

## **ABSTRACT**

*Dropouts have an effect on the decline in the formation of human capital, where when a person drops out of school, productivity will decrease which then has an impact on decreasing human welfare. This study aims to analyse the factors that influence a child's decision to dropout of school in Indonesia.*

*The data used is secondary data from the Indonesian Family Life Survey wave 5 (IFLS-5) in 2014. The subjects of this study were school-aged children aged 7 to 18 years old, with a sample of 10,192 individuals. Data analysis used a probit regression model with the help of STATA16 software. The variables used in this study were education of the head of the household, household income, number of household members, activities of working children and area of residence.*

*The estimation results using the probit model showed that the education of the head of the household, household income, and the number of household members significantly influence the decision of children to drop out of school in Indonesia. The results of the average marginal effect of the estimated probit model show that the education level of the head of the household and household income that increases will decrease the probability of children dropping out of school, while the increasing number of household members will increase the probability of children dropping out of school.*

*Keywords: Dropout, Human Capital, Probit Model, IFLS*