Bukhori: Kajian Ekonomi dan Keuangan Islam (BUKHORI)
ISSN 2798-6691, Vol 5, No 2, 2026, 59-77 https://doi.org/10.35912/bukhori.v5i2.5221

Effect of Government Spending, GRDP and Investment on Income Inequality in Islamic Economics

Selvyta Ramadhini[1], Muhammad Yusuf Bahtiar[2], Adib Fachri[3]
State Islamic University of Raden Intan Lampung, Bandar Lampung, Indonesia[1,2,3]
selvyta2018@gmail.com[1]

Article History:
Received on 27 July 2025
1st Revision 06 August 2025
2nd Revision 13 October 2025
3rd Revision 29 October 2025
4th Revision 09 November 2025
Accepted on 10 November 2025

Abstract

Purpose: This study aims to analyze the effect of government spending, GRDP and investment on income inequality in Indonesia: The Islamic Economic Perspective Study on the area of Sumatra island in 2014-2023.

Methodology/approach: The objective of this descriptive-verification quantitative study is to analyze cause-and-effect relationships and test the hypothesis of the effect of government spending, GRDP, and investment on income inequality (Gini ratio) in all provinces of Sumatra Island from 2014 to 2023.

Result: That government spending and GRDP partially negatively influence income inequality in Indonesia, but investment does not affect income inequality in Indonesia.

Conclusion: From an Islamic economic perspective, this inequality can be analyzed through the principles of distributive justice, social welfare, and Islamic economic instruments such as zakat, infaq, sadaqah, and waqf. Islamic economics emphasizes the principle of justice in income distribution and social welfare. Islam prohibits inequality and consistently emphasizes justice, as stated in the word of Allah in Surah Al-Hasyr verse 7, which states that Islam strictly forbids the concentration of wealth in the hands of only a few.

Limitation: This research is only focused on the Sumatra Island region, which includes provinces such as Aceh, North Sumatra, West Sumatra, Riau, Riau Islands, Jambi, Bengkulu, South Sumatra, Bangka Belitung, and Lampung.

Contribution: This research enriches the scientific literature in the field of development economics and Islamic economics by examining the relationship between government expenditure, Gross Regional Domestic Product (GRDP), and investment on income inequality, particularly in the Sumatra Island region during the period 2014–2023.

Keywords: *GDP, Government Spending, Income Inequality, Investment, Islamic Economics*

How to Cite: Ramadhini, S., Bahtiar, M. Y., & Fachri, A. (2026). Effect of Government Spending, GRDP and Investment on Income Inequality in Islamic Economics. *Bukhori: Kajian Ekonomi dan Keuangan Islam*, 5(2), 59-77.

1. Introduction

State revenues are the main source of financing for government activities to carry out state functions, whether for infrastructure development, public services, or social spending (Silalahi & Ginting, 2020). State revenues usually come from taxes, customs, and other state revenues. The concept of state income is not only limited to the country's income through the formal sector but also includes the potential for Natural Resources, Investment, and the informal sector (Nurcholis, 2017). In many developing countries, including Indonesia, state revenues are often not optimal due to weak tax administration, dependence on volatile natural resources, and low levels of public fiscal compliance (Anggrayani, Kurniawan, & Nurmalia, 2025). Therefore, it is important to understand the dynamics of state revenues to design sustainable and inclusive policies (Hasan, 2022).

Income inequality in Indonesia has become an increasingly crucial issue, despite the country's relatively stable economic growth in recent decades. Although GDP per capita is increasing, inequality between regions and groups of people is widening (Supriady, 2017). Urban areas, such as Jakarta and Surabaya, enjoy much higher levels of welfare than underdeveloped areas outside Java, such as Papua and Nusa Tenggara. This disparity is evident not only in terms of income but also in terms of employment, health care, and education. High income inequality has the potential to reduce quality of life, exacerbate poverty, and increase the gap between the rich and poor (Laut et al., 2020).

Various factors affect government spending, the GRDP, and investment levels in Indonesia. Government expenditure, including social and capital expenditure, plays a large role in the economy and can affect long-term economic growth. Investment, both domestic and foreign, is key to accelerating infrastructure development and creating jobs. However, dependence on the primary sector, such as natural resources, as well as disparities in how investments are allocated among regions, affect the uneven GRDP. In addition, bureaucratic problems, inconsistent fiscal policies, and political uncertainty have contributed to suppressing the flow of investment and hindering economic development throughout Indonesia. The data related to income inequality or Gini ratio in Indonesia are as follows:

Table 1. Data on income inequality (Gini Ratio) on the island of Sumatra in 2014-2023

No	Province	Year									
		2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
1	Aceh	0,325	0,323	0,291	0,323	0,325	0,321	0,319	0,323	0,291	0,296
2	Sumatera Utara	0,311	0,314	0,312	0,314	0,311	0,317	0,316	0,314	0,312	0,297
3	Sumatera Barat	0,305	0,306	0,300	0,306	0,305	0,307	0,301	0,306	0,300	0,280
4	Riau	0,347	0,327	0,323	0,327	0,347	0,331	0,321	0,327	0,323	0,324
5	Jambi	0,335	0,315	0,335	0,315	0,335	0,324	0,316	0,315	0,335	0,335
6	Sumatera Selatan	0,358	0,341	0,339	0,341	0,358	0,331	0,339	0,341	0,339	0,338
7	Bengkulu	0,303	0,291	0,292	0,291	0,303	0,298	0,306	0,291	0,292	0,333
8	Lampung	0,326	0,314	0,324	0,314	0,326	0,330	0,338	0,314	0,324	0,324
9	Kepulauan Bangka Belitung	0,272	0,247	0,255	0,247	0,272	0,262	0,262	0,247	0,255	0,245
10	Kepulauan Riau	0,339	0,339	0.325	0,339	0,339	0,337	0,349	0,339	0.325	0,340

Source: Central Bureau of Statistics (BPS) 2024

Based on the table above, in Aceh Province in 2014, the level of income inequality of the population of Aceh Province, as measured by the Gini Ratio, was 0.325, and in 2023, there was a decrease in the level of income inequality of the population of Aceh Province, so that the Gini Ratio of Aceh Province was 0.296. The level of income inequality of the population in North Sumatra Province in 2014 was 0.311, of North Sumatra Province's population, making the province's Gini Ratio 0.297. In 2018, the population of West Sumatra Province had a level of income inequality of 0.305; however, in 2023, this level decreased, resulting in a Gini Ratio of 0.280. In 2014, Riau Province's income disparity was 0.347; however, by 2023, the province's Gini Ratio had dropped to 0.324 due to a decline in income inequality. Between 2013 and 2018, the income inequality in Jambi was 0.335.

In 2014, the population of South Sumatra Province had a level of income inequality of 0.358; however, by 2023, this level had decreased, and the province's Gini Ratio was 0.338. In 2014, Bengkulu Province had an income inequality of 0.303. In 2023, income inequality will increase in Bengkulu, so that the

Gini Ratio of Bengkulu is 0.333. The amount of money inequality in Lampung Province in 2014 was 0.326. However, in 2023, there was a decrease in income inequality in the population of Lampung Province, so that the Gini Ratio of Lampung Province was 0.324. The level of income inequality in the province of Bangka Belitung in 2014 was 0.272. In 2023, the level of income inequality of the population in the Bangka Belitung Islands Province decreased by 0.245.

The level of income inequality of the population in the province of Riau Islands in 2014 was 0.339. In 2023, the level of income inequality of the population in the province of Riau Islands increased by 0.340. The increase in income inequality on the island of Sumatra is due to economic growth, which is often concentrated in certain sectors or regions, such as large cities, while rural areas or traditional sectors are left behind. The reduction in inequality is influenced by government initiatives, such as more focused social assistance (such as food subsidies and the Family Hope Program/PKH) and increased access to health and education services.

