

## The Influence of Governance, Economic Growth, and Foreign Direct Investment on Tax Ratios in Southeast Asian Countries

Yuliani Rahayu<sup>1\*</sup>, Einde Evana<sup>2</sup>, Tri Joko Prasetyo<sup>3</sup>

Faculty of Economics and Business, Universitas Lampung

**Corresponding Author:** Yuliani Rahayu [yulianirahayu2494@gmail.com](mailto:yulianirahayu2494@gmail.com)

---

### ARTICLE INFO

*Keywords:* Government Effectiveness, Economic Growth, and Foreign Direct Investment

*Received :* 23, September

*Revised :* 24, October

*Accepted:* 25, November

©2023 Rahayu, Evana, Prasetyo:

This is an open-access article distributed under the terms of the

[Creative Commons Atribusi 4.0 Internasional](https://creativecommons.org/licenses/by/4.0/).



### ABSTRACT

This research aims to examine the influence of Government Effectiveness, Regulatory Quality, Control of Corruption, Economic Growth, and Foreign Direct Investment on Tax Ratios in Southeast Asian Countries. The population in this study was all ASEAN countries, totaling 11 countries. The research sample was taken using a technique of non-probability sampling. The method used is the panel data technique which is a combination of time series and cross section data. The cross-section data in this research is ASEAN country data with a time series for the period 2010 to 2022 from the World Bank. The analysis technique used is the classical assumption test, chow test, Hausman test, and test Lagrange multiplier. The research results show that government effectiveness, control of corruption, economic growth, and foreign direct investment influence the tax ratio. Meanwhile, regulatory quality does not have a significant effect on the tax ratio.

---

## INTRODUCTION

In Indonesia, taxes have become the backbone of the country. More than 70 percent of state spending is financed by tax revenues, and the gap in tax revenue ratios is still large both within and between groups in the country even though various efforts have been made to explore tax potential over the last decade.(Modica et al., 2018).

The ASEAN (Association of Southeast Asian Nations) region, also known as the Association of Southeast Asian Nations, was chosen as the research object. ASEAN has the aim of prospering and advancing countries in Southeast Asia. To date, 11 countries have been registered under ASEAN. The eleven countries are Indonesia, Malaysia, Singapore, Philippines, Thailand, Brunei Darussalam, Vietnam, Laos, Myanmar, and Cambodia. The following is a comparison of Indonesia's Tax Ratio with Southeast Asian countries:

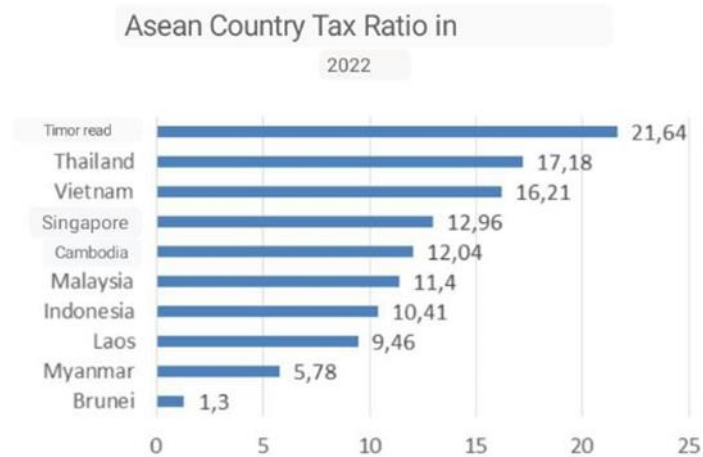


Figure 1. Tax Ratio for Southeast Asian Countries in 2022 (%)  
Source:(World Bank, 2023)

When compared with other neighboring countries, tax compliance in Indonesia can be said to be lagging. This can be assessed from the comparison of tax ratios between ASEAN countries in the picture above. This very low level of tax compliance can have an adverse impact on the financial health of the State. Failure to achieve tax revenues with predetermined targets can trigger development delays in a country. If there is no proper handling, then the country is threatened with not being able to keep up with global movements and being unable to compete with other countries (Tsauroi, 2021).

One of the variables that represents government governance is government effectiveness. According to Marselina (2019) to encourage economic growth, apart from carrying out reforms in the field of taxation, the government must also implement good governance by providing the best service to the community, eradicating corruption, enforcing laws and regulations, creating quality, fair and responsible regulations and legislation. executed consistently. This statement is the opposite of the research results found by Djayasinga & Prasetyo (2019)

that government effectiveness has no significant effect on tax compliance.

Apart from government effectiveness, the variable that represents government governance is regulatory quality. Anwar & Wijaya (2023) state that regulatory quality is a measure of the government's ability to formulate and implement policies and regulations and promote private sector development. So regulatory quality can have a positive effect on tax ratios, especially in ASEAN countries, research results Marselina (2019) provides evidence that regulatory quality has a positive influence on tax ratios in six ASEAN countries to research results Salman et al., (2022) has no influence on tax revenues.

