

Systemic Determinants of Income Inequality in ASEAN: A Systematic Review and an Integrative Policy Framework for Inclusive Development

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Abstract

This study aims to systematically synthesize the determinants and policy responses to income inequality in ASEAN countries by addressing the fragmentation in the existing literature. This study challenges the conventional economic growth-based approach by demonstrating that inequality in modern economies is largely determined by structural, digital, and institutional factors. This study uses a Systematic Literature Review (SLR) approach based on the Tranfield et al. framework, analyzing 18 empirical articles from Scopus and Google Scholar from 2020–2025. Selection followed PRISMA, and study quality was assessed using the Joanna Briggs Institute. The results indicate that inequality in ASEAN is a multidimensional phenomenon driven by spatial inequality ($\pm 70\%$), human capital ($\pm 78\%$), the digital divide ($\pm 61\%$), and institutional quality ($\pm 50\%$). These findings demonstrate the interdependence of determinants in shaping systemic inequality. This study proposes an integrative inequality framework that combines economic, social, technological, and institutional dimensions in a single analytical model. The implications of this research emphasize that growth-based policies alone are insufficient without cross-sectoral policy integration. Therefore, development strategies must focus on digital inclusion, human resource development, institutional reform, and regional redistribution to achieve inclusive and sustainable development.

Keywords: income inequality, ASEAN, systematic literature review, digital divide, institutional quality, inclusive development

1. Introduction

Income inequality is a fundamental issue in global economic development, particularly in developing countries experiencing rapid economic growth but not accompanied by equitable income distribution. In contemporary economic development, inequality is no longer solely influenced by traditional economic factors, but also by gaps in human capital, institutional quality, financial inclusion, and access to digital technology (Bourguignon, 2015; Piketty, 2014).

The ASEAN region serves as a relevant example in understanding this phenomenon. Over the past two decades, ASEAN has recorded relatively high economic growth, but income distribution among individuals and regions still exhibits significant inequality. Empirically, there is significant variation in levels of inequality across countries. Cambodia records the highest level of inequality with a Gini ratio of around 0.45, followed by Singapore at around 0.43–0.44. Indonesia falls in the middle category with a Gini ratio of around 0.38–0.39, while

Malaysia and the Philippines show relatively similar levels of inequality, around 0.40. On the other hand, Thailand recorded a lower inequality rate, around 0.36.

This variation indicates that inequality in ASEAN is heterogeneous and cannot be explained solely by differences in economic growth rates. Inequality rather reflects differences in structural capacity, including the quality of institutions, access to education, levels of financial inclusion, and digital readiness between countries. Previous studies have shown that regional disparities and the development gap between urban and rural areas are dominant factors reinforcing income disparities in the Asian region (Kanbur & Zhuang, 2013).

Theoretically, income inequality is often explained through the Kuznets hypothesis, which posits an inverted U-shaped relationship between economic growth and inequality. However, empirical evidence in the ASEAN region suggests that this relationship is not always consistent. Some countries with high economic growth rates, such as Singapore and Malaysia, still face relatively high levels of inequality. This suggests that economic growth does not automatically translate into income equality, especially in the context of globalization and technological transformation (Jaumotte, Lall, & Papageorgiou, 2013).

In the ASEAN context, various structural factors contribute to reinforcing inequality dynamics. Limited access to quality education and technology hinders social mobility, while the dominance of the informal sector leads to low productivity and income stability. Furthermore, low financial inclusion limits the ability of low-income groups to access financing and improve economic well-being (Demirgüç-Kunt et al., 2018).

The development of digital technology also adds a new dimension to inequality. On the one hand, digitalization creates new economic opportunities, but on the other hand, it widens the gap due to differences in access to infrastructure and digital literacy, particularly between urban and rural areas (Autor, 2014). Furthermore, the quality of institutions plays a crucial role in determining the effectiveness of redistribution and inclusive development policies, as good governance enables a more equitable distribution of resources (Acemoglu & Robinson, 2012). Although the literature on income inequality has grown rapidly, most studies still analyze these factors partially. There are limitations in integrating economic, social, technological, and institutional factors into a single, comprehensive analytical framework, particularly in the ASEAN context. Furthermore, studies that systematically evaluate the effectiveness of evidence-based policies are still relatively limited.

