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ISLAMIC ECONOMIC PERSPECTIVE ON INCLUSIVE ECONOMIC GROWTH IN INDONESIA: A VECM ANALYSIS OF CIGARETTE CONSUMPTION, LABOR FORCE PARTICIPATION, AND POPULATION GROWTH

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ABSTRACT

This study aims to analyze the effect of cigarette consumption, labor force participation rate (TPAK), and population growth on inclusive economic growth in Indonesia in the period 2005-2024, and interpret the results through the perspective of Islamic economics. The method used in this study is a quantitative approach with the type of explanatory study that applies the Vector Error Correction Model (VECM) to detect the dynamics of long-term relationships and short-term adjustments between variables. Research findings indicate that inclusive economic growth in Indonesia still faces serious challenges due to the high consumption of cigarettes that divert household funds allocation from productive needs as well as the need to improve the quality of TPAK and Population Growth Management in order to make a maximum contribution to the equitable distribution of welfare in accordance with the principles of benefit in Islamic economics.

Keywords: *Islamic economics; cigarette consumption; labour force; population growth; inclusive economic growth; VECM approach*

INTRODUCTION

Inclusive economic growth is one of the main focuses of national development in Indonesia, in line with the Sustainable Development Goals that emphasize equitable welfare and poverty alleviation. Although Indonesia has experienced positive economic growth over the past decade, social inequality and poverty remain serious challenges that hinder the achievement of overall economic inclusivity.[1] The Inclusive Economic Development Index (IPEI), which measures the extent to which economic growth is felt by all levels of society, shows fluctuations and unevenness between regions, with some provinces still experiencing high levels of poverty and inequality.

One of the factors that influence the dynamics of inclusive economic growth is the high consumption of cigarettes in Indonesia. Data from the Central Statistics Agency (BPS) shows that

[1] Hartati, Y. S. (2021). Analisis Pertumbuhan Ekonomi Inklusif di Indonesia. *Jurnal Ekonomi dan Bisnis*, 12(1), 1-12. https://doi.org/10.55049/q1hvqp17

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spending on cigarettes reaches a significant portion of household budgets, especially among the poor who allocate more than 10% of their income to cigarettes. This has resulted in a reduced allocation of funds for basic needs such as education and health, which contributes to worsening poverty conditions and hinders inclusive economic growth. In addition, the high consumption of cigarettes also generates an economic burden through health costs and lost productivity, making it a complex socio-economic problem.

The development of Indonesia's Inclusive Economic Growth Index during the period 2010-2024 which generally shows an upward trend with some fluctuations in certain years. At the beginning of the observation period, namely in 2010, the inclusive economic growth index was at a relatively low level, reflecting that the benefits of economic growth at that time were not yet fully felt equally by all levels of society. Over time, the index experienced a gradual increase until about 2014, indicating improvements in the distribution of economic opportunities, poverty reduction, and welfare distribution. Cigarette consumption in Indonesia is a significant and complex socio-economic phenomenon because it involves aspects of health, consumption behavior, and allocation of household resources that can have an impact on welfare. The 2023 Indonesian Health Survey (SKI) Data shows that the number of active smokers in Indonesia is estimated at around 70 million people, which means that almost a third of the total adult population smokes, with a significant percentage among young people and adolescents. The high prevalence of smoking in Indonesia not only impacts on public health but also has economic implications as household spending is diverted from productive needs such as education and savings to non-productive consumption such as cigarettes.[2]

In the context of inclusive economic growth, cigarette consumption has the potential to limit the ability of households to invest in more productive human resources and reduce consumptive capacity, which has an impact on the equitable distribution of welfare. In addition, the tobacco industry in Indonesia is an important sector that absorbs labor but also creates high health risks, so fiscal policies such as cigarette excise taxes are often discussed to balance between state revenue and public health. This phenomenon shows a complex relationship between cigarette consumption, productivity, and public welfare that has not been analyzed quantitatively in the context of economic inclusivity.

The labor force participation rate (TPAK) is an important indicator that reflects the extent to which the working-age population is actively involved in economic activities, both working and

[2] Marianti, A., & Prayitno, B. (2020). Analisis Pengaruh Faktor Sosial Ekonomi, Pendapatan dan Harga Rokok Terhadap Konsumsi Rokok di Indonesia. *Economie: Jurnal Ilmu Ekonomi*, 1(2), 1-12. https://doi.org/10.30742/economie.v1i2.1126

actively seeking work in the labor market. According to the latest data from the Central Statistics Agency, Indonesia's TPAK reached around 70.59 percent in August 2025, indicating the involvement of a large part of the working-age population in economic activity although slightly decreased compared to the previous year.

