

Corruption Mudhorot for Economic Growth in 7 ASEAN Countries

HERU WAHYUDI

Economic Development, Faculty of Economics and Business
University of Lampung
Jln. H. Komarudin, Rajabasa Raya, Rajabasa, Bandar Lampung
INDONESIA

WIDIA ANGGI PALUPI

Economic Development, Faculty of Economics and Business
University of Lampung
Rajabasa, Bandar Lampung
INDONESIA

Abstract: - Corruption is a detrimental act for many people, especially related to the economy. Various groups widely discuss corruption and economic growth from academia, government, and the private sector. This is even more complex when coupled with competitiveness between countries and democratic systems. So this study aims to analyze the mudhorot of corruption and the influence of global competitiveness and democracy on economic growth in ASEAN countries. This study used panel data analysis methods in 7 ASEAN countries from 2014-2019. The seven countries are Indonesia, Malaysia, Thailand, the Philippines, Vietnam, Laos, and Cambodia. It is related to economic growth, corruption, and competitiveness in ASEAN countries. The results of this study show that corruption brings mudhorot but has yet to be significant to economic growth. Another interesting finding is that democracy negatively affects global competitiveness and increases economic growth. This research can be one of the government's policy recommendations by increasing economic growth through strict enforcement against corruption and increasing global competitiveness. To realize economic growth that prospers society requires the role of the government through increasing human and institutional resources to support other competitiveness factors that focus on technological, environmental, and innovation aspects.

Key-Words: - Corruption, Democracy, Global Competitiveness, Economic Growth

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1 Introduction

The Creator of the universe orders people to do justice and good deeds, gives rights to relatives, and forbids abominations and wrongdoing. Violation of sharia will create mudhorot on a micro and macro basis. A country with a sound justice system, honest government officials, and clear and strong legislation will experience a higher standard of economic living compared to a country where the justice system is weak, the government is corrupt, and there are frequent revolutions or coups. The government maintains domestic security and defence, administers justice, and provides goods not provided by the private sector are the functions of the government, [1].

The commitment of ASEAN countries is to accelerate economic growth, social progress, and cultural development in the region, to promote regional peace and stability through respect for justice and the rule of law in relations between

countries in the area, and adherence to the principles, [2].

Table 1. ASEAN Economic Growth 2014 – 2019 (in Percent)

| Country | Year | | | | | |
|-------------|------|------|------|------|------|------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Indonesia | 5.01 | 4.87 | 5.03 | 5.06 | 5.16 | 5.01 |
| Malaysia | 6.01 | 5.09 | 4.44 | 5.81 | 4.76 | 4.30 |
| Thailand | 0.98 | 3.13 | 3.43 | 4.17 | 4.18 | 2.26 |
| Philippines | 6.35 | 6.34 | 7.14 | 6.93 | 6.34 | 6.11 |
| Vietnam | 5.98 | 6.67 | 6.21 | 6.81 | 7.07 | 7.01 |
| Laos | 7.61 | 7.27 | 7.02 | 6.89 | 6.24 | 5.45 |
| Cambodia | 7.14 | 7.11 | 6.93 | 6.84 | 7.46 | 7.05 |

Source: Word Bank 2020 (data processed)

From Table 1, in 2014, Laos had the highest economic growth of 7.61%, while the lowest economic growth was 0.98% in Thailand. Nonetheless, Thailand's economic growth tends to increase every year, except at the end of the year, which fell by 1.92% from the previous year. Indonesia has an economic expansion that tends to be stable, which is at 5%, except in 2015, Indonesia's economic growth fell to 4%, but after that, it stabilized again at 5%. Malaysia has economic growth in the range of 4-6%, but Malaysia's economic growth rate tends to decline during the study period, except in 2017, which increased by 1.37% from the previous year.

The Philippines' economic growth is dominated at 6%. This economic growth is higher than the economic growth of Indonesia, Malaysia, Singapore, and Thailand. The Philippines even obtained 7.14% in 2016. However, the Philippines' economic growth has continuously decreased, although not significantly, except in 2016, the Philippines' economic growth increased by 0.8% from the previous year. Vietnam, Laos, and Cambodia's economic growth is an economic growth that is more significant than the last country's explanation. Cambodia is a country that has the highest average economic growth score among ASEAN countries, which is 7.09%. This is supported by the range of Cambodia's economic growth rate, which is higher than that of other ASEAN countries, namely 6-7%. Laos and Vietnam have the same range of economic growth values, namely 5-7%. Laos has an average economic growth of 6.75%, while Vietnam has 6.6%. Cambodia and Vietnam have almost the same economic growth cycle, experiencing fluctuating numbers every year. Laos although it has relatively high economic growth, Laos' economic growth continues to decline every year.