Control of corruption which is part of government governance can also influence the tax ratio. According to Neog & Gaur (2021) said that weak bureaucracy and law enforcement are considered to be the main causes of widespread corruption in many countries. This will disrupt the economic stability of a country. According to the World Bank, Control of corruption is an indicator used to measure power used for personal interests and attempts to commit corruption.

Djayasinga & Prasetyo (2019) in his research stated that control of corruption has an impact on tax compliance, apart from that Syadullah (2015) provides evidence that controlling corruption has a significant negative influence on the tax ratio. Different research from Salman et al., (2022) states that control of corruption has a significant positive influence on tax revenue performance in West African countries.

This research also tries to confirm the influence of economic growth on the tax ratio, this is based on the theory that states that under *ceteris paribus* conditions, when Gross Domestic Product (GDP) increases, tax revenues will experience a greater increase. An increase in per capita income will always be followed by an increase in paying taxes so that in the end it will increase the amount of tax revenue for the country (Sukirno, 2013). However, several studies in developing countries have found a negative relationship between economic growth and tax revenues Chaudhry et al., (2009) and Putriana (2022).

Foreign Direct Investment is an interesting variable to look for its influence on the tax ratio because Tsaurai (2021) revealed in his research that has a positive effect on tax revenues. This research indicates that increasing will increase tax revenues as measured by the tax ratio. Different research results on the influence of tax revenues were presented by Allamirew & Leykun (2020). Study Alamirew & Leykun (2020) show that has a negative effect on tax revenue, which means that if there is an increase in a country, there will be a decrease in tax revenue. This can happen because in general can enter because of the tax incentives provided by the investment recipient country. These tax incentives will certainly increase incoming on the one hand but reduce tax revenues in the short term on the other hand.

## LITERATURE REVIEW

### *Public Finance Theory*

The terminology of Public Finance can be interpreted as State Finance, or government finance which means government financial activities (excluding government activities in the economy). In theory, the subject of public finance is not always clear, because it depends on the form of the country, the government system, and the constitution that regulates the state life of a country (Bastian, 2015). Public Finance Theory states that there is a close relationship between economic actors (Musgrave & Musgrave, 1973). For example, in the imposition of taxes on the private sector, there is a relationship between the monetary and fiscal aspects of state finances. The tax base is one of the two components of the tax base. The tax base in low and middle-income countries is strongly influenced by the level of income and the formal economic sector in the country (Hyman, 2014). This theory explains that expenditure management by the government is not only a means of employing employees or purchasing materials but simultaneously a means aimed at fulfilling social and economic needs (Celikay, 2020).

### *Taxation Theory*

Tax from an economic perspective is understood as a shift of resources from the private sector to the public sector while understanding tax from a legal perspective according to Soemitro Insurance, (2014) is an obligation that arises because of a law that creates an obligation for citizens to deposit a certain amount of income to the state and the state has the power to compel it. According to Mardiasmo (2016) the tax information submitted as far as possible avoids tax violations and legal language that is difficult for ordinary people to understand. The information provided is not just matters relating to the obligation to pay taxes and how to fill out SPT but also provides information to the public about the importance of taxes for the government and citizens (Saputra, 2019).

### *Economic Growth Theory*

One important indicator in conducting an analysis of economic development that occurs in a country is economic growth. Economic growth also occurs if there is an increase in per capita output, which reflects an increase in living standards measured by real output per person. In a certain period, economic growth also shows the extent to which economic activity will generate additional community income. Where this activity is a process of using production factors to produce output which will produce a flow of remuneration for the production factors owned by the community (Sukirno, 2013). So with economic growth, people's income as owners of production factors will also increase.

Economic growth is an illustration of the impact of government policies implemented, especially in the economic sector. Economic growth is the rate of growth formed from various economic sectors which indirectly describes the level of economic growth that occurs. This indicator is important to determine the success of development in the future (Kalaš et al., 2017).

### *Tax Ratio*

Tax revenue is very important for any country in the world. The main purpose of taxation is to increase state revenue in order to finance public goods and services. The tax ratio is a comparison between the amount of tax revenue compared to a country's Gross Domestic Product (GDP) in percent. The tax ratio shows the extent of the government's ability to collect tax revenues or reabsorb gross domestic product from society in the form of taxes (Amelia, 2014).

The higher a country's tax ratio, the better the country's tax collection performance. Because the higher the value of the rupiah that can be collected as tax revenue from each rupiah of national output (GDP). Countries that have the ability to generate adequate income will be able to reduce the budget deficit, which is reflected in reduced borrowing from external parties. We can see a country's ability to collect potential taxes in its economy in the country's tax-to-GDP ratio (Nalyanya et al., 2020).

In calculating the tax ratio, each country has its own method, looking at the components of its tax revenue. However, when calculating this ratio, we are still guided by the International Monetary Fund (IMF) or OECD (Wijaya & Dewi, 2022). The IMF uses components from central tax revenues, state revenues from natural resources to regional taxes. Meanwhile, the OECD uses components broadly by adding social security contributions as one of the components in calculating the tax ratio (Akbar, 2022).

