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REVIEW OF LITERATURE

NEED/IMPORTANCE OF THE STUDY

STATEMENT OF THE PROBLEM

OBJECTIVES

HYPOTHESES

RESEARCH METHODOLOGY

RESULTS & DISCUSSION

FINDINGS

RECOMMENDATIONS/SUGGESTIONS

CONCLUSIONS

SCOPE FOR FURTHER RESEARCH

ACKNOWLEDGMENTS

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APPENDIX/ANNEXURE

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CONTRIBUTIONS TO BOOKS
- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

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- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS
- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

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EXTERNAL DEBT OF MALDIVES: GROWTH AND ECONOMIC GROWTH

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ABSTRACT

This study investigates the factors that determine and enhance economic growth. The factors to determine the economic growth of Maldives is total debt, Long-term Debt, Short-term Debt, and Gross domestic Products. Simple Linear Regression model, Semi Log Linear Regression models, Correlation and Regression are applied to analyze the determinates of economic growth with the help of time series data for 29 years with annual frequency from 1981 to 2009. The economic growth may gain boost by the factors not only by these but also many others. In this study total debt, Long-term Debt, Short-term Debt relationship with economic growth are found positively associated with economic growth.

KEYWORDS
external debt, Maldives.

1.1. INTRODUCTION

Most of the under developed and developing countries suffer from a low level of income and consequently their saving and capital accumulation are also very low. When a country is facing a crunch in the capital market, to undertake activities generally it goes in for internal borrowing and when it is not enough, it resorts to external resources. Moreover, when there is less scope to receive foreign direct investment, NRI earnings, grants, aids and export most of the developing countries resort to external borrowing. Generally public debt means an amount owed by a government. External debt means owed by one country to another. It refers to the obligations of a country to foreign governments or foreign nationals or international institutions. A country borrows externally to augment its domestic resources with the knowledge that all the resources generated in the future will not be available for domestic purposes and a part of them will have to be transferred to external creditors. PEP defines it as "Gross external debt, at any given time, is the outstanding amount of those actual current, and not contingent, liabilities that require payment(s) of principal and/or interest by the debtor at some point(s) in the future and that are owed to nonresidents by residents of economy".

Definition of 'External Debt The portion of a country's debt that was borrowed from foreign lenders including commercial banks, governments or international financial institutions. These loans, including interest, must usually be paid in the currency in which the loan was made. In order to earn the needed currency, the borrowing country may sell and export goods to the lender's country.

Investopedia explains 'External Debt' A debt crisis can occur if a country with a weak economy is not able to repay external debt due to the inability to produce and sell goods and make a profitable return. The International Monetary Fund (IMF) is one of the agencies that keep track of the country's external debt

External Debt or Foreign Debt is that part of the total debt in a country that is owed to creditors outside the country. The debtors can be the government, corporations or private households. The debt includes money owed to private commercial banks, other governments, or international financial institutions such as the international monetary fund (IMF) and World Bank.

1.2. EXTERNAL DEBT MANAGEMENT

Developing countries with managed exchange rate mechanisms and is aimed at addressingb to real issues facing the developing countries. The advantage of external debt is that it add resources in the economy however excess reliance on external debt may expose thecountry to certain risks that may trigger a debt crises asGovernments cannot print foreign currency unlike the domestic curreny. External Debt is pro-cyclical and can stop suddenly exposing the borrowing countries to Refinancing risk that may lead to balance of payment crises. The problems of extraordinarily high public debt and very large external debt are the consequence of (a) large and persistent fiscal and current account balance of payments deficits, (b) imprudent use of borrowed resources, such as wasteful government spending, resort to borrowing for non-development expenditures, undertaking of low economic Priority development projects and poor implementation of foreign aided projects, (c) weakening debt carrying capacity in terms of stagnation or decline in real government revenues and exports, and (d) rising real cost of government borrowing bot domestic and foreign. External debt is one of the components of total debt stock and should be availed with great cautious as this is a limited sourc of funding for Developing countries.

1.3. DEBT SUSTAINABILITY

A portion of nominal debt is normally wiped out by inflation, which reduces the burden of real debt, and, therefore, a part of nominal interest payments in fact represents repayment of principal. In analyzing the burden of debt the focus should, therefore, be on the real magnitudes, that is, real interest rate (nominal interest rate minus the rate of inflation) and the real rate of growth of debt (nominal growth less the rate of inflation). If the real growth rate of debt exceeds the real growth rate of GDP or revenue, the debt-to-GDP or debt-to-revenue ratio will begin to rise and if this excess persists for a long time, the growth in debt burden will assume explosive proportions. Similarly, in the case of external debt, as long as growth rate of foreign exchange earnings exceeds the rate of growth of debt, the debt burden as a proportion of foreign exchange earnings will not go up. The more sophisticated rules of debt management relate growth of debt burden to cost of borrowing. For instance, it can be mathematically demonstrated that if the primary fiscal deficit (i.e. deficit before interest payments) is zero, the ratio of public debt to revenues will not rise as long as the average real interest rate on debt does not exceed the real rate of growth of revenues. Similarly, if there is no current account balance of payments deficit, before interest payments, it can be shown that the ratio of external debt to foreign exchange will not increase as long as average real interest rate on debt does not exceed the real rate of growth of foreign exchange earnings.

Quite obviously, therefore, the levels of deficits before interest payments, the costs of borrowing, and rate of growth of revenues and foreign exchange earnings are critical determinants of trends in public and external debt burden. But what are excessive levels of debt burden? If the debt is not concessional, public debt to revenue ratio should not normally exceed 250 percent and the ratio of external debt to foreign exchange earnings should not exceed 150 percent. With a moderate degree of concessionality of debt say from 20 to 30 percent, these ratios should stay around 350 percent and 200 percent respectively. Similarly, it is normally considered desirable that external debt service payments not exceed 20-25 percent of foreign exchange earnings and similarly public debt service payments are kept below 25-30 percent of government revenues.

1.4. KINDS AND NEEDS OF EXTERNAL DEBT

External debt may be broadly classified under eight kinds. These include multilateral, bilateral and commercial loans and cover both the Government and non-government sectors. These also comprise highly concessional loans as well as loans on market term.

1.4.1. Multilateral Debt

This refers to loans and credits extended by multilateral organizations to the Government or, in some cases, with Government guarantee, to Public and Private sector corporate bodies. This includes long-term credits (40 years) of International Development Association (IDA) and long-term loans from the World Bank or the Asian Development Bank (ADB), which have market interest rates and long repayment period (From15to20years).