The economic growth of each country has fluctuated. Many factors affect economic

development, including investment, technology, labor, education, and capital. In addition, various research sources state that corruption hurts economic growth. [3] said that partially the corruption perception index (CPI) had a positive and significant effect on economic growth in ASEAN countries (research 2000-2017). This means that corruption hurts economic growth. This is supported by economists who view corruption as one of the reasons for a country's decline in economic development. The higher the level of corruption, the worse the economic growth in a country. Corruption is measured through the Corruption Perception Index (CPI), which has a score of 0-100. There is less corruption when a country's GPA is close to 100. When the CPI gets closer to 0 in a country, the higher corruption in that country increases.

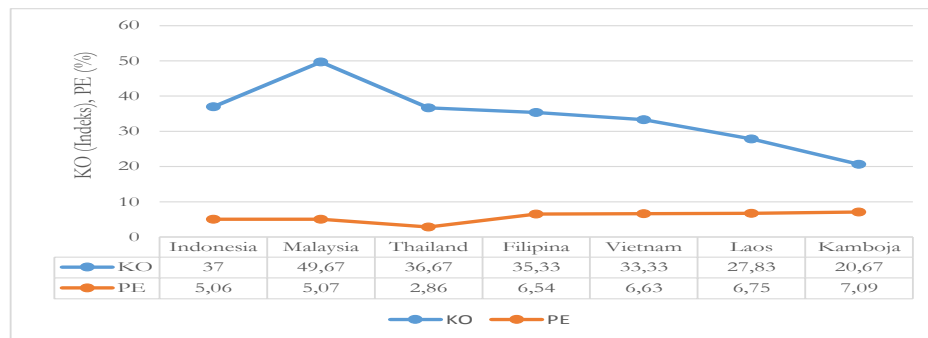


Fig. 1: Corruption Relations and Economic Growth in 7 ASEAN Countries (2014-2019) Based on Average per Year

Source: World Bank (2020) & Transparency International (2021), data is processed

In Figure 1, Cambodia is the country that has the highest average economic growth in ASEAN countries in the study period, namely 7.09%. Still, Cambodia has the lowest average GPA among nations and the study period, amounting to 20.67. In contrast, Malaysia has an average economic growth softer than Cambodia (5.07%) and has the highest GPA in ASEAN. This means that there needs to be more balance between the value of corruption and economic growth in this country. In terms of the effect of sin on economic growth, there are many different results from researchers. Some economists view corruption as the main obstacle to development.

The impact of corruption on economic growth is that it can reduce the state budget, which will impact the state's ability to reduce corruption and the amount of government spending, especially social security and public welfare payments. This study concludes that sin negatively affects outshine, according to research conducted by [4].

[4], using the method of analysis of literature studies with the object of 15 previous studies, concluded that the effect of corruption on economic growth depends on financial freedom. If economic freedom has a high level of economic freedom, then the CPI has a positive impact on the growth of economic freedom. If economic freedom has a low level of financial freedom, then the CPI hurts economic growth. In other words, corruption hurts economic growth if economic freedom is high in a country. If economic freedom has a low level of financial freedom, then the influence of corruption has a positive effect on economic growth. Economic freedom is a framework in which principles compatible with the ideals of prosperity are implemented in financial institutions and processes. It is suspected that the effect of the difference in these results depends on how financial freedom is implemented in each country, as the study results, [4]. In addition, good economic growth is economic

growth that tends to be stable, not too high, and not too low. Most economists agree that the ideal economic growth rate is 2% and 3%. This can explain the differences in the results of the CPI and economic growth in the study period, especially in the cases of Cambodia and Malaysia.

Based on the theory of endogenous growth, which states that economic growth is influenced by factors of influence and availability of laws and regulations, political stability, government policies, and bureaucracy on country's economic growth, [5], is concluded that there is a relationship between corruption and economic development in 7 countries ASEAN during the study period.

Apart from corruption, according to research conducted by [6], democracy also has a positive and significant effect on economic growth in Indonesia. This means that every time there is an increase in democracy, economic growth will increase. Democracy is a form of government in which all citizens have the same right to make decisions that can change the lives of the people and the state in a country.

[7] also researched the effect of democracy on economic growth using 81 published literature studies using the Meta-Analytic method. The conclusion is that three-quarters of the regressions have been unable to find the "desired" positive and significant sign. The results of this study also prove that half of the regression models find substantial estimates, and the rest are nonsignificant. This means that there are many differences in the results of research on the effect of democracy on economic growth from previous studies.

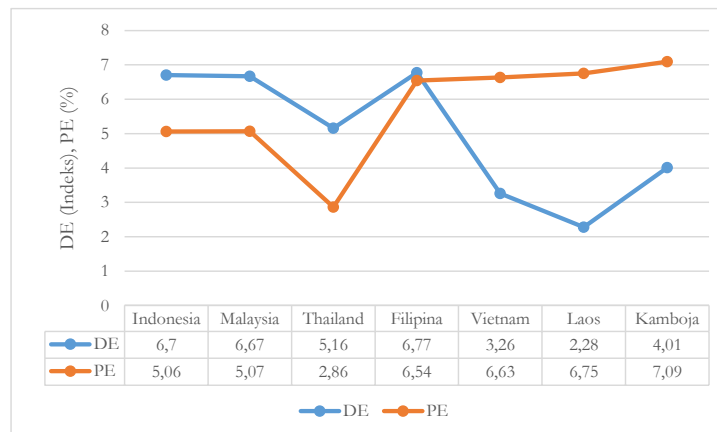


Fig. 2: Democracy Relations and Economic Growth in 7 ASEAN Countries (2014-2019) Based on Annual Average

Source: World Bank (2020) & Economist Intelligence Unit (2019), data is processed.

