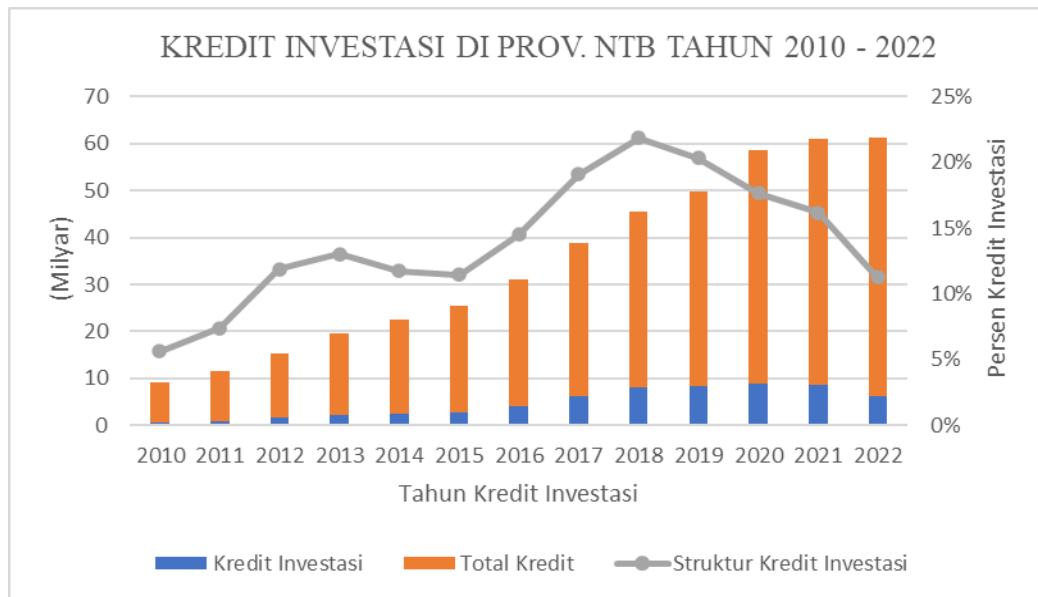


Figure 4. Investment Credit in NTB Province 2010-2022

Source: Processed secondary data

Based on the graph above, it can be seen that investment credit in NTB Province from 2010 to 2022 continues to grow with a positive trend. This is reflected in the value of investment credit which continues to increase relatively every year. The value of investment credit distribution in 2010, which was only IDR 464 million, increased significantly in the following years. In 2022, investment credit distribution was recorded at IDR 6.212 billion. Investment credit with the highest distribution was in 2020, amounting to IDR 8.81 billion.

The contribution of investment credit to the credit structure with the value of investment credit distribution is not linear. This indicates that the increase in the value of credit distribution is not always accompanied by an increase in the value of the investment credit structure in credit distribution in NTB. As in 2019, the value of credit distribution increased from 2018 but the size of the investment credit structure decreased. This indicates that in the same period there was an increase in

the value of other types of credit distribution and the value of investment credit distribution was smaller compared to other types of credit, but still higher than investment credit.

In the statistical analysis that has been carried out, it was found that investment credit has a positive relationship and significantly influences the economic growth of NTB. This finding is in line with research conducted by [6] which found that investment credit has a positive relationship and significantly influences economic growth. Some economists view investment as an important factor in economic growth and development. When investments are made by entrepreneurs or the government, there will be a number of capitals that will be invested or there will be a number of purchases of non-consumer goods that are used to produce so as to produce goods and services which can increase production factors that run linearly with the opening of job opportunities, reduce unemployment and encourage economic growth. So that the distribution of investment credit



must continue to be increased to strengthen the economic activity of the West Nusa Tenggara Province.

**b. Working Capital Credit**

Working capital credit is credit used for the purposes of increasing production in company or business operations.

