What is the Role of Tourism, Foreign Direct Investment, and Institutions in Economic Growth in ASEAN?

NELI AIDA
Economic Development, Faculty of Economics and Business,
University of Lampung,
Jalan Dipangga Satya No. 42, Rajabasa, Bandar Lampung,
INDONESIA

WIDIA ANGGI PALUPI
Economic Development, Faculty of Economics and Business,
University of Lampung,
Wisma Cantik Manis, Rajabasa, Rajabasa, Bandar Lampung,
INDONESIA

FAKHRI RIZAL HUSAIN
Economic Development, Faculty of Economics and Business,
University of Lampung,
Puri Sejahtera Blok F No. 3, Hajimena, Natar, Lampung Selatan,
INDONESIA

Abstract: This type of research is quantitative descriptive. This study looks at the impact of tourism, foreign direct investment, and institutions on economic growth in ASEAN. The scope of this research is 10 ASEAN member countries from 2003-2021. This study uses five independent variables: international tourism receipts, Feign Direct Investment (FDI), the rule of law, government effectiveness, and regulatory quality. The dependent variable is GDP as a proxy for economic growth. The data used is secondary data sourced from the World Bank. The analytical method used is the panel data regression analysis method. Based on the results of this study, it was found that international tourism receipts, foreign direct investment, the rule of law, government effectiveness, and regulatory quality together affected GDP as a proxy for economic growth in ASEAN countries in 2003-2021. Partially, international tourism receipts, the rule of law, and government effectiveness positively and significantly affect economic gr. In contrast, FDI and regulatory quality have yet to influence economic growth in ASEAN countries from 2003-2021.

Key-Words: Economic growth, Tourism, FDI, Institutions

Received: December 29, 2022. Revised: April 19, 2023. Accepted: May 22, 2023. Published: June 7, 2023.

1 Introduction

Economic growth is one of the essential indicators that each country must consider. Where economic growth is becoming increasingly important to study, considering that every country will always try to increase the financial target as a measure of a country's success in the long term, the high economic growth of a nation can indicate an excellent level of economic performance. However, the level of financial performance has not yet been seen further to the level of welfare evenly distributed among its citizens. However, with the data on economic growth, we can see how the country's economic development from time to and can make more accurate policies for its economic development. The economic activity uses production factors to produce output, measured by the domestic Product indicator.

Economic growth will increase if a country's trade continues to grow. This increase in economic openness will eventually lead to an area of economic integration. ASEAN is one of the areas of economic integration. ASEAN was formed to strengthen the economy and society and guarantee security for efforts to increase economic growth and social and cultural progress among ASEAN member countries, [1]. To encourage increased economic growth in the ASEAN region, ASEAN has formed various partnerships in the financial field. ASEAN member countries realize that the best way to cooperate is by opening up their economies to each other to create regional economic integration. The ASEAN Economic Community (AEC) is one of the collaborations in the economic field that frees trade flows among ASEAN members. In general, this can accelerate the pace of trade and investment in ASEAN countries, which is predicted to boost economic growth, [2].

The economic growth that has occurred in ASEAN countries could be more stable. This situation is different from the initial goal of establishing ASEAN, which is to increase the economic growth of each member country. Especially from 2003-2021, the economic development of ASEAN member countries is highly volatile. The following are the economic growth conditions of ASEAN countries using the Gross Domestic Product proxy:

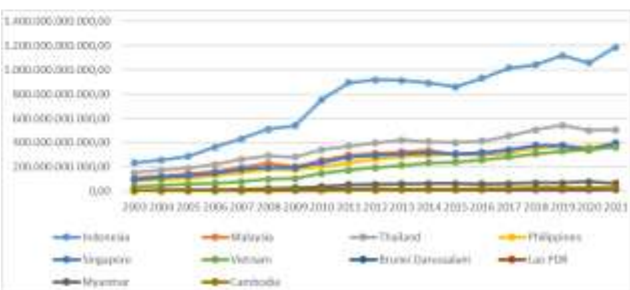

Fig. 1: Gross Domestic Product of ASEAN Countries 2003-2021
Source: World Bank (2022)

Based on Figure 1, it can be seen that the condition of the gross domestic product in ASEAN countries has fluctuated. However, the gross domestic product of ASEAN countries has almost always experienced an increase every year. Indonesia is still the country in the ASEAN region that has the highest awful domestic pr. At the same time, Brunei Darussalam, Lao PDR, and Cambodia have the lowest gross domestic product in the ASEAN region.

According to Todaro and Smith [3], three factors affect a country's economic growth: capital accumulation, population growth, and technological progress. In addition, according to John Maynard Keynes in his theory, government intervention is needed in the economy to reduce the occurrence of market failures.

The tourism sector plays a vital role in increasing the economic growth of a country, especially in reducing the number of unemployed and increasing the productivity of a counted. The tourism sector strategies must be utilized for tourism development as part of national development. Tourism development has the claim to increase people’s incomes. An urn can improve people's welfare and economic growth. The influence of tourism on the Gross Regional Domestic Product (GRDP) can be seen from the contribution of tourism services, revenues, and supporting sectors. The tourism industry is a service-based sector that is one of the country's leading strategic industries in terms of national growth because it can bring in foreign exchange.