Good governance is that which performs its duties and meets its challenges effectively, efficiently, and in a way that contributes to the legitimacy of authority. Legitimacy can be demonstrated in several ways, both active and passive. This does not require free and fair elections (Damarani, 2018). Government or "Government" in English is defined as "The authoritative direction and administration of the affairs of men/women in a nation, state, city, etc.", city, and so on). Viewed from a semantic perspective, the language of governance means governance and good governance means good governance. On the one hand, the term good governance can be interpreted differently, while on the other hand, it can be interpreted as the performance of an institution, for example, the performance of a government, company, or social organization (Andhika, 2017).

### *Government Effectiveness*

According to the World Bank, government effectiveness reflects the perception of the quality of public services, the quality of civil services and the level of independence from political pressure, the quality of policy formulation and implementation, and the credibility of the government's commitment to these policies (World Bank, 2021).

### *Regulatory Quality*

According to the World Bank, regulatory quality, namely regulatory quality, captures the perception of the government's ability to formulate and implement policies and regulations that both allow and promote private sector

development (World Bank, 2021). According to the OECD, the quality of a country's regulatory system depends greatly on how regulations are structured and made. Governments have an interest in ensuring that their regulations operate efficiently to promote economic growth, social welfare, and environmental standards (OECD, 2016).

#### *Control of Corruption*

According to Ichvani & Sasana (2019), Corruption is the abuse of authority carried out by state officials in managing public power or resources used for the benefit of the people. According to the Millennium Challenge Corporation, this indicator refers to the extent to which public interests are exploited for private gain. This includes forms of corruption in large or small amounts and the extent of state control by elite groups (Compact, 2019). According to Mahendra et al., (2022), there are two different mechanisms for how corruption affects the tax ratio. First, corruption influences it directly through economic regulations and policies. Second, corruption influences it indirectly, namely through economic growth.

#### *Foreign Direct Investment*

Capital investment is needed to accelerate economic development in processing economic potential into real economic strength by using capital originating from both within the country and abroad. Apart from exploring original regional sources of financing, the government also invites foreign sources of financing, one of which is foreign direct investment (Jufrida et al., 2016). Foreign direct investment is an international capital flow where companies from one country establish or expand their companies in other countries. Therefore not only is there a transfer of resources, but there is also the imposition of control on companies abroad. Foreign direct investment not only includes the transfer of ownership from domestic to foreign ownership but also a mechanism that allows foreign investors to learn the management and control of domestic companies (Contractor et al., 2020). Foreign direct investment in Indonesia is stipulated through Law No. 25 of 2007 concerning foreign direct investment. Foreign direct investment in this Law is the activity of investing capital to conduct business in the territory of the Republic of Indonesia carried out by foreign investors, either using foreign capital entirely or in collaboration with domestic investors (Sari, 2020).

#### *Hypothesis development*

World Bank through the Macroeconomics and Growth Team Development Research Group, since 1996 has issued six indicators used to measure the quality of good governance in each country, namely: control of corruption, government effectiveness, political stability and absence of violence, regulatory quality, rule of law, and voice and accountability (Addink, 2019). Government effectiveness is a measure of the policies carried out by the government towards society, public services, the quality of policies and implementation, and then the government's neutrality in a country's politics. Government effectiveness looks at the government's accountability in running

its government for society so that it runs better. Research result Kristanto & Chandrika, (2023) provide evidence that government effectiveness has no effect on tax complexity, different from research Asbarini et al., (2021) which provides evidence that the Governance Effectiveness variable has a significant positive effect on Economic Growth, as well as research Salman et al., (2022) provide evidence that government effectiveness has a positive and significant impact on tax revenue performance. Based on this explanation, the following hypothesis can be proposed:

**H1= Government effectiveness has a positive influence on the tax ratio**

The government has an obligation to ensure that the regulations that have been made operate efficiently in order to encourage efforts for economic growth, social welfare, and environmental standards, so as to increase tax revenues. Regulatory quality is an index regarding the level of government's ability to formulate and implement policies and regulations that enable the promotion of the private sector (Contractor et al., 2020). The research results in Widjanarko (2021) conclude that the quality of Legislative Regulations (Regulatory Quality) has no impact on a country's economic growth, in contrast, to research result Syadullah, (2015) which gives better results regulatory quality variables will increase the country's tax ratio. Based on this explanation, the following hypothesis can be proposed:

**H2= Regulatory quality has a positive influence on the tax ratio in Southeast Asian countries.**

Control of corruption is an indicator to measure the extent to which public power is exercised for the private sector, including small and large forms of corruption, as well as the "capture" of the state by elites and private interests. It also measures the strength and effectiveness of a country's policy and institutional framework to prevent and eradicate corruption. Corruption is one of the factors that can hamper the economy, so institutions are needed to reduce, suppress, and control acts of corruption. In theory, if this indicator index increases it will improve the economy, and when the economy improves it will increase a country's tax revenues. Research result Djayasinga & Prasetyo, (2019) as well as Salman et al., (2022) give that the result Corruption control has a positive and significant impact on tax revenue compliance and performance. Based on this explanation, the following hypothesis can be proposed:

