



## **Do Government Policies and Socioeconomic Conditions Affect Income Inequality?**

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### **Article Information    Abstract**

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*History of Article*

Received October 2022

Accepted December 2022

Published February 2023

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*Keywords:*

*Government policy,*

*Socioeconomic conditions,*

*Income inequality.*

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The problem that is often faced by developing countries is high-income inequality among the population. On the other hand, the development of digital technology occurs very quickly and encourages the community to play a more active role in economic activities. This condition needs to be further explored, especially considering its relation to income inequality in Indonesia. This study aims to determine the effect of government policies and socioeconomic conditions on income inequality in Indonesia in the 2019-2021 period by analyzing secondary data in 34 provinces in Indonesia. The analytical method uses panel data regression with the selected model of the fixed effect model. The data was taken from the Central Bureau of Statistics, each provincial government's Directorate General of Finance, and the Ministry of Manpower of the Republic of Indonesia. The results showed that the number of poor people significantly positively affected income inequality and regional minimum wages, and the information and communication technology development index negatively affected income inequality. In contrast, the human development index and social assistance spending had no impact on income inequality. The government must improve poverty alleviation programs to reduce the income inequality gap while expanding the accessibility of Information and Communication Technology (ICT) to provide a better quality of life for the people. This study enriches previous research on the effect of socioeconomic conditions on income inequality by adding the newly developed ICT development index variable.

## INTRODUCTION

Indonesia is a developing country with comparatively rapid economic growth in recent years. High economic inequality among the population is a problem that emerging nations commonly experience. An imbalance in the distribution of per capita income among various categories of individuals is known as income inequality (Todaro and Smith, 2012). Professor Kuznets pioneered the study of income distribution inequality in 1995, and the Gini Coefficient, aided by the Lorenz curve, is the measuring tool used to assess income distribution inequality (Todaro and Smith, 2012). Income inequality requires attention because it will gradually impede economic growth (Wibowo, 2016).

The number of people living in poverty is one of the factors influencing income inequality (Sen, 1982). The number of people living in poverty in Indonesia in March 2022 was 26.16 million, an increase of 2.16 percent from March 2020. The number of poor people in Indonesia decreased by 0.34 million in March 2022 compared to September 2021 and 1.38 million people compared to March 2021. The total number of poor people in September 2021 was 26.16 million people. According to Hindun's (2019) research, education, unemployment, and poverty, all have a 22.37% influence income inequality in Indonesia, with the remaining 77.63% explained by factors outside of research. The condition is consistent with the research findings of Farhan and Sugianto (2022) that poverty harms income inequality in Java Island. Khoirunurrofik & Fitriatinnisa (2021) expects that developing countries will have high levels of poverty and inequality. The condition follows the opinion of Rahma & Fakhrunnas (2022) that problems related to income inequality and poverty are unavoidable problems in various countries.

The human development index is another factor that contributes to income inequality. The HDI is a representative indicator representing the progression of human development (Pratowo, 2010). In 2021, Indonesia's HDI will increase by

0.49% when compared to the previous year's score of 71.94%. The 2021 HDI increases in all dimensions, including longevity and healthy living, knowledge, and a decent standard of living. HDI conditions can influence income inequality (Febriyani and Anis, 2022) and the Gini ratio to measure income inequality in Indonesia.

