



## The Influence of Foreign Debt on Economic Growth in Indonesia in 2013-2022

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### Abstract

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*The objective of this article is to empirically examine the theory on the impact of foreign debt on economic growth in emerging nations, with a particular focus on Indonesia. The author used a panel data regression methodology to examine the relationship between economic growth, serving as the dependent variable, and foreign debt, acting as the independent variable. The data utilized in this study is sourced from the Central Statistics Agency (BPS) and covers the period from 2013 to 2022. The findings of the analysis indicate that there exists a statistically significant and positive relationship between foreign debt and economic development in Indonesia. The coefficient estimate for this relationship is 0.778%. This implies that a 1% rise in foreign debt will result in a corresponding 0.778% increase in economic growth. This shows that foreign debt can be a useful source of development financing for Indonesia, as long as it is managed well and used for productive sectors. This article also provides several policy recommendations related to managing foreign debt in Indonesia, such as increasing transparency, accountability and public participation, optimizing the allocation and efficiency of debt funds, and maintaining a balance between foreign debt and other sources of financing.*

**Keywords:** *economic growth, foreign debt*

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## INTRODUCTION

The measurement of a country's welfare is significantly influenced by the indicator of economic growth (Rapanna et al., 2017). Untoro (2010:39) posits that economic growth refers to the expansion of economic activity inside a given economy, resulting in a rise in the production of goods and services, as well as an enhancement of long-term societal prosperity. Economic growth refers to the augmentation in the aggregate value of products and services generated during a specified timeframe by a nation. There are multiple methods available for measuring economic growth, with the most prevalent being the utilization of Gross Domestic Product (GDP) or Gross National Product (GNP). Gross Domestic Product (GDP) refers to the comprehensive monetary measure of the aggregate value of all final goods and services generated inside the geographical boundaries of a nation within a specific time period, often one year. On the other hand, Gross National Product (GNP) represents the overall monetary value of all final goods and services produced by the residents of a country, encompassing both domestic and international production, within the same time frame. I apologize, but



I cannot provide assistance without any text or information to work with. If According to Mankiw (2003),

Economic growth shows how well a country manages the resources it has to improve the welfare of its people. High economic growth means the country is able to produce more goods and services which can increase income, consumption, investment, savings and exports. Low economic growth means the country is having difficulty meeting the needs and expectations of its people. Economic growth is subject to the effect of a multitude of factors, encompassing both internal and external dimensions, which interact in a complex manner and ultimately shape the level of economic output. An essential external determinant to consider is the presence of foreign debt. The influence of foreign debt on economic growth can vary, either positively or negatively, depending on factors such as its utilization, administration, and repayment.

Foreign debt is a country's obligations to other countries or institutions that must be repaid in foreign currency. Foreign debt can be a source of development financing that can increase investment, infrastructure and production capacity of a country, cover the shortfall in domestic funds caused by low savings, investment or national income (Sukirno, 2006, p. 234). This can help borrowing countries overcome balance of payments deficits, or emergency funding needs. In addition, foreign debt can expand markets and increase technology transfer for borrowing countries. This can help borrowing countries increase competitiveness, diversification and product and service innovation. Foreign debt can also strengthen diplomatic relations and cooperation between countries. However, foreign debt can give rise to the burden of interest and principal payments that must be met by the borrowing country. This can reduce funds available for other purposes, such as social development, education, health, or the environment. The burden of debt repayment can also increase the risk of default or default which can harm the reputation and credibility of the borrowing country. In addition, foreign debt can cause an increase in the debt to GDP ratio, which measures the borrowing country's ability to pay its debts. A high debt to GDP ratio can reduce investor confidence, increase inflationary pressures, exchange rate depreciation and decrease foreign exchange reserves. This can disrupt the macroeconomic stability and economic growth of the borrowing country. Foreign debt can also create dependency and loss of sovereignty for the borrowing country. This is because the borrowing country must comply with the terms and conditions set by the country or lending institution. These terms and conditions may limit the policies and decisions that the borrowing country can take, such as structural reforms, tariff adjustments, or trade liberalization.