As one of the development sectors that can drive a country's economic growth, tourism is seen as a strategic asset to support development in selected areas with potential tourism. This is because tourism has three typefaces: financial (source of foreign money, taxes), social (employment), and cultural. Furthermore, Samimi et al. concluded that the tourism sector increases foreign exchange earnings, creates jobs, and increases the growth of the tourism industry, so that it can encourage economic growth, especially by facilitating to development of the tourism sector.

A country's economic growth can also be seen from the level of development carried out in a country. Sources of development financing can come from within the country and abroad. One of the sources of funding originating from abroad is in the form of Foreign Direct Investment. Foreign direct investment is needed to build an accelerating economy. This is because foreign investment can help industrialization by creating wider opportunities. Foreign investment or foreign capital is provided d not only through financial and technical assistance, [4].

The economic growth produced by a country is part of the successful performance of the government and its institutions and agencies, [5]. One of the main requirements for sustainable economic growth is controlling good governance, which takes work in developed and developing countries, [6].

Good governance aims to promote the country's economic and social growth, positively influencing people's living standards and reducing poverty, especially in developing countries. Individuals are happy if they are governed by impartial, unbiased, accountable, transparent, prudent institutions and have a genuine bureaucracy, which makes some developing countries much better off. This shows that the economic growth rate will be influenced by the quality of government, [7].

Good governance of a government can be seen from the indicators of the rule of law, government effectiveness, and regulatory quality, [8]. The practice of law is an essential indicator of creating good governance. Because the rule of law can limit the government's authority so that it does not become corrupt, a government that complies with the law can carry out its primary duties, powers, and responsibilities. The rule of law shows that the government is doing well and well so that, in the end, it is expected to have a broad impact on economic progress and increase the pace of economic growth.

Government effectiveness is an indicator that reflects the quality of government in formulating or implementing policies. When the formulation and implementation of government policies are effective, this will undoubtedly move the wheels of the economy, which can have an impact on national income, which will be high and can further increase economic growth.

Regulatory Quality reflects the government's capacity to make effective policy decisions to encourage private sector growth, [8]. This can be interpreted that when the quality of regulation is good, it can increase investors' interest in investing their capital. Then it will have an impact on increasing employment, as well as rising income. High income will ultimately increase economic growth.

The novelty of this research combines the influence of the tourism sector, foreign investment sector, and the government sector on economic growth. ASEAN's economic growth has recently increased quite drastically. Good natural conditions and a tropical climate have made the ASEAN region a destination for foreign and domestic tourists. This is one of the contributors to state revenue. Apart from the tourism side, ASEAN countries are also one of the destinations that are quite promising in investing. Many factors, such as cheap labor wages and a large population, support foreign investment. In addition, a country's institutions have an essential role in the country's economic growth. The quality of good governance will create an efficient market mechanism that will encourage sustainable economic growth. Government effectiveness in policy-making and implementation can support improvements in the financial sector. Besides that, the rule of law factor is one of the supporters of increasing economic growth. So this study aims to see the impact of tourism, foreign direct investment, and institutions on economic growth in ASEAN.

2 Literature Review

Robert Solow's theory reveals that economic growth is influenced by four main factors: labor, technology, capital accumulation, and output, [9]. Capital accumulation, in this case, can be sourced from foreign exchange receipts. International tourism receipts can add to foreign exchange reserves and will then have an impact on increasing economic growth. Bojanic and Lo’s, [10], research concerning a comparison of tourism's moderating effects on economic development in countries with many islands concludes that tourism greatly influences economic growth in most countries, especially those of islands. Archipelagic countries have more tourism objects, so the revenue from taxes and fees obtained through these tourism objects can boost regional economic growth. Besides that, another study conducted by Mallick et al., [11], regarding the investigation of the relationship between tourism and India's economic growth, concluded that tourism has a positive influence on economic growth in the long run. However, the opposite happened in Sulastri [12] regarding the effect of tourism income on economic growth in East Lampung. He concluded that tourism sector income hurt economic growth.

According to Harrod Domar's theory, investment can positively influence economic growth. Investment can increase the economy’s production capacity by increasing capital stock. This capital increase is considered an expenditure that can stimulate additional demand for community needs. Increased public demand will have an impact on improving economic growth. Research conducted by Alaa et al., [13], regarding the effect of foreign direct investment on economic growth in Egypt found that foreign direct investment is a cross-border flow of capital that can affect a country's economic growth. Another study by Hamoudi and Aimer, [14], regarding the effect of foreign direct investment on Libya's economic growth concluded that an increase in foreign direct investment would lead to high economic growth. However, on the contrary, the research conducted by Ridha and Parwanto, [15], regarding the impact of foreign direct investment on Indonesia's economic growth concluded that foreign direct investment has a negative and significant impact on economic growth in the long term.

