

Control of Corruption, Political Stability, Foreign Investors, Government Expenditure and Economic Growth Trends in the Southeast Asian Region

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Abstract

Purpose: Corruption and lack of political stability had been affecting economic growth, especially after the 1997 Asian Financial Crisis, with all Asian regions facing an economic downturn. This study aims to examine the influence of the control of corruption, political stability, foreign investors, and government expenditure on economic growth in seven Southeast Asian countries from 1996 to 2018.

Design/Methodology/Approach: This study is undertaken fundamentally within the context of the theoretical arguments of the basic Solow Model and the extended Solow Model which incorporates the element of corruption. To ascertain the outcome of the variables, the researcher employed Panel Data Analysis, comprising Pool Ordinary Least Square Method (POLS), Fixed Effects Model (FEM), and Random Effects Model (REM). The Likelihood Test and the Hausman Test were conducted to determine the best models for verifying appropriateness among these models. This study analysed 23 years of data from seven Southeast Asian countries from 1996 to 2018.

Research Limitations: The study was limited to seven Southeast Asian countries. The remaining four countries in Southeast Asia, i.e. Myanmar, Timor-Leste, Cambodia, and Laos were excluded due to non-availability of data.

Findings: The findings revealed that control of corruption and political stability had no significant influence on economic growth in the seven Southeast Asian countries. Foreign investments and government expenditure, on the other hand, have a significant positive relationship with economic growth in those countries.

Practical Implication: Based on the findings, it is recommended that future research would emphasis on subcategories of government expenditures, such as education, agriculture, military, and health. Future researchers may also enhance the number of observations by diversifying the countries studied, while the current study only examined the Southeast Asian region.

Originality/Value: This study adds to the current literature on the knowledge of factors influencing economic growth in the Southeast Asian region.

Keywords: Control of corruption, political stability, foreign investors, government expenditure, economic growth