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The Nexus between Globalization Index and Financial Soundness on GDP Per Capita in ASEAN-6

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Research article

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Abstract

This study aims to examine the relationship between the KOF Globalization Index (KOFGI) and financial soundness (FS), and the impact of this relationship on gross domestic product (GDP) per capita in ASEAN-6 countries. The KOFGI is a composite measure that captures the economic, social, and political dimensions of globalization. This study employs panel data from six ASEAN countries over the period 2008–2022. The analysis uses a panel-data regression approach with the Random Effects Model (REM), selected based on the Chow, Hausman, and Lagrange Multiplier tests. The results indicate that globalization has a positive and significant effect on real GDP per capita. FS, proxied by the regulatory capital-to-risk-weighted assets ratio, also shows a positive and significant impact on GDP per capita. These findings suggest that higher global integration and a stable financial system contribute to economic growth by enhancing investment, improving market efficiency, and strengthening investor confidence. The study implies that ASEAN countries should promote well-managed economic openness while maintaining financial stability to achieve sustainable economic growth.

Keywords: globalization index; financial soundness; GDP per capita; ASEAN.

JEL Classification: F42, G21, G38

El nexo entre el índice de globalización y la solidez financiera sobre el PIB per cápita en los seis países de la ASEAN

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Resumen

Este estudio tiene como objetivo examinar la relación entre el índice de globalización KOF (IGKOF) y la solidez financiera (SF), así como el impacto de dicha relación en el PIB per cápita de los países de la ASEAN-6. El IGKOF es una medida compuesta que captura las dimensiones económica, social y política de la globalización. Este estudio emplea datos de panel de seis países de la ASEAN durante el período 2008-2022. El análisis utiliza un enfoque de regresión de datos de panel mediante el modelo de efectos aleatorios (REM), seleccionado con base en las pruebas de Chow, de Hausman y de multiplicadores de Lagrange. Los resultados indican que la globalización tiene un efecto positivo y significativo sobre el PIB real per cápita. La SF, aproximada por la relación entre el capital normativo y los activos ponderados por riesgo, también muestra un impacto positivo y significativo en el PIB per cápita. Estos hallazgos sugieren que una mayor integración global y un sistema financiero estable contribuyen al crecimiento económico al impulsar la inversión, mejorar la eficiencia del mercado y fortalecer la confianza de los inversionistas. El estudio sugiere que los países de la ASEAN deben promover una apertura económica bien gestionada, al tiempo que mantienen la estabilidad financiera, para lograr un crecimiento económico sostenible.

Palabras clave: índice de globalización; solidez financiera; PIB per cápita; ASEAN.

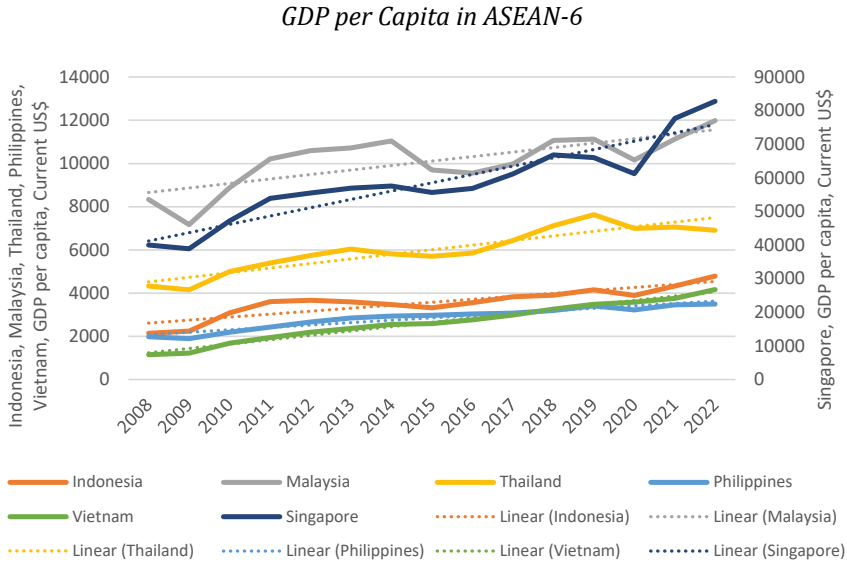
INTRODUCTION

Economic growth means an increase in the quantity or quality of various goods and services produced by the community. Strong and accelerating economic growth in the Association of Southeast Asian Nations (ASEAN) countries (Figure 1) contributes positively to global economic growth and enhances the competitiveness of countries in the region in global markets (Nguyen, 2021). This helps the region attract foreign investment, increase exports, and create jobs. One of the main indicators of economic growth is gross domestic product (GDP) per capita, which not only reflects economic well-being but also shows how effectively a country improves the quality of life of its people (Wang & Chen, 2022). The increase in GDP per capita in ASEAN-6 shows success in managing economic resources, fostering innovation, and strengthening the industrial and service sectors, all of which contribute to economic stability and social well-being.