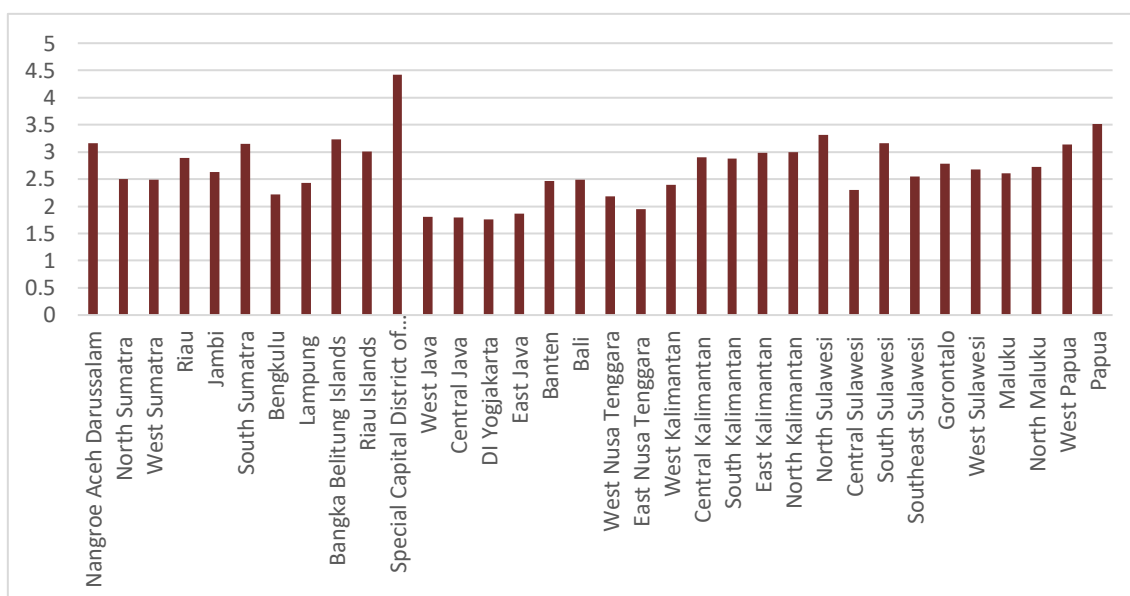
The Gini ratio in Indonesia was 0.380 in semester II of 2019, 0.385 in semester II of 2020, and 0.381 in semester II of 2021. Based on this value, it is clear that income in Indonesia is not distributed evenly. Income inequality exists in every province in Indonesia. Compared to other regions, the Yogyakarta Province has the highest Gini ratio value of 0.436, indicating that income inequality in Yogyakarta is in the high category. The Bangka Belitung Islands Province has the lowest Gini ratio compared to other provinces, namely 0.247, indicating low-income inequality. The difference in the Gini ratio indicates regional income inequality in Indonesia. The Gini index is calculated based on expenditure/consumption data. The use of consumer data allows for a bias or pseudo-condition, where a higher level of spending has relatively the same purchasing power for consumption because there are price differences in various regions in Indonesia (Hermanto and Indrijatmiko, 2020). Inequality in Yogyakarta is higher because food commodity prices are lower compared to the Bangka Belitung Islands. The condition causes consumption spending in Yogyakarta to be lower than in other regions and affects income inequality. According to Sjafrizal (2012), several factors influence income inequality between regions, including 1) differences in natural resources, 2) demographic factors such as labor conditions, 3) allocation of development funds between regions, both government investment and private investment, 4) concentration of regional economic activity, and 5) mobility of goods and services.

Income inequality is also related to fiscal policy in a country. Sukirno (2000) argues that government spending (government expenditure) is part of fiscal policy, namely a government action to regulate the course of the economy

every year, which is reflected in the APBN documents for national and APBD for the region/district. Social assistance is one type of government spending, and well-integrated and targeted social assistance has been shown to alleviate poverty and reduce inequality (Barrientos, 2008). According to Yasni & Yulianto (2020), capital and social assistance spending significantly affect inequality in Indonesia's provinces.

The regional minimum wage in a given area can also impact income. Zainal (2012) states that the regional minimum wage is the lowest wage that company owners use as a standard to determine the actual salaries of workers employed by their company. The government

determines the regional minimum wages based on several components, including account needs, consumer price index (CPI), a company's development capability and sustainability, and prevailing wages that apply in specific regions and between regions. Regional minimum wages are also based on labor market conditions, economic development, and per capita income (Kementrian Ketenagakerjaan, 1999). According to Noviana's (2020) findings, the regional minimum wage (UMR) and the infrastructure ratio negatively and significantly impact Indonesia's income distribution gap. In Indonesia, the nominal minimum regional salary varies by city or region.



**Figure 1.** The regional minimum wage in Indonesia in 2021 (Million rupiahs)

Source: Ministry of Manpower of the Republic of Indonesia (processed)

According to Figure 1, the region with the highest regional minimum wage is the provincial government of the special capital territory of Jakarta, which is Rp. 4,416,186.00, and the area with the lowest regional minimum wage is the Special Region of Yogyakarta (DIY), which is Rp.1,765,000.00. The Special Region of Yogyakarta has a low regional minimum wage, resulting in a high Gini ratio. It is consistent with Istikharoh et al. (2020), who discovered that raising the minimum wage affects income inequality. It is because the wages received by each district/city in the Special Region of

Yogyakarta are still different from the difference in income in the Special Region of Yogyakarta, which results in increasing income inequality. The government must make efforts to raise the minimum wage, which is still low compared to regions with high minimum wages.

Besides the regional minimum wage, technological development is another factor affecting income inequality. The use of technology in people's daily lives has evolved with the times; people are increasingly becoming more dependent on technology. Mastery of digital technology has a significant impact on

their financial situation. The ICT index is an index that measures the development of digital capabilities in a region. It is a composition that combines 11 indicators to become a standard measure of regional information and communication technology development in Indonesia (Statistics Indonesia, 2021b). Technological developments in different regions can create inequality due to the difference in facilities, infrastructure development, and access to information sources in Indonesia. The research conducted by Riyadi & Larasaty (2019) found that the gap in opportunity for access to information technology services in Eastern Indonesia and West Indonesia is still quite wide. Digital inequality and information technology significantly affect social and economic inequality because the existence of information technology plays an essential role in increasing human capital and competence. Fuady (2018) found that advances in ICT positively correlate with the income received by the top 20% of earners. The findings also show a strong positive relationship between ICT development and higher-skilled workers' wages, but not lower-skilled workers' wages. There is strong positive relationship found between ICT development and wages earned by workers in the economy's technology-intensive and highly skilled sectors or employment.