From the picture above (Figure 2), it can be seen that Cambodia has an average value of democracy index of 4.01 and has the highest average value of economic growth of 7.09%. Meanwhile, Laos, which has the lowest average democracy index (2.28), has an average economic growth higher than other countries (except Cambodia), 6.75%. The conclusion is that the system and form of government influence the democracy of ASEAN countries and how the implementation of government performance, and the contribution of society in a country. There is a correlation between the form and system of the state, the role of government, democracy, and economic growth.

[8] argued that democracy has weak and fragile political institutions. Democratic governments are vulnerable to demands for redistribution to lower-income groups. Non-democratic regimes can forcefully implement rigid economic policies necessary for growth and emphasize markets that inhibit growth in low incomes—Justice and welfare to the government. However, democracy is also important because it is an effort to maximize the role of society as social control of the government. This is the basis for research on democracy variables. As corruption is related to endogenous growth theory, democracy is also part of an endogenous factor because it sees political stability, government policies, and bureaucracy on the economic growth of a country.

In addition to corruption and democracy, many opinions from previous research have resulted in global competitiveness influencing economic growth, even significantly and positively. This

statement is reinforced by research by [9], and, [10]. The Organization for Economic Cooperation and Development (OECD) Program on Technology and the Economy 1992 defines a country's competitiveness based on better productivity, [10]. According to Nababan, competitiveness is related to improving living standards, developing employment opportunities, and the ability of a nation to fulfill its international obligations. This link supports economic growth in a country. Meanwhile, the World Economic Forum (WEF) defines a country's competitiveness as the ability of the national economy to achieve a sustainable growth rate.

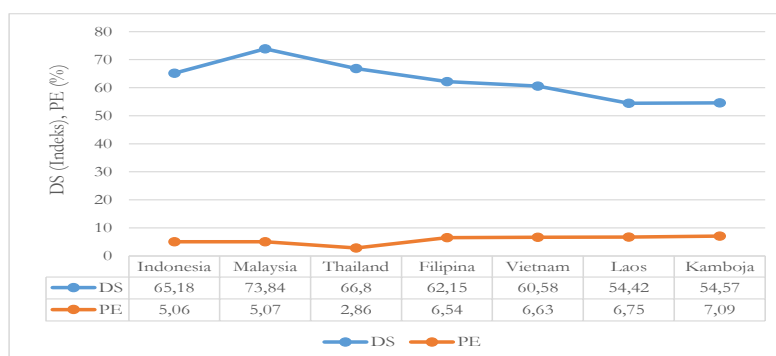


Fig. 3: Relationship between Global Competitiveness and Economic Growth in 7 ASEAN Countries (2014-2019) Based on Annual Average

Source: World Bank (2020) & World Economic Forum (2019), data is processed

From the picture above (Figure 3), it can be seen that Indonesia, Malaysia, the Philippines, Vietnam, Laos, and Cambodia have an average global competitiveness of above 50 and get an average value of economic growth of more than 5%. Only Thailand has a high average global competitiveness but a low economic growth rate. This can support the research hypothesis, which means that global competitiveness significantly affects economic growth.

According to the Neoclassical growth theory, the factors that influence economic growth according to this theory are capital, labor, and technology, [11]. This theory believes that increasing the number of workers can boost economic growth but must be supported by modern technology. Economic growth is the process by which there is an increase in Gross Domestic Product (GDP) over a long period. So the economy is said to grow or develop when output growth occurs, [12]. The amount of output is a function of labor and capital. Global competitiveness is included in this theory because the framework for forming the value of the worldwide competitiveness index consists of 4 aspects: a supportive/conducive environment, human capital, market aspects, and innovation ecosystems [13]. These four aspects are further broken down into 12 pillars: institutions, infrastructure, ICT adoption, macroeconomic stability, health, skills, markets for goods and services, labor market, financial system, economic size, business dynamics, and innovation capabilities.

Based on the background above, the formulation of the problem of this research is the mudhorod of corruption for economic growth in 7 ASEAN countries with the research question of how is the influence of sin, democracy, and global competitiveness on economic growth in 7 ASEAN countries in

2014-2019. Do all the independent variables jointly affect the dependent variable?

This study aims to partially and simultaneously analyze how corruption, democracy, and global competitiveness are committed to economic growth in 7 ASEAN countries. This study also analyzes more deeply related to the modorot of bribery in the ASEAN economy. In addition, the purpose of this study is expected to be one of the considerations in decision-making about minimizing cases of corruption, global competitiveness, and democracy to prosper the people in ASEAN countries.