To see an overview of the distribution of working capital credit in NTB Province, the following is a graph showing the dynamics of the distribution of working capital credit from 2010 - 2022 in NTB Province:

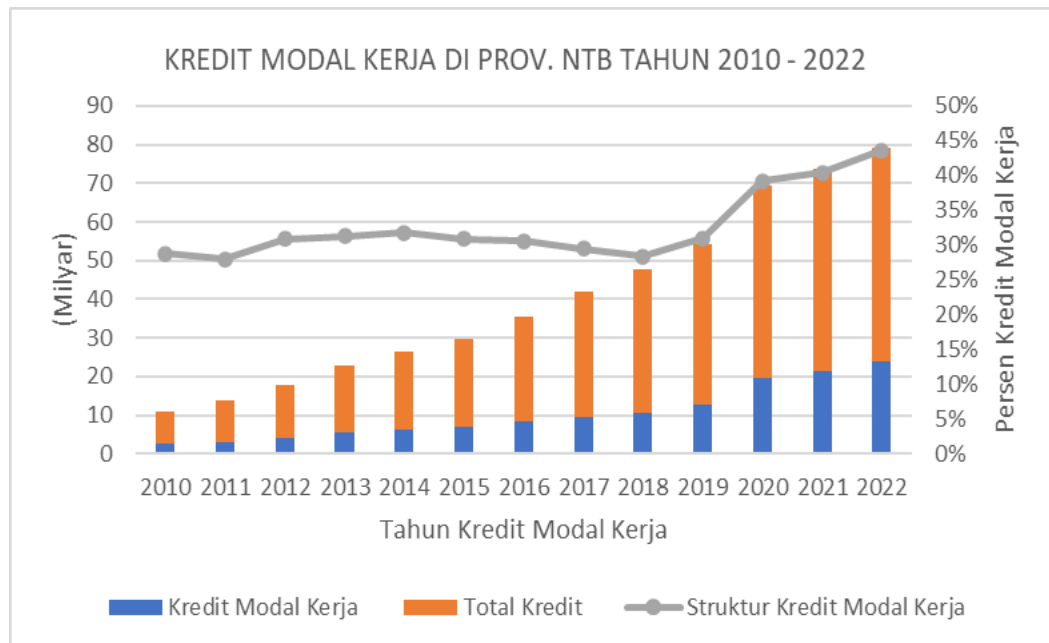


Figure 5. Working Capital Credit in NTB Province 2010-2022  
Source: Processed Secondary Data

Based on the graph above, it can be seen that working capital credit in NTB Province in 2010 - 2022 has positive growth. This is reflected in the value of working capital credit distribution which has increased significantly every year. In the first year of observation, namely 2010, working capital credit distribution was only IDR 2.47 billion, then increased in the following years, without experiencing a contraction or decrease in the distribution value. In 2022, the value of working capital credit distribution reached IDR 24.06 billion and became the highest value over the past 12 years.

In contrast to the value of working capital credit distribution growing well, the contribution of working capital credit to the banking

credit structure in NTB is fluctuating. In 2010, the contribution of working capital credit to the credit structure was 28.75%, then decreased in 2011 to 27.98%. Then it increased throughout 2012 - 2014 and was stable on an increasing trend in 2019 - 2022. The lowest contribution of working capital credit in the credit distribution structure in NTB was 27.98% in 2011 and the highest contribution was 43.61% in 2022.

In the statistical analysis that has been carried out, it was found that working capital credit has a positive relationship and significantly influences the economic growth of NTB. This finding is in line with research conducted by [7] which found that working capital credit has a positive relationship and

significantly influences economic growth. Likewise, research conducted by [6] found that working capital credit has a positive relationship and significantly influences the regional economic growth of a region.

**c. Consumer Credit**

Consumer credit is credit that is used to meet needs or for personal

consumption purposes, not for business or investment purposes.