Inequality in government spending is one of the factors that can influence it, since when government spending is more concentrated in rich and developing regions, as well as in sectors that benefit certain groups, income inequality widens (Anugra et al., 2019). Uneven GDP per capita between regions creates economic disparities that exacerbate social and political inequalities. Uneven investment creates a pattern of development that tends to benefit certain areas while leaving others underdeveloped (Yeimo, Lewerissa, & Suripatty, 2025). The impact of this inequality is high levels of poverty, low quality of life, and lack of opportunities to improve the economic status of marginalized groups (Raudhatil et al., 2020). The data on government spending from to 2014-2023 are as follows:

Table 2. Sumatran Government Expenditure Data For 2014-2023

No	**Province**	**Year**									
		2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
1	Aceh	126,29,00	152,75	354,36	640,02	126,29,00	126,29,00	152,75	354,36	640,02	90,47
2	Sumatera Utara	628,14,00	230,09	536,20	242,25	628,14,00	628,14,00	230,09	536,20	242,25	203,38
3	Sumatera Barat	230,35,00	230,09	711,74	851,00	230,35,00	230,35,00	230,09	711,74	851,00	580,09
4	Riau	220,200,00	327,980	443,28	564,37	220,200,00	220,200,00	327,980	443,28	564,37	620,20
5	Jambi	192,281,00	211,201	215,87	271,77	192,281,00	192,281,00	211,201	215,87	271,77	311,67
6	Sumatera Selatan	182,98,00	211,26	267,28	288,29	182,98,00	182,98,00	211,26	267,28	288,29	310,28
7	Bengkulu	362.28.00	377,82	442,22	542,28	362.28.00	362.28.00	377,82	442,22	542,28	621,29
8	Lampung	138,87,00	362,28	447,28	652,16	138,87,00	138,87,00	362,28	447,28	652,16	619,99
9	Kepulauan Bangka Belitung	227,28,00	291,42	239,98	241,99	227,28,00	227,28,00	291,42	239,98	241,99	31937
10	Kepulauan Riau	220,19,00	276,98	332,66	428,99	220,19,00	220,19,00	276,98	332,66	428,99	520,99

(in billion rupiah)
Source: Central Bureau Of Statistics, 2024

Based on data on government spending on the island of Sumatra from 2014 to 2023, there are significant fluctuations and differences between provinces in terms of budget expenditures. Some provinces, such as Aceh, West Sumatra, and Bengkulu, experienced significant spending spikes in certain years, with Aceh and West Sumatra recording the highest spending in 2021 and 2022, respectively. Meanwhile, provinces such as North Sumatra and Lampung show greater fluctuations, with spending sometimes falling sharply in some years.

The Riau Islands and South Sumatra also show a consistent upward trend in spending, demonstrating the government's focus on regional growth. Overall, despite some declines in 2023 in some provinces, government spending on the island of Sumatra shows that continued efforts are being made to support regional development and improve people's well-being. Another factor that can affect income inequality is the Gross Regional Domestic Product (GRDP) in Indonesia. GRDP influences income inequality because countries can effectively solve problems and use domestic products (Laut et al., 2020). The Central Statistics Agency's GRDP statistics for Indonesia from 2014 to 2023 show that:

Table 3. Data on Gross Regional Domestic Product (GRDP) of Sumatra region 2014-2023

No	**Province**	**Year**									
		2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
1	Aceh	23,458	24,551	67,897	23,458	67,897	23,458	24,551	78,300	88,221	91,920
2	Sumatera Utara	54,620	54,979	51,427	54,620	51,427	54,620	54,979	57,441	62,922	68,305
3	Sumatera Barat	31,427	30,696	30,470	31,427	30,470	31,427	30,696	31,264	32,166	33,188
4	Riau	137,446	137,831	136,728	137,446	136,728	137,446	137,831	156,893	167,271	201,288
5	Jambi	68,261	72,281	68,628	68,261	68,628	68,261	72,281	78,281	81,109	89,291
6	Sumatera Selatan	453,402	454,607	419,392	453,402	419,392	453,402	454,607	393,651	591,603	621,317
7	Bengkulu	46,345	46,338	44,164	46,345	44,164	46,345	46,338	47,853	49,916	52,040
8	Lampung	356,676	353,025	332,446	356,676	332,446	356,676	353,025	371,198	414,131	448,880
9	Kepulauan Bangka Belitung	75,794	75,519	73,113	75,794	73,113	75,794	75,519	85,961	95,295	102,635
10	Kepulauan Riau	70,271	71,287	67,251	70,271	67,251	70,271	71,287	73,267	76,928	82,287

(in billion rupiah)
Source: Central Bureau Of Statistics (2024)

Using information from the Sumatra region's Gross Regional Domestic Product (GRDP) from 2014 to 2023, it can be concluded that most provinces on the island of Sumatra are experiencing an upward trend in GRDP, although with significant variations between provinces. South Sumatra showed a marked increase in 2022 and 2023, reaching a value of more than 591 billion in 2022 and continuing to rise in 2023. Lampung and Riau also recorded significant increases in GDP, reflecting relatively stable economic growth in these provinces. In contrast, Aceh showed sharp fluctuations, with a decline in 2019 and 2020, but it increased again in the following years. North Sumatra, Bangka Belitung Islands, and Riau Islands also showed a positive trend albeit at a more moderate pace. Overall, despite some declines or fluctuations in some areas, the Sumatra region as a whole showed fairly good economic growth between 2018 and 2023.

Investment is another element that may also impact income disparity. Investing is the act of allocating a specific sum of money or assets in a business or item with the hope of earning a profit later on (Putra & Aziza, 2025). Investments are made in the hope that the value of the invested asset will increase, provide passive income, or both. Investment can affect income inequality through several direct and indirect mechanisms (Djadjuli, 2018). Income inequality can be exacerbated if access to investment opportunities is uneven (Pardiansyah, 2017). Low-income groups often do not have sufficient capital, information, or financial education to invest and thus do not benefit from economic growth. The distribution of opportunities and the type of investment have a significant influence on income disparity and the policies that govern it. To minimize inequality, policies are needed to ensure inclusive access to investment and direct funds to sectors that provide broad benefits to society. Here is the data on the amount of investment in the island of Sumatra from to 2014-2023.

Table 4. Data on the amount of investment in Sumatra in 2014-2023

No	Province	Year									
		2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
1	Aceh	3.606,9	8.241,1	7.904,7	4.424,2	970,0	3.606,9	8.241,1	7.904,7	4.424,2	8.883,3
2	Sumatera Utara	19.749,0	18.189,5	18.484,5	22.789,2	8.371,8	19.749,0	18.189,5	18.484,5	22.789,2	21.574,0
3	Sumatera Barat	3.026,6	3.106,2	4.183,7	2.559,8	2.309,4	3.026,6	3.106,2	4.183,7	2.559,8	4.488,2
4	Riau	26.292,2	34.117,8	24.997,8	43.062,0	9.056,4	26.292,2	34.117,8	24.997,8	43.062,0	48.243,3
5	Jambi	4.437,4	3.511,7	6.204,2	8.882,7	2.876,5	4.437,4	3.511,7	6.204,2	8.882,7	8.939,0
6	Sumatera Selatan	16.921,1	15.824,5	16.266,9	23.526,0	9.519,8	16.921,1	15.824,5	16.266,9	23.526,0	25.602,4
7	Bengkulu	5.458,1	5.399,2	4.923,5	6.957,3	4.902,8	5.458,1	5.399,2	4.923,5	6.957,3	7.218,7
8	Lampung	2.428,9	7.120,5	10.513,2	5.809,2	12.314,7	2.428,9	7.120,5	10.513,2	5.809,2	7.625,8
9	Kepulauan Bangka Belitung	2.915,2	1.863,8	3.677,4	6.309,0	3.112,9	2.915,2	1.863,8	3.677,4	6.309,0	7.961,4
10	Kepulauan Riau	5.656,4	14.249,0	9.768,7	4.817,4	4.386,0	5.656,4	14.249,0	9.768,7	4.817,4	8.856,6

Source: Central Bureau of Statistics (BPS) year 2024

The aforementioned table indicates that between 2014 and 2023, investment in Aceh, North Sumatra, West Sumatra, Riau, Jambi, South Sumatra, Bengkulu, Bangka Belitung Islands, and Riau Islands rose. The increase in investment is due to areas that have great potential in the agribusiness, Forestry, Mining, and energy sectors. The availability of these natural resources attracts investment in related sectors. The establishment of industrial estates in Sumatra, such as Tanjung Api-Api (South Sumatra) and Sei Mangkei (North Sumatra), provides facilities that support production and trade activities. However, the amount of investment in Lampung Province from 2018 to 2023 decreased.

This is due to the limited infrastructure in Lampung Province, such as ports, highways, and other auxiliary infrastructure, which may discourage investors from investing. Factors such as complicated bureaucracy, difficult licensing, and regulations that do not support business growth can be barriers for investors. Security factors and potential social conflicts can also affect investors' perception of risk. The urgency of solving income inequality in Indonesia is significant, considering its impact on the country's social, economic, and political stability. Widespread inequality has the potential to trigger social dissatisfaction, which can lead to conflicts between groups or regions.

