Journal of Ecohumanism
2024
Volume: 3, No: 6, pp. 1561 – 1572
ISSN: 2752-6798 (Print) | ISSN 2752-6801 (Online)
https://ecohumanism.co.uk/joe/ecohumanism
DOI: https://doi.org/10.62754/joe.v3i6.4104

The Impact of Policy Quality and Political Stability on Foreign Direct Investment in ASEAN Countries: An Institutional Economics Analysis

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Abstract

This study investigates the impact of policy quality and political stability on foreign direct investment (FDI) within ASEAN countries. Both components are essential elements of a country's political risk profile; a lower risk profile characterised by robust policy quality and political stability tends to attract investors. We employ a panel data regression analysis across seven ASEAN countries, Indonesia, Malaysia, Singapore, Thailand, Vietnam, the Philippines, and Brunei Darussalam, from 2012 to 2022 to examine these relationships. The Common Effects Model emerged as the optimal panel model for our analysis. Our results reveal that policy quality negatively impacts foreign direct investment, suggesting that the perceived policy environment in the ASEAN may deter investors. Conversely, political stability exerts a positive effect, indicating that stable political conditions in the ASEAN attract investor interest. These findings affirm that policy quality and political stability are critical factors influencing foreign direct investment within ASEAN countries, underscoring their importance for potential investors. Contribution/Originality: This research offers a fresh perspective to the scholarly discourse on foreign direct investment within the backdrop of policy quality and political stability. The study's novelty lies in its exploration of these dual factors' effect on foreign direct investment, specifically within ASEAN countries. Furthering this original contribution, this study also presents a robust application of panel data regression analysis in evaluating regional investment attractiveness.

Keywords: *Investment, Policy Quality, Political Stability, ASEAN, Attractiveness.*

Introduction

In the global arena where economic fortitude marks a nation's progression, economic growth is inextricably tied to its developmental trajectory. The axiom that investment is a beacon of economic expansion is irrefutable, serving as a cornerstone for the sustenance and advancement of nations. Investment's leverage in an economy is colossal, formulating the bedrock for capital accumulation, which in turn augments production capabilities, bolsters national income, spurs job creation, and catalyzes employment prospects (Benkraiem et al., 2021). This pivotal role of investment extends beyond the domestic purview as it stands as a crucial vessel for financing ambitions geared towards expediting national development initiatives.

In dissecting investment streams, one delineates between domestic investments and their international kindred, where international investments bifurcate into portfolio and foreign direct investments (FDIs) (Peng et al., 2023) .Pertaining to FDIs, their import cannot be overstated. As conduits of monetary influxes, FDIs underpin the financial architecture of both developed and burgeoning economies, heralded for bolstering capital flows, with a commendable resilience to economic contingencies and fiscal turmoil (ASEAN 2023).

The dynamic of foreign direct investment is a complex tapestry, intertwined with multifarious elements wherein political risk stands as a pivotal yardstick for investor calculus. Political risk is indubitably an omnipresent specter, ranging from the quiescent to the volatile, which emanates from political disturbances and casts ripples across the economic landscape of its host nation (Auzairy et al., 2020). The specter of political instability, the malleability of government policy, and the robustness of a legal framework are but a few of the prisms through which investors scrutinize potential terrains (Nawaz & Rahman, 2023).

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The political risk spectrum is variegated across nations, and such variability is palpable within the ASEAN constellation. Here, countries navigate their unique political risk echelons, from Singapore's placid milieu to the more tempestuous backdrops found in Cambodia, Laos, and Myanmar (Penizzotto et al., 2019). It's paramount to note that despite this panorama of political climates, the ASEAN region has unfurled its allure to foreign investors, as evidenced by an audacious leap in FDI, an ascension from US$ 108.4 billion in 2010 to a staggering US$ 224.2 billion by 2022. This pronounced trajectory, averaging an annual enhancement of US$ 9.65 billion in FDI, unmistakably underscores the magnetic appeal of ASEAN for capital infusion (The ASEAN Secretariat & UNCTAD, 2021).

