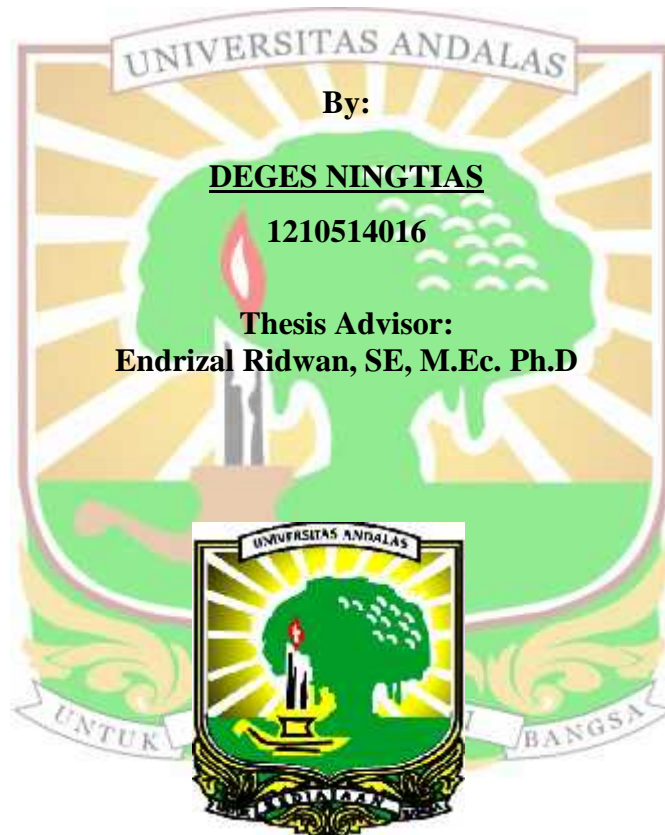


THE PROBLEM OF DEBT OVERHANG IN INDONESIA

THESIS

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ABSTRACT

This study aims to analyze the existence of Debt Overhang with external debt effects on economic growth in Indonesia. Data from this research is secondary data taken from Bank Indonesia from 2000 to 2015 in the form of quarterly data. This research uses Error Correction Model (ECM) to predict short run and long run. The independent variable in this study is external debt, while the dependent variable is Gross Domestic Product (GDP). The result indicates that external debt has insignificant and negative relationship with GDP in short run. External debt has significant and positive relationship with GDP in long run. Based on these findings, there is Debt Overhang in Indonesia therefore the government and Bank Indonesia need to be alert and closely monitor the increase in external debt.

Keyword: *Debt Overhang, GDP, External Debt, ECM*

