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The Impact of Political Instability and Corruption on Saving: A Case of Selected South East Asian Countries

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Abstract

The main objective of this research is to get an understanding of the ways in which the financial stability of ASEAN states is impacted by political instability and instances of corruption. Because corrupt government workers and political appointees siphon money that was intended for the government treasury into their own pockets instead, the amount of revenue that the government receives is reduced as a result. As a consequence, the ability of the government to put into action policies that fight against poverty and underdevelopment is hindered. Similar is the case with political instability which slow down the government machinery. The study with the aid of panel data methodology on the panel data of twenty years from 1998 -2018. Found that the corruption and political instability are in significant negative relationship with saving. In addition to that we have also investigated the impact of interaction of political instability and corruption on saving. Over all the results provided support to the prosed hypothesis. This study which is among pioneering studies on the issue will provide policy guideline to ranchers and policy makers.

Keywords: Corruption, Political, Savings, ASEAN, Asian

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Background

Corruption may harm financial reserves in a number of different ways. Several researchers have theorized that corrupt government officials often ship their ill-gotten money overseas to avoid being captured, imprisoned, and convicted of their crimes, which would result in the forfeiture of their assets to the state (capital flight). With this agency issue in mind, Boyce and Ndikumana (2017) argue that the quantity of capital flight reduces the amount of national savings. The author is worried that if the government is granted the right to borrow money from foreign sources in order to invest it in the domestic economy on behalf of the people (the concept), it may wind up borrowing more money than required and retaining some for itself. This would contradict the author's view that the general public should be the major benefactors of economic progress. Investors will continue to withdraw funds from the market since the rate of return is so low (Gunter 2017). According to Abu et al. (2015), corruption may cause people to save or invest less money than they would otherwise. [Bibliography required] According to the authors, if corruption were reduced, property rights and contracts would be promoted and guaranteed by the law, and people would be more inclined to save and invest money if the government likewise safeguarded property rights. According to research performed by

Cariolle and Goujon, a lack of good governance (which may be the result of corruption) tends to erode public faith in government and significantly reduce the propensity of individuals to save and invest. Corruption may be the underlying source of this governance deficit (2015). In addition, the author argued that if people's incomes or returns were taxed in a random and unpredictable way, a rise in the real interest rate may not stimulate them to save or invest more money, even if the real interest rate was increased. Instead of being placed into the government treasury, money ends up in the wallets of corrupt public officials and political appointees, hence reducing the amount of tax income collected by the government. As a result, the government's capacity to implement programs intended to decrease poverty and encourage economic development is severely constrained (Tavor et al., 2018). Several ASEAN nations are unable to generate enough cash to meet their ever-increasing spending needs, resulting in yearly deficit finance. According to a warning given by Transparency International, the danger of corruption is growing among ASEAN nations (as shown in figure 1).

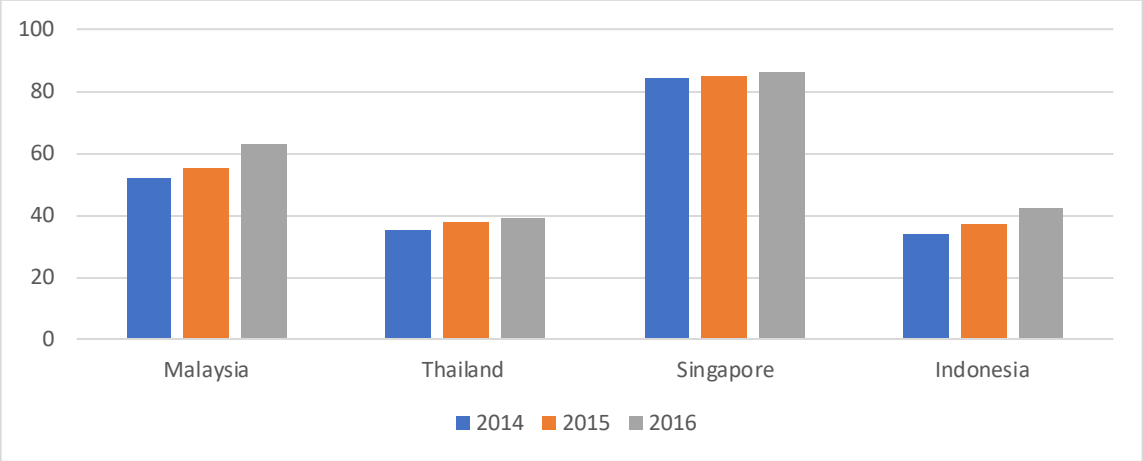


Figure 1. Corruption Risk in ASEAN countries
Source. Transparency international

The saving in ASEAN countries has largely decreases. The figure 2 highlights that, the saving in three out of four ASEAN countries namely Malaysia, Indonesia, Singapore is decreasing. Thus, it can be argues that overall the savings are decreasing in this region.

