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THE ROLE OF BANKING CREDIT IN DEVELOPMENT LEADING SECTORS AT SOUTH SULAWESI PROVINCE

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Abstract: This study aimed to measure how far the role of bank loans extended to support the development of leading sectors in South Sulawesi Province during the period 2003 - 2007 as the period of observation. Data used were secondary data analyzed by using descriptive statistical analysis tools and Location Quotient methods (LQ). To perform measurements, the results of LQ calculation each economic leading sector of this region compared with the value of the share or the average percentage distribution of bank loans extended to every economic sector. Results showed that there were 5 (five) sectors of the economy in South Sulawesi Province that had values greater than 1 (one), so that the most valuable sector in the economy of this region during the observation period, namely agriculture, mining and quarrying, electricity, gas and water supply, transport and communications sector; and the services sector. The role of bank credit in the development of leading sectors of this region had not been effective because there was still a fairly large gap between the value of its LQ-winning each of the sectors with the value of the average percentage of credit extended to the leading sectors during the period of observation.

Key words: credit banking, competitive sectors.

Business activities undertaken by the banking institutions in South Sulawesi had been experiencing good growth. Its business, the banking institutions in this region not only to function as a collector and dealer credit funds to the economic actors, but has also run the business activities are quite diverse options, such as facilitate the transaction process and launch economic actors in this area , both domestically and internationally, and so on.

To provide a role in stimulating economic growth South Sulawesi, the banking institutions in this region has disbursed loans to economic actors in developing the business and economic activities that are run. Performance of banking institutions in this region has shown a fairly encouraging indications during the period 2003 - 2007 as a period of observation. The indication can be seen in a significant increase of the average loan is disbursed, the amount of Rp. 9.27 tril-

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lion in 2003 grew to Rp. 25.79 trillion in 2007 or experienced an average growth of 29.68% per annum in the period. The development of the number of outstanding loans by banking institutions in this region that are not significant enough apart from an increase in economic performance of South Sulawesi during the period 2003 - 2007 which looks at indicators of the growth rate of Gross Regional Domestic Product (GDP) this region reaches an average of 5.2%.

From the above description can be seen that the number of outstanding loans by banking institutions in each economic sector in this region has a role in encouraging economic performance of South Sulawesi during the period of observation. However, please note that the economic structure of this region there are several economic sectors quite dominant contribution to the GDP, which has become the economic sectors leading this area has a lot of attention from the government of South Sulawesi to develop it by running the various forms of development activities during the program, such as Independence Movement Populist Economic Development/Gerakan Kemandirian Pengembangan Ekonomi Kerakyatan (GEMA PEREKAT).

Therefore, it is interesting to examine more deeply the extent that the role of credit has been channeled by the banking institutions in this region to encourage the development of economic leading sectors of South Sulawesi during the period from 2003 to 2007. The role of banking institutions can be seen in the percentage of the value of Share or average credit channeled to the sectors of the economy of this region leading over a period of observation. If found there gap (gap) between the RI values of each sector of this region leading to a percentage of average loans channeled to each of these economic sectors, be it positive or negative gap is quite significant, it can be said that the role of banks in development of dominant sectors of this region is still relatively small during the period of observation. And vice versa, if the average percentage of the two indicators are not happening the gap (gap). The objectives of this research to determine the role of the banking sector in economic development of South Sulawesi seen from the side of public funds and the distribution pattern of services during period from 2003 to 2007. To evaluate the effectiveness of the banking sector's role in encouraging economic development increasing of leading sector South Sulawesi.

J.R. Hicks (Marsuki, 2005) has divided the form or model of the economy of a region or regions into two, namely a money market economy (financial economy) and a credit economy (credit economy). According to him, that a money market economy of a region is a regional economic system where money and capital markets more dominant role in financing the various activities of economic actors deficit. While a credit economy is a region characterized by contrast, the role of banks as the main economic institutions on which economic actors deficit to earn money to finance their economic activities.

In the modern economy, banking institutions have been recognized as a strategic financial institutions that have a significant role in determining the direction and development of a regional economy. The function and role in the development of banking is reflected in the various aspects that can sustain the strength and smoothness of the payment system and the effectiveness of monetary policy in the context of government welfare society.

Theoretical analysis of the role of banking institutions in the economy of the order of the standard economic models have been developed since a long time. Among others, done through the study of the influence of financial assets in the form of credit to economic activity. One of the modern approach of the model of the influence of banking credit in the economy have been put forward by Bernake & Blinder (1988) in their writings on the topic "Credit, Money and Aggregate Demand" at the American Economic Review, issue May This idea is then further developed by the monetary and financial experts from the Post Keynesian, his next is known as monetary policy thinker who believes that one of the channels of monetary policy transmission mechanism is important to note is the arrangement of credit (credit approach), especially in countries where the role of bank credit is still very dominant, such as Indonesia.

