ANALYSIS OF CONSUMER AND BUSINESS CONFIDENCE, EXPORTS, AND GOVERNMENT EXPENDITURE RELATED TO ECONOMIC GROWTH IN ASIA

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Abstract
Economic growth is still the main indicator to see the development of economic activity. This study aims to determine the effect of consumer confidence, business confidence, government spending, and exports on economic growth in Asian countries, before the Covid pandemic occurred. Panel data were collected during the period 2015 - 2019 in Asian countries, which were analyzed using multiple linear regression equations. The results show that all the proposed variables have a positive effect on economic growth in Asia, except for the Government Expenditure factor. These results also show that before the Covid pandemic, consumer confidence, business confidence and exports in each country still contributed to economic growth, although based on the determination test, only 50.27% of these variables explained the movement of economic growth in Asia.
Keywords: *Economic Growth; Consumer Confidence; Business Confidence; Government Expenditures; Export*

INTRODUCTION

Economic growth is the most crucial thing to determine economic conditions, development of production and increase in Gross Domestic Product (GDP) and Gross National Product (GNP). It reflects the national economy's capacity to meet the population's needs and create the needed benefits and the power to improve the population's standard of living (Soliyev & Ganiev, 2021). If the economic growth rate of a country is high, then the country's economy can be said to be successful or developing. Economic growth is not only an indicator of a country's economic progress or recession but also an indicator of people's welfare. The basis of economic growth describes long-term economic development, economic progress, economic prosperity and the basics of the country's economy.

Asia is the continent with the largest area in the world. About 30 per cent of the land on the earth's surface is the territory of the continent of Asia. In addition, Asia is also referred to as the continent with the most populous population in the world. According to data from world meters, the number of people on the Asian continent reaches 4.732.578.991 based on the latest estimates from the United Nations. This population touches about 60 per cent of the total human population on this earth. The number of Asian countries includes 48 that stretches from west to east, north to south.

The country's economy can increase and develop if its economic activity is higher than the achievement. National economic growth can see from changes in GDP (Gross Domestic Product) at the national level from year to year. Therefore, each region or country must determine a target rate of economic growth that is better than previous years in its regional development planning and goals.
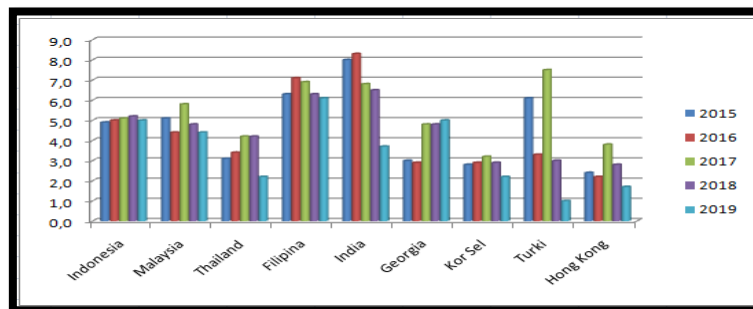
Figure 1 Real GDP Value of Asian Countries 2015-2019 (%)

Source: World Bank, Processed by the Author

From figure 1, all countries in Asia have fluctuating economic growth from 2015-2019 and experienced a decline in 2019 due to the emergence of new virus variants. The world's economic growth is increasingly vulnerable and experiencing uncertainty due to increasing trade tensions. Global trade tensions led to trade contractions, lowered business confidence and policy uncertainty, and weighed on financial markets with risk sentiment.

Economic shocks can affect the global economy in three main ways: directly affecting production (supply), creating supply chain and market disruptions (supply) and their financial impact on firms and markets, especially demand. Economic growth can support by strong economic growth from the demand and supply sides. A transaction will only occur with the demand and supply of goods and services (Berthe, 2020).

Economic growth factors from the demand side can view from consumer confidence, government spending and exports. Consumer behaviour plays a key role in macroeconomic modelling. Therefore, it is important to analyze how consumer beliefs stimulate economic behaviour. Consumer confidence is based on consumer responses to appropriate statements about current and future economic conditions, both individuals and countries (Bhargava et al., 2020). The current situation can be related to economic activity, while the expected state is related to the growth rate. Matsusaka & Sbordone (1995) found that a decline in consumer sentiment led to a decrease in output. Consumption expenditure depends on the intensity of buying and the willingness to buy.