**H3= Control of corruption has a positive influence on the tax ratio in Southeast Asian countries.**

When economic growth increases, tax revenues will experience a greater increase. An increase in per capita income will always be followed by an increase in paying taxes so that in the end it will increase the amount of tax revenue for the country (Sukirno, 2013). Additionally, Peacock and Wiseman are deep Neog & Gaur, (2021) believe that government spending will encourage the rate of economic growth, while to finance this spending the government needs large sources of revenue, including taxes, so that economic growth and

tax revenues will go hand in hand. In line with research In riama & Setyowati (2020) as well as Tsurai (2021) provide evidence that economic growth and financial development to a greater extent were found to have a significant positive impact on tax revenues. Based on this explanation, the following hypothesis can be proposed:

**H4= Economic growth has a positive influence on the tax ratio in Southeast Asian countries.**

One of the external factors that influences tax revenues is foreign direct investment. Foreign direct investment is an international capital flow where companies from one country establish or expand their companies in other countries. Therefore not only is there a transfer of resources, but there is also the imposition of control on companies abroad. Foreign direct investment not only includes the transfer of ownership from domestic to foreign ownership but also a mechanism that allows foreign investors to learn the management and control of domestic companies (Contractor et al., 2020).

Investments made encourage capital transfer, resource transfer, knowledge transfer, and the development of human capabilities. If can be utilized properly by the country that receives it, this will increase the country's economic growth. In the end, economic growth will indirectly encourage an increase in tax revenues. Research result Surbakti & Wijaya (2023) partially, prove that has a positive effect on tax revenues. In line with Taurai (2021) revealed in his research that has a positive effect on tax revenues. This research indicates that increasing will increase tax revenues as measured by the tax ratio. Based on this explanation, the following hypothesis can be proposed:

**H5= Foreign Direct Investment has a positive influence on the tax ratio in Southeast Asian countries.**

## **METHODOLOGY**

This research is a type of descriptive-quantitative research that uses secondary data. The data is processed using panel data techniques which are a combination of time series and cross section data. The cross-section data in this research is data from ASEAN countries with a time series for the period 2010 to 2022. Data for each variable was obtained from the World Bank. The population in this study was all ASEAN countries, totaling 11 countries.

The sampling technique used in this research is nonprobability sampling, namely a sampling technique that does not provide an equal opportunity for each element or member of the population to be selected as a sample (Sugiyono, 2017). In this research, the sample countries were selected based on purposive sampling (desired criteria). The sample criteria in this study are as follows:

1. A country located in the Southeast Asia Region.
2. Countries that have complete research variable data from 2010 to 2022.

The variables in this research are the tax ratio as the dependent variable, as well as government governance represented by the variables government effectiveness, regulatory quality, control of corruption, economic growth, and foreign direct investment as an independent variable.

## RESEARCH RESULT

### *Panel Regression Model Analysis*

In this section, you should describe each step taken to complete your research. You should not include too many descriptive statistical results here; on the other hand, it should be summarized in a more readable table or graph. You should never forget the numbers for each table and chart presented in your paper.

a. Chow Test Results or Likelihood Test

Table 1. Test Results

Redundant Fixed Effects Tests			
Equation: Untitled			
Cross-section fixed effects test			
Effects Test	Statistics	df	Prob.
Cross-section F	29.741359	(9,113)	0.0000
Chi-square cross-section	157.891618	9	0.0000

Chow test results using Eviews 10 show that the probability value is 0.0000. This indicates that the probability is much smaller than the significance level (0.05). Thus, the null hypothesis (H0) for this model is rejected, and the alternative hypothesis (Ha) is accepted. Therefore, a better estimate is to use the Fixed Effect Model (FEM) method. Next, the research will continue by carrying out the Hausman test.

b. Hausman test

Table 2. Hausman test

Correlated Random Effects - Hausman Test			
Equation: Untitled			
Cross-section random effects test			
Test Summary	Chi-Sq. Statistics	Chi-Sq. df	Prob.
Random cross-section	9.173715	7	0.2404

The Hausman test results using Eviews 10 produced a probability of 0.2404, which indicates that the probability value is greater than the significance level (0.05). Therefore, the conclusion is that the null hypothesis (H0) for this model is accepted, and the alternative hypothesis (Ha) is rejected. The appropriate estimation model is the Random Effect Model (REM). Because there are differences in model selection between the Chow and Hausman test results, it is necessary to carry out the Lagrange Multiplier test.

c. Lagrange test

Table 3. Lagrange test

Lagrange multiplier (LM) test for panel data			
Date: 11/25/23 Time: 14:11			
Sample: 2010 2022			
Total panel observations: 130			
Probability in			
Null (no rand. effect)	Cross-section	Period	Both
Alternatives	One-sided	One-sided	
Breusch-Pagan	120.9823 (0.0000)	0.895732 (0.3439)	121.8780 (0.0000)
Honda	10.99919 (0.0000)	-0.946431 (0.8280)	7.108376 (0.0000)
King-Wu	10.99919 (0.0000)	-0.946431 (0.8280)	7.695024 (0.0000)
GHM	-- --	-- --	120.9823 (0.0000)

From the results listed in Table 3, we can observe that the probability of the Breusch-Pagan test is 0.3439, which is more than the significance level of 0.05. Therefore, reject the null hypothesis (H0) and accept the alternative hypothesis (Ha). This indicates that the most appropriate model for the subsequent analysis is the Common Effect Model (CEM).