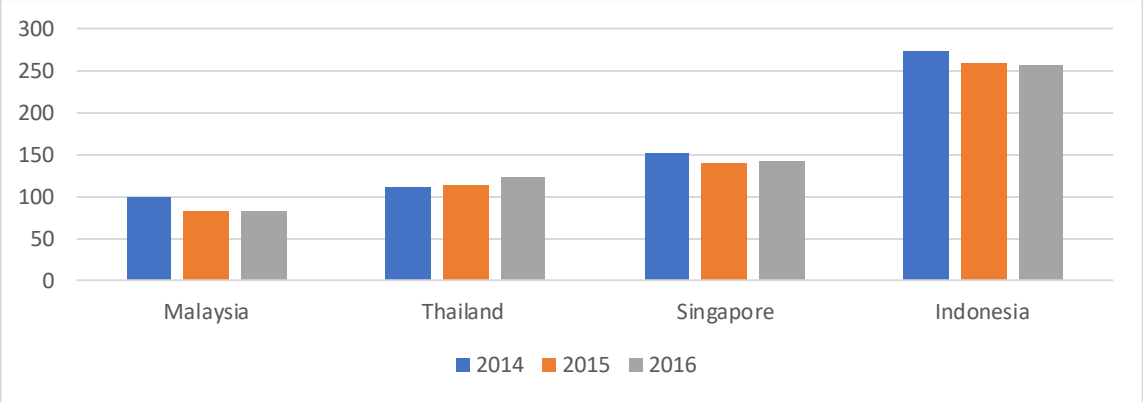


Figure 2. Savings in ASEAN countries
Source. World Bank

Political upheaval may sometimes have a detrimental effect on one's ability to save money. According to the theory put forward by Col et al. (2016), political (and institutional) unpredictability may result in an increase in a state's discretionary powers to the point where property rights and the enforcability of contracts are no longer safeguarded. They, in turn, have

an effect on the decisions that individuals make about their finances as well as other aspects of their lifestyle. According to the findings of Chang et al., more frequent changes in the government or the party that is in power are likely to result in fewer government savings (2017). He went on to say that the initiatives or programs of the current government or party in power would be completed and their benefits seen at a later period, when the opposition party could have gained office, due to the fact that savings only convert to investment, output, and consumption after some time has passed. This is an opportunity for the opposition, which is now in power, to get credit for the positive deeds they've done. The ASEAN region is region of diversified ethic groups, the regional tensions are largely based on the ethno-political issues as well as religious issues. According to the political stability index which consider the countries at 2.5 is politically stable. 0 neutral and -2.5 is unstable. The scores of sample ASEAN countries are shown in the figure 3

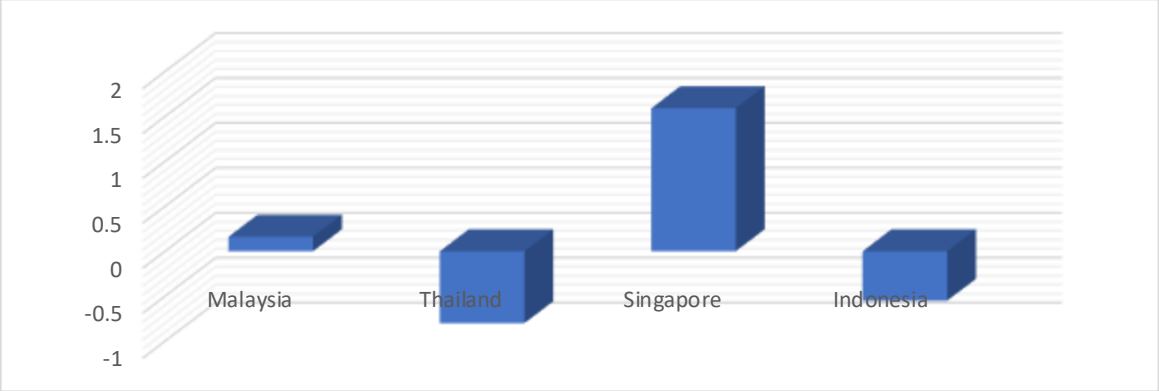


Figure 3. Political stability in ASEAN countries
Source. World Bank.