To see an overview of consumer credit distribution in NTB, the following is a graph showing the dynamics of consumer credit distribution from 2010 - 2022 in NTB Province:

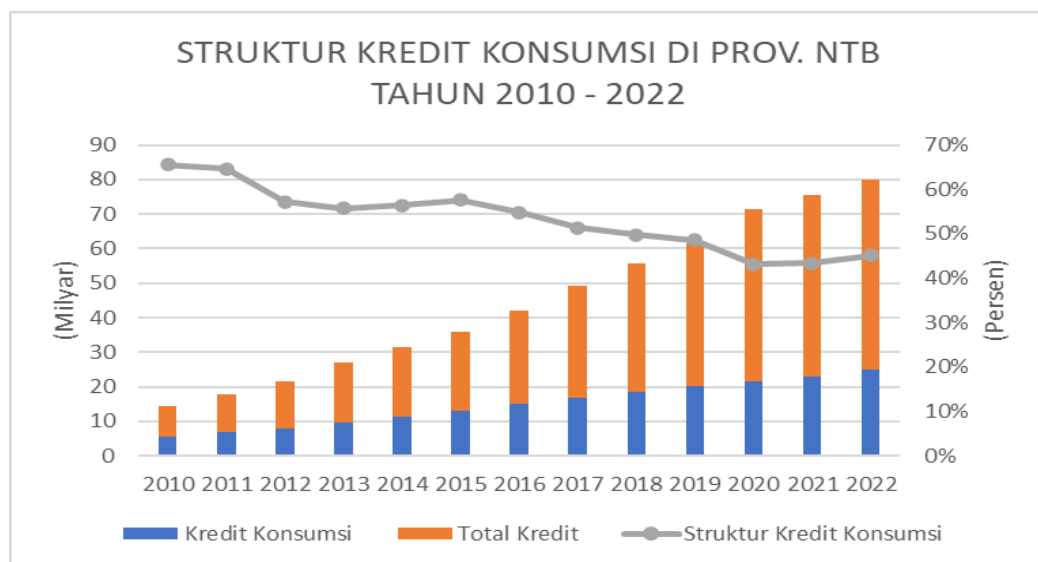


Figure 6. Consumer Credit in NTB Province 2010-2022  
Source: Processed secondary data

Based on the graph above, it is known that consumer credit in NTB Province in 2010 - 2022 has a positive growth trend. This is reflected in the value of consumer credit distribution each year which continues to increase. In the first year of observation, namely 2010, consumer credit distribution was only IDR 5.647 billion, then this value continued to increase in the following years until the last year of observation, namely 2022, with a credit distribution value of IDR 24.902 billion, at the same time this value is also the highest value of consumer credit distribution in the last 12 years.

Interestingly, although the value of consumer credit distribution continues to increase, in terms of contribution to the credit structure, consumer credit has a different trend. The contribution of consumer credit

to the credit structure continues to decline, this can be seen from how in the first year of observation, namely 2010, consumer credit contributed 65.62% to the credit structure. Then in the following years, the contribution of consumer credit to the credit structure continued to decline until 2022 by 45.13%.

Consumer credit does provide convenience to the community to be able to meet their needs, this credit seems to be a shortcut that can be a solution to all community needs. However, this has negative impacts such as increasing consumer culture in the midst of society which is not accompanied by an increase in economic productivity. A consumer culture that is not accompanied by an increase in productivity and community income is feared to trigger bad debts which

will also have an impact on the regional and national economy. So that banking authorities and the government need to control the amount of consumer credit distributed.

### **3.4 Sectoral Analysis of Credit Distribution in NTB**

*First*, NTB's economic diversification is seen from the increase in credit distribution in various sectors. Although the agricultural and mining sectors are still dominant, growth in other sectors such as construction, tourism, and services show positive diversification efforts.

*Second*, the focus on infrastructure is evident from the rapid growth of credit in the construction sector. This is in line with the government's strategy to improve regional connectivity and competitiveness.

*Third*, the development of the tourism sector is reflected in credit growth in the accommodation and food and beverage provision sector. This shows the great potential of the tourism sector as a driver of the NTB economy in the future.

*Fourth*, despite growth in various sectors, there is still a significant gap in credit distribution between sectors. This indicates the need for more targeted policies to encourage equitable sectoral development in NTB.

