



**UNIVERSITI TEKNOLOGI MARA**

**MACROECONOMICS DETERMINANTS OF  
EXTERNAL DEBT IN MALAYSIA**

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of the requirements for the degree of  
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## **AUTHOR'S DECLARATION**

I declare that the work in this final year project paper was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results 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 Undergraduate, Universiti Teknologi MARA, regulating the conduct of my study and research.


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## **ABSTRACT**

Malaysia has shown an increasing model of total outstanding external debt and as a small economy that formulates and implements a prudent debt management policy. Besides that, external debt needs to be allocated to domestic investment, in return, make economic growth in the long run and implying that Malaysia's external debt position sustainable. However, external debt has been benefits to economic growth and also can improve the potential of servicing the debt without crowding out the country in investment. This paper aims to study the selected macroeconomics determinants of external debt in Malaysia. This study will be used external debt in Malaysia as dependent variable and gross domestic product, interest rate, inflation and money and quasi money (M2). This paper seeks to examine the selected macroeconomics determinants of external debt in Malaysia for the time period of 1987-2016. This study used the unit root test, descriptive analysis, normality test, autocorrelation test, heteroskedasticity, functional form, multicollinearity and Durbin Watson. The result shows that variables have positive and negative relationship towards external debt in Malaysia.

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