The underpinning rationale of this research is to meticulously parse the dimensions of political risk on Foreign Direct Investment within the ASEAN theater, with a fine-toothed comb drawn across the dual fibres of policy quality and political stability. Previous scholarly inquiries have traversed the terrain exploring the entanglement between political risk and FDI, unveiling a discourse that is punctuated with divergent standpoints. While scholarship such as that of Couto et al., (2021) and Sutanto et al., (2023) propound the thesis of a deleterious impact of political risk on the inflows of FDI, the conversation remains robust, with views running the gamut from consensual to contentious.

The looming question beckons: how do the twin pillars of policy quality and political stability orchestrate the symphony of FDI in ASEAN? Is there harmony or dissonance in the convergence of policy precision and the rhythms of regional stability? This introspection is not merely academic; it is a necessitated aperture through which we attempt to decode the complex dialectics of geopolitical certitude and its inexorable ties with investment confidence and economic fruition.

In grace with the judicious tradition of empirical inquiry, this travail endeavors to enhance fidelity to nuanced truths, deconstructing the narrative layers surrounding ASEAN's political risk structures and their entwined relationship with the magnetic pull of FDI. Through this prism, the exploration is a commitment to assaying the contours and dynamics of ASEAN's politico-economic tapestry, a canvas painted with the brushstrokes of diplomacy, governance, and capital flows, where often the invisible hand is steadied or swayed by the palpable pulse of political stabilities or upheavals (Priyadi et al., 2023; Zandi et al., 2023).

Research Questions

How does policy quality influence foreign direct investment in ASEAN countries?

What is the impact of political stability on foreign direct investment in ASEAN countries?

In addition, the paper begins with an introduction providing background and research questions, followed by a literature review examining economic theory, policy critique, and geopolitical prognosis. The methodology section describes the panel data regression analysis and the Common Effects Model. The results and analysis section presents and interprets findings on policy quality and political stability's impact on foreign direct investment. A discussion integrates the results with existing literature and discusses broader implications. The conclusion summarizes key findings, discusses implications for ASEAN countries, and suggests avenues for future research.

This integrative analysis shall therefore offer an intellectual odyssey through the trenches of economic theory, policy critique, and geopolitical prognosis, culminating in a treatise that seeks not just to inform, but to illuminate the pathways through which ASEAN can journey towards its envisioned elevation within the global investment topography. Thus, this analysis is not a mere recounting of the past nor a superficial prognosis of the future; it's a decisive plunge into the depths of the relationship between governmental stability, policy stringency, and their consequent allure or repulsion of foreign direct investment, the lifeline of burgeoning economies and the linchpin of sustainable development.

Literature Review

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The intricate interplay between policy quality, political stability, and Foreign Direct Investment (FDI) in the context of the Association of Southeast Asian Nations (ASEAN) has been the subject of extensive scholarly inquiry. This literature review will delve into the existing body of knowledge to explore the theoretical and empirical findings pertinent to these relationships.

Theoretical Foundations

At the root of the discourse is the theory of Institutional Economics, which posits that the quality of institutions, policy frameworks being paramount among them, has a profound impact on economic outcomes (Olson, 1982). The notion that investors are drawn to jurisdictions with sound policies is built on the premise that good policies reduce uncertainty and transaction costs (North, D. C. (1990).

The interdependence of political stability and economic activity is grounded in the theory set forth by Olson (1982), who argues that stable societies offer better conditions for productive investment. Barro, (1991) supports this view, stating that political stability is integral to achieving an environment conducive to investment and hence, economic growth.

