

The Effect of Regulatory Performance on Economic Growth

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[https://doi.org/10.35609/gcbssproceeding.2020.11\(142\)](https://doi.org/10.35609/gcbssproceeding.2020.11(142))

ABSTRACT

The World Bank Group (2018b) announced that the upper-middle-income economies (UMIE) tend to fall into a middle-income trap position for a long period. This usually happens when countries are not progressing economically at a promising rate and are unable to catch up with the developmental pace of high-income economies (HIE). One of the main contributing factors to this situation is the weak regulatory performance of these countries. Since the regulatory environment in these countries were far from conducive, businesses were reluctant to start up or even operate there. When this happens, UMIE will find it even more difficult to move up from their current economic level as most investors would already be disinterested to invest in a country whose economy is stagnated. Based on these arguments, regulatory performance is considered as one of the most vital factors that determine the financial progression and stability of a nation. Nevertheless, this variable is often overlooked in previous economic growth literature. Hence, this study aims to examine the important role of regulatory performance in accelerating the economic growth of 30 upper-middle-income economies countries within the timeframe of 2000 to 2018.

Keywords: Middle-Income Trap, Upper-Middle-Income Economies, Regulatory Performance, Economic Growth, System GMM