Keynes's Classical Theory states that the role of government influences economic growth. This theory assumes that government intervention determines that economic development can run optimally. The implication of Keynes's view is that to ensure stable growth, the government's role in managing the economy is needed, both through monetary policy (interest rates and money supply) and fiscal policy (taxes and government spending), [16]. Research conducted by Bah and Kpognon, [17], on the role of governance in the relationship between public investment and growth in ECOWAS countries concludes that indicators of good governance in terms of the rule of law, government effectiveness, and regulatory quality partially have a positive and significant effect on economic growth. A similar study conducted by Al-Naser and Hamdan, [18], regarding the impact of public governance on economic growth in GCC countries concluded that indicators of the rule of law, government effectiveness, and regulatory quality positively affect economic growth. The opposite occurs in Widjanarko, [19], research on the impact of governance on economic growth: the OIC developing country case study concludes that good government in terms of the rule of law and regulatory quality indicators hurts economic growth. In contrast, government effectiveness has no significant impact to economic growth.

3 Research Methods

This type of research is quantitative descriptive. The data used in this study is secondary data published by the World Bank (World Development Indicators and Worldwide Governance Indicators). This study uses five independent variables, international tourism receipts, foreign direct investment, the rule of law, government effectiveness, and regulatory quality, and the dependent variable, GDP, as a proxy for economic growth. This study uses 10 ASEAN member countries from 2003-2021. The economic model used in this study is as follows:

$$Y = f(X_1, X_2, X_3, X_4, X_5) \qquad (1)$$

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

$$LNGD_{it} = \beta_0 + \beta_1 LNITR_{it} + \beta_2 FDI_{it} + \beta_3 RL_{it} + \beta_4 GE_{it} + \beta_5 RQ_{it} + \mu_{it} \qquad (2)$$

Information:

LNGDP	:Logarithm of Natural Gross Domestic Product (US$)
LNITR	:Logarithm of Natural International Tourism Receipts (US$)
FDI	:Foreign Direct Investment (Percent)
RL	: Rule of Law (Index)
GE	:Government Effectiveness (Index)
RQ	: Regulatory Quality (Index)
β_0	: Constant (Intercept)
$\beta_{1, 2, 3, 4}$	: Regression coefficient
i	: 1, 2, …., 5, indicates the country (Cross Section)
t	:1, 2, …., 11, shows the dimension of the time series (Time Series)
μ	: Error term

4 Results and Discussion

4.1 Descriptive Statistical Analysis

The descriptive statistical analysis used in this study includes each variable's lowest, highest, and average values. The following are the results of the descriptive statistical analysis of this study.

Table 1. Descriptive Statistical Analysis

	GDP	ITR	FDI	RL	GE	RQ
Means	215,000,000,000	8,660,000,000	5.63	-0.21	0.13	-0.03
median	150,000,000,000	4,460,000,000	3.50	-0.40	0.06	-0.11
Maximum	1,190,000,000,000	64,400,000,000	29.69	1.87	2.43	2.25
Minimum	2,020,000,000	59,000,000	-1.32	-1.74	-1.63	-2.35
Std. Dev.	247,000,000,000	11,300,000,000	6.07	0.89	1.01	0.99
Observation	190	190	190	190	190	190

Source: Eviews 10

Based on Table 1, the average GDP is 215,000,000,000 billion USD. The country with the highest GDP value in the ASEAN countries during

2003-2021 is Indonesia 2021 at 90,000,000 billion USD. Meanwhile, the country with the lowest GDP in ASEAN is Lao PDR, with 2.020 million billion USD in 2003. The average value of international tourism receipts (ITR) has an average value of 8,660,000,000 USD. The country with the highest international tourism in ASEAN during the 2003 to 2021 range was Thailand in 2019, reaching 8,660,000,000 USD. Meanwhile, the lowest international tourism country was Myanmar in 2006, with only 59,000,000 USD.

Furthermore, the v foreign direct investment (FDI) variable has an average value of 5.628129. The ASEAN country with the highest FDI during the 2003-2021 range was Singapore in 2019 at 29,69044 percent. Meanwhile, the country with the lowest FDI was Brunei Darussalam in 2016, which only reached -1.32052 percent. The rule of law variable has an average value of -0.20915 index. The country with the highest power of law index was Singapore in 2020, reaching 1.870237, while the country with the lowest rule of law was Myanmar in 2004, which was -1.73629.

The following variable is government effectiveness which has an average value of 0.127812. The country with the highest government effectiveness in ASEAN is Singapore reaching 2,426029 in 2008, while the country with the lowest government effectiveness is Myanmar in 2010, only going -1,62287. The regulatory quality variable has an average value of -0.02883. The country with the best regulatory quality was Singapore in 2015, reaching 2,255347, while the country with the lowest regulatory rate was Myanmar in 2004, which was -2,34857.

Based on the statistical explanation of the variables used in this study, it can be known that Singapore has the highest government effectiveness, quality of regulation, and FDI. This is in line with Singapore's economic condition, where Singapore is a country with ASEAN classified as advanced by the World Bank. Based on statistical analysis carried out, it is also known that the country with the worst quality of government in ASEAN based on the government effectiveness index and the quality of regulation is Myanmar. Based on the hypothesis that when the quality of government is poor, it hurts economic growth. To prove the idea is correct, here is the process of estimating data related to this study.

