An Analysis of Institutional and Economic Determinants of Foreign Direct Investment in Nine ASEAN Countries (2013–2019)

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Abstract
This study aims to explore the key factors influencing Foreign Direct Investment (FDI) in nine ASEAN countries between 2013 and 2019, using panel data analysis. The research focuses on 9 ASEAN Emerging Markets countries, with data series spanning the period from 2013 to 2019. The variables used in this study are the variables of the Political Stability Index, the E-Government Development Index, the Corruption Perception Index, the Democracy Index, the Crime Index, GDP per capita, and FDI. The results of the study show that the political stability variable has a negative and insignificant influence. Additionally, e-government has a positive and significant impact on foreign direct investment in 9 ASEAN countries. Corruption has a negative and significant effect on foreign direct investment in 9 ASEAN countries. Moreover, the democracy index has a negative and statistically insignificant influence. The crime index has a positive and significant effect. Finally, GDP per capita has a negative and insignificant effect on foreign direct investment in nine ASEAN countries.

Keywords: *index, e-governance, GDP per capita, and foreign direct investment*
JEL*: A11, A13*

A. INTRODUCTION

Foreign Direct Investment (FDI) is crucial for ASEAN's economic development, as it contributes to GDP growth by bringing in capital, creating jobs, and reducing poverty. It facilitates technology transfer and enhances productivity, helping local industries modernize and innovate. FDI also integrates ASEAN economies into global value chains, strengthening their presence in international markets. It plays a significant role in developing infrastructure, improving efficiency, and regional connectivity, while supporting economic diversification by fostering growth in manufacturing, services, and other emerging sectors. Overall, FDI helps boost the region's global competitiveness and economic sustainability. There are various concepts of foreign direct investment, which are defined as investments in assets or goods made to generate future income (Hamoudi, 2016).

Based on a report from the World Bank, nine countries in the ASEAN region experienced changes in the number of FDI flows to their countries during the period 2013 to 2019. During that period, Singapore recorded the highest amount of FDI among the nine other countries, while Laos recorded the lowest FDI compared to the other nine countries. On the other hand, the Philippines and Vietnam showed a relatively stable upward trend among the nine ASEAN countries. Then, countries in the ASEAN region need to examine factors that affect other FDI, such as corruption factors, democratic factors, political stability, e-government, crime rates and criminality, and GDP per capita. Corruption, as measured by the Corruption Perception Index (CPI), is a crucial factor to consider in investment matters, as it can both facilitate and hinder the pace of investment in a country. Corruption will significantly damage the economic system in both developing and developed countries. Therefore, it is necessary to conduct a thorough review and supervision of corruption. To prevent corruption

from damaging economic growth, economic stability can even hinder FDI (Jan et al., 2019).

Furthermore, Good Governance was one approach to increase foreign investment, one of which was the government's digitalisation policy through E-Government. E-Government can be seen through the e-government development index, which presents the state of the E-Government Development Index (EGDI), combining access characteristics, such as infrastructure and education levels, to reflect how a country uses information technology to promote access and inclusion of its people. EGDI was a composite measure of three important dimensions of e-government: online service provision, telecommunications connectivity, and human capacity. According to Masron & Abdullah (2010), the quality of institutions affects the flow of FDI.

The next factor affecting FDI was political stability. Political stability was one of the key factors influencing investment levels. It was because the political stability changes would cause a decrease in investment in a country. This refers to a country's adherence to reasonable measures by the government, the respect for human rights, the maintenance of constitutional order, and the strength of its democratic institutions. When an investor wants to invest in a country, they will likely consider the political stability. This was because political stability affects the risk and return on investment. Investors are more likely to invest in countries that have a good level of stability.

The study of the relationship between democracy and economics has been a topic of discussion among researchers, although there has been debate about the precise nature of this relationship. According to Hadhek (2015), Civil liberties have a positive impact on economic growth, and more valued political rights will increase investment. Authoritarian regimes may potentially deter investment, as investors often have concerns about the long-term implications of government programs and policies. These uncertainties can make investors hesitant to commit resources in such environments (Pastor & Sung, 1995).