1.4.2 Bilateral Loans

This refers to borrowing on varying degrees of concessionality, from other governments. Such loans are given to the government and in some cases to public sector organizations.

1.4.3 Loans from the International Monetary Fund (IMF)

The IMF debt assumed significance in the early 1980s, when India resorted to withdrawals under the Extended Fund Facility (EFF)/supplementary Financing Facility (SFF) to ease out the balance of payments difficulties.

1.4.4 Export Credit

This comprises buyers' credit, suppliers' and exports credit for defense purchases. Buyers' credit and suppliers' credit are treated as forms of commercial borrowing.

1.4.5 Commercial borrowing

This includes market borrowings abroad by corporate entities and public sector undertakings and includes commercial bank loans, securitized borrowings (including India Development Bonds) and loans or securitized borrowings with multilateral or bilateral guarantees. Commercial borrowings also include loans from International Finance Corporation (IFC), Washington, and self-liquidating loans.

1.4.6 Non-Resident Deposits

This refers to various types of Non-Resident (NR) deposits and Foreign Currency (Banks & others) Deposits (FC (B&O) D) with maturities of over one year.

1.4.7 Rupee Debt

This refers to debt denomination in rupees owed to Russia (with some very small amounts owed to other East European Countries) and paid through exports. Rupee debt is broken up into a defense and a civilian component. Since March 1990. The civilian component of rupee debt has also included rupee supplier's credits.

1.4.1. Short term debt

This refers to debt with a maturity period of up to one year. This is usually trade related debt. The first seven categories may be termed as long-term debt. The eighth category is short term, as the very name suggests. A comprehensive definition of India's external debt must include all these items although in different contexts external debt is defined to include only some of these kinds.

1.5. ADVANTAGES

FASTER GROWTH

A business needs investments to grow. Even the most profitable companies cannot rely solely on reinvested profits to finance their expansion. Accordingly, a business needs to secure bank credit, partner with venture capital firms or in any other way tap external sources of finance. External finance provides the room for faster growth, allowing the company to operate on a far bigger scale, capturing new markets and providing products and services to an ever greater number of customers.

GREATER ECONOMIES OF SCALE

Large businesses are generally more efficient than small ones. They have a greater bargaining power with suppliers and they can spread their fixed costs, such as administrative expenses, over larger sales. This results in lower costs per unit of production, which, in turn, gives the company a competitive edge in the marketplace. External sources of finance help a company grow faster, achieving the economies of scale necessary to compete with the rival firms on regional, national, or even international level.

2. REVIWE OF LITERATURE

2.1. INTRODUCTION

This chapter is devoted to present a brief review of the earlier works related to the external debt to Maldives. A survey of available literature reveals the facts that studies undertaken in the area of external debt of Maldives are limited in number. Most of the available works on Maldives external debt have been undertaken only in recent years. This chapter does not intend to review all available works on external debt. However, in this chapter, some important research works undertaken in recent years which are very closely connected with the present study are reviewed.

In their study on," **External debt and economic growth in Iran**", Mehdi Safdari1 and et al (2011) has Explained the balance relation and the long term of five variables (gross domestic product, private investment, public investment, external debt and imports) and also their influences on each other in Iran for the period from 1974 to 2007, were analyzed. As such, the Vector Autoregressive Model (VAR) was used. Stability of variables by the use of Dickey-Fuller test was examined, after which analysis of Johnson test for considering the convergence among five variables was used. The results of this research showed that the external debt had a negative effect on gross domestic product and private investment. Also, public investment had a positive relation with private investment.

In their work on **," Domestic Investment, FDI and External Debt: An Empirical Investigation,"** Manop Udomkerdmongkol and et al (December, 2011) has Explained to make predictions on the relative importance of three different sources of financing, namely domestic capital self-financing (private investment); FDI financing; external debt financing, for domestic investment under two types of political regime– politically unstable and stable regimes, based on a sample of low and middle-income countries over the period 1995-2001. Author hypotheses are that international borrowing financing would be the major source of finance in both regimes. Private investment would be least important source in unstable regime. Yet, in stable regime, it would be of similar importance to FDI financing. FDI financing would be between foreign debt financing and domestic capital self-financing in unstable regime. Findings suggest that external debt financing has no impact on domestic investment. By contrast, FDI and private investment crowd in the investment. In unstable regime, the effect of domestic capital self-financing is greater than FDI financing effect. Domestic capital self-financing, however, is of similar significance to FDI financing in stable regime.

In her work on ," **External Debt, Internal Debt and Economic Growth Bound in Nigeria Using a causality Approach",** D.Amassoma (2011), the study examined the casual between nexus between external debt, domestic debt and economic growth in Nigeria between 1970 and 2009 using a vector autoregressive (VAR) and a Vector Error Correction (VEC) models. The variables used in the study were tested for stationary using the augmented dickey fuller and Philip perron test. In this paper result showed that the variables are stationary at first differencing. Co-integration test was also performed and the result revealed the absence of co-integration between domestic debt and economic growth while the result also revealed the presence of co-integration between external debt and economic growth. The co-integration results determined the appropriateness of methodological test for causality. The findings of the VAR model revealed that there is a bi- directional causality between domestic debt and economic growth while that of the VEC model revealed a unidirectional causality from economic growth to external debt in Nigeria. The study recommends that government should rely more on domestic debt in stimulating growth than on external debt.

In Their work on (2011)," **The Internal- External Debt Ratio and Economic Growth,**" P.Tsintzos, Efthimiadis.T, In this paper examined the effects of the ratio of internal to external to external public debt on a country's economic growth. These effects are examined through a competitive, decentralized model of endogenous economic growth, which relies on public investments. Our finding shows that as the internal public debt ratio increases, the public the long run economic growth rate. The main conclusion of this paper is that the outflow of domestic capital which is needed to service external debt has unfavorable on an economy's long run steady state growth rate.

Yunhe Qiu (July, 2010) in his work on , **"Debt crisis and Debt Sustainability in Developing countries,"** in this paper to find out how future debt crisis can be prevented, first take a look at the history and development of the debt crisis in developing countries. He discussed the causation, as well as preferable, advantageous solution for the developing countries debt crisis. And some policy suggestions are also given out at the end. More over in order to find out if the

government of developing countries pursued a sustainable debt policy after the experienced the debt crisis, six selected developing countries from Asia and Latin America and latest in terms of sustainability of their public debt. The results showed that, although there is a high debt ratio in some countries, the empirical evidence for most of the selected countries show that their public debt is sustainable.

