

THE IMPACT OF FOREIGN DIRECT INVESTMENT ON ECONOMIC GROWTH: THE ROLE OF IDIOSYNCRATIC RISK AND INFLATION

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Abstract

The main objective of this study is to examine the relationship between foreign direct investment (FDI) and economic growth in ASEAN countries from 2013 to 2022. Specifically, the study examines the regulatory impact of idiosyncratic risk and inflation on this relationship. Method Using ASEAN statistical data from 2013 to 2022, multiple regression models are used to analyze the impact of inward FDI and intra-regional FDI on economic growth. Interaction terms are included to account for the moderating effects of idiosyncratic risk and inflation. Control variables such as SDG poverty and SDG affordability are also included in the model. Results Regression analysis shows that idiosyncratic risk significantly moderates the relationship between FDI and economic growth, with a positive and significant coefficient for the interaction term involving idiosyncratic risk. On the other hand, the interaction terms involving inflation are not significant. Results The results indicate that idiosyncratic risk amplifies the positive impact of FDI on economic growth, suggesting that a dynamic and opportunity-rich environment encourages foreign investment. In contrast, inflation does not significantly change the FDI-growth relationship. Furthermore, improving poverty reduction and affordability is crucial to promoting economic growth in ASEAN countries. Policy implications Policymakers in ASEAN countries should focus on creating a balanced risk environment to attract FDI while minimizing excessive uncertainties. Efforts to reduce poverty and improve access to finance should be prioritized to further enhance economic growth. While it is important to maintain stable inflation, its role in moderating the FDI-growth relationship appears to be less important.

Keywords: Foreign Direct Investment (FDI); Economic Growth; Idiosyncratic Risk; Inflation

1. INTRODUCTION

Foreign direct investment (FDI) is widely recognized as a key driver of economic growth, especially in developing regions such as the Association of Southeast Asian Nations (ASEAN). FDI contributes to economic development by providing capital, technology transfer, and management expertise, which can improve productivity and promote innovation (Sarker, 2024). For ASEAN countries, as a group of diverse economies with different levels of development, FDI plays an important role in supporting industrialization, creating jobs, and integrating into the global economy (Nam et al., 2024). Despite the recognized benefits of FDI, its impact on economic growth is uneven across contexts. The effectiveness of FDI in stimulating growth can be influenced by several factors, including the economic stability of the host country, the regulatory environment, and the presence of specific risks. Idiosyncratic risks, which refer to risks specific to each country or investment, can significantly affect FDI outcomes (Moll & Huffman, 2016)(Reber et al., 2022). These risks include political instability, regulatory uncertainty, and market-specific challenges that could deter investors or impact

investment returns. Another important factor that can affect the relationship between FDI and economic growth is inflation. High and unstable inflation can create an uncertain economic environment, weaken investor confidence, and reduce a country's attractiveness as an investment destination. Conversely, stable inflation can create a favorable environment for investment by ensuring predictable costs and returns (Asri & Ali, 2019). Therefore, understanding the moderating effects of idiosyncratic risk and inflation on the growth impact of FDI is essential for formulating effective economic policies.

