

ABSTRACT

Income Inequality is an issue that every region in the world experiences a gap between high income and low income, especially Yogyakarta. Therefore, the income inequality may cause negative consequences in the future such as triggering conflict, disrupting poverty reduction, and policies that failed to increase economic growth. As a result, this research proposes an econometrical analysis with fixed effect model to analyze the effect of gross regional domestic product, investment, and human development index on income inequality. Also, quantitative data is used to obtain the data from 5 regions of Yogyakarta which is started from 2009 until 2021. Gross regional domestic product per capita shows significant influence and positive effect, investment shows significant influence and negative effect, and human development index shows insignificant influence and negative effect on income inequality. Therefore, government of Yogyakarta should lower the income inequality to avoid negative consequence in the future and increase the investment in order to lower the inequality. Also, the research successfully shows an inverted U-curve which theoretically has been uttered by Simon Kuznets.

Keywords : Gross Domestic Product per capita, Investment, and Human Development Index, Income Inequality, Fixed Effect Model

JEL Classification : D63, E22, O15, O47S

