THE EFFECT OF BUDGET DEFICIT, GOVERNMENT SPENDING AND FOREIGN DIRECT INVESTMENT ON ECONOMIC GROWTH ASEAN

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ABSTRACT

This study aims to analyze the effect of budget deficit, government spending and foreign direct investment on ASEAN economic growth in 2012-2021. The data used in this research is secondary data in the form of panel data from 2012-2021, sourced from the World Bank and Countryeconomy. In this study using a quantitative approach to panel data regression analysis. The results of this study indicate that the budget deficit variable has a positive but not significant effect on economic growth, the government expenditure variable has a significant positive effect on economic growth and foreign direct investment has a significant positive effect on economic growth in ASEAN countries in 2012-2021.

Keywords: Budget Deficit, Government Expenditure, Foreign Direct Investment

INTRODUCTION

ASEAN is a dynamic economic region that provides opportunities to its member countries to improve the socio-economic conditions of society by utilizing infrastructure, communication, and the movement of its citizens as well as goods and services services in the area. Sukirno (2003), states that a good economy is an economy grows continuously without decreasing, the economy will provide broad employment opportunities and price stabilization will be stable. However, economic conditions in reality fluctuate every year the year. Each country must strive to achieve economic growth, which can measured by the GDP of a country. Economic growth is used as a yardstick to measure the level of economic success of a country. One of the main indicators to measure the long-term economic well-being of a country is its gross domestic product orits economic growth.

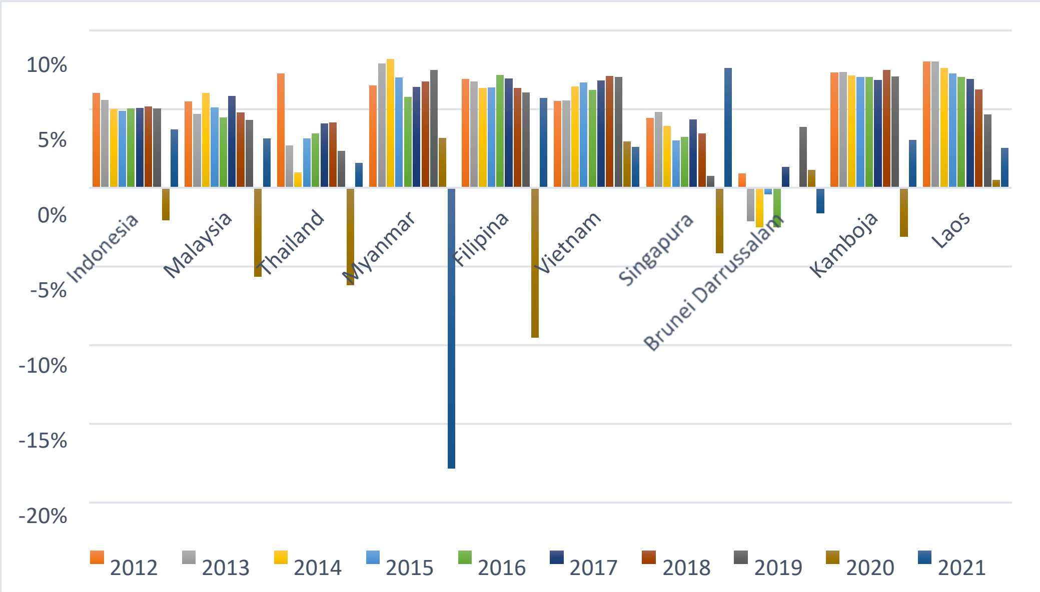

Figure 1 Percentage Pertumbuhan Ekonomi Negara ASEAN
Source: *World Bank*

Economic growth in the ASEAN region and other countries is calculated as a percentage change in GDP from year to year. The economic growth of each each country in the ASEAN region tends to be stable from 2012-2019, but in 2020-2021 experienced a sharp decline, which was caused by the pandemic COVID-19. Even with this pandemic, several ASEAN countries are experiencing relatively good economic growth in a given year.

There are several factors that can affect economic growth, namely budget deficit, government spending and foreign direct investment. Budget deficit in the state finances (APBN) shows increased prices, due to subsidies or costs are greater than revenues. The budget deficit has a policy that is carried out by lowering the tax rate, by reducing the tax rate this will occur an increase in interest rates, which will cause economic growth to decline, but there is an expansionary policy that causes inflation, so the interest rate interest increases, this can slow down economic growth (Efdiono, 2013).

