ABSTRACT

Economic growth is undoubtedly the ultimate goal for most developing countries around the world to achieve, which is to realize sustainable economic development that has been planned by all countries. In line with the globalization revolution, foreign direct investment is currently positioned as a diffusion and engine for many developing countries in achieving sustainable economic growth. FDI promotes more opportunities for a country to grow with tremendous impacts that can be seen recently. However, developing countries are often cut off with many obstacles that can disrupt the sustainability of development in the country. To understand the determinants of economic growth, this study aims to examine the impact of economic stability, government fitness, market fitness, and FDI on economic growth in ASEAN countries for the period 2010-2022. Substantially, this study looks at the determinants of economic growth from 4 different channels.

This study uses secondary data. Panel data regression with Random Effect Model (REM) using Generalized Least Squared (GLS), consisting of 10 cross-sections with a period of 13 years is used to estimate the economic growth of ASEAN countries quantitatively. 9 variables representing 4 dimensions of economic growth determinants are used in this study. The empirical findings of this study indicate that foreign direct investment, consumer price index, government size, trade openness, human capital, and unemployment are significant in influencing ASEAN economic growth, while government quality, population growth, and research and development have no significant effect. Therefore, the formation of FDI development, good government quality, and market conformity and suitability are needed to achieve economic growth in ASEAN.

Keywords: Foreign Direct Investment, Economic Growth, Government Fitness, Market Fitness, Economic Stability.