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Impact of Foreign Direct Investment and Tax Revenues on the Economic Growth of Five Asean Countries

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Abstrak

This study was conducted to assess the impact of direct investment and tax revenue in ASEAN countries, specifically Indonesia, Malaysia, Philippines, Thailand, and Vietnam, between 2018 until 2024. This study used secondary data from the World Bank website related to the independent variables of Foreign Direct Investment (FDI) and tax, and the dependent variable was economic growth. According to this study, foreign direct investment and income influence economic growth in five ASEAN countries: Indonesia, Malaysia, Thailand, Philippines, and Vietnam. The analysis of the results shows that both Foreign Direct Investment and tax revenue simultaneously have a significant effect on economic growth, while partially, both Foreign Direct Investment and tax revenue have a positive and significant effect on economic growth in five ASEAN countries, specifically Indonesia, Malaysia, Thailand, Philippines, and Vietnam. The results of this analysis can provide input for the five ASEAN countries (Indonesia, Malaysia, Thailand, Philippines, and Vietnam) in formulating policies and decisions to increase tax revenue and encourage foreign direct investment to be used to boost economic growth in each of these ASEAN countries. And from the government side of each country, various steps have been taken to encourage economic growth, including streamlining bureaucracy, taxes, improving business, ensuring security reforms and financial stability so that foreign direct investment can enter and increase tax revenue.

Keywords: Foreign Direct Investment, Tax Revenues, Economic Growth

INTRODUCTION

The economic growth of the ASEAN region is expected to increase in 2024. Economic growth in Southeast Asia is expected to reach 4.6 % in 2024,driven by strong domestic demand, consumption and the recovery of the tourism sector. Indonesia, Malaysia, Thailand, Philipina and Vietnam are expected boost economic growth. Tax revenue and foreign direct investment (FDI) also contribute to the growth of the Asean region. At the same time, the economic and political condition of each country can affect tax revenue, so tax revenues,are not within the target amount. Also because the eligibility criteria for foreign direct investmenthave been simplified, there are sometimes rules that make admission uncertain. This could affect the economic growth of some Asean countries.

Foreign Direct Investment (FDI)

A (Sukirno, 2021)Investment refers to the cost of investment or the cost of investors or companies that manage the acquisition of capital goods and production equipment to increase the production capacity of goods and services in the economy. (Rosyada and Gischa, 2024) Explain that FDI is a foreign investment or foreign investment made by a company or individual from abroad. Foreign direct investment (FDI) is an important part of an increasingly globalized economic system. It all starts when a company in one country invests its capital in another country over the long term. Thus, companies operating in their home country may have partial or full control over companies in the host country. The trick is to invest in buying an existing business abroad, raise capital to build a new business, or at least 10% of the shares. The survey is running(Malisa and Theola Insorakieva, 2025) which leads to the conclusion that FDI contributes positively to economic growth, but is influenced by corruption, political instability and insufficient infrastructure. The study emphasizes the importance of policy reforms to create a more favorable environment for the IDF and thus increase the likelihood of poverty alleviation. Policies that improve the investment climate and address structural challenges can significantly increase the benefits of FDI for the Indonesian economy. In addition, the following (Ferdian and Satrianto, 2022) According to the foreign direct investment, this will have a significant and significant impact on the country's economic growth. There is also research(Almanik, Shaheen and Ahmed, 2024) He emphasized that foreign direct investment (FDI) has a positive and significant impact on the economic growth of the G20. The same goes for research. (Udeh, Ibrahim and Sesay, 2025) Foreign direct investment (FDI) has a significant impact on economic growth. Research (Farooq *et al.*, 2022) According to the DOH, foreign direct investment (FDI) affects the country's economic growth.

