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Macroeconomic Interaction and Regional Development Inequality: An Empirical Study of South Sumatra from an Islamic Economic Perspective

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Abstract

This study aims to analyze how the influence of local government spending, regional inflation and unemployment rates open to regional development inequality in sumbagsel in the perspective of Islamic Economics in 2015-2023". The type of research used in this study uses a quantitative approach with panel data analysis methods. Data obtained through the Central Bureau of Statistics, Ministry of Finance and analyzed using the T test and F test to determine each independent variable to the dependent, namely inequality of regional development. Based on the analysis, partially government spending, inflation, and unemployment do not significantly affect the inequality of development in Sumbagsel. However, all three variables simultaneously have a very significant effect on inequality, suggesting that the complex interplay of these factors is a key driver of regional disparities. These findings affirm the importance of local governments to implement holistic and integrated policies in accordance with Sharia economic principles, which focus on equitable distribution of resources and the creation of equitable welfare.

Keywords Government Spending; Inflation; Unemployment; Inequality

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1. INTRODUCTION

In Indonesia, regional development is an important part of efforts to achieve general national welfare (Mahadiansar et al., 2020). Indonesia, which has social, economic, and geographical diversity, faces great challenges in achieving equitable regional development through public budget management (Semsoni Haggai Simanjuntak & Wahyu Widodo, 2025). Local governments play a strategic role in achieving these goals through the management of public budgets, while macroeconomic factors such as regional inflation and the open unemployment rate also influence the dynamics of development in various regions (Jannah et al., 2024). During the period 2015-2023, the government has made various efforts to reduce growth inequality between regions. However, the reality on the ground shows that

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inequality is still a problem that has not been fully resolved (Wijayanti & Aisyah, 2022).

According to data from the Central Statistics Agency (BPS), the development gap between regions is a clear phenomenon. This indicates that there are still significant differences between the western and eastern regions of Indonesia, as well as between urban and rural areas. Regional variations in economic growth rates are evident, according to the Williamson Index, a measure of development disparities. In contrast, inequality has not continued to decline despite recent increases in local government spending. Fluctuations in regional inflation, influenced by local and international variables, impact people's purchasing power and local economic stability, both of which exacerbate development inequality (Rohmah et al., 2025). As higher unemployment decreases regional economic production, which in turn increases interregional inequality, different open unemployment rates in each province also indicate a possible strong relationship between high unemployment and development-outcome inequality (Karuniawan & Soelistyo, 2022).

Local government expenditures represent all expenditures made by local governments to finance government administration, development, and public services. This expenditure includes employee expenditure, goods and services expenditure, capital expenditure, as well as grants and social assistance expenditure (Suhaedi, 2019). Local government spending is sourced from the regional budget (APBD), which is largely funded by Transfer funds from the central government and local revenue (PAD) (Pane et al., 2022). The use of this budget plays an important role in improving the welfare of local communities, encouraging local economic growth, and ensuring the implementation of planned development programs (Liani et al., 2024). Theoretically, local government spending should contribute to reducing inequality between regions and accelerating development, which explains the relationship between these variables. However, spending may have little effect on inequality if it is not allocated efficiently to equitable infrastructure or productive areas (Liana et al., 2024).

Next is regional inflation, regional inflation is an economic phenomenon that refers to the increase in prices of goods and services in general and continuously in a certain geographical area, such as a province or district/city (Permana & Pasaribu, 2023). The causes can vary, ranging from increased local demand that exceeds supply, higher production costs due to rising wages or raw material prices, to region-specific factors such as crop failures or logistics disruptions. The impact of the inflation of this area can be very significant, especially for low-income people, as their purchasing power will be eroded and economic difficulties will intensify (Nasir, 2025). Therefore, local governments often need to take monetary and fiscal policy measures tailored to local conditions to control the rate of inflation in order to maintain regional economic stability. On the other hand, high regional inflation can exacerbate development inequality by lowering people's purchasing power, increasing investment costs, and slowing regional economic growth (Amanda & Murwiati, 2025). Inflation causes a decrease in people's

purchasing power, so fixed incomes cannot keep up with rising prices (Rien, 2024). In addition, inflation generates economic uncertainty, which can affect investment and economic growth (Meiditambua et al., 2023). Therefore, managing inflation is essential to maintain economic stability and ensure that rising prices do not hinder people's economic activity (Puspita et al., 2025).

