

## **ABSTRACT**

*Financial inclusion is a program that is being promoted so that everyone can access various formal financial services more efficiently to improve people's welfare. This research was conducted to analyze the effect of financial inclusion on Indonesia's economic growth. Financial inclusion was calculated using a certain index widely known as the Index of Financial Inclusion (IFI). The IFI value in this study was calculated using 3 dimensions, namely the dimensions of banking penetration, availability, and usage. The banking penetration dimension uses data on the ratio of TPF (Third Party Funds) per 1,000 adult population, the availability dimension uses data on the number of bank branch offices per 100,000 adult population and the number of ATMs per 100,000 adult population. The usage dimension uses data on the ratio of total credit and savings to gross regional domestic product (in percent).*

*This research was conducted using panel data from 34 provinces in Indonesia between 2016 – 2019 as a sample. The methodology used in this research is OLS (Ordinary Least Square) regression analysis with FEM (Fixed Effect Model). Independent variables used in this research were financial inclusion (IFI), labor (TK), and education level (RLS). Economic growth is used as a dependent variable that is proxied from natural logarithms of gross regional domestic product.*

*The results showed that the financial inclusion variable has a negative and significant effect on economic growth. The variable labor has a positive and significant effect on economic growth. The variable level of education has a positive and significant effect on economic growth. The model with independent variables has a relatively large influence from five provinces compared to other provinces, namely DKI Jakarta, East Java, West Java, Central Java, and East Kalimantan. Meanwhile, the influence is relatively small compared to other provinces, namely Maluku and North Maluku.*

**Keywords:** *Financial Inclusion, Economic Growth, Index of Financial Inclusion, Gross Regional Domestic Product, Fixed Effect Model-Ordinary Least Square.*