Many studies have been conducted before on the factors that drive economic growth. Specifically, Deluna et al. (2014) found that globalization has a positive impact on a country's economic growth, using the Globalization Index (GI) as the measure of globalization. Although many studies highlight the participation of various countries in global economic growth as the core of globalization, Kilic (2015) shows that the literature tends to focus more on economic shapers, paying less attention to other dimensions such as culture, politics, and society. In particular, the development of new technologies, such as the intensive use of the Internet, has created a significant flow of information, and the intensification of negotiations is related to this ever-larger flow. Qi (2024) highlights that the diffusion of international policies can encourage the liberalization of a country's trade policy, which is influenced by exogenously given institutions or domestic preferences. Therefore, policymakers should consider the role of globalization comprehensively to ensure that economic growth and increases in GDP per capita occur in a sustainable and balanced manner.

The growing interest of policymakers in understanding the causes of the systemic banking crisis has led to studies exploring financial soundness (FS) and its impact across various aspects. Research conducted by Mursalov et al. (2025) has investigated various determinants of financial soundness indicators (FSI) and their impact on the financial sector. Some interesting findings are the correlation between cost efficiency and non-performing loans in the banking industry, the relationship between credit loss provision and macroeconomic factors, and the relationship between business cycle development and credit risk. In the framework of

Figure 1.



Source: Processed from World Bank (2024)

this study, the regulatory capital of Indonesian commercial banks on risk-weighted assets (RWA; %) is used as a proxy for FSI; similar proxies are also used by Navas et al. (2021), because the ratio value used is able to measure the extent of capital owned by the bank to cover potential losses arising from credit risk, market risk, and operational risk. Then, referring to the definition of the World Bank (2024), which states that this indicator reflects the level of capital adequacy owned by financial institutions. This ratio measures the total regulatory capital held by banks relative to the value of their assets, with weights based on each asset's risk level.

This study is important because the ASEAN-6 countries are experiencing rapid economic growth, and understanding the determinants of GDP per capita helps policymakers design effective economic strategies. This study contributes to the literature by empirically examining the impact of the KOF Globalization Index (KOFGI) and FS on economic growth in the ASEAN-6 context, a relatively underexplored area. This study demonstrates its novelty by using recent panel data from 2008 to 2022 and applying a panel-data regression approach with the Random Effects Model (REM), selected via appropriate model selection tests, to provide robust and reliable estimates of the relationships among variables.

The series of structures of this research is as follows. After the introduction in part 1, the researcher reviews the relevant literature and formulates the hypothesis described in part 2. In part 3, the data and methodology of this research are explained, and in part 4, the researcher presents the test results and discussion. Part 5 describes the conclusions and recommendations for ASEAN countries.

LITERATURE REVIEW

The GI has several significant impacts on a country's economic growth. First, with the opening of global markets, cross-border connections have increased, driving fierce global competition. In the face of such competition, there is an impetus to accelerate technological innovation to strengthen competitiveness while also improving efficiency and productivity, creating a strong foundation for economic growth. Hasan (2020) examines the impact of globalization on economic growth from Indonesia's export-import statistics in 2012–2019. In his research, globalization has both positive and negative impacts on Indonesia. While this offers opportunities, such as increased investment and access to global markets, it also poses challenges, including social disparities and dependence on foreign goods. Likewise, the research by M Ahmed et al. (2019) shows that globalization has a positive impact on ASEAN countries. Job opportunities are increasing even as competition is rising. This is also supported by research by Moustafa and Elroukh (2025), which shows that globalization can support long-term growth. Globalization needs to be controlled, especially in the import of consumer goods, to support economic growth through international trade.

In addition, FS is an important benchmark for a country's economic dynamics because it reflects its financial condition. In addition, good financial conditions can affect consumer confidence by providing security from the financial system, thereby encouraging greater consumer interest and trust in shopping and consuming goods/services (Ghosh, 2022). Then, research by Sotiropoulou et al. (2019) examines the relationships among financial development, financial stability, and economic growth. The study used annual data from 28 EU countries over the period 2004–2014. The analysis shows that the development of the banking sector negatively affects economic growth. The size of the capital market has a positive effect, while market liquidity has a negative effect. Financial instability also negatively affects the country's economic growth.

Based on the theoretical framework and empirical literature discussed above, this study hypothesizes that the GI and FS have a significant effect on GDP per capita in ASEAN-6 countries. Conceptually, globalization plays a crucial role in promoting economic growth through increased trade openness, capital inflows, and technology transfer, which ultimately enhance productivity and income per capita.

On the other hand, strong FS reflects a stable financial system that supports effective financial intermediation, reduces the risk of financial crises, and strengthens investor confidence. Such conditions enable more efficient resource allocation, expand access to financial services, and ultimately contribute to overall economic performance.

