

CHAPTER V

CONCLUSIONS AND IMPLICATIONS

A. Conclusions

Based on the results of the panel regression analysis, it can be concluded that:

1. Control of Corruption (CC) is the most positive factor affecting FDI inflows in ASEAN countries in the period 1998-2023, showing that corruption control increases transparency, efficiency, and investor confidence.
2. Voice and Accountability (VA) has a negative and significant effect on FDI, indicating that increased public participation and civil liberties discourage foreign investors to invest their capital.
3. Political Stability (PS) has a positive and significant effect on FDI, showing that political stability reduces risk and increases long-term investor confidence.
4. Government Effectiveness (GE) has a significant negative effect on FDI, indicating that high government effectiveness in terms of regulation and bureaucracy can be an obstacle for investors.
5. Regulatory Quality (RQ) has a positive and significant effect on FDI, emphasizing that clear and consistent regulations facilitate foreign business activities.

6. The Rule of Law (RL) had no significant effect on FDI, suggesting that formal law enforcement has not been a major factor for foreign investors in ASEAN during the study period.
7. Simultaneously, all WGI indicators (VA, PS, GE, RQ, RL, CC) have a significant effect on FDI, indicating that investors assess the overall quality of governance.
8. GDP Growth (GDPG) has a significant positive effect on FDI, while Population, Labor Force, and Inflation have no significant effect, indicating that investors prioritize the quality of governance and economic growth over market size or the number of workers.

Overall, this study confirms that strategies to increase FDI in ASEAN should focus on controlling corruption, improving the quality of regulations, political stability, and governance transparency. A combination of governance factors and macroeconomic conditions was key in attracting foreign investors, while market size or labor force size had only minor influence in the ASEAN context during the study period.

B. Implications

Based on the conclusions of the study, there are several practical implications as follows:

1. Control of Corruption (CC) is proven to be the most influential variable on FDI, ASEAN governments need to strengthen anti-corruption policies, increase bureaucratic transparency, and ensure accountability

of public officials. This can increase investor confidence and create a more conducive investment environment.

2. Improving the Quality of Regulation and Political Stability, Regulatory Quality (RQ) and Political Stability (PS) also have a significant effect. Therefore, the government needs to ensure clear, consistent, and accessible regulations, as well as maintain political stability to reduce risks for foreign investors.
3. Bureaucratic Efficiency, Negative results from Government Effectiveness (GE) show the need to simplify bureaucratic procedures. The government needs to balance the effectiveness of regulations with the ease of procedures for investors so that they do not become an obstacle to investment.
4. Focusing on Economic Growth, Economic Growth (GDP Growth) has a significant positive effect on FDI, so that economic policies that encourage market expansion and macro stability will attract more foreign investors.

Overall, the practical implications of this study emphasize that the FDI enhancement strategy must integrate governance quality, political stability, effective regulation, corruption control, and economic growth as top priorities.

C. Research Limitations

Some of the limitations identified in this study include:

1. The data used in this study are limited to the period 1998-2023 for ASEAN countries, including Timor-Leste. However, due to data limitations, Timor-Leste could not be fully included in the analysis because consistent data for several key variables were unavailable for most of the observation period. In addition, there were data gaps in 1999 and 2001 across the dataset, which resulted in the exclusion of these two years from the analysis. These data limitations may affect the continuity of the panel data and potentially influence the estimation of FDI inflows during the study period.

This limitation can be the basis for future research, for example by filling in data gaps, expanding the scope of countries, adding other determinant variables, or using more complex analytical methods to capture FDI dynamics more comprehensively.