

**ABSTRACT**

Since economy crisis happen at 1997, we can't deny that UKM is one of economy sector that could preserve to face the impact of economy crisis. UKM credit is one of support to improve UKM in Indonesia even there are another factors which could push the growth of UKM. Contribution is given to East Java's Gross Domestic Income since 2001 become the biggest contribution for province government and the exist of UKM can absorb one third of employment in East Java.

The next problem is that there were many obstacles faced by banking to give UKM credit. The other problems are the tighten of banking regulation which is related with prudential principles, the rigidity of interest rate and asymmetric information between UKM entrepreneurs and banking.

To solve those problems, Indonesian bank have to help as monetary authority. Indonesian Bank regulate some policy through some activities to meet banking and UKM entrepreneurs and so introduce some Indonesian Bank programs to increase UKM credit plafond for the growth of economy in East Java.

The cooperation between banking side do the Indonesian Bank's program to increase credit plafond and UKM effort to increase the quality of their work and so effort from both side to always look for the right information about UKM credit. Banking expected to be able to give new credits for the prospective UKM, and in other side, UKM expected to always look for the right UKM credit for them

