DETERMINATION OF THE GINI RATIO IN INDONESIA IN 2020–2024: A PANEL DATA STUDY OF 10 PROVINCES

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ARTICLE INFORMATION	ABSTRACT
  	This study analyzes the effect of the Minimum Wage, Open Unemployment Rate, and Economic Growth on the Gini Ratio in 10 Indonesian provinces with high inequality—DI Yogyakarta, DKI Jakarta, West Java, Gorontalo, Papua, West Papua, East Java, South Sulawesi, West Nusa Tenggara, and Central Java—during 2020–2024. Using a quantitative approach with panel data multiple linear regression, the analysis applies the Chow, Hausman, and LM tests, along with classical assumption tests. Data were obtained from the Central Statistics Agency. The results indicate that the Random Effect Model (REM) is the most appropriate model. The Minimum Wage, Open Unemployment Rate, and Economic Growth each show positive but insignificant effects on the Gini Ratio and are also jointly insignificant, suggesting that income inequality in these provinces is influenced more by factors beyond these variables.

INTRODUCTION

One of the global issues that attracts high attention from the public, policy makers, and academics is income inequality. High income inequality can affect overall

economic growth and hinder long-term sustainability, and can cause other problems related to poverty, political instability, and other social problems. Income inequality is an economic problem that occurs in many developed and developing countries, Only the degree of inequality distinguishes one country from another income inequality is one of the main problems in economic development that can disrupt social stability and community welfare. A commonly used indicator to measure income inequality is the Gini Ratio, which shows how unevenly distributed income is in a country or region. In the context of the modern economy, variables such as the minimum wage, open unemployment rate, and economic growth have a significant influence on changes in the Gini Ratio. Raising the minimum wage can generally reduce inequality by increasing the purchasing power of low-income people, while economic growth can open up opportunities to reduce inequality if the benefits are evenly distributed. On the other hand, high unemployment rates tend to widen the income gap due to the large number of people who do not have a fixed income (Siti Nurul Noviana, 2020).

According to neo-classical theory, in the early stages of a country's development process, development inequality between regions tends to increase. This phenomenon will continue until the inequality reaches its peak. After the peak point is reached, if the development process continues, development inequality between regions will begin to decrease gradually. Based on this theory, we can conclude that in developing countries, generally development inequality between regions tends to be higher, while in developed countries, inequality tends to be lower. In other words, the development inequality curve between regions is inverted (reverse U-shape curve). Based on this neo-classical theory, it can be estimated that in developing countries, economic inequality between regions tends to be high and increases (divergence). However, along with the progress of a country's development, there will be a decrease in the level of economic inequality between regions (Al Aqilah et al., 2024).

From an Islamic economic perspective, the principles of justice and social welfare are important foundations in economic management. Islamic economics emphasizes the fair distribution of wealth and equitable distribution of welfare through instruments such as zakat, alms, and a socio-economic system that prevents the accumulation of wealth so as to minimize inequality. This perspective also emphasizes the importance of social responsibility and economic solidarity as an effort to create a more inclusive economic balance (A. S. Putri & Anggraini, 2024). Therefore, studies on the influence of minimum wage, open unemployment rate, and economic growth on the Gini Ratio also need to be seen from the perspective of Islamic economics which prioritizes the value of social justice and equitable distribution. This discussion is in accordance with Q.S Adz-Dzariat verse 19 which reads:
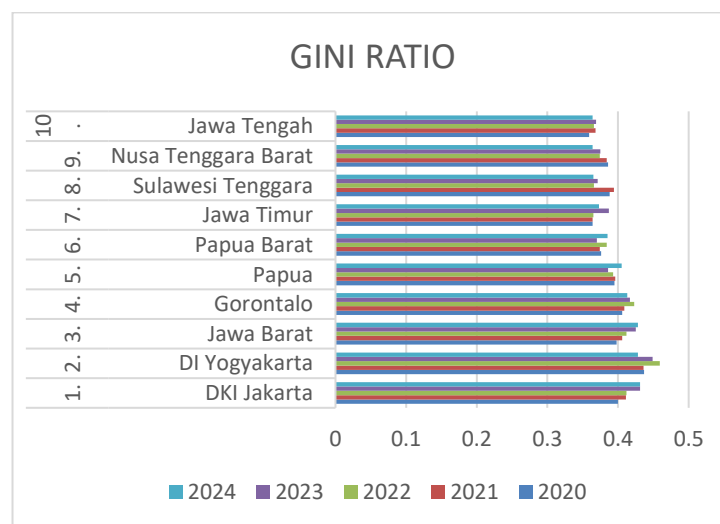
وَفِيْٓ اَمْوَالِهِمْ حَقٌّ لِّلسَّآئِلِ وَالْمَحْرُوْمِ ۱۹