4.2 Selection of Regression Model

The best panel data regression model was selected through the Chow Test, Lagrange Multiplier (LM) Test, and Hausman Test. To choose between the *Common Effect Model* (CEM) or *Fixed Effect Model* (FEM), a Chow test is performed, ACEM or *Random Effect Model* (REM) comparison test is performed, and finally, for model selection is a comparison between FEM or REM with the Hausman Test.

Table 2. Panel Data Regression Model Selection

Test	Prob	Decision
Chow	0.0000	FEM
LM	0.0000	REM
Hausman	0.0 755	REM

Source: Eviews 10

Based on Table 2 that has been carried out, the best model chosen is the Random Effect. A study conducted by Kosmaryati, [20], based on Gujarati, [21], revealed that if the regression uses the Random Effect Model (REM), then there is no need to test the classical assumption. The following is the output of the REM regression results

Table 3. Random Effect Model Regression Results

Variable	Coefficient	Std. Error	t-Statistics	Prob.
C	14.73096	1.010377	14.57966	0.0000
LNITRD	0.478103	0.044094	10.84285	0.0000
FDI	0.009114	0.010210	0.892694	0.3732
ALL	0.414734	0.209453	1.980082	0.0492
GE	0.521349	0.157922	3.301305	0.0012
RQ	0.005161	0.130457	0.039561	0.9685
	Effects Specification			
			SD	Rho
Random cross-sections			0.987129	0.9016
Idiosyncratic random			0.326141	0.0984
	Weighted Statistics			
R-squared	0.660144	Mean dependent var		1.903036
Adjusted R-squared	0.650909	SD dependent var		0.559433
SE of regression	0.330535	Sum squared residue		20.10261
F-statistics	71.48119	Durbin-Watson stat		0.445237
Prob(F-statistic)	0.000000			

Source: Eviews 10

4.3.1 t-test

The t-test was used to determine the significance of the independent variables individually on the dependent variable by assuming the other variables constant.

Table 4. t-test results

Variable	t- Statistics	t-table	Infromation
LNITRD	10.84285	1.65318	Significant
FDI	0.892694	1.65318	Not significant
RL	1.980082	1.65318	Significant
GE	3.301305	1.65318	Significant
RQ	0.039561	1.65318	Not significant

Source: Eviews 10

Based on Table 4, the effect of each independent variable on the dependent variable is obtained as follows:

a. International tourism receipts positively and significantly affect GDP in ASEAN countries 2003-2021. The t-statistic value (10.84285) is greater than the t-table (1.65318).
b. Foreign direct investment has a positive and insignificant effect on GDP in ASEAN countries 2003-2021. The t-statistic value (0.892694) is smaller than the t-table (1.65318).
c. The rule of law has positively and significantly affected GDP in ASEAN countries from 2003 to 2021. The t-statistic value (1.980082) is greater than the t-table (1.65318).
d. Government effectiveness positively affects GDP in ASEAN countries 2003-2021. The value of the t-statistic (3.301305) is more significant than the t-table (1.65318).
e. Regulatory quality has a positive and insignificant effect on GDP in ASEAN countries 2003-2021. The t-statistic value (0.039561) is smaller than the t-table (1.65318).

4.3.2 F Uji test

The F test determines whether all the independent variables are statistically significant in influencing the dependent variable

Table 5. F-Test Results

DF	F-table	Prob(F-statistic)	Information
(5;184)	2.65	71.48119	Significant

Source: Eviews 10

Based on Table 5, the F-statistic value (71.48119) is greater than the F-table (2.65). Thus, the independent variables jointly affect the dependent variable, namely GDP.

4.4 Coefficient of Determination (R^2)

Based on the regression estimation of the Random Effect model, the coefficient of determination (R^2) is 0.660144. This means that the variables of international tourism receipts, foreign direct investment, the rule of law government effectiveness, and regulatory quality affect GDP in ASEAN countries by 66,014 percent, and the remaining 33.9856 (100 - 66,014) is explained by other variables not included in the research model.

4.5 Regression Model Interpretation

Based on Table 3, the regression equation of this study is as follows.

$$LNGDP_{it} = 14.73096 + 0.478103LNITR_{it}^{*} + 0.009114FDI_{it} + 0.414734RL_{it}^{*} + 0.521349GE_{it}^{*} + 0.005161RQ_{it} \quad (3)$$

Note: * Significant at = 0.05

The constant value of 14,73096 means that if international tourism receipts, foreign direct investment, the rule of law government effectiveness, and regulatory quality are zero, then GDP in ASEAN countries is 2497897.66 USD (anti-LN of 14,73096). The coefficient value of international tourism receipts is 0.478103. This means that if global tourism receipts increase by 1 percent, then GDP in ASEAN countries in 2003-2021 will increase by 0.478103 percent, cateris paribus.