Table 4. Simultaneous Test

Dependent Variable: Y				
Method: Least Squares Panel				
Date: 11/25/23 Time: 14:46				
Sample: 2010 2022				
Periods included: 13				
Cross-sections included: 10				
Total panel (balanced) observations: 130				
Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	18.62635	2.983252	6.243640	0.0000
X1	6.491118	1.718220	3.777816	0.0002
X2	-0.023784	0.040506	-0.587185	0.5582
X3	-0.320854	0.039639	-8.094467	0.0000
X4	0.156257	0.077543	2.015107	0.0461
X5	0.126383	0.050974	2.479340	0.0145
R-squared	0.444689	Mean dependent var		11.41259
Adjusted R-squared	0.412827	SD dependent var		4.288666
SE of regression	3.286285	Akaike info criterion		5.276956
Sum squared resid	1317.560	Schwarz criterion		5.453420
Log-likelihood	-335.0021	Hannan-Quinn Criter.		5.348659
F-statistic	13.95669	Durbin-Watson stat		0.443307
Prob(F-statistic)	0.000000			

From Table 4 above, it is known that:

F Test Results (F-Test) or Simultaneous Test

The data processed in Table 4 shows that the significance value is 0.0000 (Sig 0.0000 < 0.05). These results indicate that the regression equation obtained can be considered strong and the model used is stable. Thus, it can be concluded that the variables X1,

#### *Coefficient of Determination Test (R<sup>2</sup>)*

The Coefficient of Determination aims to see or measure how far the model's ability to explain the dependent variable. From the Eviews 10 output display in Table 4 above, the size of R Square is 0.3171. This indicates that the contribution of the independent and control variables to the dependent variable is equal to 41.28%, while the remaining 58.72% (100-41.28) was determined by other factors outside the model which were not detected in this study.

#### *Hypothesis Testing Results with Significant Test*

1. There is a significant positive influence on the government effectiveness variable (X1) against the Tax Ratio (Y) because the Prob value is 0.0002 < 0.05. So there is an influence between the variables X1 against Y, or in other words, H<sub>0</sub> is rejected and H<sub>a</sub> is accepted.
2. There is no influence of the regulatory quality variable (X2) against the Tax Ratio (Y) because the Prob value is 0.5582 > 0.05. So there is no influence between the variables X2 against Y, or in other words, H<sub>0</sub> is accepted and H<sub>a</sub> is rejected.
3. There is a significant negative influence on the control of the corruption variable (X3) against the Tax Ratio (Y) because the Prob value is 0.0000 < 0.05. So there is an influence between the variables X3 against Y, or in other words, H<sub>0</sub> is rejected and H<sub>a</sub> is accepted.
4. There is a significant positive influence of the variable economic growth (X4) against the Tax Ratio (Y) because the Prob value is 0.0461 < 0.05. So there is an influence between the variables X4 against Y, or in other words, H<sub>0</sub> is rejected and H<sub>a</sub> is accepted.
5. There is a significant positive influence of the Foreign Direct Investment variable (X5) against Tax Ratio (Y) because the Prob value is 0.0145 < 0.05. So there is an influence between the variables X5 against Y, or in other words, H<sub>0</sub> is rejected and H<sub>a</sub> is accepted.

## **DISCUSSION**

### *Influence Government Effectiveness to Tax Ratio*

Based on research results value has a significant positive influence on the variable, because the Prob value is 0.0002 < 0.05. Having Government Effectiveness in a country's governance is very important because it will create a good government structure that it will minimize corruption in a country in Southeast Asia which has an impact on the tax revenue ratio. Government effectiveness and law enforcement are very important in fighting corruption when control levels of corruption have improved (Asongu, 2013). Countries

with little corruption have governments that are more efficient in reducing corruption and prioritize improving the quality of public services (Montes and Paschoal 2016).

#### *Influence of Regulatory Quality to Tax Ratio*

Based on research results value is  $0.5582 > 0.05$ . So there is no influence of Regulatory Quality on the Tax Revenue Ratio. The results of this research are in line with research by Naifah Roidah and Titik Mildawati (2019) that regulatory quality related to services has no effect on the tax ratio which will have an impact on tax revenues. The quality of service in this case has no effect on the tax ratio, this is because many taxpayers are not compliant with paying taxes. According to Prasuraman Sapriadi (2013: 89), tax service quality can be interpreted as a comparison between the quality of service perceived by consumers and the quality of service expected by consumers. If the perceived quality is the same as or exceeds the expected service quality, then the service is said to be quality and satisfying, and vice versa. Quality public services are services that are oriented to the aspirations of the community and are more efficient, effective, and responsible.