Finally, based on economic theory inflation and the open unemployment rate often have an inverse relationship known as the Phillips curve (Hidayati et al., 2025). This implies that as inflation increases, the unemployment rate tends to decrease, and vice versa. As the economy grows rapidly, the demand for goods and services increases, encouraging companies to produce more and hire more employees, which reduces unemployment (Sanusi Ghazali Pane et al., 2024). However, this increase in demand can also lead to an increase in prices, which provokes inflation. Conversely, when the economy slows down, unemployment increases because companies reduce production and layoffs, which often cause inflation to slow down (Muhammad, 2023). However, this relationship is not always consistent, and other factors such as supply shocks or inflation expectations can influence the dynamics between the two variables. However, a high level of open unemployment also indicates that the economic potential has not been fully utilized, which is a significant obstacle to the even economic growth of the region (Tirta & Putri, 2025). The economy of a country can be greatly affected by uncontrolled inflation. Therefore, it is not possible to isolate the relationship between these three factors and regional development gaps (Maimunah, 2024).

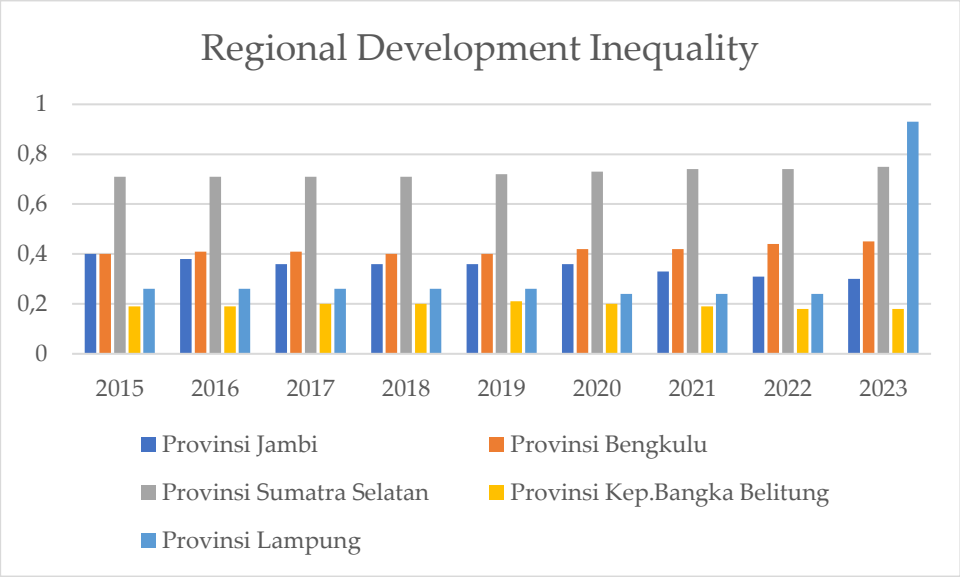
Research conducted by (Zusanti et al., 2020) with the title "analysis of the effect of HDI, economic growth and Tpt on regional inequality in Java 2010-2018" shows that the Human Development Index (HDI), economic growth and open unemployment rate (TPT) together have a significant influence on regional inequality.Then according to research conducted by (Handayani, 2025) with the title " analysis of the influence of Economic Growth, Investment, and regional spending on development inequality in Bali Province in 2015-2022" found that economic growth, investment, and regional spending had no significant effect on development inequality. And according to research conducted by (Rifqah, 2017) with the title analysis of development inequality between districts / cities in West Sumatra province. the results of this study show that the workforce and government spending does not significantly affect the inequality of Regional Development Districts / cities in West Sumatra, the quality of Human Resources and general allocation funds significantly affect the inequality of Regional Development Districts / cities in West Sumatra, and together there is a significant influence between the labor force, the quality of Human Resources, General, and government spending on Regional Development inequality in West Sumatra in the research period.