Apart from consumer confidence in achieving the goals of economic growth, the government is also actively involved in fixing economic movements. The government spends to cover its activities. This expenditure is for daily government needs and as the cost of economic activities of each country in Asia. The government continues to realize various kinds of assistance and facilities to encourage the purchasing power of people affected by the pandemic to increase demand, such as social assistance (bansos), assistance to MSMEs, and cash and non-cash assistance. The most effective means of government intervention in the economy can be called government spending. Government spending will continue to increase along with the increasing economic activity of a country. The government can also carry out economic activities that private economic actors and other families. Therefore,

government intervention needs that use for actions related to the people's interests. Government expenditure policies that can directly encourage economic growth are spending.

The next factor influencing economic growth is exports. Good economic growth needs to be supported by the foreign trade sector, namely exports and imports. Trading activities occur because of the increasing economic level of the community. Each country has different characteristics, including natural resources, climate, geography, population, financial structure, and social structure. These differences lead to differences in the products produced, the composition of the costs required, and differences in product quality and quantity. It directly or indirectly involves the exchange of goods and services between one country and another. Therefore, it is necessary to have trade relations between countries that produce goods in all sectors to meet the needs of each country. In neoclassical theory and competitive advantage theory, it argues that trade activity carry out because there are superior resources in the country, so the process of output accumulation can increase economic growth (Bakari & Mabrouki, 2017)

Apart from the demand side, there are also factors for economic growth from the supply side, namely business confidence. Business confidence tends to increase when the increase in business activity matches or exceeds previous expectations, and the external environment remains stable. The low business confidence is due to business people who need to be more sure about the prospects and are unhappy with the company's current performance. Conditions like this reflect uncertainty about the macro situation of the company operating and low business activities. The continuity between business confidence and overall GDP growth depends on the behaviour of other sectors of the economy.

Judging from some of the facts presented based on the existing problems, the researchers chose several factors that influence economic growth in the Asian region, such as consumer confidence, government spending and exports from the demand side while business confidence from the supply side. Therefore, the question arises in researching "what factors influence economic growth in Asian countries?". So, the researcher is interested in studying a thesis titled **"Analysis of Factors Affecting Economic Growth in Asian Countries"**.

LITERATURE REVIEW

Economic Growth

According to Sukirno (2013), economic growth is the development of an economic activity that causes goods and services produced in society to increase and people's welfare to increase. According to Todaro and Smith (2006), economic growth is a process of increasing production capacity in the economy on an ongoing basis to produce a greater output. Schumpeter's theory emphasizes innovation by entrepreneurs and says the spirit of entrepreneurship largely determines technological progress. People can see opportunities and dare to take risks and start or expand existing businesses. This theory

explains how important the role of entrepreneurs is in achieving economic growth (Yuniarti et al., 2020).

Consumer Confidence

According to the OECD, consumer confidence indicates future household consumption and savings developments. Therefore, a value above 100 means that it strengthens the signal of consumer confidence in the future economic situation as a result of saving and tending to spend money on large purchases in the next twelve months. However, if the value is below 100, it shows a pessimistic attitude towards future economic developments, which might save more and reduce consumption.

The more consumers feel confident about the economy, the more they intend to purchase. In general, higher consumer confidence indicates economic growth reflecting higher consumption, while lower consumer confidence indicates slowing economic growth where consumer spending tends to decline. The Consumer Confidence Index calculates consumer confidence in the business climate, personal finances and spending (Mazurek & Mielcová, 2017).

Business Confidence

According to the OECD, business confidence provides information on future developments based on opinion surveys on production, orders and finished goods stocks in the industrial sector. Business confidence in the company's value to display, demands, supplies, position and expectations in the future. If a value above 100 indicates an increase in confidence in doing business shortly, a value below 100 indicates pessimism in doing business in the future. The Business Confidence Index not only helps identify the business environment for company owners but is also used to analyze and formulate macro and microeconomic policies and strategies, as well as evaluate the health of the economy and the relationship between the business environment and the financial sector (Luong & Vixathep, 2016).