#### *Influence of Control of Corruption to Tax Ratio*

Based on the estimation results, control of corruption has a positive and significant influence on the Tax Ratio. This means that when control of corruption by the government is improved, the tax revenue ratio will increase. Corruption is one of the factors that can hinder the economy, so institutions are needed to reduce, suppress, and control acts of corruption. Apart from eradicating and controlling corruption, an institution supervises state institutions or agencies, especially their financial departments. Supervision as a way to control corruption will minimize acts of corruption that can occur. The tighter supervision is, the less corruption will occur. Reducing corruption will have a positive impact on economic activities. In theory, if this indicator index increases, the economy will improve. In line with the results of estimation and theory, similar things have also been found by Spiteri (2018) in his research stating that control of corruption has a positive and significant influence on trust in government which uses the GDP variable as one of the determinant variables. This means that increasing control of corruption will significantly increase GDP or the economy.

#### *Influence of Economic Growth to Tax Ratio*

Economic growth has a significant Influence on the tax ratio. This means that the economy as a manifestation of a country's economic activities is always the main factor that shows whether the country is successful in carrying out its economic activities or not. Where economic activities require contributions from various parties, especially the government. The government, as the holder of the highest power, can design and determine policies that will improve the country's economy. According to Kim (2018), governance and government size influence the economy, meaning that governance (government administration) and government size (government expenditure and tax revenues) have an

impact on decreasing or increasing a country's economy. Stoilova (2016) states that consumption taxes, personal taxes, and property taxes can also encourage economic growth. If a country's taxation is managed and implemented well and disciplined, it will become a source of income for that country. Especially for countries with high populations and high per capita income. So that taxpayers apply to each type of property and individual income to support economic activities in a country. Government governance influences the economy, meaning that government governance will influence the level of a country's economy depending on how good or bad the quality of government is (Gaol, 2016). The economy can also be boosted by increasing the country's foreign exchange, foreign exchange can be obtained by exporting, namely selling goods and services to other countries. Exports have a positive influence on the economy (Ginting, 2017). This means that international trade is one way to improve the economy.

#### *Influence of Foreign Direct Investment to Tax Ratio*

Based on the research results, there is a significant influence between Foreign Direct Investment and Tax Ratio, because the Prob value is  $0.0145 < 0.05$ . The impact of Foreign Direct Investment on the tax ratio depends on competition and technological spillovers from multinational companies, both factors mentioned above stimulate productivity (Nguyen et al., 2014). Productivity spillovers may occur when output increases due to technology transfer to domestic firms. Moreover, competition encourages domestic companies to adopt technology or knowledge, thereby increasing their productivity and efficiency (Demena & Bergeijk, 2019)

## CONCLUSIONS AND RECOMMENDATIONS

This study examines the influence of government effectiveness, regulatory quality, control of corruption, economic growth, and foreign Direct Investment on tax ratios in Southeast Asian Countries. From the discussion, it can be concluded that government effectiveness, control of corruption, economic growth, and foreign direct investment influence the tax ratio. Meanwhile, regulatory quality does not have a significant effect on the tax ratio.

## ADVANCED RESEARCH

This research still has limitations so further research needs to be carried out regarding the topic "The Influence of Governance, Economic Growth, and Foreign Direct Investment on Tax Ratios in Southeast Asian Countries"

## REFERENCES

- Addink, H. (2019). *Good governance: Concept and context*. Oxford University Press.
- Adiputri, GS, & Jati, IK (2018). The Influence of PKB Progressive Tariffs and Taxpayer Income on the Purchasing Power of Four-Wheeled Motorized Vehicle Consumers. *Accounting E-Journal*, 24(2), 1632–1657.
- Akbar, A. (2022). Analysis of the Relationship between Macroeconomic Variables and Corruption on the Tax Ratio of ASEAN Countries. STAN State Financial Polytechnic.
- Alamirew, A., & Leykun, F. (2020). Determinants of tax revenue effort in Sub-Saharan African countries: A stochastic frontier analysis. *Policy*, 9(1), 47–71.
- Amelia, T. (2014). *The Relationship between Income Tax Rates and Tax Revenue: Analysis of Data from ASEAN Countries 1987-2011*. Bogor Agricultural Institute.
- Andhika, L.R. (2017). Evolution of the concept of government governance: Sound governance, dynamic governance and open government. *Journal of Economics & Public Policy*, 8(2), 87–102.
- Anwar, FM, & Wijaya, S. (2023). Tax Revenue, and Agricultural Sector: A Dynamic Interaction with Regulatory Quality as the Moderation. *Ilomata International Journal of Tax and Accounting*, 4(3), 524–545.
- Asbarini, NFE, Isnaini, L., & Wibowo, MG (2021). The Influence of Government Governance on Economic Growth in ASEAN. *Journal of Economics and Development*, 12(1), 82–93.
- Bastian, I. (2015). *Public Sector Accounting: An Introduction*. Erlangga.
- Basuki, AT, & Prawoto, N. (2016). *Regression Analysis in Economics & Business Research: Equipped with SPSS & EVIEWS Applications*. PT RajaGrafindo Persada.
- Camara, A. (2023). The Effect of Foreign Direct Investment on Tax Revenue. *Comparative Economic Studies*, 65(1), 168–190. <https://doi.org/10.1057/s41294-022-00195-2>
- Celikay, F. (2020). Dimensions of tax burden: a review on OECD countries. *Journal of Economics, Finance and Administrative Science*, 25(49), 27–44.