Tax Revenues

According to the Tax law of 2021, a tax is defined as a mandatory payment by the state to individuals or organizations that are not required by law to receive direct commissions and that are used for state needs for the benefit of the population (Direktorat Jendral Pajak, 2021). According to Ray M. Sommerfield, Herschel M. Anderson and Horace R. Brock, taxation refers to the transfer of resources from the private sector to the public sector, not because of legal violations, but because of predetermined rules, without direct and proportional compensation, so that the state can meet its administrative obligations(Resmi, 2022). The source of tax revenue is the amount of tax revenue, including central taxes, customs duties, and excise duties on regional and regional taxes(Maulida, 2024). The survey is running (Nguyen, Phan and Minh, 2022) In summary: Develop better international trade policies, attract the IDF, speed up the process of economic adjustment, increase the mobility, management and use of foreign debt, and collect more taxes. Further research(Maulidya, Maslichah and Mahsuni, 2021) It says that tax revenues can be affected by inflation, economic growth, and the rupee exchange rate.

Economic growth

A Todaro and Smith (Fahreza, Muhammad and Sulfaidah, 2022) He explained that economic growth is a process that over time increases the productive capacity of an economy

and can increase national income. In the long run, economic growth is also understood as an increase in gross domestic product (GDP) that is not related to population growth or economic structurel. Economic growth refers to the development of a country's economic functions that increase the growth of goods and services in society and the well-being of society(Sukirno, 2021). The survey is running (Ganguly, 2023) It states that the impact of tax revenues on economic growth depends on a number of factors, including effective administrative regulation. In addition, the following (Mohamed, 2025) Experts say that tax revenues have a positive impact on economic growth in 38 OECD countries. According to a study conducted in Nigeria, tax revenues have a positive impact on economic growth (Peace Chinwe, Peace and Jennifer Onyinyechukwu, 2025). In addition, studies in ASEAN member states have shown that economic growth is influenced by exports, the industrial sector has a positive impact, while education has a negative impact on economic growth (Sugiyanto and Budiarty, 2025). Other relevant studies have shown that increased tax revenues have a positive impact on economic growth (Ahmed, Kumar and Husain, 2025)

METHOD

Data sources and research variables

The data for the study came from the World Bank's website. The data includes foreign direct investment, tax revenues, and economic growth collected between 2014 until 2024 in five ASEAN countries, including Indonesia, Malaysia, Thailand, the Philippines, and Vietnam. There are three independent variables: foreign direct investment (X_1), tax revenues (X_2) and a fixed variable, economic growth (Y).

Analysis methods

The regression analysis used in this study uses different types of regression analysis, using the standard least squares (OLS) method to examine the impact of foreign direct investment and tax revenues on economic growth. The analyzed data were tested at the balance level in several initial phases, especially in the classical acceptance test, which defines the distribution of data, including multiple collinearity test and heteroskedasticity test.

The structure of the research is as follows:

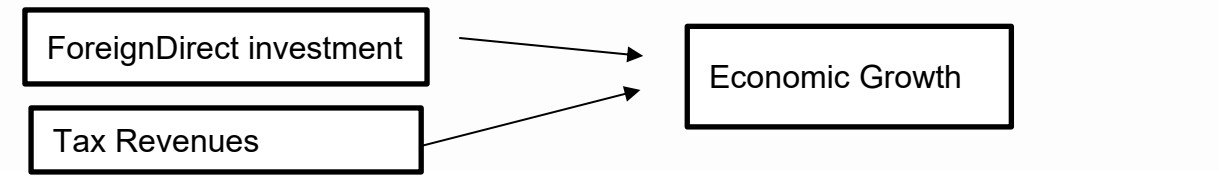

Figure 1 Research Foundation

The results of these changes can be compared with regression analysis. An example of a return is:

$$Y = a + b_1 \ln x_1 + b_2 \ln x_2$$

Information:
Y: Economic growth
X_1: Foreign direct investment
X_2:Taxes Revenues
Constants A and B

RESULTS AND DISCUSSION RESULTS

1. Classic hypothesis

a. Normality Test

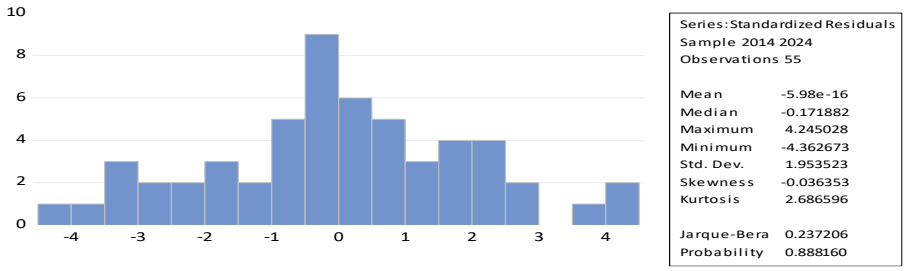

Figure 2. Normality Test

In the figure above, you can see that the statistical probability value of JB 0.888160 is higher than the significant value of 0.05, so the data is said to be normally distributed.