The deficit that has experienced the highest growth is in 2020 with a deficit of -65,065 which occurred due to the COVID-19 pandemic which making income decrease, but spending on pandemic management increases and because of the tax reduction, the government reduced taxes part of the stimulus to increase consumption and investment, so it becomes cause of the budget deficit. conditions like this mean that the state finances are is not good o is declining, the high value of this budget deficit is expected to occur because declining economic growth.

Another aspect that can affect economic growth is spending government, based on research by Haryani (2016), government spending has an important role in a country, namely by forming physical capital, such as infrastructure, facilities and infrastructure as well as good human resources so that the process the production of goods and services will be smoother with an increase in spending government in the provision as well as improvements in infrastructure development, so that This will encourage an increase in the production process that causes an increase in economic growth.

Several previous studies have shown that government spending has a positive influence on economic growth (Prantika, 2018; Jean, 2019; Cesarina, 2021), government spending can have a positive influence on economic growth due to the allocation of funds issued by the government for carrying out repairs and infrastructure development this has a positive impact because the process of production of goods and services will be more smoothly. On the other hand, there is research which shows negative results, namely research by Suhardi, 2018. This research has negative effect because government spending issued is used for spending employees, and developments that have little impact on growth economy.

Another factor affecting economic growth is Foreign Direct Investments. Direct foreign investment plays a role in increasing capacity the country's natural resources in accordance with the conditions of economic development.

Based on data from the world bank in 10 ASEAN countries from 2012-2021 shows that the development of foreign direct investment in ASEAN countries during the 2012-2021 period fluctuated, foreign direct investment flows to ASEAN in 2021 increased 42% from the previous year. This shows the ASEAN region have strong resilience even with the occurrence of a pandemic. Flow entry foreign direct investment is due to rules, but when bureaucratic rules what happens is convoluted and takes a long time it requires costs a lot making it difficult to bring in foreign investors.

To encourage economic growth the government is prioritizing investment foreign direct investment, because with this foreign direct investment the government can accumulate foreign exchange reserves with more, increase income government and can develop energy in managing the economy in developing countries ASEAN countries. There are previous studies whose research results show foreign investment directly has a positive impact on increasing economic growth one of them namely Ifa's research (2019) in his research shows FDI entering the country considered as a host country that can have a positive non-financial impact or financially either to expedite transmission in current technology or in development of human capital and this will increase domestic productivity resulting in an increase in economic growth.

Kholis (2012) shows that FDI has a negative effect on economic growth because there are obstacles for foreign investors to enter, there are inefficient and inadequate regulations infrastructure thereby hindering the continuity of incoming investment. Studies related to budget deficits are still a problem or debate in theory and empirically because there are theories that are still contradictory and this budget deficit is one of the controversial issues in the economy. Various findings from previous studies indicate that the budget deficit, spending government and foreign direct investment foreign direct investment has a significant influence different from economic growth in other countries.

Economic conditions in ASEAN this is not always in accordance with what is desired by the government or public. High budget deficits, large government spending and the reduction in foreign direct investment entering several ASEAN countries is a problem in the macro economy that society does not want or government. Based on these problems the author is interested in discussing regarding "Analysis Effects of Budget Deficits, Government Expenditures and Foreign Direct Investments on Economic Growth in ASEAN for the 2012-2021 Period".

Formulation of the problem

How Does the Budget Deficit Affect, Government Spending and Foreign Direct Investment Impact on ASEAN Economic Growth 2012-2021?

Research purposes

To analyze the influence of the Budget Deficit, and Government Spending analyze the Effect of Foreign Direct Investment on economic growth in 2012-2021.

THEORY BASIS AND HYPOTHESIS DEVELOPMENT

Budget Deficit Theory

Keynesian theory

According to Keynesian theory, the budget deficit has a positive influence on the economy, in this theory, according to Keynesian, the budget deficit will increase income, welfare and consumption. This theory states that in conditions when the economy is experiencing a recession, the government must increase spending and reduce taxes to stimulate aggregate demand and economic growth.