The democracies typically feature well-established regulatory frameworks that govern business operations. This clarity and structure make it easier for foreign companies to navigate the investment landscape, comply with regulations, and set up operations in the host country. A strong regulatory environment, coupled with high levels of economic freedom associated with democratic governance, encourages entrepreneurial activities and open markets. Ultimately, the Democracy Index plays a vital role in shaping the conditions that attract FDI, underscoring the interconnectedness of political systems and economic investment.

The factor that affected the next was the crime index. The crime index is one of the critical considerations for an investor when deciding to invest in a destination country. In general, crime affects investment negatively. When a country has a high crime rate, it causes loss and damage to property, creating insecurity that deters investors from investing in the country.

Furthermore, lately many have highlighted things that make the economy better, such as factors that make FDI flows increase every year., One of these indicators was the Gross Domestic Product (GDP), which measures a country's economic performance and shows how well the economy is doing. A consistently increasing GDP usually encourages investors to invest in the country, as they assess whether the country's economy is stable and sustainable. Then, in Anggraeni's research (2019), the Corruption Perception Index variable has a partial and significant effect, exhibiting a positive relationship with Foreign Direct Investment.

Additionally, the democratic variable has a positive and significant effect on FDI. Research by Sari & Satriant (2021) entitled "The Influence of Political Stability, Crime and Global Competitiveness on Foreign Direct Investment in 6 ASEAN Countries". The study's results indicate

that political stability has a positive and significant impact on foreign direct investment in six ASEAN countries. Crime has a negative and significant effect on foreign direct investment in 6 ASEAN countries. Global competitiveness has a positive and insignificant effect on foreign direct investment in the 6 ASEAN countries. Economic growth has a positive and insignificant influence on foreign direct investment in the 6 ASEAN countries.

Together, political stability, crime, global competitiveness and economic growth affect foreign direct investment in the 6 ASEAN countries. Astikawati & Sore (2021) entitled "The Effect of Human Development Index and Economic Growth on Foreign Investment in Indonesia". HDI and economic growth have a significant and negative influence on FDI. This result shows that countries that have an HDI and high economic growth are less attractive to foreign investors. It was because the country would enter a mature stage with higher labour costs, which is one of the factors decreasing the interest of foreign investors in investing.

The study aimed to investigate the influential factors of Foreign Direct Investment (FDI) in nine ASEAN countries from 2013 to 2019. It examines the effects of the Political Stability Index, the E-Government Development Index, the Corruption Perception Index, the Democracy Index, the Crime Index, and GDP per Capita on FDI inflows, providing insight into their relative impact on investment patterns in the region. The 2013–2019 period was chosen because it reflects important dynamics in the ASEAN region's economy and politics in the wake of the global financial crisis and ahead of the full integration of the ASEAN Economic Community (AEC) in 2015. This period is marked by an increase in foreign direct investment (FDI) flows; however, ASEAN countries also face challenges, including political instability, corruption issues, the development of e-government, and a high level of crime, which affect the investment climate. By focusing on this period, the research was able to capture the phenomenon of regional transition and provide an empirical understanding of the determinants of FDI in nine ASEAN countries.

B. LITERATURE REVIEW

Understanding the importance of foreign direct investment

Keown (2010) states that direct investment occurs when a business can effectively control the flow of capital inflows, for example, by building several facilities in a country. Madura (2008) stated that foreign direct investment is an inflow of capital allocated in the form of companies increasing their capacity in the country where investors invest. This activity not only raises capital but also exercises control over the leading company. The Harrod-Domar theory explains the importance of capital formation in driving a country's economic growth. Investment has two functions that affect the economy, namely: first, it generates income. On the other hand, investment was on the opposite side. Both investments can increase economic capacity by increasing the amount of capital offerings; on the other hand, investments are made on the supply side.

An extended period of investment spending will influence the total demand for goods and services in an economy. However, it does so not just by increasing the productive capacity of businesses. In other words, while investment spending helps create more production capacity (such as building factories or purchasing equipment), its effects on overall demand extend beyond that. It can also lead to various other changes in the economy, such as job creation, increased consumer spending, and improved efficiency, all of which contribute to higher aggregate demand.

