

Public Debt and Economic Growth: Comparison among Sri Lanka, India and Bangladesh

Udayangi, W.P.¹ and Perera, W.T.N.M.²

¹udayangipiyumi@gmail.com; ²navini@kln.ac.lk

Abstract

Public debt is one of the main macroeconomic indicators that show a country's position in the global market. This research endeavors to conduct a comparative analysis of the relationship between public debt and economic growth among three prominent South Asian nations: Sri Lanka, India, and Bangladesh. Each country possesses unique economic dynamics, making it imperative to scrutinize the impact of public debt on economic growth within this regional context. This study aims to examine whether an increase in public debt has a positive or negative effect on the economic growth rate in these nations. Three South Asian countries namely Sri Lanka, India, and Bangladesh were selected as the sample of this study. Data will be collected from mainly World Bank Indicators for the period from 1975 to 2021. In this study, descriptive and analytical research designs were primarily used to analyze the data. This research study is composed of five independent variables representing Domestic debt, long-term external debt and short-term external debt, and interest payment. The major findings of this research are the independent variables domestic debt and external debt have negative coefficients of -1.62379 and -0.28379 respectively. But, domestic debt appears to have no significant effect. Also, the research found that there is a positive relationship between long-term external debt, short-term external debt, and interest payment with countries' economic growth. The research emphasizes the necessity for tailored debt management strategies and fiscal policies suiting the specific economic conditions of Sri Lanka, India, and Bangladesh. Understanding the unique dynamics of debt and economic growth in each nation is crucial for formulating effective policies that foster sustainable development.

Keywords: Public Debt, Economic Growth, External Debt, South Asia, Fiscal Policy