In addition, high inequality hinders inclusive economic growth because most of the human resource potential in poor areas cannot be maximized. Therefore, efforts to reduce income inequality should be a top priority in Indonesia's economic policy by optimizing government spending, facilitating a fairer distribution of investments, and improving the quality of education and health in disadvantaged areas.

This will allow the creation of economic equity, which ultimately supports national stability and well-being.

In Islamic economics, the government's role is crucial in ensuring a fair allocation of wealth. Programs such as zakat, infaq, Sadaqah, and Waqf can be used to reduce inequality. The state must ensure that every citizen can live a decent life, and one of its efforts is the application of justice in the economic field through the equality of rights to gain access to economic resources. As shown through the Gini ratio, an unhealthy free market climate also causes the gap to widen (Afzalurrahman, 2015). The Prohibition of inequality in Islam always emphasizes justice, as in the word of God QS. Al-Hashr verse 7:

مَآ اَفَاۤءَ اللّٰهُ عَلٰى رَسُوْلِهٖ مِنْ اَهْلِ الْقُرٰى فَلِلّٰهِ وَلِلرَّسُوْلِ وَلِذِى الْقُرْبٰى وَالْيَتٰمٰى وَالْمَسٰكِيْنِ وَابْنِ السَّبِيْلِۙ كَيْ لَا يَكُوْنَ دُوْلَةًۢ بَيْنَ الْاَغْنِيَاۤءِ مِنْكُمْۗ وَمَآ اٰتٰىكُمُ الرَّسُوْلُ فَخُذُوْهُ وَمَا نَهٰىكُمْ عَنْهُ فَانْتَهُوْاۚ وَاتَّقُوا اللّٰهَ ۗاِنَّ اللّٰهَ شَدِيْدُ الْعِقَابِۘ

It means, "Any riches that Allah bestowed upon His Messenger from some city dwellers is for Allah, the Messenger, the Messenger's relatives, orphans, the impoverished, and travelers. to prevent it from spreading among the wealthy among you. Take what you have been given by the Messenger. Leave what you are not allowed to do. Be afraid of Allah. Yes, Allah punishes them severely." (QS. Al-Hashr (59): 7)

Based on the above verse, it is clear that in Islam, it is forbidden to concentrate wealth only on a small number of people. Islam emphasizes the principle of justice to avoid income inequality. Therefore, Islam always teaches that from every property received by a person, there is someone else's right. It aims to reduce the gap between the two groups of the poor and the rich (Yunus, 2023). The role of the state in addressing income inequality is important because the government has the power and policy tools that can be used to reduce economic inequality. Through equitable and integrated policies, the government can contribute to reducing income disparity and fostering inclusive economic growth (Aprisella, 2025).

Based on the underlying problems, this study formulated five main questions: to examine the effect of government spending on income inequality in Indonesia; to examine the effect of the Gross Regional Domestic Product (GRDP) on income inequality; to analyze the effect of investment on income inequality; and to examine the simultaneous effect of government spending, GRDP, and investment on income inequality in Indonesia. Fifth, this study also aims to analyze how income inequality in Indonesia is viewed from the perspective of Islamic economics. The formulation of this problem prompted the researchers to carry out a study entitled "analysis of the effect of government spending, GRDP and investment on income inequality in Indonesia in the perspective of Islamic Economics (Case Study: Sumatra Island Area in 2014-2023)".

2. Literature Review and Hypothesis Development

2.1. Functional Structural Theory

In the structural-functional frame of mind, society is seen as a dynamic system consisting of various interconnected parts or substances. The principle of Talcott Parsons ' theory is that human action is goal-directed (Rozalinda, 2024). In addition, the action takes place in a condition where the element is certain, while the other element is used as a tool to achieve the goal. The theory of structural functionalism is based on the fact that nature lives in order in the existence of a system without chaos, such as the sun always rises in the East and sets in the West. The moon always rises at night, while the sun rises during the day, as well as various other natural phenomena that regularly circulate according to the system (Adisasmita, 2023).

Similarly, structural functionality is strongly influenced by such thinking. Furthermore, biological thinking, which views society as a biological entity composed of numerous interdependent organs, impacts the functional structure. This reliance is the outcome or consequence necessary for the organism to exist (Pratama, 2020). Therefore, the theory of structural functionalism aims to achieve social order. Structural functional theory was developed by Parsons.

2.2. Income Inequality
The idea of income inequality describes the disparities in affluence, living standards, and income that people or families in a society get or generate, leading to an unequal distribution of areas because of variations in production variables and accessible resources (Syarifuddin, 2016) Since income inequality is essentially a measure of relative poverty that is, the computation of poverty based on the percentage of regional income distributionit is one aspect of poverty that must be observed. (Irawan and Suparmoko, 2019). The equitable distribution of the outcomes of a region's or nation's development, either to each individual or as a result of the population's ownership of the factors of production, is reflected in income inequality (Adisasmita, 2023). Countries that are just beginning to develop tend to have higher levels of income disparity, whereas developed or higher-income countries tend to have more equal income levels or lower levels of inequality (Saidi, 2019). The inequality indicators are as follows:

a. Poverty
   The current situation of not being able to provide necessities, including food, clothing, shelter, health care, and education, is known as poverty. Lack of access to jobs and education, as well as a lack of basic requirements, can lead to poverty.
b. Total population
   Population increase, which may be computed as a change in the number of people in a population using unit time for measurement, is a change in population over time. Migration, death, and birth rates all affect population growth.

Economic problems arise not only because of limited resources but also because of human greed, which leads to injustice everywhere (P3EI, 2013). Dasar dari mazbah ini bermula dari QS. Al-Qamar ayat 49.

إِنَّا كُلَّ شَيْءٍ خَلَقْنٰهُ بِقَدَرٍ

It means “ " indeed, we create everything according to measure.” (QS. Al-Qamar (54): 49)

This verse confirms that Allah created all things with a predetermined term, size, and destiny. It shows the perfection of God's knowledge, power, and wisdom in governing the universe. Nothing is created in vain or without a calculation (Yunus, 2023). Inequality in Indonesia indicates that there are still errors in the concept applied so far because what is done is still far from what is contained in the national goals of economic development. The inadequacy of the desired goals is evidence of an error in the applied concept. Things that cannot be achieved according to goals, such as meeting basic needs, full employment opportunities, and equitable distribution of income and wealth. In addition, there has been a rise in the culture of exploitation between humans, environmental damage, and forgetting the moral and ethical goals of humans (Wirda et al., 2020).

2.3. Government Spending
Government expenditure is the collection of things created that reflect the judgments or choices made by the government to offer the community public goods and services (Arsyad, 2019). Fiscal policy, which determines the annual amount of government revenue and expenditure reflected in the state budget for the national and regional budgets for the region or regions, includes government expenditure (Wahyudi, 2023). The amount of government activity financed by government spending can be determined by examining the real government spending (Indrawati & Wijayanti, 2021).

The evolution of government spending in relation to the initial, moderate, and advanced stages of economic development. The proportion of government investment to total investment is high during the early phases of economic development because the government is required to fund infrastructure for things such as transportation, healthcare, and education (F. A. Putra, 2022). Development of the Economy, Although private investment is now playing a larger role, government investment is still necessary to boost economic growth in order to take off (Santoso et al., 2022).

In the middle stage, the government's role remains significant because the private sector's involvement increases market failures and forces the government to offer more public goods and services.

Additionally, problems at this stage of economic development result in more intricate linkages between sectors (Wulandari and Rahmawati, 2022). For instance, increasing pollution results from the economic expansion brought about by the industrial sector's development. The government should intervene, regulate, and reduce the harmful effects of pollution (Fauziah, 2021). To improve workers' well-being, the government must safeguard them. Private investment will make up a larger portion of GDP during the development phase, whereas government investment will make up a smaller portion (Wahyudi, 2020).

2.4. Gross Regional Domestic Product

Gross Regional Domestic Product (GRDP) statistics, which can be used either on current prices or on constant prices, are a crucial indicator for assessing a region's economic status during a specific time period. Sukirno defined economic growth as a long-term increase in per capita output. Three factors are highlighted: the process, per-capita output, and the long term. Economic growth is more than a fleeting economic image; it is a process. For sectoral development in the regions to proceed in accordance with the potential and priorities of the region, regional and sectoral development must be executed in tandem (Wijaya, 2021). The amount of added value generated for all business sectors and services in a region, calculated by adding the total final value of goods and services produced by all economic units, is known as the gross regional domestic product (GRDP). GRDP can be viewed as the total value of goods and services produced by all economic units in a region or as the amount of added value generated by all business units (BPS, 2022).