The current study is carried out to achieve the following objective

- Corruption has significant impact on saving of ASEAN countries
- Political stability has significant impact on saving of ASEAN countries

Literature Review

Savings and Corruption

Corruption affects savings in several different ways. According to scholars, many corrupt politicians or government officials, in order to avoid detection, prosecution, or loss of assets in this process, transfer their illegitimately acquired wealth to abroad (Nurudeen, 2015), which decreases national savings by the amount of money (flight capital) that is being sent to abroad (Abbas, 2018), Capital flight is examined in a study with reference to country's existing agency problems (Ries, 2018). Authors have identified that the degree of leadership increases with the increase in its ability to borrow more from abroad. This is done to increase investment spending in economy for the population and can borrow further for advancing funds necessary for required areas.

According to Liew et al., (2016). low return on investment results in capital flight. Corruption influences decision making about savings and investments, if the country's legal system is capable of eradicating corruption, and ensures contracts and property rights, then it will likely to encourage and advance investment and savings pattern. Bad governance resulting from corruption causes lack of trust for government, in addition it also affect individuals' long term investment and saving decisions (Trabelsi & Cherif, 2017). Moreover, Aizenman further argued

that increase in real interest rate do not compel people to increase their investment or savings, especially when returns and incomes are expected to be taxed inconsistently.

According to Karimi, et al., (2016). Existence of corruption among political members and government officials' causes a reduction in government revenues, since the revenues that are expected to end up in government treasury goes into the private pockets. This in turn declines the ability of government to execute underdevelopment and poverty projects. The insufficient revenue generation relative to the increasing government expenditures is also accountable for the annual deficit financing in number of ASEAN countries.

Furthermore, corruption influence savings through insufficient investment spending by government on human capital. In (Rose-Ackerman & Palifka2016), declared that government officials who are involved in corruption are less likely to encourage investment spending in education sector because of limited opportunities for bribery, consequently results in poor access to education. Lack of education implies decrease in income and labour productivity, high unemployment levels, and low saving levels. In addition, Sahnounand Abdennadher (2019). suggested that corruption also aggravates superfluous bureaucracy integrated with permits and licenses collection, and business registration, which in turn discourage production, investment, as well as obstructing the growth of small and medium enterprises and other businesses. Kuusela, et al. (2017). highlighted that in case of failure to advance bribe, investors and entrepreneurs are compelled to do low paying jobs. Thus, low savings lead to lower income and production, and higher unemployment.

Furthermore, corruption prevents learning of skills and encourages rent-seeking. For example, Kuusela, et al. (2017). stated that for the purpose of enjoying rent-seeking, some well off families tend to get employment in government agencies or ministries with higher levels of corruption, whereas people who belongs to less privileged class find it hard to get employment in these agencies. In societies with higher corruption, resources are likely to be concentrated in hands of government officials and the ones who are closer to them, resulting in increased poverty and income inequality. Thus, corruption leads to unequal distribution of public goods and services such as healthcare, roads, transfers, subsidies, etc. which results in poverty and higher income inequality (Couharde & Mouhoud, 2018). This increased income inequality causes incapability to save and satisfy consumption requirements.

Although several studies have investigated corruptions' influence over economic variables namely income distribution, tax revenue, investment, economic growth, poverty, etc. but only a few studies have analysed its impact on savings. Some scholars i.e. Langdana (2016). identified that corruption results in capital flight, consequently causing a reduction of national savings. The relation between corruption and savings is analysed across countries (Zhenget al., 2017), the Generalized Method of Moments was employed which exhibited that higher levels of corruption caused decline in percentage of national savings.

In order to investigate the combine effect of three institutional quality measures (rule of law, bureaucratic quality, and corruption), associating with the resource abundance measure of genuine savings, the Arellano-Bond and static fixed effect estimators were employed for testing their effect across countries (Ouoba 2016). The analysis showed that lower levels of corruption minimizes the adverse impact of resource abundance on genuine savings.