The Multinational Enterprise Theory was introduced by Alan M. Rugman in 1981. This theory posits that both external and internal factors influence the implementation of foreign direct investment. External factors encompass

economic, non-economic, and institutional aspects. Ones

FDI involves cross-border investments where investors acquire ownership stakes in foreign companies or establish new operations. For instance, a report by the United Nations Conference on Trade and Development (UNCTAD) highlights that FDI inflows can lead to increased productivity and competitiveness in host countries, making it an essential area of study for policymakers.

Political Stability and FDI

Political stability is often cited as a primary factor influencing FDI. Investors prefer a stable environment to minimise risks associated with government instability, civil unrest, or abrupt policy changes. Research by Akin (2019) indicates that political stability can significantly enhance a country's attractiveness for foreign investors, as it fosters a predictable business environment. In ASEAN, countries with higher political stability scores tend to attract more FDI, as investors seek assurance that their investments will not be jeopardised by political upheaval or adverse government actions.

Investors are more likely to engage in countries where governments are reliable, policies are consistent, and the likelihood of disruptions from political conflicts is low. In Southeast Asia, countries with a stable political landscape, such as Singapore and Malaysia, consistently attract higher levels of FDI compared to more politically volatile nations. Conversely, political instability can significantly deter foreign investors. Unstable political environments introduce uncertainties, which increase the risks of investment. Factors such as regime changes, political violence, or inconsistent policy enforcement can lead to sudden changes in the business climate, discouraging long-term investments. According to Busse and Beazer & Blake (2018), political instability leads to lower FDI inflows as investors seek to avoid environments where their capital could be at risk. In Southeast Asia, countries such as Myanmar and Thailand have experienced fluctuations in FDI inflows at times due to periods of political instability, often linked to military coups or civil unrest.

E-Government Development Index

The E-Government Development Index, developed by the United Nations, assesses the capacity of governments to deliver services online and engage with citizens through digital platforms. A high EGDI score indicates that a country has made significant advancements in e-governance, enhancing service delivery and promoting transparency. Research indicates that countries with strong e-government initiatives tend to create a more attractive environment for foreign investors (Zhang & Kaur, 2024). For instance, research by Al-Azzam and Abu-Shanab (2024) found that effective e-government services streamline administrative processes, reduce bureaucratic hurdles, and facilitate easier access to information, all of which are critical for attracting FDI. A study by Maithya (2021) suggests that efficient e-government services can streamline administrative processes and reduce bureaucratic hurdles, making it easier for foreign investors to operate. In ASEAN, countries with higher EGDI scores are often perceived as more conducive to investment, as they offer transparent, accessible, and efficient government services that foster investor confidence.

The implementation of e-government initiatives can significantly boost investor confidence in Southeast Asia. When governments provide efficient online services, it demonstrates a commitment to transparency, accountability, and ease of doing business. In contrast, countries with low e-government capabilities may be seen as less predictable, deterring potential investors who seek a stable and accessible business environment.

Corruption Perception Index

Corruption is a significant concern for foreign investors, as high levels of corruption can increase the cost of doing business and create an unpredictable investment climate. The CPI assesses the perceived levels of corruption in countries. Transparency International developed the CPI, which serves as a vital tool for measuring corruption levels in countries worldwide. The CPI ranks countries on a scale from 0 to 100, where a higher score indicates a lower perceived level of corruption. Studies have consistently demonstrated a negative correlation between the CPI and FDI inflows. For instance, a study by Habib and Hanousek et al (2021) found that countries with higher perceived corruption often experience lower FDI, as investors are wary of the risks associated with unethical practices, bureaucratic inefficiencies, and potential legal complications.

Democracy Index and government

The Democracy Index evaluates the quality of democratic governance in a country. Research indicates that democratic governance can enhance investor confidence by promoting political stability, the rule of law, and transparency, thereby fostering accountability. According to a study by Hamid & Jena (2022), democratic countries often provide a better environment for FDI because they tend to uphold rights, property protections, and transparent regulations.

According to the Democracy Index initiated by The Economist Intelligence Unit (EIU), democracy cannot be measured solely by civil or political liberties factors, because these components are not "strong" enough to identify democratic conditions in a country. Therefore, the Economist Intelligence Unit Democracy Index measures democracy through 5 criteria, namely: (a) electoral process and political pluralism, (b) civil liberties, (c) government functioning, (d) political participation and (e) political culture. In ASEAN, countries with higher Democracy Index scores are likely to attract more FDI due to their perceived stability and good governance practices.