Neoclassical Theory

In this theory more emphasis on the effects of a permanent deficit. In general, the neo classical model argues that a budget deficit will harm the economy or have a negative impact on economic growth. This theory is based on the assumption that the government has limitations in obtaining resources to finance a budget deficit, so that it takes on debt and prints more money to fill the budget deficit. Government will increase thereby affecting investment and public consumption (Richard Musgrave).

Ricardian Equivalence Theory

In this theory, Ricardian Equivalence expresses its opinion that the budget deficit has a neutral or objective nature regarding economic development and growth. If taxes are lowered and the budget deficit increases, it won't affect people's consumption which is very high on their savings in the future will come. With a budget deficit, the government's debt will increase (Angraeni, 2018).

Government Spending Theory

Rostow and Musgrave theory In theory the development model for government spending growth (Mangkoesoebroto, 2018) which links the growth of government spending with the stages of economic development. The stages in this theory consist of three stages, namely:

In the first stage, in this theory, economic development is explained by a large percentage of investment, facilities and infrastructure in deep economic development This stage must be prepared by the government consisting of education, health and education facilities transportation infrastructure and other infrastructure that supports economic development so that to be better.

In the second stage or transitional stage, this theory explains the importance invest by the government that will be used to regulate and increase economic growth to be stable and better and at this stage Private investment is also very influential so that economic growth becomes stable.

In the third or advanced stage, it is explained about the government activities that have been carried out switch to expenses for social activities consisting of various programs such as social health service programs and old age provision infrastructure (Wahyuningsih, 2018).

Theory of Adolf Wagner

According to Wagner, there are other theories related to government spending and national income, namely, theories that discuss the development of government spending will increase as a proportion in percentage to GNP. As a different hypothesis about the relationship between government spending and national income. wagner mentioned a number of factors that contributed to the increase in government spending, including the expansion of the banking, welfare and security functions as well as the defense, security and law enforcement sectors.

Theory of Peacock and Wiseman

This theory explains how government spending has grown most effectively. In their opinion, if national income increases, government revenue will also increase or increase, and government spending will also increase or become high.

Economic Growth Theory

Classical Economic Growth Theory

The number of population, stock of capital products, geographical area, availability of natural resources and the level of technical sophistication are several factors that affect economic growth, according to the classical theory of economic growth. Based on the assumptions made, they argue that fiscal imbalances have an adverse impact on business.

Modern Economic Growth Theory

According to Harrod-Domar, in this modern theory of economic growth emphasizes the creation of investment for economic expansion. This theory analyzes the problem of economic growth in terms of demand. Where in economic growth will only apply if aggregate spending (through increased investment) increases at a predetermined rate of economic growth. The higher the investment, the better the economy will be (Lincolin, 2010).

Endogenous Economic Growth Theory

This theory of economic growth identifies and examines the process of growth economics that comes from internal (theory itself), technological progress is considered to be endogenous, where economic development is the result of the decisions of the actors economy to invest in science (Lincolin, 2010).

Foreign Direct Investment Concept

Foreign direct investment, has a very important role in investment purposes domestic.Foreign Direct Investmentor foreign direct investment beneficial in expanding employment opportunities, increasing capabilities in production and media transfer of technology from abroad to within the country and increase competitiveness, profits and skills, as well as accumulating savings and foreign exchange reserves.

Previous Research

Yuvensius (2017), found that the budget deficit has a negative effect significantly to economic growth, because the deficit is financed by debt yet used optimally while foreign investment has a positive influence significant to economic growth in 10 ASEAN countries, this is due to the existence The higher the foreign direct investment, the higher the growth economy.

Contrary to Adib's research (2014), his findings show that between the budget deficit variables, government spending has a significant influence on economic growth. Dwinanda et al (2015), his study shows that deficit fiscal has a positive influence on economic growth. Nexthat research results Kryeziu, et al. (2021), also revealed that the budget deficit ratio variable significantly statistics have a significant positive effect on eurozone economic growth.

Further research by Prantika et.al (2018), the findings show that FDI and government spending have a positive and significant impact on economic growth. In line with the research of Jean et al (2019), it has been proven to provide positive impact on economic growth, and variable government spending has the greatest role in economic growth.

Framework

This study will examine the effect of the budget deficit, government spending and foreign direct investment to economic growth. Huge budget deficit can affect economic growth, if the budget deficit is used for make productive investment financing such as infrastructure, it can increase economic growth in the long term, if the budget deficit is used for productive investment activities, this will result in an increase in interest rates interest rates that have a negative impact on economic growth.