High TPAK can increase labor output and encourage economic growth, but this percentage decrease needs to be observed because it is related to demographic dynamics and the need for quality job creation. In addition, labor force involvement is also closely linked to productivity and income inequality; the more a population is employed and productive, the greater the potential for income equalization that will increase growth inclusiveness. On the other hand, low participation in certain groups such as women can reflect structural barriers in access to economic opportunities so that growth cannot be enjoyed equally by all groups of society. Other factors such as quality of education, vocational training, and shifts in job structure also affect the ability of the workforce to contribute optimally to the economy.[3]

The labor force participation rate (TPAK) is generally expected to encourage economic growth, in fact in some regions the increase is not always followed by an increase in labor quality and productivity. This has the potential to create covert unemployment and income inequality that exacerbate economic inclusiveness. This condition shows the need to focus on improving the quality of human resources and empowering the workforce so that economic growth can be felt evenly.

In the context of Islamic economics, the involvement of the workforce is considered an important part of the equitable distribution of economic risks and benefits so that the contribution of each individual to inclusive economic growth becomes relevant. An empirical study of the relationship of TPAK with inclusive economic growth can provide insight into how much the role of the labor force in generating growth that is not only high but also equitable and distributed throughout society.

Population growth is a fundamental factor in the dynamics of national economic development because it affects the amount of labor force, demand for goods and services, and the structure of public consumption. Indonesia as a country with a large population continues to experience significant population growth, so that the demographic phenomenon becomes one of the important determinants in the analysis of inclusive economic growth. Rapid population changes can create challenges in the provision of adequate employment, social services, and educational and health

[3] Rahmawati, D. (2019). *Analisis Pengaruh Indeks Pembangunan Manusia (IPM), Pendapatan Perkapita, ZIS (Zakat, Infak, Sedekah) terhadap Pertumbuhan Ekonomi dan Tenaga Kerja sebagai Variabel Intervening di Indonesia Tahun 2010-2018* [Skripsi, IAIN Salatiga]. http://e-repository.perpus.uinsalatiga.ac.id/6417/

facilities if not balanced with improvements in the quality of human resources. However, if managed properly, population growth can be a demographic bonus in the form of a productive workforce that contributes positively to economic growth.[4]

Demographic studies show a complex relationship between population growth and economic growth, including the potential for increased consumption and investment in human capital. In the context of inclusive economic growth, healthy and productive population growth can expand the consumption base, enlarge the domestic market, and increase labor demand, especially in the service and manufacturing sectors. Conversely, population growth that is not accompanied by increased employment opportunities and equitable education can exacerbate inequality and trigger other socio-economic problems such as unemployment. From the perspective of Islamic Economics, a productive and prosperous population is considered as a resource that must be managed with the principles of justice and benefit so that each individual can make the maximum contribution to the common welfare.

The phenomenon of Indonesia's continued positive economic growth over the past decade shows the success of macroeconomic policies in maintaining stability, but the issue of equity remains an issue that has not been fully resolved because growth is not always felt evenly by all levels of society. BPS Data shows that national economic growth continues to be in the range of around 5 percent in 2024-2025, but the challenges of poverty, inequality, and fair income distribution remain the focus of Indonesia's development attention.

On the other hand, the prevalence of active smokers, which reaches tens of millions of people, shows that most households still face challenges in consumption behavior that can reduce purchasing power and efficient use of household income. This phenomenon shows the potential imbalance between economic growth and the distribution of benefits to all levels of society, so that a deeper study is needed on the dynamic relationship between cigarette consumption, labor, demographics, and economic inclusiveness.

Although research on economic growth has been widely conducted, there is a significant research gap because previous studies generally analyzed the variables of cigarette consumption, labor force participation rate, and population growth separately or partially. No studies have been found that integrate all three factors simultaneously in a comprehensive empirical framework, especially those using the Vector Error Correction Model (VECM) approach to capture the dynamics of long-term and short-term relationships in the observation period 2010-2024. Therefore, this study

[4] Darma, D. C. (2021). *Contemporary Indonesian GDP: Context of Analysis at Unemployment, Labor Force and Poor People*. International Journal of Economics and Financial Research.

is here to fill the void by providing holistic empirical evidence on the determinants of inclusive economic growth in Indonesia, as well as providing new contributions through interpretations based on Islamic Economic Perspectives that emphasize the principles of distribution justice and the benefit of the people.