2.5. Investment

An investment is a financial or other resource commitment made now with the hope of reaping several rewards later (Halim, 2020). The term investment can be related to a wide variety of activities (Pardiansyah, 2017). Investing money in financial assets (deposits, stocks, or bonds) and the real sector (land, gold, machinery, or structures) is widespread (Halim, 2020). Zakariya and Megawati define investment as delaying consumption to employ it for effective production for a specific amount of time (Zakariya & Megawati, 2022). In the interim, according to Sukirno, investment activities carried out by the community will continuously increase economic activity and employment opportunities, increase national income, and improve the level of prosperity of the community (Fahmi, 2022). This role is derived from three important functions of investment activities.

a. Investments create new jobs. When companies receive investment funds, they expand their production capacity. This expansion requires additional labor. In the long run, investments reduce unemployment. Investment in labor-intensive sectors is significant in creating mass employment opportunities. In addition, investment drives entrepreneurial growth (Fahmi, 2022).
b. Investments support the development of infrastructure. Countries that obtain Foreign Direct Investment (FDI) generally develop their transportation, energy, and technology sectors. Good infrastructure is the foundation of national development. Adequate roads, ports, and power grids facilitate the distribution of goods and services in a country. Investments in infrastructure also attract continued business investment (Astary et al., 2024).
c. Investments strengthen a country's balance of payments. Incoming foreign investment in the form of foreign currency increases a country's foreign exchange reserves. Foreign exchange can be used to finance imports, repay foreign debts, and stabilize exchange rates. Over time, the stability of the country's economy will be maintained. Investment also reduces dependence on external debt (Wijaya, 2021).
d. Investment encourages economic diversification. Countries that depend on a single economic sector are at a high risk of global fluctuations. Through investment, it is possible to create new industries, such as manufacturing, tourism, IT, and renewable energy. This diversification strengthens the resilience of national economies to global crises (Pradikasari and Isbanah, 2018).

3. Methodology

This study employed a descriptive-verification technique for quantitative research. This study intends to examine the cause-and-effect relationship and test the hypothesis of the influence of independent variables, namely government spending, GRDP, and investment, on the dependent variable, namely income inequality in Indonesia, particularly in Sumatra. Therefore, a quantitative approach was adopted. The nature of verification emphasizes the testing of empirical data to verify economic theory, especially from the perspective of Islamic Economics, Descriptive analysis is employed to provide an understanding of the state of these variables throughout the study period. Regression analysis of panel data, which combines annual time-series data from 2014 to 2023 with cross-sectional data from the Sumatra Island region, was used to model and quantify the influence between variables.

The study population consists of annual data on government spending, GDP, investment, and income inequality, as determined by the Gini Ratio for every province on the island of Sumatra between 2014 and 2023. Sumatra Island was chosen as the study area because it has significant economic and demographic characteristics in the regional context of Indonesia. A saturated sample (census), in which every component of the population is sampled, was employed. Thus, time series data spanning ten years from each of the ten provinces on the island of Sumatra were used as the sample.

Secondary data from governmental organizations, including the Central Statistics Agency (BPS) and other ministries and institutes, were used. Panel data regression is the data analysis method used to examine how government spending, GDP, and investment factors affect income disparity. Classical assumption tests, such as normality, multicollinearity, autocorrelation, and heteroscedasticity tests, will be used to start this investigation. Next, we study the coefficient of determination and hypothesis testing pertaining to partial and simultaneous tests. The author used SPSS software to analyze the data.

4. Results and Discussion

4.1. Research Results

4.1.1. Classical Assumption Test

a) Normality Test

Table 5. One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		100
Normal Parameters[a,b]	Mean	0,0000000
	Std. Deviation	1,10648936
Most Extreme Differences	Absolute	0,115
	Positive	0,079
	Negative	-0,115
Test Statistic		0,115
Asymp. Sig. (2-tailed)		0,200[c,d]

Source: Data Processed (2025)

According to the established table, the significance value was 0.200. The data were deemed normal if the Sig value was higher than 0.05.

b) Multicollinearity Test

The results of the multicollinearity test are displayed in the following table:

Table 6. Multicollinearity Test Results

Variable	Tolerance	VIF
Government Spending (X_1)	0,884	1,131
GRDP (X_2)	0,901	1,110
Investment (X_3)	0,807	1,239

Source: Data Processed (2025)

If the tolerance value was greater than 0.1 and the VIF value was less than 10, there were no signs of multicollinearity. The government expenditure variable (X1) has a tolerance value of 0.884, where > 0.1 and a VIF value of 1.131, where < 10, according to the findings of the multicollinearity test mentioned above. Where > 0.1, the tolerance variable GDP per capita (X2) is 0.901, and where < 10, the VIF value is 1.110. When > 0.1, the investment variable (X3) tolerance value is 0.807, and when < 10, the VIF value is 1.239. Consequently, the variable has no degree of multicollinearity.

c) Heteroscedasticity Test
The results of the heteroscedasticity test are as follows:

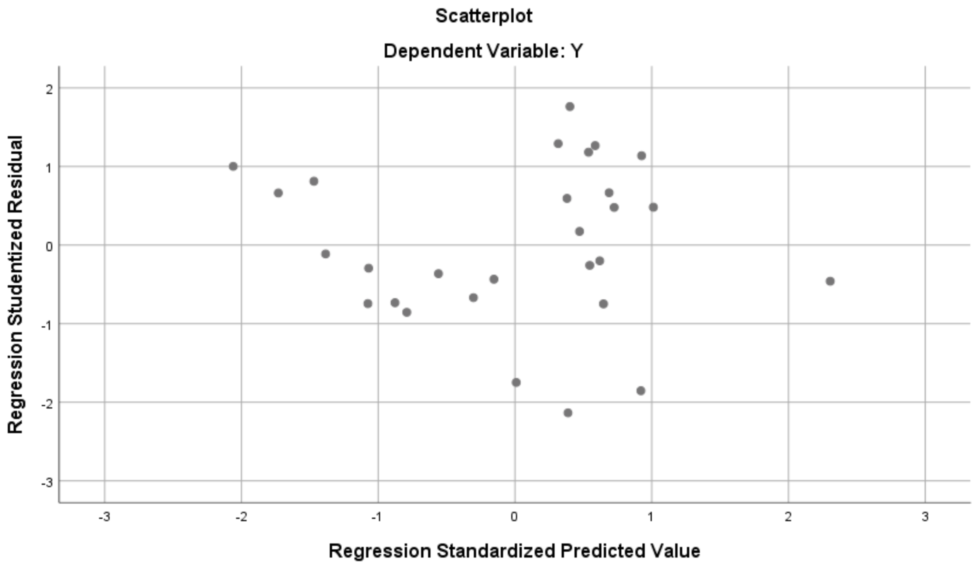

Figure 1. Heteroscedasticity Test Results
Source: Data Processed (2025)

The scatterplot image appears to spread residually below the zero line and exhibits a random pattern, as shown in the image above. Therefore, it may be said that heteroscedasticity is absent from the data. When the variance of the error from one observation to another is uneven (not constant), it is known as heteroscedasticity.

4.1.2. Multiple Linear Regression Test
In this study, SPSS 25.0 was used to perform multiple linear regression analysis.

Table 7. Research Results

Variable	Coefficient	t-count	Sig	Description
C (Constant)	2,852	3,044	0,006	
Government Spending (X_1)	-0,024	3,273	0,003	H_1 accepted
GRDP (X_2)	-0,100	-5,311	0,000	H_2 accepted
Investment (X_3)	-1,140	-0,763	0,453	H_3 rejected
R-square	0,618			
Adjusted R Square	0,570			
F-count	12,928			
Sig,	$0{,}000^b$			

Source: Data Processed (2025)

The multiple linear regression analysis equation can be expressed as follows:

$$\mathbf{Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e}$$

The above equation can be expressed as follows if the regression coefficients from the above table are used:

$$\mathbf{Y = 2{,}852 - 0{,}024X_1 - 0{,}100X_2 – 1{,}140X_3 + e}$$

Based on the above regression equation, the form of the above regression equation can be interpreted as follows.