Research Gap

Although there is a lot of literature on the positive impact of FDI on economic growth, little attention has been paid to the moderating role of idiosyncratic risk and inflation in this relationship (Soliman & Le Saout, 2024)(Reber et al., 2022). Most existing research tends to focus on macroeconomic factors such as overall economic stability, institutional quality, and market size without delving into specific risks and dynamics. How inflationary forces can change the effectiveness of FDI. This oversight leaves a gap in understanding the nuanced interactions that can enhance or hinder the growth benefits of FDI, especially in the diverse economic context of ASEAN countries (Fazaalloh, 2024; Saleh, 2023). Furthermore, previous research has often treated ASEAN as a homogenous region, ignoring significant economic, political, and regulatory differences among member states. These differences can lead to different levels of specific risks and inflation rates, which in turn can affect the impact of FDI on each country's economic growth. Closing this gap requires a more detailed approach that takes into account these variations and their impact on the effectiveness of FDI. Problem statement This study aims to fill the research gap by investigating the moderating effects of idiosyncratic risk and inflation on the relationship between FDI and economic growth in ASEAN countries over the period 2013 to 2022 (Song & Hou, 2024)(Owutuamor & Arene, 2018). Specifically, it seeks to understand how these factors interact with FDI to impact growth outcomes and identify the conditions under which FDI is most effective in promoting economic development. To achieve this, the study will analyze a comprehensive dataset from ASEAN statistical sources, incorporating variables related to FDI flows, specific risks, inflation rates, and indicators. economic growth number (Heidari et al., 2015; Karki et al., 2005; Tang et al., 2022). Using advanced statistical techniques, the study will evaluate the direct impact of FDI on growth as well as the moderating role of idiosyncratic risks and inflation. The results of this study will provide valuable information to policymakers in ASEAN countries, helping them design strategies to maximize the growth benefits of FDI while minimizing the negative impacts. Negative impact of idiosyncratic risks and inflation. Furthermore, this study will contribute to the broader academic discourse by filling existing gaps in the literature and providing a deeper understanding of the link between FDI and growth across regions (Hunjra et al., 2024; Ofori & Asongu, 2024). Developing. In sum, this study addresses an important question in economic development by exploring the complex interactions between FDI, idiosyncratic risks, and inflation in ASEAN countries. It aims to provide actionable insights to enhance the effectiveness of FDI as a tool for economic growth and contribute to the sustainable development of the ASEAN region.

2. LITERATURE REVIEW

Foreign Direct Investment and Economic Growth

The positive relationship between foreign direct investment (FDI) and economic growth has been widely researched and documented in the financial literature. FDI is considered an important catalyst for economic development, especially in developing countries. It provides much-needed capital, helping to bridge the gap between domestic savings and investment needs.

Additionally, FDI introduces advanced technologies and innovative practices to the host country, thereby promoting productivity improvements and technological advancement (Alvarado et al., 2017). Additionally, foreign investors often bring management expertise and best practices that can enhance the efficiency and competitiveness of domestic companies. However, the degree of impact of FDI on economic growth can vary significantly depending on the economic environment, institutional quality, and policy framework of the host country (Agyeman et al., 2022; Fazaaloh, 2024).

Idiosyncratic Risk

Idiosyncratic risk, also known as firm- or country-specific risk, plays an important role in determining the effectiveness of FDI in promoting economic growth (Ullah et al., 2023)(Fan & Yu, 2013) (Ali & Asri, 2019). This type of risk includes factors specific to a country or a particular investment, such as political instability, regulatory uncertainty, and market-specific challenges. High levels of idiosyncratic risk can deter foreign investors because they increase the uncertainty and risk of negative outcomes associated with the investment.

However, moderate levels of idiosyncratic risk can indicate a dynamic and opportunity-rich environment that can attract investors willing to take calculated risks to achieve high returns. The literature suggests that while idiosyncratic risk can pose challenges, it can also create niches and opportunities that can be exploited by savvy investors, thereby contributing to economic growth (Arjomand et al., 2016; Sarker, 2024).

Inflation

Inflation is another important factor that can affect the relationship between FDI and economic growth. High and volatile inflation can erode real investment returns, making the economic environment less attractive to foreign investors. It can also signal potential economic instability, which could deter investment (Baker et al., 2016; Lim et al., 2023). However, stable and moderate inflation can indicate a well-managed economy and can benefit investment by ensuring predictable costs and returns.

Although its importance has been recognized, the role of inflation as a moderating variable in the relationship between FDI and growth still needs further research (Cordoni et al., 2024). There is limited consensus in the literature on how inflation interacts with FDI to impact economic growth, suggesting a need for more nuanced research that takes into account different inflation contexts and impacts. Their effects on FDI inflows and growth.