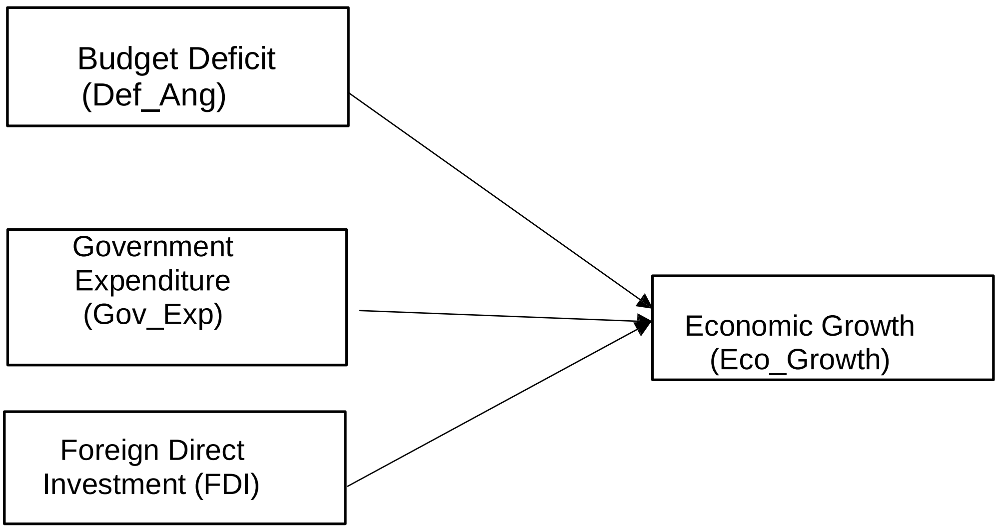

Figure 2 Conceptual Framework

In addition, when government spending increases, it has a positive impact on economic growth, this government spending can stimulate activity economy because any spending made by the government will be income for a company, in the short term government spending can help stimulate aggregate demand, and will promote economic growth. This foreign direct investment variable has a close relationship with economic growth, foreign direct investment has benefits for a country, namely improving technology and knowledge as well as increase production capacity so that economic growth increase.

Hypothesis

Based on the theory used and previous research, the hypothesis that this research are as follows:

H_0: Budget Deficit, Government spending and foreign direct investment are not has a significant effect on economic growth in ASEAN in 2012-2021.

H_1: Budget deficit, government spending and foreign direct investment have significant influence on economic growth in ASEAN in 2012-2021.

RESEARCH METHODS

The scope of research

This study analyzes whether the budget deficit, government spending and foreign direct investment affects economic growth. Based on the discussion in this study, the variables to be used are the budget deficit (Def_Ang), government spending (Gov_Exp), foreign direct investment (FDI) and growth economy (Eco_Growth). This research was conducted in ASEAN countries by taking The sample used is simple random sampling, namely random sampling simple, is a sampling technique that can allow all that used as a population has the opportunity to be used as a sample in research (Nurlina, 2017).

Data types and sources

The type of data used in this study is secondary data which is quantitative in nature obtained from a second party. While the data used in this study is a combination of time series data and cross section or panel data. The time series data used is 10 years, namely from 2012-2021 and the cross section data used is 10 ASEAN countries. The data source used in this research is the World Bank and Country Economy annual data for 2012-2021.

Method of collecting data

Data collection in this study used documentation and literature study techniques. The literature study technique is a method of collecting data by reviewing books, literature and records that are related to the problem being solved, while the documentation technique is by collecting data by recording past events which can be in the form of writing, pictures and policies (Sugiyono, 2016). By collecting data on budget deficits, government spending, foreign direct investment and economic growth from documents on the webCountry Economy, World Bank.

