



Farha Ghapar

Public debt, governance, and growth in developing countries: An application of Quantile via Moments

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Authors Kazi Musa, Kazi Sohag, Jamaliah Said, Farha Ghapar, Norli Ali

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Description Developing countries often encounter budget deficits by taking loans from internal and external sources. The effectiveness of public debt has been a long debate in the seminal and empirical literature. In this study, we investigate the effectiveness of public debt on economic growth, incorporating the role of governance in 44 developing countries. In doing so, we applied the Quantile Via Moments approach to analyze heterogeneous panel data ranging 1990–2000 considering the scale and location properties under different economic circumstances. Our results show that public debt impedes economic growth in all quantiles. Our empirical finding corroborates our proposition that in the presence of good governance, public debt promotes economic growth in the medium to higher quantiles. The empirical findings of this study confirm that governance is far more important in promoting economic growth.

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