Meaning: "And in their property there are rights for the poor who ask and the poor who do not ask".

From the perspective of Islamic economics, this verse teaches the importance of wealth distribution to overcome income inequality. Zakat and alms are the main instruments in fulfilling the rights of the poor, including those who may be ashamed or maintain their self-esteem so that they do not directly ask. Thus, property owners are obliged to set aside part of their wealth to help people in need, whether actively asking

or not, in order to create social justice and reduce economic disparities in society. This is one of the main principles of Islamic economics to maintain socio-economic balance and sustainability. Thus, failure in income equity not only causes problems in the economic sector, but can also trigger broader problems in the social, political, and security fields.

Income inequality in Islam is the distribution of existing assets, whether owned by individuals or the public, to parties who are entitled to receive what is shown to improve the welfare of the community in accordance with the sharia. The focus of income inequality in Islam is the process of distribution. In simple terms, it can be described as the obligation to set aside some of the assets for the surplus (sufficient) party is believed to be compensation for his wealth and on the other hand is an incentive (stimulus) for the wealth of the deficit party (in need). Zakat in Islam is also a form of equal distribution of income, with the recipient of zakat that has been determined. To overcome unemployment, poverty, and socio-economic inequality, Islam obliges its people to issue zakat fitrah and zakat mal, to give infaq, alms, and waqf in the form of property (Sabillah & Sabillah, 2023)

Source: Central Bureau of Statistics, 2025
Figure 1.1 Gini Ratio in Indonesia in 2020-2024 (percent)

In figure 1.1 above, it can be seen that the Gini Ratio value in 10 Indonesian provinces has fluctuating values in several regions in Indonesia. The Gini ratio is a measuring tool used to measure income inequality, where a higher number indicates a greater level of inequality while a lower rate indicates the lowest level of inequality. DKI Yogyakarta Province has the highest Gini ratio at 0.43 in 2020, which indicates the highest level of income inequality among these 10 provinces. In contrast, Central Java Province had a low Gini ratio of 0.35 in 2020, which indicates that the level of income inequality is low among these 10 provinces. Almost all provinces experienced a high increase in Gini Ratio in 2020, some even decreased such as in Papua, West Papua and West Nusa Tenggara. This shows the impact of COVID-19 on human development. The taking of these 10 provinces in Indonesia such as DKI Jakarta, DI Yogyakarta, West

Java, Gorontalo, Papua, West Papua, East Java, Southeast Sulawesi, West Nusa Tenggara, and Central Java is relevant because all of them have a Gini ratio above the national average of 0.381 in 2024, which is representative of the Gini Ratio value in the high category in Indonesia. The data above shows that the Gini rate in these provinces continues to be high from 2020 to 2024, for example DKI Jakarta and Yogyakarta are always at the top, meaning that the problem of inequality has not been solved even though the economy is growing. This is a sign that the government must immediately act with a program to equalize daily expenses so that the gap between rich and poor does not widen.

The problems in these 10 regions in Indonesia are the focus of research carried out because of their important and diverse characteristics which include provinces with close economic, social and geographical interactions. Rapid economic growth alone is not enough to improve the welfare of the community as a whole. In order for the benefits of this growth to be felt by all levels of society, an equitable distribution of income is needed. If the distribution of income is uneven, income inequality will arise, namely there is a significant difference in the ability to meet basic needs between the rich and the poor. However, the high inequality of income distribution can pose serious problems for society, such as slowing economic growth in the long run and causing pressure on minimum wage increases that must be addressed. How important is the balance between economic growth and justice in income distribution so that economic development runs optimally and the benefits can be enjoyed equally by the entire community(Adilah et al., n.d.).