Policy Quality and FDI

Empirically, the relationship between policy quality and FDI has been well-documented, with numerous studies finding a positive link between the two. For example, Asiedu, (2002) emphasizes the role of policy consistency and transparency in attracting FDI, particularly in developing nations. (Globerman & Shapiro, 2002) expand on the idea, asserting that effective governance and regulatory quality significantly enhance a nation's ability to attract and retain FDI. In the ASEAN context, (Qamri et al., 2022) find that policy improvements across the region have coincided with increased FDI inflows, substantiating the importance of policy quality.

Political Stability and FDI

The effect of political stability on FDI has also been a central theme in the literature. Zhao et al., (2018) demonstrate that political stability is a critical determinant of FDI inflows, a finding echoed by Khan et al., (2023), who argue that political risk factors, including government instability and internal conflict, significantly deter investors. Within ASEAN, studies such as Kang et al., (2021) have documented the historical evolution of political stability in the region and its correlation with the region's attractiveness to foreign investors.

FDI in ASEAN: A Regional Perspective

ASEAN's unique position as a focal point of FDI has spurred studies that focus on regional-specific dynamics. Ardiyono, (2022), in his examination of ASEAN, finds that both domestic policy environments and external economic conditions have influenced FDI patterns in the region. More recently, Peng et al., (2023) reinforce these findings, highlighting the role ASEAN's policy reforms and political stability efforts have played in shaping FDI inflows, especially in light of the ASEAN Economic Community blueprint aimed at regional economic integration.

Synergistic Impact Studies

Beyond the individual impact of either policy or stability, there is literature that investigates their combined effect. Tariq et al., (2022) posits that policy quality and political stability are interlinked and their synergies can create a more pronounced impact on FDI. This idea is particularly relevant in ASEAN, as noted by Mohamed et al., (2019) who suggests that policy coherence across the bloc, coupled with political stability, has reinforced the region's attractiveness to investors.

Limitations and Gaps in the Literature

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While the literature is comprehensive, certain gaps warrant attention. There is a need for more granular studies that dissect the individual impacts of various policy instruments and their relative importance in attracting FDI to ASEAN (Priyadi et al., 2022; Qamri et al., 2022) Additionally, there is a dearth of research on the potential temporal lags between improvements in policy or stability and their perceived impact on FDI (Mattauch et al., 2022; Nafik et al., 2022). Moreover, the context-dependence of these relationships suggests that the findings are not universally applicable. ASEAN's economic and political heterogeneity implies that the interplay between policy quality and political stability may function differently across member states, an avenue that requires more focused investigation (Benkraiem et al., 2021).

The collective narrative advanced by the existing literature elucidates a strong theoretical and empirical basis for asserting that policy quality and political stability are influential determinants of FDI in the ASEAN region. While there is considerable agreement as to the direction of these relationships, the nuances of their operational dynamics are complex and multifaceted. Emerging studies continue to refine our understanding of this nexus, highlighting the need for ongoing research to navigate the ever-evolving economic and political contours of ASEAN.

Method

In this study, a panel data regression analysis was employed to examine the relationship between policy quality, political stability, and Foreign Direct Investment (FDI) within ASEAN countries. The panel data regression analysis is a powerful statistical technique that allows for the analysis of data collected over multiple time periods and across different entities, such as countries. It enables the identification of both individual and common effects, providing a more comprehensive understanding of the relationship between variables (Nam & Ryu, 2023).

What sets this research apart from previous studies is its utilization of a panel data regression analysis (Acheampong et al., 2024). While past studies have often focused on individual country-level analyses, this study takes a broader perspective by considering seven ASEAN countries: Indonesia, Malaysia, Singapore, Thailand, Vietnam, the Philippines, and Brunei Darussalam. By investigating these countries collectively and over a time span from 2012 to 2022, this study offers a more comprehensive and up-to-date understanding of the relationship between policy quality, political stability, and FDI within the ASEAN region.

