ABSTRACT

The development of the financial sector will increase the demand and supply for financial services and stimulate economic growth. The purpose of this study is to analyze the effects of the broad money ratio per GDP, credit per GDP ratio, investment per GDP ratio, and the ratio of expenditure per GDP to Indonesia's economic growth during the years 1980-2019.

Financial sector data and economic growth are secondary data source from the World Development Indicator. The data are time-series data from 1980-2019. The data analysis method used is the Error Correction Model.

The results showed the ratio of broad money per GDP, the ratio of credit per GDP, and the ratio of government expenditure per GDP to significant positive economic growth in the short and long term. The ratio of investment per GDP to economic growth is significant in the long run and positive and insignificant in the short term. The results of this study indicate that the financial sector plays an active role in driving Indonesia's economic growth.

Keywords: *,Error Correction Model, financial sector, economic growth.*