Savings and Political Instability

Political instability is likely to have a long-term influence on savings. In 2019 Bohn (2019) proposed that existing institutional and political instability causes an increase in the country's unneeded power, which do not guarantee contracts and property rights anymore. This increase in state's power in return affect decision making and individual choices, such as saving decisions. In 2018, Haggard and Kaufman (2018) , in an attempt to investigate the relation among savings and political instability has identified that the more likely a party or new government comes in power the lesser will be the chances for government savings. Additionally, as savings can be transferred into consumption, production, and investment after a period of time, the programs or projects which a new government initiates usually ends, and

its benefits are expected to borne mostly after the next government has taken the charge. In this situation, the previously started projects are usually attributed to the opposition or new government.

Jena et al. (2018) declared that difference in preferences of political parties also influence the states' saving pattern. Such as, if both the party in power and the opposition have a similar preference then the party who is ruling, tries to accumulate regardless of the high chances of new government. Duarte and Schnabl (2017), reported that political instability aggravates uncertainty or risk related to savings, higher the tendency of political instability, to prevent spending of individual income that is gained through savings or investment, the lower will be the chances of future savings and investment. Furthermore, capital flight also stimulates due to increased political risk or uncertainty. Thus, capital flight causes reduction in national savings and investment. And also suggested that political instability displaces physical capital with the human capital, resulting in lower savings and higher levels of unemployment in country.

The potential factors of savings are chosen based on the studies by (Nurudeen 2015), and are further classified as income & growth variables, fiscal policy variables, financial variables which includes bank facility, financial development, real rate of interest, credit to private sector; demographic variables including age dependency, life expectancy, urbanization, and population growth; macroeconomic uncertainty/risk variables including inflation rate; and external variables including debt service and terms of trade. In addition, it also encompasses interest variables including political instability and corruption.

Saving has not been studied enough in terms of political instability. Although, some of the studies like (Nevitte 2017) have investigated the association among political factors and savings, which specified the negative impact of political stability on savings. Such as Hassouneh et al. (2018) examined the political instability's impact over macroeconomic performance of Israel since 1987. A significant negative influence on saving performance in Israel was discovered by employing a number of determining factors for political instability. In order to analyse the impact of political instability over government savings for 36 countries over the period of two decades , the instrumental variable method (IV) was employed . The study reported a negative impact of political instability upon public savings.

Savings and Fiscal Policy

The fiscal policy which is implemented to target expenditure policies and to increase revenues is somehow associated with the public savings. According to Ricardian Equivalence theory, any increase or decrease in public savings is equalized with a decrease or increase of private savings, but have no considerable effect on national savings. Twerefou, and Ayimadu, (2018), while describing Ricardian Equivalence theory also proposed in their study that if government tends to issue bonds for financing the existing budget deficit, then the private sector seeks to promote its savings level, in anticipation of rising future taxes. In a same manner, savings can also be influenced by governments' pension schemes or social security programs. Moreover, greater social security gains result in the reduction of private savings, as the impulse of saving for precautionary motives and retirement has declined.

Savings and Income level/Income

Savings are likely to get affected by income growth and income levels. According to Irandoust (2017), the supporting theories on consumption states that high income societies are likely to exhibit higher saving rates as compared to low income societies. They also indicated that when income level sets at the lowest point, increasing real rate of interest also fails to encourage saving behavior among the lower class. Although, effect of income growth is still vague in terms of savings. Such as, PIT presumes that individuals look forward and foresee increase in permanent income, hence dissaving against future level of income. , Copur, Z., & Gutter (2019) suggested that savings are positively affected by income growth, increase in income growth leads to the increased savings of working population against the dissaving of old people who are excluded from the labour force.

Two important determinants for savings are income growth and income level. Empirical research has been done by a few researchers to analyse the impact of income growth and income level over savings rate. For instance, VECM model and co-integration technique were employed for analyzing the key factors of commercial bank deposits for private sector in Greece (Karavias, & Monokroussos, 2019), a strong positive association was found among income level and bank savings.

A significant positive influence of per capita income is identified on savings, in 35 African countries during 1990-1999. Ordinary least square method is incorporated for investigating the key determinants of savings (Mualley, 2011). For the years 1966-2007, a study was conducted using a panel co-integration technique for analyzing the factors for domestic rate of savings in 12 Asian economies (Horioka & Terada-Hagiwara, 2012). Income is identified as a determining factor of domestic saving rate. Furthermore, in Adeleke (2014)conducted a study in Nigeria and found a significant positive impact of disposable income growth on savings rate, for the years 1970-2007. Determinants for the household savings rate of US has also been empirically tested for the years 1964-2006 , indicating a significant positive impact of real personal DI on savings rate. In addition, Slacalek and Sommer, also investigated the impact of household wealth on US savings for the period 1966 (II quartile) - 2009 (III quartile), findings of research indicated that wealth is found to be an important determinant for household savings.