Democratic governance tends to enhance investor confidence by promoting transparency, the rule of law, and policy consistency. Investors often view democratic nations as offering more predictable political and legal environments, which reduces the risks associated with investment decisions.

Crime Index and investment risk

The Crime Index measures the safety and security of a country, which can significantly affect investor decisions. High crime rates can deter foreign investors who are concerned about the safety of their assets and employees. Studies have shown that countries with lower crime rates are more attractive to investors, as they provide a safer environment for business operations. In ASEAN, nations that prioritise law enforcement and create secure business environments tend to see higher FDI inflows.

Crime can undermine investor confidence by creating an environment of instability and unpredictability. When crime rates are high, investors may face increased risks of theft, vandalism, or even violence, all of which can result in significant financial losses. Based on Willian (2024), it is often the case that crime and corruption go hand in hand, further compounding the risks for foreign businesses. In Southeast Asia, countries with lower crime rates, such as Singapore, consistently attract higher levels of FDI due to their safe and secure environments. On the other hand, nations with higher crime rates, such as the Philippines, have faced challenges in maintaining investor confidence due to concerns about safety and security.

GDP per Capita and economic potential

GDP per capita is often used as an indicator of economic performance and a measure of potential market size. A higher GDP per capita typically indicates a wealthier population with greater purchasing power, making the country more appealing for foreign investors. Research by

Dang & Nguyen (2021) shows that FDI is positively correlated with GDP per capita, reflecting the overall economic health of a country.

While countries with higher GDP per capita are more likely to attract FDI, nations with lower GDP per capita may still be appealing to investors, particularly in labour-intensive sectors. Countries like Vietnam and Cambodia, despite having lower GDP per capita, have attracted significant FDI due to their competitive labour costs and growing markets. Research by Alharti (2024) highlights that lower GDP per capita countries may attract FDI through other factors, such as their large workforce, favourable trade agreements, or strategic location. In Southeast Asia, Vietnam's rapid economic growth, despite its lower GDP per capita compared to regional peers, has made it an increasingly attractive destination for manufacturing and export-oriented investments.

Based on this description, the following hypotheses can be presented: the influence of the stability political index, e-government development index, Corruption Perception Index, Democracy Index, Crime Index, and GDP per capita on Foreign Direct Investment in 9 ASEAN regional countries from 2013 to 2019.

C. RESEARCH METHODS

Using quantitative data to examine the relationships between variables in the research model. Regarding the meaning of quantitative research, there are two schools of thought in academia: one emphasises the mathematical techniques used in the field. In contrast, the second emphasises the importance of numbers or quantity. The first opinion defines quantitative research as an umbrella term for a collection of mathematical and statistical techniques used in verifying theoretical ideas. It also refers to the statistical analysis of observational data, experimental data, and other types of data (Slevitch, 2011), which focuses on quantifying, computing, and examining the relationships between variables to identify the fundamentals of those connections (Xiong, 2022). The second opinion is that any research that presents, explains, and analyses a problem or research object in terms of its magnitude is quantitative research. The essence of quantitative research is to employ mathematical language, symbols, and quantitative methods to describe and explain the problem (Mohajan, 2020).

The data used in this study were secondary data from 9 countries in the ASEAN, spanning the years 2013 to 2019. Data were obtained from several sources, namely: (a) Democracy Index (https://www.economist.com/graphicdetail/2018/01/31/democracycontinues-its-disturbing-retreat), (b) Corruption Perception Index (http://transparency.org/en/cpi), (c) Crime Index (http://www.numbeo.com/), (d) Foreign Direct Investment (https://data.worldbank.org/indicator) (e) E-Governance Index (https://publicadministration.un.org/egovkb/en-us/About/Overview/-E-Government-Development-Index), (f) GDP Per capita (https://data.worldbank.org/indicator), and (g) Political Stability Index (https://www.theglobaleconomy.com/rankings/wb_political_stability/) in 2013, 2014, 2015, 2016, 2017, 2018, 2019.