In Their work on (2011)," **The Internal- External Debt Ratio and Economic Growth**," P.Tsintzos, Efthimiadis.T, In this paper examined the effects of the ratio of internal to external to external public debt on a country's economic growth. These effects are examined through a competitive, decentralized model of endogenous economic growth, which relies on public insvestments. Our finding shows that as the internal public debt ratio increases, the public the long run economic growth rate. The main conclusion of this paper is that the outflow of domestic capital which is needed to service external debt has unfavorable on an economy's long run steady state growth rate.

Shahnawaz Malik (2010)[8] In his work on," **External Debt and Economic Growth: Empirical Evidence from Pakistan",** has Explained Foreign aid or External Debt is considered a significant source of income for developing countries. Pakistan has relied much on foreign debt to finance its balance of payments deficits and saving investment gap. This heavily dependence on external resources became uncontrollable in late 1980s.primary objective of this paper is to explored the relationship between external debt and economic growth in Pakistan for the period of from 1972 to 2005, using time series econometric techniques. He took a point of glance of external debt and economic performance of Pakistan. In this paper showed that external debt is negatively and significantly related with economic growth. The evidence suggests that increase in external debt will lead to decline in economic growth. Debt servicing has also significant and negative impact on GNP growth. As the debt servicing tends to increase, there will be fewer opportunities for economic growth.

In their Work on, " **The impact of Nigeria's external debt on economic development** ", Esther O. Adegbite and et al (2008), they investigated the impact of huge external debt with its servicing requirements on economic growth of the Nigerian economy so as to make meaningful inference on the impact of the debt relief which was granted to the country in 2006. The neoclassical growth model which incorporates external sector, debt indicators and some macroeconomic variables was employed in this study. The paper investigates the linear and nonlinear effect of debt on growth and investment utilizing the ordinary least squares and the generalized least squares. Among other things, the negative impact of debt on growth is confirmed in Nigeria. In addition, external debt contributes positively to growth up to a point after which its contributions become negative reflecting the presence of nonlinearity in effects. Nigeria's external debt is analyzed in a new context utilizing a different but innovative model and econometric techniques. It is of tremendous value to researchers on related topic and an effective policy guide to policymakers in Nigeria and other countries with similar characteristics.

M.S. Ogunmuyiwa (2008) in his work on, " **Does External Debt Promote Economic Growth in Nigeria**?" has examined external debt actually promotes economic growth in developing countries using Nigeria as a case study. Time series data from 1970 to 2007 were fitted into the regression equation using various econometric techniques such as Augmented Dickey Fuller (ADF) test, Granger causality test, Johansen co-integration test and Vector Error Correction Method (VECM). Empirical results reveal that causality does not exist between external debt and economic growth as causation between debt and growth was also found to be weak and insignificant in Nigeria.

In their study on, " **Public External Debt, Informality and Production Efficiency in Developing Countries**, ". Imed Drine and et al (2006) this paper proposed an alternative approach to investigate the non-linear effect of external debt on growth. An endogenous growth model with formal and informal sectors is developed to analyze the effect of public external debt on production efficiency in developing countries. Using a stochastic frontier technique with unobserved heterogeneity, for a panel of 27 developing countries for the period from 1970 to 2005, They confirms that the turning point associated to the effect of the share external public debt is apparent at 84 per cent.

Chinedu B. Ezirim and et al (2006) in their Study**, " Exchange Rate Determination, Foreign Investment Burden and External Debt Crisis in Less- developed Countries: Nigerian Experience,**" they investigate the relationships between three external sector economic crises: exchange rate, foreign investment, and external debt. More pointedly it seeks to know how external debt burden and foreign investment burden, in the midst of internal oil price movements, affect exchange rates conditions in a typical oil-producing LDC. Four log-linear multiple and distributed lag models were estimated using the OLS and exact maximum likelihood methods against annual Nigerian data from 1970 to 2001. Globally, the study found clear-cut and significant relationships between the three external sector economic crises. Relatively, foreign investment burden, international oil prices and previous exchange rate conditions are important arguments in explaining current exchange rate crisis in a typical LDC. External debt burden was not found to be a consistent factor contributing to exchange rates crisis in Nigeria. A major imperative of these results is that the observed role of the investment burden was that of putting immense pressures on the exchange rates, and thus aggravates the crisis condition. External debt burden does not have the same magnitude of effect.

In their study work on, " **The impacts of External Debt Burden and Foreign Direct Investment Remittances on Economic Growth: Empirical Evidence from Nigeria",** Emmanuel Anoruo and et al (2006) have analysed the economies of LDCs have been bedeviled, among others, by the twin external eco-financial crises of mounting debt burden and foreign investment inadequacies accompanied by more than proportionate FDI income remittance out of these economies. The worst hit by these trend are the highly indebted poor sub- Saharan African countries, including Nigeria. Against this background, this study sets out to investigate the casual relationship between external debt crisis and foreign investment crisis plaguing these countries, using Nigeria as a test case. It also attempts to x-ray the relationship between these two external sector crises and the GDP of the country. Use is made of modified granger causality procedure to derive the relevant models while estimation followed the log-linear least square procedure against annual Nigerian data from 1970 through 2001. The diagnostic test results indicate that the specified models possess satisfactory forecasting and explanatory powers. The relative statistical results indicate the existence of dual causality between external debt and foreign investment burdens in the country. Evidently, the two economic problems do not contribute positively and significantly to growth in the output levels of Nigeria, ceteris paribus.

Naeem Akram (2006) in his work on, "**Impact of Public Debt on the Economic Growth of Pakistan",** this paper explain over the year Pakistan has failed to collect enough revenues to finance its budget. Consequently, it has been facing the problem of twin deficits and resultantly to finance their developmental activities government has to rely on public external and domestic debt. The positive effects of public debt relate to the fact that in resource- starved economies debt financing if done properly leads to higher growth and adds to their capacity to service and repay external and internal debt. The negative effects work through two main channels—i.e.,"Debt Overhang" and "Crowed Out" effects. The present study examines the consequence of public debt for economic growth and investment in Pakistan for the period from 1972 to 2009. It develops a hybrid model that explicitly incorporates the role of public debt in growth equations. As the some variables are I (1) and other are I (0) so autoregressive distributed lag (ARDL) technique have been applied to estimate the model. Study finds that public external debt has negative relationship with per capita GDP and investment conforming the existence of "debt overhang effect". However, due to insignificant relationships of debt servicing with investment and per capita GDP, the existence of the crowding out hypothesis could not be confirmed. Similarly, domestic debt has a negative relationship with investment and per capita GDP. In other words, it seems to have crowded out private investment.

