



Effect of Corruption in ASEAN (Case Study 4 ASEAN Countries)

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Abstract: *Corruption is a global problem that is always a debate in all countries. Corruption has existed for a long time and it is a problem that exists in developing and developed countries. Many sectors are harmed by the attitude and behavior of corruption, and this greatly affects the economic growth of a country and can reduce the economic growth of a country. The purpose of this study is to see and analyze the impact of corruption in ASEAN countries in 2016-2021 by using panel data to conduct the FEM test. The objects of research are Thailand, Indonesia, Cambodia and the Philippines. This study shows that economic growth in several ASEAN countries is influenced by the corruption perception index and has a positive effect on economic growth. In addition, government spending and consumption have a positive effect on economic growth, while free trade has a negative effect on economic growth.*

Keywords: *Economic Growth, ASEAN, Corruption, Government Spending.*

1. INTRODUCTION

Within a country and this causes the fiscal space for development to become increasingly narrow and uncertain. Corruption is carried out by a person or group of people who are capable of disrupting the economic growth of a country and resulting in the instability of the country's economy. Corruption is a serious problem that occurs not only in the country. developed countries but also in developing countries. Corruption is the main obstacle in carrying out the process of building a nation where more than 180 countries from 2018 were conducted research using a scale of 0 to 100, where 0 is very corrupt and 100 is very clean. From these measurements it was found that more than two-thirds of the countries in the sample have a mean score of 44 with scores below 50.

The causes of the high and low corruption index in the research owned by each country occur due to several things, namely:

1. Bad bureaucracy, extortion, bribery, wastage of the budget by state officials.
2. Providing concessions on press freedom, easy access to information

Corruption can improve the economy by avoiding inefficient bureaucracy in Southern Europe. [1] Nilsson 2017. Research conducted by [2] Huang (2016) explains that South Korea's



economic growth is influenced by corruption while in Asia Pacific countries corruption does not affect economic growth. According to research conducted by [3] Hariyani (2016) where the Asian Pacific region countries corruption has a negative influence on economic growth. [4] Hakimi & Hamdi (2017) conducted research in 15 MENA countries, and the results of the research were corruption is an obstacle to growth because it will reduce investment activities and inflows FDI.

Corruption disrupts the economy which will lead to unfair competition which will have an impact on weakening the flow of investment into the country. [5] (IMF, 2016) Corruption drains state wealth because those who commit corruption tend to invest public resources into projects that benefit themselves without benefiting society. The government in overcoming this is very important because corruption can weaken the ability of the state to provide inclusive economic growth in a number of areas that different. When this function cannot be performed, it will have an impact on economic performance including macro financial stability, investment, human capital accumulation and productivity. According to [6] Todaro and th, 2006 in their research, they found that the number of corrupt practices in third world and developing countries is a form of failure of government planning due to the low quality of institutions so that personal interests take precedence over national interests, in contrast to research conducted by [7] (Sasana, 2004). Explaining that corruption occurs in poor countries and developing countries due to an authoritarian leadership style. Unstable state conditions and poor quality of institutions also cause some of the policies and regulations that are implemented to be practically not running perfectly. There are many developing countries in the world with a fairly low corruption index value. Some of them are found in the Asian region, especially South Asia and Southeast Asia

This study focuses on developing countries/third world countries, namely Thailand, Indonesia, Cambodia and the Philippines which have a tendency to practice corruption in ASEAN. Due to insufficient data availability for all ASEAN member countries; public into projects that benefit themselves without benefiting society. The government in overcoming this is very important because corruption can weaken the ability of the state to provide inclusive economic growth in a number of areas that different. When this function cannot be performed, it will have an impact on economic performance including macro financial stability, investment, human capital accumulation and productivity. Due to insufficient data availability for all ASEAN member.