Differences in the results of various studies on the factors that affect regional development inequality can be caused by several factors. The study area is the main differentiator; socio-economic

characteristics and regional structures in Java, Bali, and West Sumatra are very different, which affects the dynamics of the relationship between these variables. In addition, the research methods used can also produce varied findings; for example, the use of different independent variables (HDI, TPT, investment, etc.) will give different results. Finally, the different time periods of the study (2010-2018, 2015-2022, etc.) captures different phases of the economy, including specific shocks or policies that may not occur in other periods, thereby influencing the significance of the relationship between those variables.

To see the development of existing regional development inequality Sumbagsel can be seen in the following figure:

Figure 1.
Regional Development inequality in Sumbagsel



Source: Central Bureau of Statistics (2015-2023)

Based On Figure 1. Provincial Data on the Sumatra index from 2015-2023 show various trends that reflect the dynamics of development in each region of the country. Jambi experienced a consistent decline from 0.40 percent in 2015 to 0.30 percent in 2023, which indicates unclear factors of decline. Bengkulu, on the other hand, experienced a consistent increase from 0.40 percent in 2015 to 0.45 percent in 2023, but the factors driving the increase still need to be investigated. South Sumatra has also seen a consistent increase from 0.71 percent in 2015 to 0.75 percent in 2023, but it is unclear whether this is due to a decrease in the number of people living in the province. Significant differences were seen in Lampung in 2023, where the index rose significantly from 0.24 in 2022 to 0.93. This significant anomaly requires a thorough study to determine whether this spike is momentary or the result of a long-term structural transformation. In addition, there are significant differences in performance between districts. Lampung showed a significant increase, while Bangka Belitung stagnated. In addition, it is

clear that the level of stability differs between provinces: Jambi, which is experiencing a continuous decline, is different from Bengkulu and South Sumatra, which are experiencing a continuous increase. This raises questions about the reasons why this level of stability differs between provinces.

Because the continuing development gap between regions can hinder efforts to achieve equitable and sustainable national economic growth, this study is very important (Suhardi Suhardi & Polma Panjaitan, 2025). In addition, the findings of this study can be a strategic consideration for the central and local governments in developing a more equitable and equitable development strategy. This title was chosen because it integrates three key elements that are rarely examined collectively in a comprehensive research framework, but are expected to have a major impact on development inequality in Indonesia, namely local government spending, regional inflation, and open unemployment rates.

Regional development inequality is defined as a gap in economic growth and development between regions characterized by differences in per capita income and quality of life of people (Lala et al., 2023). However, the purpose of regional development inequality is not only limited to differences in statistical figures. Moreover, development inequality is a complex phenomenon that is closely related to the unequal distribution of resources and opportunities. Regional development inequality is not only an economic problem, but a reflection of development policies that have not fully considered the aspects of justice and Equal Welfare for all communities (Edison & Andriansyah, 2023).

Local government spending, regional inflation, and open unemployment are important factors that affect regional development inequality (Putri & Yefriza, 2025). Targeted and targeted local government spending can be an instrument to reduce inequality through equitable provision of infrastructure and public services. Conversely, uncontrolled regional inflation tends to exacerbate inequality because its effects are more heavily felt by low-income people. Meanwhile, a high level of open unemployment in a region is an indicator of the inequality of economic opportunities that has the potential to widen the gap between regions.(Desvianti et al., 2024)

In the Islamic perspective, regional development inequality is contrary to the principle of economic justice which is the main foundation of the Islamic economic system (Arfah & Arif, 2021). Islam teaches that wealth should not only revolve among the rich, but should be distributed fairly to create equitable prosperity. Regional economic policy should be directed to achieve falah (welfare of the world and the Hereafter) For the entire community, not just prioritize economic growth alone (Zuchroh, 2024). As Allah says in surah al-Hashr: 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 اللّٰهَۗ اِنَّ اللّٰهَ شَدِيْدُ الْعِقَابِ

It means: "whatever (wealth obtained without war) Allah bestowed on his messenger from the inhabitants of

some cities is for Allah, The Messenger, relatives (of the Messenger), orphans, the poor, and those who are on a journey. That they may not circulate among the rich among you. Accept what the Messenger has given you. Leave what is forbidden to you. Fear Allah. Indeed, Allah is severe in punishment."