LITERATURE REVIEW

The Minimum Wage has a significant effect on the Gini Ratio.

According to Ricardo, the exchange rate of a good is determined by the costs incurred to produce the goods, namely the cost of raw materials and labor wages which are only for subsistence (subsistence) for the worker concerned. A good wage is one that at least meets the basic needs of workers, while the determination of wages in the market follows competition between the supply and demand of labor (Al Aqilah et al., 2024). In research (R. N. Putri & Hanifa, 2024) that the minimum wage has a significant influence on income inequality which suggests that this policy tends to increase income inequality because the benefits of this increase in the minimum wage are more felt by formal sector workers, especially in urban areas, while predominantly informal sector workers in rural areas do not enjoy the same impact.

H0: Minimum wage has no significant effect on the Gini Ratio.
H1: Minimum wage has a significant effect on the Gini Ratio.

The Open Unemployment Rate has a significant effect on the Gini Ratio.

According to Keynes' theory, unemployment occurs due to low aggregate demand in the economy. Aggregate demand itself is the total demand for goods and services by all levels of society in an economy. Thus, the increase in aggregate demand encourages a shift in production and labor towards full employment conditions, thereby creating economic growth with a decrease in unemployment. Therefore, rising aggregate demand will increase production output which further increases the need for labor until it reaches full employment levels, reducing unemployment and improving people's welfare (Lube

et al., 2021). In research (Anggraini & Warsitasari, 2023) that open unemployment rates have a negative and significant influence on income inequality. The high open unemployment rate illustrates the situation that many people do not have jobs, so that in terms of the economy in meeting needs and welfare in a bad state, it will overall hinder economic growth and even decline because people do not have good purchasing power.
H0: The Open Unemployment Rate has a significant effecton the Gini Ratio.
H2: The Open Unemployment Rate has no a significant effecton the Gini Ratio.

Economic Growth has a significant effect on the Gini Ratio.

The Solow-Swan theory states that under many conditions, market mechanisms have the ability to achieve equilibrium efficiently, so government intervention does not need to be predominant. The role of the government should be limited to the implementation of fiscal and monetary policies. This view is the basis of Neoclassical Theory, which includes the thoughts of economists with similar views. According to this theory, economic growth is determined by three main factors, namely Capital Accumulation**,** Increased labor supply**,** and Technological Progress**.** The technological aspect is reflected through upskilling as well as innovation in production techniques, which in turn drives per capita productivity (Badria, 2021). This is not in line with research (Nadya & Syafri, 2019) which states that Economic growth shows positive signs but does not have a significant effect on inequality in Indonesia. This is because growth in each region has the potential for different economic sectors and these economic sectors can experience ups and downs in each period, so that the GDP growth rate cannot have a significant effect on inequality.
H0: Economic Growth hasn't a significant effecton the Gini Ratio.
H3: Economic Growth has a significant effecton the Gini Ratio.

Minimum Wage, Open Unemployment Rate and Economic Growth have a significant effect on the Gini Ratio.

The three variables Minimum Wage, Open Unemployment Rate and Economic Growth affect the Gini Ratio. This is in line with Neo-classical theory, in the early stages of a country's development process, development inequality between regions tends to increase. Based on this neo-classical theory, it can be estimated that in developing countries, economic inequality between regions tends to be high and increase (Oktarina & Yuliana, 2023). However, along with the progress of a country's development, there will be a decrease in the level of economic inequality between regions (convergence). Based on research (Nadya & Syafri, 2019) shows that economic growth has no impact on income inequality, while education has a positive impact and unemployment has a negative impact on income inequality in Indonesia.
H0: Minimum Wage, Open Unemployment Rate and Economic Growth have a significant effect on the Gini Ratio.
H4: Minimum Wage, Open Unemployment Rate and Economic Growth have a significant effect on the Gini Ratio.