1. The intercept constant value is 2.852. According to this finding, income inequality is 2.852 if every variable has a value of 0.
2. The government expenditure variable (X1) has a regression coefficient of -0.024. According to this interpretation, income inequality would drop by 0.024 units if government spending (X1) grew by 1%.
3. The GRDP (X2) regression coefficient was -0.100. One interpretation is that income inequality will decrease by 0.100 units for every 1% increase in the GRDP variable (X2).
4. The regression coefficient (X3) for the investment variable is -1.140. Income inequality will decrease by 1,140 units if the investment variable (X3) increases by 1%.

4.1.3. Partial Test (T-Test)

The T test was utilized to determine whether an independent variable had an impact on the dependent variable. According to the table, the study's hypothesis test was conducted at a significance level of 0.05, with a t-table value of 1.98447. The following method can be used to calculate the partial influence of each independent variable on the dependent variable:

1. H1: Based on the computation results obtained, 3.273 > ttable 1.98447, this hypothesis test examines the impact of government spending (X1) on income inequality (Y). This indicates that income disparity (Y) is adversely affected by government spending (X1). 0.003 < 0.05 is equivalent to a significance level of 0.05. This implies that the initial theory is approved.
2. H2: Based on the computation results obtained, titung -5.311 < ttable 1.98447, the GRDP hypothesis test (X2) on income inequality (Y). This indicates that income inequality (Y) is negatively affected by GDP per capita (X2). 0.000 < 0.05 is equivalent to a significance level of 0.05. This suggests that the second theory is correct.
3. H3: Investment hypothesis test (X3) on income inequality (Y) based on ttable 1.98447 < tcount -0.763. This indicates that income inequality (Y) is adversely affected by investment (X3). 0.453 > 0.05 is equivalent to a significance threshold of 0.05. This implies that the third theory is disproved.

4.1.4. Simultaneous Test (F)

To determine whether all independent variables in the model affect the dependent or bound variables collectively, a simulation test (F test) was used. The F test was performed by contrasting the significant value at the ANOVA table's output with the value of α (5%). The F test can be performed by comparing the F count with the table value at a significance level of 0.05, according to the table. F count > F table = 12.928 > 3.09; significance value: 0.000 < 0.05; F count > F table = 12.928 > 3.09. Based on the test F results, it can be said that the fourth hypothesis (H4), which states that government spending, GRDP, and Investment simultaneously affect income inequality.

4.1.5. Coefficient Of Determination (R2)

The model's capacity to explain the independent variable was gauged by the coefficient of determination (R2). The range of the value is from zero to one. The independent variable's capacity to explain the dependent variation is severely constrained if its value is low. A score near one indicates that practically all the information required to forecast the variation in the dependent variable is provided by the independent variables. According to the preceding table, the coefficient of determination displays an Adjusted R Square value of 0.570. This shows that 57% of the influence can be explained by the variables of government spending, GRDP, and investment in income inequality, while the rest is explained by other variables not tested in this study.

4.2. Discussion

4.2.1. Effect of Government Spending on Income Inequality in Indonesia

Based on the computation findings, the hypothesis test of government spending (X1) on income inequality (Y) was found to be t 3.273 > ttable 1.98447. This indicates that income disparity (Y) is adversely affected by government spending (X1). 0.003 < 0.05 is equivalent to a significance level of 0.05. This implies that the initial hypothesis was confirmed. Wulandari & Rahmawati (2022) revealed that government spending has a detrimental impact on income disparity in Indonesia. Government expenditure has a detrimental impact on growth and income considerations in Indonesia.

Functional structural theory views society as a system composed of interrelated parts that serve to maintain stability and social order (Rozalinda, 2024). In this context, government spending can be seen as a mechanism designed to fulfill certain functions to maintain the balance of society, such as resource allocation,incomedistribution,n and economic stabilization. Government expenditure is the collection of goods created as a result of the decisions or choices made by the government to offer the general public goods and services (Adisasmita, 2023). Government expenditure is a component of fiscal policy, which is an action taken by the government to control the direction of the economy by deciding on the annual amount of government revenue and expenditure, which is reflected in the state budget for the national and regional budgets for the region or regions (Sonny, 2019).

Functional structural theory is highly relevant when examining how government spending affects income inequality in Indonesia. In the economic context, government spending is an essential element of the state structure that serves to distribute resources and reduce inequality. According to the functional structural perspective, government spending is a functional tool that can be used to maintain social stability and reduce conflict due to inequality. Functional structural theory provides a framework for understanding that government spending should serve as a tool for maintaining social balance and reducing inequality (Arsyad, 2019). When this function does not work effectively,it will appear dysfunction that causes income inequality to sharply increase. Therefore, optimizing structures (government) and functions (fiscal spending) is essential for creating a just and stable society.

When the government increases its spending, income inequality also increases. However, this influence can vary depending on how government spending is used (Wahyudi, 2020). If more government spending is allocated to subsidies, social assistance, education, and health, then income inequality can be reduced because low-income people get greater benefits. If more government spending leads to large infrastructure projects or incentives for certain sectors that benefit the rich, income inequality could increase because high-income groups benefit more than the poor (Wulandari & Rahmawati, 2022).

Research findings indicate that government spending negatively affects income inequality, which means that when government spending increases, income inequality decreases. Economically, this negative influence suggests that government spending has a redistributive effect, helping to reduce the gap between rich and poor groups. The government uses the budget for social assistance programs, subsidizing education, health, and direct cash assistance, which improves the well-being of low-income groups.

Spending on infrastructure, such as roads, electricity, and Clean Water, opens economic access for low-income groups, increases employment opportunities, and promotes more inclusive economic growth. When the government increases spending, especially in strategic sectors such as education, health, and social protection, income distribution becomes more even. Such spending helps low-income groups gain better access to public services, improve their well-being, and reduce the gap between the rich and poor. Thus, increased government spending can be an effective instrument for reducing economic disparities in society.

Based on the findings of this study, government expenditure significantly and negatively affects income disparity in Indonesia. This implies that as government spending increases, income inequality decreases. Conversely, if government spending declines, income inequality tends to increase as vulnerable groups lose the economic support they need to compete in the market. Government spending can help narrow the gap between high- and low-income groups. In other words, government intervention through fiscal spending is effective in reducing income inequality and promoting economic equity in Indonesia.

4.2.2. Effect of GRDP on income inequality in Indonesia

Based on the computation findings, the GRDP hypothesis test (X2) on income inequality (Y) is titung -5.311 < ttable 1.98447. This indicates that income inequality (Y) is adversely affected by GRDP (X2). The second hypothesis is supported when the significance level of 0.05 is equal to 0.000 < 0.05. Kusuma et al. (2019) support this, and Mangundap et al. (2024) and Hartini (2017) claimed that income disparity is positively impacted by the Gross Regional Domestic Product (GRDP) per capita.

According to functional structural theory, society is a system made up of interconnected components, each of which serves a certain purpose to preserve social stability and balance (Irawan & Suparmoko, 2019). In the context of income inequality, this theory argues that imbalances in the distribution of resources and income can affect social stability and the functions of society (Komuna et al., 2021). In the perspective of functional structural theory, The way that economic growth and income distribution impact societal stability and functions determines the relationship between Gross Regional Domestic Product (GRDP) and income inequality. If a fair income distribution does not follow an increase in the Gross Regional Domestic Product (GRDP), this can lead to social dysfunctions that upset the balance of society.

The amount of added value generated for all business sectors and services within a region, calculated by adding the total final value of goods and services produced by all economic units, is known as the gross regional domestic product, or GRDP (Laut et al., 2020). GRDP is the total value of products and services produced by all economic units in a region, or it can be seen as the amount of added value produced by all business units. The total amount of value added produced by all business units and the service sector in a specific administrative region, including provinces, districts, and cities, over a specific time period, often one year, is described by the Gross Regional Domestic Product (GRDP), an economic indicator.(Isard, 2025)

The added value is obtained by subtracting the value of output or gross production from the value of intermediate consumption or intermediate inputs used in the production process. In other words, GRDP reflects the accumulation of the entire value of the final goods and services produced by various economic units, whether they come from the agricultural sector, processing industry, trade, financial services, government sector, or others that operate in the region. Income inequality is negatively impacted by the Gross Regional Domestic Product (GRDP), meaning that it tends to decline as the GRDP rises.