The purpose of the above verse explains that humans as inhabitants of the Earth have a responsibility to create equitable prosperity. This verse confirms that in Islamic Economics, local government spending, regional inflation, and open unemployment rates not only affect the statistical figures of regional development inequality, but rather on how regional economic policies can create a fair and equitable distribution of resources so that welfare can be felt by all people in various regions.

Currently, there are many studies that examine the effect of local government spending, inflation, and unemployment rates on regional development inequality. However, most of these studies still use conventional economic perspectives. There is a significant research gap in analyzing the same phenomenon from the point of view of Islamic economics, especially in the region of southern Sumatra (Sumbagsel). Existing research has not explored in depth how the principles of Islamic economics can answer the theoretical problem of what happens to existing problem phenomena. Therefore, further research needs to bridge this gap by integrating these variables into the framework of Islamic economics to provide a more holistic and relevant understanding, as well as offering innovative policy solutions for local governments in Sumbagsel.

So based on the existing background, the purpose of this study is to analyze and empirically test the effect of local government spending, regional inflation, and unemployment rate on regional development inequality in southern Sumatra (Sumbagsel). This study will examine how these macroeconomic variables, either partially or simultaneously, affect the disparity of development between regions. In addition, this study will also analyze the phenomenon from the perspective of Islamic economics, by assessing the extent to which these variables are in line with the principles of justice, equity, and welfare contained in Islamic teachings, as well as providing appropriate policy recommendations.

2. METHODS

This study uses quantitative methods, data analysis that will be used is panel data regression. Documentation approach is used in this research data collection strategy to collect relevant secondary data. The Central Bureau of Statistics (BPS) is one of the official sources used to collect data. In this context, the entire province in southern Sumatra (Sumbagsel), which includes Jambi, South Sumatra, Lampung, Bengkulu, and Bangka Belitung Islands, is considered as the study population itself. This is due to the fact that the researcher uses all available units of analysis, that is, the entire province within the geographical scope that has been established, so there is no sampling process. Thus, the results of

the analysis will reflect the condition of the population as a whole, not just an estimate from the sample. And for the period of research taken is between 2015 to 2023.

The method of data analysis used in this study is a regression analysis method of panel data that is a combination of data between places or spaces (cross section) and between Times (time series). In this study, cross section data or data between places, namely 5 provinces in the Sumbagsel region, and time series data or annual data, starting from 2015 to 2023. Therefore, the method used is regression analysis of panel data and in data management using eviews 10.

This study will use panel data regression to analyze data that has the characteristics of time series and cross-section. The first step is to choose the most appropriate estimation model from three main options: Common Effect Model (CEM), Fixed Effect Model (FEM), or Random Effect Model (REM) (Annabela & Faridatussalam, 2025). The selection of this model will be carried out through a series of tests, namely the Chow Test to compare CEM and FEM, the Hausman test to choose between FEM and REM, and the LaGrange Multiplier test if necessary (Sihombing et al., 2021). After the best model is selected, classical assumption tests such as multicollinearity test and heteroscedasticity test will be carried out to ensure that the model meets statistical requirements. Finally, a hypothesis test will be conducted, including a t test to test the partial effect, an F test to test the simultaneous effect, and a coefficient of determination (R2) to measure how much the independent variable can explain the variation in the dependent variable (Halil et al., 2022).