*Fifth*, significant fluctuations in the mining sector indicate the vulnerability of the NTB economy to external shocks. This emphasizes the importance of economic diversification to increase regional economic resilience.

*Sixth*, moderate growth in the manufacturing sector indicates that there is still a lot of room for development of this sector in NTB. Policies that encourage industrialization and increase the added value of local products can be a focus in the future.

*Seventh*, increased credit in service sectors such as education and

health reflect efforts to improve the quality of human resources in NTB. This is important to support long-term economic growth.

This sectoral credit distribution pattern provides a strong foundation for formulating more targeted economic and banking policies in NTB. Local governments and banking authorities need to consider this pattern in designing incentives and policies to encourage the growth of priority sectors, while ensuring equal access to credit across all economic sectors. A more targeted and balanced credit distribution strategy can be key to encouraging more inclusive and sustainable economic growth in NTB. Furthermore, an analysis of the credit structure in NTB during the period 2010-2022 provides interesting insights into the evolution of financing patterns in the province. In 2010, the credit structure was dominated by consumer credit which reached 65.62% of total credit, while working capital credit was 28.75%, and investment credit was only 5.63%. However, there was a significant shift over the following decade.

### **3.5 Comparison of NTB Credit Distribution with Other Provinces**

To understand the position and performance of credit distribution in West Nusa Tenggara (NTB) more comprehensively, it is important to make a comparison with other provinces in Indonesia. This analysis will compare the credit distribution pattern of NTB with Bali, South Sulawesi, and DKI Jakarta.

The comparison with Bali offers interesting insights considering that both provinces share some economic characteristics, especially in terms of tourism potential. According to Bank Indonesia data (2022), during the 2018-2022 period, the credit distribution pattern in Bali showed a strong focus on the tourism sector and its supporting sectors. Credit for the accommodation and food and beverage sector in Bali reached an average of 25% of total credit, much higher than NTB which was only

around 10%. This reflects the higher level of maturity of Bali's tourism industry.

However, NTB showed faster growth in credit distribution for the construction sector, reaching an average annual growth of 15% compared to Bali which was only 8% (Financial Services Authority, 2022). This may reflect a more intensive phase of infrastructure development in NTB, including major projects such as the development of the Mandalika Special Economic Zone.

The comparison with South Sulawesi provides a different context, given that both provinces have relatively similar economic sizes. Based on data from the Central Statistics Agency (2022), South Sulawesi shows a more diverse credit distribution pattern, with significant contributions from the agricultural and manufacturing sectors. The average credit distribution for the agricultural sector in South Sulawesi reaches 15% of total credit, higher than NTB which is only around 8%.

South Sulawesi also showed better performance in distributing investment credit, with a proportion reaching 18% compared to NTB 11% (Ministry of Finance of the Republic of Indonesia, 2022). This may reflect South Sulawesi's success in attracting investment to productive sectors such as the processing industry and agribusiness.

Comparison with DKI Jakarta as a benchmark province with the most advanced banking sector provides a different perspective. As expected, the volume and complexity of credit distribution in Jakarta far exceeds that of NTB. According to the [8], total credit distribution in Jakarta is almost 20 times that of NTB, reflecting its position as the national economic and financial center.

The credit structure in Jakarta is dominated by corporate and investment credit, with a proportion reaching 60% of total credit. This is in contrast to NTB which is still dominated by consumer and working capital credit [9]. This difference reflects the different levels of economic

development and business complexity between the two provinces.

Despite its much smaller credit volume, NTB showed faster credit distribution growth than Jakarta in recent years. This could be an indicator of NTB's economic catch-up potential in the long term.

### **3.6 Learning from Other Regions in Credit Structure Management**

The experiences of other regions in Indonesia in managing credit structures offer valuable lessons for West Nusa Tenggara (NTB). This sub-chapter will explore cases from West Java, North Sumatra, and North Sulawesi.

West Java has shown significant success in encouraging increased investment credit. According to [10], during the 2015-2020 period, the proportion of investment credit in West Java increased from 18% to 25% of the total credit disbursed. This success is supported by several key factors, including fiscal incentive policies and the development of integrated industrial areas.