Given this gap, this study aims to systematically synthesize the determinants and policy responses to income inequality in ASEAN countries through a systematic literature review approach. Specifically, this study seeks to answer two main questions: (1) what are the main determinants of income inequality in ASEAN, and (2) what policy strategies are most effective in reducing this inequality.

By integrating findings from various empirical studies, this research is expected to contribute to the development of a more comprehensive conceptual framework and serve as a basis for formulating more inclusive and sustainable development policies in the ASEAN region.

Unlike previous studies, which tend to analyze the determinants of inequality partially, this study integrates the economic, social, technological, and institutional dimensions into a single systemic analytical framework. Thus, this study not only fills an empirical gap, but also offers a new conceptual approach in understanding inequality in the ASEAN region.

2. Literature Review

Income inequality theory has evolved from a classical approach to a multidimensional perspective. The Kuznets Curve Theory (Kuznets, 1955) explains the relationship between economic growth and inequality as an inverted U-shaped curve, where inequality increases in the early stages of development and decreases in later stages. However, in the ASEAN context, this theory's validity is not always consistent, as inequality is also influenced by structural, institutional, and technological factors.

Human Capital Theory emphasizes that education, skills, and health are key determinants of productivity and income distribution. Unequal access to quality education, particularly in rural areas and low-income groups, reinforces intergenerational inequality, although investments in human capital have been shown to increase social mobility.

Institutional Theory highlights the importance of institutional quality, such as governance, transparency, and accountability, in determining the effectiveness of redistributive policies. Variations in institutional quality across ASEAN countries are a key factor explaining differences in income inequality.

Financial Inclusion Theory explains that access to formal financial services plays a crucial role in improving well-being and reducing economic vulnerability. Low financial inclusion, particularly in the informal sector, is a major cause of inequality in the ASEAN region.

The Digital Divide Theory states that unequal access to digital technology creates new economic disparities. Limited internet access in rural areas reinforces social exclusion and widens income disparities.

Meanwhile, the Inclusive Growth Theory emphasizes that economic growth must be accompanied by equal opportunities and a fair distribution of the benefits of development. Without fair distribution, economic growth has the potential to exacerbate inequality.

Overall, income inequality in ASEAN is a multidimensional phenomenon influenced by economic, social, institutional, technological, and financial access factors. Therefore, a single approach like Kuznets' theory is inadequate; an integrative framework is needed to comprehensively understand and address inequality.

3. Research Method

3.1 Research Design

This study uses a Systematic Literature Review (SLR) approach to systematically identify, evaluate, and synthesize empirical evidence related to income inequality in ASEAN countries. This approach was chosen because it increases transparency, reduces bias, and produces a more

comprehensive synthesis than conventional literature reviews. The SLR process in this study refers to the framework of Tranfield et al., which consists of three main stages:

1. Planning
2. Implementation
3. Reporting

Based on this framework, this study is designed to answer two main questions: RQ1: What are the main determinants of income inequality in ASEAN?

RQ2: What are effective policy strategies to reduce inequality?

3.2 Literature Search Strategy (Implementation Phase – Search Strategy)

The literature search was conducted systematically through two primary databases:

1. Scopus
2. Google Scholar

To improve the accuracy and efficiency of the literature search, this study used Publish or Perish software to identify and manage reference sources. The search strategy was systematically designed using a combination of Boolean operator-based keywords to ensure comprehensive and relevant literature coverage.

The search string used was as follows: ("income inequality" OR "income disparity") AND ("ASEAN" OR "Southeast Asia") AND ("determinants" OR "drivers" OR "causes") AND ("policy" OR "intervention" OR "solution")

The literature search was limited to the publication period 2020–2025 to ensure the relevance and currency of the analyzed data.