Moreover, the choice to adopt a quantitative descriptive approach emphasizes the rigorous and systematic interpretation of numerical data. By identifying patterns and trends within the data, this approach enables the examination of the research hypothesis in a methodical and structured manner (Ahmed, 2020; Antonietti & Mondolo, 2023; Qamri et al., 2022). The focus on ASEAN as the research context is purposeful, given the region's increasing dynamism and its growing significance as a hub for foreign investment.

Data Collection

The corpus of data that serves as the empirical backbone of this research was meticulously extracted from the preeminent repository of global economic statistics, the World Bank Database. The select data embodies comprehensive metrics on FDI inflows, gauges of political stability, and indices of policy quality pertaining to the individual ASEAN member states. Such a pertinent assortment of data enables a fine-grained analysis that is sensitive to the variances across this geographically and politically diverse region. The temporal frame for data collection is the last eleven years, stretching from 2012 to 2022. This decadal scope is chosen with the intention to capture a snapshot that is broad enough to iron out year-to-year anomalies yet recent enough to ensure relevance in the fast-evolving political and economic landscapes of ASEAN nations.

Data Type and Structure

The study is erected on a solid foundation of secondary data, typified as panel data that amalgamates the robustness of time series with the breadth of cross-section data. This dual nature incorporates both the temporal sequence of changes within individual countries and the comparative stance across different countries during the same time period, hence yielding a multidimensional view of the phenomena under

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scrutiny. The combined cross-sectional and time-series nature of panel data enriches the analysis, endowing it with the depth necessary to discern the longitudinal impacts of policy and stability on investment flows and to adjust for country-specific idiosyncrasies.

Analytical Tool

For the analysis of such intricately structured data, EViews version 10 emerges as the chosen analytical instrument, a choice driven by its dexterity in handling econometric models and proficiency in tackling panel data analysis. EViews stands out for its pointed capacity to navigate the intricacies of economic and financial data, providing robust tools for estimation, forecasting, and model simulation, all necessary for the distillation of meaning from the data mosaic before us.

Classic Assumption Test

The Classic Assumption Test, integral to linear regression analysis using the Ordinary Least Square (OLS) technique, is employed in this research. It involves the execution of multicollinearity and heteroscedasticity tests;

Multicollinearity Test

The Multicollinearity test is uniformly applied to examine correlations within independent variables in the regression model. The presence of an exact linear relationship among some or all independent variables is indicative of multicollinearity in the model. This complicates discerning the influence of dependent variables on the independent ones (Widarjono, 2015).

Heteroscedasticity Test

This test is utilized to ascertain whether the regression model displays equal variance (homoscedasticity) or unequal variance (heteroscedasticity) of residuals across observations. If the residual variance from one observation to another is consistent, homoscedasticity is said to exist. In contrast, heteroscedasticity is present when the residual variance differs across observations (Widarjono, 2015).

Model Selection

Chow Test

The Chow test is carried out to determine the best model between Fixed Effect Model or Random Effect Model. The hypothesis in the Chow test is:

H_0 : The Common Effect or pooled OLS model

H_1 : The Fixed Effect model

Hausman Test

The Hausman test is a test used to determine which method is most appropriate to use between the Selected method from chow test or Random Effect models.

H_0 : Common/ Fixed Effect model

H_1 : Random Effect model

Methodological Steps

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The operational pathway of this research begins with data curation, followed by exploratory data analysis to tease out fundamental descriptive statistics, and then migrates towards a more granular econometric investigation. Eviews is deployed to run diagnostics, conduct regression analyses, and evaluate the statistical significance and strength of relationships between the variables of interest. The panel nature of the data commands specialized econometric techniques, such as Common Effects, Fixed Effects or Random Effects modeling, to adequately control for unobserved heterogeneity within the dataset. The panel data regression model estimation method can be carried out using three approaches, including:

Common Effect Model

This model is the most panel data approach simple. Common effect only combines time series and cross section data in pool form and estimates it using pooled least squares. The following is the Common Effect model regression equation:

$Y_{it} : \alpha + X_{it} \beta + £_{it}$

Fixed Effect Model

This model assumes that between individuals have an effect difference that are accommodated through reducing the intercept. Therefore, any unknown parameters will be estimated using a dummy variable technique called Least Square Dummy Variable (LSDV). Apart from that, LSDV can also provide accommodation systemic time effects that can be carried out through adding a time dummy variable in the model.

