

ABSTRACT

Income inequality remains one of the main challenges in Indonesia's economic development. Although the economy continues to grow positively, the distribution of income across regions remains uneven. This study aims to analyze the effect of economic growth, population, domestic investment (PMDN), and foreign direct investment (FDI) on income inequality in Indonesia.

This research employs panel data consisting of 34 provinces in Indonesia over the 2013–2022 period. The data were obtained from official publications of the Central Bureau of Statistics (BPS). The analytical method used is panel data regression with the Random Effect Model (REM).

The results indicate that economic growth has a positive but statistically insignificant effect on income inequality, while population size has a positive and significant effect. Domestic investment has a negative and significant effect on income inequality, whereas foreign direct investment shows a negative but insignificant effect. These findings suggest that domestic investment plays a relatively more important role in reducing income inequality than foreign investment. Overall, the results imply that increases in Economic Growth, population dynamics, and investment need to be accompanied by equitable development to contribute to reducing income inequality.

Keywords: *Income inequality, economic growth, population, domestic investment, foreign direct investment*