- Chaudhry, I.S., Malik, S., Khan, K.N., & Rasool, S. (2009). Factors affecting good governance in Pakistan: An empirical analysis. *European Journal of Scientific Research*, 35(3), 337-346.
- Chisadza, C., Clance, M., & Gupta, R. (2021). Government effectiveness and the COVID-19 pandemic. *Sustainability*, 13(6), 3042.
- CNBC Indonesia. (2023). RI's Tax Ratio Could Drop, Losing to Malaysia & Vanuatu! CNBC Indonesia. <https://www.cnbcindonesia.com/news/20230127125143-4-408764/rasio-pajak-ri-bisa-anjlok-kalah-dari-malaysia-vanuatu>
- Compact, M. (2019). Millennium Challenge Corporation. Government. Retrieved.
- Contractor, F.J., Dangol, R., Nuruzzaman, N., & Raghunath, S. (2020). How do country regulations and business environment impact foreign direct investment inflows? *International Business Review*, 29(2), 101640.
- Damarani, FD (2018). The Effect Of Government Governance And Tax Ratio To Economic Growth (Case Study In ASEAN Countries). *Journal of Development Economics*, 7(2), 195-222.
- Daniri, MA (2015). Good corporate governance: Concept and application in the Indonesian context. *Jagad Prima Mandir*.
- Djayasinga, M., & Prasetyo, TJ (2019). The effect of government effectiveness, rule of law, and control of corruption toward tax obedience. *RELIGACIÓN. Revista de Ciencias Sociales y Humanidades*, 4(16), 136-143.
- Ghozali, I. (2017). Structural Equation Modeling Concepts and Applications with the Amos 24 Program. In Diponegoro University.
- Gilarso. (2013). Introduction to Macro Economics. Canisius.
- Hadjon, PM (2019). Failure in the Formation of Administrative Law Legislation. Proceedings of the National Seminar on Portrait of the Indonesian Legal System in the Reformation Era, Fak. Surabaya University of Law in Collaboration with the MPR-RI Study Body, 39-43.
- Halim, A., Bawono, IR, & Dara, A. (2014). Taxation: Concepts, Applications, Examples, and Case Studies. Jakarta: Salemba Empat.
- Handayani, FA, & Nur, MI (2019). Implementation of Good Governance in Indonesia. *Publica: Journal of State Administrative Thought*, 11(1), 1-11.
- Hartono, TR (2019). The Effect of Inflation and Population Growth on the Percentage of Tax Revenue According to Gross Domestic Product. *Economic Journal: Journal of Economics*, 10(1), 19-28.
- Hemanona, V. (2017). Analysis of the Influence of Foreign Direct Investment on Indonesia's Country Advantages. *Journal of Business Administration*, 52(1).
- Hyman, D. N. (2014). Public finance: A contemporary application of theory to policy. Cengage Learning.
- Ichvani, LF, & Sasana, H. (2019). The influence of corruption, consumption, government spending, and trade openness on economic growth in ASEAN 5. *Journal of REP (Development Economic Research)*, 4(1), 61-72.
- Inriama, M., & Setyowati, MS (2020). The influence of economic growth, foreign direct investment, and tax rates on ASEAN countries' corporate income tax

- revenues. *Indonesian Treasury Review: Journal of Treasury, State Finance and Public Policy*, 5(4), 325–342.
- Jufrida, F., Syechalad, MN, & Nasir, M. (2016). Analysis of the influence of foreign direct investment and domestic investment on Indonesia's economic growth. *Darussalam Journal of Economic Perspec (Darussalam Journal of Economic Perspec*, 2(1), 54–68.
- Kalaš, B., Mirović, V., & Andrašić, J. (2017). Estimating the impact of taxes on the economic growth in the United States. *Economic Themes*, 55(4), 481–499.
- Kamila, DC, Andryana, TA, Ningrum, L., Sudarsono, ASP, & Syahirah, NP (2023). The Effect of Economic Growth on Tax Revenue in ASEAN Countries (Period 2013-2022). *Journal of Financial and Business Accounting*, 1(3), 240–250.
- Indonesian Ministry of Finance. (2018). Get to know the Indonesian Tax Ratio. *Financial Media*. <https://www.kemenkeu.go.id/publikasi/berita/mengenal-rasio-pajak-indonesia/>
- Kristanto, AB, & Chandrika, NLP (2023). Government Effectiveness and Compliance: The Mediating Role of Tax Complexity. *Accounting Perspectives*, 6(2), 1–20.
- Leasiwal, T. C. (2022). *Theories of Economic Growth and Their Relationship with Macroeconomic Variables*. CV. Media Scholar Partners.
- Linawati, Y., Suzantia, H., & Wibowo, MG (2021). The Impact of Governance on Economic Growth and Human Development Index: Case Study of OIC Developing Countries. *TEMALI: Journal of Social Development*, 4(2), 133–144.
- Mahendra, YI, Wahyudi, H., & Ciptawati, U. (2022). The Influence of Population, and Control of Corruption on CO2 Emissions in 9 ASEAN Countries. *Civil Multidisciplinary Journal*, 2(10), 3741–3753.
- Mankiw, N.G. (2016). *Study Guide for Mankiw's Brief Principles of Macroeconomics*. Cengage Learning.
- Mardiasmo, MBA (2016). *Taxation Latest Edition 2016*. ANDI.
- Marselina, M. (2019). The effect of tax ratio and good government governance on economic growth.
- Modica, E., Laudage, S., & Harding, M. (2018). *Domestic Revenue Mobilisation: A new database on tax levels and structures in 80 countries*.
- Musgrave, R. A., & Musgrave, P. B. (1973). *Public finance in theory and practice*.
- Nalyanya, K., Ruto, R., Byaruhanga, J., & Simiyu, E. J. (2020). Effects of Foreign Direct Investment on Tax Revenue Performance in Kenya. *International Journal of Economics, Business and Management Research*, 4(5), 123–136.
- Neog, Y., & Gaur, A. K. (2021). Shadow economy, corruption, and tax performance: A study of BRICS. *Journal of Public Affairs*, 21(2), e2174.
- OECD. (2016). No Title. OECD. <https://www.oecd.org/pisa/publications/>
- Puspasari, ID, & Gazali, M. (2022). The Influence of Trade Openness, Foreign Investment, Economic Growth, and Inflation on Tax Revenue in Indonesia 1990-2021. *Trisakti Economic Journal*, 2(2), 405–418.
- Putong, I. (2018). *Economics; Introduction to Micro and Macro*.
- Putriana, R. (2022). The Effect of Financial Inclusion on Tax Ratios in Low and Middle Income Countries. *Scientax*, 3(2), 189–203.