To estimate the effect of the Political Stability Index, Corruption Perception Index, e-Governance Index, Democracy Index, Human Development Index, Crime Index, and GDP per capita on foreign direct investment from 2013 to 2022, a panel data regression analysis model was employed. In the process of power analysis using STATA 17.0 software, this software was employed to test each independent variable on the dependent variable, either partially or simultaneously. Panel data regression model interpretation involves three types of models: regression methods, FEM (Fixed Effects Model), and REM (Random Effects Model). Using this model, the best interpretation for research purposes was obtained. To determine the best model between Regression, Fixed Effects, and Random Effects, two model estimation

techniques were used: the Hausman test and the Lagrange Multiplier test.

The Hausman Test and the Lagrange Multiplier tests are advanced tests for selecting panel data regression models. The Hausman test aims to determine which model is more suitable between FEM and REM. In the Hausman test, a Chi-square Probability value will be obtained that is smaller than alpha (α) (0.0000 <0.05), meaning that FE is better to use when compared to REM. Vice versa, iff the Chi-square Probability value is greater than alpha (α) (0.0000 > 0.05), it means that REM was better when compared to FEM. After obtaining the calculated LM value, the next step was to compare the LM value with the chi-square value of the table with the degrees of freedom, as well as the number of independent variables and alpha (α) or a significance level of 5%. Provided that if the LM value is calculated < chi-square, the regression model chosen is a random effect, and if the LM value is> chi-square, the model chosen is a standard effect model.

After determining the best model, the next step is to perform a statistical significance test. Statistically, there were two tests, namely the T test *(Individual Significance Test) and the F test (*Concurrent Significance Test*).*

D. RESULTS AND DISCUSSION

Model Specification Test

The model specification test aims to determine the best model choice used in this study. The test results are as follows:

Hausman Test

The Hausman test was conducted to compare the random effects model and the fixed effects model. The results of the comparison will be used to select the t model for use in the research. In statistical calculations of the Hausman test, it is necessary to estimate that the number of cross-sectional categories was greater than the number of independent variables (including constants) in the model. Furthermore, the statistical estimation of the Hausman test requires an optimistic estimate of the cross-sectional variance, which the model may not always meet. If these conditions are not met, the FEM can only be used. If the results of the Hausman test yield a Chi-square probability of more than 0.05, then the model used was REM; if the Chi-square probability is less than 0.05, then the model used was FEM. The results of the Hausman test can be seen in the following table.

Table 1. Hausman Test

Chi^2 Statistic	p-value
3.66	0.7225

Source: processed data

Based on the values presented in the table above, FEM was the inefficient model, as indicated by a chi-squared value of 6.66. The Hausman test was performed by comparing the value of Prob chi2> with the value of alpha. Because the P value was greater than alpha (0.7225>0.05). Then H0 was accepted, which means REM was the best model used.

Lagrange multiplier test

The Lagrange multiplier test is used to determine whether to use the standard effect model or the most appropriate random effect model in the panel data regression equation. After obtaining the calculated LM value, the next step is to compare it with the chi-square value from the table, taking into account the degree of validity of the number of independent variables and the alpha or significance level of 5%. Provided that if the LM value was calculated < chi-square, the regression model chosen was the random effect model, and if the LM value was > chi-square, the model chosen was the standard effect model.

Table 2. Lagrange Multiplier Test

Chi^2 Statistic	p-value
48.23	0.0000

Source: Data Processed

Table 3. Estimation Result

Variable	Coefficient	Std. Error	t-Statistic	Prob
C	22.06525	2.528073	8.73	0.000***
Political Stability Index (X1)	-0.06682533	0.630225	-1.06	0.289
E-Government Index (X2)	7.937883	2.548908	3.11	0.002***
Corruption Perception Index (X3)	0.120206	0.046949	2.56	0.010***
Democracy Index (X4)	-0.14650178	0.265038	0.55	0.58
Criminality Index (X5)	-0.947019	2.253029	-2.02	0.043**
GDP per capita (X6)	2.94719	2.253029	1.31	0.191
R-Squared	0.8864			
F-Statistic	202.81			
Prob. F-Statistic	0.0000***			
Source: Processed Data note: Sig ***1%; **5%; *10%				

From the table above, when viewed by value, the CEM (Common Effect Model) was the least efficient model, as indicated by a chi-squared value of 48.23. The Lagrange multiplier test was performed by comparing the p-value of the chi-squared distribution with the alpha value. Because the P value was greater than alpha (0.000>0.05). Then H0 was rejected, indicating that the most appropriate regression model for this study is the random effects model.