[11] explained that West Java focuses on developing integrated industrial areas such as Karawang and Bekasi. These areas not only provide good infrastructure, but also create an agglomeration effect that attracts more investment. Banks in West Java responded to this by developing investment credit products tailored to the needs of investors in these areas.

North Sumatra offers an interesting case study in consumer credit management. [12] notes that the province has managed to maintain stable consumer credit growth while ensuring that credit quality is maintained. During the period 2015-2020, the proportion of consumer credit in North Sumatra was stable at around 40-45% of total credit, with a relatively low level of non-performing loans (NPL) below 3%.

[13] explained that North Sumatra's main strategy in managing consumer credit includes the application of strict prudential principles, diversification of consumer credit products, and intensive financial education programs for the community.

North Sulawesi offers an interesting example in optimizing working capital credit for the MSME sector. [14] reported that during the period 2015-2020, the proportion of working capital credit for MSMEs in North Sulawesi increased from 30% to 40% of total working capital credit, with an average annual growth rate of 15%.

The Investment Coordinating Board (2022) noted that North Sulawesi's success was supported by the development of credit schemes tailored to the characteristics of local MSMEs, the application of technology in distributing MSME credit, and business assistance programs integrated with credit distribution.

[15] emphasized that in adopting these practices, NTB needs to make careful adjustments by considering local conditions. This requires an in-depth analysis of NTB's economic, social, and cultural characteristics, as well as the active involvement of local stakeholders in the process of policy formulation and implementation.

[16] remind that optimizing the credit structure is not an end in itself, but rather a means to achieve more inclusive and sustainable economic growth. Therefore, the NTB credit structure management strategy must always be linked to broader economic development goals, including poverty alleviation, job creation, and improving the welfare of society as a whole. [17] emphasize the importance of innovation in developing credit products to drive economic growth. In the NTB context, this could mean

developing credit products tailored to the unique characteristics of the local economy, such as seasonal credit for farmers or special credit for business actors in the tourism sector.

The NTB Provincial Cooperative and SME Service (2022) reported that the MSME sector in NTB still faces challenges in accessing financing. North Sulawesi's experience in optimizing MSME credit through technology and mentoring programs could be a relevant model to be adapted in NTB.

[18] noted that NTB is developing the concept of halal tourism. This opens up opportunities for the development of sharia credit products tailored to the needs of the halal tourism industry, which may not have been widely developed in other provinces.

In its implementation, NTB needs to consider several key aspects:

1. The geographical context of NTB as an island province requires innovative solutions in credit distribution, as suggested by [11]. The use of digital banking technology or mobile banking agents can be a solution to reach remote areas.
2. The economic structure of NTB, which is still dominated by the agricultural and tourism sectors, requires a different approach compared to more industrial provinces. [12] suggests developing investment credit products that are tailored to the characteristics of projects in these sectors.
3. The level of financial literacy of the NTB community, which may differ from other provinces, needs to be taken into consideration in adopting a consumer credit management strategy. [14] emphasize the importance of financial education programs that are tailored to the cultural context

and level of understanding of the local community.

4. NTB's potential in developing renewable energy, as reported by the Central Statistics Agency (2022), could be a special focus in the investment credit strategy. NTB could develop a special financing scheme for renewable energy projects.
5. The characteristics of MSMEs in NTB which may be different from those in North Sulawesi need to be considered in optimizing working capital credit. [14] suggests developing a credit scheme that is adjusted to the production and sales cycle of local MSME products.

In its implementation, Ismail & Widiyanto (2020) suggest a gradual and measured approach, starting with a pilot project in several regions or certain sectors before being implemented widely. NTB also needs to build a strong monitoring and evaluation system to monitor the effectiveness of the adopted strategy, as suggested by [10].

By considering all these aspects, NTB has the opportunity to develop a credit management model that is not only effective in driving economic growth, but also inclusive, sustainable, and responsive to local needs. Success in this regard could make NTB an example of best practice in optimizing the role of credit for regional development in Indonesia.

