

ABSTRACT

This study aims to analyze the effect of human capital (measured by Human Development Index-IPM) and economy growth (measured by GDP rate-PE) to disparity of income distribution (measured by Williamson Index-IW) in Yogyakarta Province at 2007 to 2013.

This study using Least Square Dummy Variable (LSDV) method and Granger Causality Test. This study using panel data. Data collected methods are secondary data, composed by cross-section data of 5 districts and time-series data of 7 years.

The results of this study show that human capital and economy growth has positive significant effect to disparity of distribution income in Yogyakarta at 2007-2013. Furthermore, IPM has a two-way causality relationship with PE, IPM also has a two-way causality relationship with IW, and PE has a two-way relationship to IW in Yogyakarta Province at 2007-2013.

Keywords: *Human Capital, Economy Growth, Disparity of Income Distribution, Least Square Dummy Variable, Granger Causality.*