2 Methodology and Variables

This quantitative study uses secondary data from the World Bank, Transparency International, Economic Intelligence Unit, and World Economic Forum. The objects in this study are 7 ASEAN countries from 2014-2019, which is called research with panel data. The dependent variable used in this study is economic growth. Meanwhile, the independent variables used are corruption, democracy, and global competitiveness. To provide direction in this study, the following table (Table 2) of operational definitions of variables is presented.

Table 2. Variable Operational Definitions

| Variable | Source | Definition |
|------------------------|-----------------------------|---|
| Economic growth | World Bank | The annual percentage growth rate of Gross Domestic Product (GDP) at constant market prices based on local currency. |
| Corruption | Transparency International | Survey results are released annually. They use the methodology of selecting source data, rescaling source data, combining rescaled data, and statistical measures indicating the degree of certainty drawn from 13 data sets. |
| Democracy | Economist Intelligence Unit | Average based on answers to 60 indicator questions. Where the solutions are primarily from experts. Some of the results of public opinion surveys from each country. |
| Global Competitiveness | World Economic Forum | The framework for forming global competitiveness is the enabling environment, human capital, market aspects, and innovation ecosystems. |

The purpose of this study is to find out how the influence of independent variables on dependent variables both simultaneously and partially, so this study uses the Ordinary Least Square (OLS) method. Applying the OLS method must meet classical assumptions to obtain the best, linear, unbiased estimator (BLUE) results. The classical belief consists of a normality test, a heteroskedasticity test, an autocorrelation test, and a multicollinearity test.

results of the descriptive statistical test, the results are obtained in Table 3 as follows:

The economic models used in this study are as follows:

$$Y = f(X_1, X_2, X_3, X_4) \quad (1)$$

Then the model is transformed into a model of the panel data regression equation:

$$PE_{it} = \beta_0 + \beta_1 KO_{it} + \beta_2 DE_{it} + \beta_3 DS_{it} + \mu_{it} \quad (2)$$

Information:

- PE_{it} : Economic Growth (percent)
- KO_{it} : Corruption (index)
- DE_{it} : Democracy (index)
- DS_{it} : Global Competitiveness(index)
- i : Shows the cross-section
- t : Shows the dimensions of the time series
- β_0 : Constant (intercept)
- $\beta_1, \beta_2, \beta_3, \beta_4$: Regression coefficient
- μ_{it} : Error term

3 Result and Discussion

3.1 Research Results

3.1.1 Descriptive Statistical Analysis

Descriptive statistics is an analysis that provides a general description of the characteristics of each research variable as seen from the average (mean), maximum and minimum values. Based on the

Table 3. Research Variable Descriptive Statistics

| | PE | KO | DE | DS |
|---------|----------|----------|----------|----------|
| Mean | 5.735262 | 34.35714 | 4.979524 | 62.50429 |
| Media | 6.165000 | 35.00000 | 5.000500 | 62.21500 |
| Maximum | 7.612000 | 53.00000 | 7.16000 | 74.65000 |
| Minimum | 0.984000 | 20.00000 | 2.14000 | 49.27000 |

Source: Eviews 9, (2022)

Based on Table 3, during the observation period (2014–2019), the average economic growth in the 7 ASEAN countries was 5.74%. The highest economic growth was in Laos, which was 7.61% in 2014. Laos is one of the ASEAN countries whose economy is unstable. Various government efforts have been made to increase the country’s economy, especially since the AEC commitment was agreed upon in 2015, as conveyed by Bouasone Bouphavanh (Prime Minister of Laos 2015) that Laos’ goal is to eradicate poverty so that it can get rid of the status of “underdeveloped country” in 2020 with a focus on economic development, [14]. In addition, Laos started a change for the better by becoming a d’mocratic republic. Laos highly depends on regional economic growth, tourism, foreign investment, and aid in an increasingly integrated ASEAN economy. Some of them are cooperation called the development of the Laos, Cambodia, and Vietnam triangle, cooperation between Laos, Thailand, and Cambodia, as well as trade and economic cooperation on border development between Ayeyawaddy and Chao Phraya. This underlies the high level of economic growth in Laos. At the same time, the lowest economic growth was in Thailand in 2014, which was 0.98%. This was caused by the political crisis, the decline in agricultural commodity prices, and the decline in exports. Key Thai agrarian sectors such as rice and rubber experienced a global price slump. This reduced the harvest volume and income of Thai people, [15].

The study period's average corruption (corruption perception index) was 34.4. Corruption in ASEAN countries, if it is averaged, is relatively high. Malaysia has the highest corruption perception index in ASEAN, namely 53 in 2019, meaning Malaysian corruption is the lowest in ASEAN. The control of the public policy system is good in this country. The lowest corruption perception index was in Cambodia in 2018 and 2019, namely 20, meaning that the highest corruption in ASEAN was in Cambodia.

The average democracy during the study period was 4.98. If levelled out, democracy in ASEAN

countries is categorized as a Hybrid Regime. If averaged by government and research period, no ASEAN countries (according to the research) are classed as full democracies. Indonesia, Malaysia, and the Philippines are classified as imperfect democracies. Thailand is a hybrid regime, and Vietnam, Laos, and Cambodia are ranked as Authoritarian Regimes. Malaysia had the highest democracy in 2019, namely, 7.16. Meanwhile, the lowest democracy was in Laos in 2019, namely 2.14.