In their study, " **External debt and economic growth in Latin America,**" Alfredo Schclarek (May 16, 2005), has explained the relationship between external debt and growth for a number of Latin America and Caribbean economies. Researcher find that lower total external debt levels are associated with higher growth rates, and that this negative relationship is driven by the incidence of public external debt levels, and not by private external debt levels. Regarding the channels through which debt accumulation affects growth, Author find that this mainly driven by the capital accumulation growth. In addition, neither total factor productivity growth nor private savings rates are affected by external debt levels. Researcher does not find evidence of nonlinear effects for these relationships. The data set consist of a panel of 20 Latin American and Caribbean countries with data averaged over each of seven 5 year period between 1970 and 2002. Methodologically, the paper uses a dynamic system GMM panel estimator.

In Her work on**, " Does External Debt Affect Economic Growth: Evidence from Developing Countries,**" Safia Shabbir (2004), has Explained by taking a dataset from 24 developing countries over the period from 1976 to 2003, this paper attempts to explore the relationship between external debt and economic growth, focusing on whether external debt stock and the external debt servicing leads to crowding out. Researcher findings are consistent with both the debt overhang theory and the liquidity constraint hypothesis suggesting that external debt stock adversely affects economic growth and higher level of external debt stock leads to crowding out.

Albert wijeweera and et al (2004) in their work on," **Economic Growth and External Debt Servicing: A co integration analysis of Sri Lanka, 1952 to 2002,"**Explained the immediate aftermath of the tsunami disaster, many of Sri Lanka 's creditors nations granted debt write- offs and interest free periods on loans to assist the recon structure process. The macro- economic effects stem from excessive external debt; a debt overhang problem and a credit- rationing problem. Using econometric analysis and Sri Lankan data for the periods from 1952 to 2002, this paper investigates whether Sri Lanka faces a debt overhang problem. Long run estimation rely on coindegration methodology were as short run analysis employees error correction method. The results indicate that Sri Lanka does not have a debt overhang problem, probably because total external indebtedness is not too high.

Benedict Clements and et al (December, 2003) in their work on,**"External Debt, Public Investment, and Growth in Low-Income Countries**," have examined the channels through which external debt affects growth in low-income countries. Our results suggest that the substantial reduction in the stock of external debt projected for highly indebted poor countries (HIPCs) would directly increase per capita income growth by about 1 percentage point per annum. Reductions in external debt service could also provide an indirect boost to growth through their effects on public investment. If half of all debt-service relief were channeled for such purposes without increasing the budget deficit, then growth could accelerate in some HIPCs by an additional 0.5 percentage point per annum.

Meltem Ucal and et al (2001) in their work on," **The Solvency Ratio of External Debt (SRED) as an Indicator of Debt Crisis: The Case of Turkey,"** they Analyzed the objective of this research was to found a sound indicator to provide timely warnings to emerging economies of approaching debt crises. To achieve this, Researcher used the solvency ratio of external-debt (SRED) as an analytical tool, by applying it to the case of Turkish external debt between 1980 and 2009. Analysis of our results indicated that the SRED was a powerful indicator of Turkey's external debt crisis.

In their work on, " **External Debt and its Impact on Economic and Business Growth in Pakistan** ," Abid Hammed & et al (2001) have analyzed the long-run and short-run relationships between external debt and economic growth of Pakistan. By fitting production function model to annual data for the period from 1970 to 2003, the study examines the dynamic effect of GDP, debt service, capital stock and labour force on the economic growth of the country. By following Cunningham (1993), it has identified the long-run and short-run causal relationships among the included variables. The results show that debt servicing burden has a negative effect on the productivity of labor and capital, and thereby affect economic growth adversely. Results also show that debt service ratio tends to affect negatively GDP and thereby the rate of economic growth in the long-run, which, in turn, reduces the ability of the country to service its debt. Similarly, the estimated error correction term shows the existence of a significant long-run causal relationship among the specified variables. Overall, the results point to the existence of short-run and long-run causal relationship running from debt service to GDP.

S.Gangadharan (2007) in his work on," **Reducing Public debt – Is it a realizable objective of Privatization?,"** has Analysed Disinvestment and Privatization is one type of economic reform programme initiated in 1991 by the Government of India as a part of its liberalization efforts to restructure the Public sector enterprises. One of the prime objectives of this programme is the reduction of Public Debt. This paper examined the extent of realization of this objective by examining the level of indebtedness of the Government of India in the Pre (1980-81 to 1989-90) and Post Privatisation (1990-91 to 1999-2000) period. The paper also brings out an analysis on what drives the debt ratio? The study concludes that given the type of monitoring and control methods by the RBI, a favorable economic scenario of 2005-06 and the overwhelming response the PSU shares received in the recent "Offer of Sale" programme, reducing public debt is a realizable objective of the Privatization programme.

Aktham maghyereh and et al (2001) in their work on, " **External debt and economic growth in Jordan: the threshold effect",** have Explained by the Jordanian economy has a serious external debt problem. Based on several indicators, it can be argued that foreign debt has reached an excessive level and has become an impediment to economic growth .This paper examined the impact of external debt on the performance of the Jordanian economy and determines its optimum level using new econometric techniques that provide appropriate procedure for estimation and inference. The findings of the study indicate that the optimal level of external indebtedness is about 53 percent of GDP. In other words when the external debt exceeds this level, its impacts on the performance of the Jordanian economy becomes negative.

In his work on , " **External Debt and Economic Growth in Sub- Saharan African Countries: An Econometric Study**", Milton A. lyoha (March, 1999) have explained this econometric study takes a simulation approach to investigate the impact of external debt on economic growth in sub- Saharan African countries using a small macro econometric model estimate for 1970-1994. An important finding was the significance of debt overhang variables in the investment equation, suggesting that mounting external debt depresses investment through both a "disincentive" effect and a "crowed out" effect. Policy simulation was undertaken to investigate the impact of alternative debt stock reduction scenarios (debt reduction package of 5 per cent, 10 per cent, 20 per cent and 50 per cent), effective in 1986, on investment and economic growth in the subsequent years. It was found that debt stock reduction would have significantly increased investment and growth performance. A 20 per cent debt stock reduction would, on average, have increased investment by 18 per cent and increased GDP growth by 1 per cent during the period from 1987 to 1994 period. Thus, the results demonstrate that forgiveness could provide a much needed stimulus to investment recovery and economic growth in sub- Saharan Africa.