In other words, Gross Regional Domestic Product (GRDP) growth reflects economic growth and helps equalize income, making the distribution of income in a region more equitable. Economically, this can be explained by several possibilities, namely an increase in Gross Regional Domestic Product (GRDP) accompanied by a more equitable distribution of income, for example, through the creation of wider jobs or effective redistribution policies. Inclusive economic growth occurs when developing sectors of the economy can increase the income of low-income groups. Increased investment in sectors that absorb labor so that people with low income levels benefit more from economic growth.

Based on research findings, it can be said that income disparity in Indonesia is significantly and negatively impacted by the Gross Regional Domestic Product (GRDP). This implies that income inequality tends to decline as the Gross Regional Domestic Product (GRDP) rises. This demonstrates comparatively inclusive economic growth, with benefits more evenly distributed across different layers of society. Increased local revenue allows local governments to expand social programs and infrastructure development, which directly impacts the welfare of underprivileged communities. Thus, GDP growth can promote economic equity and reduce income inequality.

4.2.3. Effect of Investment on Income Inequality in Indonesia

Based on the computation findings, the investment hypothesis test (X3) on income inequality (Y) is t -0.763 < ttable 1.98447. This indicates that income inequality (Y) is adversely affected by investment (X3). 0.453 > 0.05 is equivalent to a significance threshold of 0.05. This implies that the third theory is disproved. This contradicts the findings of Ghifara et al. (2022) and Lian et al. (2024), who imply that investing reduces income inequality. Functional structural theory, which has its roots in the thought of Emile Durkheim, views society as a system comprising interconnected parts that serve to maintain social stability and balance (Arsyad, 2019).

Each element in society has certain roles and functions that contribute to the continuity of the social system. From a structural-functional perspective, income inequality resulting from investment can be seen as a result of the functions performed by various components in society (Pardiansyah, 2017). For example, if more investment is directed to sectors that employ skilled labor, lower-skilled groups may not receive the same benefits, resulting in increased income inequality. Therefore, to achieve social balance and stability, investment policies must consider the distribution of their benefits to reduce income inequality and ensure that all levels of society benefit from economic growth. An investment is a financial or other resource commitment made now with the hope of reaping several rewards in the future. The term "investment" can refer to a broad range of activities. Investing in financial assets (deposits, stocks, or bonds) and the real sector (land, gold, machinery, or structures) is a widespread practice.

Investments in a certain region or sector may only be enjoyed by certain groups, especially those with large capital. If investments benefit owners of capital more than workers or the general public, income inequality can remain high or even increase (Fahmi, 2022). If more investment leads to capital-intensive (capital-intensive) than labor-intensive (labor-intensive) sectors, then relatively few jobs are created. Consequently, low-skilled groups of people still find it difficult to increase their income, so inequality does not decrease. In some studies, investment may not have a direct influence on income inequality in the short term. Astary et al. (2024) found that the impact of investments on income distribution is often felt only after a few years, depending on how they change the structure of the economy and labor market. However, if there is empirical evidence from research showing that investment does not affect income inequality, then it can be further analyzed whether there are other more dominant factors, such as redistributive policies, access to education, or the role of taxes and subsidies (Hasanah, 2023).

According to the results of this study, it can be concluded that investment does not affect income inequality in Indonesia. Investments in a particular region or sector may not be widely spread; therefore, the benefits are only felt by certain groups or regions without reducing the overall income gap. Although investment increases, it does not automatically reduce or enlarge the income gap between the rich and poor groups. Other factors, such as income distribution policies, education, resource access, and economic structure, may play a greater role in determining income inequality. Investments may contribute to general economic growth, but the benefits are not evenly distributed and do not significantly alter income inequality.

4.2.4. Effect of Simultaneous Government Spending, GRDP and Investment on Income Inequality in Indonesia

Given that Ftable is 3.09 and Fcount is 12.928, Fcount > Ftable is 12.928 > 3.09. 0.000 < 0.05 is the significance level of the study. The fourth hypothesis (H4), which states that government spending, GDP, and investment all have an impact on income disparity simultaneously, is accepted based on the F test results. The adjusted R Square value of 0.570 is displayed by the coefficient of determination. This indicates that the variables of government spending, GDP, and investment account for 57% of the influence on income disparity, with additional variables not examined in this study accounting for the remainder. This study is consistent with Soeharjoto (2020); Alamanda (2020); Arlantarik and Suseno (2024) who argued that government spending, GRDP and Investment simultaneously affect income inequality.

Functional structural theory emphasizes that each element in society has a specific function that contributes to social stability and balance (Rozalinda, 2024). In the context of income inequality, this theory views government spending,the Gross Regional Domestic Product (GRDP), and investment as structural elements that affect the overall distribution of income. Although government spending and investment are important for economic growth, their effectiveness in reducing income inequality depends on how those resources are allocated and utilized in society (Irawan & Suparmoko, 2019).

Thus, from a functional structural perspective, government spending, GRDP, and Investment simultaneously affect income inequality through their respective roles and functions in the social and economic structure. It is crucial for governments to create policies that guarantee investment and spending to support both economic expansion and fair distribution of income.

Government expenditure is all expenditure made by the government to finance the activities of State Administration, Development, and public services. These expenditures are intended to promote economic growth, improve societal welfare, and carry out state functions. The government can allocate funds to sectors that help underprivileged groups (e.g., poverty alleviation programs, education, and health assistance), thereby reducing the income gap (Ramdan 2019). If more government spending goes to productive sectors that absorb low-skilled labor, it could increase the incomes of lower-income communities. However, if more government spending is enjoyed by the rich or elite (e.g., subsidies that are not targeted), then inequality can widen.

GRDP is an economic indicator that shows the average value added generated by each resident within a region in a given period (Bratakusumahand& Solihin, 2018). Rising GDP indicates economic growth, but without even distribution, there can be gaps between different regions or income groups. High GDP growth usually reflects a growing economy but is not necessarily evenly distributed (Williams & Shaw, 2022). If GDP growth is enjoyed more by the already wealthy (e.g., capital-intensive sectors that only absorb skilled labor), then income inequality will increase. However, if GDP growth is accompanied by inclusive job creation and increased income for lower-income communities, inequality can decrease.

Investment is the activity of investing capital or assets to make a profit. In investing, a person allocates funds or resources to various instruments, such as stocks, bonds, property, mutual funds, gold, or businesses, in the hope that the value of these investments will increase over time (Halim, 2020). Investment can increase productivity and create jobs; however, if it is concentrated only in a specific sector or region, income inequality remains high. Thus, policies that consider how economic development is distributed are essential for lowering income disparity in Indonesia.

The findings indicate that government spending, GDP, and investment all simultaneously impact income disparity in Indonesia at the same time. This demonstrates how macroeconomic variables, such as investment, government spending, and the Gross Regional Domestic Product (GRDP), play a significant role in income distribution in Indonesia. In other words, appropriate and effective government spending, inclusive GDP growth, and strategically directed investments can reduce income gaps in society. Conversely, if these three factors are not properly managed, income inequality tends to increase, which can have negative social and economic effects. Therefore, the government needs to design policies that consider these three aspects in an integrated manner so that fair and equitable development goals can be achieved.

4.2.5. Income inequality in Indonesia in Islamic Economic Perspective

Income disparity is one of Indonesia's economic problems. Even if the country's economy is growing, unequal income distribution remains a significant issue. From the perspective of Islamic economics, this inequality can be analyzed through the principles of distributive justice, social welfare, and Islamic economic instruments such as zakat, Infaq, Sadaqah, and Waqf (Suadi, Uddin, Fathurrohman, Yusuf, & Mukarromah, 2025). Islamic economics emphasizes the principle of justice in income distribution and social welfare. In his teachings, Islam always prioritizes work ethic as the implementation of faith, which is the principle of life (Huda et al., 2025).

The state must ensure that every citizen can live a decent life with one of its efforts, namely the application of justice in the economic field through equal rights to gain access to economic resources (Chapra, 2020). The ratio that there is an unhealthy free market climate also causes the gap to widen. The Prohibition of inequality in Islam always emphasizes justice, as in the word of God QS. Al-Hashr verse 7 that in the religion of Islam strongly prohibits the concentration of property only on a small number of people. Islam emphasizes the principle of justice to avoid income inequality. Therefore, Islam always teaches that from every property received by a person, there is someone else's right. It aims to reduce the gap between the two groups of the poor and the rich.

5. Conclusions

5.1. Conclusion

The results of this study indicate that government spending and Gross Regional Domestic Product (GRDP) have a negative and significant influence on income inequality in Indonesia, which indicates that increases in both variables tend to reduce inequality. This shows that public spending policies are effective in supporting vulnerable groups and that economic growth is relatively inclusive. Meanwhile, investment has no significant effect on inequality, which is likely caused by uneven investment benefits. Simultaneously, the combination of government spending, GRDP, and investment plays an important role in determining income distribution in Indonesia.

