

CANDRA FAJRI ANANDA

Economics and Business Faculty of Brawijaya University, Indonesia

ABDUL MANAP PULUNGAN

SUPERVISORY BOARD OF BANK INDONESIA, Indonesia

DETERMINANT OF INCOME INEQUALITY IN INDONESIA: STUDY CASE 33 PROVINCES IN 2011-2016

Abstract:

This study intends to determine whether factors of income inequality in Indonesia based on regional data. Economic growth, unemployment, and inflation represent macroeconomic factors, whereas regional expenditure is deemed as a factor of the fiscal side. In the term of the financial, the study used the share of tradable sector credit to the total credit of commercial bank. By applying, the fixed effect panel framework, the study concluded that the factors of the macroeconomic and credit impact on income inequality, while the regional expenditure is not significant. However, the study also found that the impact of economic growth on inequality is positive which is different from previous studies. This suggests that the impact of economic growth tend to serve more middle and upper-income groups than lower income. Furthermore, the regional expenditure is mainly dominated by the personnel expenditure that has limited impact on income inequality. In addition, the disbursement of capital budgets is relatively low for roads, irrigation, and networking.

Keywords:

income inequality, macroeconomic, fiscal, financial

JEL Classification: H00, H70, H72