Jen-te hwang and et al in their Work on, " **Debt overhang, financial sector Development and Economic Growth**," Explained panel data of 20 high external debt countries selected from Asia and Latin-America to investigate the financial sector development-debt-growth nexus within the framework of an endogenous growth and financial development mechanism. Author found that among 20 high external debt countries, the external debt-to-GDP ratio is significantly negatively correlated with economic growth rates, indicating that excessive debt is detrimental to the growth of an economy. Researcher introduced the simultaneous GMM equations between financial sector development and economic growth to evaluate the interaction effects among economic growth, external debt, and financial sector development. In empirical results, Authors find that the negative impact of high debt on growth appears to operate through a strong negative effect, in terms of compulsion to resort to financially repressive policies. In addition, we also find a two-way relationship between financial sector development and economic growth.

3. OBJECTIVES AND METHODOLOGY

3.1. INTRODUCTION

This section presents an account of the methodology adopted for carrying out this research. Research methodology referred to the method conduction a research study systematically and scientifically. Research methodology include a description of the choice of the study period, the sources of data, the choice of the variables selected and the tools made use of the study.

3.2. STATEMENT OF THE PROBLEM

After the globalization of the economy the external debt sector has assumed more important. Though there are a number of international economics, researches relating to ASIAN countries are very limited in number. Moreover public debt is an important variable and external debt influences the international trade. A survey of existing research works reveals the fact that attempts to examine the external debt of Maldives are very limited. The trend and growth of external debt of Maldives is focus of this research work.

3.3. OBJECTIVES

The main objectives of the present study are as follows:

1. To study the Trend and the growth rates of different components of the external debt.
2. To examine the relationship between external debt and GDP during the period from 1981 to 2009.
3. To study the spillover effect of external debt on economic growth of the Maldives.

3.4. SOURCES OF DATA

For this study the above specified data have been collected mainly from the Asian Development Bank Annual Year Books published by Asian Development Bank.

3.5. DATA REQUIREMENTS

The data used for this research work are secondary data only. The data required for this study are: GDP, external debt, Domestic debt and total debt of Maldives.

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3.6 PERIOD OF STUDY

The time period taken for analysis of this study is a period of 30 years from 1981 to 2009. This period is divided in to three sub periods namely, from 1981to 1990, from 1991to 2000 and 2001 to 2010. This choice of this study period is primarily due to the availability of data.

3.7. SCOPE OF THE STUDY

This study focused on the problems and prospects of external debt source in Maldives due to the reason such as the growth and structure of external debt.

3.8. TOOLS OF ANALYSIS

1. This study has been used averages, annual growth rate and percentages.
2. In necessary cases linear growth rate has been worked out for comparison. Index numbers have also been worked out to understand the trend of external debt.
3. To analyze the trend compound growth rate of external debt, simple linear and semi log linear regression techniques have been used in which the external debt is taken as the dependent variable and time is taken as the independent.

4. GROWTH OF THE DIFFERENT COMPONENTS OF EXTERNAL DEBT

4.1. INTRODUCTION

The external debt may be classified either on the basis of the time period maturity or on the basis of the sector in which the external assistance has been utilized. In this chapter, an attempt is made to study the growth of the different components of external debt, during the period from 1981 to 1990 from 1991 to 2000 and from 2001 to 2009. For this purpose, the external debt is classified initially into total debt, long term debt and short – term debt. The external debts which have a maturity period of one year or less are grouped under short term debt. All categories of debt which have a maturity period of more than one year is grouped under long – term debt. Hence, in this study also, the same type of classification, (i) availability of data and (ii) to facilitate easy compression.

4.2. TOTAL DEBT

The Table 4.2.1 shows that data on total debt in Maldives. During the decade from 1981 to 1990, the total debt has been increased from 38.9 US Dollars in 1981 to 83.1 Million US Dollars in 1985 and then it started showing a declining trend. The highest index number was to 213.62 Million US Dollars in 1985.In this decade the highest annual growth rate was 67.35 per cent in 1982 and lowest growth rate was-17.33 per cent in 1986. In this decade the average value of total debt and annual growth rate was works out to 70.48 Million US Dollar and 11.168 per cent, per year respectively.

During the decade from 1991 to 2000, the total debt has been increased from 81.2 Million US Dollars in 1991 to 218.9 Million US Dollars in 1991 and then it started showing a declining trend. The highest index number was 269.58 in 1999. In this decade the highest annual growth rate was 25.43 per cent in 1995 and lowest growth rate was -5.89 per cent in 2000. In this decade the average value of total debt and annual growth rate was works out of 152.48 Million US Dollar and 15.36 per cent, per year respectively.

During the period from 2001 to 2009, the total debt has been increased from 234.9 Million US Dollar in 2001 to 780.2 million US dollars in 2009. The highest index number was 332.14 in 2009. In this decade the highest annual growth rate was 29.06 per cent in 2007 and lowest growth rate was 7.14 per cent in 2005. In this decade the average value of total debt and annual growth rate was works out to 463.65 Million US Dollar and 25.79 per cent, per year respectively.

