UNIVERSITI TEKNOLOGI MARA

STOCK MARKET AND INCOME INEQUALITY FOR ASEAN COUNTRIES

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ABSTRACT

This paper investigates the relationship between the stock market and income inequality in ASEAN countries from 2011 to 2020. Reduced income inequality and improved access to financial institutions, particularly in developing countries, are critical to achieving the Sustainable Development Goals 10. Southeast Asia's financial services market has expanded rapidly over the last decade. However, ASEAN remains concerned about the issue of unequal income distribution, which has the potential to stifle economic development, jeopardise the fight against income inequality, and jeopardise community stability. Furthermore, this research will concentrate on five ASEAN countries which are Indonesia, Vietnam, Malaysia, Philippines, and Thailand. This study's findings will indicate which independent variable will have an impact on income inequality.

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TABLE OF CONTENTS

CHAPTER ONE
INTRODUCTION

1.1 Introduction

According to the world bank, the financial sector is the combination of institutions, tools, and markets, as well as the legal and regulatory framework that allows credit-based transactions to take place. Fundamentally, the development of the financial sector is about overcoming costs incurred in the financial system. The stock market, in its broadest sense, refers to the network of exchanges and other venues where shares of publicly traded companies are bought, sold, and issued. Such financial activities are carried out through institutionalised formal exchanges whether physical or electronic or over-the-counter (OTC) marketplaces that follow a set of rules.

Income inequality is a widespread issue that has evolved into a significant worldwide economic crisis. The degree of wealth disparity has characterized global economic events, potentially leading to global economic instability (Ridzuan et al., 2021).

According to Alvaredo et al. (2018), economic inequality has increased in nearly every area of the world since the 1980s. They go on to say that the rise in inequality may be explained by an imbalance in capital ownership. The stock market can help explain this mismatch, and it is worthwhile to investigate the potential economic consequences of the stock market on economic inequality. The stock market has the potential to reduce economic inequality by raising investment, wages, and employment for the poor and middle class, or it has the potential to increase economic inequality by concentrating wealth in the hands of a few rich investors. Stocks are significant because they allow investors to receive higher risk-adjusted returns on their investments than traditional bank deposits.

Over the last decade, Southeast Asia's financial services sector has grown at a rapid pace. A more coordinated approach in this area has aided economic progress, with an increase in the region's GDP acting as evidence of ASEAN member nations' systematic planning. According to The ASEAN Post in 2018, Malaysia has 0.6% of its 31 million population living in poverty, 34% of its indigenous people, and 7% of children in urban low-cost housing developments living in poverty. In Thailand, the top 1% controls 58% of the country's revenue, while the top ten percent earns 35 times more than the lowest ten percent. Furthermore, the