2. Autocorellation Test

Assumption of residual independence (non-autocorrelation) can be tested with the Durbin-Watson test. If the value of DW is less than -2, there is a positive autocorrelation, a negative autocorrelation greater than +2, and there is no autocorrelation between -2 and +2.

Table 1.Autocorellation Test

Table 1 Autocorrelation Test

Logarithmic probability	-83.01867	Sistine Hannan-Quinn	3.170293
F-Statistics	36.58956	Durbin-Watson Statistics	1.979800

Source: Eviews 12 (2026)

According to Table 1, the Durbin-Watson statistical value is 1.979800. Note that the Durbin-Watson statistical value is between -2 and 2, that is, -2 < 1.979800 < 2, assuming that the non-autocorrelation is met. In other words, there are no symptoms of a high residual autocorrelation.

3. Multicolonierity Test

Depending on the multicolonierity test, the following results can be observed:

Table 2 Results of multi-colonierity

	Tax revenues	Foreign direct investment
FDI	1	0.3885615178358368
Tax revenues	0.3885615178358368	1

Source: Eviews 12 (2026)

From the table above, we see that the probabilities of X_1 and X_2 < 0.85 . In this way, it will know if it is free from multicolonialism or if it passes the test of multicolonialism. (Napitupulu *et al.*, 2021).

4. Heterocedasticity Test

To confirm the presence of eterocedasticity test, a glacial test can be used.Here are the result of the heteroscedasticity test

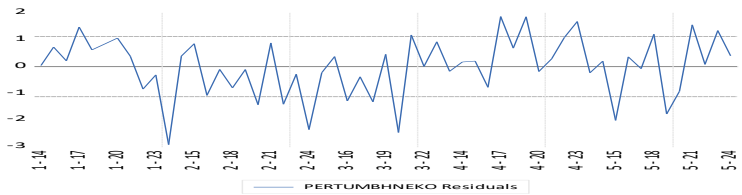

Figure 3. Heteroscedasticity test
Source: Eviews 12 (2026)

Based on the results of the glacier test in the graph above, we know that the blue line value is between -500 and 500, so the data is not heterosized.

5. Hypothesis

a) T Test

In this study, the T-test was used to implement changes at a part-time level. The results of the T-test can be found in the following information:

Table 3. T-Test Results

Variable	Coeficient	Std. errors	Statistics	Probably.
C	2.122303	0.550045	3.858417	0.0003
Foreign Direct Investment	0.496272	0.112814	4.399022	0.0001
Tax revenues	0.490143	0.097040	5.050946	0.0000

Source: Eviews 12 (2026)

The table above shows that the FDI variable (X_1) has 0.496272 and a significant value of 0.0001<0.05, which means that the FDI variable has a significant positive impact on

economic growth. The tax variable (X_2) is 0.490143 and the significant value is 0.0000< 0.05, which means that the variable in tax revenue has a positive and significant impact on economic growth.The equation is as follows:

$$\mathbf{Y= 2.122303 +0.496272}\ X_1 + \mathbf{0,490143}\ X_2 + \varepsilon$$

b) F Test

The F-test was used in this study to determine if each change effected the changes over the same time period.The result of the F-test can be found in the following information:

Table 4 Test F ($X_1.X_2Y$)

R-Square	0,884595
Adjusted R Square	0,868618
See Regression	1.125848
F Number	30.58956
Search (F-number)	0,000000

Source: Eviews 12 (2026)

The table above shows that the abbreviation is 0.000000 < 0.05, which at the same time has a significant impact on economic growth, meaning that foreign direct investment (FDI) and tax revenues have a major impact on economic growth.

c) Determination Test (R^2)

Use it to see how much possible it is to explain the changes. The Adjusted R-squared clause is as follows:

Table 5. R^2 Result

R-Square	0,884595
Adjusted R Square	0,868618
See Regression	1.125848
F Number	30.58956
Search (F-number)	0,000000

Source : Eviews 12 (2026)

From the table above, you can be sure that the R-Squared value is about 0,884595, or 88,45%. It has been shown that 88.45% of foreign direct investment and tax revenue contribute simultaneously to economic growth. And 11.55% (100% – 88.45%) was due to other changes that were not studied in this way.