RESEARCH METHOD

In this study, the researcher used a quantitative approach to test a predetermined hypothesis using numerical and statistical formats (Scott, 2020). The data source used is panel data, namely a combination of time series and cross section data to determine the factors that affect the Gini Ratio for the 2020-2024 period. This study uses data sources from the annual census report which can be accessed through the official website of the Central Statistics Agency and the Ministry of Finance, and the software used in this study is Eviews 10.

The population of this study is all Gini Ratio data in Indonesia that has been registered with the Central Statistics Agency (BPS) in 2020-2024. The population of this study includes 10 (ten) provinces with a high category Gini ratio level registered with the Indonesian Central Statistics Agency (BPS). This study uses the Purposive Sampling method, which is a sample determination technique based on certain criteria or considerations (Sujarweni, 2023). There are 10 (ten) samples used in this study using the purposive sampling method. The data used in this study is secondary data, this data analysis uses panel data analysis in the form of time series data in this study is the research time period of 5 years (2020-2024) and the cross section data in this study is the Gini Ratio report in several regions in Indonesia totaling 10 provinces. In this study, the Eviews application was used. In this study, the Eviews 10 application was used. The data used are data on the Minimum Wage, Open Unemployment Rate, Economic Growth and Gini Ratio in Indonesia in 2020-2024 which was obtained from the Central Statistics Agency (BPS) website.

This study uses panel data regression analysis with the help of the E-views 10 program to get a comprehensive picture of the influence of independent variables on dependents. To ensure that the model used is correct, in estimating the panel data, it is necessary to regress the data (Sujarweni, 2023), These tests will be described as follows:

$$Y=\alpha+\beta 1X1it+\beta 2X2it+\beta 3X3it+e$$

Static panel data testing in this study is generally carried out with three models, namely Common Effect Model, Fixed Effect Model, and Random Effect Model. To determine the most appropriate model, there are several tests that can be carried out to determine the panel data regression model that will be used in this study. This study also carried out a classic Assumption test, namely the multicollinearity test. The multicollinearity test shows whether or not there is a relationship between independent variables with the stipulation, if the correlation value between the variables is < 0.85, then the model does not have multicollinearity.

RESEARCH RESULTS AND DISCUSSION

This study uses panel data regression analysis techniques. There are several panel data regression methods, namely *the Common Effect Model* (CEM), *Fixed Effect Model* (FEM) and *Random Effect Model* (REM) approaches. In processing data regression, the right panel data must go through several stages of testing, including:

Table 1. Chow Test

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section Fixed Effects

Effects Test	Statistics	D.F.	Prob.
Cross-section F	30.206972	(9,37)	0.0000
Cross-section Chi-square	106.098954	9	0.0000

Source: Data Processed with Eviews 10, 2025

Table 1 presents the results of the Chow Test, which show that the resulting *Cross-section Chi-square* probability value is 0.0000. These results show that the probability value is less than a significant level of 5% (0.05), so it can be concluded that *the Fixed Effect Model* (FEM) is more appropriate than the *Common Effect Model* (CEM).

Table 2. *Hausman Test Results*

Correlated Random Effects-Hausman Test
Equation: Untitled
Test cross-section Random Effects

Test Summary	Chi-Sq. Statistics	Chi-Sqi. D.F	Prob.
Cross-section Random	0.118729	3	0.9895

Source: Data Processed with Eviews 10, 2025

Table 2. It is the result of the Hausman test, which shows that the probability value of the random cross-section is 0.9895. The results show that the probability value is more than the probability value of more than the level of significance which is 5% (0.05), so it can be concluded that *the Random Effect Model* (REM) is more appropriate when compared to *the Fixed effect Model* (FEM).