DATA AND METHODS

This study examines the influence of the GI, FS, and unemployment rate on GDP per capita in ASEAN-6. This study is quantitative and uses secondary data in the form of a time series from 2008 to 2022. The 2008–2022 period is selected because it captures major global economic events, including the global financial crisis and the COVID-19 pandemic, while ensuring consistent data availability for reliable panel analysis. The data is sourced from institutions such as the World Bank, the International Monetary Fund (IMF), and ETH Zurich. In addition, this study uses panel data from six ASEAN-6 countries: Indonesia, Malaysia, Thailand, the Philippines, Vietnam, and Singapore. ASEAN-6 countries play an important role in the regional and global economy. They have significant trade interactions with other countries and are often an indicator of the soundness of the regional economy. The analysis of these countries provides valuable insights into the development of economic policy in ASEAN member states. The operational definitions of the variables studied in this study are shown in Table 1.

This study uses panel-data regression techniques to evaluate the influence of several variables on GDP per capita volatility in ASEAN countries. In panel data analysis, there are three main models: the Common Effect Model (CEM), the Random Effect Model (REM), and the Fixed Effect Model (FEM). The study considers the CEM, FEM, and REM because each captures distinct characteristics of panel data, and selecting the most appropriate specification ensures robust, unbiased estimation results. The selection of the right model is carried out through tests such as the Chow test, Hausman test, and Lagrange multiplier test to ensure the most suitable model given the data's characteristics. The equations of the panel data regression model are

described in Table 1. The model in Equation 1 allows us to quantify the effects of globalization (GI) and financial soundness (FS) on economic growth measured by GDP per capita across ASEAN-6 countries commercial banks over the study period.

$$GDP_{it} = \beta_0 + \beta_1 GI_{it} + \beta_2 FS_{it} + e_{it} \qquad (1)$$

Where: β is the independent variable coefficient, GI is the globalization index, FS is the financial soundness that is proxied using regulatory capital to risk-weighted assets, *i* is the cross-section, *t* is the period, and *e* is the standard error.

RESULTS AND DISCUSSION

Movement of GDP Per Capita Variables in ASEAN-6

GDP per capita in the ASEAN-6 has increased year over year. Based on Figure 1, Singapore ranks first among the ASEAN-6 countries with the highest GDP per capita at US$87,884.16, followed by Malaysia, Thailand, Vietnam, the Philippines,

Table 1.

Variable Operational Definition

Variable	Definition	Formula/Unit	Source
Globalization index	The KOFGI measures the economic, social, and political dimensions of globalization	$GINDEX_{it} = \sum_{j=1}^{J} \omega_j \left(\sum_{m=1}^{M} \omega_m \left(\frac{X_{jmit} - X_{\min jmt}}{X_{jmit} - X_{\min jmt}} \right) \right)$	ETH Zurich
Financial soundness	FS in proxies using regulatory capital to RWA is the ratio of regulatory capital to RWA, calculated by using total regulatory capital as the numerator and RWA as the denominator	Regulatory Capital to RWA $= \frac{\text{Regulatory Capital}}{\text{Risk Weighted Assets}}$ $= \frac{\text{Tier 1+Tier 2}}{\text{Risk Weighted Assets}}$	IMF
GDP per capita	GDP per capita is the sum of the gross value added of all producers in the economy, plus product taxes (minus subsidies) not included in the output assessment, divided by the number of people in the middle of the year	Currently, USD	World Bank

Source: Authors' compilation (2024)

and Indonesia. The growth rates and contributions of each country's economy vary, reflected in differences in their GDP per capita. Singapore, as an advanced financial and technological hub, shows a dominant position in terms of GDP per capita (Athukorala & Ekanayake, 2025). Singapore has a highly developed financial sector. As one of the world's largest financial centers, Singapore attracts substantial investments from multinational corporations and wealthy individuals worldwide (Lu & Ren, 2024). This robust financial market has contributed significantly to income and wealth creation in the country (Suhel et al., 2025).

Malaysia has a high GDP per capita in ASEAN. Economic diversification, including manufacturing sectors such as electronics and automotive, as well as service sectors such as finance, tourism, and education, makes a significant contribution to the country's economy. The agricultural sector, particularly palm oil and rubber, also plays an important role. High foreign investment, driven by pro-business policies and political stability, further strengthens the Malaysian economy. In addition, Malaysia's strategic location on international trade routes facilitates trade and investment, supporting further economic growth (Sohaimi et al., 2024).

Thailand ranks third in GDP per capita among ASEAN-6 countries. After the 1999 crisis, exports became the main driver of Thailand's economic growth, but challenges such as political unrest and natural disasters affected investor confidence. Thailand serves as the primary destination for migrant workers in ASEAN, accounting for more than half of the region's migrant labor force (Hidayat & Shodrokova, 2025). However, in developed countries, where the demand for high-skilled workers is high, the majority of Thai migrants are low-skilled (Tipayalai, 2020).

