ABSTRACT

This study analyzes the influence of Gross Regional Domestic Product (GRDP) per capita, GRDP per capita squared, distribution of Zakat, Infaq, and Sadaqah (ZIS), the Human Development Index (HDI), and the Open Unemployment Rate (OUR) on income inequality across 34 provinces in Indonesia during the 2020–2024 period. Income inequality is measured using the Gini Ratio and analyzed within an Islamic economic perspective, positioning ZIS as a sharia-compliant fiscal instrument for wealth redistribution.

The research uses panel data of 170 observations obtained from the Central Bureau of Statistics (BPS) and the National Board of Zakat (BAZNAS). Estimation is conducted using the Fixed Effect Model (FEM) with two-way fixed effects (cross-section and period), preceded by Chow, Hausman, and Lagrange Multiplier tests, and validated through classical assumption tests.

The results indicate that GRDP per capita has a positive and significant effect on the Gini Ratio, confirming the upward-sloping side of the Kuznets inverted-U curve, while the squared term is not statistically significant. ZIS distribution and the Open Unemployment Rate both exhibit negative and significant effects on income inequality, whereas HDI shows a negative but insignificant effect. These findings emphasize the strategic role of ZIS as an effective sharia-based fiscal instrument in reducing regional inequality and highlight the contextual nature of unemployment's effect during the pandemic recovery period.

Keywords: Income Inequality, Gini Ratio, GRDP per Capita, ZIS Distribution, Human Development Index, Open Unemployment Rate, Islamic Economics.