This study aims to analyze in depth the effect of the amount of cigarette consumption, labor force participation rate (TPAK), and population growth on inclusive economic growth in Indonesia in the period 2005-2024 using the Vector Error Correction Model (VECM) approach. The main focus of this study is to provide academic contribution through the integration of macroeconomic variables and social behavior that is interpreted based on the perspective of Islamic Economics in order to realize a fair distribution of welfare. In practical terms, the results of this study are expected to be a strategic reference for policy makers in designing effective fiscal and social policies to minimize the negative impacts of cigarette consumption and optimize the demographic potential and productive labor force, so that the target of equitable and beneficial economic growth for all levels of society can be achieved.

RESEARCH METHODS

The research approach used in this study is quantitative, which is a scientific approach that focuses on testing theories by measuring research variables using numbers.[5] In addition to being causal, this study is also classified as an explanatory study, as it aims to explain the mechanism of relationships between variables through theoretical approaches and time series data analysis. Explanatory research not only stops at the identification of relationships, but also delves into the patterns, direction, and intensity of relationships in short and long-term contexts. In this case, the Vector Error Correction Model (VECM) model is used as an analysis tool to detect the presence of long-term relationships followed by adjustments in the short term.[6]

In practical terms, this study also utilizes secondary data sourced from official institutions such as the Central Statistics Agency (BPS), the Ministry of Health, and the World Bank. The population in this study is all annual data that reflects the economic and social development of Indonesia from 2005 to 2024. More specifically, the population in question includes annual data related to cigarette consumption, labor force participation rate (TPAK), population growth, and inclusive economic growth. To ensure the accuracy of the data, consistency checks are performed between data from the

[5] Muhammad. (2022). *Metodologi Penelitian Ekonomi Islam: Pendekatan Kuantitatif*. Depok: Rajawali Pers.

[6] Basuki, A. T., & Prawoto, N. (2016). *Analisis Regresi dalam Penelitian Ekonomi & Bisnis: Dilengkapi Aplikasi SPSS & Eviews*. Depok: Rajawali Pers.

same source and the same time period. This check is carried out using the statistical software Eviews. The method of analysis used in this study is a quantitative approach with time series data. The Model used is VECM (Vector Error Correction Model) and the tool used in data processing is the Eviews program. This is done to determine or obtain a picture of the relationship between the amount of cigarette consumption, labor force participation, population growth, and inclusive economic growth in Indonesia in 2005-2024, both in the short and long term.

This study uses a quantitative approach with time series data in 2005-2024 processed through software Eviews using Vector Error Correction Model (VECM). This method was chosen to analyze the dynamic relationship between cigarette consumption, labor force participation, population growth, and inclusive economic growth in Indonesia, both in the short and long term. The analysis procedure begins with Dickey Fuller Augmented stationarity test (ADF) at the first level of differentiation, followed by the determination of the optimal lag length, model stability test, and Johansen cointegration test to ensure the existence of a long-term relationship. In addition, Granger causality analysis was conducted to see the relationship between variables, as well as Impulse Response Function (IRF) and Variance Decomposition (VD) analysis to dissect the response of variables to shock (shock) and the contribution of each variable in explaining the diversity of economic phenomena studied.

RESULTS AND DISCUSSION

Research Results

This study analyzes the effect of cigarette consumption, labor force participation rate, and population growth on inclusive economic growth in Indonesia from the perspective of Islamic economics for the period 2005-2024 using Vector Error Correction Model (VECM) approach. All data used in this study are secondary data from the processing of study-related institutions through publications on the websites of BPS, the Ministry of Health, and the World Bank. Data processing tools used in this study are Eviews 12 and Excel software with time series data analysis method. Therefore, it is necessary to examine the data description of the amount of cigarette consumption, labor force participation rate, and population growth in relation to inclusive economic growth in Indonesia from year to year.

1. *Stationary Test Data*

The test method used to perform the data stationarity test is the ADF (Augmenteed Dicky Fuller) test using a real level of five percent. If the value of t-ADF is smaller than the critical value of MacKinnon, it can be concluded that the data used is stationary (does not contain unit roots). Testing of the roots of this unit is done at the level of the level up to the first difference. Since most of them do not pass at the data level, then we test on data1st Difference. Based on stationarity test with ADF test on 1st difference above. Using a critical value of 5% / 0.05, shows that all variables have a statistical value t greater than the critical value and a probability value <0.05 (alpha value), so that all variables can be said to be stationary at the level of 1st difference. Based on this test, all variables are considered stationary.

