ABSTRACT

Manufacturing is the main contributor to Indonesia's gross domestic product (GDP), contributing more than 20 percent to total GDP. However, the sector's growth is still relatively low and below the national growth, so this sector still needs to be developed. Using modified Chenery model, this study aims to analyze the determinants of the manufacturing development in Indonesia during 2010-2019 using a sample of 10 provinces which have the hisghest average manufacturing sector share in GRDP. Data sourced from Badan Pusat Statistik was estimated using fixed effect model (FEM) least-square dummy variable (LSDV). The results of the study show that there is a negative and significant effect of income per capita on the manufacturing sector development, while population has an insignificant effect on it. Other variables such as foreign direct investment (FDI), electricity infrastructure, and technology infrastructure have a positive and significant effect on the manufacturing sector development, while the road infrastructure variable has an insignificant effect on it.

Keywords: Manufacturing, Chenery Model, Income per Capita, Population, FDI, Infrastructure.