The coefficient value of foreign direct investment is 0.009114. This means that if FDI increases by 1 percent, GDP in ASEAN countries in 2003-2021 will increase by 0.9114 percent, ceteris paribus. The coefficient value of the rule of law is 0. 414734. This means that if the rule of law increases by one index, then the GDP in ASEAN countries in 2003-2021 will increase by 41.4734 percent, ceteris paribus. The coefficient value of government effectiveness is 0. 521349. This means that if government effectiveness increases by one index, the GDP in ASEAN countries in 2003-2021 will increase by 52.1349 percent, ceteris paribus. The coefficient value of regulatory quality is 0.005161. This means that if regulatory quality increases by one index, GDP in ASEAN countries in 2003-2021 will increase by 0.5161 percent, ceteris paribus.

4.6 Discussion

The results of this study indicate that the variable international tourism receipts significantly positively affect GDP in ASEAN countries from 2003-2021. The results of this study are by Robert Solow's Theory. Solow reveals that economic growth is a series of activities from 4 main factors: labor, capital accumulation, modern technology, and output, [9]. The capital in question can be in the form of physical and non-physical capital that can increase productivity in the economy. Foreign exchange receipts are one of the sources of money that can be used in the economic process. International tourism receipts can increase foreign exchange reserves, where foreign exchange reserves are used for the financial activities of a country. The arrival of foreign tourists requires dollar transactions against the domestic currency. Thus the value of the domestic currency appreciates. When the domestic currency appreciates, it can increase export prices and lower import prices. This condition certainly causes a balance of payments surplus, which impacts rising GDP, which boosts a country's economic growth.

The results of this study are also in line with the research conducted by Scarlett [22], in his tourism recovery and the economic impact: A panel assessment," which found that tourism receipts had a statistically significant positive effect on economic growth. These results are supported by [23] in his research entitled "The Effect of Tourism Revenues on Economic Growth in The Context of Neo-Classical Growth Model: In The Case of Turkey." Research conducted by Study, [24], suggests that tourism suggests or indirectly contributes to GDP growth by increasing foreign exchange reserves, creating jobs, and being able to alleviate poverty. Thus, it can be said that an increase in tourism income can cause a multiplier effect. The growth of the tourism sector can create opportunities for residents, culinary business opportunities, souvenir businesses, and even transportation.

The existence of foreign exchange receipts can create currency stability. The stability of the interest currency can influence the decision of investors to invest. So the study included the variable of foreign direct investment to see its effect on GDP. The foreign direct investment variable had a positive and insignificant impact on GDP in ASEAN countries from 2003-2021. This study's results align with the Harrod-Domar theory, which reveals that capita can stimulate public demand from the expenditure side. In contrast, from the supply side, capital can increase goods and services, increasing output, [25]. However, foreign direct investment in ASEAN countries has to have a significant influence. This is because the FDI value of foreign investment in ASEAN countries tends to fluctuate. The following is FDI data in 10 ASEAN countries from 2003-2010.

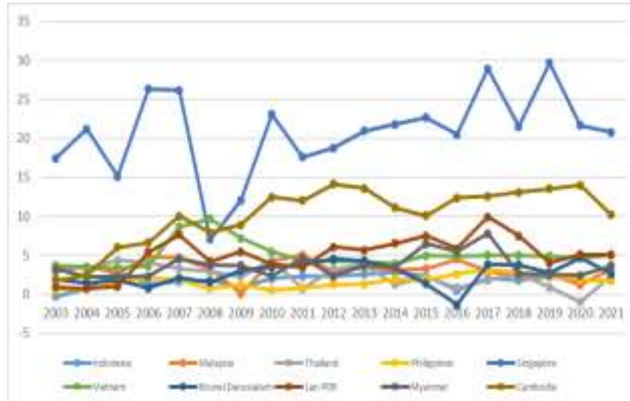

Fig. 2: FDI in 10 ASEAN Countries in 2003-2021
Source: World Bank (2022)

Figure 2 shows that FDI in ASEAN countries tends to fluctuate, so it has yet to affect GDP significantly. This is because ASEAN countries have yet to become a priority for foreign investors to invest their capital, and there are still many entry barriers for foreign investors. Efforts to increase FDI in ASEAN countries are expected to boost economic growth. Thus, efforts are needed from the government, the private sector, and the public, so foreign investors are interested in investing in ASEAN countries.

The insignificant FDI is in line with Magdalena and Suhatman's, [8], research entitled "The Effect of Government Expenditures, Domestic Investment, Foreign Investment on the Economic Growth of Primary Sector in Central Kalimantan." Foreign direct investment is used as a proxy for foreign investment in research conducted by [26]. This result is also supported by research conducted by Istikomah dan Kustituanto, [27], in a study entitled "Peranan Penanaman Modal Asing (PMA) terhadap Pertumbuhan Ekonomi di Indonesia" found that foreign direct investment does not affect economic growth either in the long term or in the short time.

A study conducted by Istikomah dan Kustituanto, [27], revealed that foreign direct investment has no significant effect due to: (a) country risk where the domestic market in ASEAN countries causes a low rate of return on capital and less available supporting facilities (e.g., skilled labor, technology, and transportation), (b) the development of foreign investment is hampered by the complexity of the permit process and convoluted bureaucracy, (c) information on sources of funds from the banking sector is not optimal, and (d) the low quality and productivity of human resources so that technological transformation has not been carried out optimally.