FDI and Economic Environment

The impact of FDI on economic growth often depends on the broader economic environment of the host country. Factors such as macroeconomic stability, market size, quality of infrastructure, and availability of human capital significantly influence the effectiveness of FDI (Tappura et al., 2015). Studies have shown that countries with stable macroeconomic environments, large and growing markets, strong infrastructure, and highly skilled labor forces tend to attract more FDI and benefit more from their favorable growth effects (Agyeman et al., 2022). Conversely, countries characterized by unstable macroeconomic conditions, limited markets, poor infrastructure, and low levels of human capital may have difficulty attracting FDI or fully realizing its benefits for economic growth.

Institutional Quality

Institutional quality is another important determinant of the effectiveness of FDI in promoting economic growth. High-quality institutions, characterized by strong property rights, effective legal systems, and effective governance, will create a favorable environment for investment (Füller et al., 2022). They reduce transaction costs, minimize risks, and increase investor confidence. Conversely, weak institutions can weaken the positive impact of FDI by increasing uncertainty, increasing transaction costs, and facilitating rent-seeking behavior (Fedorowicz et al., 2010). The literature shows that improving institutional quality can significantly increase the positive impact of FDI on economic growth.

Sectoral Distribution of FDI

The sectoral allocation of FDI is also important because of its impact on economic growth. FDI in high-productivity sectors, such as manufacturing and technology, tends to have a larger growth impact than FDI in low-productivity sectors, such as raw materials. Highly productive sectors are more likely to generate beneficial spillovers, such as technology transfer, skills development, and productivity improvements in other sectors of the economy (Agyeman et al., 2022; Ahmed & Huo, 2018). However, the benefits of FDI may also depend on the host country's absorptive capacity, that is, the ability to absorb and effectively use foreign technology and practices.

Interaction of FDI with Domestic Investment

The interaction between FDI and domestic investment is another important factor to consider (Cieřlik & Goczek, 2018). FDI can complement domestic investment by providing additional capital, technology, and expertise. However, it can also compete with domestic firms for access to resources, which risks crowding out domestic investment. Therefore, the net impact of FDI on economic growth depends on the balance between these complementary and competitive effects. Studies show that the existence of close ties between foreign and domestic firms can enhance the positive impact of FDI on growth by facilitating technology transfer and generating synergies.

Policy Frameworks

An effective policy framework is needed to maximize the benefits of FDI. Policies that promote macroeconomic stability, improve infrastructure, build human capital, and strengthen institutions can attract more FDI and increase their impact on growth.

In addition, policies that encourage linkages between foreign and domestic enterprises, such as requiring domestic content and encouraging the establishment of joint ventures, can facilitate technology transfer. And enhance the positive impact of FDI on economic growth. The document emphasizes the importance of a holistic approach, integrating different policy aspects to create a favorable environment for FDI and maximize its benefits for economic development.

Research Gap and Focus

Despite the extensive literature on FDI and economic growth, there are notable gaps in understanding the moderating effects of idiosyncratic risk and inflation. Most studies focus on the direct impact of FDI and broader macroeconomic factors, often ignoring specific risks and inflation dynamics that can significantly affect the effectiveness of FDI (Dutta et al., 2017; Santangelo, 2018).

This study aims to fill this gap by investigating how idiosyncratic risk and inflation moderate the relationship between FDI and economic growth in ASEAN countries (Ha et al., 2020; Heidari et al., 2015; Kostakis, 2024; Song & Hou, 2024). In doing so, it seeks to provide a deeper understanding of the conditions under which FDI can effectively contribute to economic growth and inform policy decisions aimed at promoting development sustainable in the region.

3. METHODOLOGY

Data Source (the Asean secretariat, 2023) This study uses statistical data from multiple ASEAN (Association of Southeast Asian Nations) databases for the period 2013 to 2022. The data includes economic indicators such as GDP growth rate, and foreign direct investment (FDI) flows (both within and outside the region).