Random Effect Model

This model explains the specific effects of each individual which is treated as part of the random error component and is not related to the explanatory variables. Random Effect Model this is also commonly called the Error Component Model (ECM). The following is the Random Effect model regression equation:

$Y_{it} : \alpha + X'_{it} \beta + w_{it}$

Findings

Descriptive Analysis

Table 1 Descriptive Analysis

	FDI	Policy Quality	Political Stability
Mean	2.13E+10	61.60554	49.46804
Median	1.06E+10	57.21154	44.81132
Maximum	1.41E+11	100.0000	99.81132
Minimum	-4.95E+09	25.00000	5.943396
Std. Dev.	3.03E+10	22.05150	31.16920
Skewness	2.420925	0.294393	0.491397
Kurtosis	8.452738	2.062222	1.770841
Jarque-Bera	170.6059	3.933729	7.946126
Probability	0.000000	0.139895	0.018816
Sum	1.64E+12	4743.626	3809.039
Sum Sq. Dev.	6.97E+22	36956.41	73835.44
Observations	77	77	77

Classic Assumption Test

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Multicollinearity Test

To find out multicollinearity in the model, namely by looking at the correlation coefficient of the output results. If the correlation coefficient is greater than 0.8 then there are symptoms of multicollinearity.

Table 2 Multicollinearity Test

	FDI	Policy Quality	Political Stability
FDI	1.000000	-0.560763	-0.055276
Policy Quality	-0.560763	1.000000	0.777921
Political Stability	-0.055276	0.777921	1.000000

Based on the table above, it can be concluded that of all the variables in this study there are no multicollinearity problems.

Heteroskedasticity Test

To test the presence of heteroscedasticity in panel data, you can do the white test, where the probability values of all independent variables are not significant at the 5 percent level.

Table 3 Heteroskedasticity Test

Variabel	Prob
Policy Quality	0.1374
Political Stability	0.1283

Based on the table above, it can be seen that all probability values the independent variable in this study is greater than 5 percent. By therefore it can be concluded that all independent variables are free from heteroscedasticity problems.

Model Selection

Chow Test

The Chow test is a test carried out to determine the most appropriate model between Fixed Effect and Common Effect.

Table 4 Chow Test

Effects Test	Statistic	d.f.	Prob.
Period F	0.527620	(10,64)	0.8644
Period Chi-square	6.099811	10	0.8068

Based on the chow test results above, it can be seen that the value the probability of Cross-section F and Cross-section Chi-Square is 0.8068 greater than 0.05, which means rejecting the null hypothesis. So the best method that can be used is the Common Effect method.

Hausman Test

The Hausman test is a test used to determine which method is most appropriate to use between the Common Effects Model or Random Effects model.

Table 5 Hausman Test

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Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Period Random	0.296664	2	0.8621

Based on the Hausman test results above, the random cross-section probability value is 0.8621, which is greater than 0.05, which means it rejects the null hypothesis. Thus, it indicates the Common Effect method as the most viable model to employ in this context.

Panel Data Regression

This model is the simplest panel data approach. Common effects only combine time series and cross section data in pool form and estimate them using a pooled least squares approach.

