

ABSTRACT

Economic growth has become an important goal and concern for every country because economic growth is one of the main indicators in measuring a country's economic progress. To achieve this, a large amount of funding is needed as the principal for financing development. This study aims to determine the effect of foreign financing consisting of domestic debt, foreign direct investment, trade openness, additional variables of ease of doing business, and domestic investment as control variables on the economic growth of seven developing market countries (E7) in 2015-2019. The dependent variable used in this study is the economic growth of the E7 countries, namely Brazil, China, Indonesia, India, Mexico, Russia, and Turkey. While the independent variables are foreign debt, foreign direct investment, trade openness, and ease of doing business.

This study uses panel data which is a combination of time series data and cross-section data with secondary data obtained from reports obtained by the World Development Indicators (WDI) World Bank. For the effect of the independent variable on the dependent variable, the best estimation model is chosen from the three types of models, and the best viewing model is the fixed effect model (FEM).

The results of this study indicate that foreign debt, foreign direct investment, trade openness, ease of doing business, and domestic investment simultaneously have a significant effect on the economic growth of the E7 country in 2015-2019. While partially shows that the foreign debt variable has a significant negative effect on the economic growth of the E7 country. The variables of foreign direct investment and trade openness have no significant positive effect on the economic growth of the E7 country. While the variables of ease of doing business and domestic investment have a significant positive effect on the economic growth of the E7 country.

Keywords: economic growth, foreign debt, foreign direct investment, trade openness, ease of doing business, domestic investment, and fixed-effect model (FEM).