One of the causes of the insignificant FDI variable is the convoluted bureaucracy. Thus, this study discusses good governance in government. The proxies used include the rule of law, government effectiveness, and regulatory quality in seeing their effect on GDP in ASEAN countries. According to Keynes's theory, to ensure stable growth, the government's role in managing the economy is needed, both through monetary policy (interest rates and money supply) and fiscal policy (taxes and government spending), [16].

Research in the field of government governance is interesting because it turns out that good governance facilitates the running of an efficient market mechanism, [28]. This is because governance is a tool used by the government to formulate, supervise, implement, and evaluate public policies in every development activity closely related to Andri Pamungkas legislation [29]. This study used the rule of law, government effectiveness, and regulatory quality to see its effect on Gross Domestic Product.

This study found that the rule of law had a positive and significant effect on GDP in ASEAN countries from 2003-2021. These results are in line with Keynes's theory and line with research conducted by Demarani [30] in his study entitled "The Effect Of Government Governance And Tax Ratio To Economic Growth (Case Study In Asean Countries)" found that the rule of law has a significant positive effect. On economic growth in the 6 ASEAN countries. The practice of law is one of the critical indicators in creating good governance in influencing economic growth because it can limit the government's authority so that it does not become a corrupt government, [31]. When viewed from the perspective of society, the rule of law measures the extent to which people obey the rule of law. The existence of restrictions on authority and public obedience to the law can ensure that the government runs cleanly and well so that, in the end, it is expected to have a broad impact on economic progress and increase the rate of economic growth.

Research from Eka, [28], found that people's compliance with obeying regulations and enforcing laws will increase the rate of economic growth. In addition, Ramadhan, [32], reveals that a government that follows the rule of law can carry out its duties and functions properly and is responsible for its authority; Law enforcement agencies ensure that the government runs cleanly and functions appropriately so it is expected to have a broad impact on economic progress and encourage the pace of economic growth.

Variable government effectiveness positively and significantly affected GDP in 10 ASEAN countries from 2003-2019. These results align with Keynes' theory and the research conducted by Duho et al., [33], entitled Determinants and convergence of government effectiveness in Africa and Asia". According to the Millennium Challenge Corporation, indicators of government effectiveness are effective coordination mechanisms ensuring policy consistency across departmental boundaries and administrative structures arranged along functional lines with little duplication, [30]. A country allocating the expenditure and revenue budgets has undoubtedly been planned in the previous year. An implementation budget by the budget plan and actual spending can create high economic growth so that there is a positive correlation between government effectiveness and GDP. Research from Eka, [28], suggests that when the quality of public services, the quality of civil services, and the level of independence from political pressures, the quality of policy formulation and implementation are better. The credibility of the government's commitment to these policies is also strong, and it can increase economic growth in a country. Thus there is a positive and significant influence on the effectiveness of the government on GDP.

The Regulatory Quality variable had no effect on GDP in ASEAN countries from 2003-2019. This study's results align with research conducted by Wibowo [34] entitled Analisis Pengaruh Kualitas Pemerintahan Terhadap Pertumbuhan Ekonomi di ASEAN". The insignificant regulatory quality indicates that the government's ability to formulate public policies has not been able to increase economic growth. In carrying out the government's role, one of which is through tax increases instead of for education and health, the benefits are still not felt by the community. However, it is difficult for public policy to satisfy various parties. Thus the quality regulator has not been able to increase economic growth. The insignificance of this variable is because law enforcement generally has an indirect effect on the year in question, which means that the impact and benefits caused by the variable can be felt at the time after the variable is run or in the coming year, [29]. However, in general, case studies in ASEAN countries can be concluded that poor governance, such as political violence, terrorism, and corruption, can harm citizens mentally and physically by lowering their productivity, [35].

5 Conclusions and Recommendations

Based on the results of this study, it was found that international tourism receipts, foreign direct investment, the rule of law, the government rule of law, and regulatory quality together affect GDP, which is a proxy for economic growth) in ASEAN countries from 2003-2021. Partially, international tourism receipts, the rule of law, and government effectiveness positively and significantly affect economic growth. In contrast, FDI and regulatory quality have yet to influence economic growth.

The positive influence of international tourism receipts shows how vital the tourism sector's role is in the economies of ASEAN countries. The Covid-19 pandemic shock challenges the tourism industry and the creative economy to maintain their existence. The government and the private sector can work together to improve the quality of human resources and workforce in the tourism sector and increase promotions through social media related to tourism potential in each country. Apart from that, ASEAN countries can make virtual international tourism exhibitions to attract foreign tourists.

Based on the results of the estimation carried out by the rule of law is the variable with the most decisive influence on economic growth in ASEAN. This shows that institutional quality is essential in realizing economic growth and development. Each ASEAN country's government can cooperate with other countries with good rules of law. Then these policies are adopted and adapted to life in each country. Apart from that, increasing public trust in the government through procedures and channeling community aspirations is well received. Thus creating a condition where the government, private sector, and society have one vision. If the institutional quality improvement in ASEAN countries is realized, it will undoubtedly attract foreign investors to invest their capital. This is because investors will feel safer investing in countries that support countries with continuity in the tourism sector, FDI, and institutions that are expected to create equitable and sustainable development.

