



**THE IMPACT OF PUBLIC EXTERNAL DEBT ON EXCHANGE RATE: A  
CASE OF DEVELOPING COUNTRIES**

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**ABSTRACT**

1.0 BACKGROUND OF STUDY

The purpose of this study is to determine either Public external debt will give impact on exchange rate. The Public external debt is included two more variables, debt service payment and foreign reserves which make three variables involved in this paper. This paper using secondary data which 26 developing countries are selected for eight period years (2009-2016) in order to determine which variable will give impact on exchange rate. The regression based on OLS model has been used to carry out the results. Results then shows, public external debt has negative significant relationship on exchange rate and foreign reserves has a positive significant relationship on exchange rate; meanwhile debt service payment has positive insignificant relationship on exchange rate. Findings also prove that one out of three variables used, are not the determinants factors on volatility of exchange rate which make this paper need a future research to continuous this study .

Keywords: exchange rate, public external debt, debt service payment, foreign reserves, developing countries.