The average global competitiveness during the study period was 62.50. Malaysia had the highest global competitiveness of 74.65 in 2016, while the lowest global competitiveness was in Laos in 2018 at 49.27.

3.1.2 Panel Data Regression Model Selection

The panel data regression model has three main approaches, namely the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM) as shown in Table 4, and Table 5. To find out the right approach in panel data regression is determined through several tests, namely the Chow test, Hausman test, and the BG-LM Test.

Table 1. Panel Data Regression Model Selection

| Test | Prob | Decision |
|--------------------------|---------|----------|
| Chow | 0.0000 | FEM |
| Lagrange Multiplier (LM) | 0.0000 | CEM |
| Hausman | 0.00 00 | FEM |

Source: Eviews 9, (2022)

22 Based on the tests that have been carried out, the best model chosen to analyze the effects of corruption, democracy, and global competitiveness on economic growth in 7 ASEAN countries during 2014-2019 is the Fixed Effect.

Table 5. FEM Regression Estimation Results

| Variables | coefficient | std. Error | t-statistics | Prob. |
|-----------|-------------|------------|--------------|--------|
| C | 4.523386 | 3.595483 | 1.258074 | 0.2175 |
| Ko | -0.054887 | 0.049842 | -1.101209 | 0.2790 |
| De | -0.979074 | 0.267527 | -3.659723 | 0.0009 |
| Etc | 0.127559 | 0.048250 | 2.643680 | 0.0126 |

| Effects specification | | | | |
|---------------------------------------|-----------|------------------------|----------|--|
| Cross-section fixed (dummy variables) | | | | |
| 4 R-squared | 0.892815 | Mean dependent var | 5.735262 | |
| Adjusted r-squared | 0.862670 | Sd Dependent var | 1.486823 | |
| Se Of regression | 0.550989 | Akaike info criterion | 1.850052 | |
| Sum squared residue | 9.714834 | Schwarz criterion | 2.263783 | |
| Likelihood logs | -28.85109 | Hannan-Quinn criteria. | 2.001701 | |
| F-statistics | 29.61667 | Durbin-Watson stat | 1.902264 | |
| Prob(f-statistic) | 0.000000 | | | |

Source: Eviews 9, (2022)

3.1.2 Classical Assumption Testing

14 The classic assumption test consists of a normality test, multicollinearity detection, heteroscedasticity test, and autocorrelation test. The normality test is needed to determine the normality of the error term and the dependent variable and the independent variable. The research aims to test whether the residual regression results have a normal distribution. 19

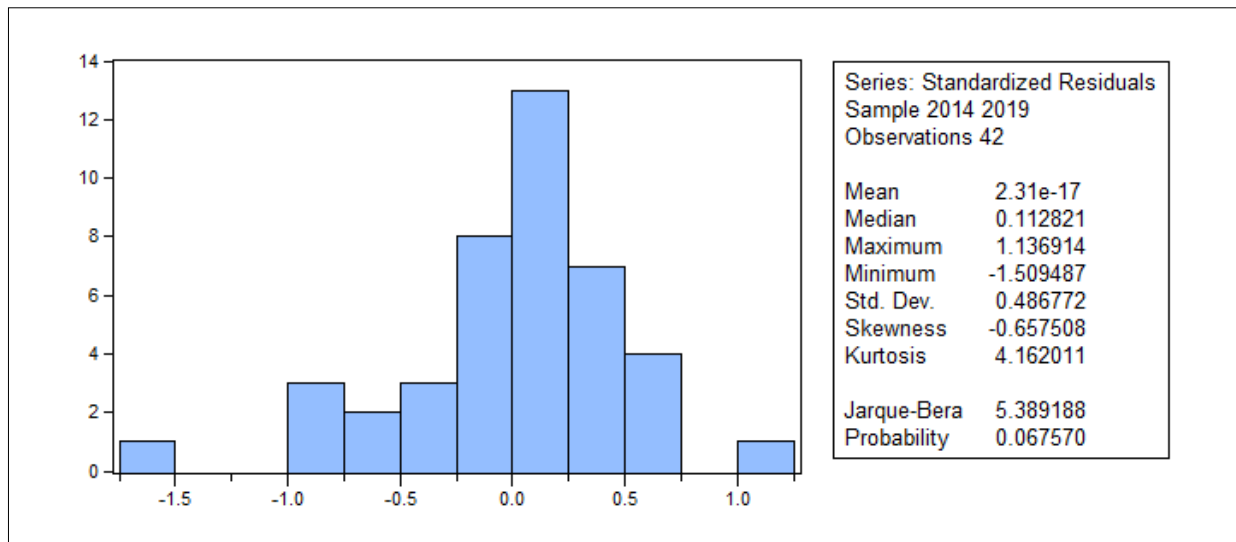


Fig. 4: Normality Test
 Source: Eviews 9, (2022)