A variety of factors can influence income inequality in Indonesia. This research aims to see how the number of poor people, the human development index, government spending on social assistance, the regional minimum wage, and the information and communication technology development index affects income inequality in Indonesia between 2019 and 2021. This research is necessary to determine the community's socioeconomic condition and its impact on income inequality and provide an overview of which government policies impact income inequality and which policies need to be improved. The Importance of examining government policies' effect on income inequality follows the Keynesian theory that government intervention can determine whether economic development can run optimally or not. An

increase or decrease in government spending can increase or decrease national income (Azwar, 2016). Verberi & Yaşar (2021) found that increasing government spending on social assistance can reduce income inequality in 30 OECD countries, such as Austria, Belgium, Canada, France, Germany, Italy, Korea, the Netherlands, and others. Another study by Sanchez & Perez-Corral (2018) found a negative relationship between government spending on social assistance and income inequality in European Union countries. The novelty of this research includes using the information and communication technology development index in Indonesia, a newly developed index. The variable distinguishes it from other studies which have not included technological developments as a predictor of income inequality in Indonesia. Existing research does not yet export the effect of ITC on inequality, so this research contributes to filling this gap.

## RESEARCH METHODS

This study aimed to estimate the direction and magnitude of the influence of the number of poor people, the human development index, social assistance spending, regional minimum wages, and the development of information and communication technology on income inequality in Indonesia. This study was carried out in 34 Indonesian provinces between 2019 and 2021. The data in this study are secondary data obtained from the Central Bureau of Statistics, each provincial government's Directorate General of Finance, and the Republic of Indonesia's Ministry of Manpower. This study's data analysis technique is panel data regression analysis, with the econometric model as follows:

$$Y_{it} = \beta_0 + \beta_1 X1_{it} + \beta_2 X2_{it} + \varepsilon_{it} \dots \dots \dots (1)$$

The panel model is adjusted to the research variables to obtain the following formula:

$$\ln Inc_{it} = \beta_0 + \beta_1 \log POOR_{it} + \beta_2 HDI_{it} + \beta_3 \log SOC_{it} + \beta_4 RMW_{it} + \beta_5 ICT_{it} + \varepsilon_{it} \dots (2)$$

Inequality is measured in the index. POOR displays the number of poor people counted in the tens of thousands of people. The HDI is the human development index, and SOC displays government spending on social assistance in billions of rupiahs. RMW is the regional minimum wage in a million rupiah. The ICT index shows an index of technological, information, and communication development. The ICT index comprises a combination of three sub-indices: the access and infrastructure sub-index relating to fixed telephone subscribers, cellular telephone subscribers, Internet bandwidth, computer availability, and internet access in households. The usage sub-index concerns the percentage of people who use the internet, fixed broadband internet subscriptions, and mobile broadband internet subscriptions. In contrast, the skills sub-index includes the average length of the school of residents above 15 years old and secondary gross enrollment rates (junior and high school education). Tertiary enrollment rates or higher education (Statistics Indonesia, 2021) total sub-index indicates how many people in a given area use cell phones and the internet while pursuing secondary and tertiary education.

Panel data regression analysis was chosen since combining cross-section and time series data allows for more data and, thus, more degrees of freedom. Combining cross-section and time series data can also overcome problems caused by variable omissions. Three approaches can be used to estimate regression models with panel data: the Common Effect Model (CEM), the Fixed Effect Model (FEM), and the Random Effect Model (REM) (Widarjono, 2018). The Chow and Hausman tests were used to compare the three models. The Chow test was used to choose between the CEM and FEM models, with results showing a probability value of 0.000 less than 0.1, indicating that the FEM model was chosen. While the Hausman test is used to select between the FEM and REM models, a probability value of 0.0174, less than 0.1, indicates that the FEM model was selected. This study's panel data regression analysis used the fixed effect model. The FEM benefits from

constant parameters between unit cross-sections and unit time series.