According to Judisseno (2002) that the Bank is an institution that functions as an Agent of the Trust and the Agent of Development. Bank as an agent of the trust is a trusted intermediary institutions to serve all the needs of and for the community. Meanwhile, as the agent of development, the bank's role is to encourage the progress of development through credit facilities and the easiness of payment and withdrawal in the process of transactions conducted by economic actors. The research results of Panggabean (2008) showed that the bank has not functioned as an agent of development in relation to the empowerment of SMEs in all the districts and sub districts in Indonesia. Furthermore, Wijono (2005) states that poverty reduction efforts can be made among others by cutting the chain of poverty itself, is by giving them broad access to financing sources for SMEs which is basically a part of the poor who have the willingness and ability productively. Although the contribution of SMEs in Indonesia's GDP grew, but it faces huge obstacles too, including difficulty accessing financing sources from formal financial institutions (banks).

RESEARCH METHOD

The data used in this research is secondary data collected from Central Bureau Statistics (BPS) Office of South Sulawesi and Bank of Indonesia Branch Makassar by using documentation and interviews.

To determine which sectors are the dominant sector in the economy South Sulawesi during the period 2003 - 2007 as a period of observation, the use of analytical tools LQ (Location Quotient) with the formulation (Soepono, 2001) as follows:

$$LQ_i = \frac{\left(\frac{E_{ij}}{Ej}\right)}{\left(\frac{E_{in}}{En}\right)}$$

Where:

E_{ij} = GRDP sectors i in the South Sulawesi (study area).

E_j = Total GDP Province South Sulawesi (study area)

E_{in} = GDP Indonesia (reference region).

E_n = Total GDP of Indonesia (reference region).

In the use of analytical tools LQ have some requirements as follows: (1) if the value of LQ the sector i (LQi) greater 1 (LQ> 1), then the sector i is dominant sector in the study area in the period of observation; (2) if value of LQi less than one (LQ

<1), then sector i is not the leading sector in the study area. It means that lack production area generated by sector i, which must import these products from other regions if the consumption pattern in the area to be maintained.

Furthermore, to see how far the role of financial institutions banking credit in the development of leading sectors in this area, then used the descriptive statistical analysis tools with the help of a graph or curve.

RESEARCH FINDINGS

To determine the economic sectors in the economy leading of South Sulawesi during the period 2003 - 2007, using the LQ analysis tool, the GDP data needed of South Sulawesi as the study area and a GDP of Indonesia as a reference region.

Based on GDP data of South Sulawesi and Indonesia's GDPadata, the value calculation can be done Location Quotient (LQ) of each economic sector in the economy of South Sulawesi as a study area in the context of the Indonesian economy as a reference region in the year 2003 - 2007 whose results can be seen in Table 1.

In Table 1 can be seen that there are 5 (five) of economic sectors that become dominant sector in the economy of South Sulawesi during the period 2003 - 2007, the sector: (1) agriculture; (2) mining and quarrying; (3) electricity, gas and water supply; (4) transportation and communication; and (5) community social service sector and another.

