

## **ABSTRACT**

*Bank is a financial institution that serves as financial intermediary. Bank accept deposits of money from the public and subsequently channeled back in the form of credit. Allow for investment lending, distribution, and consumption of goods and services, considering all these activities are always associated with the use of money. This research is motivated by the phenomenon of bank lending has not been optimal. This is indicated by the Loan to Deposit Ratio (LDR) which is below the expectations of Bank Indonesia. Therefore need to be tested factor-factors that influence the policy lending banks, including Capital Adequacy Ratio (CAR), Non Performing Loan (NPL), Loan Deposit Ratio (LDR) and interest rates. This study used Banks as a whole as a unit object of research, there search period from year 2003-2010 (monthly). The analysis technique used is multiple linear regression, while the hypothesis test using t test to test the partial effect of variables and F test to test the simultaneous influence of variables with a significance level of 5%.*

*From the results of the the test to this research see simultaneously is known that interest rate, CAR, NPL and LDR using F test significantly affected. Being of the partial result using t test that the value of the CAR, NPL and interest rate variables influence towards SME's lending with negative and significant result with significant level of 0,000; 0,000; and 0,035. While LDR variable is insignificant result towards SME's lending.*

*Keywords : Interest rate, CAR, NPL, LDR, SME's lending*