Vietnam is considered one of the world's fastest-growing economies. This country is a success story in economic reform and poverty alleviation. It has transitioned from a low-income country to a lower-middle-income country (Raihan, 2023).

The Philippines has the services sector as a major driver with the Business Process Outsourcing (BPO) Industry and information technology services. In addition, remittances from millions of Filipino workers working abroad contributed to growth.

Meanwhile, Indonesia is rich in natural resources, with the energy mining sector contributing highly to economic growth and foreign exchange (Hidayat et al., 2020). It has the lowest current GDP (USD), but it has increased. Indonesia's focus on fiscal prudence, as well as reforms in fiscal policy, tax policy, and financial sector deepening, will support the long-term economic outlook but will also be vulnerable

to volatility in commodity prices, such as palm oil prices, and financial conditions (Hidayat, Robiani, et al., 2024; Hidayat, Manurung, et al., 2024).

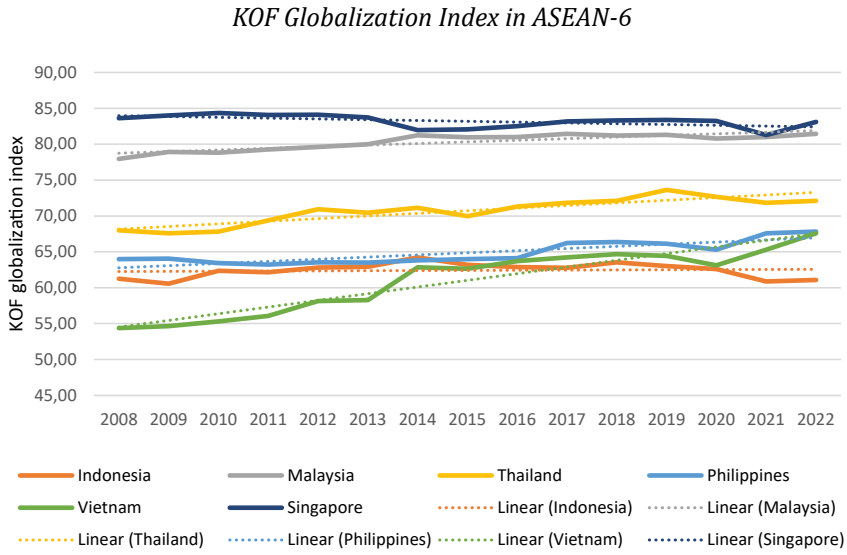
Movement of Globalization Index Variables in ASEAN-6

The KOFGI is a composite index that measures globalization for every country worldwide across economic, social, and political dimensions (Gygli et al., 2019). Based on Figure 2, Singapore has the highest GI among the ASEAN-6. Singapore is located on a major trade route between East and West, making it an important logistics and trade hub in the Asia-Pacific region. Singapore's ports and airports are among the busiest and most efficient in the world, facilitating the rapid flow of goods and people (Zain et al., 2022).

Malaysia and Thailand have also shown strong positions in ASEAN's globalization. Malaysia also shows a strong position in the dimension of globalization. Malaysia has an open economy and has attracted significant foreign investment, especially in manufacturing and technology. It plays a crucial role in trade connectivity in Southeast Asia, maintaining second place in the index. The economy is also strong, ranking 12th out of 169 economies according to the DHL-GCI Global Connectivity Index 2019 (Suki et al., 2020). On the other hand, Thailand has become one of the leading manufacturing hubs in Southeast Asia, particularly in the automotive and electronics sectors, attracting many foreign investors due to its developed infrastructure, competitive workforce, and attractive tourism.

Vietnam shows a significant upward trend in globalization. It has experienced a significant increase in globalization, driven by progressive economic policies since the 1986 reforms. Its membership in ASEAN since 1995 and its accession to the WTO in 2007 expanded market access and strengthened international trade relations. The signing of various free trade agreements (FTAs) also increases its economic competitiveness (Nguyen et al., 2019). Foreign direct investment (FDI) support from various countries has brought new technologies and infrastructure development, as well as created significant jobs. Meanwhile, the Philippines and Indonesia showed a flat trend. The Philippines has great potential in the service sector, especially in the BPO and call center industry (Du & Miao, 2022). The Philippines is also active in international trade and has an ever-increasing flow of information. Indonesia has the lowest GI among the ASEAN-6 countries, suggesting greater potential for engagement in globalization. Despite its large market, Indonesia still faces challenges in infrastructure, regulations, and bureaucracy that can hinder foreign investment and international trade (Hidayat, Robiani, et al., 2024; Hidayat, Manurung, et al., 2024). However, efforts to improve

Figure 2.



