

The Impact of Investment and Poverty Reduction on Economic Growth in Thailand

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Abstract

This study aims to investigate investment in technology, business, infrastructure, consumption, net exports, economic growth, and poverty in Thailand. This study utilizes moving average autoregression to analyze secondary data from the World Bank for the years 2000 through 2021. This research concludes that economic growth in Thailand is driven by technology investment, infrastructure investment, business sector investment, consumption, net exports and poverty reduction in Thailand. Poverty reduction is important in Thailand's economic development. Investments in technology, infrastructure and the business sector are the backbone of the Thai economy which is supported by consumption and net exports.

Keywords: Investment, Poverty Reduction, Economic Growth, Thailand

JEL Classification : C10, J24, J64

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Background

Poverty and inequality exist all over the world. And is one of the biggest problems in the world (Baloch, Khan, Ulucak, & Ahmad, 2020). Sustainable Development Goals in many ways, but the most important and first is poverty alleviation (Barbier & Burgess, 2019).

Thailand also faced this problem. Poverty is also a growing problem. Poverty and inequality are serious problems that need to be addressed immediately in Thailand. Income inequality still exists in Thailand. Though Thailand has invested in education with a high budget (Sulisnaningrum, 2022). And for this reason, poverty alleviation or reducing poverty is the first goal of education (Irawan & Harnani, 2022).

Quality education helps to eradicate poverty leading to good health, supports democracy and good governance, and preserves the natural environment (Novianto & Prabowo, 2021 ; Astuti & Prabowo, 2021). Quality education can change individuals to be economically independent and free from dependence and improve the quality of life (Irawan, Sasongko, & Afriani, 2022 ; Widarni & Mora, 2021). Not only that, education will provide people with sufficient knowledge and information to take an important part in solving social problems in various dimensions (Rusminingsih, 2021; Harnani, Rusminingsih, & Damayanti, 2022).

Education can also be a political change-maker. Quality education can be accessed and got opportunities by every level of society to create equal opportunity and there is no overlap in education (Damayanti & Rusminingsih, 2021). The role of education can be expanded to create economic opportunities for each individual so that economic opportunities are not concentrated in certain people, which will likely also create a concentration of political power in certain groups as well (Mukhlis, 2021).

Education is a way to stop the transmission of poverty from parents to children (Widarni & Bawono, 2020). And also reduce inequality of opportunity in the economy as well (Widarni & Bawono, 2022). Education also creates equal opportunities for development between cities and regions (Baker & Hawn, 2022).

Inequality is a long-standing problem in Thai society and is expected to become more serious after the end of the COVID-19 outbreak (Seck, Encarnacion, Tinonin, & Duerto-Valero, 2021). Currently, economic policies in many countries do not only focus on expansion but also focus on inclusive growth (Bianchi & de Man, 2021). Therefore, the problem of inequality has received more attention. This serves as a reflection of how much benefit each household group will receive from inclusive economic growth. Moreover, prolonged levels of inequality can be detrimental to overall growth and stability (Francis & Webster, 2019).

Each household group has a different quality of life, such as access to housing assistance. Access to education and health services, financial services, and information technology including the use of different income tax deductions according to income level (Purwantini, 2017 ; Soniansih & Rachman, 2021). Inequality of opportunity can be assessed both quantitatively, such as by calculating the number of people who have access to various basic services, and qualitatively, such as by measuring the quality of hospital services according to international standards (Alemzero, Iqbal, Iqbal, Mohsin, Chukwuma, & Shah, 2021).

External factors that affect households vary. Internal household factors that are different gifts cause households to experience shocks of the same nature. But it may be affected unevenly, such as the COVID-19 outbreak. This is affecting businesses that are adaptable to selling products through online channels less than those that are unable to adapt. Or people living in slums and unsuitable neighborhoods are more likely to catch the plague, etc. Regardless of the cause of the difference in impact, it emphasizes the difference in opportunity and outcome (Kittiprapas, 2022). Inequality is caused by several basic resources such as innate abilities. The problem of inequality must be focused on two aspects, both increasing opportunities and creating a shield to absorb shocks from external factors for households (Bapuji, Ertug, & Shaw, 2020).