Social indicators such as poverty levels and measures of affordability. The ASEAN Statistical Database provides comprehensive and reliable data points needed for the analysis of economic trends and their determinants in member countries.

Variables of Interest

Dependent Variable: The dependent variable in this study is economic growth, measured primarily by annual GDP growth rates. This variable serves as a proxy for overall economic performance and development across ASEAN countries during the study period.

Independent Variables:

1. Foreign Direct Investment (FDI) (Ofori & Asongu, 2024):

- a) FDI inward: Represents the total amount of foreign investment flowing into ASEAN countries from outside the region.
- b) FDI intra: Refers to intra-regional FDI among ASEAN member states, highlighting economic interactions within the region.

2. Moderating Variable: (Wang et al., 2015)(Cordoni et al., 2024)

Idiosyncratic Risk (FDI.Idiosyncratic.Infkasi and FDIintra.Idiosyncratic.Infkasi):

These variables capture the idiosyncratic risks associated with both inward and intra-regional FDI. Idiosyncratic risks include factors such as political instability, regulatory uncertainties, and market fluctuations specific to each country or region within ASEAN. These variables are hypothesized to moderate the relationship between FDI and economic growth, influencing the magnitude and direction of their effects.

3. Control Variables:

- 1) SDGS Poverty: Measures the level of poverty within ASEAN countries, reflecting socio-economic conditions that may influence economic growth.
- 2) SDGs Affordable: Indicates the affordability of essential goods and services within the region, reflecting another aspect of socio-economic development that could impact growth.(Suárez Giri & Sánchez Chaparro, 2023)

Methodological Approach

1) Regression Analysis:

Multiple regression analysis will be performed to examine the relationship between FDI (domestic and internal), idiosyncratic risk, and economic growth. Interaction terms involving idiosyncratic risk and FDI will be included to assess their moderating impact on the FDI-growth relationship. The model controls for the Poverty and Affordability SDGs to account for socioeconomic factors that may blur the relationship.

2) Data Analysis:

Statistical software will be used to analyze ASEAN statistical data, descriptive statistics will provide an initial overview of the variables, including means, standard deviations, and correlations. Regression analysis will then be used to quantify the impact of FDI and specific risks on economic growth, taking into account control variables to ensure the robustness and reliability of the results.

3) Interpretation:

Results will be interpreted based on the coefficients, significance levels (p-values), and adjusted R-squared values from the regression model. The focus will be on understanding how idiosyncratic risk moderates the relationship between FDI and economic growth, and what

implications these findings have for policy and economic development strategies within ASEAN.

Limitations

- 1) Data limitations: Data availability and consistency across ASEAN countries may vary, affecting the analysis's reliability.
- 2) Model Assumptions: Regression models assume linear relationships and may not capture all possible nonlinear interactions or ignore variability biases.
- 3) Generalizability: Results may be specific to the ASEAN context and not generalizable to other regions or periods without further validation.

This methodology describes a structured approach to analyze the impact of FDI and idiosyncratic risks on economic growth in ASEAN countries using comprehensive statistical data. By examining these relationships, the study aims to provide insight into the dynamics of economic development and inform policy decisions to promote sustainable and stable growth worldwide. Whole area.

4. RESULTS AND DISCUSSION

Table 1: Descriptive Statistics

Descriptive Statistics			
	Mean	Std. Deviation	N
Growth	.050725000000000	.011298005873111	80
FDI inward	9223.372036854777000	9223.372036854777000	80
FDI Intra	2268.458	2949.4632	80
FDI.Idiosyncratic.Infkasi	1854.5000	4394.03787	80
FDIintra.Idiosyncratic.Infkasi	350.0166	917.25071	80
SDGS Poverty	.244625000000000	1.331695021296856	80
SDGs(Avordable))	.144312500000000	.039812406230639	80

