

ABSTRACT

Reducing inequality within and between countries is one of the main targets of the Sustainable Development Goals (SDGs). In ASEAN countries, income inequality remains a serious challenge, as evidenced by the region's average inequality level exceeding that of the broader Asian continent. This study aims to analyze the relationship between economic transformation and income inequality in ASEAN.

The study utilizes panel data from eight ASEAN countries over the period 2000–2022. The data were obtained from the World Income Inequality Database and the World Bank. The analytical method employed is panel data regression using the Fixed Effect Model (FEM) approach. This research is grounded in Kuznets' Theory, Lewis' Structural Transformation Theory, and the international trade frameworks of Heckscher-Ohlin and Stolper-Samuelson.

The research findings indicate that, collectively, the variables of economic growth, manufacturing, services, urbanization, technology, FDI, and trade openness influence income inequality in ASEAN. Partially, economic growth is shown to validate the Kuznets Curve by exhibiting an inverted U-shaped relationship with income inequality, with a turning point at 4.385 percent. The manufacturing sector, urbanization, and technology have a significant negative effect on inequality, while trade openness has a significant positive effect. The services sector and FDI do not show a significant impact on income inequality in ASEAN.

Keywords: Income Inequality, Kuznets Curve, Economic Growth, Economic Structure, Urbanization, Technology, Trade Openness, FDI, Fixed Effect Model.