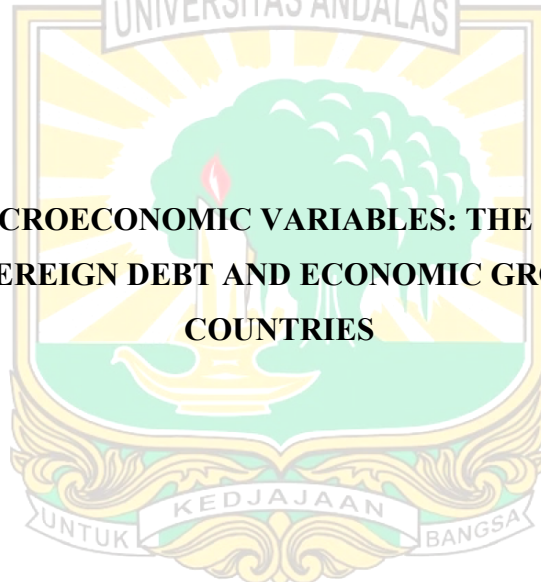




UNIVERSITAS ANDALAS

UNDERGRADUATE THESIS

**DEBT AND MACROECONOMIC VARIABLES: THE RELATIONSHIP
BETWEEN SOVEREIGN DEBT AND ECONOMIC GROWTH IN ASEAN
COUNTRIES**



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ABSTRACT

This study investigates the relationship between sovereign debt and economic growth in seven ASEAN countries over the period 1992-2022. Using panel data and the Panel Autoregressive Distributed Lag (ARDL) approach, the study examines both short-run and long-run dynamics while incorporating key macroeconomics variables, including external debt, government debt, debt service, reserve, interest rates, gross fixed capital formation, and foreign direct investment. The result reveals a significant long-run relationship between sovereign debt and economic growth, supported by cointegration evidence. In the short run, the impact of debt varies depending on its composition and macroeconomic conditions. While excessive external debt and debt servicing hinder growth, the productive use of debt can enhance economic performance. Overall, the findings highlight the importance of effective debt management and policy coordination to support sustainable economic growth in ASEAN countries.

Keywords: Sovereign Debt, Economic Growth, Panel ARDL, ASEAN

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