Interpretation of Descriptive Statistics

Descriptive statistics Table 1 provides a detailed overview of the variables used in the study, focusing on their mean and standard deviation, and providing insight into central tendency and dispersion of data. The average growth rate of 0.0507 with a standard deviation of 0.0113 shows that on average ASEAN countries have modest economic growth rates, about 5.07% per year, with relatively low variation between countries. Observe. This indicates stable economic performance across the region during the study period. The mean values of inward FDI and internal FDI are 9,223.37 and 2,268.46 million USD, respectively, with standard deviations of 9,223.37 and 2,949.46 million USD. The large standard deviation, especially for FDI flows, indicates significant variation in FDI flows among ASEAN countries. This difference may be due to differences in economic scale, policy frameworks, and investment environments between countries. The mean value of FDI.Idiosyncratic.Infkasi is 1,854.50

with a high standard deviation of 4,394. 04, indicating significant fluctuations in idiosyncratic risk in the sample, which may affect the effectiveness of FDI in promoting economic growth. Finally, social indicators such as SDG on Poverty and SDG Affordability show mean values of 0. 2446 and 0. 1443, respectively, with standard deviations of 1. 3317 and 0. 0398. A higher standard deviation of the Poverty SDG indicates greater variation in poverty reduction efforts across ASEAN countries, while a lower standard deviation of the Affordability SDG indicates greater uniformity in poverty reduction efforts across ASEAN countries. Make essential goods and services affordable. These indicators highlight different levels of socioeconomic development across the region, which can influence how different countries benefit from FDI. Overall, the descriptive statistics highlight the heterogeneity within ASEAN countries, which is important for understanding the diverse impact of FDI on economic growth.

Table 2: Correlation

		Correlations						
		Growth	FDI inward	FDI Intra	FDI.Idiosyncratic.Infkasi	FDIintra.Idiosyncratic.Infkasi	SDGS Poverty	SDGs(Avordable))
Pearson Correlation	Growth	1.000	.154	.009	.461	.375	-.092	-.330
	FDI inward	.154	1.000	.391	.329	.107	-.066	.071
	FDI Intra	.009	.391	1.000	.200	.389	-.074	-.009
	FDI.Idiosyncratic.Infkasi	.461	.329	.200	1.000	.829	-.042	-.021
	FDIintra.Idiosyncratic.Infkasi	.375	.107	.389	.829	1.000	-.036	-.140
	SDGS Poverty	-.092	-.066	-.074	-.042	-.036	1.000	-.032
	SDGs(Avordable))	-.330	.071	-.009	-.021	-.140	-.032	1.000
Sig. (1-tailed)	Growth	.	.086	.467	.000	.000	.209	.001
	FDI inward	.086	.	.000	.001	.172	.281	.267
	FDI Intra	.467	.000	.	.038	.000	.257	.468
	FDI.Idiosyncratic.Infkasi	.000	.001	.038	.	.000	.354	.427
	FDIintra.Idiosyncratic.Infkasi	.000	.172	.000	.000	.	.374	.108
	SDGS Poverty	.209	.281	.257	.354	.374	.	.389
	SDGs(Avordable))	.001	.267	.468	.427	.108	.389	.
N	Growth	80	80	80	80	80	80	80
	FDI inward	80	80	80	80	80	80	80
	FDI Intra	80	80	80	80	80	80	80
	FDI.Idiosyncratic.Infkasi	80	80	80	80	80	80	80
	FDIintra.Idiosyncratic.Infkasi	80	80	80	80	80	80	80
	SDGS Poverty	80	80	80	80	80	80	80
	SDGs(Avordable))	80	80	80	80	80	80	80

Interpretation and Discussion

Correlation Analysis Table 2

The correlation analysis reveals some significant relationships between the variables. The Pearson correlation coefficient between growth and inward FDI is 0. 154, indicating a positive but weak correlation, suggesting that higher inward FDI is associated with higher economic growth, although the relationship is not particularly strong. This is further confirmed by the p-value of 0. 086, slightly above the conventional significance level of 0. 05, implying that the

relationship is not statistically significant at the 95% confidence level but may be at a slightly lower confidence level. Similarly, inward FDI has a very weak correlation with growth (0.009) and the relationship is not statistically significant ($p = 0.467$). This suggests that intra-regional FDI in ASEAN has an insignificant direct impact on economic growth, suggesting that other factors or types of investment may be more influential in driving growth in the region.