**Table 1.** The Selection Results of the Regression Model

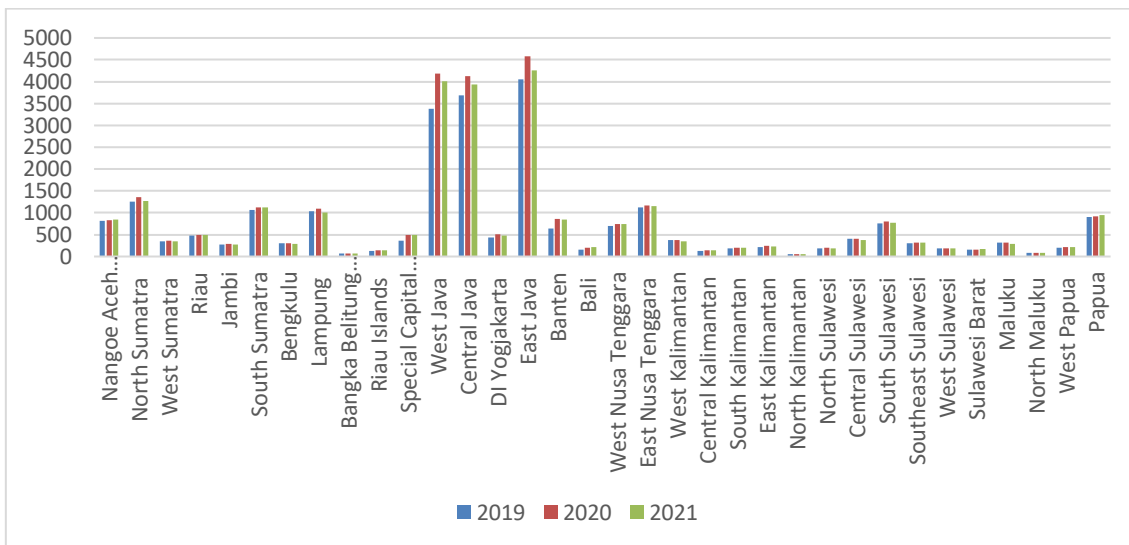
Test	F-Stat Value	Hypothesis and Result
Chow-Test	0.000	H <sub>0</sub> : CEM selected model (P-value > 10%)  H <sub>A</sub> : FEM selected model (p-value < 10%)  Result: H <sub>0</sub> is rejected  FEM selected models
Hausman Test	0.0174	H <sub>0</sub> : REM selected model (p-value > 10%)  H <sub>A</sub> : FEM selected model (p-value < 10%)  Result: H <sub>0</sub> is rejected  FEM selected models
Conclusion	From the Chow and Hausman tests, FEM was selected as the best model	

Source: Data Processed, 2022

The following are the hypothesis proposed by this study: H1: the number of poor people positively affects income inequality; H2: The Human Development Index has a negative impact on income inequality; H3: Social assistance spending negatively affects income inequality; H4: The regional minimum wage has a negative effect on income inequality; and H5: The information and communication technology development index negatively influences inequality.

## RESULTS AND DISCUSSION

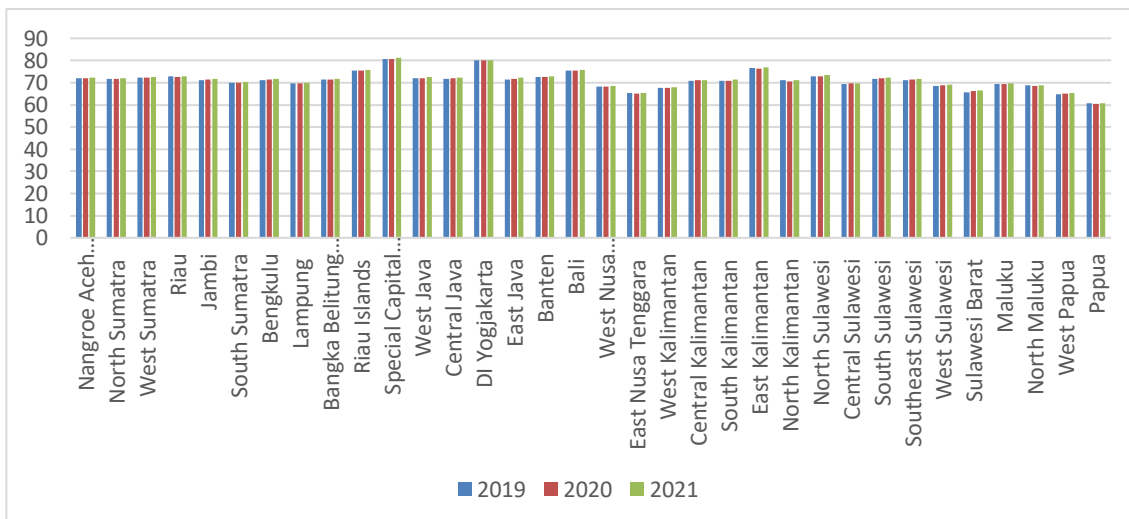
Panel data regression analysis was used on five variables: the number of poor people, the human development index, government spending on social assistance, the regional minimum wage, and the technology and communication development index. Figure 2 depicts an overview of the number of poor people in Indonesia from 2019 to 2021.