Result

Model Estimation

After passing the model specification test in the form of a chow test and hausman test, it has provided output in the form of the best model. So, in the panel research, which aims to determine the effect of financial inclusion and banking characteristics on banking stability in Indonesia, the FEM is the best model.

Table 3 shows that, the political stability index variable indicates a negative and insignificant relationship with foreign investment, with a probability value of 0.289 >0.000. Second, the e-government development index has a positive and significant relationship with foreign investment at the 1% level, with a probability value of 0.002 < 0.01. The value of the coefficient was 7.93%, meaning that for every 1% increase in the government development index, foreign investment will increase by 7.93%. Third, this study presents results indicating that the Corruption Perceptions Index has a positive and significant relationship with foreign investment at the 1% level, with a p-value of 0.010 < 0.01.

The value of the coefficient was 0.12%, meaning that for every 1% increase in the corruption perception index, foreign investment will increase by 0.12%. Fourth, the democracy index indicates a negative and insignificant relationship with foreign investment, with a probability value of 0.58 (p > 0.000). Fifth, the criminality index has a negative and significant relationship with foreign investment at the 5% level, with a probability value of 0.043 < 0.05. The value of the bank size coefficient was 0.04, meaning that every 1% increase in the crime index resulted in a 0.04% decrease in foreign investment. Sixth, the variable GDP per capita indicates a negative and insignificant relationship with foreign investment, with a probability value of 0.191 > 0.000.

Coefficient of Determination (R^2)

The coefficient of determination indicates the extent to which the independent variable can explain the dependent variable. If the value of the coefficient of determination was equal to 0 or R2=0, it means that the dependent variable cannot be described by the independent variable at all. However, if R2 = 1, it means that the dependent variable can be explained by the independent variable contained in the study. So, whether the regression equation is good or not is

determined by the value of R2. Based on the table above, the R-squared value was 0.8864, which means that the contribution of all independent variables in explaining the dependent variable is 88.64%. This indicates that variables outside the research model explained 11.36% of the variation in the dependent variable.

Statistic t

The t-statistic serves to determine the significance of individual regressions with respect to the dependent variable, assuming that the variables remain. In this study, a significance level of 0.10% was used. Variables in this study include political stability index (x1), e-government development index (x2), corruption perception index (x3), democracy index (x4), crime index (x5), and GDP per capita (x6). If the probability value of the statistic *< 0.10,* then it can be said that the independent variable has a significant influence on the dependent variable.

Discussion

This study examined the most influential factors affecting Foreign Direct Investment (FDI) in nine ASEAN countries between 2013 and 2019, focusing on the Political Stability Index, the E-Government Development Index, the Corruption Perception Index, the Democracy Index, the Crime Index, and GDP per Capita.

Political stability is a key factor in attracting FDI, as it reduces uncertainty and risk for investors. The findings suggest that countries with higher scores on the Political Stability Index, such as Singapore and Malaysia, consistently attract more FDI. Investors are more inclined to invest in countries where governments are stable and policy changes are minimal, ensuring long-term security for their investments. Conversely, countries with lower political stability scores, like Myanmar and Thailand, face challenges in maintaining investor confidence during periods of political upheaval.

The E-Government Development Index measures the extent to which governments utilize digital technologies to deliver public services, enhance transparency, and streamline business operations. A comparative analysis of EGDI across Southeast Asian countries reveals significant disparities. Nations such as Singapore and Malaysia consistently rank high on the EGDI, showcasing their robust e-government platforms that facilitate business operations and enhance investor confidence. In contrast, countries like Laos and Myanmar face challenges in e-government development, often leading to higher transaction costs and inefficiencies in public services. According to the World Bank report, improving e-government services in these lower-ranking countries could lead to increased foreign investment, as enhanced service delivery can mitigate the risks associated with corruption and bureaucratic inefficiencies.

