



## **The Analysis of Factors Influenced Inclusive Growth: An Empirical Findings of Strategy to Maximize Demographic Dividend in Indonesia**

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### *Abstract*

*Indonesia's socio-economic problems are higher poverty, higher income inequality, and higher unemployment. Inclusive growth concept's implementation will solve these problems. This study aim to analyze inclusiveness of growth by observing three inclusiveness's components, i.e. inclusiveness growth of poverty, inclusiveness growth of income inequality, and inclusiveness growth of labor absorption. Furthermore, this paper aim to investigate the factors influenced on each three inclusiveness's components. This paper used a panel data from 32 provinces with the time period 2011-2015. The analysis methods used in this paper were descriptive analysis and panel data regression analysis. In order to measure inclusiveness of growth, this paper used Poverty Equivalent Growth Rate (PEGR). The result showed that, generally, the inclusive growth in Indonesia still not inclusive. Inclusive growth in Indonesia was also inconsistent because the difference of provinces, time, and three inclusiveness's components aforementioned. Moreover, from panel regression analysis, real government expenditure on education and number of Small Medium Enterprise (SME) had significant effect on inclusiveness growth of poverty. Both real government expenditure on education and number of Small Medium Enterprise (SME) had positive impact on inclusive growth of poverty. The real government expenditure on capital had significant effect on inclusiveness growth of income inequality. The real government expenditure on capital had positive impact on inclusiveness growth of income inequality. Thus, the real total direct investment has significant effect on inclusiveness growth on labor absorption. The real total direct investment had positive impact on inclusiveness growth on labor absorption. In brief, the government should focus on utilizing demography dividend by handling inclusive growth. It could be done by harnessing productive age population, specifically by increasing educational and capital expenditure, total direct investment, and number of Small Medium Enterprise (SME).*

**Keywords:** *demographic dividend, inclusive growth, panel data regression analysis, poverty equivalent growth rate*