3.3 Inclusion and Exclusion Criteria

Inclusion criteria:

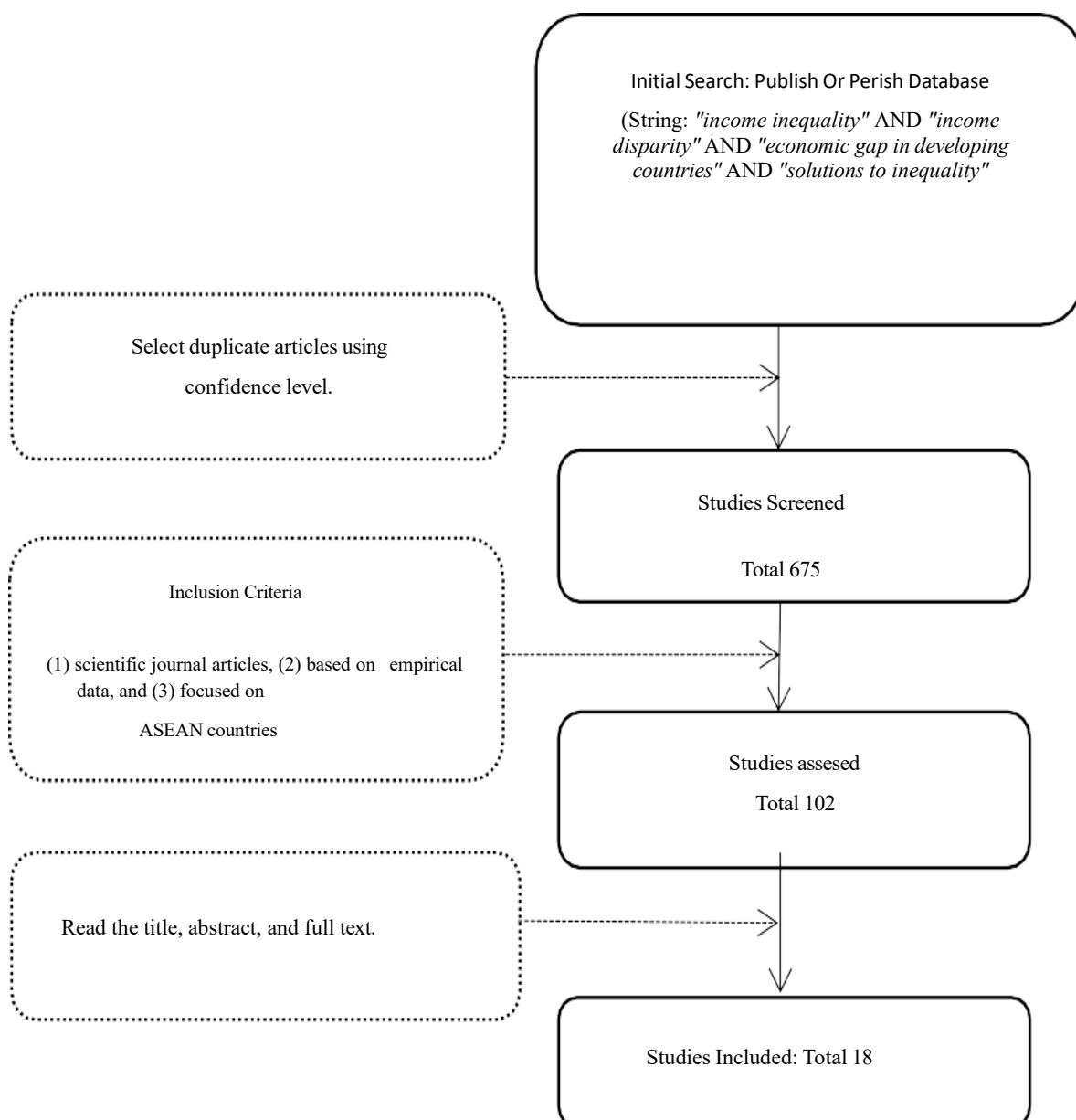
1. Scientific journal articles (peer-reviewed)
 2. Empirical studies (quantitative or mixed methods)
 3. Focus on ASEAN countries
 4. Published between 2020 and 2025
 5. In English or Indonesian
- Exclusion criteria:
6. Non-scientific articles (opinions, reports, proceedings without peer review)
 7. Irrelevance to income inequality
 8. Data duplication
 9. Lack of clear methodology

3.4 Study Selection Process (PRISMA)

The selection process follows PRISMA guidelines to ensure transparency and replicability.