Idiosyncratic Risk and Growth

The correlation between FDI.Idiosyncratic.Infkasi and growth is 0.461, which is statistically significant ($p = 0.000$). This relatively strong positive correlation implies that as the idiosyncratic risks associated with FDI increase, economic growth also tends to increase. This may indicate that certain levels of risk may be associated with higher returns and that a dynamic investment environment promotes growth. Furthermore, FDIintra.Idiosyncratic.Infkasi also shows a positive correlation with growth (0.375, $p = 0.000$), although this relationship is slightly weaker than the previous one. This further supports the view that specific risks, whether related to inward FDI or intra-regional FDI, play an important role in affecting economic growth in ASEAN countries.

Social Indicators and Growth

The SDG poverty variable is negatively correlated with growth (-0.092), indicating that higher levels of poverty are associated with lower economic growth. However, this relationship is not statistically significant ($p = 0.209$). This suggests that while poverty reduction is important for overall economic health, it may not have a direct or immediate impact on growth over the observed time frame. The SDG Affordability Index also shows a negative correlation with growth (-0.330, $p = 0.001$). This significant negative relationship suggests that higher affordability scores (which may indicate lower costs or better access to essential goods and services) are associated with economic growth. Higher. This emphasizes the importance of affordable living conditions to promote an environment conducive to economic growth.

FDI and Social Indicators

Inward FDI has a weak negative correlation with the poverty SDG (-0.066) and a weak positive correlation with the affordable SDG (0.071), which is not statistically significant. This shows that FDI inflows do not have a significant direct impact on poverty reduction or improving affordability in the ASEAN context, suggesting that other factors or measures may be needed to effectively address it. These social problems. In contrast, FDI.Idiosyncratic.Infkasi and FDIintra.Idiosyncratic.Infkasi has very weak negative correlations with both social indices, neither of which is statistically significant. This suggests that the unique risks associated with FDI do not have a notable direct impact on social parameters such as poverty and affordability.

Policy Implications

The results highlight the complexity of the relationship between FDI, economic growth, and social indicators in ASEAN countries.

Policymakers should focus on creating a balanced risk environment to encourage FDI while minimizing excessive uncertainties to maximize the growth impact of FDI. In addition, efforts

to improve affordability and reduce poverty are essential to fostering an environment conducive to sustainable economic growth, even if these factors do not directly affect growth rates. Short-term growth.

Furthermore, because specific risks play an important role in affecting economic growth, ASEAN countries should develop strategies to effectively manage and exploit these risks. This could involve creating strong regulatory frameworks, improving the investment climate, and increasing transparency to attract and retain foreign investment. Correlation analysis emphasizes the importance of considering various moderating factors such as idiosyncratic risks and social indicators when examining the impact of FDI on economic growth. Although FDI inflows generally have a positive impact on growth, their impact can be strongly influenced by the level of risk involved and the socioeconomic environment. Therefore, comprehensive policy measures to address these complex issues are essential to maximize the benefits of FDI in ASEAN countries.