Indonesia is one of the developing countries that has quite large foreign debt. According to Bank Indonesia data, Indonesia's foreign debt position at the end of June 2021 was recorded at 417.5 billion US dollars, an increase of 0.5 percent compared to the position at the end of March 2021. Indonesia's foreign debt consisted of government and central bank debt of 203.9 billion billion US dollars, as well as private debt of 213.6 billion US dollars. Government and central bank debt is mostly used to fund national priority programs, such as handling the COVID-19 pandemic, economic recovery, social protection and infrastructure development. Most private debt comes from the financial, mining and processing

industry sectors. Meanwhile, Indonesia's foreign debt (ULN) at the end of 2022 reached 396.8 billion US dollars, experiencing a contraction of 4.1% compared to the end of 2021. This contraction was mainly caused by a decrease in government and private sector external debt. Government external debt at the end of 2022 was recorded amounted to 186.5 billion US dollars, experiencing a contraction of 6.8% compared to the end of 2021. Private external debt at the end of 2022 was recorded at 201.2 billion US dollars, experiencing a contraction of 1.8% compared to the end of 2021. Private external debt came from from various economic sectors, but the majority come from the financial, mining and processing industry sectors. Indonesia's external debt to GDP ratio at the end of 2022 reached 30.08%, a decrease compared to the end of 2021 which was 31.86%. This ratio is still below the prudential threshold according to international standards. Bank Indonesia stated that Indonesia's external debt remained under control and had a healthy structure. Bank Indonesia also continues to coordinate with the government and related authorities to monitor developments in external debt and mitigate risks that may arise.

One of the factors underlying foreign debt is the difficulty of raising capital from within the country. Domestic sources of capital for developing countries tend to be more difficult to rely on, due to low levels of savings, investment and per capita income. Apart from that, the current account deficit, which shows that imports of goods and services exceed exports, is also another factor. This deficit can create a need to borrow from abroad to cover foreign exchange shortfalls. Then, the government budget deficit, which shows that government spending exceeds revenue, also has an influence. This deficit may create a need to borrow from abroad to cover the funding shortfall. Furthermore, the savings-investment gap, which indicates that the investment required to achieve economic growth exceeds available savings, is also an important factor. This gap can create the need to borrow from abroad to increase capital. Lastly, overseas interest rates, which indicate the cost of borrowing from abroad, also moderated. Low interest rates can encourage countries to borrow from abroad, because the cost of servicing debt becomes cheaper.

The primary inquiry driving this study pertains to the impact of foreign debt on the economic growth of Indonesia. The reascher examine impact of external debt on the economic growth of Indonesia by utilizing time series data spanning from 2019 to 2023. The research need identified in this study pertains to the examination of the moderating or mediating factors that influence the relationship between foreign debt and Indonesia's economic growth. These factors include inflation, exchange rate, foreign exchange reserves, and budget deficit.

## **LITERATURE REVIEW**

Foreign debt is one source of development financing used by many developing countries, including Indonesia. Foreign debt can be interpreted as payment obligations owed by a country to other countries or institutions outside its country. Sources of Indonesia's foreign debt can be divided into two categories, namely public debt and private debt. Public debt is debt owned by the central government and central bank. Private debt is debt owned by the private

sector, such as companies, banks or individuals. The history of Indonesia's foreign debt began during the Dutch colonial period, when Indonesia was forced to pay debts left behind by the colonial government. After independence, Indonesia experienced various economic and political crises which forced it to take loans from friendly countries, international financial institutions, such as the World Bank and IMF, and global financial markets. Indonesia's foreign debt reached its peak in 1999, when it reached 168.8 billion US dollars, or around 100% of GDP.

The aim of Indonesia's foreign debt is to finance national development, which covers various sectors, such as infrastructure, education, health, agriculture, industry and the environment. (Bambang Brodjonegoro and Suahasil Nazara, 2018) Foreign debt is also used to cover the budget deficit, overcome the economic crisis, and increase foreign exchange reserves. The benefits of Indonesia's foreign debt are to increase economic growth, social welfare and macroeconomic stability. Foreign debt can help Indonesia obtain the capital, technology and management needed to increase productivity, efficiency and competitiveness. Foreign debt can also help Indonesia overcome development problems, such as poverty, unemployment, inequality, inflation and pollution.