2. *Optimal Lag Length Test*

The next step to estimate the VAR model, must first determine the optimal lag that will be used in the estimation of VAR. Determination of optimal lag is important because in the VAR method, the optimal lag of the endogenous variable is an independent variable used in the model. Testing the optimal lag length is very useful to eliminate autocorrelation problems in the VAR system used as VAR stability analysis. So that with the use of optimal lag is expected to no longer appear autocorrelation problems. The optimal lag length will be sought using the criteria of the available information. The selected lag candidates are the length of the lag according to the criteria of Likehood Ratio (LR), Final Prediction Error (FPE), Akaike Information Crit (AIC), Schwarz Information Crit (SC), and Hannan-Quin Crit (HQ). Determination of optimal lag in this study based on the criteria of sequential modified LR Test statistics (LR). Based on test, it is known that the smallest FPE, AIC, and HQ values are all found at lag 0 (zero). Meanwhile, LR values are found at different lags. Therefore, the recommended optimal lag is lag 1 (one).

3. *VAR stability testing*

Stability testing of the model is done by calculating the roots of polynomial functions. If all the roots of the polynomial function are inside the unit circle or if their absolute value is < 1, then the VAR model is considered stable. Based on test results, it is known that all moduli have an absolute value < 1, which means that the model is stable. If the VAR model is stable, then it can be continued by analyzing the Cointegration Test.

4. *Cointegration Test*

To see the results of the cointegration test, the study looked at the critical value at the 5% confidence level and compared it with the trace statistics. If the value of the trace statistic > critical value, then Ho is accepted, the model is cointegrated, and if the value of the trace statistic < critical value, then Ha is accepted, the model is not cointegrated. Based on the results of Johansen's cointegration test in Table 4, it is known that the statistical value of the Trace is greater than the critical value of 5%, which is 61.69064 > 47.85613, so Ho is accepted and there is cointegration. There are three cointegration equations in Table 4.9. From the results of the Johansen cointegration test, it can be seen that there is a long-term and short-term relationship between variables. Furthermore, because there is cointegration between variables, the estimation model used is the Granger causality test.

5. *Granger Causality Test*

To determine whether a variable has a two-way or one-way relationship, the granger causality test is performed. The study uses the Granger causality method to determine whether there is a causal relationship between variables, the probability value can be compared with a critical value of 5%. If the probability is less than 5%, there is a causal relationship, but if the probability is greater than 5%, there is no causal relationship between the variables.

We can see the following results is there is no cause-and-effect relationship between the variable amount of cigarette consumption and inclusive economic growth. This is because the variable amount of cigarette consumption on inclusive economic growth has a probability value greater than 0.05 (0.5262 > 0.05). Meanwhile, the probability of inclusive economic growth in the amount of cigarette consumption is greater than 0.05 (0.9656 > 0.05). There is no cause-and-effect relationship between the variable labor force participation rate and inclusive economic growth. This is because the variable labor force participation rate on inclusive economic growth has a probability value greater than 0.05 (0.1415 > 0.05). Meanwhile, the probability value of inclusive economic growth to the labor force participation rate is greater than 0.05 (0.8824 > 0.05). There is no cause-and-effect relationship between the variables of population growth and inclusive economic growth. This is because the variable population growth to inclusive economic growth has a probability value greater than 0.05 (0.4633 > 0.05).Meanwhile, the probability value of inclusive economic growth to population growth is greater than 0.05 (0.9131> 0.05).

6. *VECM estimation*

Vector error correction Model (VECM) is an econometric analysis model that aims to determine the short-term and long-term behavior of a variable. This is done by comparing the statistical value of t with the value of the table t, where if the statistical value of t is greater than the value of the table t, then there is an influence between variables.

Based on test results in the long term, it can be seen as follows the variable amount of cigarette consumption has a positive and significant effect on inclusive economic growth because the T-statistic value is greater than the T-table value, which is 2. 66136 > 2.119905. Variable participation rate has a positive and significant effect on inclusive economic growth because the T-statistic value is greater than the T-table value, which is 4.68859 > 2.119905. Population growth variable has a negative and insignificant effect on inclusive economic growth because the T-statistic value is smaller than the T-table value, which is -1.99896 < 2.119905.