3. FINDINGS AND DISCUSSION

Descriptive Statistical Analysis

Chart 2. Descriptive Data

Variable	PPD	INFD	TPT	KPW
Mean	4.85E+09	3.048444	4.337111	0.402667
Median	4.39E+09	3.020000	4.330000	0.360000
Maximum	1.01E+10	6.750000	6.290000	0.930000
Minimum	1.87E+09	0.380000	2.600000	0.180000
Std. Dev.	2.45E+09	1.590672	0.736511	0.203653

Sources *: Eviews* 10

Table 2 shows the descriptive statistics of the sample data from the number of samples, namely the average value, the middle value, the maximum and minimum expenditure of local government, regional inflation, open unemployment and inequality of regional development.

Panel Data Estimation

Chart 3. Model Selection Test Results

Variable	Probability
Chow Test	0.0000
Hausman Test	0.0000

Sources *: Eviews* 10

Based on Table 3, the results show that the best model used for this study is FEM, based on the estimation of Fixed Effect Model (FEM) then obtained the following equation:

Y = 0.436163513984 + 6.43759359875e-12*X1 - 0.00107994349073*X2 0.0141692585518*X3

Constant value of 0.436163513984 means that without the variable PMD (X1), INFD (X2), and TPT (X3), the variable KPW(Y) will increase by 0.436163513984

The value of the beta coefficient of variable PMD (X1) is 6.43759359875 e-12, if the value of other variables is constant and variable X1 has increased by 1 unit, then the variable KPW (Y) will increase by 6.43759359875 e-12, and vice versa, if the value of other variables is constant and variable X1 has decreased by 1 unit, then variable Y will decrease by 6.43759359875 e-12

Beta coefficient value of variable INFD (X2) of -0.00107994349073 X2, if the value of other variables is constant and variable X2 increased by 1 unit, then the variable KPW (Y) will decrease by -0.00107994349073 and vice versa, if the value of other variables is constant and variable X2 decreased by 1 unit, then variable Y will increase by -0.00107994349073 X2

Beta coefficient value of variable TPT (X3) is 0.0141692585518 if the value of other variables is constant and variable X3 has increased by 1 unit, then the variable KPW (Y) will decrease by 0.0141692585518 X3. Vice versa, if the value of other variables is constant and variable X3 decreased by 1 unit, then variable Y will increase by 0.0141692585518 X3

Classical Assumption Test

(Nugraha, 2022) Classical assumption Test states that not all classical assumption tests should be performed in linear regression models with Ordinary Least Square (OLS) approach. Autocorrelation test is only used for time series data, not for panel data and cross data. Multicollinearity test is used for regression that uses more than one independent variable because the test aims to test the regression model there is a perfect or high correlation. Heteroscedasticity test is used for cross-sectional data. Panel Data was used in this study, therefore the classical assumption test used only multicollinearity test and heteroscedasticity test.

Another advantage of panel data is that panel data has the implication that classical assumptions such as normality and autocoleration do not have to be tested. Classical assumption test with Eviews program can be distinguished through two approaches, namely OLS (Ordinary Least Squared) approach that applies to Common Effect Model and Fixed Effect Model, and GLS (Generalized Least Squared) approach that applies to Random Effect Model (Kosmaryati et al., 2019)

The model under study must meet certain requirements before performing regression testing. It is intended that the resulting regression model can be accounted for. Multicollinearity test and heteroscedasticity test are the classic assumption test used in this study.

Multicollinearity Test

Multicollinearity test is performed to see whether or not there is a correlation between the dependent and independent variables. This test is performed to ensure that the data is free from multicollinearity. The results of this test processing can be seen in the following table.

Chart 4. Multicollinearity Test Results

	PPD	INFD	TPT
PPD	1.000000	.-0.164658	0.267806
INFD	-0.164658	1.000000	-0.255117
TPTW	0.267806	-0.255117	1.000000

Sources *: Eviews* 10

X1 and X2 correlation coefficients of -0.164658 < 0.85, X1 and X3 correlation coefficients of -0.267806 < 0.85 , and X2 and X3 correlation coefficients of 0.255117 < 0.85 it can be concluded that free from multicolinearity or pass multicolinearity test.

Heteroscedasticity Test

The heteroscedasticity test is used to see whether or not symptoms of heteroscedasticity are present. This symptom is caused by the difference between the residual variants of one and the other. The results of the heteroscedasticity test can be seen in the graph below.