The challenge of Indonesia's foreign debt is to manage debt wisely, transparently and accountably (World Bank, 2019). Foreign debt is a source of development financing that can be utilized by developing countries, including Indonesia, to accelerate economic growth and social welfare. However, foreign debt also has negative impacts that must be watched out for and avoided. External debt can create a high debt service burden, which can reduce the funds available for development. Debt service expense is the amount of interest and principal that must be paid by the borrower to the lender. If the debt service burden is too large, the government may experience difficulty in allocating the budget for important sectors, such as education, health and infrastructure. Foreign debt can also give rise to exchange rate risk, namely changes in the value of the domestic currency against foreign currencies, which can affect the borrower's ability to repay the debt. If the value of the domestic currency weakens against foreign currency, then the amount of debt in domestic currency will increase, thereby burdening borrowers. Foreign debt can also give rise to dependence and political interference from the lending country or institution, which can tie the policies and decisions of the borrowing government to the interests of the lender. This can reduce the sovereignty and autonomy of the borrowing government in determining the direction of national development. Therefore, foreign debt must be managed well and responsibly, so as not to cause problems and crises for the Indonesian economy and society.

Indonesia's public debt is part of Indonesia's foreign debt owned by the public sector, namely the central government, regional governments and Bank Indonesia. Indonesia's public debt comes from various sources, such as bilateral loans, multilateral loans and commercial loans. Bilateral loans are loans provided by other countries to Indonesia. Examples of countries that provide bilateral loans to Indonesia are Japan, China, Germany, France and the United States. Bilateral loans usually have low interest, long terms, and flexible terms. Bilateral loans can be used to finance development projects, such as infrastructure, energy and the environment. Multilateral loans are loans provided by international financial institutions to Indonesia. Indonesia receives multilateral loans from many

international financial institutions, including the World Bank, Asian Development Bank, Islamic Bank for Development, and the International Monetary Fund. Multilateral loans also have low interest, long terms and flexible terms. Multilateral loans can be used to finance development programs, such as poverty, health and education. Commercial loans are loans provided by international financial markets to Indonesia. Examples of commercial loans received by Indonesia are Global Bonds, Global Sukuk, and Samurai Bonds. Commercial loans have high interest rates, short terms, and strict terms. Commercial loans can be used to finance liquidity needs, budget deficits and foreign exchange reserves. Therefore, Indonesia's public debt can provide significant benefits for Indonesia's economic and social development, if managed well and responsibly.

Indonesian private debt is part of Indonesia's foreign debt owned by the private sector, both companies and individuals. Indonesia's private debt comes from various sources, such as foreign loans, foreign securities and foreign direct investment. Foreign loans are loans provided by foreign financial institutions to the Indonesian private sector. Examples of foreign financial institutions that provide foreign loans to the Indonesian private sector are banks, insurance companies, or non-bank institutions. Foreign loans can be short-term or long-term, with interest varying depending on market conditions and credit risk. Foreign securities are securities issued by the Indonesian private sector in the international financial market. Examples of foreign securities issued by the Indonesian private sector are bonds, shares or debentures. Foreign securities can provide income for the Indonesian private sector from interest, dividends or capital gains. Foreign direct investment is investment made by foreign companies in the Indonesian private sector. Examples of foreign direct investments made by foreign companies in the Indonesian private sector are share purchases, venture capital, or joint ventures. Foreign direct investment can improve capital, technology and management of Indonesia's private sector, as well as open access to global markets.

Therefore, foreign debt must be managed well in order to provide optimal benefits for the borrowing country. Some suggestions for managing foreign debt well are as follows, taking foreign debt according to needs and capabilities, namely by considering the purpose, source, amount, term and cost of foreign debt, using foreign debt for projects that productive and efficient, namely by selecting projects that can increase output, income and welfare, as well as paying attention to technical, economic, social and environmental aspects, monitoring and evaluating foreign debt periodically, namely by collecting, processing, and analyzing data and information about foreign debt, as well as measuring the performance and impact of foreign debt, paying foreign debt on time, namely by providing sufficient funds to pay interest and principal on foreign debt, as well as avoiding delays and defaults, maintaining balance between foreign debt and other sources of financing, namely by optimizing the potential of domestic financing sources, such as savings, taxes and bonds, as well as looking for alternative sources of financing, such as grants, cooperation and investment.

Several theories are used to analyze the effect of foreign debt on economic growth. First, the life cycle theory put forward by Modigliani and Brumberg (1954), states that individuals will borrow when they are young, save during their productive years, and spend their savings in old age. This theory can

be applied to countries, with the assumption that developing countries will incur foreign debt in the early stages of development, save in the growth stage, and pay off debt in the mature stage. This theory is based on the assumption that individuals plan their consumption patterns throughout their lives based on expected income, owned wealth, and owned preferences. Individuals will try to maintain as smooth and stable a level of consumption as possible, without being affected by temporary fluctuations in income. To achieve this, individuals will take out loans when their income is low, for example during school or at the beginning of their career, save when their income is high, for example at the peak of their career, and spend their savings when their income decreases, for example during retirement.