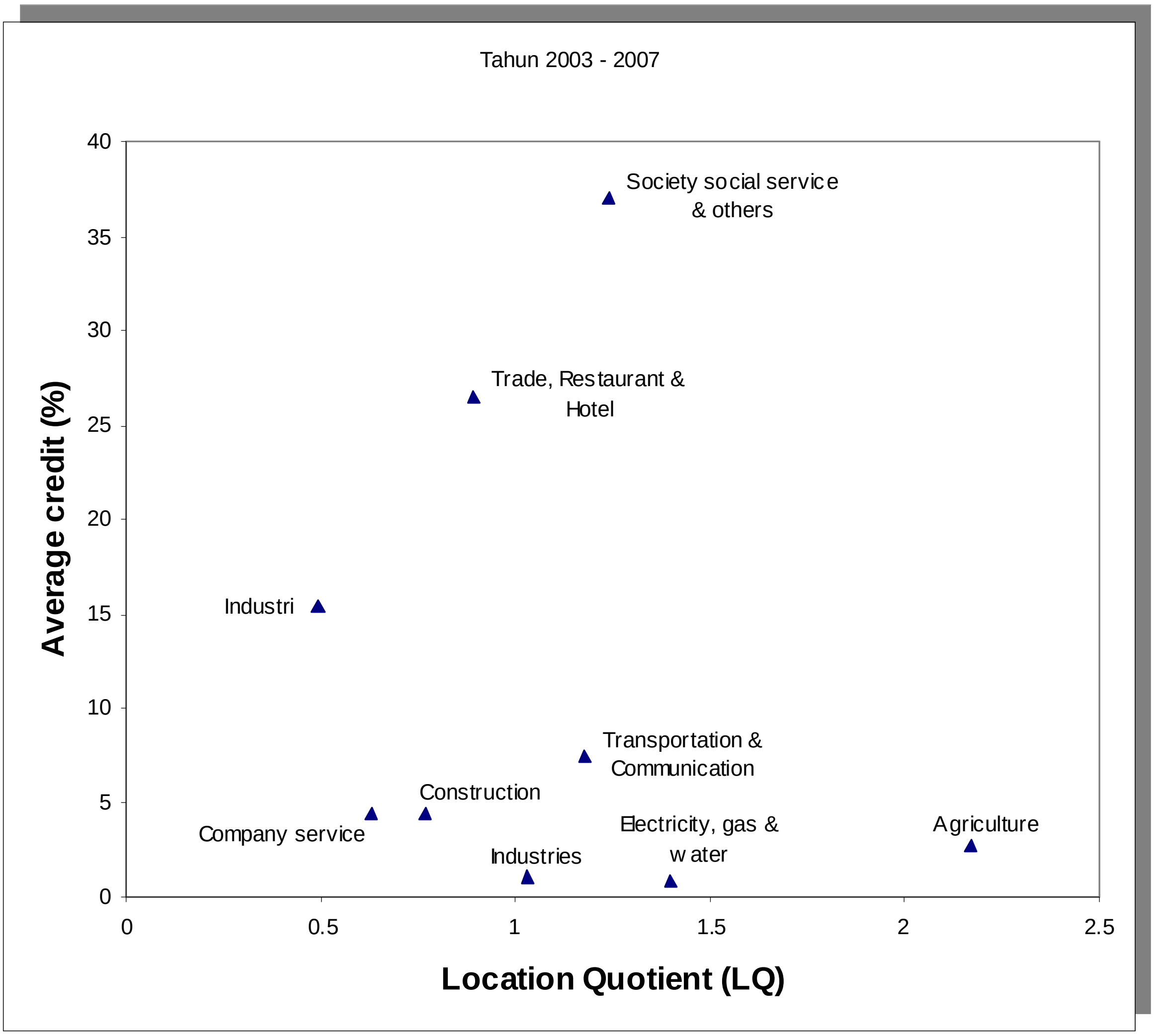
Furthermore, in Table 1 seems also that the agricultural sector has a value higher LQ than the dominant sectors of the other during the observation period. This is caused by several factors, namely: (a) of this region has abundant natural resources and suitable to manage the agricultural

Table 1. Value of LQ Each Economic Sector in Economic South Sulawesi Province in Indonesia Economic Context Period 2003 – 2007

No	Economic Sector	Value of Location Quetient (LQ)					
		2003	2004	2005	2006	2007	Average
1	Agriculture	2,27	2,16	2,15	2,14	2,13	2,17
2	Mining and quarrying	0,85	0,97	1,06	1,10	1,15	1,03
3	Industries	0,47	0,47	0,50	0,51	0,51	0,49
4	Electricity, gas and water	1,43	1,33	1,42	1,43	1,41	1,40
5	Construction	0,75	0,77	0,80	0,76	0,76	0,77
6	Trade Restaurant & Hotel	0,89	0,89	0,88	0,88	0,89	0,89
7	Transportation & Communication	1,24	1,23	1,21	1,12	1,08	1,18
8	Company Service	0,54	0,65	0,64	0,65	0,68	0,63
9	Society social service and others	1,27	1,24	1,19	1,25	1,24	1,24

Source : Calculation Result

sector; (b) approximately 70% workforce in this area working in the agricultural sector; (c) climatic conditions and topography of the area This is suitable for managing and supporting business in the agricultural sector, (d) community in this area has been in the job as a farmer since their ancestors; (e) in this area has produced several leading agricultural commodity export-oriented, such as cocoa, palm oil and shrimp, which have been on a lot to bring foreign exchange for Indonesia, especially during the economic crisis hit Indonesia in 1997 ago.



Curve 1. Value LQ and Average of Credit Percentage That is Canalized of Banking in Every Economic Sector at South Sulawesi Province
Period 2003 - 2007

Furthermore, should also see the value of share (number) and percentage of average loans provided by banking institutions in the region to economic actors in each of these leading sectors during the period of observation, as seen in table 4.