Source: KOF Globalization Index, ETH Zurich, data processed (2024)

global connectivity and support economic sectors can help raise Indonesia's GI through ASEAN policies (Liliana et al., 2026). Vietnam, which in 2008 had the lowest GI among the ASEAN-6 countries, has experienced a significant increase since 2016 and has now beaten Indonesia in its involvement in the globalization process. Indonesia's involvement in the globalization process has been influenced by economic reforms, the withdrawal of foreign investment, and increased international trade.

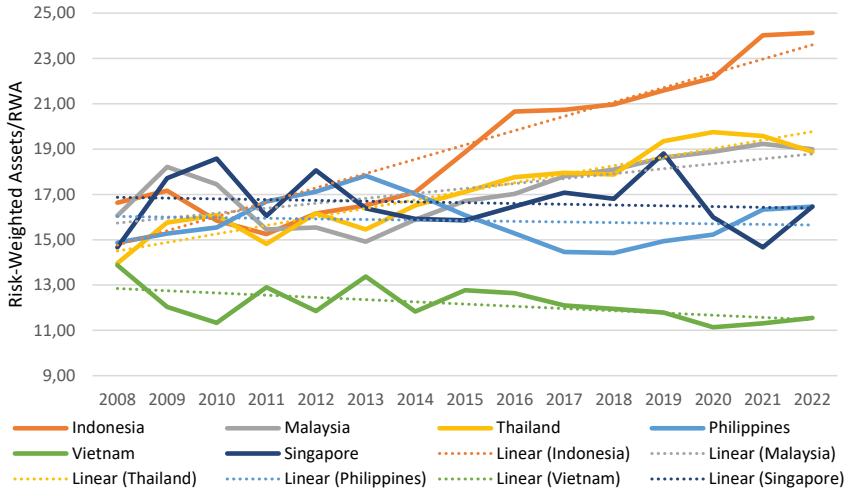
Movement of Financial Soundness Variables in ASEAN-6

FS, a proxy for regulatory capital to RWA, is an important indicator for assessing the banking sector's FS in ASEAN-6. RWA is used as a tool to assess how well banks in the region manage operational risks (Alzwi et al., 2024). Figure 3 shows that Indonesia achieved the highest FS, followed by Thailand and Malaysia. In Indonesia, FS is influenced by proactive government policies supporting the financial sector, strict regulations, and supervision by the Financial Services Authority (OJK) (Nurhaliza et al., 2024). In addition, Indonesia also implemented Basel III to strengthen capital adequacy through ATMR and risk management (Suryanto et al., 2019). In Indonesia, banking regulations on RWA allow banks to reduce their general provisions to no

more than 1.25 % of RWA (BCBS, 2016). This move reduces overall RWA and, in turn, the capital requirements that banks must meet. This can increase RWA by reducing banks' capital requirements. Meanwhile, Thailand strengthens its banking system through Basel II, including the obligation to strengthen the ratio of capital adequacy, liquidity, and capital reserves. However, according to the report, Thailand still faces the risk of global market volatility and exposure to international policy changes that undermine financial stability (Chandrasekhar, 2021). The implementation of Basel III in Malaysia also strengthens risk management, especially through the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR).

Figure 3.

Financial Soundness (Regulatory Capital for RWA Ratio) in ASEAN-6



Source: International Monetary Fund data processed (2024)

Vietnam experienced low financial system stability as the Central Bank of Vietnam implemented regulations requiring banks and branches of foreign banks to maintain a minimum capital adequacy ratio of 8 percent, effective in 2020, in accordance with Basel II standards (Pham & Daly, 2020). Although previously Circular Letter No. 13/2010/TT-NHNN required a minimum capital adequacy ratio (CAR) of 9 percent, Circular Letter No. 41, which implements Basel II standards, introduces a minimum CAR of 8 percent. Currently, the minimum CAR required for banks in Vietnam is 9 percent, which is higher than the requirements set out in Circular Letter No. 41. This could result in some of Vietnam's largest banks having CARs below

Basel II standards, increasing capital costs, controlling liquidity, and lending rates, which could ultimately reduce net income. Although the implementation of Circular Letter No. 41 is expected to improve risk management and attract more foreign investors, its negative impact must also be overcome (Ngoc, 2023).

Descriptive Statistics

The GI has an average of 70.42617, indicating a slightly right-skewed distribution with a slope of 0.240452. The Jarque-Bera normality test indicated that the GI distribution was not significantly different from normal (JB = 7.342110, p = 0.025450). GDP showed significant variation, with a high standard deviation (2.59E+11), a distribution highly skewed to the right (slope = 1.719574), and was significantly non-normal (JB = 62.81422, $p < 0.001$). On the other hand, FS has an average of 16.36872 with a slight rightward slope (0.275514), and the normality test shows no significant deviation from normality (JB = 1.787350, p = 0.409149).