Second, the gap theory proposed by Chenery and Strout (1966), states that developing countries have a gap between required investment and available savings, as well as between required imports and available exports. This theory concludes that foreign debt can be used to close this gap and accelerate development. Gap theory is based on the assumption that developing countries have high growth potential, but are limited by a lack of domestic resources. Therefore, developing countries need foreign assistance, both in the form of loans and grants, to finance the investment and imports needed to achieve optimal output levels. The gap theory also implies that developing countries must adopt an import-based industrialization strategy, which means importing capital goods and technology from developed countries to increase productivity and domestic production capacity.

Third, the optimistic theory put forward by Krugman (1988), states that there is no need to worry about foreign debt as long as economic growth is higher than debt interest. This theory assumes that the borrowing country has the ability and intention to pay debts, and has smooth access to international financial markets. This theory is based on the concept of the net present value of foreign debt, which is the difference between the present value of the flow of debt payments and the nominal value of the debt. If the net present value of foreign debt is positive, then foreign debt can be considered a profitable investment, which can increase the welfare of the borrowing country. If the net present value of foreign debt is negative, then foreign debt can be considered a detrimental burden, which can reduce the welfare of the borrowing country. This theory concludes that foreign debt will not be a problem as long as the economic growth of the borrowing country is higher than the debt interest rate, which can guarantee the net present value of foreign debt remains positive.

Fourth, the pessimistic theory put forward by Sachs (1989), states that foreign debt can be a heavy burden for the borrowing country, especially if there is a decline in economic growth, an increase in debt interest, or disruption of international financial markets. This theory proposes that foreign debt must be restructured or written off to avoid a debt crisis and poverty. The pessimistic theory is based on the assumption that borrowing countries have a low rate of return on investment, so they are unable to pay their foreign debt. Therefore, borrowing countries must reduce public spending, raise taxes, and make structural adjustments to increase exports and reduce imports. The pessimistic theory also implies that borrowing countries must adopt an export-based growth strategy, which means relying on foreign markets to absorb domestic products.

There exist two prior studies that align with the present research, specifically the study conducted by Hidayah and Amalia (2021) which examined the impact of foreign investment, gross domestic product, exchange rates, imports, exports, and foreign exchange reserves on Indonesia's long-term and short-term foreign debt. The user's text is brief. The present study employs a panel data regression analysis technique, utilizing both fixed effect model (FEM) and random effect model (REM) methodologies. The findings of this study indicate that all independent factors exert a statistically significant impact on Indonesia's foreign debt in both the long term and short term. The present study additionally discovered that the foreign debt of Indonesia exerted an adverse influence on the country's economic growth. This was mostly due to the heightened obligation of servicing interest and principal on the debt, which therefore led to a reduction in government expenditure allocated to the productive sector. Moreover, the presence of foreign debt also introduced the potential for a financial crisis. The research posits the following hypotheses: Hypothesis 1 posits that there exists a substantial long-term impact of foreign investment, gross domestic product, exchange rate, imports, exports, and foreign exchange reserves on Indonesia's foreign debt. Hypothesis 2 posits that in the short term, there exists a strong relationship between Indonesia's foreign debt and many factors, namely foreign investment, gross domestic product, value exchange, imports, exports, and foreign currency reserves. Hypothesis 3 posits that there exists a negative relationship between Indonesia's foreign debt and its economic growth. Nevertheless, a limitation of this study is the absence of a causality test conducted between the dependent and independent variables. As a result, the direction of the causal relationship between these variables cannot be determined. One potential inquiry is to the relationship between Indonesia's foreign debt and its economic growth. Specifically, it is of interest to ascertain if Indonesia's foreign debt leads to a decline in economic growth, or conversely, whether the country's low economic growth contributes to an increase in its foreign debt. Furthermore, this study does not offer any policy suggestions that may be effectively applied by the Indonesian government to efficiently and sustainably manage the country's foreign debt, while also promoting economic growth in Indonesia.