DISCUSSION

The impact of foreign direct investment on economic growth

Regression analysis shows that the FDI in Indonesia, Malaysia, Thailand, Philippines and Vietnam is 0.496272 and the value value is 0.0001<0.05. This means that the variable foreign direct investment (FDI) can be seen as positive and has a major impact. FDI promotes economic growth, and FDI is considered the most important medium for technological development in developing countries. Technology is considered one of the factors influencing long-term economic growth. The Indonesian government's actions will boost foreign direct investment – such as streamlining bureaucracy, creating legal certainty, building staff and building infrastructure. (Lestari, 2025)The Malaysian government is conducting incentive calls, facilitating regulation and supporting targeted sectors (Radziah, 2024)In Thailand, the government has created an integrated policy culture that focuses on reliable services, performance, and an ecosystem that supports innovation while reducing energy costs. (Admin, 2026) Philippine government cuts corporate tax(AFP, 2024).In Vietnam, the government is introducing a multi-level system to simplify administrative procedures. (Truyen, 2025). This is in line with the research carried out by these studies (Udeh, Ibrahim and Sesay, 2025);(Farooq *et al.*, 2022);(Almanik, Shaheen and Ahmed, 2024) Foreign direct investment (FDI) has had a positive and significant impact on economic growth.

The impact of tax revenues on economic growth

Based on the results of the regression analysis, it can be explained that the variable tax income is 0.490143 and the signed values are 0.0000 < 0.05. This means that an increase in tax revenue can boost a country's economic growth, especially in the five ASEAN countries, namely Indonesia, Malaysia, Thailand, Philippines, and Vietnam.To increase in tax revenue lowers the tax avoidance rate, which affects tax audits. Introduction of tax reforms, deferral of tax payments and introduction of electronic declarations. (Alfin, 2024), reduce debt.(Kurniati, 2024)Strengthening the tax administration system, facilitating the payment of taxes through the introduction of a new law (Cahyo, 2026)Tax reform in Thailand(Indra, 2024)while the Vietnamese government offers incentives in the form of tax exemptions, low administrative costs, and more lenient regulations for local businesses (Welle, 2025). This is in line with the research carried out by these studies (Peace Chinwe, Peace and Jennifer Onyinyechukwu, 2025) ;(Ahmed, Kumar and Husain, 2025). Various policies are being pursued by the governments of the five ASEAN countries (Indonesia, Malaysia, Thailand and Vietnam) to increase tax revenues, such as tax reform, simplification of regulations, ease of tax payments and reporting. This will have an impact on government spending for development and will ultimately increase economic growth.

CONCLUSIONS

At the same time, foreign direct investment (FDI) and tax revenues contribute 58.45% to the economic growth of the five ASEAN countries, and in some cases, foreign direct investment and tax revenues contribute positively and significantly to the economic growth of the five ASEAN countries. In increasing economic growth in ASEAN countries, especially Indonesia, Malaysia, Thailand, the Philippines and Vietnam from direct investment have made policy changes that make it easier for foreign investment to enter. This is considering the

important role of Foreign Direct Investment, especially as an important driving force in Indonesia, Malaysia, Thailand, Philipnes and Vietnam's economic development. Its presence not only increases the supply of capital, but also expands job opportunities, accelerates technology transfer, and increases the competitiveness of the national industry. The governments of each ASEAN country (Indonesia, Malaysia, Thailand, Philippines and Vietnam) have made efforts to create policies to encourage the entry of foreign direct investment and tax reform to support the increase in state tax revenues which will be used for development while increasing economic growth.

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