## 5. CONCLUSION

Through a series of comprehensive analyses, several key conclusions can be drawn:

Banking credit distribution in NTB shows a consistent upward trend during the period 2010-2022, with significant average annual growth. This increase indicates the increasing confidence of the banking sector in the economic prospects of NTB, while also reflecting the growth of economic activity in

this region. The consistency of this credit growth is a positive indicator for the overall economic development of NTB.

The credit structure in NTB has experienced a positive shift, where the portion of productive credit (working capital and investment) has increased, while the portion of consumer credit has decreased. This shift is a positive indicator that shows that bank credit is increasingly directed at activities that have the potential to drive long-term economic growth. An increase in the portion of productive credit has the potential to drive more sustainable economic growth in the future, through increased production capacity and job creation.

There are indications of a positive relationship between increased credit distribution, economic growth, and improvements in socio-economic indicators in NTB. However, this relationship is complex and influenced by various other factors. Increased credit distribution has contributed to improvements in indicators such as poverty rates, the Human Development Index (HDI), and unemployment rates. However, a direct causal relationship is difficult to determine given the complexity of the factors influencing economic and social development.

Despite showing a positive trend, investment credit distribution in NTB is still relatively low compared to working capital and consumer credit. This indicates that there is still a large room for increasing investment in NTB. The low portion of investment credit could be an indicator of the suboptimal investment climate in NTB or the limited long-term investment projects in this area.

Sectoral analysis shows that credit distribution in NTB is still concentrated in certain sectors, especially trade and agriculture. Although this reflects the economic structure of NTB, it also shows the need for efforts to encourage credit distribution to other potential sectors to support economic diversification.

The role of the NTB Regional Development Bank (BPD) in credit distribution shows a positive trend, but there is still room to optimize the role of BPD in

supporting regional economic development. BPD has a strategic position to bridge regional development policies with targeted credit distribution.

The implementation of financial technology in credit distribution in NTB is still limited, indicating the potential to increase financial access through technological innovation. The development of financial technology can be a solution to reach segments of society that have been underserved by the conventional banking system.

Local government policies in supporting credit distribution, such as credit guarantee programs and interest subsidies, have shown positive impacts but still require further evaluation and refinement. The effectiveness of these programs needs to be continuously monitored and improved to maximize their impact on economic growth.

These findings highlight the importance of integrated policies in encouraging effective credit distribution, inclusive economic growth, and equitable development across NTB. Close collaboration between local governments, the banking sector, and other stakeholders is needed to optimize the role of bank credit in driving NTB's economic development.

## SUGGESTION

Based on these limitations, some suggestions for further research include:

1. Micro Analysis: Further research could focus on micro-level analysis, using firm or household data to understand the specific mechanisms by which credit affects productivity and growth.
2. Comparative Studies: Conducting comparative studies comparing NTB with other provinces with similar economic characteristics can provide valuable insights into the relative effectiveness of credit policies.
3. Long-Term Analysis: Research covering a longer time span, perhaps several decades, can help identify cyclical patterns and long-term trends in the relationship between credit and economic growth.
4. Mixed-Method Approach: Combining quantitative analysis with qualitative research, such as in-depth interviews with key stakeholders, can provide a more nuanced understanding of credit distribution dynamics and their impacts.
5. Sectoral Focus: More in-depth research on the impact of credit on specific sectors that are important to the NTB economy, such as tourism or agriculture, could provide sharper insights for sectoral policy development.
6. Technology Impact Analysis: Research on how the adoption of financial technology affects credit distribution patterns and its impact on economic growth in NTB can provide valuable insights for policies in the digital era.
7. Social Impact Studies: Research that explores the impact of credit distribution not only on economic growth, but also on social indicators such as income inequality or access to basic services, can provide a more holistic understanding of the role of credit in development.
8. Sustainability Analysis: Research that focuses on how credit distribution can support sustainable development in NTB, including environmental and social aspects, can make an important contribution to the formulation of long-term policies.

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