7. *Impuls Response Function (IRF) Testt*

The impulse Response Function (IRF) test aims to observe the effects of shocks or disturbances received by a variable from itself or from another variable. The dynamic behavior of the VECM model can be seen through the response of each variable to shocks from other variables. The impulse response function (IRF) gives an idea of how a variable will respond in the future in the event of interference with another variable. Thus, it is possible to determine the duration of the impact of one variable on another until the effect disappears or returns to the equilibrium point. Based on test results, it can be seen that the response of inclusive economic growth to inclusive economic growth tends to fluctuate positively from the initial period to the final period. This means that when a shock or shock occurs, either in the form of an increase or decrease in inclusive economic growth, it will have a positive impact on inclusive economic growth. Inclusive economic growth response to the amount of cigarette consumption triggers a positive response from the initial period to the final period and tends to fluctuate in each period. This means that when a shock or shock occurs in the form of an increase or decrease, it will have a positive impact on inclusive economic growth. The response of inclusive economic growth to labor force participation triggers a positive response from the initial period to the final period and tends to fluctuate in each period. This means that when it occurs when a shock or shock occurs, whether it is an increase or decrease, it will have a positive impact on inclusive economic growth. The response of inclusive economic growth to population growth triggers a positive response from the initial period to the final period and tends to fluctuate in each period.

This means that when there is a shock, either an increase or a decrease, it will have a positive impact on inclusive economic growth.

8. *Forecast Error Variance Decomposition (FEVD) Test*

The FEVD test aims to provide information about the proportion of movement of the impact of shocks on one variable relative to shocks on other variables in the current and future periods. Based on test results shows the contribution of shocks from inclusive economic growth to inclusive economic growth itself in the first to tenth period. In the first period, the value of this contribution was 100%, which indicates that all changes in inclusive economic growth are explained by the shock of inclusive economic growth itself. As the period progressed, this proportion fluctuated slightly downwards but remained high, at 81.6-77.7% in the second to tenth period. The contribution of the amount of cigarette consumption to the shock of inclusive economic growth tends to fluctuate from the initial period to the tenth period. In the second period, its influence increased from the previous period, which amounted to 11.66%. However, in subsequent periods, its contribution continued to fluctuate downward in subsequent periods to 10.16% in the tenth period.

The contribution of the labor force participation rate to the shock of inclusive economic growth tends to fluctuate from the initial period to the tenth period. In the second period, the effect increased from the previous period, which amounted to 4.78%. Then, in subsequent periods, its contribution continued to fluctuate upwards in subsequent periods to 11.04% in the tenth period. This shows that the level of labor force participation has a major influence on inclusive economic growth. The contribution of population growth to inclusive economic growth shocks tends to fluctuate from the initial period to the tenth period. In the second period, its influence increased from the previous period, which amounted to 1.91%. However, in subsequent periods, its contribution continued to fluctuate downwards in subsequent periods to 1.06% in the tenth period. This means that its role remains small in explaining the movement for inclusive economic growth, although its contribution increases slightly in some periods and then decreases slightly.

9. *F Test*

The F-test is used to determine whether the independent variable simultaneously affects the dependent variable. The F test is performed by comparing the calculated F value and the tabular F value. If the calculated F value is greater than the F value of the table, then it is said to have an influence; conversely, if the calculated F value is smaller than the F value of the table, then it can be said to have no influence. The results of the F test show that the calculated F value is smaller than the F value of the table, which is 3.450106 < 3.591531 and prob 0.3273 > 0.05. Then H0 is accepted. Therefore, it can be concluded that the variables of cigarette consumption, employment participation rate, and population growth simultaneously do not affect inclusive economic growth. In the context of inclusive economic growth, an increase in the number of cigarette consumption, labor force participation, and population growth is not necessarily able to improve people's welfare evenly if it is not accompanied by an increase in the quality of Labor and equitable distribution of economic opportunities. Therefore, even if these variables change, their impact on inclusive economic growth will be insignificant.

Discussion

1. *Effect of Cigarette Consumption on Inclusive Economic Growth*

Based on the interpretation of the VECM estimation results, it is known that the variable amount of cigarette consumption has a significant positive effect on inclusive economic growth in the long term with a coefficient value of 0.632898, while in the short term it does not have a significant effect with a coefficient value of 0.302254. Thus, it can be interpreted that the amount of cigarette consumption is not able to affect inclusive economic growth in the short term. This shows that the amount of cigarette consumption is indirect and needs more time to make a real contribution to inclusive economic growth due to structural adjustment and complex market adaptation.

However, the amount of cigarette consumption in the long term has a positive and significant effect on inclusive economic growth. That is, when cigarette consumption increases over a long period of time, the economic growth perceived by society also tends to increase. This can be explained because the cigarette industry involves many parties. Starting from tobacco and clove farmers, factory workers, distributors, to small traders also get income from this activity. If cigarette consumption increases, then production also increases. As a result, employment remains open and the income of the people involved in it increases. This condition supports more even economic growth.

