

ABSTRACT

Economic growth is influenced by several factors, including Foreign Direct Investment (FDI) and infrastructure. FDI not only brings in capital but also promotes efficiency improvements through technology and strengthens trade and production relationship within recipient countries. These benefits can be optimized if supported by adequate infrastructure. Efficient infrastructure enhances productivity, facilitates the distribution of goods and services, and creates a supportive economic environment. Therefore, high quality infrastructure plays a critical role in facilitating the benefits of FDI on economic growth.

This study aims to analyze the impact of the interaction between Foreign Direct Investment and both electricity and telecommunications infrastructure, as well as the effect of other factors such as gross domestic savings, human capital, and population on economic growth. This study uses secondary data from the World Bank and United Nations Development Programme (UNDP) covering 9 developing countries in ASEAN during the period 2000-2022. Dynamic panel data analysis using the One-step System Generalized Method of Moments (GMM) developed by Arellano-Bover (1995) and Blundell-Bond (1998) is employed in this study to address the endogeneity issues present in the model.

The result indicate that the interaction variable between FDI and electricity and telecommunications infrastructure has a significant positive impact on the economic growth of developing countries in ASEAN. This suggests that investment in infrastructure, particularly electricity infrastructure, helps strengthen the benefits of FDI for economic growth in ASEAN. Additionally, the variables of FDI, domestic savings rate, human capital, and labor also have a significant impact on the economic growth of developing countries in ASEAN. On the other hand, the interaction of FDI with telecommunications infrastructure and road infrastructure has a significant negative effect on the economic growth of developing countries in ASEAN.

Keywords : Economic Growth, Foreign Direct Investment, Electricity Infrastructure, Telecommunications infrastructure, Gross domestic savings, Human capital, Population, System GMM, ASEAN.