ABSTRACT

Financial inclusion today becomes international interest and national priority. The more inclusive financial access, the more opportunity people have to improve their economy. Financial inclusion has become an alternative way to grow economy of society. Credit is one of financial services which can improve people's economy, specifically for SME in capital credit. In addition to measure financial inclusion level in a province known by how much people's access to credit, credit appears as a tool to open new work space. This research examines effects from factors such as people income, education level, interest rate, demographic and geographic penetration of banking to SME credit.

Samples selected in this research by total sampling method. Samples used are 35 cities and regencies at Central Java in 2011-2015. Data analysis using data panel regression analysis with Fixed Effect Model and Generalized Least Square. Regression model in this research tested with classical assumption test, while regression analysis model selected through chow test and hausman test result.

This research show that people income has insignificant positive effect to SME credit. While education level has significant negative effect and intereset rate has insignificant negative effect. On the other side, demographic penetration of banking has insignificant positive effect and geographic penetration of banking has significant positive effect.

Keywords: Financial Inclusion, SME Credit, Income, Education, Interest Rate, Demographic Penetration, Geographic Penetration.