TABLE 4.2:- TOTAL DEBT (Millions of US Dollars)

Year	Total Debt	Index	AGR
1981	38.9	100	
1982	65.1	167.35219	67.352185
1983	77.2	198.45758	18.59
1984	82.8	212.85347	7.25
1985	83.1	213.62468	0.36
1986	68.7	176.60668	-17.33
1987	72.8	187.14653	5.96
1988	71.4	183.54756	-1.92
1989	66.8	171.72237	-6.89
1990	78	200.51414	16.77
Average	**70.48**		**11.168**
1991	81.2	100	4.1
1992	94.9	116.87	16.87
1993	112.3	138.3	18.34
1994	123.5	152.09	9.97
1995	154.9	190.76	25.43
1996	168.2	207.14	8.59
1997	171.3	210.96	1.84
1998	193.6	238.42	13.02
1999	218.9	269.58	13.07
2000	206	253.69	-5.89
Average	**152.48**		**15.36**
2001	234.9	100	14.03
2002	271.7	115.67	15.67
2003	294.7	125.46	8.47
2004	365.8	155.73	24.13
2005	391.9	166.84	7.14
2006	488	207.75	24.52
2007	629.8	268.11	29.06
2008	715.9	304.77	13.67
2009	780.2	332.14	8.98
Average	**463.65**		**25.79**

Source: Asian Development Bank (Key Indicator for Asia and the Pacific 2011)

4.3: LONG-TERM DEBT

The Table 4.3.1 shows that data on long- term debt in Maldives. During the decade from 1981 to 1990 the long-term debt has increased from 36.9 Million US Dollars in 1981 to 61.8 Million US Dollars in 1987 and then it started showing a declining trend. The highest index number was 167.98 in 1987. In this decade the highest annual growth rate was 19.55per cent in 1986 and lowest growth rate was -8.42 per cent in 1989. During 1981-1990, the average value of long- term debt and annual growth rate was works out to 52.44 million US dollars and 8.16 per cent, per year respectively.

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During the decade from 1991 to 2000 the long- term debt has increased from 78 Million US Dollars in 1999 and then it started showing a declining trend. The highest index number was 248.85 in 1999. In this decade the highest annual growth rate was 24 per cent in 1995 and lowest growth rate was -4.84 per cent in 2000. During 1991-2000, the average value of long- term debt and annual growth rate was works out to 144.17 million US dollars and 13.68 per cent, per year respectively.

TABLE 4.3:- LONG-TERM DEBT (Millions of US Dollars)

Year	Long-term Debt	Index	AGR
1981	36.9	100	
1982	42.1	114.09	14.09
1983	48.2	130.62	14.49
1984	49.8	134.96	3.32
1985	49.1	133.06	-1.41
1986	58.7	159.08	19.55
1987	61.8	167.48	5.28
1988	59.4	160.98	-3.88
1989	54.4	147.43	-8.42
1990	64	173.44	17.65
Average	**52.44**		**8.16**
1991	78	100	21.87
1992	90.5	116.03	16.08
1993	109.3	140.13	20.77
1994	122.5	157.05	12.08
1995	151.9	194.74	24
1996	163	208.97	7.31
1997	164.3	210.64	0.79
1998	183.4	235.13	11.63
1999	194.1	248.85	5.83
2000	184.7	236.79	-4.84
Average	144.17		13.68
2001	180.7	100	-2.16
2002	223	123.41	23.41
2003	260.7	144.27	16.9
2004	333.3	184.45	27.85
2005	329.7	182.46	-1.08
2006	383.6	212.28	16.35
2007	444.4	245.93	15.85
2008	497.3	275.21	11.9
2009	569.4	315.11	14.49
Average	322.21		23.90

Source: Asian Development Bank (Key Indicator for Asia and the Pacific 2011).

During the period from 2000 to 2009 the long term debt has increased from 180.7 Million US Dollar in 2001 to 569.4 Million US Dollars in 2009. The highest annual growth rate was 27.85 per cent in 2004 and lowest growth rate was -1.08 per cent in 2005. During the period from 2001 to 2010, the average value of long-term debt and annual growth rate was works out to 322.21 million US dollars and 23.90 per cent, per year respectively.

4.4: SHORT-TERM DEBT

The data Table 4.4 shows that on short-term debt in Maldives. During the decade from 1981 to 1990, the short-term has increased from 2 Million US Dollars in 1981 to 34 Million US Dollars in 1985 and then is started showing a declining trend. The highest index number was 1700 in 1985. In this decade the highest annual growth rate was 1050 per cent in 1982 and lowest growth rate was -70.59 per cent in 1986. During 1981-1990, average value of short term debt and annual growth rate was works out to 18.04 Million US Dollars and 60 per cent, per year respectively.

During the decade from 1991 to 2000, the short-term has increased from 3.2 Million US Dollars in 1991 to 4.4 Million US Dollars in 1992 and then is started showing a declining trend. The highest index number was 775 in 1999. In this decade the highest annual growth rate was 190 per cent in 1995 and lowest growth rate was -77.14 per cent in 1986. In this decade average value of short- term debt and annual growth rate was works out to 8.26 Million US Dollars and 56.87 per cent, per year respectively.

During the period from 2001 to 2009, the short-term has increased from 32.5 Million US Dollar in 2004 to 214.6 Million US Dollars in 2008 and then is started showing a declining trend. The highest index number was 395.65 in 2008. In this decade the highest annual growth rate was 153.73 per cent in 2001 and lowest growth rate was -30.18 per cent in 2003. During the same period, average value of short- term debt and annual growth rate was works out to 91.96 Millions US Dollars and 30.22 per cent, per year respectively.

TABLE 4.4:- SHORT-TERM DEBT (Millions of US Dollars)

Year	Short-term Debt	Index	AGR
1981	2	100	
1982	23	1150	1050
1983	29	1450	26.09
1984	33	1650	13.79
1985	34	1700	3.03
1986	10	500	-70.59
1987	11	550	10
1988	12	600	9.09
1989	12.4	620	3.33
1990	14	700	12.9
Average	**18.04**		**60**
1991	3.2	100	-77.14
1992	4.4	137.5	37.5
1993	3	93.75	-31.81
1994	1	31.25	-66.6
1995	2.9	90.63	190
1996	4.7	146.87	62.07
1997	7	218.75	48.93
1998	10.2	318.75	45.71
1999	24.8	775	143.14
2000	21.4	668.75	-13.71
Average	**8.26**		**56.87**
2001	54.3	100	153.73
2002	48.7	89.69	-10.31
2003	34	62.62	-30.18
2004	32.5	59.85	-4.41
2005	56.3s	103.68	73.28
2006	98	180.85	74.4
2007	179	329.65	82.28
2008	214.6	395.21	19.89
2009	202	372.007	-5.87
Average	**91.96**		**30.22**

Source: Asian Development Bank (Key Indicator for Asia and the Pacific 2011).

4.5 TREND ANALYSIS OF EXTERNAL DEBT

4.5.1. INTRODUCTION

In this study deals with analysis and interpretation of External Debt in Maldives. This is used on the availability of data. Various tools used for analysis of Total debt, long term debt and Short term debt during the time period from 1981 to 2009. The tools like Regression (simple linear and Log linear).