Chart 5. Heteroscedasticity Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.018958	0.119271	0.158948	0.8746
X1	6.05E-12	1.22E-11	0.496712	0.6223
X2	0.001767	0.008166	0.216333	0.8299
X3	-0.003558	0.019726	-0.180368	0.8578

Sources *: Eviews* 10

The standard value of prob should be > 0.05, then from the heteroscedasticity test of glacier above which X1 0.6223 > 0.05, X2 0.8299 and X3 0.8578 means that X1, X2 and X3 pass the heteroscedasticity test of Glacier.

Hypothesis Test

Partial Test (t test)

T-statistical test is performed to determine the presence or absence of influence between each independent variable to the partially dependent variable. The results of the t-test can be seen in the table below.

Chart 6. T test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.436164	0.154840	2.816858	0.0077
X1	6.44E-12	1.58E-11	0.407074	0.6863
X2	-0.001080	0.010601	-0.101870	0.9194
X3	-0.014169	0.025609	-0.553302	0.5834

Sources *: Eviews* 10

T test results on the variable PPD (X1) obtained a calculated t value of 0.407074 < t Table is 2.014103389 and a significant value of 0.6863 > 0.05 then H0 accepted and Ha rejected, meaning that the variable PPD positive but not significant effect on regional development inequality in 5 provinces of Sumbagsel region.

The results of the T test on the variable INFD (X2) obtained a calculated t value of -0.101870 < t

Table is 2.014103389 and a significant value of 0.9194 > 0.05 then H0 is accepted and rejected Ha, meaning that the variable INFD negative and insignificant effect on regional development inequality in 5 provinces of Sumbagsel region.

T test results on the variable TPT (X3) obtained a calculated t value of -0.553302 < t Table is 2.014103389 and a significant value of 0.5834 > 0.05 then H0 accepted and Ha rejected, meaning that the variable TPT negative and insignificant effect on the level of regional development inequality in 5 provinces of Sumbagsel region.

F Test

Chart 7. F Test

R-squared	0.771885
Adjusted R-squared	0.728728
S.E. of regression	0.106070
Sum squared resid	0.416282
Log likelihood	41.51648
F-statistic	17.88556
Prob(F-statistic)	0,000000

Sources *: Eviews* 10

The calculated F value of 17.88556 is greater than the F table value of 2.83275 and the GIS value of 0.000000 is smaller than 0.05,then H0 is rejected and Ha is accepted, meaning that variable PMD,INFD,and TPT, affect regional development inequality.

R2 Determination Test

Adjusted R Square value of 0.728728 or 72.8728%. The value of the coefficient of determination shows that the independent variable consisting of PMD, INFD, and TPT is able to explain the inequality variable of regional development by 72.8728%. While the remaining 27.1272% (100-value adjusted R Square) is explained by other variables that are not included in the research model.

In this study from Chow and hausman test is Fixed Effect Model (FEM). Based on the results of R-squared showed 72.8728%. independent variables are (local government spending, regional inflation and open unemployment rate can describe the inequality of regional development in sumbagsel. While the remaining 27.1272% is explained by other factors outside this study. The results of the F test are jointly independent variables, namely (local government spending, regional inflation and open unemployment rates have a significant effect on regional development inequality in sumbagsel

The Effect of Local Government Spending on Regional Development Inequality

Based on the results of panel data regression with Fixed Effect Model (FEM) approach shows that local government spending has a positive and insignificant effect on regional development inequality. These results are in line with research conducted by (Rifqah, 2017). that government spending has a positive but insignificant effect on regional development inequality in West Sumatra.It is indicated that the inequality of development between regions in West Sumatra is not determined by government spending in West Sumatra because even though government spending in the region in West Sumatra has increased, it does not guarantee that development inequality will decrease.