Table 3: Model Summary

Model Summary										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.579 ^a	.335	.280	.009583536 966506	.335	6.132	6	73	.000	.746
a. Predictors: (Constant), SDGs(Avordable)), FDI Intra, SDGS Poverty, FDI.Idiosyncratic.Infkasi, FDI inward, FDIintra.Idiosyncratic.Infkasi										
b. Dependent Variable: Growth										

Interpretation and Discussion

The model summary Table 3 provides insights into the effectiveness of the regression model in explaining the variation of economic growth in ASEAN countries. The R-value of 0. 579 shows a moderate correlation between the predictors (Inward FDI, Internal FDI, FDI.Idiosyncratic.Infkasi, FDIintra.Idiosyncratic.Infkasi, SDGS Poverty and Affordable SDGs) and the dependent variable, increase economic chief. This suggests that the model predictors are generally moderately associated with growth. The R-squared value of 0. 335 indicates that about 33. 5% of the variation in economic growth can be explained by the model. The adjusted R-squared, which represents the number of predictors in the model, was slightly less than 0. 280. This fit value suggests that despite the model's reasonable explanatory power, there is still a significant portion of growth variation that is not captured by forecasters. The standard error of the estimate, 0. 0096, reflects the average distance between the observed values and the regression line, indicating the accuracy of the model.

The change statistics, especially the significant F change value (Sig. F Change = 0. 000), indicate that the overall regression model is statistically significant. This means that the predictors, when taken together, contribute significantly to explaining the variation in economic growth. However, the Durbin-Watson statistic of 0. 746, which tests for

autocorrelation of the residuals, suggests a potential positive serial correlation. This may imply that the model residuals are not independent, and additional diagnostic testing or model tuning may be needed to address this issue. The model summary highlights the moderate explanatory power of selected predictors of economic growth in ASEAN countries. The significant value of F Change highlights the importance of these predictors in the regression model, while the Durbin-Watson statistic suggests that further refinement of the model may be needed to account for the phenomenon. Potential autocorrelation. Policymakers should take these factors into account when developing strategies to maximize the impact of FDI on economic growth, taking into account the role of specific risks and social indicators.

Table 4: Coefficients

Coefficients						
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1 (Constant)	.063	.004		14.814	.000	
FDI inward	2.703E-8	.000	.051	.400	.691	
FDI Intra	-3.745E-7	.000	-.098	-.759	.450	
FDI.Idiosyncratic.Inflation	1.290E-6	.000	.502	2.281	.025	
FDIintra.Idiosyncratic.Inflasion	-7.245E-7	.000	-.059	-.259	.796	
SDGS Poverty	-.001	.001	-.087	-.909	.366	
SDGS(Avordable))	-.095	.028	-.335	-3.408	.001	

a. Dependent Variable: Growth

Interpretation and Discussion

Coefficient Analysis in Table 4

The regression coefficients provide detailed insights into the impact of each predictor on economic growth. The constant term, with a coefficient of 0.063 and a highly significant t-value of 14.814 ($p = 0.000$), indicates the baseline level of economic growth when all other predictors are held at zero. This baseline growth rate reflects the inherent growth potential of the ASEAN countries over the period studied.

Foreign Direct Investment

For the inward FDI variable, the unstandardized coefficient is 2.703E-8 and the standardized coefficient (beta) is 0.051. The t value is 0.400 and the p value is 0.691 which shows that inward FDI does not have a statistically significant impact on economic growth in this model. This indicates that although inward FDI is theoretically important for economic development, its direct impact on growth in this particular data set and period is very small, potentially overshadowed by other factors. The FDI intra-variable has an unstandardized coefficient of -3.745E-7 and a beta coefficient of -0.098, with a t-value of -0.759 and a p-value of 0.450. Like inward FDI, intra-regional FDI does not significantly affect economic growth. A negative coefficient indicates a potential adverse effect, although it is not statistically significant. This may imply that intra-ASEAN investment is not driving growth as much as expected, possibly due to issues such as market saturation or insufficient regional integration.

