

ABSTRACT

Regional disparity is a problem experienced by a region in the process of economic development. South Sumatra Province has the highest inequality in Sumatra Island with an increasing trend from 2018 to 2022. However, South Sumatra Province also has the highest economic growth in Sumatra Island in the same period. The purpose of this study is to analyze the effect of Agglomeration, Population, Balancing Funds, and Government Spending partially and simultaneously on Regional Disparity in South Sumatra Province in 2018-2022.

This study uses panel data regression analysis with the Random Effect model (REM) approach and a significance level of 5 percent and uses a one-tail hypothesis test to determine the effect of Agglomeration, Population, Balancing Fund, and Government Spending on Regional Disparity in South Sumatra Province in 2018-2022.

The regression results using the Random Effect Model (REM) approach with the Generalized Least Square (GLS) method show that partially the agglomeration has a positive and significant effect on regional disparity in South Sumatra Province. Meanwhile, the population variabel has a negative and significant effect on regional disparity inequality in South Sumatra Province, while the equalization fund and government spending have no significant effect on regional disparity. Simultaneously, the variables of agglomeration, population, balancing fund, and government spending effect regional disparity in South Sumatra Province in 2018-2022. The coefficient of determination (R²) in this study is 69,49%. The limitation of this study is that regional disparity can only be measured using the Theil Entropy Index concept due to the limited data available.

Keywords: Regional Disparity, Agglomeration, Population, Balancing Fund, Government Expenditure