The Effect of regional inflation on Regional Development inequality

Based on the results of panel data regression with Fixed Effect Model (FEM) approach shows that regional inflation has a negative and insignificant effect on regional development inequality variables in sumbagsel. these results are in line with research conducted (Wijayanti & Aisyah, 2022) shows that inflation has no effect on inequality. The significance of inflation to inequality is insignificant because the level of inflation and inequality or the Gini index in Indonesia during the period 2000-2020 moved fluctuatively. although the inflation rate is high and causes the tendency of goods prices to rise, for people who have large capital and high income will not be affected by their purchasing power. On the other hand, when the price of basic commodities rises, low-income people are not always disadvantaged because the majority of the Indonesian population works in the agricultural sector (Harahap et al., 2024). The rise of these staples will increase their income.

The Effect of Open Unemployment Rate on Regional Development Inequality

Based on the results of panel data regression with a Fixed Effect Model (FEM) approach shows that the open unemployment rate has a negative and insignificant effect on regional development inequality variables in sumbagsel. These results are in line with research conducted (Dwiputra, 2018) supporting the open unemployment rate variable that unemployment has a negative effect but no significant effect between the open unemployment rate on regional inequality. This shows that the open unemployment rate that experienced rises and falls did not have an impact on regional inequality. It can be concluded that this study states that regional inequality is not influenced by the open unemployment rate. This can happen because the increase in open unemployment does not mean an increase in the number of workers in the province of DIY. So that the increase in the number of open unemployed has no effect on regional inequality.

The influence of local government spending, regional inflation, and unemployment rates open to Regional Development inequality in Sumbagsel

Based on the results of research that has been conducted related to the interaction between local government spending, regional inflation and unemployment rate open to regional development inequality in Sumbagsel, obtained the probability value of F-statistics of 0.000000 < 0.05. This means that local government spending, regional inflation and open unemployment simultaneously affect regional development inequality in sumbagsel.

These results are consistent with economic theory which states that macroeconomic variables such as inflation and unemployment are often indicators of economic instability and unevenness. The differentiating factor lies in the dynamics of the local economy in Sumbagsel, where the interaction between government spending that may be uneven, inflationary pressures that can erode the purchasing power of low-income people, as well as high unemployment rates, collectively widens the gap of inequality (Aryansyah et al., 2025). Inflation and unemployment are very likely to influence each other's impact; for example, high inflation can reduce purchasing power and drive more people to the poverty line, while high unemployment reduces income and aggravates the condition (Raysharie et al., 2023). The results of this study can be used by local governments as a basis for formulating more integrated policies, such as increasing the allocation of spending more evenly to reduce regional disparities, controlling the rate of inflation through prudent monetary policy, and creating more jobs to reduce unemployment.

4. CONCLUSION

Based on the results of regression analysis of panel data using a Fixed Effect Model (FEM) approach, it was found that partially, local government spending, regional inflation, and the open unemployment rate did not have a significant effect on regional development inequality in Sumbagsel. These results indicate that fluctuations in each of these variables are not the sole determinant of development disparities between regions. However, when all three variables are tested simultaneously, the F-statistic test results show a probability of 0.05. This means that taken together, local government spending, local inflation, and the open unemployment rate have a significant and powerful influence on development inequality. In other words, the interaction and collective effect of these three macroeconomic factors significantly affect the disparity of development in the Sumbagsel region, although partially the impact is not significantly detected.

The results of this study indicate that the open unemployment rate is not significant partially, but significant effect simultaneously, reflecting the complex regional dynamics in Sumbagsel. This implies that the problem of unemployment in the region cannot be seen as a single, stand-alone issue, but rather

as an integral part of the wider economic system, where it interacts with government fiscal policy and inflationary pressures. From the perspective of Islamic economics, these findings are very relevant. The principles of Islam emphasize justice, equitable distribution of wealth, and general welfare (maslahah). In this context, high unemployment, especially when accompanied by high inflation and uneven government spending, can be considered a failure in achieving a fair distribution of the economy. Therefore, the results of this study affirm the importance of local governments to formulate holistic and integrated policies, which focus not only on job creation, but also on equitable distribution of resources and inflation control, in line with the main objectives of sharia economics to create a just and prosperous society.

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