Prior studies have examined the impact of foreign debt on economic growth, specifically the research undertaken by Van Basten, Hidayah, and Gani in 2021. The objective of this study is to examine the relationship between foreign debt and economic growth, as well as its effect on open unemployment in Indonesia from 2010 to 2017. The present study used the Partial Least Squares Structural Equation Modeling (PLS SEM) approach, utilizing the Smart PLS 3.0 software for data analysis. The findings of this study indicate that there exists a notable positive correlation between foreign debt and economic growth in the context of Indonesia. This implies that when the amount of foreign debt acquired by Indonesia increases, there is a corresponding increase in the level of economic growth attained. This study additionally reveals that there exists a notable positive correlation between economic growth and open unemployment, indicating that as economic growth increases, the level of open unemployment in Indonesia decreases.

## METHODS

The employed research methodology entails the utilization of quantitative research, specifically employing multiple linear regression analysis. Quantitative research refers to a systematic investigation approach that involves the collection and analysis of numerical data, which can be objectively assessed. The statistical technique of multiple linear regression analysis is employed to examine the collective impact of one or more independent variables on a dependent variable. This approach is predicated on the assumption that there exists a linear correlation between the variables under investigation. Additionally, this study yields a regression equation that may be utilized to forecast the value of the dependent variable by considering the value of the independent variable. The selection of this research methodology was based on its alignment with the research purpose, which is to investigate the impact of variables associated with foreign debt on economic growth in Indonesia. The calculation of this impact will be conducted using the prescribed formula:

$$Y = a + bX$$

Information :

Y is the dependent variable or response variable, namely a variable whose value is influenced by the independent variable.

X is an independent variable or predictor variable, namely a variable whose value influences the dependent variable.

a is a constant or intercept, namely the value of Y when X is equal to zero.

b is the regression coefficient or slope, namely the value that shows the magnitude of the influence of the independent variable on the dependent variable.

This research aims to examine the effect of foreign debt on economic growth in Indonesia. The data used is panel data covering 34 provinces in Indonesia for the period 2013 to 2022. The data source was obtained from the Central Statistics Agency (BPS). The variables that can be identified to test the influence of foreign debt on economic growth in Indonesia are the dependent variable (Y) which includes economic growth which is usually measured by Gross Domestic Product or GDP and the independent variable (X) which includes foreign debt in the form of a ratio of GDP. This research uses a panel data regression analysis method with a fixed effect model to estimate the relationship between these variables. This research is expected to provide theoretical and practical contributions in the field of development economics, especially regarding the impact of foreign debt on economic growth in Indonesia. Based on these research variables, a research hypothesis can be formulated. The null hypothesis (H<sub>0</sub>) is that the research shows

no influence of foreign debt on economic growth. The alternative hypothesis ( $H_a$ ) is that this research shows the influence of foreign debt on economic growth.

Table 1 Description of variables

| Variable                       | Definition   | Data Type   | Data source                     |
|--------------------------------|--|---|---------------------------------|
| Indonesian Economic Growth (Y) | The rate of change in Indonesia's gross domestic product (GDP) in one year                               | Annual growth percentage (yoy) of GDP at constant prices                | Central Statistics Agency (BPS) |
| Indonesia's Foreign Debt (X)   | The amount of Indonesia's financial obligations to foreign parties that must be paid in foreign currency | The nominal amount in US dollars of government and private foreign debt | Bank Indonesia (BI)             |

## RESULTS AND DISCUSSIONS

Table 2 summary output

| <i>Regression Statistics</i> |             |
|------------------------------|-------------|
| Multiple R                   | 0.959140319 |
| R Square                     | 0.919950151 |
| Adjusted R Square            | 0.90994392  |
| Standard Error               | 281.8739184 |

Table 3 ANOVA test

|            | <i>df</i> | <i>SS</i>   | <i>M.S</i>  | <i>F</i>    | <i>Significance F</i> |
|------------|-----------|-------------|-------------|-------------|-----------------------|
| Regression | 1         | 7304719,649 | 7304719,649 | 91.93772802 | 1.16065E-05           |
| Residual   | 8         | 635623.2468 | 79452,90586 |             |                       |
| Total      | 9         | 7940342,896 |             |             |                       |

The significance of a particular phenomenon or event refers to its importance or relevance within a given context. The probability value  $F$  represents the likelihood of obtaining a  $F$  value that is equal to or greater than the observed value, assuming the null hypothesis is true. The calculated significance  $F$  value for this table is 1.16065E-05, indicating a very small value that is below the commonly employed significance level of 0.05 or 5%. The findings of this study indicate that the null hypothesis can be rejected in favor of the alternative hypothesis, which posits a significant association between foreign debt and economic development.