Idiosyncratic Risk

The variable $FDI.Idiosyncratic.Infkasi$ shows a significant positive impact on growth, with an unstandardized coefficient of $1.290E-6$, a beta of 0.502 , and a t-value of 2.281 ($p = 0.025$). This indicates that specific risks related to FDI positively affect economic growth. This may be due to the dynamic and potentially profitable opportunities that come with higher-risk investments, suggesting that ASEAN countries can benefit from a certain level of risk to stimulate likes to grow. In contrast, $FDI.intra.Idiosyncratic.Infkasi$, which represents the interaction between regional FDI and idiosyncratic risk, has a negative coefficient of $-7.245E-7$ and a beta of -0.059 , with a t value of -0.259 and the p-value is 0.796 . This interaction is not statistically significant, implying that the combination of intraregional FDI and idiosyncratic risk does not have a significant impact on growth. This may suggest that investing in the region does not offer the same risk advantages as other types of FDI.

Social Indicators

The SDGS poverty variable has an unstandardized coefficient of -0.001 and a beta of -0.087 , with a t-value of -0.909 and a p-value of 0.366 , indicating a non-significant negative relationship with economic growth. This suggests that higher levels of poverty are associated with lower growth, but this effect is not statistically significant over the study period. This highlights the complexity of the fight against poverty and its indirect impact on economic growth. The SDG affordability variable shows a significant negative impact on growth, with an unstandardized coefficient of -0.095 , a beta coefficient of -0.335 , and a t-value of -3.408 ($p = 0.001$). This important result shows that improved affordability is associated with lower economic growth in the short run, which may reflect the initial costs and adjustments needed to improve living standards and access to essential services. Regression analysis highlights the different impacts of different factors on economic growth in ASEAN countries. Although inward and intra-regional FDI has a minimal direct impact, the positive effects of the idiosyncratic risks associated with FDI highlight the potential benefits of accepting certain investment risks. Mixed results from social indicators suggest that while fighting poverty and improving access to finance are necessary, their direct impact on growth may vary depending on the context. Scene and time. Policymakers should consider these complex issues when designing strategies to promote sustainable economic growth in the region.

5. CONCLUSION

This study explores the complex relationship between foreign direct investment (FDI), specific risks, and economic growth in ASEAN countries during the period 2013 to 2022. Through regression analysis using data from ASEAN statistics, several key findings emerged:

- 1) Impact of FDI: Inbound FDI and intra-regional FDI alone do not significantly predict economic growth in ASEAN ASEAN in the research phase. This suggests that although FDI is important for economic development, its direct impact on growth in the ASEAN context may be influenced by other factors.

- 2) However, the role of specific risks: Specific risks related to FDI significantly impact economic growth. This indicates that certain levels of risk, such as political instability or market volatility, can boost economic activity and improve growth prospects in ASEAN countries.
- 3) Policy implications: Policymakers should consider promoting a favorable environment, and balancing risks and regulations to attract and maximize the benefits of FDI. Furthermore, efforts to effectively manage specific risks can amplify the positive effects of foreign investment on economic growth.

This study contributes to understanding the diverse dynamics of FDI and specific risks in shaping economic growth in ASEAN. Future research could further explore these relationships across different periods or regions to improve generalizability and provide deeper insights into key interventions effective in books.

Limitations

Despite its contributions, this study has several limitations worth considering:

- 1) Data limitations: Availability and consistency of ASEAN statistical data may vary across countries and over time, this may have an impact on the robustness of the data. Result.
- 2) Model Assumptions: Regression models assume linear relationships and may not capture all possible nonlinear interactions or ignore possible variability biases that affect the results.
- 3) Generalizability: The results of this study are specific to ASEAN countries and may not be generalizable to other regions or global contexts without further validation and replication.

These limitations highlight the need for careful interpretation of the results and highlight areas for future research and improvement of methods. Acknowledgments the authors would like to thank the ASEAN Statistics Office and relevant national statistical agencies for providing the data used in this study. Their efforts in collecting and maintaining comprehensive statistical information are vital to promoting research and policy development in the ASEAN region. Furthermore, we express our gratitude to the academic community and research institutions whose work has informed and enriched our understanding of economic dynamics and direct investment foreign.

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