

ABSTRACT

From a modern perspective, the implementation of decentralization aims to increase the efficiency of public sector spending to achieve equality. This study aims to examine the impact of fiscal decentralization, GRDP, average years of schooling, minimum wages, and the gender inequality index on income inequality in Central Java Province for the 2018-2024 period. The measure of fiscal decentralization used in this study is the degree of fiscal decentralization with an expenditure approach. In addition, the use of the GRDP variable aims to examine the existence of the inverted U-shaped Kuznets curve in Central Java. Meanwhile, the average years of schooling and the gender inequality index variables are used to indicate human capital variables, and the minimum wage is used to indicate employment variables. The data used in this study are secondary data from official websites such as BPS, the Ministry of Finance, or others. This study was conducted using a panel data regression method with a Fixed Effect Model (FEM) approach. The results show that fiscal decentralization and the gender inequality index have not been proven to affect income inequality. In addition, GRDP does not show a significant effect, so the Kuznets hypothesis does not show strong evidence in the Central Java region. Conversely, average years of schooling have a positive and significant effect on income inequality, while minimum wages have a negative and significant effect on income inequality.

Keywords: fiscal decentralization, Kuznets hypothesis, income inequality, education, unemployment, minimum wage, gender inequality index.

