

**Analysis of Public Debt on Economic Growth in South Asian Countries**

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**ABSTRACT**

**Introduction:** This study analyses the long run relationship as well as the cause and effect of external debt and debt service on economic growth in South Asian countries including variables such as; interest payment, foreign Direct Investments (FDI), gross savings and net export to the model to prevent spuriousness of the outcomes.

**Design/ Methodology/ Approach:** This research is directed by the neoclassic economic growth theory. The study use secondary data that have collected from World Bank (WB) and International Monetary Funds (IMF) by casing period from 1990 to 2018. The time series data of each country and panel data of South Asian region are analysed by applying advance econometrics techniques using e-views. Autoregressive distributed Lag (ARDL technique has implemented to identify the nature and extent of the association of each variable.

**Findings:** Public debt has significant negative impact on economic growth rate of south Asian countries while Debt service has significant positive impact to the economic growth rate in south Asian countries.

**Conclusion:** The nation should have directed borrowings to growth stimulating projects. Government must implement policies by guiding the uses of public debt to direct activities that will enhance economic growth.

**Keywords:** *Public Debt, Economic Growth, South Asian Countries, Interest Rate.*