

WILL OLD-AGE DEPENDENCY RATIO IMPEDE SAVINGS RATE?

THE CASE OF INDONESIA

THESIS

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ABSTRACT

This research is aimed to analyze the effect of old-age dependency ratio (OADR) on savings rate in Indonesia over a 57 years period between 1960 and 2017, based on the hypothesis that the old-age dependency ratio is negatively correlated with the savings rate. By employing Error Correction Model (ECM), the result indicates that the effect of the old-age dependency ratio on savings rate is insignificant. Another finding suggests that Gross Domestic Product (GDP) and real interest rate affect savings rate positively and negatively respectively.

Keyword: Old-Age Dependency Ratio (OADR), Savings Rate, Gross Domestic Product (GDP), Real Interest Rate, Error Correction Model (ECM)

