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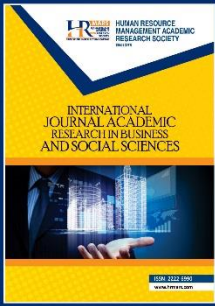
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The Impact of Economic Growth, Education Level, and Inflation Rate on Income Inequality in Malaysia

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Abstract

Purpose: The goal of this study is to look at the determinants that contribute to income inequality in Malaysia.

Methodology: The time series spans the years 1990 - 2019, with 30 observations. The empirical findings of this study were obtained using three important econometrics tests through E-views software: Augmented Dickey-Fuller (ADF) test and Phillips-Perron (PP) test, the JJ Cointegration test, and the Vector Error Correction Model (VECM) test.

Expected Findings: The result reveals that economic growth, education level, and inflation rate have long-run and short-run relationships with income inequality in Malaysia.

Practical Implications: The government needs to implement and introduce new ways and solutions in increasing and enhancing the quality of the education system that could aid in reducing the country's income inequality.

Originality/Value: Findings of this study will assist the government and policymakers in determining the major drivers that are beneficial in reducing income inequality.

Keywords: Income Inequality, Economic Growth, Education Level, Inflation

Introduction

Income inequality is identical to the Gini coefficient, which is used to evaluate income disparity, with zero indicating perfect equality and one indicating perfect inequality. Income inequality in poorer nations impedes economic progress, whereas income inequality in wealthy nations stimulates it. Forbes (2000) stated that in wealthy countries, for example, the constructive link between income difference and economic growth may be streamlined; wealthier people save more than poor people. Income transfer from richer to poor people reduces the economy's saving rate and, as a result, may result in a drop in financial development. Another explanation is that income redistribution may limit the ability for the rich to put in more effort in work, resulting in a slowing of economic growth.

Income disparity refers to inequalities in income levels among Malaysians and may be beneficial to economic growth when the amount of inequality is appropriate. However, if all