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Tabel 1: Corruption Perception Index of 4 Asean Countries

Negara	2016	2017	2018	2019	2020	2021
Indonesia	36	37	37	38	35	38
kamboja	34	35	36	37	21	30
Thailand	35	36	34	35	36	37
Philipina	35	34	34	35	34	34

Table 1.1 is a table that shows the corruption perception index of 4 ASEAN countries in 2016-2021. The corruption perception index is used as an indicator to measure the level of corruption in a country using a scale of 0 to 100, where a value of 0 indicates that the country is very corrupt and a value of 100 indicates that the country is very clean. Based on the table above, it can be seen that the 4 countries have a corruption perception index that fluctuates and varies from the highest to the lowest. The highest corruption perception index is owned by Indonesia with an average index of 35 in 2016 which shows that corruption cases in Indonesia are higher than other countries and reflects that the attitude of transparency has been going quite well. Next is Thailand and the Philippines. According to [8] (Mauro, 1995) the low corruption rate indicates the efforts made by a country in overcoming the high corruption rate. Strongly affects economic growth.

Tabel 2: Tabel GDP Negara ASEAN

Negara	2016	2017	2018	2019	2020	2021
Indonesia	5,2	5,5	5,8	5,2	-2,1	5,2
Thailand	3,4	4,0	4,2	2,4	-33,5	0,3
Philipina	6,9	6,7	6,2	6,5	-9,6	5,6
Kambodja	6,9	7,0	7,5	7,1	-3,1	5,3

The table above shows the GDP growth of four ASEAN countries, where the increase in GDP from year to year is a measure of the progress of a country's economic development. The table above shows that in 2016 Cambodia and the Philippines were the countries with the highest GDP among Indonesia and Thailand. Furthermore, in 2017 the lowest GDP growth among the four four countries was Thailand. According to research conducted by [9] Tapsin (2014) found that consumption has a positive effect on economic growth, because when there is an increase in consumption it will affect the economic growth of a country. There are several factors that affect the economic growth of a country, namely corruption, consumption, government spending and trade openness.

2. RESEARCH METHODS

A. Data Types and Sources

In this study, the type of data used is a panel which is a combination of time series data and cross section data. The data used in this study are data from the World Bank and data in the form of annual reports issued by UNESCO.

B. Population and Sample

This study uses time series data from 2016-2020 with the research objects being Indonesia, Thailand, Cambodia and the Philippines.



C. Research Model

The specification of this research model follows the Barro and Levine model by including corruption as an independent variable. The similarities are as:

$$GDP = \alpha_0 + \beta_1 COR + \beta_2 COM + \beta_3 EG + \beta_4 OPEN + \varepsilon$$

Then it is entered in the panel data so that the equation becomes:

$$GDP_{it} = \alpha_0 + \beta_1 COR_{it} + \beta_2 COM_{it} + \beta_3 EG_{it} + \beta_4 OPEN_{it} + \varepsilon_{it}$$

$$i = 1, 2, \dots, N$$

$$T = 1, 2, \dots, T$$

GDP = growth rate per capita

COR = Corruption perception index

COM = consumption

EG = Government spending

OPEN = Open trade

3. RESULTS AND DISCUSSION

The presentation of the results of data processing shows that the four ASEAN countries show that the data has a good data distribution, according to [10] Dzhumashev (2009) explaining that corruption has a negative relationship and does not have a direct effect on economic growth. This can happen because it is influenced by several results. The results of the panel data regression analysis method show that corruption has a negative effect on economic growth in 4 ASEAN countries although the effect is not significant. These results indicate that the impact caused by corruption does not directly affect economic growth but rather leads to inefficiency in the production process and misallocation of resources. This happens because corruption can reduce the quality of institutions and create leakages in the financing of resources.

4. CONCLUSIONS

The results of the panel data regression analysis method show that corruption has a negative effect on economic growth in 4 ASEAN countries although the effect is not significant. These results indicate that the impact caused by corruption does not directly affect economic growth but rather leads to inefficiency in the production process and misallocation of resources. This happens because corruption can reduce the quality of institutions and create leakages in the financing of resources.

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The preferred spelling of the word “acknowledgment” in American English is without an “e” after the “g.” Use the singular heading even if you have many acknowledgments.

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