ABSTRACT

Foreign Direct Investment (FDI) *is a key source of financing that plays a vital role in driving economic growth through the transfer of capital, technology and knowledge.* ASEAN *countries continue to strive to enhance their attarctiveness to foreign investment in order to support economic development. However,* FDI *inflows across the ASEAN region still vary significantly from country to country, indicating differences in the quality of institutions and economic conditions. Therefore, this study aims to analyse the influence of institutional quality, government size and macroeconomic factors on* FDI *inflows in* ASEAN *countries.*

This study utilises panel data from 10 ASEAN *member states for the period 2015–2024, comprising a total of 100 observations. Institutional quality is proxied using the indicators Control of Corruption (CC), Political Stability and Absence of Violence/Terrorism (PV), and Voice and Accountability (VA). In addition, government size,* GDP *per capita, trade openness, and telecommunications infrastructure are used as independent variables. The analysis method employed is panel data regression using the Fixed Effects Model* (FEM) *approach with robust standard error.*

The results of the study indicate that Control of Corruption, Political Stability and Absence of Violence/Terrorism, government size, GDP *per capita, and trade openness have a positive and significant effect on FDI inflows in* ASEAN *countries. Meanwhile, Voice and Accountability has a negative and significant effect on* FDI*, whilst infrastructure.*

Keywords: *Foreign Direct Investment, Institutional Quality, Government Size, Trade Openness, Fixed Effect Model,* ASEAN.

SEMARANG

FEB UNDIP