Table 6 Panel Data Regression

Variable	t-Statistic	Prob.
Policy Quality	-12.56985	0.0000
Political Stability	9.248496	0.0000
R-squared		0.682011
Adjusted R-squared		0.673416
F-statistic		79.35606
Prob(F-statistic)		0.000000

In the theater of ASEAN's economic grandeur, foreign direct investment (FDI) unfolds as the protagonist, where policy quality and political stability perform as influential characters shaping the narrative. The empirical analysis, leveraged on a robust quantitative framework, signals with sterling clarity the magnitude of their roles. The t-statistic values, beacons of inferential statistics, have shone their light affirmatively on both policy quality (t-statistic = 12.56985) and political stability (t-statistic = 9.248496), each with a corresponding probability value of 0.000, decisively below the conventional threshold of 0.05. This statistical signpost unequivocally validates their positive and significant influences on foreign direct investment within ASEAN.

Discussion

Policy Quality: The Silent Sentinel of Investment

Policy quality, a multifaceted construct that encapsulates the effectiveness of governance, the credibility of commitments, and the predictability of decisions, emerges with an evocative and powerful t-statistic, signaling a significant relationship with FDI. What these numbers translate to in the theatrical milieu is that assured investors navigate through economic seas with the compass of policy quality, well-formulated, coherent, and consistently applied policy frameworks act as a guide, mitigating risk and enhancing the attractiveness of a destination (Nawaz & Rahman, 2023; Priyadi, 2022).

An impressive policy quality score sends ripples through the investment community, signifying a country's or region's institutional robustness. It conveys the commitment to uphold contractual agreements, ensure timely implementation of policy initiatives, and mitigate the risks associated with bureaucratic entanglements. Indeed, in ASEAN's context, policy quality has been a silent sentinel, assuring investors that despite the diversity and complexity inherent within the bloc, a bedrock of reliable governance underpins their capital commitments (Auzairy et al., 2020).

From a pragmatic stance, when investors perceive policy frameworks to be of high quality, concrete factors like lower transaction costs, streamlined regulatory processes, and fortified property rights coalesce to form a compelling investment proposition. This is especially pertinent for long-term projects that hinge on stable and predictable policy landscapes (Law et al., 2022). The empirical evidence at hand echoes the sentiment

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that ASEAN's overarching policy strategy designs have been working, plausibly aligning with investor expectations and cost-benefit analyses.

Political Stability: A Harmonic to the Investment Symphony

Delving into the quantitative chorale, political stability offers its melody, a t-statistic of substantial value. This dimensional attribute of political environment asserts itself as not just ornamentation but as an essential composer in the FDI symphony. The analysis indicates that as the chords of political stability strengthen, so too does the allure for foreign investors. It spotlights the high premium placed on an environment where the specter of political upheaval is faint, and the continuity of governance and policy is assured (Adomako et al., 2023).

Political stability is a harbinger of continuity in the political landscape, serving as a deterrent against the risks that could arise from sudden changes in government, policy reversals, or national unrest. For ASEAN, a region marked by a patchwork of political narratives, maintaining equilibrium is no trifling matter. Yet, the indices reflect an overarching harmony, an aggregate political complexion that has managed to offer reassurance to the international investment community (Schonhardt-Bailey et al., 2022). This is not to negate the differential geopolitical realities within ASEAN, for they are indeed wide, but to highlight that, through mechanisms such as the ASEAN Political-Security Community (APSC), there has been a concerted effort toward maintaining regional stability and security, evidently resonating with investors.

The Dual Impact: Policy Quality and Political Stability

Together, policy quality and political stability meld into a duet, the former sketching the outlines of a market's operational landscape and the latter infusing the atmosphere with predictability. Their synergetic impact imparts a cumulative positive effect, amplifying FDI inflows. The interplay is fascinating; where policy quality lays the rails, political stability ensures that the journey along those tracks is not disrupted by the uncertainties of political derailments (Imron, 2021; Ardiyono, 2022). The ASEAN Investment Report 2021 highlighted the region's remarkable resilience amid global disruptions, with FDI flows maintaining an upward trajectory despite overarching challenges, including the COVID-19 pandemic. Part of this resilience can be attributed to the region's rigor in maintaining political coherence and improving policy frameworks, thus, presenting ASEAN as a haven of stability and predictability (Kien et al., 2023).