The picture above (Figure 4) shows that the J-B Probability value of 0.067570 is more significant than more excellent (0.05), which means that the residue is spread commonly. According to the study, [16], if the probability value of J-B is greater than the value of 0.05, then the data is distributed normally. Next is to detect multicollinearity with the Variance Inflation Factor and Tolerance (VIF) method as the test results are as follows:

7 Table 6. Multicollinearity Test with VIF

| Variables | Coefficient Variances | Uncentered | VIF Centered VIF |
|-----------|-----------------------|------------|------------------|
| KO | 0.002611 | 87.33667 | 4.976499 |
| DE | 0.025656 | 19.05981 | 2.058059 |
| DS | 0.005164 | 545.3243 | 6.105528 |

Source: Eviews 9, (2022)

18 From Table 6. it can be seen that the Centered VIF value is below 10. If the VIF value is more than 10, it is suspected that there is multicollinearity. As a rule of thumb, if the VIF value exceeds 10, it is said that there is multicollinearity, [17]. The results show that the VIF value is below 10, so the data is free from multicollinearity problems.

Next is the heteroscedasticity test shown in Table 7. The Heteroscedasticity Test 2 aims to test whether, in the regression model, there is an inequality of variance from the residuals of one observation to another. In this research, Heteroscedasticity was tested using the Glacier method. To determine whether the disturbance variable pattern contains heteroscedasticity, this method suggests carrying out a regression value of the residual absolute value with the independent variable.

7 Table 7. Heteroscedasticity Test Results

| Variables | coefficient | std. Error | t-Statistics | Prob. |
|-----------|-------------|------------|--------------|--------|
| C | 3,523,817 | 2,040,629 | 1,726,829 | 0.0938 |
| KO | 0.004658 | 0.028288 | 0.164669 | 0.8702 |
| DE | -0.066379 | 0.151836 | -0.437175 | 0.6649 |
| DS | -0.047774 | 0.027385 | -1,744,552 | 0.0907 |

Source: Eviews 9, (2022)

From the regression results above, it can be concluded that the data is free from heteroscedasticity problems because the probability value is more than $\alpha = 5\%$, so this data is free from heteroscedasticity problems. While the Autocorrelation Test is the last classical assumption test. Autocorrelation means a correlation between members of the observation with other observations at different times. One method that can be used to determine whether there is a correlation between error terms is Durbin-Watson. The results show Durbin-Watson (FEM), namely Durbin-Watson stat 1.902264 with dL and dU values in the Durbin-Watson table, where $n = 42$ $k = 2$ so that $dL = 1.383$ and $du = 1.666$ are obtained. So it can be concluded that there is no autocorrelation problem in this study because the Durbin-Watson value lies between dU and $4-dU$.

3.1.4 Statistical Testing

3.1.4.1 t-test test

The t-test is used to test each variable partially as shown in Table 8. If H_0 is rejected, the tested independent variable significantly influences the dependent variable. If H_0 is accepted, the independent variable tested has no significant effect on the dependent variable.

According to the t-test, the decision is carried out if the Right-sided one-way test (positive):

1. Prob value t-statistic < level of significance, then the independent variable significantly influences the dependent variable.
2. Prob value t-statistics > significance level, the independent variables do not significantly affect the dependent variable.

One-way left-side(negative) test:

1. Prob value t-statistic < level of significance, then the independent variable significantly influences the dependent variable.
2. Prob value t-statistics > significance level, the independent variables do not significantly affect the dependent variable.

So that the resulting regression test of each independent variable on the dependent variable is as follows:

Table 8. T-statistic test

| Variable | t-statistics | Prob. | Conclusion |
|----------|--------------|--------|----------------------------|
| KO | -1.101209 | 0.2790 | H ₀ accepted |
| DE | -3.659723 | 0.0009 | H ₀ is rejected |
| DS | 2.643680 | 0.0126 | H ₀ is rejected |

Source: Eviews 9, (2022)

1. Prob test results. T-statistic variable corruption (KO) of 0.2790. This value is greater than the significance value of 5% (0.05) and the confidence level or df (degree of freedom) = 95. This means that H₀ is accepted and H_a is rejected. So it was concluded that the corruption variable did not significantly affect economic growth in ASEAN in 2014-2019.
2. Prob test results. The t-statistical variable of democracy (DE) is 0.0009. This value is smaller than the significance of 5% (0.05) and the confidence level or df (degree of freedom) = 95. This means that H₀ is rejected, and H_a is accepted. So it can be concluded that the democracy variable has a negative effect (because it has a negative t-statistic value of -3.659723) significantly on economic growth in ASEAN in 2014-2019.
3. Prob test results. T-statistic variable global competitiveness of 0.0126. This value is smaller than the significance of 5% (0.05) and the confidence level or df (degree of freedom) = 95. This means that H₀ is rejected, and H_a is accepted. So it can be concluded that the global competitiveness variable has a positive effect (because it has a positive t-statistic value of 2.643680) significantly on economic growth in ASEAN in the years 2014-2019.

