

SPECIALIST REPUBLIC OF VIETNAM

Independence- Freedom- Happiness

Ho Chi Minh, June 14th 2019

NEW CONTRIBUTION OF THE THESIS

Name of the thesis: **PUBLIC GOVERNANCE, EXTERNAL DEBT AND ECONOMIC GROWTH IN DEVELOPING COUNTRIES**

Specialisation: Finance - Banking (Public Finance) Code: 9340201

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The thesis addresses two primary objectives: (1) Analyse and evaluate the impact of public governance to external debt in cases of developing countries and (2) Estimate the impact of public governance on the relationship between external debt and economic growth in case of developing countries.

For the first objective, this thesis evaluates the impact of 6 sub-indices of public governance on external debt in relationships with other control variables. The samples are structured into the panel data samples with overall 700 observations. Generalised method of moments (GMM) is used to estimate the overall sample of 65 developing countries as well as 2 sub-samples: 25 low-middle-income countries and 26 high-middle-income countries. The empirical results are used to evaluate the effect of public governance on external debt.

The research results indicate that there is a similarity in the positive impact of public governance on external debt for all 3 empirical samples. In particular, these results are also similarly confirmed with 6 sub-indices of public governance. In addition, control variables such as tax revenue, labour force, trade openness, inflation and infrastructure are also important and statistical significance factors to external debt in developing countries. These findings imply that the public governance environment plays a vital role in increasing/decreasing of external debt. An over increasing in external debt can lead to insolvency, debt crisis as well as economic crisis. Therefore, the improvement of public governance in developing countries is essential to toward the transparency and effectiveness in monitoring, managing and using external debt in each country.

For the second goal, the thesis estimates the effect of public governance on the relationship between external debt and economic growth in developing countries. By adding the interaction variable between public governance/sub-indices of public governance and external debt into the empirical model to investigate the potential impacts of public governance, external debt on economic growth.

The results show that public governance promotes economic growth while external debt and interaction variable reduces the economic growth in overall samples and high middle-income sample. On the contrary, the external debt and the interaction variable enhances economic growth and public governance reduces economic growth in low-middle-income countries. In addition, domestic investment, tax revenue, labour force, trade openness, inflation and infrastructure are the crucial and meaningful factors which play an improving role in economic growth at developing countries.

From the empirical findings, developing countries need to be careful in designing, promulgating and enforcing policies which are related to external debt and public governance. Because an over increasing in external debt could lead to insolvency, debt crisis or economic crisis, governments in developing countries should vigorously reform public governance toward the transparency and effectiveness in monitoring, managing and using external debt. It is not only meaningful in promoting economic growth but also important in public governance.

PhD candidate's signature