Corruption can significantly undermine investor confidence, creating an unpredictable business environment that complicates decision-making for foreign investors. In Southeast Asia, countries perceived to have high corruption levels often present risks that deter investment. Research conducted by emphasises. Emphasising that not only does it raise the costs of doing business, but it also creates barriers to entry for foreign firms. Investors may face challenges such as bribery, regulatory obstacles, and unclear property rights, all of which can discourage them from entering markets with high corruption perceptions. Nations such as Singapore and Malaysia, which consistently rank high on the CPI, tend to attract significant FDI due to their perceived low levels of corruption. Conversely, countries with lower CPI scores, such as Myanmar and Cambodia, often struggle to attract foreign investments. According to a report by the Asian Development Bank (2018), improving governance and reducing corruption in these countries can lead to increased investor interest and higher FDI inflows.

Democratic governments are accountable to their citizens and international investors, ensuring that policies do not change arbitrarily. Research by Urmazz (2017) highlights that

democracies create a safer environment for investments, particularly by preventing sudden policy shifts that could harm foreign enterprises. In Southeast Asia, nations that exhibit democratic governance tend to perform better in attracting FDI. For example, Indonesia, the region's largest democracy, has experienced increasing FDI inflows as political reforms have strengthened democratic institutions and improved investor confidence.

In contrast, countries with lower Democracy Index scores may struggle to attract foreign investments. Authoritarian or semi-authoritarian regimes often present higher political risks, which can discourage long-term investments. Investors may fear arbitrary government interventions, corruption, and a lack of accountability in this environment024) found that while authoritarian regimes may attract some FDI, especially in sectors like natural resources, they are less appealing for broader economic investments due to unpredictable political landscapes. In Southeast Asia, countries like Vietnam and Cambodia have attracted FDI despite lower Democracy Index scores, but concerns over governance, rule of law, and corruption remain.

The country ranks among the safest in the world, which significantly enhances its appeal to foreign investors. Malaysia and Thailand also rank relatively low on the Crime Index, although they face challenges in some specific regions that may require additional security measures. Conversely, countries like the Philippines and Indonesia, which have higher crime rates, particularly in urban areas, struggle to attract FDI in specific sectors due to concerns about safety and operational risks. According to Wald Bank report, countries with lower crime levels tend to receive higher FDI inflows, as investors prefer stable and secure environments for long-term investments.

A comparative analysis of GDP per capita across Southeast Asia reveals significant differences in how this factor affects FDI inflows. High-income nations such as Singapore and Brunei, with some of the highest GDP per capita in the region, consistently attract FDI due to their wealthy consumer base, advanced infrastructure, and business-friendly policies. On the other hand, middle-income countries like Thailand and Malaysia also attract significant FDI, driven by their relatively high GDP per capita and growing middle-class markets. In contrast, countries like Laos and Myanmar, with lower GDP per capita, struggle to attract FDI in non labour intensive sectors due to their smaller consumer markets and lower purchasing power. However, these countries continue to attract FDI in sectors such as agriculture, textiles, and resource extraction, where lower labour costs are a key advantage.

For foreign investors, GDP per capita serves as a key metric when crafting market entry strategies. High GDP per capita countries are likely to attract investments in high-end consumer goods, financial services, and technology. In contrast, lower GDP per capita nations may focus on industries that rely on cost-effective production. In Southeast Asia, this means that while countries like Singapore attract high-value investments in finance and technology, countries like Vietnam and the Philippines may see more FDI in manufacturing and service outsourcing.

E. CONCLUSION

The main results of this study show the impact of the e-government development index, the corruption perception index, and the crime index on foreign direct investment in 9 ASEAN countries. This finding supports the hypothesis that has been observed to be true: the higher the ranking of the e-government development index, the greater the increase in foreign investment. Furthermore, conversely, the higher the corruption perception index score, the lower the foreign direct investment, and the higher the crime index score, the higher the increase in foreign direct investment. The results will make a practical contribution to measuring the political stability index, e-government development index, corruption perception index, democracy index,

human development index, crime index, and GDP per capita, thereby increasing foreign direct investment. Despite the interesting results, the study acknowledges its limitations. Because of these limitations, the authors suggest that future research include other indicators, such as macroeconomic conditions, voting and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law, and corruption control, in the form of indices.

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