**Figure 2.** Number of poor people in 2019-2021 (Thousand people)  
 Source: Statistics Indonesia 2019-2021 (Processed)

Figure 2 shows that the province of East Java will have the poorest people in 2020, with a total poor population of 4,585,970. The condition is consistent with the research conducted by Astutik & Santoso (2019), who discovered that the poverty rate in East Java has always been higher than the national average over the last ten years. The condition indicates that current development has not reached all East Java's poor people. North Kalimantan province had a minor poor population in 2019, totaling 48,610 thousand people. Hill (2021) contends

that changes in the prices of goods and services that are important in the poor's budget cause an increase and decrease in the number of poor people. When goods and services prices rise, the number of poor people rises because people have difficulty meeting their daily needs. Rahman et al. (2021) state that the factors that affect poverty include the gross domestic product per capita, the level of open unemployment, and the length of education. The development of HDI in 34 provinces in Indonesia in 2019-2021 is shown in Figure 3

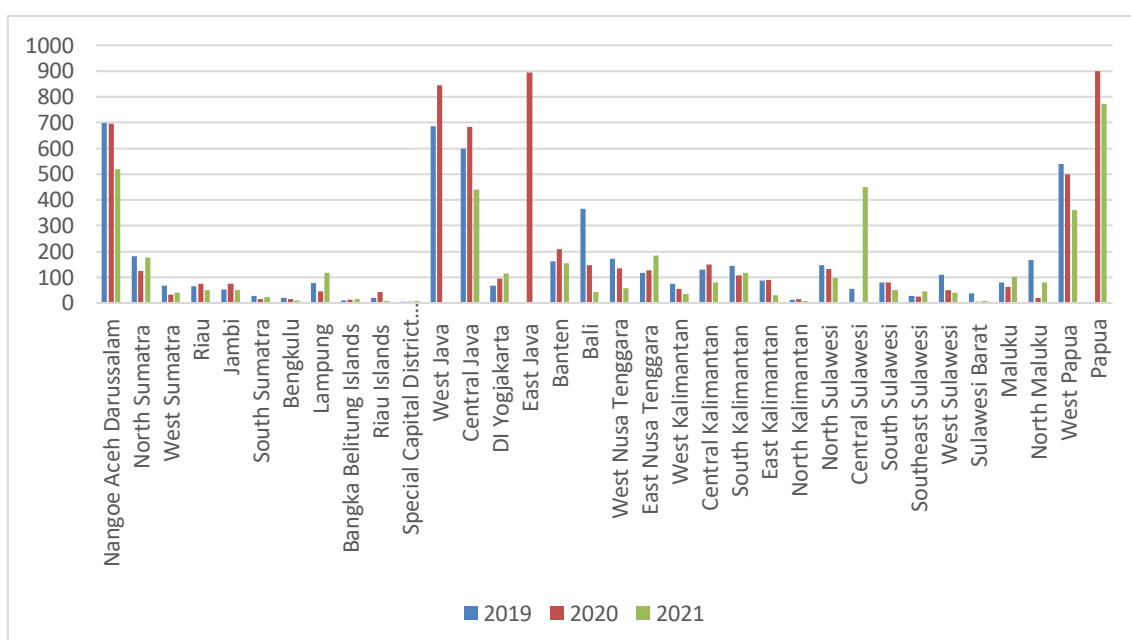


**Figure 3.** Human development index of 2019-2021  
 Source: Statistics Indonesia 2019-2021 (processed)

Figure 3 shows that DKI Jakarta province has the highest HDI in 2021, with an index number of 81.11. Meanwhile, the region of Papua had the lowest HDI in 2020, with an index of 60.44. According to a study conducted by Rahayu et al. (2021), education and health are determining factors for the dynamics of poverty, which means that improving the quality of education and health can increase HDI, which in turn can increase productivity, which in turn will increase income. Because DKI Jakarta is Indonesia's capital city, the quality of education

and health care in DKI Jakarta province is higher than in other provinces. As a result, the HDI in DKI Jakarta is higher than in other provinces. According to Lumantoruan dan Hiyadat (2018), the HDI in Java, Sumatra, and Bali is more elevated and above the national average, whereas the HDI in areas other than Java, Sumatra, and Bali is lower and below the national average.

Apart from analyzing the socioeconomic conditions of the Indonesian people, this research also examines fiscal policy in the form of social assistance spending in 2019-2021, with the results shown in Figure 4:

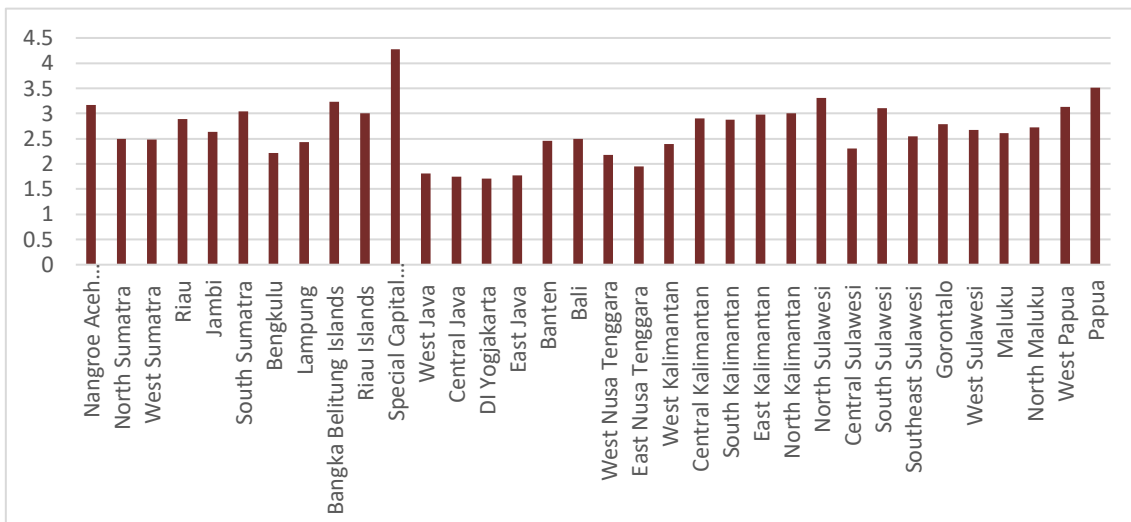


**Figure 4.** Spending for social assistance 2019-2021 (Billion rupiahs)  
Source: Directorate general of finance 2019-2021 (processed)

Figure 4 shows that the province with the highest government spending on social assistance in 2020 is Papua Province, with IDR 899,750,000,000. East Java Province had the lowest level of social assistance spending in 2019, with IDR 1,034,650,000. According to Juliarini and Hatmoko (2020), the Province of Papua has special autonomy, namely the ability to manage and use natural resources independently. Papua's special autonomy fund is equal to 2% of the national general allocation fund, allowing Papua

to have a larger social assistance spending fund. The special autonomy funds are expected to increase Papuan welfare and advance the economy. The special autonomy funds are expected to accelerate Papuan welfare and development.

People's income cannot be separated from their wages. This study examines regional minimum wages in 34 Indonesian provinces in 2020, the results of which are shown in Figure 5.



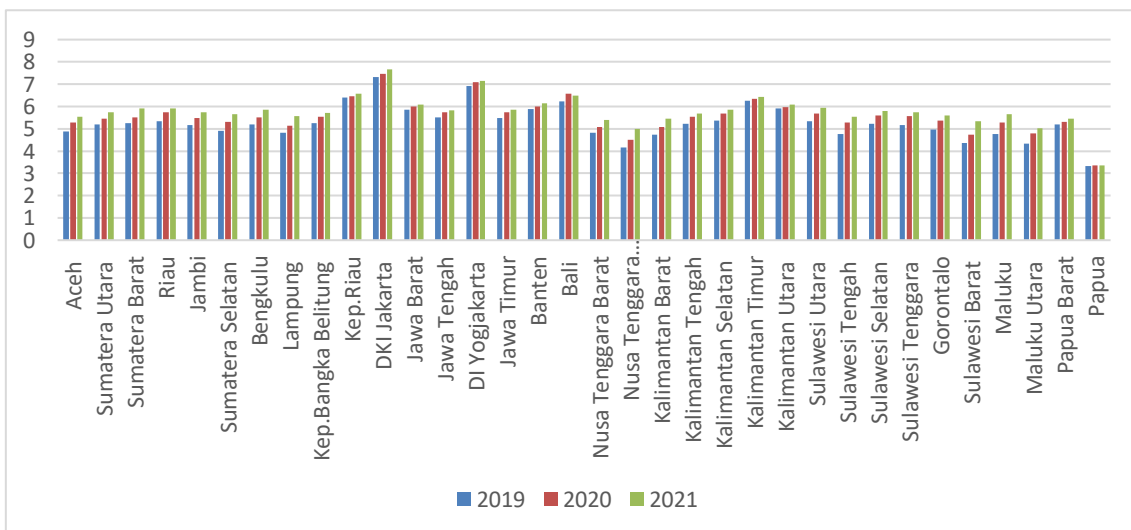
**Figure 5.** 2020 Regional minimum wage (million rupiahs)

Source: Ministry of Manpower of the Republic of Indonesia 2020 (processed)

Figure 5 shows that the highest regional minimum wage in 2020 is Rp.4,276,349 in the DKI Jakarta province, and the lowest regional minimum wage in 2020 is Rp.1,704,608 in the Special Region of Yogyakarta. The findings of this analysis reveal a significant disparity between DKI Jakarta Province and Special Region of Yogyakarta. According to Rohmah and Sastiono (2021), wage inequality can be caused by an increase in the minimum wage that is not evenly distributed across Indonesian provinces. Wage inequality in DKI Jakarta may

worsen if the minimum wage is raised. The increase in the minimum wage in Special Region of Yogyakarta in the 2018-2014 period tends to be low compared to other provinces on the island of Java, so the minimum wage in Special Region of Yogyakarta is the weakest among all provinces in Indonesia.

Income inequality cannot be separated from Indonesia's ICT development. This study examines Indonesia's ICT development index from 2012 to 2021, shown in figure 6.