Reference:

[1] T. Wau, U. M. Sarah, D. Pritanti, Y. Ramadhani, and M. S. Ikhsan, "Determinan Pertumbuhan Ekonomi Negara ASEAN: Model Data Panel," *J. Samudra Ekon. dan Bisnis*, vol. 13, no. 2, pp. 163–176, 2022, doi: 10.33059/jseb.v13i2.5205.

[2] W. Kanaka, L. R. Indrawati, and R. Destiningsih, "Analisis Perbedaan Sebelum Dan Sesudah Diberlakukan Masyarakat Ekonomi Asean (Mea) Terhadap Pertumbuhan Ekonomi Dan Ketimpangan Kekayaan Di Negara Anggota Asean Analysis of Differences Before and After Asean Economic Communities (Aec) Towarded Economi," *Din. Dir. J. Econ.*, vol. 2, no. 3, pp. 769–783, 2020.

[3] M. . P. Todaro and S. C. Smith, *Pembangunan Ekonomi*, 11th ed. Jakarta: Erlangga, 2014.

[4] M. L. Jhingan, *Ekonomi Pembangunan dan Perencanaan, Edisi 15*. Jakarta: PT Raja Grafindo Persada, 2013.

[5] M. Fajar and Z. Azhar, "Indeks Persepsi Korupsi Dan Pembangunan Manusia Terhadap Pertumbuhan Ekonomi Di Negara-Negara Asia Tenggara," *J. Ecogen*, vol. 1, no. 3, p. 681, 2019, doi: 10.24036/jmpe.v1i3.5114.

[6] J. Waluyo, "Analisis Hubungan Kausalitas Antara Korupsi, Pertumbungan Ekonomi, dan Kemiskinan: Suatu Studi Lintas Negara," *Bul. Ekon.*, vol. 8, no. 2, pp. 159–170, 2010.

[7] I. S. Chaudhry, S. Malik, K. N. Khan, and S. Rasool, "Factors affecting good governance in Pakistan: An empirical analysis," *Eur. J. Sci. Res.*, vol. 35, no. 3, pp. 337–346, 2009.

[8] D. Kaufmann, A. Kraay, and M. Mastruzzi, "The worldwide governance indicators: Methodology and analytical issues," *Hague J. Rule Law*, vol. 3, no. 2, pp. 220–246, 2011, doi: 10.1017/S1876404511200046.

[9] N. . Mankiw, *Macroeconomics, 6th edition*, 6th ed. Jakarta: Erlangga, 2014.

[10] D. C. Bojanic and M. Lo, "A comparison of the moderating effect of tourism reliance on the economic development for islands and other countries," *Tour. Manag.*, vol. 53, pp. 207–214, 2016, doi: 10.1016/j.tourman.2015.10.006.

[11] L. Mallick, U. Mallesh, and J. Behera, "Does

tourism affect economic growth in Indian states? Evidence from panel ARDL model," *Theor. Appl. Econ.*, vol. 23, no. 1, pp. 183–194, 2016.

[12] S. Sulastri, "Pengaruh Pendapatan Sektor Pariwisata Terhadap Kesejahteraan Masyarakat Dan Pertumbuhan Ekonomi Lampung Timur," *Fidusia J. Keuang. Dan Perbank.*, vol. 2, no. 2, pp. 13–27, 2019, doi: 10.24127/jf.v2i2.451.

[13] S. Alaa, S. Ashraf, and E. Marwa, "The Impact of Foreign Direct Investment on the Economic Growth of Egypt," *Int. J. Econ. Finance. Issues*, vol. 11, no. 5, pp. 74–85, 2021.

[14] M. E. Hamoudi and N. Aimer, "The Impact of Foreign Direct Investment on Economic Growth in Libya," *Int. J. English Lit. Soc. Sci.*, vol. 2, no. 6, pp. 144–154, 2017.

[15] M. R. Ridha and N. Parwanto, "The Effect of Foreign Direct Investment, Human Development, and Macroeconomic Conditions on Economic Growth: Evidence from Indonesia," *J. Indones. Appl. Econ.*, vol. 8, no. 2, pp. 46–54, 2020, doi: 10.21776/ub.jiae.2020.008.02.5.

[16] S. Sukirno, *Makroekonomi: teori pengantar*. Jakarta: PT. Raja Grafindo Persada, 2016.

[17] M. Bah and K. Kpognon, "Public investment and economic growth in ECOWAS countries: Does governance Matter?," *African J. Sci. Technol. Innov. Dev.*, 2020, doi: 10.1080/20421338.2020.1796051.

[18] M. Al-Naser and A. Hamdan, "The Impact of Public Governance on Economic Growth: Evidence From Gulf Cooperation Council Countries," *Econ. Sociol.*, vol. 14, no. 2, pp. 85–110, 2021, doi: 10.14254/2071-789X.2021/14-2/5.

[19] Widjanarko, "Analisis Hubungan Good Governance Dan Pertumbuhan Ekonomi Indonesia 2013-2019," *J. Good Gov.*, vol. 17, no. 2, pp. 155–168, 2021, doi: 10.32834/gg.v17i2.340.