Savings and Financial Variables

Financial depth or development plays a critical role in mobilization of savings. According to Khan, and Sarker (2017), a well-structured financial sector must be attributed with certain characteristics such as interest rate liberalization, lack of credit ceilings, increased prudential supervision and guidelines, easy entry for the foreign financial institutions, and capital market development. Tang and Tan (2016) stated, that the support of prudential regulations and development of financial markets, offers diverse financial instruments for the savers as well as to mobilize further savings. In addition, financial market development improves the ease of access to borrowing and lowers liquidity constraints, thus results in higher levels of consumption with lower savings. Therefore, people are compelled to save more during higher liquidity constraints or due to unavailability of cash borrowings from the banks. Dehejia, and Gupta (2016) stated that financial deepening results in the improvement of banks' infrastructure and facilities including the increased number of branches. Improvement in banking facilities also stimulates savings.

Interest rate plays an important role in explaining the pattern of savings. For example, LCT postulates that opportunity cost for current consumption increases with the increasing rate of interest. This occurs because rational consumer will tend to increase savings and reduce consumption for a current time period or would result in the occurrence of substitution effect. However, in a situation where consumer is a net borrower, an increase in income and consumption and decline in savings is characterized with an increase in interest rate, this phenomenon is also known as income effect. Khan, and Sarker (2017) stated that if the substitution effect outweighs the income effect, then interest rate will likely to positively influence the saving pattern.

Numerous empirical works has been done in order to assess the impact of variables such as financial deepening, real interest rate, financial liberalization, number of branches/densities, and liquidity constraint or credit availability on savings. For instance, an empirical study was conducted in Nigeria, in order to discover the driving factors of private savings, results indicated that financial sector development has an insignificant negative impact on private savings (Khan, & Sarker 2017). Similarly, in Benjack, et al. (2017) also reported insignificant negative impact of financial depth over Nigerian savings during 1970-2007. Another study (Bakare, 2011) investigated the impact of financial sector liberalization on private savings, the result exhibited a negative association among financial sector liberalization and savings. For the purpose of examining the determining factors of savings in 12 Asian countries, during the years 1966-2007,

panel co-integration technique was employed, and results indicated that domestic saving rates affect financial sector development to some extent.

Savings and Macroeconomic Uncertainty

Saving is likely to get affected with the inflation rate, as higher levels of risk or future uncertainty causes people to save money for precautionary motives. It is somehow difficult to predict inflation rate for the long run as compared to the short run (Sahoo & Dash, 2013). However, inflation indirectly affects savings through real wealth. Thus, in order to maintain a specified level of liquid assets or wealth against income, individuals will tend to save more even at higher inflation rate. In addition, it is the uncertainty about the future income which compel individuals as well as households from developing economies to save for any unforeseen precautionary motives (Sahoo & Dash, 2013). This indicates that during high inflation rates, people tend to increase savings in order to shield against future uncertainty or risk.

Savings and External Factors

External factors including terms of trade may have the power to influence savings. Nearly all empirical work regarding terms of trade and savings are based on the theories by (Twerefou, & Ayimadu, 2018). These theories suggest that consumers are somehow narrow-minded for their future expectations. Terms of trade is referred as lowering the exports or decrease in price of domestic goods against its imports. Therefore, worsening terms of trade causes a reduction in savings and real income. Although, there can be both positive and negative impacts of the changes in terms of trade over savings. It solely depends whether the consumers recognize improvement or worsening terms of trade as a permanent or a temporary phenomenon (Khan & Sarkar, 2016). If they recognize worsening terms of trade to be permanent, they will tend to increase savings to sustain future standard of living.

Contrarily, if consumers recognize terms of trade to be temporary, they will tend to increase expenditures on consumption, in order to balance the effect of declining purchasing power for domestic goods, and for keeping real spending unchanged. Moreover, a partial reduction of domestic private savings can offset the effects of improvement in terms of trade or increase in external savings, since external savings is a better substitute in case of domestic private savings (Khan & Sarkar, 2016). In addition, external debt service has the power to decrease national savings, since a specified share of exports is dedicated towards maintaining the past borrowing or accumulated debt. Debt-service ratio and terms of trade are the important external factors that can be used to explain savings behavior. Several studies are available that have attempted to assess the effect of these external set of variables over savings behavior. Such as, in Abu et al., (2014) carried out a study to investigate the factors which affect the of saving in the Economic Community of West African States the panel data analysis is carried out on the data from from 1980-20012, in order to investigate the determining factors of gross domestic savings. The results exhibited a significant negative impact of terms of trade on gross domestic savings in ECOWAS. Another empirical study was conducted, which indicated that domestic and private savings has a minimal impact of foreign savings (Nduku & Simo-Kengne, 2017).