In addition, this finding is also in line with the perspective of Islamic economics, which places great emphasis on distributive justice, the prohibition of the concentration of property on a few people, and the importance of instruments such as zakat and waqf to achieve social welfare and reduce inequality, as stated in QS. Al-Hashr verse 7. This conclusion has important policy implications, namely that the government needs to increase and optimize pro-poor spending because it is proven to be effective in reducing inequality and ensuring that the GDP growth achieved is inclusive and equitable. However, because investment does not significantly reduce inequality, the government needs to formulate investment policies that are more directed towards sectors or regions that can create jobs for low-income groups.

In the context of Islamic economics, this implies the need to strengthen the system of Zakat, Infaq, Sadaqah, and Waqf (ZISWAF) as a vital instrument in the redistribution of wealth to achieve distributive justice in accordance with Sharia principles. For further research, it is recommended to examine the effectiveness of certain types of government spending on inequality, conduct an investment impact analysis by distinguishing between Foreign Direct Investment (FDI) and domestic investment (PMDN), and specifically measure the real impact of the implementation of ZISWAF instruments on the GINI Ratio at the regional level.

5.2. Suggestions

This article explores the critical relationship between government spending, GRDP, and investment in influencing income inequality in Indonesia, particularly in the Sumatra region. It analyzes the impact of these factors through a descriptive-verification quantitative study using data from 2014 to 2023. The research findings suggest that government spending and GRDP have a significant, negative impact on income inequality, whereas investment shows no substantial effect. These results underscore the need for the government to focus on inclusive fiscal policies that directly benefit lower-income groups and enhance access to basic services like education, healthcare, and infrastructure.

From an Islamic economic perspective, the study highlights the importance of distributive justice, as outlined in the Qur'an (Surah Al-Hashr, verse 7), which prohibits the concentration of wealth among the few. This aligns with the principles of zakat, infaq, sadaqah, and waqf as tools for wealth redistribution to reduce inequality and promote social welfare. However, the study also reveals the complexity of tackling income inequality in Indonesia, particularly due to the uneven distribution of investment and economic growth. The research suggests that to achieve equitable development, investment policies must be better targeted at regions and sectors that generate broad economic benefits, rather than concentrating wealth in specific areas.

The article contributes valuable insights to the field of development economics and Islamic economics by linking fiscal policies, economic growth, and social welfare. Further research should consider the role of different types of investment, as well as the effectiveness of Islamic financial instruments in reducing inequality. Additionally, policies must aim for more equitable resource allocation to bridge the gap between rich and poor, particularly in Indonesia's less developed regions.

References

Adisasmita, R. (2023). *Teori-Teori Pembangunan Ekonomi: Pertumbuhan Ekonomi dan Pertumbuhan Wilayah*. Graha Ilmu.

Afzalurrahman. (2015). *Doktrin Ekonomi Islam*. Dana Bhakti Wakaf.

Alamanda, A. (2020). The effect of government expenditure on income inequality and poverty in Indonesia. *Info Artha*, *4*(1), 1–11. https://doi.org/10.31092/jia.v4i1.614

Anggrayani, V., Kurniawan, A., & Nurmalia, G. (2025). Employee Performance in Islamic Economics: AIS, Work Discipline, Organizational Culture and Incentives. *Bukhori: Kajian Ekonomi dan Keuangan Islam, 5*(1), 19-35. doi:https://doi.org/10.35912/bukhori.v5i1.4850

Anugra, R., Marwa, T., & Imelda, I. (2019). Analisis hubungan antara pengeluaran pemerintah dengan ketimpangan distribusi pendapatan di Provinsi Sumatera Selatan. *Jurnal Ekonomi Pembangunan*, *14*(1), 31–40. https://doi.org/10.29259/jep.v14i1.8773

Aprisella, R. (2025). Pentingnya Budaya Organisasi Berbasis Islam sebagai Pengaruh Mediasi terhadap OCB-IP. *Studi Ilmu Manajemen dan Organisasi,* *6*(3), 817-829. doi:https://doi.org/10.35912/simo.v6i3.4171

Arlantarik, I. M., & Suseno, D. A. (2024). The Effect of Government Expenditure and GRDP Per Capita on Income Inequality. *Efficient: Indonesian Journal of Development Economics*, *7*(1), 19–31. https://doi.org/10.15294/fjxrjc46

Arsyad, L. (2019). *Pengantar Perencanaan dan Pembangunan Ekonomi Daerah*. BPFE.

Astary, R., Safitri, N., Zarpani, Z., & Harahap, E. F. (2024). Pengaruh Investasi, Pengeluaran Pemerintah, Upah Minimum Provinsi Dan Inflasi Terhadap Ketimpangan Pendapatan Di Indonesia. *Jurnal Menara Ekonomi*, *Volume 10*(1). https://doi.org/10.31869/me.v10i1.5293

BPS. (2022). *Badan Pusat Statistik*.

Bratakusumah, D. S., & Solihin, D. (2018). *Otonomi Penyelenggaraan Pemerintahan Daerah*. PT Gramedia Pustaka Utama.

Chapra, U. (2020). *Islam dan Tantangan Ekonomi Syariah*. Gema Insani Press.

Djadjuli, D. (2018). Peran pemerintah dalam pembangunan ekonomi daerah. *Dinamika: Jurnal Ilmiah Ilmu Administrasi Negara*, *5*(2), 8–21. http://dx.doi.org/10.25157/dinamika.v5i2.1409

Fahmi, I. (2022). *Manajemen Investasi: Teori dan Soal Jawab*. Salemba Empat.

Fauziah, F. (2021). Pengantar Dasar Akuntansi Buku 1 Teknik dan Konsep Penyusunan Laporan Keuangan. In *Muhammadiyah University Press*.

Ghifara, A. S., Iman, A. N., Wardhana, A. K., Rusgianto, S., & Ratnasari, R. T. (2022). The effect of economic growth, government spending, and human development index toward inequality of income distribution in the metropolitan cities in Indonesia. *Daengku: Journal of Humanities and Social Sciences Innovation*, *2*(4), 529–536. https://doi.org/10.35877/454RI.daengku1092

Halim, A. (2020). *Analisis Investasi*. Salemba Empat.

Hartini, N. T. (2017). Pengaruh pdrb per kapita, investasi dan ipm terhadap ketimpangan pendapatan antar daerah di provinsi diy tahun 2011-2015. *Jurnal Pendidikan Dan Ekonomi*, *6*(6), 530–539.

Hasan, M. (2022). Ekonomi Pembangunan Sebuah Tinjauan Teori dan Praktis. In *Paper Knowledge . Toward a Media History of Documents*.

Hasanah. (2023). Pengaruh Investasi Dan Pertumbuhan Ekonomi Terhadap Ketimpangan Pendapatan Antar Provinsi Di Kalimantan Barat. *JES [Jurnal Ekonomi STIEP]*, *Volume 8*(2). https://doi.org/10.54526/jes.v8i2.215

Huda, S., Bustami, M. R., Ansori, M., Bustomi, A. A., Maksum, I., Jamil, A. S., Armiah, A., & Fatihia, W. M. (2025). Exploring the Digital Discourse: Representations and Perceptions of Islam Nusantara in Online Resources. *Bukhori: Kajian Ekonomi Dan Keuangan Islam*, *5*(1 SE-Articles), 75–94. https://doi.org/10.35912/bukhori.v5i1.5159

Indrawati, B., & Wijayanti, M. (2021). Implementasi Corporate Social Responsibility Terhadap Indeks Pembangunan Manusia yang Dimediasi Pertumbuhan Ekonomi Di Kabupaten Siak Riau. *Al-Mal: Jurnal Akuntansi Dan Keuangan Islam Al-Mal: Jurnal Akuntansi Dan Keuangan Islam*, *Volume 2*(1). https://doi.org/10.24042/al-mal.v2i01.8029https://doi.org/10.24042/al-mal.v2i01.8029

Irawan, & Suparmoko. (2019). *Ekonomika Pembangunan*. BPFE.

Isard. (2025). *Introduction to Regional Science*. Prentice-Hall Inc. Englewood Cliffs.