- Rahardja, P., & Manurung, M. (2019). Introduction to Economics (Microeconomics & Macroeconomics).
- Rahayu, SK (2020). Taxation Concepts, Systems and Implementation (Revi Edition). Science Engineering.
- Raza, S.A., Shah, N., & Arif, I. (2021). Relationship between and economic growth in the presence of good governance system: Evidence from OECD Countries. *Global Business Review*, 22(6), 1471-1489.
- Law No.16 of 2009 concerning General Provisions and Tax Procedures, (2009). Republic of Indonesia. (2023). Financial Note along with RAPBN for Fiscal Year 2023. Ministry of Finance of the Republic of Indonesia.
- Salman, R.T., Sanni, P., Olaniyi, T.A., & Yahaya, K.A. (2022). Governance transparency of tax revenue performance in West Africa. University of Ilorin.
- Saputra, H. (2019). Analysis of Tax Compliance Using the Theory of Planned Behavior Approach (Towards Individual Taxpayers in Dki Jakarta Province). *Estuary Journal of Economics and Business*, 3(1), 47-58.
- Sari, I. (2020). Conditions for Foreign Investment (PMA) in Indonesia According to Law Number 25 of 2007 concerning Investment. *Aerospace Law Scientific Journal*, 10(2).
- Scratti, S., Ng, T.H., & Zara, D. (2021). Strengthening Domestic Resource Mobilization in Southeast Asia (ADB Brief No 172).
- Suandy, E. (2014). Tax Planning. Salemba Four.
- Sudjana, N. (2016). Statistical Methods. PT. Tarsido.
- Sugiyono, S. (2017). Quantitative, Qualitative, and R&D Research Methods. Alfabet.
- Sukirno, S. (2013). Macroeconomics, Introductory Theory. PT. Raja Grafindo Persada.
- Surbakti, SPP, & Wijaya, S. (2023). The Influence of Foreign Direct Investment and Urbanization on Tax Revenues with Moderating Corruption Control in ASEAN Countries. *Journal of Law, Administration, and Social Science*, 3(2), 133-147.
- Syadullah, M. (2015). Governance and tax revenue in ASEAN countries. *Journal of Social and Development Sciences*, 6(2), 76-88.
- Tsaurai, K. (2021). Determinants of tax revenue in an upper middle-income group of countries. *The Journal of Accounting and Management*, 11(2).
- Ulya, H.N. (2021). Islamic Macroeconomics: Approach to Conventional and Islamic Macroeconomic Theory. NEM Publishers.
- Victory, D., & Hayati, B. (2020). Analysis of the influence of the number of tourists, number of rooms sold, GDP per capita, and inflation on the realization of Semarang city hotel tax revenues in 2010-2017. *Diponegoro Journal of Economics*, 9(4).
- Widjanarko, W. (2021). Analysis of the Relationship between Good Governance and Indonesia's Economic Growth 2013-2019. *Good Governance Journal*.
- Wijaya, S., & Dewi, AK (2022). Determinants of foreign direct investment and its implications on tax revenue in Indonesia. *JPPi (Indonesian Educational Research Journal)*, 8(3), 719.

World Bank. (2021). Guidance Note on Climate Change in Governance Operations. World Bank.

World Bank. (2023). DataBank. The World Bank Group. <https://databank.worldbank.org/databases/page/1/orderby/popularity/direction/desc?qterm=TAX REVENUE>