Model specifications

Based on the underlying issues and exiting literature, the study has proposed the following models

$$NS_{it} = \alpha_0 + \alpha_1 IPC_{it} + \alpha_2 GDPG_{it} + \alpha_3 IAID_{it} + \alpha_4 INFL_{it} + \alpha_5 POLT_{it} + \varepsilon_{it} \dots\dots\dots\dots (1)$$

$$NS_{it} = \alpha_0 + \alpha_1 IPC_{it} + \alpha_2 GDPG_{it} + \alpha_3 IAID_{it} + \alpha_4 INFL_{it} + \alpha_5 COUR_{it} + \varepsilon_{it} \dots\dots\dots\dots (2)$$

$$NS_{it} = \alpha_0 + \alpha_1 IPC_{it} + \alpha_2 GDPG_{it} + \alpha_3 IAID_{it} + \alpha_4 INFL_{it} + \alpha_5\, COUR_{it} * POLT_{it} + \varepsilon_{it} \dots (3)$$

Where,

NS: Gross national savings as the percentage of GDP

I**PC**: income per capita which is measured as GDP per capita

GDPG: Annual growth in GDP

IAID: Inflation adjusted Interest Rate

INFL: Consumer price index
POLT: Captured by political instability index
COUR: It is captured by ICRG index

Methodology

In this article, we make use of a technique known as panel estimation to investigate the relationship between political instability and levels of corruption in ASEAN member nations. The panel estimate technique is considered to be an appropriate approach in this context since it focuses only on ASEAN member nations as its population sample. Arguments in favor of using a method known as panel data analysis (Baltagi, 2005), this technique addresses that issue by providing panel data that compensates for unobserved heterogeneity. The use of a cross-sectional dataset may lead to bias if it isn't handled correctly, but this method solves that problem completely. When analyzing cross-sectional data, it might be difficult to separate the many dynamics that are present in panel data. Panel data is a significant resource since it is rich in detail and offers many different observations. Panel data provides fewer instances of collinearity across different sets of variables, offers more degrees of freedom, is more variable, and increases the efficiency of time series.

Therefore, in order to construct ASEAN-specific savings models, the study used a technique known as panel estimation. Some examples of these methodologies are the Two-Stage Least Squares Instrumental Variables and the Panel-Corrected Standard Errors. If you believe what Bell and Jones have to say (2015), A common characteristic of time series cross-sectional data is the presence of heteroscedasticity, as well as autocorrelated errors or contemporaneous correlations. Mistakes in time series data often have a strong autocorrelation, but errors in cross-sectional data typically have a heteroscedastic distribution. As a consequence of this, any conclusions that are based on the results of Ordinary Least Square will yield standard errors that are incorrect. A number of authors have suggested that the Generalized Least Squares (GLS) method is theoretically superior to the Ordinary Least Squares method (OLS). Because the researcher must have prior understanding of heteroscedasticity and auto-correlation in order to employ the GLS approach (Bell & Jones, 2015), this statistical technique is challenging to use in clinical settings. As a result, the approach of Feasible Generalized Least Squares may be considered a real possibility. The goal of FGLS is to decrease the variability of estimators, particularly for small sample sizes and situations in which T is much bigger than cross-sectional units (N).

It has been suggested by Jones (2015) and others to utilize the Panel Corrected Standard Errors (PCSE) approach for dealing with time series cross section data. This is due to the fact that this method gives robust covariance estimators, which might be helpful when addressing issues such as these. PCSE is capable of producing greater performance results compared to FGLS without the need of a bigger T in comparison to N. (Jonsson, 2005). It also accounts for any abnormalities brought on by spherical imperfections, making it possible for conclusions to be drawn from TSCS computations that are more trustworthy. A number of recent research have made use of the panel corrected standard error technique as well as the seemingly unrelated regression analysis (e.g., Silaghi and Ghatak, 2011; Mera and Silaghi, 2015; Basheer et al., 2019). As wages and living standards continue to improve, many scholars believe that growing savings rates are the primary reason for these improvements. This line of thinking suggests that improvements in living standards and incomes do not automatically lead to increased savings rates. Because of this, the estimations of the coefficient values that are based on OLS are erroneous. When there is a relationship of cause and effect between the variables, the linear regression model makes the assumption that the error term and the control variables do not have any link with one another. When variables are linked with error terms as a result of an estimate, it becomes difficult to untangle the impact of individual factors on monetary cost reductions. This is because estimating results in the association of variables with error terms. It is possible to find a solution to this issue by using the Two-Stage Least Squares approach, which