PRISMA Stages

Stage	Amount	Description
Identification	697	Initial search results
Duplicate Removal	22	Duplicate articles have been removed.
Screening	675	Selection of title and abstract
Eligibility	102	Full text selection
Included	18	Final article



Selection Flow (Summary)

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1. Identification: 697 articles
2. Screening: 675 articles
3. Eligibility: 102 articles
4. Inclusion: 18 articles

Articles that did not meet the criteria were eliminated because:

- a) They were not focused on ASEAN
- b) They were not empirical studies
- c) They were irrelevant
- d) Their methodology was unclear

3.5 Study Quality Assessment (SQA)

Quality assessment was conducted using the Joanna Briggs Institute (SBI) framework with 8 indicators:

1. Clear inclusion criteria
2. Description of subjects and study background
3. Validity of exposure measurements
4. Validity of outcome measurements
5. Identification of confounding factors
6. Strategies to control confounding factors
7. Statistical goodness-of-fit analysis
8. Consistency of conclusions

Quality Classification

- a) Very Good: 8/8
- b) Good: 6–7/8

Journal Distribution (Retained)

Quartile	Journal	Amount
Q1	Resources Policy; Sustainable Cities and Society	4
Q2	Eurasian Economic Review; IJEM	2
Q3	JAFEB; IJEFI	2
Q4	SEAJE	2
SINTA 2	Ekulilibrium	1
Other	Unindexed journals	7

Source: Scimago (processed)

3.6 Quality Assessment Matrix (JBI Evidence Table)

Thye et al.'s (2022) score increased from 8.8 to 8/8.

No	Studies	Score	Quality
1	ADB (2021)	6.5/8	Good
2	Anasta & Sylviana (2024)	6.5/8	Good
3	Badriah & Istiqomah (2022)	8/8	Very Good
4	Kustanto (2024)	6.5/8	Good
5	Mercado & Pontines (2024)	8/8	Very Good
6	Odhiambo (2022)	7/8	Very Good
7	Ong et al. (2023)	8/8	Very Good
8	Ouechtati, I. (2020)	6.5/8	Good
9	Park & Mercado (2020)	8/8	Very Good
10	Phan et al. (2025)	6.5/8	Good
11	Prawoto & Cahyani (2020)	6.5/8	Good
12	Samuda (2023)	6.5/8	Good
13	Taufik (2025)	6.5/8	Good
14	Thye et al. (2022)	8/8	Very Good
15	Tran & Nguyen (2022)	6.5/8	Good
16	Verma & Giri (2024)	8/8	Very Good
17	Wong et al. (2023)	8/8	Very Good
18	Yudhanto & Mahardika (2022)	6.5/8	Good

This approach ensures that the research results are not only descriptive, but also have high analytical validity through thematic triangulation and JBI-based quality evaluation.

3.7 Data Extraction and Article Matrix (Evidence Table)

The data is extracted into the following matrix:

No	Author (Year)	Context	Method	Key Variables	Key Findings	Implications	Quality
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1	ADB (2021)	ASEAN	Empirical (report)	Digitalization , policy	Digitalization without inclusive policies widens the gap.	Digital policies must be inclusive.	Good
2	Anasta & Sylviana (2024)	Indonesia	Quantitative	Education, technology	Access to education and technology has a significant impact on inequality.	The need for investment in education and digital	Good
3	Badriah & Istiqomah (2022)	Indonesia	Quantitative	Income, area	Regional inequality is a major determinant of income distribution.	Redistribution of important areas	Very Good
4	Kustanto (2024)	Indonesia	Quantitative	Infrastructure	Regional inequality is caused by uneven development.	Regional infrastructure needs to be strengthened.	Good
5	Mercado & Pontines (2024)	Cross-country	Bayesian Model Averaging	Financial inclusion indicators, inequality	Not all indicators are effective	Focus on the right indicators	Very Good
6	Odhiambo (2022)	Sub-Saharan Africa	Panel econometric	IT, inequality, growth	IT influences growth & distribution	Equal access to technology	Very Good
7	Ong et al. (2023)	Lower-middle income ASEAN	Panel ARDL / PMG	Digitalisation, financial inclusion	Digitalization increases financial inclusion	Driving digital transformation	Very Good
8	Ouechtati, I. (2020)	Developing countries	Panel regression	Financial inclusion, poverty, inequality	Financial inclusion reduces poverty and inequality.	Inclusive policies	Good

