



UNIVERSITI TEKNOLOGI MARA

**EXTERNAL DEBT AND ECONOMIC GROWTH IN
SELECTED ASIAN COUNTRIES**

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Thesis submitted in fulfillment
of the requirement for the degree of
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(Hons) (Finance)


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AUTHOR'S DECLARATION

I declare that the work in this project paper was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the result of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for University Teknologi MARA, regulating the conduct of my study and research.

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ABSTRACT

The purpose of this study is to investigate the impacts of external debt on economic growth in selected Asian countries, namely Malaysia, Pakistan, Indonesia, India and Bangladesh from 1981 to 2013 using Ordinary Least Square (OLS). The findings suggest that there exist positive relationship between debt services and economic growth, while external debt is negatively related with economic growth. Furthermore, capital formation has a positive impacts on the growth meanwhile the population and trade openness are negatively related with the economic growth. In addition, this study made use of several diagnostic tests, such as normality of errors, heteroskedasticity, multicollinearity, autocorrelation and specification biased. The study recommends that the policies of debt management should be improve. The government should pay attention on the debt management profile particularly on the expenditure item and diversify the economy to generate more revenue and avoid external borrowing to the extent possible.

Keywords: debt services, economic growth, external debt, Asian countries.

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