

## **ABSTRACT**

*The level of financial literacy in the city of Padang is relatively low, while the financial inclusion rate in the city of Padang is quite high. This indicates that many people who using the products of financial services institutions, but not all of them understand the products they have taken, they do not have enough knowledge about what they used. Therefore, the Financial Services Authority (OJK) needs to expand education and socialization to increase the financial literacy rate in Padang City. With social capital is expected to be a mediator in improving literacy and inclusion finance. This study aims to determine the role of social capital as a mediator of the relationship between financial literacy and financial inclusion.*

*Financial literacy is how someone's able to understand and evaluate information for financial decision making. Financial inclusion is a form of deepening financial services aimed at all communities to utilize formal financial products and services such as saving, transfers, insurance. Whereas social capital is part of social organizations such as trust in a society, norms, and networks that increase people's efficiency and enable cooperation.*

*The population of this study is the entire population of the city of Padang, amounting to 5,382,077 people in 2018. Sampling from this study using non-probability sampling technique with a total sample of 400 samples. This study adopted and used Sobel and Kenny & Baron tests to examine the mediating effects of social capital in the relationship between financial literacy and financial inclusion. The results of this study found that social capital proved to partially mediate the association between financial literacy and financial inclusion in the city of Padang. In the future there will also be a need for non-formal programs in the community relating to products and services provided by financial institutions to help increase the numbers of financial literacy and financial inclusion.*

**Keywords:** *Financial Literacy, Financial Inclusion, Social Capital, Mediation Analysis, Padang City Community.*