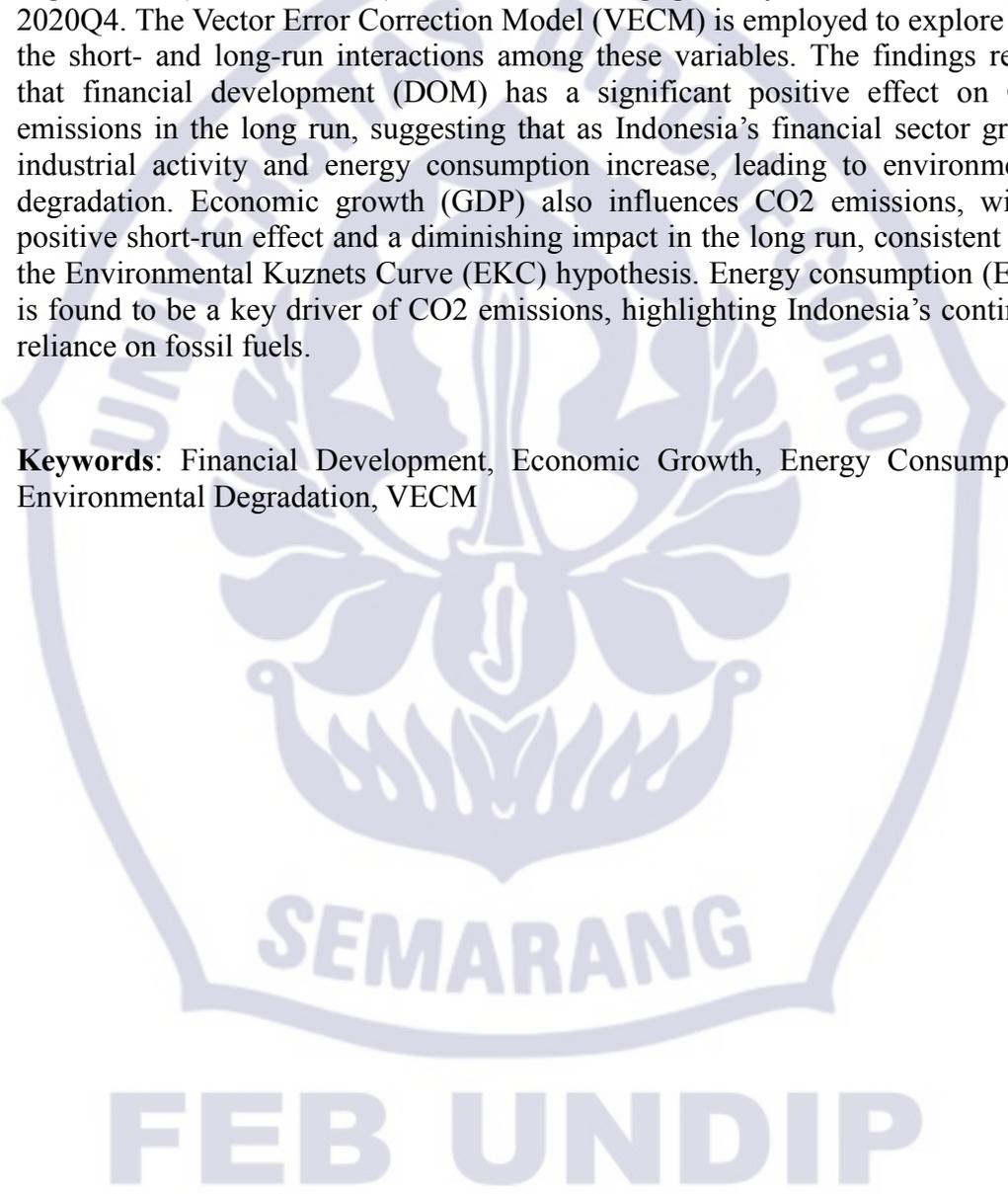


ABSTRACT

This study investigates the relationships between financial development (DOM), economic growth (GDP), energy consumption (ENC), and environmental degradation (CO₂ emissions) in Indonesia, using quarterly data from 2001Q1 to 2020Q4. The Vector Error Correction Model (VECM) is employed to explore both the short- and long-run interactions among these variables. The findings reveal that financial development (DOM) has a significant positive effect on CO₂ emissions in the long run, suggesting that as Indonesia's financial sector grows, industrial activity and energy consumption increase, leading to environmental degradation. Economic growth (GDP) also influences CO₂ emissions, with a positive short-run effect and a diminishing impact in the long run, consistent with the Environmental Kuznets Curve (EKC) hypothesis. Energy consumption (ENC) is found to be a key driver of CO₂ emissions, highlighting Indonesia's continued reliance on fossil fuels.

Keywords: Financial Development, Economic Growth, Energy Consumption, Environmental Degradation, VECM



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