4.5.2. REGRESSION ANALYSIS

To analysis the relationship between the total debt and GDP, simple linear regression model is used by taking the total debt as the independent variable for the 3 decades separately. Total debt and GDP are measured in millions of US Dollar. The regression Co-efficient in this case will measure the increase in GDP in Millions of US Dollar. If the total debt is increased by the one million Dollar. The regression co-efficient is also tested for the null hypothesis that its value is zero. The co-efficient determination, R^2 will measure the ability of the independent variable, Total debt to explain the variation in GDP.

The results of the Table 4.5.2 shows that the trend analysis reveal that the total debt in Maldives increased annually by 71.77 million of US Dollars in 1981 to 1990. The regression co-efficient of the semi log linear model implies that the total debt increased at the compound growth rate of 44.21 per cent per year. The value of adjusted R^2 is high in the simple linear model and semi log linear model. It means that the total debt in Maldives had registered a linear trend in this period and 95 per cent of variations in the dependent variable are explained by the independent variable.

The results of trend analysis reveal that the total debt in Maldives increased annually by 1.76 million of US Dollars in 1991 to 2000. The regression co-efficient of the semi log linear model implies that the total debt increased at the compound growth rate of 7.8946 per cent per year. The value of adjusted R^2 is low value in the simple linear model and semi log linear model. It means that the total debt in Maldives had registered a linear trend in this period and 7 per cent of variations in the dependent variable are explained by the independent variable.

The results of trend analysis reveal that the total debt in Maldives increased annually by 15.481 million of US Dollars in 2001 to 2009. The regression co-efficient of the semi log linear model implies that the total debt increased at the compound growth rate of 28.5286 per cent per year. The value of adjusted R^2 is high in the simple linear model and semi log linear model. It means that the total debt in Maldives had registered a linear trend in this period and 96 per cent of variations in the dependent variable are explained by the independent variable.

Comparing the three periods, during the period from 1981 to 1990, from 1991 to 2000 and from 2001 to 2009, the total debt in Maldives increased annually by the highest amount of 71.77 million of US Dollars in 1981 to1990. The highest compound growth rate of 44.211 per cent was recorded only in 1981-1990.

The results of the trend analysis reveal that the Long term debt in Maldives increased annually by 46.509 million of US Dollars in 1981 to 1990. The regression co-efficient of the semi log linear model implies that the long term debt increased at the compound growth rate of 37.0881 per cent per year. The value of adjusted R^2 is high in the simple linear model and semi log linear model. It means that the long term debt in Maldives had registered a linear trend in this period and 98 per cent of variations in the dependent variable are explained by the independent variable.

The results of the trend analysis reveal that the Long term debt in Maldives increased annually by 2.616 million of US Dollars in 1991 to 2000. The regression co-efficient of the semi log linear model implies that the long term debt increased at the compound growth rate of 12.7194 per cent per year. The value of adjusted R^2 is high in the simple linear model and semi log linear model. It means that the long term debt in Maldives had registered a linear trend in this period and 78 per cent of variations in the dependent variable are explained by the independent variable.

The results of the trend analysis reveal that the Long term debt in Maldives increased annually by 13.288 million of US Dollars in 2001 to 2009. The regression co-efficient of the semi log linear model implies that the long term debt increased at the compound growth rate of 26.1827 per cent per year. The value of adjusted R^2 is high in the simple linear model and semi log linear model. It means that the long term debt in Maldives had registered a linear trend in this period and 93 per cent of variations in the dependent variable are explained by the independent variable.

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S. NO	Variation	Year	Model	a	b	SE	t	sig	R²	adjusted R²	CGR
1	Total debt	1981-1990	linear	-143435.194	71.77	6.058	11.847	0	0.946	0.946	
			Semi-log	-311.912	0.159	0.007	22.683	0	0.987	0.985	44.2115
		1991-2000	linear	-3424	1.76	1.352	1.302	0.229	0.175	0.072	
			Semi-log	-61.645	0.033	0.023	1.459	0.183	0.21	0.111	7.8946
		2001-2009	linear	-30740.279	15.481	0.994	15.576	0	0.968	0.964	
			Semi-log	-212.909	0.109	0.009	12.068	0	0.948	0.941	28.5286
2	Long- Term Debt	1981-1990	linear	-93054.939	46.509	2.447	19.037	0	0.981	0.978	
			Semi-log	-268.341	a0.137	0.007	18.321	0	0.98	0.977	37.0881
		1991-2000	linear	-5141.147	2.616	0.448	5.833	0	0.81	0.786	
			Semi-log	-99.795	0.052	0.009	5.721	0	0.804	0.779	12.7194
		2001-2009	linear	-26371.792	13.288	1.149	11.561	0	0.944	0.936	
			Semi-log	-196.297	0.101	0.011	9.006	0	0.91	0.899	26.1827
3	Short- Term Debt	1980-1990	linear	-4374.584	2.196	0.572	3.84	0.005	0.648	0.604	
			Semi-log	-501.978	0.252	0.071	3.544	0.008	0.611	0.562	78.6487
		1991-2000	linear	-48151.511	24.067	5.007	4.806	0.002	0.767	0.734	
			Semi-log	-467.805	0.236	0.055	4.305	0.004	0.726	0.687	72.1868
		2001-2009	linear	1717.147	-0.856	1.243	-0.689	0.51	0.056	-0.062	
			Semi-log	-48.57	0.026	0.097	0.265	0.797	0.009	-0.115	6.1695

TABLE 4.5.2:- RESULTS OF TREND ANALYSIS FOR THE EXTERNAL DEBT IN TO MALDIVES

Source: Asian Development Bank (Key Indicator for Asia and the Pacific 2011)

Comparing the three periods, during the period from 1981 to 1990, from 1991 to 2000 and from 2001 to 2009, the total debt in Maldives increased annually by the highest amount of 46.509 million of US Dollars in 1981 to1990. The highest compound growth rate of 37.0881 per cent was recorded only in 1981-1990.

The results of the trend analysis reveal that the Short-term debt in Maldives increased annually by 24.067 million of US Dollars in 1981 to 1990. The regression co- efficient of the semi log linear model implies that the Short-term increased at the compound growth rate of 78.6487 per cent per year. The value of adjusted R² is high in the simple linear model and semi log linear model. It means that the Short-term in Maldives had registered a linear trend in this period and 60 per cent of variations in the dependent variable are explained by the independent variable.

