

ABSTRACT

Inequality is a development problem that cannot be eliminated, especially in developing countries. DKI Jakarta has a high level of inequality compared to other provinces in Indonesia. This study aimed to calculate the level of inequality in the area of DKI Jakarta Province, proving Kuznets hypothesis, and to analyze the influence of independent variables GDRP per capita, investment, agglomeration, and dummy fiscal decentralization on regional development disparities in the Province of DKI Jakarta in the period 1995 to 2008.

This study uses secondary data consists of data coherent with the time from 1995 until 2008 which was obtained from Badan Pusat Statistik Jakarta (BPS), Badan Koordinasi Penanaman Modal (BKPM). This research method are analysis descriptive statistics and regression analysis.

The research concludes that by using GDRP per capita relative levels of inequality in the province of DKI Jakarta during the period of 1995-2008 was still high and the Kuznets hypothesis is proven in this region.

Based on the results of the regression, GDRP per capita and agglomeration has a positive and significant at $\alpha = 5\%$, the investment variables have negative and significant at $\alpha = 5\%$ of regional development disparities in DKI Jakarta. Dummy variable of fiscal decentralization have negative and not significant. Calculated F value is 12.33849 with a probability 0.001068 smaller than $\alpha = 5\%$, thus concluded that the four independent variables are GDRP per capita, investment, agglomeration, and dummy of fiscal decentralization jointly influence the regional development disparities in the Province Jakarta. R^2 value 0.845769, 84,58% variation signifies that the regional development disparities in the Province of DKI Jakarta can be explained from the variation into four independent variables.

Keywords: Regional Development Disparities, Kuznets Hypothesis, GDRP per capita, Investment, Agglomeration, and Fiscal Decentralization