

## ABSTRACT

Income disparity remains a significant social and economic issue in Indonesia, particularly in the Special Region of Yogyakarta, despite diverse economic dynamics. This study employs the Gini ratio as its primary metric to analyse the impact of domestic investment, foreign direct investment (FDI), the labor force participation rate (LFPR), and the Human Development Index (HDI) on income inequality. Panel data regression was employed to examine the relationships between 2012 and 2022.

Domestic investment adversely influences income disparity; nonetheless, this effect lacks statistical significance. This indicates that the influx of local capital fails to mitigate inequities. There exists a positive and statistically significant association between foreign direct investment (FDI) and the Gini coefficient, indicating that FDI may exacerbate income inequality. Additionally, there exist positive and statistically significant relationships between the Gini coefficient and both the Labor Force Participation Rate (LFPR) and the Human Development Index (HDI). The findings indicate that a more equitable income distribution in the region does not necessarily correlate with heightened labor force participation and enhanced human development. The outcomes underscore the importance of policies that foster inclusive growth and equitable distribution of investment rewards. This study elucidates the multifaceted connection among investment, labor, and human development, contributing to the existing literature on income disparity in DI Yogyakarta.

**Keywords :** *Income inequality, investment, labor, HDI, Yogyakarta.*

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