In terms of macroeconomics, cigarettes provide a large income to the state through Excise and taxes. In the long run, the higher the consumption of cigarettes, the state revenue from excise duty also increases. The money could be used by the government to finance development, social assistance, education, and health services. These programs help improve people's well-being and support a more inclusive economy.

However, although the results of the study showed a positive and significant effect, this does not mean that cigarette consumption is entirely good for people's well-being. In the long run, smoking can also cause health problems and a high cost burden for households and governments. Therefore, a balanced policy is needed so that the economic benefits remain, but the negative impacts can be controlled.

Economic Growth Theory states that growth occurs due to an increase in output (GDP) which is influenced by production, labor, and capital activities. Cigarette consumption encourages increased production in the tobacco industry sector. At the same time, it becomes a long-term burden for productivity and Human Development.

2. *Influence of Labor Force Participation Rate on Inclusive Economic Growth*

Based on the interpretation of the VECM estimation results, it is known that the variable labor force participation rate has a significant positive effect on inclusive economic growth in the long term with a coefficient of 2.281795, while in the short term it does not have a significant effect with a coefficient of 0.422594. Thus, it can be interpreted that changes in the level of labor force participation have not been able to directly promote the improvement of the inclusive economy in a relatively short period of time. The increase in labor force participation has a positive and significant effect on inclusive economic growth in the long term. This shows that increasing the level of labor force participation is able to encourage more equitable and equitable economic growth.

High TPAK indicates optimal utilization of labor, thus contributing to economic growth and equitable distribution of welfare. An increase in the number of people working or actively seeking work expands the distribution of income, reduces inequality, and increases people's access to economic opportunities. This condition is in line with the concept of an inclusive economy that emphasizes growth that is not only high in aggregate, but also able to involve various groups of people. The significance in the long term suggests that the impact of labor force participation is not temporary, but rather sustainable. That is, policies that promote

improving the quality and quantity of labor such as skills training, expanding employment, and improving education can be effective strategies in strengthening an inclusive economy.

Adam Smith's Labor Theory of Value also states that the economic value of a good or service is determined by the amount of social labor required to produce it. The higher the productivity and expertise of the workforce, the greater the added value generated, which drives the output of the economy as a whole. The prosperity of a country is measured in the number of goods produced which in the production process requires the absorption of a lot of Labor.[7] This finding is in line with research conducted by Sudarsana which states that TPAK has a positive effect on long-term economic growth.[8]

3. *Influence of Population Growth on Inclusive Economic Growth*

Based on the interpretation of the results of VECM estimates, it is known that the variable population growth does not have a significant effect on inclusive economic growth in the long term with a coefficient of -30.43466, while in the short term also does not have a significant effect with a coefficient of 3.937733. Thus, it can be interpreted that in the long run, a sustainable increase in the number of people does not automatically encourage the creation of quality, equitable economic growth, and is able to improve the welfare of all levels of society. Then the change in population in a relatively short period of time has not been able to directly affect the indicators of economic inclusiveness, such as poverty reduction, income inequality, and the expansion of employment opportunities. Population growth has no significant effect on inclusive economic growth in the short or long term because increasing population does not automatically increase productivity and equitable welfare. Without improvements in the quality of Human Resources, Job Creation, and investment and technological support, population growth can actually suppress per capita income and widen inequality, so that the benefits of growth are not felt evenly.

Becker's Human Capital Theory emphasizes that investments in education, health, and skills are key to increasing individual productivity and economic growth.[9] In this context, the quality of human resources is more important than its quantity. If population growth is not accompanied by an increase in human capital, then its contribution to even growth becomes

[7] Anggoro, H., & Soesatyo, Y. (2015). Analisis Pengaruh Tingkat Partisipasi Angkatan Kerja dan Pengangguran Terhadap Pertumbuhan Ekonomi di Provinsi Jawa Tengah. *Jurnal Pendidikan dan Ekonomi*, 4(5), 1-15.

[8] Sudarsana, I. G. (2021). Pengaruh Tingkat Partisipasi Angkatan Kerja, Pendidikan, dan Pengangguran Terhadap Pertumbuhan Ekonomi di Provinsi Bali. *Jurnal Ekonomi dan Bisnis*, 8(2), 45-58.