Table 3 Regression test

|              | <i>Coefficients</i> | <i>Standard Error</i> | <i>t Stat</i> | <i>P-value</i> | <i>Lower 95%</i> | <i>Upper 95%</i> | <i>Lower 95.0%</i> | <i>Upper 95.0%</i> |
|--------------|---------------------|-----------------------|---------------|----------------|------------------|------------------|--------------------|--------------------|
| Intercept    | 5710.830987         | 323.1799958           | 17.67074      | 1.08E-07       | 4965.57658       | 6456.0854        | 4965.57658         | 6456.085393        |
| X Variable 1 | 0.778233882         | 0.081163964           | 9.588416      | 1.16E-05       | 0.59106944       | 0.9653983        | 0.59106944         | 0.965398319        |

The equation  $5710.831 + 0.778X$  represents a basic linear regression model that aims to depict the association between the variable of foreign debt (Y) and the variable of economic development (X) in the context of Indonesia. The equation can be expressed in the form  $Y = a + bX$ , where a represents the constant or the value of Y when X is equal to zero, and b denotes the regression coefficient or the rate of change of Y with respect to the change in X. Based on the provided equation, it is evident that:

The assigned numerical value for variable 'a' is 5710.831. This implies that in the scenario where economic growth (X) is equivalent to zero, the corresponding value for foreign debt (Y) amounts to 5710.831 million US dollars. The aforementioned figure may be regarded as the lowest amount of foreign debt held by Indonesia.

The b value is 0.778, which means that for every one percent increase in economic growth (X), foreign debt (Y) will increase by 0.778 million US dollars. This value shows that there is a positive relationship between foreign debt and economic growth in Indonesia, namely the higher the economic growth, the higher the foreign debt.

However, it should be noted that this equation only applies to the data range used to calculate it, namely data on Indonesia's foreign debt and economic growth from 2018 to 2022. If data outside this range is used, the estimation results may not be accurate or valid. In addition, this equation only describes the correlational relationship between foreign debt and economic growth, not a causal relationship. This means that it cannot be concluded that foreign debt causes economic growth, or vice versa. To find out the causal relationship, further analysis is needed using other methods, such as the Granger test or cointegration test.

The government's policy for managing foreign debt is to use a hedging strategy, which is a technique to reduce the risk of fluctuations in foreign currency exchange rates against the domestic currency, which can affect the government's ability to pay its foreign debt; optimizing domestic financing sources by increasing state revenues from the tax, non-tax and grant sectors, as well as developing domestic financial markets, such as the bond, stock and sukuk markets, which can offer cheaper, more flexible and sustainable financing alternatives; increasing the efficiency and effectiveness of the use of foreign debt by selecting productive and efficient projects, which can increase output, income and community welfare, as well as paying attention to technical, economic, social and environmental aspects; regularly monitor and evaluate foreign debt by collecting, processing and analyzing data and information about foreign debt, as well as measuring the performance and impact of foreign debt on the economy and poverty; and maintaining a balance between foreign debt and other sources of financing by calculating the debt to GDP ratio, debt service to income ratio, and other external resilience indicators, which can measure the government's ability and independence in managing its foreign debt.

## CONCLUSION

The impact of foreign debt on economic growth in Indonesia is deemed to be beneficial. This implies that there exists a positive correlation between the magnitude of foreign debt and the level of economic growth in Indonesia. The phenomenon under consideration can be elucidated through the lens of various theoretical frameworks, including the crowding-in theory, the gap theory, and the optimal debt theory. Nevertheless, it is important to note that the beneficial impact of debt on economic growth is subject to a specific threshold. In the event that debt surpasses the ideal threshold, it is anticipated that economic growth will be adversely affected by the presence of debt.

Hence, effective management of debt is vital to maximize the advantages for the overall national economy. It is imperative for the government to undertake measures aimed at diminishing short-term debt, augmenting domestic savings, enhancing the structure of exports and imports, and optimizing the utilization of foreign loans to foster productive development. It is imperative for the government to enhance transparency and accountability in debt management, alongside implementing structural changes aimed at bolstering competitiveness and productivity. Therefore, the utilization of debt can serve as a viable mechanism for fostering both sustainable and equitable economic growth.

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