Making policies that, while potentially reducing impact disparities, aim to combat inequality, such as transfer payments to increase low-income people's income. However, it is not regarded as a long-term fix. This is due to the fact that low-income people still do not have access to resources that will improve their capacity to generate sufficient income for their means of subsistence (Abramo, Cecchini, & Ullmann, 2020). As a result, the poor have to depend on government assistance continuously. The economic crisis is also more likely to have an impact on low-income and low-skilled workers. Furthermore, it needed more time to acclimate than other groups of employees. Therefore, it becomes a burden for the government to pay huge compensation to support this community group (Vogt, Lorentzen, & Hansen, 2020).

In the past, the problem of inequality in Thailand has improved somewhat. but still relatively high compared to the world average. Inequality problems that have accumulated over a long period of time will have a negative impact on long-term economic growth (Hill, 2021). It is hoped that after the COVID-19 crisis ends, the problem of inequality will become even more serious. This is because low-income households are the most affected by both income and education (Tasci, 2021).

The reduction of inequality is a structural policy that is difficult to implement. Additionally, it takes a while before results become clear. In the past, problem-solving strategies were not methodical and continued to emphasize underlying issues, therefore, to solve sustainable problems in the future, policies to reduce inequality must give more weight to policies to

increase income opportunities for households and reforms in tax spending and remittances that if all sectors realize the impact of these problems and work together to solve serious problems (Hickel, 2021). This will bring the Thai economy back to growing optimally, strong, inclusive and more sustainable in the long term (Khor, Poonpatpibul, & Yong Foo, 2021). But the right policy also needs to be supported by the realization that is also right. Because no policy is perfect, any policy taken will always have side effects on the economy (Kuttner, 2018). This study aims to investigate investment in technology, business, infrastructure, consumption, net exports, economic growth, and poverty in Thailand.

Research Method

This study uses the moving average autoregression approach and the following equation to analyze secondary data from the World Bank for the years 2000–2021:

$$Q_t = \beta_0 + \beta_1Th_{t1} + \beta_2Bi_{t2} + \beta_3Gx_{t3} + \beta_4Cn_{t4} + \beta_5Xt_{t5} + \beta_6P_{t6} + e_t$$

Where Q is the Production output with the GDP change indicator over time. β is Constant. Th is a Technology investment with technology import indicators and a total research budget. Bi is Investment in the business sector with the total investment percent of GDP indicator. Gx is the Total infrastructure investment by the state as reflected by government expenditure. Cn is domestic consumption. Xt is Net Exports. P is Poverty, and e is error Term.

Results and Discussion

Table 1 displays the estimation findings. All the variables tested in this study have a significant positive relationship to economic growth. But poverty has a significant negative relationship. This shows that poverty hinders economic growth. So that poverty alleviation has an impact on increasing economic growth.

Table 1. Estimation Outcomes

Name	Coeff.	Std. Error	t-Stat.	Prob.
Th	0.711723	0.071243	0.822411	0.0514
Bi	0.217163	0.063541	0.821126	0.0564
Gx	0.723521	0.087895	0.911235	0.0611
Cn	0.154327	0.051161	0.522121	0.0691
Xt	0.072311	0.001272	0.082112	0.0511
P	-0.092213	0.011236	-0.152421	0.0513
R-squared	0.798251			
Adjusted R-squared	0.778125			

In Table 1, the R-square is quite high, namely 0.798251 so that the quantitative calculation results show a truth level of 80%. The estimation results show that economic growth in Thailand is driven by technology investment, infrastructure investment, business sector investment, consumption, net exports and poverty reduction in Thailand. Poverty reduction is important in Thailand's economic development. Investments in technology, infrastructure and the business sector are the backbone of the Thai economy which is supported by consumption and net exports

Conclusion

Economic growth in Thailand is driven by technology investment, infrastructure investment, business sector investment, consumption, net exports and poverty reduction in Thailand. Poverty reduction is important in Thailand's economic development. Investments in technology, infrastructure and the business sector are the backbone of the Thai economy which is supported by consumption and net exports.

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