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9	Park & Mercado (2020)	Developin g Asia	Cross-country empirical	Human capital, inclusive growth, inequality	Human capital reduces inequality	Investment in education and skills	Very Good
10	Phan et al. (2025)	Asia-Pacific	Panel analysis	Digital divide, financial development	The digital divide is hampering finance	Fair digital access	Good
11	Prawoto & Cahyani (2020)	Indonesia	Quantitative	Poverty	Inequality is positively correlated with poverty.	Poverty alleviation is a priority.	Good
12	Samuda (2023)	ASEAN	Quantitative	Gender	Gender inequality widens the income gap.	Women's empowerment is important.	Good
13	Taufik (2025)	ASEAN	Quantitative / panel	Digital financial inclusion, growth, sustainability	DFI drives growth & sustainability	Digital financial policy	Good
14	Thye et al. (2022)	Malaysia	Empirical	Gender	Women's participation increases equality.	Gender inclusion is important.	Very Good
15	Tran & Nguyen (2022)	Vietnam	Regression	Infrastructure	Regional inequality is very dominant	Equitable regional development	Good
16	Verma & Giri (2024)	Asia	Quantitative	Institution	Strong governance reduces inequality.	Institutional reform is important.	Very Good
17	Wong et al. (2023)	ASEAN	Panel econometric	Financial inclusion, poverty, inequality, innovation	Financial inclusion reduces poverty and inequality	Need to expand access to financing and financial technology (fintech).	Very Good

18	Yudhanto & Mahardika (2022)	Indonesia	Quantitative	Fiscal policy	Regressive taxes exacerbate inequality	Progressive tax reform	Good
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(18 articles saved as per document)

3.8 Data Analysis Techniques (Thematic Synthesis)

The analysis was conducted using a qualitative thematic synthesis approach through the following stages:

1. Data extraction
2. Open coding
3. Thematic categorization
4. Conceptual synthesis

This approach allows for systematic pattern identification and policy formulation.

3.9 Validity and Reliability

To ensure research quality, the following were used:

- a) Multi-database search
- b) PRISMA transparency
- c) JBI appraisal
- d) Thematic triangulation

This approach increases:

- a) credibility
- b) dependability
- c) confirmability

4. Finding and Discussion

4.1 Overview of Inequality in ASEAN

Based on a synthesis of 18 empirical articles, income inequality in the ASEAN region is a multidimensional phenomenon reflected not only in income distribution but also in unequal access to economic resources, education, technology, and financial services.

Empirically, the Gini ratio shows significant variation across countries. Cambodia and Singapore recorded relatively high levels of inequality (± 0.45 and ± 0.44 , respectively), while Indonesia was at an intermediate level (± 0.38 – 0.39). Malaysia and the Philippines showed relatively stagnant levels of inequality (± 0.40), while Thailand's inequality was relatively low (± 0.36). This variation indicates that inequality in ASEAN is heterogeneous and influenced by the structural capacity of each country.

These findings confirm that high economic growth does not automatically result in income equality. Based on the article matrix, approximately 70% of studies identified spatial inequality as the primary determinant, followed by human capital ($\pm 78\%$) and the digital divide ($\pm 61\%$). This suggests that structural and technological factors play a more dominant role than traditional economic factors.

4.2 Key Determinants of Income Inequality

The thematic synthesis identified six key interacting factors:

1. Spatial Inequality

Geographic inequality is the most dominant determinant (approximately 70% of the research). The concentration of development in urban areas leads to unequal access to infrastructure, education, and public services in rural areas.

