CHAPTER VI

CONCLUSION

This research aims to analyze the impact of good governance on the economic growth of ten ASEAN countries from 2008 to 2018. The research was conducted using a panel data analysis. The variables that represent good government are control of corruption (Cc), political stability and absence of violence (Pv), and voice and accountability (Va). Economic growth is the dependent variable, while foreign direct investment (FDI) and trade openness function as the controlling variables. Based on the results, the best model to be applied is the Fixed Effect Model (FEM) using the Chow test and the Hausman test.

There are several conclusions we can take based on the tests and the results of this research. First, the impact of control of corruption on economic growth shows a negative result, as seen from the coefficient value and t-statistic table. This is mostly affected by the varying quality of the institution in ASEAN countries. Research by Huynh and Jacho-Chávez (2009) also reported that control of corruption does not significantly affect economic growth.

Second, political stability as an indicator of good governance does not significantly affect economic growth. Political stability and economic growth are two different governmental objectives. Political stability is constituted by a stable and efficient government, while growth is determined by many factors and indicators, such as the gross domestic product, unemployment rate, inflation rate, and so on.

Third, voice and accountability do not significantly affect economic growth. Voice and accountability are some of the variables that can represent good

governance. Voice and accountability are related to the freedom to participate and choose a leader, for example, elections held as a practice of a democratic country. Similar to political stability, voice and accountability are related to a country's political state, and there are also different allocations in terms of the budget. Even if there is an abuse of authority during the implementation, it will only affect the budget already allocated by the government to the political sector.

Finally, an economic variable such as Foreign Direct Investment (FDI) significantly affects the economic growth, compared to the governance variables. This research suggests that good governance will not directly affect economic growth. ASEAN countries need to improve the quality of good governance to maintain stakeholders' confidence to invest. Besides, good governance provides high-performing organizations with the foundation to achieve sustainable goals and success, as they rely on the input and support from all levels of the organization. Good governance practices provide a framework for planning, implementation, and monitoring of performance and achievements.

6.1 Implication and Suggestion

6.1.1 Implication

To conclude, some policy recommendations to improve the variables studied in improving good governance include:

a. Improving the quality of control of corruption, since a prolonged state of corruption does not bode well for the economy.

b. Improving the quality of political stability, since political stability is related to investment, and the countries need investors to develop.

c. Improving the quality of the government by hiring competent people, such as by electing ministers and legislative members who are experts in their respective fields.

6.1.2 Suggestion

Suggestions of this research are as follows:

a. This study can serve as a consideration for the government before proposing new regulations or policies.

b. Further research is suggested to explore another result from the other governance variables not included in this research.