

## **ABSTRACT**

*Economic growth in developing countries is prone to global economic fluctuations such as the 2008 economic crisis and was again hampered by a recession due to the Covid-19 pandemic. This study aims to analyze the influence of the variables of institutional quality, government size, and FDI on economic growth in 9 Asian developing countries (ASIA-9) for the 2012-2019 period. Based on the theory of endogenous growth, the government through its institutional system and budget policies play a role in attracting investment to a country so that FDI acts as an intervening variable on the influence of institutional quality and government size on economic growth.*

*The method used in this research is path analysis and panel data regression with the common effect model (CEM) approach. The variables of institutional quality (voice and accountability, political stability and absence of violence/terrorism, regulatory quality, control of corruption), government size, and FDI are analyzed individually on their direct influence on economic growth. The indirect effect is analyzed individually on the influence of institutional quality and government size on economic growth through FDI.*

*The results showed that voice and accountability, political stability and absence of violence/terrorism, and regulatory quality directly affected economic growth. Meanwhile, control of corruption has no significant effect on economic growth. Government size does not significantly affect economic growth, but FDI has a significant effect on economic growth. Indirectly, all institutional quality variables do not have a significant effect on economic growth through FDI. On the other hand, government size has a significant effect on economic growth through FDI. Therefore, it is necessary to improve the quality of institutions, especially in the quality of regulations by carrying out regulatory reforms, reviewing budget allocations, and tightening foreign investment policies that are detrimental to the domestic industry and local workforce in ASIA-9.*

*Keywords: Institutional quality, government size, foreign direct investment, economic growth, path analysis.*