Based on Table 2, the average GDP per capita is 24.040, with a maximum of 27.907, a minimum of 10.569, and a standard deviation of 5.905. The highest value was held by Indonesia in 2022, while the lowest was held by Singapore in 2009. Then, the GI variable has the highest value of 84.36018, owned by Singapore in 2010, while the lowest value is recorded for Vietnam at 54.387 in 2008. The average value of this GI variable is 70.426, with a median of 67.701 and a standard deviation of 8.910. In addition, the average FS data score is 16.368, with a median of 16.360. The FS variable has a mean value of 16.360. The highest value is 24.130, observed in Indonesia in 2022, while the lowest value is 11.140, recorded in Vietnam in 2020. The standard deviation of FS in this study is 2.718.

Panel Data Regression Estimation Results

To determine the most appropriate panel data regression model, this study conducts the Chow test and the Hausman test, followed by the Lagrange multiplier test. The Chow test results show a significant probability value (0.0000), indicating that a panel data model is preferred over the pooled model. The Hausman test yields an insignificant result (probability = 0.1290), suggesting that the REM is more appropriate than the FEM. Furthermore, the Lagrange multiplier test produces a significant probability value (0.0000), confirming the suitability of the REM. Therefore, this study adopts the REM as the final estimation model.

Table 2.

Descriptive Statistical Results

	GI	GDP	FS
Mean	70.42617	4.22E+11	16.36872
Median	67.70175	3.42E+11	16.36000
Maximum	84.36018	1.32E+12	24.13000
Minimum	54.38776	9.91E+10	11.14000
Std. dev.	8.910201	2.59E+11	2.718375
Slope	0.240452	1.719574	0.275514
Kurtosis	1.685988	5.218720	3.415926
Jarque-Bera	7.342110	62.81422	1.787350
Probability	0.025450	0.000000	0.409149
Sum	6338.355	3.80E+13	1473.185
Sum of sq. dev.	7065.860	5.96E+24	657.6710
Observation	90	90	90

Source: Data processed (2024)

Based on Table 3, the GI shows a positive and statistically significant coefficient (0.089726; *t*-statistic = 10.07379; *p*-value = 0.0000). This result indicates that an increase in the GI is associated with higher GDP per capita. Therefore, Hypothesis 1 (H1), which states that globalization has a significant effect on GDP per capita, is accepted. Economically, this finding suggests that deeper integration into the global economy through trade openness, capital flows, and technology transfer improves income levels in ASEAN-6 countries.

The model equation of the regression results of the panel data in this study is as follows (Equation 2):

$$\widehat{GDP} = 17.16576 + 0.0897\ GI + 0.0339\ FS \qquad (2)$$

Similarly, the FS variable shows a positive, statistically significant effect (coefficient = 0.033971; *t*-statistic = 3.006542; *p*-value = 0.0035). This implies that stronger financial system stability is associated with higher GDP per capita. Thus, Hypothesis 2 (H2), which posits that FS significantly affects GDP per capita, is accepted. This result highlights the importance of a stable and well-capitalized financial system in supporting efficient intermediation, reducing systemic risk, and fostering economic growth.

Table 3.

Summary of Data Processing Results

Selection of the best models			
Testing	**Prob.**	**Result**	
Chow test	0.0000		
Hausman test	0.1290	REM	
Lagrange multiplier test	0.0000		
Correlation test			
	GI	FS	
GI	1	0.2347	
FS	0.2347	1	
Normality test	Jarque Bera (2.5544)	Probability (0.2767)	
FEM			
Regressor	**Coefficient**	***T*-statistics**	**Prob.**
C	17.12710	0.642998	26.63633
GI	0.090282	0.008911	10.13122
FS	0.033938	0.011300	3.003477
R-squared	0.999169		
Prob (F-stats)	0.000000		
REM			
Regressor	**Coefficient**	***T*-statistics**	**Prob.**
C	17.16576	6.887674	0.0000
GI	0.089726	10.07379	0.0000
FS	0.033971	3.006542	0.0035
R-squared		0.563273	
Prob (F-stats)		0.000000	
Cross-sectional effects			
Country		**Coefficient**	
Indonesian		4.111676	
Malaysia		1.501271	
Thailand		2.657285	
Philippines		2.866332	
Vietnam		3.100111	
Singapore		14.23668	

Source: Authors' calculation (2024)

The *R*-squared value of 0.563273 indicates that the model explains approximately 56.33 % of the variation in GDP per capita across countries. This suggests that other factors, such as education, political stability, and external shocks, may also influence the dependent variable. However, this study deliberately limits the model

to globalization and FS variables to avoid overfitting and multicollinearity, and to maintain data consistency and comparability across countries, thereby focusing on more robust partial effect estimation. The very low *F*-statistic probability (0.0000) indicates that the overall model is statistically significant.