Lagrange Multiplier (LM) Test

The results of the Hausman Test show that the best model is *the Random Effect Model* (REM). Therefore, it was continued to the third model selection test, namely *the Lagrange Multiplier (LM) test.*

Table 3. Lagrange *Multiplier (LM) Test Results*

Null (no random. Alternative Effect)	Cross-section One-sided	One-sided period	Both
Breusch-Pagan	71.58543 (0.0000)	2.498164 (0.1140)	74.08359 (0.0000)
Honda	8.460817 (0.0000)	-1.580558 (0.9430)	4.865078 (0.0000)
King-Wu	8.460817 (0.0000)	8.460817 (0.0000)	3.378113 (0.0004)

GHM	--	--	71.58543
	--	--	(0.0000)

Source: Data Processed with Eviews 10, 2025

Table 3 presents the Lagrange Multiplier (LM) test results, which show that the probability value < Chi-square threshold with the Brusch-Pagan method is 0.0000. This shows that the Chi-square probability is less than the significance level of 5% (0.05), so it can be concluded that *the Random Effect Model* (REM) is better when compared to *the Common Effect Model* (CEM).

Table 4. Results of Model Equation Estimation Test

Variable	Coefficient	Std. Error	t-Statistics	Prob.
C	5.525476	0.477103	11.58130	0.0000
UMPT	0.022814	0.031194	0.731367	0.4683
TPT	0.014743	0.018643	0.790818	0.4331
PE	0.004050	0.009800	0.413333	0.6813
		Weighted Statistic		
R-squared				0.029421
Adjusted R-squared				-0.033877
F-statistic				0.464802
Prob(F-statistic)				0.708244

From the results of the estimate in table 4. Then regression results can be obtained with the following equations:
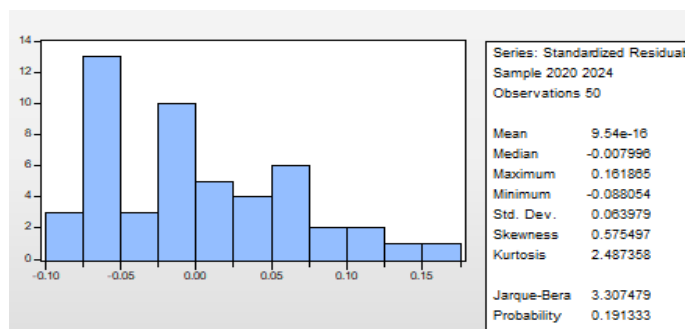
Y = 5.525 + 0.022*X1 + 0.014*X2 + 0.004*X3

The interpretation of the model's estimated results is explained as follows:

1. In the equation, the constant value is 5,525 which means that without the variables Minimum Wage (X1), Open Unemployment Rate (X2), and Economic Growth (X3), the GR variable (Y) will increase by 5,525%. In other words, this value reflects the magnitude of the Gini Ratio that can occur without the intervention of these factors.
2. Furthermore, the value of the variable coefficient of the Minimum Wage (X1) is 0.022, if the value of the constant beta variable and the variable X1 increases by 1%, then the variable Gini Ratio (Y) will increase by 1%. And vice versa, if the value of the constant beta variable and the X1 variable decreases by 1%, then the Y variable will decrease by 1%.
3. The beta coefficient value of the Open Unemployment Rate (X2) variable is 0.014, if the constant beta variable and the X2 variable increase by 1%, then the Gini Ratio (Y) variable will increase by 1%. And vice versa, if the value of the constant beta variable and the X1 variable decreases by 1%, then the Y variable will decrease by 1%.
4. The value of the beta coefficient of the Economic Growth variable (X3) is 0.004, if the constant beta variable and the X3 variable increase by 1%, then the Gini Ratio (Y) variable will increase by 1%. And vice versa, if the value of the constant beta

variable and the X1 variable decreases by 1%, then the Y variable will decrease by 1%.