[20] K. Kosmaryati, C. A. Handayani, R. N. Isfahani, and E. Widodo, "Faktor-Faktor yang Mempengaruhi Kriminalitas di Indonesia Tahun 2011-2016 dengan Regresi Data Panel," *Indones. J. Appl. Stat.*, vol. 2, no. 1, p. 10, 2019, doi: 10.13057/ijas.v2i1.27932.

[21] D. Gujarati, *Basic Econometrics*, 5th Editio. New York: McGraw-Hill, 2009.

[22] H. G. Scarlett, "Tourism recovery and the economic impact: A panel assessment," *Res. Glob.*, vol. 3, no. January, p. 100044, 2021, doi: 10.1016/j.resglo.2021.100044.

[23] I. Huseyni, O. Doru, and A. Tunc, "The Effect Tourism Revenues on Economic Growth in The Context of Neo-Classical Growth Model: In The Case of Turkey," *Ekp*, vol. 13, no. 3, pp. 1576–1580, 2017.

[24] S. Paudyal, "Does Tourism Really Matter for Economic Growth? Evidence from Nepal," *Nepal Rastra Bank Econ. Rev.*, vol. 24, no. 1, pp. 48–66, 2012.

[25] L. Arsyad, *Ekonomi Pembangunan*, 5th ed. Yogyakarta: UPP STIM YKPN, 2010.

[26] S. Magdalena and R. Suhatman, "The Effect of Government Expenditures, Domestic Invesment, Foreign Invesment to the Economic Growth of Primary Sector in Central Kalimantan," *Budapest Int. Res. Critics Inst. Humanit. Soc. Sci.*, vol. 3, no. 3, pp. 1692–1703, 2020, doi: 10.33258/birci.v3i3.1101.

[27] Istikomah and B. Kustituanto, "Peranan Penanaman Modal Asing (Pma) Terhadap Pertumbuhan Ekonomi Di Indonesia," *J. Ekon. dan Bisnis Indones.*, vol. 14, no. 1999, 1999.

[28] N. F. Eka Asbarini, L. Isnaini, and M. G. Wibowo, "Pengaruh Tata Kelola Pemerintah Terhadap Pertumbuhan Ekonomi Di Asean," *J. Ekon. dan Pembang.*, vol. 12, no. 1, pp. 82–93, 2021, doi: 10.22373/jep.v12i1.606.

[29] A. Pamungkas, "Pengaruh Birokrasi, Investasi dan Pegeluaran Pemerintah terhadap Gross Domestic Product (GDP) ASEAN-5 Tahun 2002-2011," *J. Ilm.*, 2013.

[30] F. Demarani, "The Effect Of Government Governance And Tax Ratio to Economic Growth (Case Study In Asean Countries)," *J. Ekon. Pembang.*, vol. 7, no. 2, pp. 195–222, 2018.

[31] R. H. Putri, "Pengaruh Kebijakan Subsidi, Foreign Direct Investment (FDI) dan Tata Kelola Pemerintah terhadap Pertumbuhan Ekonomi (Studi Kasus Negara-Negara di ASEAN)," *J. Manaj. Bisnis Islam*, vol. 3, no. 1, pp. 123–136, 2022.

[32] P. S. Ramadhan, "Pengaruh Tata Kelola Pemerintah Terhadap Pertumbuhan Ekonomi

di Negara ASEAN-6," Islam Indonesia University, 2021.

[33] K. C. T. Duho, M. O. Amankwa, and J. I. Musah-Surugu, "Determinants and convergence of government effectiveness in Africa and Asia," *Public Adm. Policy*, vol. 23, no. 2, pp. 199–215, 2020, doi: 10.1108/PAP-12-2019-0039.

[34] E. Wibowo, "Analisis Pengaruh Kualitas Pemerintahan Terhadap Pertumbuhan Ekonomi di ASEAN," *J. Ilm. FEB Univ. Brawijaya*, pp. 1–14, 2013.

[35] Y. Linawati, H. Suzantia, and M. G. Wibowo, "Dampak Tata Kelola Pemerintahan Terhadap Pertumbuhan Ekonomi dan Indeks Pembangunan Manusia: Studi Kasus Negara Berkembang OKI," *TEMALI J. Pembang. Sos.*, vol. 4, no. 2, pp. 133–144, 2021, doi: 10.15575/jt.v4i2.12547.

Contribution of Individual Authors to the Creation of a Scientific Article (Ghostwriting Policy)

Neli Aida created a research framework and team leader. Widia Anggi Palupi wrote the research, compiled articles, and compiled a bibliography. Fakhri Rizal Husain adapted to the format and collected and managed the research data.

Sources of Funding for Research Presented in a Scientific Article or Scientific Article Itself

The research in this manuscript is supported by Lembaga Penelitian dan Pengabdian kepada Masyarakat (LPPM) Universitas Lampung.

Conflicts of Interest

The authors have no conflicts of interest to declare that are relevant to the content of this article.

Creative Commons Attribution License 4.0 (Attribution 4.0 International, CC BY 4.0)

This article is published under the terms of the Creative Commons Attribution License 4.0
https://creativecommons.org/licenses/by/4.0/deed.en_US