ABSTRACT

In promoting economic growth in a positive direction, the state undertakes economic development. Limited capital becomes a problem for a country, causing a foreign debt policy crisis to close the existing savings gap. Foreign debt management is a big responsibility that must be assumed by a country so that foreign debt has a positive impact on economic growth, not the other way around.

This study aims to see the impact of foreign debt in boosting economic growth in the nine selected ASEAN countries. Furthermore, the study uses the independent variable foreign debt, domestic savings, population growth, multiplication of foreign debt with domestic savings, multiplication of foreign debt with population growth and the dependent variable, namely economic growth. The data used is secondary data obtained from the Asian Development Bank and the World Bank, covering 9 ASEAN countries in the period 2000-2017. This study uses an unbalanced panel data method with a fixed effect model for influence in each country.

By conducting the Chow test and Hausman test to monitor the model used, the results show that foreign debt as a cover for the savings gap is able to stimulate economic growth both directly and through domestic savings and population growth. Meanwhile, a high level of domestic saving becomes an obstacle to economic growth, as well as population growth which turns out to be an obstacle to economic growth.

Keywords: External Debt, Economic Growth, ASEAN countries, unbalanced panel data, fixed effects model