Data analysis technique

The data analysis used in this study was panel data regression (panel regression model) using the Eviews 13 software analysis tool. To help process research data in the form of panels, Eviews is an appropriate analytical tool to use in analyzing data in order to complete research results. accurate and can solve the problems in the research conducted. The foreign direct investment variable is transformed to the natural logarithm (Ln) because the data has a value of millions of US$. It aims to reduce large data fluctuations. Quantitative analysis of the panel data regression equation model used is:

GDPit = β0+ β1Def_Angit+ β2Gov_Expit+ β3FDIit + eit……………………….(1)

Modeling in this study becomes:

GDPit = β0+ β1LnDef_Angit+ β2Gov_Expit+ β3LnFDIit + eit…………………(2)

Information:

Keterangan:

GDP	:	Economic Growth of ASEAN countries tahun 2012-2021
Def_Ang	:	Budget Deficit of ASEAN countries in 2012-2021
G_Exp	:	Government Expenditure of ASEAN countries in 2012- 2021
FDI	:	Foreign Direct Investment of ASEAN countries in 2012-2021
Ln	:	Natural logarithm
e	:	error term
i	:	Cross section
t	:	Time period

Panel Data Regression Model Selection

Commons Effects Model (CEM)

Poll Least Square is a combination of time series data with cross section data in a data pool. In this common effect model it is assumed that the intercept and slope of the cross section and time series data are the same (D. Gujarati & Porter, 2006). In the common effect model, the time or individual dimensions are ignored because of the different dimensions.

Fixed Effects Model (FEM)

In this fixed effect model it is assumed that there are differences between individuals (cross section), but for each object observed the intercepts are the same. This model also assumes that the slope is constant, both between individuals and over time. In order to be able to estimate Fixed Effects to obtain different intercepts between individuals, a dummy variable technique or estimation model (LSDV) Least Square Dummy Variable (Gujarati & Porter, 2006) is used.

Random Effect Model (REM)

Is an estimation method by adding or modifying the relationship variables between time and between individuals with possible error terms that will appear. In this random effect model, it is assumed that there are differences for each individual in the intercept (Akbar, 2020).

Model Testing

In determining the appropriate panel data model among the common effect model, fixed effect model, and random effect model, a model suitability test was carried out, the three best testing models to identify significant regression findings.

Chow test

is a test to evaluate the type of model to be selected whether the common effect model or the fixed effect model. In this test it states that if the chi square cross section value is significant at 0.05 then H0 is accepted and the best model chosen is common effect model (Ghozali, 2013).

Hausman test

Tests carried out to determine the type of model to be selected between the fixed effect model (FEM) and the random effect model (REM). The assumption used to select the panel data regression model is that the fixed effect model will be selected if the prob. Chi square < 0.05. Conversely, a random effect model is chosen if the prob. Chi square > 0.05 (Ghozali, 2013).

Langrange Multiplier Test (LM)

This test is used to compare the best model to be selected between the common effect model and the random effect model. If the Breush Pagan cross section value is > 0.05, the best model to use is the Common Effect Model (CEM). Conversely, if the Breush Pagan cross section value is <0,05, the best model chosen is the Rnadom Effect Model (Ghozali, 2013).

Hypothesis testing

F test

This test was conducted to determine the dependent variable which is influenced by the independent variable simultaneously, with a significance level of 5%. Simultaneously, the effect of the independent variable and the dependent variable is not significant, if F count > F table then H0 rejected and H1 accepted. simultaneously, the effect of the independent variable on the dependent variable is significant, if Fcount < F table thenn accepted and H1 rejected (Gujarati,2003).

t-test

This test was conducted to determine the significance of each variable independent in influencing the dependent variable. In this test, it can be done by looking at the results of the regression that has been done using the Eviews program, by comparing the significance level of each independent variable with α = 1%, 5% and 10%. If the significance level ≤ α then H0 rejected and H1 accepted and vice versa if the significance level > α then H0 accepted and H1 rejected.

The coefficient of determination (R2)

This test was conducted to measure how far the ability of a research regression model to explain the independent variable in explaining the dependent variable. If the value of R2 is small, it can be concluded that the ability of the independent variable to explain the dependent variable is small.

Classic assumption test

Multicollinearity Test

This multicollinearity test aims to find out whether the variables in the regression model are found to have a correlation between the independent variables. If there is no correlation between the independent variables then the regression is a good regression model. If the results of the multicollinearity test for all variables show a value of 0.05 then there is no heteroscedasticity problem.

Heteroscedasticity Test

If the chi square probability value is 0.05 then there is no heteroscedasticity problem.

Variable Operational Definition

The operational definitions of the variables in this study are as follows:

Economic growth

Is a state of the economy of a country and is used as a measure in achieving development (Abdillah, 2020). Economic growth can be said to be an increase in the entire value of the production of goods and services in a country in a period (Wahyunandi, 2019), to measure economic growth using data GDP in percentage.