3.1.4.2 F test

The F test was conducted to determine whether all the independent variables simultaneously or together were statistically significant in influencing the dependent variable.

Table 9. F test

| | | | |
|---------------------|------------|------------------------|-----------|
| R-squared | 0.892815 | Mean dependent var | 5,735,262 |
| Adjusted R-squared | 0.86267 | SD dependent var | 1,486,823 |
| SE of regression | 0.550989 | Akaike info criterion | 1,850,052 |
| Sum squared residue | 9,714,834 | Schwarz criterion | 2,263,783 |
| Likelihood logs | -2,885,109 | Hannan-Quinn criteria. | 2,001,701 |
| F-statistics | 2,961,667 | Durbin-Watson stat | 1,902,264 |
| Prob(F-statistic) | 0.000000 | | |

Source: Eviews 9

Based on Table 9 the simultaneous significance test results obtained a probability value (F-Statistic) of 0.00 < 0.05. It can be concluded that rejecting H₀

means that all independent variables consisting of corruption, democracy, and global competitiveness

in ASEAN countries were equally influential and significant to economic growth in 2014-2019.

3.1.5 Coefficient of Determination (R^2)

The coefficient of determination (R^2) measures how well the model can explain the dependent variable. Based on the results of the FEM test, the coefficient of determination (R^2) is 0.892815, which means that variations in economic growth can be explained by variations in corruption, democracy, and global competitiveness of 89.2815%, and the remaining 10.7185% is influenced by variables other.

3.2 Discussion

Based on the results of tests carried out previously, the panel data regression approach method chosen is the Fixed Effect Model (FEM). The following is the regression coefficient using the Fixed Effect Model (FEM) method:

$$PE_{it} = 4.523386 - 0.054887KO_{lit} - 0.979074DE_{2it}^* + 0.127559DS_{3it}^* \quad (3)$$

*) significant at $\alpha = 5\%$

The estimation results show the value of each coefficient and how the independent variable influences the dependent variable. The constant (c) of 4.523386 has a positive sign, meaning that if corruption, democracy, and global competitiveness are equal to zero, then the average economic growth in the 7 ASEAN countries in 2014-2019 is 4.52%, which *cateris paribus*.

3.2.1 Effects of Corruption on Economic Growth in 7 ASEAN Countries

The regression coefficient of corruption has a negative and insignificant effect on economic growth, namely -0.054887 in 7 ASEAN countries in the research period. If corruption increases by one index, economic growth in 7 ASEAN countries will decrease by 0.054887 percent but not significantly, assuming it *cateris paribus*. This result rejects the research hypothesis. Although not significant, corruption hurts economic growth. These results are consistent with, [18] which states that economic growth can increase corruption. The analysis results show that relatively rich countries have lower levels of corruption when compared to relatively poorer countries. Prosperous or advanced do not necessarily have a high level of economic growth.

The relationship between corruption and economic growth, according to, [8], states that corruption will increase economic growth by accelerating the bureaucracy so that problems in the bureaucracy are more accessible to solve using

money than by following the existing flow. But this has an impact on Moral Hazard. As a country leader, the government certainly needs to have leadership with integrity, honesty, and fairness. Every government policy decision will undoubtedly have a positive or negative impact. There will be challenges, risks, and even advantages or disadvantages, as well as corruption-related policies. No country wants to increase corruption. However, the fact is that corruption occurs a lot in developing countries. The study's results rejected the hypothesis due to the country's fluctuating economic growth value and the uncertain research period.

The study results are by the endogenous theory because this research looks at laws and regulations, political stability, government policies, and bureaucracy toward the economic growth of a country. Endogenous growth theory includes exogenous variables beyond neoclassical variables, and corruption is an exogenous variable from development.

Corruption is a deviant act. The government must act decisively in dealing with corruption cases. In this study, corruption has little effect on economic growth. Still, when many officials commit acts of corruption, public trust will decrease, and domestic financial stability will be disrupted. Corruption has an impact on reducing the budget and reducing government spending, especially in the field of social security and public welfare payments, disrupting national defence and political stability. Corruption can reduce the role and function of maximizing government, including the function of allocation, distribution, stabilization, development, and empowerment, as the theory of government that Musgrave sparked. The government must maximize its role to improve according to its function.

3.2.2 The Influence of Democracy on Economic Growth in 7 ASEAN Countries

The democratic regression coefficient negatively and significantly influences economic growth, namely -0.979074 in 7 ASEAN countries in the study period. This means that if democracy increases by one index, economic growth in 7 ASEAN countries will decrease by 0.979074 percent, assuming *ceteris paribus*.

According to [7], the relationship between democracy and economic growth has been debated for the last 50 years. So many research results on a national and international scale have different results from the influence of democracy on economic growth. There is a relationship between the system of government, the financial system, and democracy in a country. How the system of

government adopted in a country will affect all forms of policies and community activities in a country, including economic activities and democratic conditions. Countries with multiple parties will incur more party costs and costs to support other democratic movements. This can cause a large amount of budget to be issued by the government, in contrast to countries with a two-party system, such as the United States. The electoral mechanism is more practical because of the many candidate packages. There are only two submitted, so the winner is sure to reach more than 50% of the, [19]. Efficiency and cost-effectiveness can be controlled.