[9] Pradnyana, I. M. A., & Lasmi, N. W. (2025). Analisis Pengaruh Human Capital terhadap Pertumbuhan Ekonomi di Indonesia. *Jurnal Ekonomi Pembangunan*, 13(1), 78-92.

insignificant. This finding is in line with research conducted by Azulaidin which states that population growth has no effect on economic growth.

4. *Effect of cigarette consumption, labor force participation, and population growth on inclusive economic growth*

Based on the results of the F (simultaneous) test, it can be seen that the variables of the amount of cigarette consumption, TPAK, population growth did not affect inclusive economic growth. These findings indicate that the three variables together have not been able to explain variations in inclusive economic growth, both in the context of income equity, poverty reduction, and expansion of economic access.

The insignificance of cigarette consumption to inclusive economic growth indicates that household spending on cigarettes is more consumptive and unproductive. Although cigarette consumption can statistically increase economic activity in certain sectors (such as the tobacco industry and trade), its contribution does not directly increase equitable well-being. In the context of an inclusive economy, quality growth should improve people's access to education, health, and economic opportunity. Cigarette consumption tends to reduce household income allocation for more productive needs.

Furthermore, TPAK that has no significant effect shows that the increase in the number of people entering the job market is not necessarily followed by an increase in the quality of work. This can be due to the high proportion of labor in the informal sector, low productivity, as well as limited skills. Thus, despite the increase in labor participation, the impact on the equitable distribution of income and well-being has not been optimal. Similarly, population growth that does not have a significant effect on inclusive economic growth may indicate that the increase in population has not been fully offset by an increase in the quality of human resources. If population growth is not accompanied by adequate access to education, health, and employment, then the additional population can actually become a burden on development.

Overall, these results confirm that inclusive economic growth is not only determined by the magnitude of consumption, the number of workers, or quantitative population growth, but is more influenced by quality factors such as productivity, income distribution, access to basic services. Therefore, policies are needed that focus on improving the quality of human resources, creating productive jobs, and strengthening sectors that have a direct impact on people's well-being. In the perspective of neoclassical growth theory (Solow), long-term economic growth is determined more by technological advances and increased productivity than simply the addition

of Labor.[10] In addition, Human Capital Theory (Becker) asserts that the quality of human resources is more important than its quantity in promoting sustainable and equitable growth.[11] Therefore, if these three variables do not correlate with an increase in productivity and Human Resources quality, then their simultaneous influence on inclusive economic growth will be insignificant.

5. *The effect of cigarette consumption, labor force participation, and population growth on inclusive economic growth in the Islamic Economic Perspective*

Inclusive economic growth is a process of economic improvement that is able to provide benefits evenly to all levels of society. It focuses not only on increasing income, but also on equitable employment opportunities, social welfare, and poverty reduction. In the perspective of Islamic economics, economic growth must be in line with the principles of Justice (adl), benefit (maslahah), balance (tawazun), and Prohibition of things that harm society. Therefore, several factors such as the amount of cigarette consumption, labor force participation rate, and population growth need to be analyzed for their impact on the inclusive economy.

Cigarette consumption is an important issue because on the one hand it contributes to the economy through industry, taxes, and employment, but on the other hand it has significant long-term health, social, and economic impacts. The analysis in the Islamic perspective becomes relevant to assess whether cigarette consumption is in line with the principle of inclusive economic growth. In Islam, consumption is not just a need-fulfilling activity, but a part of moral responsibility. Allah SWT said in QS. Al-Baqarah: 168:

[يٰٓاَيُّهَا النَّاسُ كُلُوْا مِمَّا فِى الْاَرْضِ حَلٰلًا طَيِّبًاۖ وَّلَا تَتَّبِعُوْا خُطُوٰتِ الشَّيْطٰنِۗ اِنَّهٗ لَكُمْ عَدُوٌّ مُّبِيْنٌ] ١٦٨

It means: "O people, eat of the Earth lawful and good and do not follow the footsteps of Satan. Indeed, he is for you a clear enemy." (QS. Al-Baqarah (2):168)

The concept of thayyib is not only legally halal, but also good, healthy, and harmless. Smoking in substance is not unclean, but in terms of Health proved dangerous. Therefore, many contemporary scholars categorize smoking as makrooh and even haram because the harm is more dominant. Although the cigarette industry contributes to state income and Employment, its negative impact on health, productivity, generation quality, and income distribution shows that cigarette consumption is not fully in line with the concept of inclusive economic growth in

[10] Nuriman, N., et al. (2023). Analisis Pertumbuhan Ekonomi Indonesia: Perspektif Teori Neoklasik Solow. *Jurnal Ilmiah Ekonomi dan Bisnis*, 11(3), 112-126.