Budget Deficit

It is the result of government revenue minus spending government. The budget deficit is the difference between the revenue budget and budget that produces a negative value. This variable uses deficit data in million US$.

Government Spending

It is the obligation of the central government to reduce the value of wealth clean. This government spending is a form of fiscal policy that is in the APBN (Anitasari, 2015). This government expenditure is productively allocated or budgeted which will have an impact on a country's economy (Charty, 2020). Variable data used in this study using data on the percentage of government spending in ASEAN countries.

Foreign Direct Investment

Is investment made by the private sector from abroad or can considered as the transfer of wealth from one country to another by the government as the owner of the capital J up to (2004). The data used in this research is data foreign direct investment in ASEAN countries for the 2012-2021 period in US$ million.

RESEARCH RESULTS AND DISCUSSION

Estimation of Panel Data Regression Model with Common Effect Model
Table 1 Panel Data Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-3.755408	2.050484	-1.831474	0.0703
LN_DEF_ANG	0.037065	0.031277	1.185061	0.2391
GOV_EXP	0.122360	0.031670	3.863579	0.0002
LN_FDI	2.160014	7.990015	2.710327	0.0080

Source: Panel *data estimation results via CEM using Eviews 13*
Information:
Eco_Growth = -3.755408+0.037065LN_Def + 0.122360Gov_Exp + 2.160014LN_FDI

Based on the results of the estimated panel data regression through the CEM model, it shows that there is a constant value of 3.755408 with a negative sign, which means that if the budget deficit, government spending and foreign direct investment are considered constant, economic growth will decrease by 3.755408 units. Then the budget deficit coefficient value is 0.0037065 which is positive with a significance value of 0.2391 meaning that if the budget deficit increases by 1 million it will increase economic growth by 0.037065 units. The estimation results of the government spending variable have a coefficient value of 0.122360 which is positive, meaning that if there is an increase in government spending in Indonesia, Malaysia, Thailand, Myanmar, the Philippines, Vietnam, Singapore, Brunei Darrussalam, Cambodia and Laos by 1 percent will increase economic growth by 0.123360 units. The estimation results show that the foreign direct investment variable has a coefficient value of

2.160014, which is positive, meaning that if foreign direct investment increases by 1 million, it will increase economic growth by 2.160014 units.

Hypothesis testing

The cofficient of determination (R2)

Table 2 Test Result for the Coefficient of Determination

R-squared	0,196900
Adjusted R-squared	0,170425

Source: Test results for the coefficient of determination using Eviews 13

Based on the results of the common effect model regression output, the R-squared value is obtained of 0.196900, which means that the variable budget deficit, spending government and foreign direct investment have an influence of 19.69 percent and 80.34 respectively percent is explained by other variables outside the study.

F-Statistics Test

Table 3 Hasil F-Statistict Test Results

F-Statistik	7.436991
Prob (F-Statistik)	0.000165

Source: F-Statistics test results using Eviews 13

Table 3 shows that the probability value of the F-Statistic is 0.000165 < 0,05 mean H0 is rejected and H1 accepted. It can be concluded that the variable budget deficit, spending government and foreign direct investment simultaneously have a significant influence significant impact on economic growth in ASEAN countries in 2012-2021.

t-Statistics test

Table 4 Hasil t-Statistics test result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-3.755408	2.050484	-1.831474	0.0703
LN_DEF_ANG	0.037065	0.031277	1.185061	0.2391
GOV_EXP	0.122360	0.031670	3.863579	0.0002
LN_FDI	2.160014	7.990015	2.710327	0.0080

Sumber: Hasil uji t-Statistik menggunakan Eviews 13

Table 4 shows the results of the hypothesis using the t test it is known that the df in this study is 96 with a significance level of α = 5% (0.05) so that the t-table value is 1.66088 which shows how the influence of the dependent variable on the independent variable in the study this is explained as follows:

The budget deficit variable shows a t-count value of 1.185061 0.05 then H0accepted and H1rejected, meaning that the budget deficit variable has a positive and insignificant effect on economic growth.

The government expenditure variable shows a t-count value of 3.863759 > t-table of 1.66088 with a probability of 0.0002 t-table of 1.66088 with a probability of 0.0080.