[8] argues that democracy has weak and fragile political institutions. Democratic governments are vulnerable to demands for redistribution to lower-income groups. Non-democratic regimes can enforce rigid economic policies necessary for growth and impose constraints on low-income growth demands, [7]. However, democracy in a country is still needed. When the people speak up, there is hope and the desired policy changes and improvements. Of course, every policy has advantages and disadvantages. This is the basis for the voice of the people in a country. In addition, the community also functions as government social control. However, the government, as the decision maker, has full power to determine policy. In addition, the government is a driver of "development" obligated to support policy programs supporting economic development, including considering socio-economic influences (considerations about wealth and income distribution). The government also has an empowerment function, meaning that the role of the community, both in freedom of expression and opinion, must be heard. As [20] stated that public disappointment is related to the implementation of democracy in the country they live in, where in practice, democracy does not necessarily fulfill what the people want, for example, good public services, freedom of the press, and opinion.

Implementing a democratic government prevents one or several people from accumulating power. They are reducing uncertainty and instability, guaranteeing citizens who disagree with current policies by providing rare opportunities to change who holds power and thus has the authority to make decisions. The results of this study are by endogenous theory because this study looks at laws and regulations, political stability, government policies, and bureaucracy on the economic growth of a country.

3.2.3 The Influence of Global Competitiveness on Economic Growth in 7 ASEAN Countries

The global competitiveness regression coefficient positively and significantly influences economic growth, namely 0.127559 in 7 ASEAN countries in the study period. This means that if global competitiveness increases by one index, economic growth in 7 ASEAN countries will increase by 0.127559 percent, assuming *ceteris paribus*. This result is by [10], which states that the GDP of ASEAN-7 countries has a positive and significant effect on the increase in GCI, except for Thailand. Research from, [21] also says that economic growth has a significant positive impact on economic growth. Likewise, study, [9] states that economic growth has a significant positive effect on economic growth, especially in the pillars of technology, capacity, cost, and demand (case studies of developing countries).

To increase global competitiveness, ASEAN-7 countries need to improve the sub-indices and pillars of competitiveness by adjusting the categories of development stages. To complete the ranking of the progress of each country compared to other countries, it is necessary to analyze other indices such as the doing business indicator (World Bank), the Human Development Index (UNDP), and the Climate Competitiveness Index (PBB).

The results of this study are by the endogenous theory because non-economic factors are included in the pillars of the global competitiveness index, such as institutional pillars that influence economic growth. The results of this study are also by the neo-classical theory. Capital, labor, and technology are factors that affect economic growth. According to this theory, increasing the number of workers can boost economic growth but must be supported by modern technology. According to this theory, economic growth in a country is primarily determined by its ability to increase its production capacity, which is supported by the mobility of labor and capital between countries. The government's role in increasing development and empowerment is vital to be maximized to support a better country's economy by considering the existing human, technological and environmental resources.

4 Conclusion

Based on the results of data analysis and discussion, it is concluded that Corruption has no effect on economic growth in ASEAN countries, Democracy has a negative and significant impact on economic growth in ASEAN countries, and Global competitiveness has a positive and significant effect

on economic growth in ASEAN countries in 2014-2019. The results of this study also produce corruption, democracy, and global competitiveness, which significantly affected economic growth in ASEAN countries in 2014-2019.

Although corruption did not have a significant effect on the period and country of the study, crime should be reduced accompanied by controlling economic growth that is not too high and not too low (2-3% range) because, in this way, economic development and the corruption perception index will be good in a given period: countries, especially ASEAN. In conclusion, the government's slowness in preventing and dealing with acts of corruption in ASEAN countries has shaken political stability, domestic security, and development.

Democracy in ASEAN countries is tailored to the needs of each country. They are considering that ASEAN countries have different government systems and economic systems. Of course, every government policy has advantages and disadvantages. In addition, the community also functions as government social control. However, the government, as the decision maker, has full power to determine policy. So, democracy is not flawed in a country, but the government needs to limit the number of parties because the more parties there are, the more budget is issued by the government, which can affect the economic growth rate. Democracy can also encourage better institutions.

To improve global competitiveness, ASEAN countries need to enhance the sub-indices and pillars of competitiveness by adjusting the categories for their countries' growth and development stages. The government's role in increasing growth and development, as well as community empowerment, is vital to be maximized, especially by paying attention to human and institutional capital, because human and institutional resources are the main factors to support other competitiveness factors, especially on technological, environmental and innovation aspects.

This research can be helpful as a recommendation for increasing economic growth in ASEAN countries. Nevertheless, this research is inseparable from limitations. The limitation of this study is that it has yet to analyze one by one how variable independents affect economic growth. So that further research is expected to use in-depth analysis in each ASEAN country. In addition, further research can also use a combination of independent variables between economic and non-economic factors, which affect economic growth more.

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