

## ABSTRACT

This paper aims to investigate the quantitative relationship between the development of ICT towards income inequality in Indonesia. The paper highlights the potential of ICT to mitigate income inequality through the creation of fresh opportunities for low-skilled labor and reducing transaction costs. However, it also emphasizes the capability of ICT to exacerbate income inequality by favoring skilled workers and those with technology access. The research utilizes a balanced panel dataset spanning the period from 2015 to 2022 and data collected from all 34 provinces within Indonesia, ensuring comprehensive coverage of the country's demographic and economic diversity. The study's findings reveal a negative correlation between ICT development and income inequality, indicating that the observed effect size is relatively small while ICT can reduce income disparities. ICT can help alleviate income inequality among MSMEs by aiding productivity and reducing transaction costs. A 90% reduction in mobile data prices can also boost economic growth and reduce income disparity by enabling more people, especially low-income individuals and MSMEs, to engage in digital businesses and e-commerce. Despite ICT's growing importance in education, communication, and information access, households in Indonesia tend to prioritize other expenses over ICT. These results provide valuable insights for policymakers regarding the potential of ICT development to promote a more inclusive and fair economic environment in Indonesia.

Keywords : Information and Communication Technology (ICT), Income Inequality, ICT Expenditure, Headcount Index, GRDP Growth, Digitalization, Technology Adoption