Government Spending

Government spending is a reflection of government policies. If the government has set a policy to buy goods and services, then government spending must be issued to carry out the procedure (Mangkoesoebroto, 1993). Keynes's view implies that the government's role in managing the economy's needs is to ensure stable growth through monetary policy and fiscal policy. Based on neoclassical economic growth theory, expansionary fiscal policy can cause financial losses. Government spending that is too high can lead to a higher deficit and cause investment crowding out. The occurrence of investment crowding out by the fiscal policy will lead to inflation, eventually leading to an increase in interest rates. The rise in interest rates causes investment will also impact economic growth (Mankiw, 2007).

Export

Todaro (2006) argues that export is a trading activity that stimulates domestic demand, which causes the emergence of large industries with stable political structures and efficient social institutions. According to Jhingan (2010), the important function of exports from foreign trade is that the country will gain profits, and increased national income will increase the amount of output and economic growth. High work can also improve economic development.

Exports have an important role because exports can bring in foreign exchange. Export goods are an economic privilege of a country, triggering the exporting country's economic growth (Yuniarti et al., 2020). All financial activity carry out to satisfy the needs and desire to profit. It is either personal (the perpetrator) or a state benefit (earning foreign exchange). Export is a strategy for marketing domestic products to foreign countries—one component of international trade exports. Exports are often referred to as the main development component (export-led development), which means that exports play a major and significant role in the development process of a nation.

METHOD

The objects selected in this study are Consumer Confidence, Business Confidence, Government Spending, and Export and Economic Growth in Asian countries. The data used in this study is secondary data. Each variable uses data over five years, namely from 2015 to 2019. Data collection collect from organizations. In this study, five variables become the object of research, namely Economic Growth as the dependent variable (Y) while Consumer Confidence (X_1), Business Confidence (X_2), Government Spending (X_3), and Export (X_4) as the independent variables. This study uses quantitative methods. Data analysis in this study is panel data (pooled data). The data processing tool in this research uses the EViews 12 application.

The analytical technique used in this study is multiple linear regression analysis. Multiple linear regression analysis measures the strength of the relationship between two or more variables and, at the same time, shows the influence between the independent and dependent variables (Ghozali, 2017).

RESULTS AND DISCUSSION

Conduct the research to answer questions and doubts determined by the researcher. This study uses the data obtained from several tests to answer research questions. For example, the results obtained from various tests to produce a regression equation using Eviews 12 are as follows :

Normality Test

Based on the test output, the probability value of JB is 0,607759, which is more than the probability value of 0,05. So, it can conclude that normally distributed the data int his study.

Multicollinearity Test

Based on the test output shows that the correlation between independent variables has a correlation value of less than 0,80. So it can be concluded that there is no multicollinearity problem in the regression model.

Heteroscedasticity Test

Based on the test output, the probability of all variables is greater than 0,05, so it can conclude that there is no heteroscedasticity problem in the regression model.

Multiple Linear Regression Test

Table 1 Multiple Linear Regression Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4,122716	1,942625	2,122240	0,0401
CCI	0,026039	0,011891	2,189690	0,0344
BCI	0,020294	0,007038	2,883537	0,0063
GOVEXP	-0,267754	0,109403	-2,447403	0,0189
EX	0,109682	0,032616	3,362771	0,0017
R-squared			0,502769	
Adjusted R-squared			0,453045	
F-statistic			10,11136	
Prob(F-statistic)			0,000009	

Sumber : Output E Views 12

Y = 4,122716 + 0,026039 X1 + 0,020294 X2 - 0,267754 X3 + 0,109682 X4 + ε

The results obtained from the test produce the following regression equation:

1. If the value of the variables X_1, X_2, X_3, and X_4 is constant or equal to zero, then the value of the variable Y increases by 4,12%.
2. The regression coefficient on the Consumer Confidence variable is 0,026039 and is positive, which means that if the Consumer Confidence variable increases by 1 (unit) and the other variables are constant, the Consumer Confidence variable will increase the value of the Economic Growth variable by 0,026%.
3. The regression coefficient on the Business Confidence variable is 0,020294 and is positive, which means that if the Business Confidence variable increases by 1 (unit) and the other variables are constant, the Business Confidence variable will increase the value of the Economic Growth variable by 0,020%.