analyzes the connection that exists between the variables. This strategy is helpful for finding variables that are strongly connected with one another among endogenous variables but show no such relationship with the error term. Among the endogenous variables, the error term does not exhibit any such association. It has been pointed out that selecting the proper instruments for dealing with endogeneity might be difficult when considering delayed values of independent variables. When estimating the model of savings, we used lagging measures of income growth and income as our instruments. In the present study's evaluation of saving models, income growth and per capita income are employed with a one-period lag. This methodology is the same one that was used in the research that was discussed before.

The method developed by White to address heteroscedasticity is used, which comes as a pleasant surprise. Endogeneity is not considered to be an issue when estimating the relationships between variables because the results of the OLS and TSLS estimations demonstrated that there is no simultaneous link between income growth and per capita income. Because of this, endogeneity is not considered to be a concern. In addition, a battery of tests are carried out in order to establish which of RE, FE, and OLS is the superior option. The Ordinary Least Squares (OLS) method relies on the premise that there are no time-specific effects that can be deduced from cross-sectional data for a particular time period. However, the existence of these effects throughout the estimation process results in OLS estimators that are not suited for use when attempting to predict units using cross-sectional data over a certain time period. After that, a Hausman test was carried out to determine whether or not the RE approach is consistent and acceptable, as well as whether or not it is preferable to FE estimation. At the same time, an FE test was carried out to test the hypothesis that there are no effects present in the estimates that were created by time series cross-sectional data. The results of testing the null hypothesis show that the RE model estimates and the FE model estimates are not statistically significantly different from one another. Therefore, adopting Ho, the null hypothesis, shows that FE estimates are more accurate and superior than RE estimates, whilst rejecting Ho indicates that the converse is true and that FE estimates are more accurate.

Analysis

Correlation Tests

In order to estimate saving models, different measures of political instability and corruption, as well as macroeconomic variables are added for testing of correlation. The data for political instability and corruption are taken from multiple sources. The data for the corruption index was taken from the TI. The ICRG corruption index is also used for checking the robustness and consistency of the results that are obtained through employing TI corruption index. Previous studies by Asiedu and Freeman (2009) and Blackburn et al. (2010) have used two indicators. The range for ICRG index is 0-6, while TI corruption index value lies between 0-10.

The higher the values for these indices the lower will be the corruption and vice versa. The data for control of corruption index was obtained from WGI, and it ranges from 0-1. The value closer to 1 indicates less corruption and the value closer to 0 indicates higher corruption. The data was primarily taken from Global Insight Business Conditions and Risk. Samimi and Abedini (2012) also used the indicator of control of corruption in their study. Different methodologies were used for different corruption indices, the results have shown strong correlation among each other and with key economic variables, these results are in line with prior findings.

The data for political instability index/political risk taking, is obtained using ICRG index and ranges from 0-100 percent. The higher the value the lower will be the political risk and vice versa. In addition, other measures like absence of violence and political stability that are arranged by WGI were employed, in order to check robustness and consistency through ICRG index. Its value lies between 0-1, where value 0 represent worsening of political stability and vice versa.

Table 1.
Correlation analysis

		1	2	3	4	5	6	7
NS	**1**	1						
IPC	**2**	-0.1830	1					
GDPG	**3**	-0.0257	0.1483	1				
IAID	**4**	-0.0810	0.1188	0.8929	1			
INFL	**5**	0.1456	-0.4363	0.1129	0.0579	1		
POLT	**6**	0.1308	-0.2847	-0.0828	-0.0674	0.0882	1	
COUR	**7**	-0.0220	0.2994	-0.1216	-0.0935	-0.3391	-0.0720	1

Regression results

The regression results of the model 1 which explains the impact of political instability on the saving of the ASEAN countries are explained the table 1. The findings of the study are showing consistency with the prior finds. The political instability appears in a negative but significant relationship with saving of ASEAN countries.

