ABSTRACT

This study aims to analyze the relationship between income inequality and several contributing factors, including Gross Fixed Capital Formation (GFCF), the Human Development Index (HDI), and sectoral inequality, which may influence it in Java Island from 2013 to 2022. The study employs panel data regression with a fixed-effect model, incorporating dummy variables for the technology development index and the presence of international ports.

This research examines the impact of economic variables on income inequality in Indonesia using panel data regression from 2013 to 2022. The independent variables include Gross Fixed Capital Formation (GFCF), the Human Development Index (HDI), and sectoral inequality. The findings reveal that GFCF has a negative and significant effect on income inequality. HDI also has a negative and significant effect on income inequality. Sectoral inequality shows a positive and significant effect on income inequality. The technology development index has a positive but insignificant effect on income inequality, while the presence of international ports has a negative but insignificant effect on income inequality.

Keywords: *Income inequality, Theil Index, Gross Fixed Capital Formation (GFCF), Human Development Index (HDI), sectoral inequality, technology development index, international ports, panel data regression.*