Classic assumption test

Multicollinierity Test

Table 5 *Multicollinierity Test Results*

	LN_DEF_ANG	GOV_EXP	LN_FDI
LN_DEF_ANG	1.000000	-0.433838	0.057808
GOV_EXP	-0.433838	1.000000	-0.029897
LN_FDI	0.057808	-0.029897	1.000000

Source: Multicollinearity test results using eviews 13

The results of the multicollinearity test for all independent variables show numbers below 0.80 so you can It can be concluded that the research data is free from multicollinearity problems.

Heteroscedasticity Test

Table 6 Heteroscedasticity Test Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.738729	1.607323	1.703907	0.0918
LN_DEF_ANG	0.026083	0.024517	1.063881	0.2902
GOV_EXP	0.009725	0.024825	0.391739	0.6962
LN_FDI	5.14E-15	6.21E-15	0.821453	0.4135

Source: Heteroscedasticity test result using eviews 13

Based on table 6 the probability value of all research variables is > 0.05. The budget deficit has a probability value of 0.2902 > 0.05, government spending has a probability value of 0.6962 > 0.05 and foreign direct investment has a probability value of 0.4135 > 0.05. In conclusion, in this study there was no heteroscedasticity problem so that H0 rejected and H1 accepted.

Discussion

Effect of Budget Deficit on Economic Growth

Based on the estimation results of the model using the Common Effect Model regression equation, it shows that the budget deficit variable has a coefficient value of 0.037065 which is positive, meaning that every increase in the budget deficit by 1 million will increase economic growth by 0.037065 units. By having a significance value of 0.2391 and a t-count of 1.185061 < a t-table of 1.66088, which means that H0accepted and H1 rejected, thus there is a positive and insignificant influence between the budget deficit variable and economic growth in ASEAN in 2012-2021.

The results of this study indicate that the budget deficit has an insignificant positive effect on economic growth, this is in accordance with the Keynesian theory states that the budget deficit has a positive effect on growth economy, according to Keynesian theory, a budget deficit will increase income, welfare and consumption. But in the theory it is stated that economic actors have a short-term view and the entire market is not always in balance. The results of this study support the theory of Ricardian Equivalence which argues that the budget deficit does not have a significant effect on economic growth.

The results of this study are not in accordance with the initial hypothesis which is assumed to be a deficit the budget has a significant influence on economic growth, Deficit the budget has no significant influence or has little influence on economic growth due to the crowding out effect, when the government experiences budget deficit and have to borrow to other countries to cover If there is a financial shortage, there is a possibility that loan offers will increase so interest rates increase. This will lead to a decline private investment, because higher interest rates make more investment projects expensive, thereby hampering economic growth.

The budget deficit has no significant or small effect because of this the effect of uncertainty in financial markets that disrupts economic stability, thus consumers and investors are worried about the government's ability to do so management of the state financial deficit that disrupts economic stability, with If this is the case, economic growth will be limited or slowed down.

The results of this study are in line with the research of Nelson and Singh (2012) in this study analyze the effect of the budget deficit on the GDP growth rate with using cross section data from 70 developing countries, the results of the analysis show that the budget deficit has no significant effect on GDP growth, due to the lack of macroeconomic certainty, which could hamper growth per capita income through relative price volatility. The results of this study are also supported by Velnampy and Achchuthan's research (2013) analyzes the impact of fiscal deficits on Sri Lanka's economic growth and research results show that the budget deficit does not have a significant effect on Sri Lanka's economic growth.

Effect of Government Spending on Economic Growth

The results of panel data estimation using the Common Effect Model in this study can be concluded that government spending partially has a positive and significant influence on economic growth in 10 ASEAN countries in 2012-2021. The coefficient value of the government expenditure variable is 0.122360, meaning that for every 1 percent increase in government spending, economic growth will increase by 1 percent and vice versa if government spending decreases by 1 percent, economic growth will decrease by 0.122360 1 percent. With this coefficient value, it is stated that government spending has a positive influence on economic growth.

This is in accordance with Adolf Wagner's theory which states that government spending will increase as a proportion of the percentage of GNP. According to Wagner's theory, government spending is considered a determining factor in economic growth based on Keynesian theory. In accordance with the results of this study which state that government spending has a positive influence on economic growth, in Wagner's theory it is stated that in an economy if government spending increases then per capita income will also increase, so there is a reciprocal relationship in society.

