

ABSTRACT

Income inequality is one of the main problems in long-term economic development. One effort to overcome income inequality is to identify the factors that influence it. This research aims to analyze the influence of government spending, human development index, unemployment, and minimum wages on income inequality in the Special Region of Yogyakarta Province in the 2013-2023 period.

The method used in this research is panel data regression analysis with the common effect model (CEM) approach and one-tail hypothesis testing to analyze the influence of government spending, human development index, unemployment and minimum wages on income inequality in the province Special Region of Yogyakarta.

The research results show that partially, government spending has a negative effect on income inequality, while the human development index has a positive effect. In contrast, unemployment and the minimum wage have no effect on income inequality. Simultaneously, government spending, human development index, unemployment, and minimum wage influence income inequality in DI Yogyakarta Province. This research has limitations related to heteroscedasticity problems in the regression model and limited data on the minimum wage variable. The suggestions from this research are that the government needs to increase HDI in underdeveloped areas, reduce unemployment, and adjust minimum wage policies to reduce income inequality.

Keywords: Income Inequality, Government Expenditure, Human Development Index, Unemployment, Minimum Wages, Panel Data Regression.