ABSTRACT

This study examines the moderating effects of institutional quality, including Voice and Accountability, Political Stability, Regulatory Quality, and Control of Corruption, on the influence of government expenditure on economic growth in the Southeast Asian and Latin American regions. Furthermore, this research aims to compare the impact of government expenditure on economic growth in relatively safe and unsafe regions.

The study utilizes panel data comprising 16 countries in the Southeast Asian and Latin American regions, spanning the observation period from 2002 to 2021, resulting in 320 observations. The data are analyzed using the Ordinary Least Squares (OLS) method, with the Fixed Effect Model (FEM) being the selected model.

The research findings indicate that government expenditure in the Southeast Asian and Latin American regions positively affects economic growth, suggesting that government spending can stimulate economic growth. The moderation analysis yields a positive moderation effect of the variables Voice and Accountability, Political Stability, and Control of Corruption on the influence of government expenditure on economic growth. This implies that all three variables demonstrate an ability to enhance the influence of government expenditure on economic growth. Conversely, the variable Regulatory Quality does not yield a significant moderation effect. Additionally, other research findings indicate that the influence of government expenditure on economic growth in relatively safe and unsafe regions does not exhibit significant differences. This suggests that security stability does not significantly impact the influence of government expenditure on economic growth.

Keyword: Government Spending, Institutions Quality, Moderating Model