The last section highlights the individual coefficients for each country. Singapore recorded a much higher interception rate (14.236) than other countries, including Indonesia (4.112), Malaysia (1.501), Thailand (2.657), the Philippines (2.866), and Vietnam (3.100). This suggests that factors beyond the measured variables (such as economic policy, infrastructure, and geographical factors) can significantly influence the volatility of GDP per capita in Singapore.

DISCUSSION

The Influence of the Globalization Index on Economic Growth

The regression results show that the GI shows a positive and significant influence on economic growth in ASEAN-6. The findings confirm that the higher a country's level of globalization in ASEAN-6, the greater its contribution to economic growth. The phenomenon of globalization, encompassing economic integration, information exchange, capital flows, and international trade, significantly shapes the pattern of economic growth in ASEAN-6. Increasing globalization can yield benefits for ASEAN-6 countries, including greater access to global markets, technology transfer, and increased foreign investment. This drives economic growth through increased production, exports, and progress in certain sectors that are competitive focuses for countries in the region. The positive effect of globalization on economic growth can be explained through several transmission mechanisms, including improved capital allocation efficiency, technology spillovers, and stronger integration into regional and global value chains. However, these effects are not automatic and depend on each country's absorptive capacity, particularly institutional quality and financial system stability.

This is in accordance with previous research by Ahmed et al. (2021). A study on selected Asia-Pacific countries finds that globalization has a positive but statistically insignificant effect on economic growth, suggesting that its impact may not be robust across different contexts and model specifications. This indicates that the benefits of globalization are not automatic and may depend on supporting factors such as technological adoption, institutional quality, and environmental conditions

(Elfaki & Ahmed, 2024). Furthermore, contrasting evidence is also found in the literature. Globalization has a negative and statistically insignificant effect on green economic growth in G7 countries. This suggests that globalization may not always contribute positively to economic performance, and its impact can vary across countries depending on their economic structures, environmental conditions, and development stages (Wani et al., 2024). These mixed findings indicate that the impact of globalization is context-dependent and varies across economic structures and development stages. In ASEAN-6, this heterogeneity is particularly evident due to differences in institutional strength, financial development, and industrial structure.

ASEAN has signed various FTAs, including the ASEAN Free Trade Area (AFTA), as well as agreements with external partners such as China, Japan, Australia, and the European Union. Singapore, as a global trade and financial hub, greatly benefits from an open trade policy and serves as a major hub in Southeast Asia. Malaysia and Thailand have developed as manufacturing and export bases thanks to favorable trade policies. ASEAN has sought to increase economic integration among its members through initiatives such as the ASEAN Economic Community (AEC) (Ishikawa, 2021). Malaysia is focusing on developing high-tech industries and financial services, while Thailand is leveraging its position as a manufacturing hub. Remuneration from migrant workers has also helped boost domestic consumption and purchasing power in the Philippines and Indonesia, while Singapore relies on foreign workers (Tangtipongkul & Khiev, 2019). Major projects such as the Trans-Sumatra toll road, Patimban port, and Kertajati International Airport are examples of Indonesia's efforts to improve connectivity and competitiveness in the global market (Wijaya, 2019). In addition, digital connectivity is also a priority, with Indonesia expanding its broadband network and improving the digital economy through initiatives such as the 100 smart cities movement.

The Effect of Financial Soundness on Economic Growth

The findings of this study demonstrate that an increase in FS positively and significantly affects GDP per capita in ASEAN-6. This finding suggests that FS serves not only as a supporting factor but also as a key transmission mechanism, channeling financial resources into the real sector to improve investment efficiency and overall economic productivity.

A sound financial system provides the necessary capital for economic sectors to operate efficiently and expand, thereby supporting overall economic growth.

When the financial sector is healthy, financial risks such as bad loans, liquidity issues, and market volatility are better controlled, which is expected to increase investor and business confidence. Health in the financial sector also directly affects the real sectors of industry, manufacturing, and services. When banks and financial institutions can provide credit smoothly, the real sector has the capital to grow and develop. In addition, this positive effect reflects improved financial intermediation efficiency, with credit allocation becoming more targeted toward production sectors that make higher-value-added contributions to the economy. In ASEAN-6, the manufacturing, tourism, and infrastructure sectors are highly dependent on financing from the financial sector. Previous research has shown that financial stability contributes to increased economic activity by enabling more efficient financing, reducing uncertainty, and attracting greater foreign investment (Phan et al., 2021). However, the magnitude of this effect is also highly dependent on the depth and stability of each country's financial system, indicating that the impact of FS is conditional and not uniform across ASEAN-6 economies.

This result aligns with previous studies emphasizing that stronger financial stability, supported by sound governance and macroeconomic conditions, plays a crucial role in fostering sustainable economic performance in both developed and emerging countries (Ullah et al., 2024). This finding reinforces the argument that financial stability is an enabling factor that allows the benefits of real-sector growth and global economic integration to be fully realized. This result contrasts with previous findings that financial development can negatively affect economic growth, suggesting that financial expansion does not always support economic performance (Wen et al., 2022).