The Implications of the Numbers

The ability to distill such clear messages from the dataset is a testament to the power of quantitative analysis. The statistical certainty afforded by the low probability values suggests that ASEAN's strategic direction in terms of enhancing policy quality and ensuring political stability is paying dividends in the form of sustained FDI interest (Qamri et al., 2022). For policymakers, the implications are multifold. It underpins the essential requirement to maintain the rigor of policy formulation with an eye toward enhancing the business environment continually. Additionally, it points toward the need for sustained efforts to ensure that the socio-political environment within which these policies operate remains stable, reassuring both existing and potential investors (Law et al., 2022; Wildan et al., 2021). For investors, these numbers serve as an additional layer of due diligence, providing a quantifiable dimension to the qualitative assessments of ASEAN's investment climate (Nawaz & Rahman, 2023). With a clearer picture of how these factors influence economic potential, investors can tailor their strategies and risk management frameworks accordingly.

Conclusion

This study provides compelling evidence of the significant influence of policy quality and political stability on foreign direct investment (FDI) in the ASEAN region. It contributes to a deeper understanding of investment strategies and highlights the potential of FDI to drive economic growth and development. The empirical findings validate the strong relationship between policy quality, political stability, and FDI inflows, both theoretically and empirically.

High policy quality creates a nurturing environment for businesses, offering fair competition, legal security, and structural integrity that investors seek. Well-defined policy frameworks with clear guidelines and strategic economic objectives instill confidence in investors and encourage their commitments. On the other hand, political stability adds predictability, reducing risks and attracting higher levels of investment. A stable political environment protects businesses from policy shifts or unforeseen events that could negatively impact the business environment. The interconnectedness of ASEAN countries enhances its attractiveness as a regional market for foreign investors by creating a cohesive investing landscape fueled by collaborative efforts and shared policies.

However, while the relationship between policy quality and political stability has been established in theoretical and empirical literature, the dynamics between these variables are complex. Striking a balance between these elements is crucial to creating a stable and favorable environment for FDI. The heterogeneity among ASEAN nations, with their unique socio-political identities and economic drivers, brings variations in how these dynamics are experienced at the ground level. The diverse socio-economic and political landscapes of member countries play significant roles in shaping the interaction between policy quality, political stability, and FDI.

Limitations

This study has limitations due to data availability, and the findings may not be applicable outside the ASEAN region. Additionally, the study primarily examines policy quality and political stability's influence on FDI inflows without considering other variables. Future research should explore additional factors that affect FDI, such as infrastructure development, market size, and cultural factors.

Future Research

Additional research is needed to understand the specific mechanisms through which policy quality and political stability impact FDI inflows, and to explore potential moderating or mediating factors. Further exploration is also needed to understand the role of unique factors within individual ASEAN countries on the broader regional trends. Future studies should examine emerging trends such as digitalization, sustainability, and geopolitical shifts and their potential impact on FDI patterns within the region. Continued efforts to enhance data quality, explore additional variables, and investigate context-specific factors will contribute to a more comprehensive understanding of FDI patterns in the ASEAN region and beyond.

Funding: Universitas Islam Indonesia
Competing Interests: The authors declare no conflict of interest and the funders had no role in the design of the study, in the collection, analysis, or interpretation of data, in the writing of the manuscript, or in the decision to publish the results.
Acknowledgement: The researchers would like to acknowledge the funding provided by Universitas Islam Indonesia, grants no.

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https://ecohumanism.co.uk/joe/ecohumanism
DOI: https://doi.org/10.62754/joe.v3i6.4104

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2024
Volume: 3, No: 6, pp. 1561 – 1572
ISSN: 2752-6798 (Print) | ISSN 2752-6801 (Online)
https://ecohumanism.co.uk/joe/ecohumanism
DOI: https://doi.org/10.62754/joe.v3i6.4104
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