Table 2.
Regression results of model 1

The results of the model "2" are shown in table 3. The results are in line with previous findings.

Dependent Variable:NS	**Fixed Effect Coefficient (p-value)**	**Random Effect Coefficient (p-value)**	**2SLS Coefficient (p-value)**
IPC	-0.0177***	-0.0225	-0.0289
	(0.010)	(0.943)	(0.234)
GDPG	0.1198**	0.0164	0.0140
	(0.027)	(0.345)	(0.139)
IAID	-0.1254**	-0.0238	-0.0343*
	(0.034)	(0.228)	(0.061)
INFL	0.0522	-0.0413*	0.0384*
	(0.166)	(0.054)	(0.075)
POLT	-0.1797**	-0.0388*	-0.0733*
	(0.033)	(0.084)	(0.088)
R^2	**0.740**	**0.518**	**0.616**

The corruption is in negative and significant relationship with saving of ASEAN countries which in line with our proposed or hypothesized results.

Table 3.
Regression results of model 2

Dependent Variable:NS	**Fixed Effect Coefficient (p-value)**	**Random Effect Coefficient (p-value)**	**2SLS Coefficient (p-value)**
IPC	-1.089***	-0.020	-0.211
	(0.010)	(0.953)	(0.541)
GDPG	0.256***	0.051	0.182**
	(0.000)	(0.628)	(0.037)
IAID	-0.154*	-0.176	-0.174*
	(0.059)	(0.130)	(0.076)
INFL	--0.756***	-0.661***	-0.697***
	(0.176)	(0.000)	(0.000)
COUR	-2.311***	-0.460	-0.794**
	(0.000)	(0.174)	(0.021)
R^2	**0.440**	**0.428**	**0.354**

The findings in table 3 are in line with the findings of Aizenman, and Noy (2015) they argued that corruption influences decision making about savings and investments if the country's legal system is capable of eradicating corruption, and ensures contracts and property rights, then it will likely to encourage and advance investment and savings pattern.

Table 4.
Regression results of model 3

Dependent Variable: NS	Fixed Effect Coefficient (p-value)	Random Effect Coefficient (p-value)	2SLS Coefficient (p-value)
IPC	-2.311***	-0.460	-0.794**
	(0.000)	(0.174)	(0.021)
GDPG	0.238***	0.493***	0.331***
	(0.000)	(0.000)	(0.000)
IAID	-0.171**	-0.211***	-0.190***
	(0.002)	(0.001)	(0.001)
INFL	-0.004	-0.009	-0.005
	(0.528)	(0.164)	(0.389)
COUR*POLT	-0.161***	-0.098***	-0.110***
	(0.000)	(0.000)	(0.000)
R^2	**0.631**	**0.518**	**0.526**

The results of model 3 are discussed in table 4, which not only confirming the findings of previous models but also confirming the view that the corruption in the presence of political instability adversely affect the savings.

Conclusion

This study's objective is to ascertain whether or not factors such as political uncertainty and corruption have a detrimental impact on the levels of savings in the countries that make up the ASEAN bloc. The data that is presented in the first part of this book provides insight into growing political instability, corruption, and danger to savings among the states that are a part of ASEAN. Political upheaval may sometimes have a detrimental effect on one's ability to save money. Previous studies have demonstrated that during periods of political (and institutional) instability, a state's discretionary jurisdiction may increase to the point where property rights and contracts are no longer safeguarded. This may be a very dangerous situation for individuals. They, in turn, have an effect on the decisions that individuals make about their finances as well as other aspects of their lifestyle. In the interest of shedding light on the intricate web that connects political turmoil and financial reserves, In addition, the author claimed that if people's earnings or returns were taxed in a manner that was haphazard and unpredicted, then an increase in the real interest rate may not motivate them to increase the amount of money that they save or invest even if the real interest rate was raised. Money that ought to have been deposited into the government treasury instead finds its way into the pockets of corrupt public servants and political appointees, hence lowering the amount of revenue collected by the government. As a consequence, the ability of the government to put into action policies that fight against poverty and underdevelopment is hindered. The study used panel data over a period of twenty years, beginning in 1998 and continuing through 2018.Found that the corruption and political instability are in significant negative relationship with saving. In addition to that we have also investigated the impact of interaction of political instability and corruption on saving. Over all the results provided support to the prosed

hypothesis. This study which is among pioneering studies on the issue will provide policy guideline to ranchers and policymakers.

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