After the Random Effeect Random (REM) is selected, the next step is to conduct the Classical Assumption Test. The first Classical Assumption Test is the Normality Test with the following results:

Source : E-views data processing *results 10*
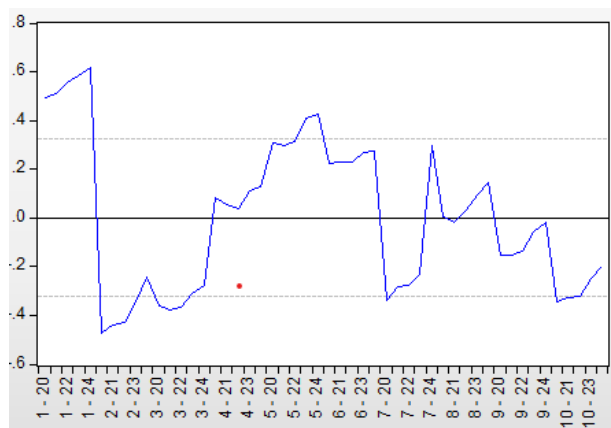**Figure 1.2 Normality Test Results**

The Normality Test has a probability value of 0.19 > 0.05 which means that the data in this study is distributed normally.

Table 5. Multicollinearity Test Results

	X1	X2	X3
X1	1.000000	0.011078	0.022538
X2	0.011078	1.000000	-0.136987
X3	0.022538	-0.136987	1.000000

Source : E-views data processing *results 10*

Based on the results of the Multicollinearity Test above, each model has a correlation coefficient of X1 and X2 of 0.011078 < 0.85, X1 and X3 of 0.022538 < 0.85, and X2 and X3 of -0.136987 < 0.85, it can be concluded that the three variables in this study are free of Multicollinearity or pass the Multicollinearity test and do not occur Multicollinearity (Napitupulu et al., 2021).

Source : E-views data processing *results 10*
Figure 1.3 Heteroscedasticity Test Results

From the residual graph (blue color) it can be seen that it does not cross the limit (500 and -500), meaning that the residual variant is the same. Therefore, there are no symptoms of heteroscedasity or pass the heteroscedasity test (Napitupulu, R. B., Simanjuntak, T. P., Hutabarat, L., Damanik, H., Harianja, H., Sirait, R. T. M., & Lumban Tobing, C. E. R. (2021). Business research, 2021).

The Effect of the Minimum Wage on the Gini Ratio in Indonesia in 2020-2024

The results of the data analysis show that Hypothesis 1 is formulated "The Minimum Wage has an significant effect on the Gini Ratio' which means that H1 is accepted. The results of data processing are found that the statistical t-value of the Minimum Wage variable (X1) shows a coefficient value of 0.022814 (percent) and a probability value of 0.4683 (percent). With a probability value greater than α = 5% (0.4683 > 0.05), the Minimum Wage has a positive effect on the Gini Ratio. The sign of the coefficient has a positive value which means that every 1% increase, then the Minimum Wage will increase Gini Ratio by 0.022814% and vice versa, therefore this can be said to be consistent with Ricardo's theory of natural wages. The result of this output, in line with Ricardo, is that this amount of wage is referred to as natural wage. The magnitude of this natural wage level is determined by local customs. The natural wage rate increases in proportion to the standard of living of the community. As with other prices, the price of labor (wages) is determined by demand and supply, so under equilibrium conditions, workers will theoretically receive wages equal to the value of their contribution to the production of goods and services. This is in line with previous research (R. N. Putri & Hanifa, 2024) In this study, the minimum wage has a significant influence on income inequality, which shows that this policy tends to increase income inequality because the benefits of this minimum wage increase are more felt by formal sector workers, especially in urban areas, while informal sector workers who are dominant in rural areas do not enjoy the same impact.

The Effect of the Open Unemployment Rate on the Gini Ratio in Indonesia in 2020-2024

The results of the data analysis show that Hypothesis 2 is formulated "The Open Unemployment Rate has an effect and significant on the Gini Ratio" which means that H2 is rejected. The results of data processing found that the statistical t-value in the variable Open Unemployment Rate (X2) showed a coefficient value of 0.014743 (percent) and a probability value of 0.4331 (percent). With a probability value greater than α = 5% (0.4331 > 0.05), the Open Unemployment Rate has a positive effect on the Gini Ratio. A sign of a positive value coefficient means that every 1% increase, the Open Unemployment Rate will increase Gini Rati by 0.014743%. From the output results, in line with Keynes' theory, unemployment occurs due to low aggregate demand. So that the inhibition of economic growth is not caused by low production but by low consumption. Keynes advocated government intervention in maintaining the aggregate level of demand so that the tourism sector could create jobs. This is not in line with

previous research (Anggraini & Warsitasari, 2023) open unemployment rates have a negative and significant influence on income inequality. The high open unemployment rate illustrates the situation that many people do not have jobs, so that in terms of the economy in meeting needs and welfare in a bad state, it will overall hinder economic growth and even decline because people do not have good purchasing power.