Komuna, A. A., Kalangi, J. B., & Masloman, I. (2021). Pengaruh Pembangunan Infrastruktur Publik Dan Pariwisata Terhadap Pertumbuhan Ekonomi Kota Manado. *Jurnal Berkala Ilmiah Efisiensi2*, *Volume 21*(4).

Kusuma, D. S. D., Sarfiah, S. N., & Septiani, Y. (2019). Analisis pengaruh produk domestik regional bruto (PDRB), inflasi, dan indeks pembangunan manusia (IPM) terhadap ketimpangan pendapatan di Daerah Istimewa Yogyakarta tahun 2011-2017. *Dinamic: Directory Journal of Economic*, *1*(3), 282–293. https://doi.org/10.31002/dinamic.v1i3.799

Laut, L. T., Putri, A. S., & Septiani, Y. (2020). Pengaruh Pma, Pmdn, Tpak, Pdrb Perkapita, Pengeluaran Pemerintah Terhadap Disparitas Pendapatan Jawa. *Stability: Journal of Management and Business*, *3*(2), 21–34. https://doi.org/10.26877/sta.v3i2.7781

Lian, C., Pei, J., & Li, J. (2024). Income inequality effect of government investment behavior: Comparisons based on different investment areas, different regions and different groups in China. *Heliyon*, *10*(5). https://doi.org/10.1016/j.heliyon.2024.e26452

Mangundap, V., Kumenaung, A. G., & Siwu, H. F. D. (2024). Pengaruh Produk Domestik Regional Bruto (PDRB) dan Pengeluaran Pemerintah Terhadap Ketimpangan Pendapatan di Kabupaten Minahasa, Kota Tomohon dan Kota Manado. *Jurnal Berkala Ilmiah Efisiensi*, *24*(2), 25–36.

Nurcholis, H. (2017). *Teori dan Praktik Pemerintahan dan Otonomi Daerah*. Grasindo.

P3EI, P. P. dan P. E. I. (2013). *Ekonomi Islam*. 14.

Pardiansyah, E. (2017). *Investasi dalam Perspektif Ekonomi Islam: Pendekatan Teoritis dan Empiris*. CV Rajawali. https://doi.org/10.21580/economica.2017.8.2.1920

Pradikasari, E., & Isbanah, Y. (2018). Pengaruh Financial Literacy, Illusion Of Control, Overconfidence, Risk Tolerance, dan Risk Perception Terhadap Keputusan Investasi Pada Mahasiswa Di Kota Surabaya. *Jurnal Ekonobis*, *Volume 4*(2).

Putra, F. A. (2022). Pengaruh Ekspor, Impor, dan Kurs terhadap Pertumbuhan Ekonomi di Indonesia. *GROWTH : Jurnal Ilmiah Ekonomi Pembangunan*, *4*(2 SE-Articles), 123–136.

Putra, R. E., & Aziza, N. (2025). Transparansi Laporan Keuangan dan Efektivitas Pengendalian Internal: Dimoderasi Kepemimpinan Spiritual OPD Bengkulu. *Jurnal Akuntansi, Keuangan, dan Manajemen, 6*(4), 1035-1044. doi:https://doi.org/10.35912/jakman.v6i4.4768

Rahardja Pratama, M. M. (2020). *Teori Ekonomi Mikro*. Lembaga Universitas Indonesia.

Ramdan. (2019). *Pengelolaan Sumberdaya Alam dan Otonomi Daerah: Perspektif Kebijakan dan Valuasi Ekonomi (cetakan pertama).* Alqaprint Jatinegoro.

Rozalinda. (2024). *Ekonomi Islam Teori dan Aplikasinya Pada Aktivitas Ekonomi*. PT. Raja Grafindo Persada.

Saidi. (2019). *Paradigma Produksi Bersih: Mendamaikan Pembangunan Ekonomi dan Pelestarian Lingkungan*. Nuansa.

Santoso, R., Zaharah, R., & Nur, E. R. (2022). Pengaruh Investasi Terhadap Pertumbuhan Dan Pembangunan Ekonomi Dalam Perspektif Ekonomi Islam. *ASAS : Jurnal Hukum Ekonomi Syariah*, *Volume 14*(2). https://doi.org/10.24042/asas.v14i02.15697

Silalahi, D., & Ginting, R. (2020). Strategi Kebijakan Fiskal Pemerintah Indonesia Untuk Mengatur Penerimaan dan Pengeluaran Negara Dalam Menghadapi Pandemi Covid-19. *Jesya (Jurnal Ekonomi Dan Ekonomi Syariah)*, *3*(2 SE-Articles). https://doi.org/10.36778/jesya.v3i2.193

Soeharjoto, S. (2020). Factors that affect inequality distribution income in Central Java. *International Journal of Economics, Business and Accounting Research (IJEBAR)*, *4*(03). https://doi.org/10.29040/ijebar.v4i03.1196

Sonny, S. I. (2019). *Teori dan Kebijakan Publik Ekonomi Sumber Daya Manusia*. Ghalia Ilmu.

Suadi, S., Uddin, M. A., Fathurrohman, A., Yusuf, Y., & Mukarromah, N. (2025). Integration of Fiqh Muamalah Teaching in Economic Education at Traditional Pesantren. *Bukhori: Kajian Ekonomi dan Keuangan Islam, 5*(1), 63-73. doi:https://doi.org/10.35912/bukhori.v5i1.5158

Supriady, D. (2017). *Otonomi Penyelenggaraan Pemerintahan Daerah*. Gramedia Pustaka Utama.

Syarifuddin, A. (2016). *Pemerintah Daerah dan Pembangunan*. Sumur Press.

Wahyudi. (2020). Pengeluaran Pemerintah dan Implikasinya Terhadap Pertumbuhan Ekonomi dan Tingkat Kemiskinan di Indonesia. *Prosiding Seminar Akademik Tahunan Ilmu Ekonomi Dan Studi Pembangunan*, *3*, 103–113.

Wahyudi. (2023a). Pengaruh Pengeluaran Pemerintah Provinsi Dan Pengaruhnya Terhadap Pertumbuhan Ekonomi Dan Ketimpangan Pendapatan di Indonesia. *Sebatik*, *Volume 27*(2). https://doi.org/10.46984/sebatik.v27i2.2369

Wahyudi, W. (2023b). Pengeluaran Pemerintah Provinsi Dan Pengaruhnya Terhadap Pertumbuhan Ekonomi Dan Ketimpangan Pendapatan di Indonesia. *Sebatik*, *27*(2), 708–715. https://doi.org/10.46984/sebatik.v27i2.2369

Wijaya, R. H. (2021). Investasi Syariah Dan Pertumbuhan Ekonomi: Optimasi Peran Sukuk Sebagai Penunjang Pembangunan Ekonomi Nasional. *Jurnal Ekonomi Syariah*, *6*(1), 70–82. https://doi.org/10.37058/jes.v6i1.2414

Williams, C., & Shaw, G. (2022). Tourism and Economic Development in Developing Countries: A Comparative Analysis. *Tourism Economics*, *Volume 20*(3).

Wirda Z., R., Fakhruddin, F., & Fitriyani, F. (2020). Ketimpangan Pendapatan Provinsi Di Indonesia: Analisis Data Panel. *Jurnal Ekonomi Dan Kebijakan Publik Indonesia*, *7*(1), 102–117. https://doi.org/10.24815/ekapi.v7i1.20737

Wulandari, D. F., & Rahmawati, F. (2022). Pengaruh Pengeluaran Pemerintah, Pembangunan Manusia, dan Tenaga Kerja Terhadap Ketimpangan Pendapatan Indonesia. *Ekonomi, Keuangan, Investasi dan Syariah (EKUITAS)*, *3*(3), 583–590. https://doi.org/10.47065/ekuitas.v3i3.1216

Yeimo, P., Lewerissa, C. M., & Suripatty, P. I. (2025). Optimalisasi Tata Kelola Dana Kampung untuk Meningkatkan Kesejahteraan Masyarakat Lokal. *Jurnal Studi Pemerintahan dan Akuntabilitas, 5*(1), 1-6. doi:https://doi.org/10.35912/jastaka.v5i1.5249

Yunus, M. (2023). *Tafsir Qur'an Karim*. PT Hidayakarya.

Zakariya, A., & Megawati, L. (2022). Pengaruh Experienced Regret, Risk Tolerance, Illusion of Control Dan Literasi Keuangan Terhadap Keputusan Investasi Cryptocurrency. *Jurnal Ekonomi dan Studi Pembangunan*, *Volume 4*(1). https://doi.org/10.5281/zenodo.7069456