[11] Pradnyana, I. M. A., & Lasmi, N. W. (2025). Analisis Pengaruh Human Capital terhadap Pertumbuhan Ekonomi di Indonesia. *Jurnal Ekonomi Pembangunan*, 13(1), 78-92.

Islam. Thus, in the perspective of Islamic economics, the control of cigarette consumption and the transfer of resources to more productive and beneficial sectors are steps that further support the realization of inclusive, equitable and sustainable economic growth.

One of the key factors in realizing inclusive economic growth is labor force participation. The labor force participation rate (TPAK) indicates the percentage of the working-age population that is economically active, both working and looking for work. The higher the participation of the productively absorbed labor force, the greater the chance of creating equitable growth. In the long run, high labor force participation will strengthen the economic structure of a country. When supported by adequate education and skills, the workforce can increase productivity, innovation, and economic competitiveness. Conversely, the low quality of the workforce can be an obstacle to sustainable and inclusive growth.

In Islam, labor force participation is an important instrument in realizing inclusive and equitable economic growth. Work is seen as worship, social responsibility, and a means of achieving prosperity. Increasing the participation of a productive and equitable workforce can promote economic growth, reduce poverty, inequality and support the achievement of Maqasid Sharia. Thus, the development policy in the Islamic perspective should be directed to the creation of job opportunities that are broad, fair, and dignified so that economic growth is not only high in numbers, but also inclusive and brings benefits to the whole society.

Population growth can increase the demand for goods and services, thus encouraging businesses to increase production. These conditions help expand markets and stimulate economic growth. However, a surge in population without economic preparedness can put pressure on public facilities, such as education, health, and employment. In the long run, population growth can be a development capital if it is dominated by productive age and has good quality human resources. Conversely, if not managed properly, population growth risks increasing poverty, social inequality, and the country's economic burden. Islam views Man as a caliph on earth who has the responsibility to prosper life and manage resources wisely. This is as explained in the Qur'an:

[وَاِذْ قَالَ رَبُّكَ لِلْمَلٰۤىِٕكَةِ اِنِّيْ جَاعِلٌ فِى الْاَرْضِ خَلِيْفَةً ۗ...] ٣٠

Meaning: When your Lord said to the Angels, "I will make a successor on Earth" (S. Al-Baqarah (2): 30)

This verse shows that humans have a strategic role in the development and management of life on Earth. Thus, population growth should be a force to improve the welfare of society.

In the Islamic perspective, the population is a mandate and great potential that must be managed in accordance with maqasid Sharia. If managed productively and equitably, population growth can be a driving force for Inclusive, Sustainable Development, and bring blessings to the community. Conversely, without proper management, population growth can increase unemployment, poverty, and inequality which is contrary to the principles of social justice in Islam.

In general, from the perspective of Islamic economics, cigarette consumption is related to the principle of maslahah, namely that consumption should provide benefits and not cause harm. The labor force participation rate reflects the principles of hard work and responsibility. Islam encourages its people to work productively, independently, and honestly. Population growth is related to the principle of mandate (responsibility) and the role of humans as managers of life on Earth. Thus, inclusive economic growth in Islam not only pursues material improvement, but also emphasizes Justice, balance, and usefulness for the whole community so that sustainable prosperity is created.

CONCLUSION

The results showed that in the long term, the amount of cigarette consumption and the level of labor force participation (TPAK) have a significant positive impact on inclusive economic growth in Indonesia, reflecting the optimal utilization of Labor and the economic contribution of consumption activities. However, population growth has not shown a significant effect in both the short and long term, which indicates that the increase in population in quantity does not automatically guarantee the quality of the distribution of welfare or the expansion of employment opportunities. Simultaneously, the three variables have not been able to explain the variation in inclusive economic growth as a whole, indicating the need for structural adjustments and more integrated policies to capture the dynamics of the relationship between these variables in the short term.

In the perspective of Islamic economics, these findings emphasize that economic growth must always be based on the principles of Justice ('adl), benefit (maslahah), and balance (tawazun). Although cigarette consumption contributes to the economy, the maslahah principle demands the control of negative health impacts so as not to cause harm to the community, while increasing TPAK should be encouraged to create productive economic independence in accordance with the mandate as a manager of the Earth. Therefore, it is recommended for policy makers to design development strategies that are in line with Sharia values, namely by optimizing demographic potential through fair fiscal and social policies in order to achieve sustainable prosperity whose benefits can be felt by all levels of society.

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