



**THE IMPACT OF EXTERNAL DEBT TOWARDS ECONOMIC GROWTH IN
HEAVILY INDEBTED POOR COUNTRIES (HIPC INITIATIVES)
: CASE OF DEVELOPING COUNTRIES**

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ABSTRACT

External debt has always being considered to be main macroeconomic problem for the developing countries which rose to a level constituting a ‘debt crises’. The main reason for having higher external debt is to surplus revenue in order to increase economic growth of a country. This paper attempt to investigate the impact of external debt towards the economic growth in Heavily Indebted Poor Countries (HIPC Initiative) whether it can promote the economic growth of the selected countries or not. The impact will be compare to how external debt react towards the economic growth in the non-HIPC countries, in the case of developing countries. It adopted regression analysis of OLS for both group of HIPC Initiative and non-HIPC on secondary data gathered from the World Bank which includes panel data of twenty-four countries (12 countries for HIPC Initiative and 12 countries for non-HIPC) for ten year from 2007-2016. The finding indicates that external debt do not promote the economic growth of the countries as the impact for HIPC Initiative and non-HIPC are both negative. Based on this finding, it is encourage that the selected countries should try to reduce their amount of external debt stock as it will not promote their economic growth.