



**THE DETERMINANTS OF EXTERNAL DEBT
IN MALAYSIA**

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ABSTRACT

This study examines about the determinant of the External Debt in Malaysia. Malaysia's external debt has become a national concern. Data used for this study was from 1994 to 2018. The purpose of this study is to examine the significant relationship between external debt and its independent variable. It also wants to determine the most significant factors that influence external debt in Malaysia. There are four independent variables that have been select for this research. The independent variables are exchange rate, gross domestic product (GDP), inflation and interest rate. This study uses quarterly data from quarter 1 of 1994 to quarter 4 of 2018 which total observation is 100 samples. In Multiple Linear Regression shows that all the variable has significant towards external debt but different relationship. The study therefore recommends to reducing debt stock levels when economic conjunctions become favorable while keeping an efficient debt management policy.

Keywords: external debt, real exchange rate, GDP, inflation, interest rate,