4. The regression coefficient on the Government Spending variable is -0,267754. Therefore, it is negative, which means that if the Government Spending variable increases by 1 (unit) and other variables are constant, the Government Spending variable will decrease the value of the Economic Growth variable by 0,26%.

5. The regression coefficient on the Export variable is 0,109682. It is positive, which means that if the Export variable increases by 1 (unit) and the other variables are constant, the Export variable will increase the value of the Economic Growth variable by 0,10%.

Based on the test results indicate that the consumer confidence variable has a probability value of 0,0344, which is smaller than a significant value of 0,05. So, it can partially conclude that consumer confidence has a significant positive effect on economic growth in Asian countries. A positive value in the $_{statistic}$s means that if consumer confidence increases, then economic growth will increase. The main principle of consumer confidence found in research conducted by Soric (2018) is that the consumer confidence index is the most influential variable in encouraging consumption decisions in economic conditions. Therefore, this index can be used as a relevant value when predicting economic conditions. The influence of consumer confidence on positive economic growth is because of the previous research conducted by Celik et al. (2010) and Utaka (2003).

Based on the test results show that the business confidence variable has a probability value of 0,0063, which is smaller than a significant value of 0,05. So, it can partially conclude that business confidence has a significant positive effect on economic growth in Asian countries. A positive value in the $_{statistic}$ means that if business confidence increases, then economic growth will increase. Itis follows the BPS theory (2013) that business confidence is directly proportional to the output produced. Therefore, business confidence has a role as an indicator of GDP. If the company plans to increase or decrease its production, it will automatically affect GDP. Other studies supporting this study's results have been carried out by Jongh & Mncayi (2018) and Boshoff & Fourie (2020), resulting in a significant positive relationship between business confidence and economic growth.

Based on the test results show that the government expenditure variable has a probability value of 0,0189, which is smaller than a significant value of 0,05. So, it c partially concludes that government spending significantly negatively affects economic growth in Asian countries. A negative value in the $_{statistic}$s means that if government spending increases, then economic growth decreases. This result is in line with the neoclassical economic growth theory, with an increase in government spending (fiscal expansion), which will inhibit investment, reducing employment opportunities and economic growth. According to research conducted by Andriyani & Nurmauliza (2018) and Anitasari & Soleh (2015), government spending negatively affects economic growth.

Based on the test results indicate that the export variable has a probability value of 0,0017, which is smaller than a significant value of 0,05. So, it can partially conclude that exports have a significant

positive effect on economic growth in Asian countries. A positive value in the $_{statistic}$s means that if exports increase, then economic growth will increase. According to the export-led growth hypothesis, exports are a driver of economic growth and are a must for every country that wants to progress for various reasons. The supporting research by Kusuma (2020) and Vardari (2017) argues that an increase in export growth will have a positive effect.

It can conclude that $F_{statistic}$ (10,11136) is greater than F_{table} (2,61). In addition, the probability value of F-statistics is 0,000009. Because the value of $F_{-statistics}$ is greater than F_{table}, the regression model is feasible to use to predict the independent variables together with the dependent variable. Then, the test output obtains an R-squared value of 0,502769, which means that the independent variable can explain the dependent variable by 50,27%, and other factors influence the remaining 49,73%.

CONCLUSION

According to the output of research on the influence of consumer confidence, business confidence, government spending and exports on economic growth in Asian countries, it can conclude that consumer confidence, business confidence and exports have a positive and significant effect on economic growth. Meanwhile, government spending has a negative and significant impact on economic growth. In addition, consumer confidence, business confidence, government spending and exports positively affect economic growth in Asian countries.

RECOMMENDATION

Based on the limitations of this study, recommendations that can give for further research are to add other independent variables that have the potential to affect economic growth by developing variables following developments and phenomena that are happening as well as the latest data. Furthermore, subsequent research can expand the scope of the study to not only Asian countries but also countries belonging to developing or developed groups, as well as countries between continents and regions of the country itself.

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