The Effect of Economic Growth on the Gini Ratio in Indonesia in 2020-2024

The results of the data analysis show that Hypothesis 3 is formulated "Economic Growth has an significant effect on the Gini Ratio" which means that H3 is rejected. The results of data processing found that the statistical t-value of the Economic Growth variable (X3) showed a coefficient value of 0.004050 (percent) and a probability value of 0.6813 (percent). With a probability value greater than $\alpha = 5\%$ ($0.6813 > 0.05$), Economic Growth has a positive effect on the Gini Ratio. A sign of a positive value coefficient means that every 1% increase in Economic Growth will increase Gini Rati by 0.004050%. And from the results of this output is in line with the Classical Economic Theory, pioneered by Adam Smith and David Ricardo, emphasizing the importance of market mechanisms and international trade in driving economic growth. Adam Smith believed that laissez-faire policies, or free market systems, would maximize the potential for a country's economic development. Meanwhile, David Ricardo highlighted the advantages of specialization and trade between countries in improving economic welfare. This is not in line with research (Nadya & Syafri, 2019) which states that Economic growth shows positive signs but does not have a significant effect on inequality in Indonesia. This is because growth in each region has the potential for different economic sectors and these economic sectors can experience ups and downs in each period, so that the GDP growth rate cannot have a significant effect on inequality.

The Combined Influence of the Minimum Wage, Open Unemployment Rate, and Economic Growth Affect the Gini Ratio in Indonesia in 2020-2024

The results of the data analysis show that Hypothesis 4 is formulated "Minimum Wage, Open Unemployment Rate and Economic Growth have an effect and are insignificant to the Gini Ratio" which means that H4 is rejected. The results of the joint test (f-statistical test) in this study obtained an f-statistical value of 0.464802 (percentage) which is smaller than the F-table which is 2.80. In addition, a probability value of $0.708244 > 0.05$ states that H0 is rejected and Ha is accepted. This is in line with previous research (Nadya & Syafri, 2019) shows that economic growth has no impact on income inequality, while education has a positive impact and unemployment has a negative impact on income inequality in Indonesia. Thus, it can be concluded that all independent variables used in this study do not have a significant effect together on the Gini ratio in Indonesia in 2020-2024. Taken together, the open unemployment rate does not contribute significantly to fluctuations in income inequality in Indonesia's 10 provinces. Uneven economic growth accompanied by an increase in the minimum wage can encourage a gap between formal workers and workers in the informal sector or sectors outside the provisions of the minimum wage policy. An increase in the minimum wage without being supported by an even absorption of labor allows only a small number of workers to increase their income, while workers in the informal sector or no minimum wage will be

left behind. The increase in unemployment due to the unequal absorption of labor widens the layers of low-income or non-income groups. Overall, these three factors do not contribute to the level of income inequality in 10 provinces in Indonesia.

Islamic Economic Perspective on the Influence of Minimum Wage, Open Unemployment Rate and Economic Growth on the Gini Ratio in Indonesia in 2020-2024

In the view of Islamic economics, income inequality reflected in the Gini ratio index is viewed as contrary to the principle of social justice (al-'adl wa al-ihsan) and the obligation to distribute wealth proportionately to prevent accumulation in a few groups. Variables such as the minimum wage, open unemployment rate, and economic growth influence the dynamics of this distribution through sharia instruments such as zakat, infaq, and profit-sharing schemes (mudharabah and musyarakah) that emphasize the balance between productivity and common welfare. The 2020-2024 period in Indonesia shows a fluctuating Gini ratio trend, from around 0.388 in 2023 to 0.381 in September 2024, influenced by formal-informal sector imbalances. The issue of income inequality has always been a major topic in various countries, especially in developing countries such as Indonesia. The problem of poverty basically starts from unequal income distribution, which then causes income inequality. If these two problems are allowed to continue, these conditions will worsen and have a negative impact on social and political aspects(Taufiq et al., 2025).