**Figure 6.** ICT development index 2019-2021

Source: Statistics Indonesia 2019-2021 (processed)



Based on Figure 6, the province with the highest ICT index in 2021 is DKI Jakarta, with an index number of 7.66, and the province with the lowest ICT index is Papua Province, with an index number of 3.33 in 2019. According to Al-Mursyid (2020), the ICT index in provinces in eastern Indonesia is increasing slower than in western Indonesia. Papua and East Nusa Tenggara provinces have consistently been ranked last and below the national index. The condition could be due to the area's low level of

human development. In contrast, DKI Jakarta has a high ICT development index due to high-quality human development.

Researchers examined the impact of Indonesia's variable poverty rate, the human development index, government spending on social assistance, regional minimum wages, and the development index for technology and communications on income inequality. The table displays the analysis findings.

**Table 2.** The Results of Data Estimation Using Fixed Effect Model

Variable	Coefficient	Std.Error	t-Stats	Prob.
C	-0.474949	0.357002	-1.330381	0.1882
LogPOOR	0.0054631	0.014815	3.687572	0.0005*
HDI	0.002640	0.004476	0.589932	0.5573
LogSOC	0.000257	0.000532	0.483350	0.6305
RMW	-1.48E-08	8.19E-09	-1.809730	0.0751*
ICT	-0.007177	0.004274	-1.679144	0.0981*

Note: Significance Level  $\alpha > 0,1$  (10%)

Source: Data Processed, 2022

Based on the result of the regression, there obtained the following equation:

$$\widehat{IncIn}_{it} = -0.474949 + 0.0054631\log POOR_{it} + 0.002640HDI_{it} + 0.000257\log SOC_{it} - 0.0000000148RWM_{it} - 0.007177ICT_{it} \dots (3)$$

Based on the model selection results, the best model obtained is FEM. This study also performed classical assumption tests, including multicollinearity and heteroscedasticity tests. The multicollinearity test shows that the POOR, HDI, SOC, RMW, and ICT variables have a value of less than ten, so it can be concluded that there is no multicollinearity.

Heteroscedasticity test in the research model to determine whether there is a heteroscedasticity problem. The study results show that each variable has a p-value  $> 0.1$ , meaning there is no heteroscedasticity problem. All classical assumptions have been fulfilled, and the research model can be tested using a predetermined analysis.

Based on table 2, it is known that HDI and SOC do not affect income inequality in Indonesia. This is evidenced by the t-statistic value greater than 10% alpha, 0.5573, and

0.6305. Whereas POOR, RMW, and ICT proved significant, this is evidenced by the t-statistic value, which is smaller than alpha 10%, 0.0005, 0.0751, 0.0981.

The results showed that R-squares was 0.987699, meaning that 98.77% of the income inequality variable could be explained by POOR, HDI, SOC, RMW, and ICT variations, and independent variables outside the research model explained the remaining 1.23%.

**Table 3.** The Results of R2 Test

R-Square Test	
R-squares	0.987699
Adjusted R-squared	0.980280

Source: Data Processed, 2022

Based on the findings, it is clear that the number of poor people positively and significantly affects income inequality in Indonesia. In contrast, regional minimum wages and the ICT index negatively and significantly affect income inequality in Indonesia, with a 10% level of significance in a one-tailed. However, neither the human development index nor social assistance spending does. With a coefficient of

0.054631, the number of poor people influences income inequality in a good way. The result demonstrates that if the percentage of the population living in poverty rises by 1%, income inequality will rise by 0.00054631 index numbers. The number of poor people can affect income inequality. It is because the highest number of people means that more people cannot meet their daily needs or have incomes below the poverty line, so the gap between people with high and low incomes will increase significantly. The findings of this study are consistent with earlier research by Hasan and Idris (2016), who found that the number of impoverished people significantly impacts how income is distributed.

Furthermore, in line with a study by Sari et al. (2021), which discovered that, for the years 2011 to 2020, the number of impoverished individuals in Jambi province had a positive and significant impact on income inequality. A study by Cooke et al. (2016) indicated that increasing the poor can worsen income disparity in Ghana. When there are disproportionately many poor people in a country compared to its total population, economic development initiatives have not been successful. In developing countries, will exacerbate the condition of inequality due to the emergence of groups of people with high incomes. Poverty reduction is one of the goals in sustainable development goals (Rahman, Hakim, and Syafii, 2022). If the poverty rate is successfully reduced, income inequality will also decrease.

The regional minimum wage has a negative effect on income inequality. Since it is the base income for working individuals, the regional minimum wage has the opposite effect on income disparity. Residents' income will rise with the regional minimum wage, narrowing the gap between low and high incomes. The findings of this study are consistent with a study conducted by Noviana (2020), which demonstrates that the minimum wage impacts the income distribution in Indonesia, which comprises 33 provinces, between 2011 and 2017. Suryani & Woyanti (2021) found that district/city minimum wages significantly affected income distribution in Special Region of

Yogyakarta for the 2010-2018 period. Increasing regional minimum wages can be one way to reduce the income inequality of the Indonesian people.

