

## **ABSTRACT**

*The number of poor people in Java Island is 50% of all poor people in Indonesia. It happens because so many people live on the Java Island. The government has made few policy to alleviate poverty, one of which is increasing financial inclusion. Financial inclusion is one of the strategies undertaken by the Indonesian government to improve the economy. This study aims to identify the condition of financial inclusion and analyze its impact on poverty in 6 provinces in Java Island.*

*This study uses descriptive statistic analysis and panel data regression. Descriptive statistic analysis was used to identify financial inclusion conditions based on the Banking Service Usage Index, Banking Penetration Index, and Banking Service Availability Index in 6 Provinces in Java Island. Panel data regression analysis is used to analyze the effect of the Banking Penetration Index, the Banking Service Availability Index, and the Banking Service Usage Index on economic growth. This study also includes two control variabls, inflation and GRDP.*

*The results of this study indicate that the Banking Penetration Index and GRDP have a negative and insignificant effect on poverty. The Banking Service Availability Index has a positive and significant effect on poverty. The Banking Service Usage Index has a negative and significant effect on poverty. Inflation has a positive and insignificant effect on poverty.*

*Keywords: financial inclusion, banking penetration index, banking service availability index, banking service use index, poverty, GRDP, inflation, panel data.*