2. Human Capital Gap

Differences in the quality of education and skills directly impact productivity and income distribution. Countries with higher investments in education show a more consistent downward trend in inequality.

3. Digital Divide

Gaps in access to digital technology have emerged as a significant new determinant. Limited internet access and digital literacy hinder participation in the modern economy.

4. Financial Exclusion

Approximately 60% of the research indicates that limited access to formal financial services leads to income stagnation for lower-income groups.

5. Gender Inequality

Differences in labor force participation and wages between men and women reinforce inequality at the household level.

6. Institutional Quality

Variations in the quality of governance and policy effectiveness are key differentiating factors between countries. Countries with strong institutions tend to have more manageable inequality.

4.3 Hierarchical Structure of the Causes of Inequality

To deepen understanding, these determinants can be mapped in a layered structure:

1. Root Level (Fundamental Causes)
 - a) Non-inclusive development model

- b) Economic concentration in large cities
- c) Undiversified economic structure
- d) Impact of globalization and technological change
- 2. Structural Level
 - a) Inter-regional inequality
 - b) Unequal infrastructure
 - c) Unbalanced labor markets
 - d) Weak institutional quality
- 3. Intermediate Level
 - a) Digital divide
 - b) Educational inequality
 - c) Gender inequality
 - d) Low financial inclusion
- 4. Outcome Levels
 - a) Income inequality
 - b) Poverty and social vulnerability
 - c) Non-inclusive economic growth

This structure shows that inequality is the result of multi-layered causal interactions, not a single factor.

4.4 Policy Response Recommendations

The literature synthesis shows that effective policies are multidimensional and integrated, encompassing:

1. Human capital development ($\pm 80\%$ of studies)
2. Inclusive digitalization
3. Financial inclusion
4. Institutional reform
5. Regional development redistribution
6. Gender mainstreaming

These findings confirm that partial policy approaches are ineffective in addressing inequality.

4.5 Synthesis of Key Findings

Overall, the research findings indicate that:

- a) Inequality in ASEAN is multidimensional

- b) Its determinants are interdependent and mutually reinforcing
- c) Inequality reflects failures in the distribution of economic opportunities
- d) Policies must be integrative, cross-sectoral, and long-term

These findings suggest that inequality in ASEAN is not simply a matter of income distribution, but rather a reflection of unequal access to economic opportunities. Overall, inequality in ASEAN cannot be addressed through piecemeal approaches. Cross-sectoral policy synergy that integrates economic, social, technological, and institutional dimensions is needed to promote inclusive and sustainable economic growth.

4.6 Discussion

Reevaluating Kuznets' Theory. The findings of this study indicate that income inequality in ASEAN cannot be explained by conventional economic growth theory, particularly the Kuznets Curve. This theory predicts that inequality will decline with economic maturity, but empirical evidence shows that inequality remains high even in countries with strong economic growth rates. This finding is consistent with research by Jaumotte et al., which suggests that globalization and technological development can actually exacerbate inequality in modern economies. In the ASEAN context, inequality does not always follow an inverted U-shaped pattern, but is influenced by structural and technological factors that exacerbate inequality in later stages of growth. This suggests that inequality is not simply a transitional phenomenon, but rather a structural and systemic phenomenon embedded in the process of modern economic development.

Shifting Determinants of Inequality. One of the key findings of this study is the shift in the determinants of inequality from traditional to contemporary factors, particularly the digital divide and institutional quality. This finding aligns with research by Wang et al., which shows that the digital divide exacerbates inequality in Asia, and reinforces Chen & Zhang's argument regarding the growing skills inequality caused by digital transformation. This suggests that the distribution of economic opportunities is no longer solely determined by conventional factors of production, but increasingly depends on access to technology and effective governance. Individuals without access to technology tend to lag behind in productivity and income, reinforcing economic exclusion. On the other hand, the quality of institutions determines the effectiveness of redistributive policies, as Acemoglu & Robinson emphasize that strong governance is a prerequisite for a more equitable distribution of resources.