Indonesia, as the country with the highest FS and the second-highest individual coefficients, seeks to increase financial inclusion and access for micro, small, and medium enterprises (MSMEs) that contribute positively to economic growth, encourage investment, and support real-sector development. However, according to Triggs et al. (2019), Indonesia still faces challenges in risk management, especially related to commodity price volatility and global uncertainty. Singapore has the highest coefficient, based on an analysis of variable developments, with the highest values in GDP per capita and the GI. It is also the world's financial center with a sophisticated banking system and capital markets supported by MAS. Singapore also has a fintech regulatory sandbox program that allows fintech companies to test their products and services with flexible regulatory oversight (Chen, 2019; Rizky et al., 2025). Meanwhile, Thailand, through the Bank of Thailand, always closely monitors credit risks, especially

in vulnerable sectors, such as real estate and small and medium enterprises (SMEs). The Thailand Financial Inclusion Strategy is designed to increase financial participation and strengthen people's purchasing power (Bui & Luong, 2023). However, Thailand is highly dependent on the tourism sector and is vulnerable to shocks such as COVID-19, natural disasters, and political instability, which can affect NPLs. On the other hand, Malaysia is one of the global leaders in Islamic finance, continually monitoring its development to ensure compliance with the principles of the National Sharia Council. The Philippines launched the Philippine National Strategy for Financial Inclusion (NSFI) initiative, which aims to expand financial services and BSPs and increase supervision of NPLs, especially SME and consumer loans (Bangko Sentral ng Pilipinas, 2022). The State Bank of Vietnam is trying to increase investment in the manufacturing and technology sectors, but the challenge is environmental risks.

CONCLUSION AND IMPLICATIONS

This study contributes to the growing literature on globalization, FS, and economic growth in emerging economies by providing evidence from ASEAN-6 that integrates both external integration (GI) and internal financial stability (FS) within a unified empirical framework. Unlike previous studies that tend to examine globalization and financial development separately or focus predominantly on income level effects, this research demonstrates that the interaction between global integration and domestic financial resilience is a central channel through which economic growth is sustained in developing regional economies.

A key contribution of this study is the identification that the growth effects of globalization are not uniform but are conditional on each country's FS. This helps to address a gap in the literature that often overlooks heterogeneity across ASEAN economies despite their shared regional integration agenda. The findings suggest that globalization alone does not guarantee inclusive or stable growth; rather, its effectiveness is significantly enhanced when supported by a sound and well-regulated financial system.

From a comparative perspective, the study also reveals an important structural insight: ASEAN-6 countries follow different growth-finance-globalization pathways. For instance, financial deepening in Singapore amplifies the benefits of global integration through innovation and capital inflows, while in Indonesia and Thailand, financial inclusion policies help mitigate external shocks. In contrast, Vietnam and

the Philippines illustrate a more vulnerability-prone pattern in which globalization-driven growth is constrained by limitations in infrastructure and financial risk management. These differences highlight that regional convergence in ASEAN remains asymmetric and policy-dependent.

Importantly, this study extends existing literature by emphasizing that FS is not merely a supporting variable for growth, but a moderating institutional condition that determines whether globalization translates into sustainable economic outcomes. This reframing offers a more nuanced understanding than conventional growth models, which treat globalization and financial development as additive rather than interdependent forces.

The policy implication is that ASEAN countries should not pursue globalization in isolation but rather strengthen domestic financial systems in parallel to ensure resilience against external shocks and to maximize growth benefits. Future research may extend this framework by exploring nonlinearities or threshold effects, particularly to assess whether there exists an optimal level of FS beyond which the marginal benefit of globalization diminishes.

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DATA AVAILABILITY

The data that support the findings of this study are available from the corresponding author upon reasonable request.

AI USAGE

In preparing this manuscript, AI tools, specifically ChatGPT, were used to assist with literature searches, summarization, and formatting guidance. All ideas, analyses, interpretations, and conclusions presented in this work are solely those of the authors. The AI tool did not generate original research content, perform data analysis, or influence the substantive academic arguments of the manuscript.

AUTHORS' CONTRIBUTIONS

The first author played a leading role in formulating the research problem, developing the hypotheses, constructing the theoretical framework, and designing the research methodology. This author was primarily responsible for data collection, statistical analyses, and the initial interpretation of the findings. The second author contributed to refining the research problem and hypotheses, strengthening the theoretical framework, and supporting the research design. In addition, this author was actively involved in statistical analysis, interpretation of results, manuscript preparation and revision, and served as the corresponding author. The third author contributed to the development of the research problem, hypotheses, and theoretical framework, and supported the research methodology, statistical analysis, and interpretation of the results. The fourth author assisted in reviewing the theoretical framework and methodology, contributed to data interpretation, and supported the editing and refinement of the manuscript to improve overall clarity and coherence.

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