Based on data in table 3 and 4, it can be done comparison between LQ values of each economic sector in the economy of South Sulawesi with the value of the share or the number and percentage of outstanding loans by banking institutions in this region to their respective economic sectors over the period 2003 - 2007 as the period of observation. The comparison can be seen clearly if it is shown in the form of the curve, as seen in Curve 1.

DISCUSSION

Based on the results of the comparison between the value of each LQ economic sectors in the economy of South Sulawesi by the percentage of outstanding loans of banking institutions in each sector of the economy, as the Nampa on curve 1 at the top, then the analysis can be done regarding the role of bank credit in supporting developing dominant sectors of this region during the period of observation.

On Curve 1 shows that the average percentage of outstanding loans by banking institutions in the 4 dominant sector of this region, namely: (1) agriculture, (2) mining and quarrying sector, (3) electricity, gas and water supply, still very much lower than required. This can be seen in the difference (gap) between the value of the four sectors leading WR is a much larger percentage than the value of the average credit is channeled to each of the dominant sector. There is a negative credit gap condition at the four leading sectors is due to a shortage fourth bank loans needed to develop the four leading sectors concerned.

In contrast, the curve 1 is also seen that there is 1 dominant sector, namely the social services sector and other communities that have received the distribution of bank credit in this area is much larger than actually required for this leading sector development. This can be seen in the gap (gap) is very significant between LQ values are dominant sector with credit percentage value of the average seed channeled to this sector during the period of observation is much greater, resulting in a positive gap.

This indication has described the utilization of waste credit banking institutions in this leading sector during the period of observation.

Based on the above description, it can be said that the use of credit is basically a banking institution to develop a dominant sectors of South Sulawesi during the observation period was less effective, so credit the role of banking institutions in the development of leading sectors of this region are still relatively small during the observation period.

Agricultural sector is the dominant sector of this region the greatest value of his LQ, making it a leading-edge sectors in the economy of South Sulawesi had only received a credit of running a banking institution which is relatively very small, causing the gap (gap) is very significantly between the value of his LQ percentage value an average credit channeled to this sector. As a result, the agricultural sector in the region can not develop optimally match the potential and resources owned as farmers in general face the problem of shortage of funds they can use to manage the farm business. The farmers in this region more generally use their own capital or borrow from their brokers and dealers to finance their business activities. Therefore, in this area is still happening systems in the agricultural sector debt bondage that must be faced by the farmers, when the system is harming the farmers. Similarly, the margin received by farmers is much lower than that obtained by the traders. Based on these results, it can identify the factors causing the occurrence of such event, namely: (1) farmers generally do not have collateral, such as certificates, and is unable to meet the requirements of banking institutions to obtain their loans; (2) the level of knowledge of farmers to access credit funds from banking institutions are still relatively low; (3) the general manager of banking institutions in this region are still very cautious in disbursing credit to the agricultural sector, given the risk incurred in managing the business in this sector are generally still very dependent on season and is very vulnerable to crop failure and only able to produce primary products.

CONCLUSION AND SUGGESTION

Conclusion

Based on the analysis previously described, then several conclusions can be presented as follows: (1) The development of monetary and financial sector in South Sulawesi in relation to the role of banking institutions in supporting economic activity in each economic sector in the region is quite good. This can be seen in a significant increase in the number of distributed credit banking institutions in this region to economic actors in each economic sector over the period 2003 - 2007 as the period of observation. (2) The role of banking institutions in encouraging the development of leading sectors of this region, mainly agricultural sector which is the economic sector most superior in this area, is still relatively low during the period of observation. This can be seen in the gap (gap), both positive and negative, very significant between LQ values of each sector of this region leading to a percentage value of the average credit channeled to the sectors of banking institutions, the dominant sector. As a result, the amount of loans by banking institutions in the area in dominant sectors are not effective (optimal) in encouraging business development administered by economic actors in each region dominant sector.

Suggestion

Based on the above description, it can be argued that recommended some suggestions as follows: (1) That need to wake up effective communication between the management of banking with business managers in the dominant sectors of this area is facilitated by local governments to solve the problem is still low bank credit role in encouraging business development in sectors such superior. This can be realized through the implementation of the business meeting activities initiated by local governments to create a forum that can bring the party with the bank manager of business managers in each of these leading sectors. (2) The banks in this region need to further expand its business coverage, so the more accessible by economic actors in this area, particularly those who live in remote areas, which generally become production centers for agricultural products. This is consistent with the value of the Control Social Responsibility to be performed by a banking institution in connection with the interests of supporting local community economic development was in line with its efforts to carry out financial business functions they perform.

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