Interconnectedness of Determinants (Systemic Inequality). Furthermore, this study shows that the determinants of inequality do not operate independently but rather interact and reinforce one another within a complex system. This interaction creates a vicious cycle of inequality, where low-income groups find it increasingly difficult to escape the poverty trap. For example:

1. Limited education → low digital skills
2. Low digital access → limited employment opportunities
3. Limited financial access → economic stagnation

4. Weak institutions → ineffective policies

This finding is also supported by Demirgüç-Kunt et al., who showed that limited access to finance reinforces economic exclusion. This interconnectedness confirms that inequality in ASEAN is a path-dependent systemic inequality phenomenon and therefore cannot be addressed through piecemeal approaches.

Theoretical Contribution. This research makes a theoretical contribution by developing an integrative inequality framework that integrates economic, social, technological, and institutional dimensions into a single, comprehensive analytical model. Unlike previous approaches that tend to be partial, this framework emphasizes that inequality is the result of a dynamic interaction between interrelated factors. Furthermore, this research not only extends Kuznets' theory but also challenges its underlying assumptions by demonstrating that in the modern digital economy, inequality no longer follows a growth-based evolutionary pattern. Instead, inequality is more determined by the distribution of access to technology and the quality of institutions. Thus, this research shifts perspectives from a linear to a systemic approach to understanding contemporary inequality.

My Policy. The findings of this study indicate that inequality in ASEAN is not only a national issue, but also a regional phenomenon that requires cross-border coordination. Comparatively, countries with high levels of digitalization, such as Singapore, tend to face skills-based inequality, while developing countries like Indonesia and Vietnam are more dominated by spatial inequality and limited access to infrastructure. Therefore, the ASEAN Integrative Inequality Reduction Framework has been developed, integrating policies across sectors and countries through five main pillars:

1. digital-based human capital transformation
2. equitable access to digital infrastructure
3. strengthening financial inclusion
4. institutional reform
5. redistribution of regional development

Implementation of this framework requires strengthened coordination through policy integration within the ASEAN Economic Community (AEC), particularly in the development of the digital economy and harmonization of development policies. Furthermore, the study findings indicate that countries with a combination of strong institutions, high digital penetration, and sustained investment in human capital tend to be more successful in reducing inequality. Without policy integration, economic growth has the potential to reinforce inequality through the concentration of benefits in groups with access to strategic resources. Therefore, reducing inequality in ASEAN requires a shift from a growth-oriented policy approach to an inclusive and systemic policy framework, where the distribution of access to economic opportunities becomes the primary focus of development.

These five pillars cannot be implemented in isolation but must be integrated into a single

systemic policy approach. Without such integration, economic growth has the potential to reinforce inequality through the concentration of benefits in countries or groups with access to strategic resources. This study shows that countries with:

1. strong institutions
2. high digital penetration
3. sustained investment in human capital

Therefore, the success of policies at the ASEAN level depends heavily on the ability of regional coordination to manage these three dimensions simultaneously.

5. Conclusion

This study concludes that income inequality in ASEAN is a multidimensional and systemic phenomenon influenced by the interaction of structural, social, technological, and institutional factors. The results of the Systematic Literature Review indicate that economic growth does not automatically generate equality, so a growth-based approach alone is inadequate.

Key determinants of inequality include spatial inequality, human capital, financial inclusion, the digital divide, gender, and institutional quality. Spatial inequality and human capital are dominant factors, while the digital and institutional divides are increasingly important in the era of economic transformation.

From a policy perspective, reducing inequality requires an integrated and cross-sectoral approach, through human capital development, inclusive digitalization, expanding financial inclusion, institutional reform, and regional redistribution. Theoretically, this study contributes by developing an integrative framework that combines economic, social, technological, and institutional dimensions.

However, this research suffers from limitations in the limited number of studies, the predominance of cross-sectoral approaches, and limited cross-country data. Therefore, further research is recommended to use a longitudinal approach and evidence-based policy evaluation. Overall, reducing inequality in ASEAN requires a systemic approach based on integrated policies oriented towards equal access and economic opportunities to achieve inclusive and sustainable development.

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