The Islamic concept of "zakat" (charity) is an important mechanism to overcome poverty and unemployment. Zakat is a compulsory charity paid by Muslims who have excess wealth to those in need. The increase in the minimum wage tends to widen the Gini ratio because the benefits are limited to formal sector workers, while the dominant informal sector in Indonesia is less affected, thus reinforcing income disparities between groups. The open unemployment rate does not show a significant effect on the Gini ratio due to the large number of informal workers who remain low-income even though they are not officially unemployed, who demand productive zakat intervention for redistribution. On the other hand, economic growth measured through Gross Regional Domestic Product (GDP) per capita has the potential to reduce the Gini ratio if accompanied by sharia-based inclusive investments, such as waqf and Islamic finance, to create equitable employment(Abidin, 2024).

Economic growth shows that there are activities in the economy that cause an increase in the production of goods and services produced by the community and followed by an increase in community prosperity which is usually seen from gross regional domestic income. If economic growth is not accompanied by small business opportunities, job opportunities and capacity with the population always increasing every year, it will result in unemployment increasing(Nasution et al., 2023).

CONCLUSION

This study was conducted with the aim of analyzing the impact of the Minimum Wage, Open Unemployment Rate, and Economic Growth on the Gini ratio in 10 Indonesian provinces with the category of high Gini ratio, namely DI Yogyakarta, DKI Jakarta, West Java, Gorontalo, Papua, West Papua, East Java, South Sulawesi, West

Nusa Tinggara, and Central Java in the period from 2020 to 2024. From the results of this study, the following conclusions can be drawn:

1. The results of this study show that the Minimum Wage (UMP) partially has a positive and insignificant effect on the Gini Ratio in 10 Indonesian Provinces, namely DI Yogyakarta, DKI Jakarta, West Java, Gorontalo, Papua, West Papua, East Java, South Sulawesi, West Nusa Tinggara, and Central Java in the period from 2020 to 2024.

2. The results of this study show that the Open Unemployment Rate (TPT) partially has a positive and insignificant effect on the Gini Ratio in 10 Indonesian provinces, namely DI Yogyakarta, DKI Jakarta, West Java, Gorontalo, Papua, West Papua, East Java, South Sulawesi, West Nusa Tinggara, and Central Java in the period from 2020 to 2024.

3. The results of this study show that partially Economic Growth (PE) has a positive and insignificant effect on the Gini Ratio in 10 Indonesian Provinces, namely DI Yogyakarta, DKI Jakarta, West Java, Gorontalo, Papua, West Papua, East Java, South Sulawesi, West Nusa Tinggara, and Central Java in the period from 2020 to 2024.

4. The results of this study show that together the Minimum Wage, Open Unemployment Rate and Economic Growth have an insignificant effect" OR "do not have a significant effect on the Gini Ratio in 10 Indonesian Provinces, namely DI Yogyakarta, DKI Jakarta, West Java, Gorontalo, Papua, West Papua, East Java, South Sulawesi, West Nusa Tinggara, and Central Java in the period from 2020 to 2024.

The government needs to review the effectiveness of economic policies that focus on wage increases and economic growth, because the results of the study show that these variables have not had a significant influence on reducing income inequality. A more inclusive development strategy is needed, such as improving the quality of education and job training, equitable distribution of investment between regions, and supporting the informal sector and MSMEs so that economic growth can be felt equally at all levels of society and regions. The existence of limitations in this study can be a consideration and improvement for future researchers who conduct research with a similar theme. Future researchers are encouraged to that additional variable indicators such as education, investment and HDI can be added, and can use more diverse analysis methods so that the results can be more developed related to income inequality factors more comprehensively.

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