The findings revealed that the development of information and communication technology has a negative effect on income inequality, with a coefficient value of -0.007177, meaning that for every point that the development of information and communication technology increases, the index number measuring income inequality decreases by 0.007177. Because technical advancements can create new jobs that can serve as a source of revenue for the community, raising the information and communication technology development index can help minimize income disparity. By introducing options to engage in economic activities with little capital or a great distance from cities, the information and communication technology development index can improve income for low-income people. Jing et al. (2020) research show that ICT growth and state income on inequality are related in five ASEAN nations, including Thailand, Indonesia, Malaysia, and the Philippines. In five ASEAN nations, the mobile-cellular telephone subscription (IMCT) and fixed telephone line subscriptions (IFT) negatively and significantly impact income disparity. Internet access significantly impacts young people with low incomes in ASEAN nations. Research by Ningsih and Choi (2019) shows that internet penetration is a proxy for technological change and reduces income inequality significantly. More internet access widely affects young people with low incomes in ASEAN countries.

In contrast to the findings of this study, Fuady's research (2018) reveals that ICT progress has a positive relationship with the income received by the top 20% of earners (correlation coefficient: 0.6109) and a negative relationship with the income received by the bottom 40% of earners (correlation coefficient: 0.8379). The study's findings also indicate a substantial positive correlation between ICT development and higher-skilled workers' wages, not lower-skilled workers' incomes. A strong positive

relationship is also shown between the development of ICT and the wages received by workers in economic sectors or jobs that are technology-intensive and require high skills, with a correlation coefficient between the ICT index and income inequality for the 2015-2016 period of 0.207 (Dabla-Norris et al., 2015). Advances in technology have shown a significant influence on reducing income inequality. The higher the ITC index means, the better the development of the community in an area in pursuing education, having technological devices in the form of laptops and cellphones, and having access to the internet network. This condition can reduce income inequality because people are used to technological developments and can take advantage of technological advances in their regions.

HDI does not affect income inequality in Indonesia. The results of this analysis indicate that an increase in the HDI does not affect income inequality. The condition is because HDI is not a factor in economic growth in Indonesia. Areas with high HDI do not necessarily have higher economic growth where economic growth can affect income inequality; therefore, HDI does not affect income inequality (Pandjawa dan Samudra 2021). The findings of this study supported the research conducted by Febriyani et al. (2022), with the human development index having a positive but not significant effect on the inequality of income distribution in Indonesia for the 2007-2016 period. Pradnyadewi and Purbadharmaja (2017) obtained the results of the human development index having a direct and insignificant effect on income inequality in the province of Bali from 2008-2015. Various research confirmed that the HDI does not affect income inequality. They found that high or low HDI cannot increase or decrease income inequality in Indonesia. The condition is because many provinces in Indonesia also have varied levels of HDI, parts of western Indonesia have high HDI, but provinces in eastern Indonesia have comparatively low HDI. Lumantoruan and Hiyadat (2018) found in their study that HDI in Java, Sumatra, and Bali provinces are high and above the national average, while the HDI in

other areas have low and below the national average. Indonesia's sheer size and economic growth rate have caused varied HDI levels across the nation.

Government spending on social assistance does not affect inequality. This result shows that an increase in the percentage of social assistance provided by the government cannot affect income inequality in Indonesia. Social assistance spending is one of the government's fiscal policies to improve people's welfare through assistance, including social protection, social security, social empowerment, social rehabilitation, and essential services such as educational scholarships. Social assistance provided by the government has not been able to reduce the income gap between groups of people with high incomes and low incomes. Social assistance provided by the government is less effective in combating inequality because it has been unable to reach its targets. Assistance is often given to people with higher incomes, while people with lower incomes do not get assistance even though they need it. The target mismatch causes social assistance not to affect income inequality in Indonesia. Following Yasni & Yulianto's research (2020), the capital expenditure ratio proved insignificant and did not affect the inequality variable. Alamanda (2020) also studied that social spending did not affect income inequality in Indonesia during 2005-2017.

## CONCLUSION

This study aims to ascertain how factors such as the number of impoverished people, the human development index, social assistance spending, regional minimum salaries, and the development index for information and communication technologies affect income inequality in Indonesia. The methodology used is panel data regression analysis combined with a fixed effect model approach. The findings indicate that income inequality is influenced by factors such as the number of impoverished people, regional minimum salaries, and the information and communication technology development index.

However, HDI and government spending on social assistance had little bearing on the issue. The research enriches previous research regarding the influence of socioeconomic conditions on income inequality. Some limitations of this research are the limited number of variables studied, namely government policies that only consist of minimum wage and social assistance, so they cannot represent government policies comprehensively, and the observation time is relatively short. To increase equity and the welfare of society as a whole, the government must keep up its efforts to reduce poverty in both urban and rural areas. Setting a fair minimum wage and developing an infrastructure that supports the community's widespread use of information and communication technology are two ways to raise living standards..

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