This study shows results that are in accordance with the initial hypothesis which states that government spending has a positive influence on economic growth, this is in line with research by Lutfiana et al (2019), which states that government spending has a significant positive effect on economic growth. The increase in government spending in ASEAN countries will encourage the development process so that it will cause the rate of economic growth to increase. There is another study, namely research by Haryani (2016) which states that government spending has important role in a country. Based on this research, increasing government spending in providing and repairing infrastructure will lead to a smoother production process of goods and services. This can encourage an increase in the production process so that it will lead to an increase in economic growth.

Government spending is a reflection in government policy. If the government has established a policy to buy goods or services, government spending reflects the costs that must be incurred by the government in implementing the policy. Government spending has an influence on the public consumption sector of goods and services. With government spending in subsidies, it not only causes the less fortunate to be able to enjoy certain goods and services, but it can also cause the upper middle class to be able to consume more goods or services.

The results of this study are supported by Akhmad's research (2021) regarding the effect of government spending on economic growth in ASEAN-5 countries where the results of his research show that government spending has a significant positive effect on economic growth because government spending has an impact on various sectors in the economy so that in aggregate it will increase growth. economy.

Effect of Foreign Direct Investment on Economic Growth

Based on the results of panel data estimation using the Common Effect Model, it can be concluded based on the probability value and coefficient value that partially foreign direct investment has a significant positive effect on economic growth in 10 ASEAN countries in 2012-2021. The variable coefficient value of foreign direct investment is 2.160014, meaning that for every increase in foreign direct investment of 1 million, economic growth will increase by 2.160014 million and vice versa if investment 2023 Direct foreign exchange decreased by 1 million, so economic growth also fell of 2.160014.

This is in accordance with Akbar's research (2019) which states that foreign investment directly have a positive influence on economic growth based on neoclassical theory that foreign direct investment provides more employment opportunities wide. This Foreign Direct Investment is a capital item, because it is Foreign Direct This investment is a real investment in the form of business establishment, purchase of goods capital and control of the investment. So this foreign direct investment able to boost economic growth. No foreign investment directly in these ASEAN countries, economic activity runs longer or less productive because capital and infrastructure are less supportive.

With an increase in foreign direct investment this will also increase economic growth. So that the economy moves faster because of the facilities and infrastructure that is increasingly fulfilled and finally this can encourage improvement the rate of economic growth in ASEAN countries. This is in line with the results of the study Bagaskara (2018), which shows that foreign direct investment has a positive effect significantly to economic growth, due to an increase in investment foreign direct economic growth also increases, so that capital accumulation continues running and production activities do not stop.

This foreign direct investment provides a long-term effect that can increase national production thereby causing increased economic growth. Foreign investment This direct contribution contributes a lot to economic growth from two sides, The first is from the demand and supply sides. If investment becomes a stimulus economic growth it can provide effective economic growth, from the supply side, investment can stimulate economic growth and create more capital reserves.

The results of this study are also in line with the more modern theory of economic growth emphasizes the creation of investments for economic expansion, based on economic theory This modern economic growth will only take effect if aggregate spending goes through the increase in investment increases at the level of economic growth that has been determined, the higher the value of incoming foreign investment, the economy will better.

CONCLUSION

Based on the results of research on the effect of budget deficits, government spending and foreign direct investment on economic growth in ASEAN in 2012-2021 using the results of panel data regression estimation using the common effect model method, the following conclusions can be drawn:

1. The budget deficit variable has a positive and insignificant effect on economic growth in ASEAN countries in 2012-2021.
2. The government expenditure variable has a positive and significant influence on economic growth in ASEAN countries in 2012-2021.
3. The foreign direct investment variable has a positive and significant effect on economic growth in ASEAN countries in 2012-2021.

Suggestion

Referring to research and analysis regarding the effect of budget deficits, government spending and foreign direct investment on ASEAN economic growth in 2012-2021, the following suggestions can be given:

1. The output in this study is expected to provide an overview and reference for policy makers, especially in ASEAN countries so that they can take more effective policies in controlling budget deficits, can make government expenditures for more effective activities.
2. For future researchers who discuss variables that affect economic growth, they can add other variables such as foreign debt and other variables, so that they can expand this research.

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