The results of the trend analysis reveal that the short term debt in Maldives increased annually by 2.196 million of US Dollars in 1991 to 2000. The regression co-efficient of the semi log linear model implies that the total debt increased at the compound growth rate of 72.1868 per cent per year. The value of adjusted R² is high in the simple linear model and semi log linear model. It means that the total debt in Maldives had registered a linear trend in this period and 73 per cent of variations in the dependent variable are explained by the independent variable.

The results of the trend analysis reveal that the short term debt in Maldives increased annually by -0.856 million of US Dollars in 2001 to 2009. The regression co- efficient of the semi log linear model implies that the total debt increased at the compound growth rate of 6.1695 per cent per year. The value of adjusted R² is low or negative value in the simple linear model and semi log linear model. It means that the total debt in Maldives had registered a linear trend in this period and -6 per cent of variations in the dependent variable are explained by the independent variable.

Comparing the three periods, during the period from 1981 to 1990, from 1991 to 2000 and from 2001 to 2009, the total debt in Maldives increased annually by the highest amount of 24.067 million of US Dollars in 1991 to2000. The highest compound growth rate of 78.6487 per cent was recorded only in 1981-1990.

5. EXTERNAL DEBT AND ECONOMIC GROWTH
5.1. INTRODUCTION
One of the advantages of External debt is that it will stimulate growth process and help to achieve a higher rate of growth. However, external debt does not guarantee growth uniformly in the countries and at all points of time.

Many factors influence the effect of external debt on growth in an economy. Hence, in this chapter an attempt is made to study the relationship between external debt and economic growth through correlation and regression analysis.

5.2. CORRELATION ANALYSIS
Correlation analysis generally helps to study the degree and direction of relationship between two variables. If external debt stimulates the growth process and a higher growth rate is achieved, there will be a strong positive correlation between external debt and GDP. If the growth of external debt does not yield adequate growth, the correlation will be High or Insignificant.

To study the correlation between external debt and GDP the time period taken for analysis is divided in to three sub periods. The first period is up to 1981 to 1990 and the second period is up to 1991 to 2000 and the third period is up to 2001 to 2009. The Karlpearson's correlation co- efficient is calculated for these three periods, for the Maldives taken for analysis, depending on available data.

The correlation coefficient is tested favour the null hypothesis that their value is not equal to zero. Using the test a negative and insignificant correlation implies a high degree of association between external debt and economic growth.

The Table 5.2 shows that during the first period, the correlation co-efficient between external debt and GDP is significant during the 1981 to 1990. Even though the actual values of correlation co-efficient for these total debt at 0.1 per cent, they do not indicate a statistically insignificant association between external debt and economic growth in these case.

In the second period, the correlation co-efficient between external debt and GDP is insignificant during the 1991 to 2000. Even though the actual values of correlation co-efficient for these total debt, they do not indicate a statistically significant association between external debt and economic growth in these cases.

During the Third period, the correlation co-efficient between external debt and GDP is insignificant during the 2001 to 2009. Even though the actual values of correlation co-efficient for these total debt at 0.1 per cent, they do not indicate a statistically significant association between external debt and economic growth in these case.

5.2. THE RESULT OF CORRELATION ANALYSIS IN MALDIVES

S. NO	VARIABLE	FIRST PERIOD	n	SECOND PERIOD	n	THIRD PERIOD	N
1	TOTAL DEBT And GDP	0.981** (.000)	10	0.311 (.382)	10	.907** (.000)	9
2	LONG TERM DEBT And GDP	0.971** (.000)	10	0.848** (.002)	10	0.856** (.002)	9
3	SHORT TERM DEBT And GDP	0.943** (.000)	10	0.931** (.000)	10	-0.32 (.367)	9

Sources: Asian Development bank (Key indicator for Asia and the pacific 2011)

The first period, the correlation co-efficient between external debt and GDP is significant during the 1981 to 1990. Even though the actual values of correlation co-efficient for these Long term debt at 0.1 per cent, they do not indicate a statistically significant association between external debt and economic growth in these case.

In the second period, the correlation co-efficient between external debt and GDP is significant during the 1991 to2000. Even though the actual values of correlation co-efficient for these Long term debt at 0.1 per cent, they do not indicate a statistically significant association between external debt and economic growth in these case.

The Third period, the correlation co-efficient between external debt and GDP is significant during the 2001 to 2009. Even though the actual values of correlation co-efficient for these Long term debt at 0.1 per cent, they do not indicate a statistically significant association between external debt and economic growth in these case.

In the First period, the correlation co-efficient between external debt and GDP is significant during the 1981 to 1990. Even though the actual values of correlation co-efficient for these Short term debt at 0.1 per cent, they do not indicate a statistically significant association between external debt and economic growth in these case.

In the Second period, the correlation co-efficient between external debt and GDP is significant during the 1991 to 2000. Even though the actual values of correlation co-efficient for these Short term debt at 0.1 per cent, they do not indicate a statistically significant association between external debt and economic growth in these case.

In the Third period, the correlation co-efficient between external debt and GDP is insignificant during the 2001 to 2009. Even though the actual values of correlation co-efficient for these Short term debt, they do not indicate a statistically insignificant association between external debt and economic growth in these case.

5.3. REGRESSION ANALYSIS

To analysis the relationship between the FDI and GDP, simple linear regression model is used by taking the External debt as the independent variable and GDP as the dependent variable for the only one period. External debt is measured in millions of US Dollars. The regression co- efficient in this case will measure the increase in GDP in millions of US Dollar if the External debt is increased by one million of US Dollars. The regression coefficient is also tested for the null hypothesis that its value is zero. The coefficient of determination, R^2 will measure the ability of the independent variable, external debt to explain the variations in GDP. The regression analysis can reveals that the relationship in the table 5.2.

For Maldives, the regression coefficient in the first decade is 36.961 and it is insignificant. GDP increased by 36.961 million of US Dollars, if total debt is increased by one million of us dollar in Maldives in the first decade .However, total debt high explanatory power .It is capable of explaining -1.6 percent of variation in GDP. If total debt no influences the GDP insignificant in the first decade in Maldives.

For Maldives, the regression coefficient in the Second decade is 128.55 and it is significant at one per cent level of significance. GDP increased by 128.559 million of US Dollars, if total debt is increased by one million of us dollar in Maldives in the Second decade .However, total debt high explanatory power .it is capable of explaining 80 percent of variation in GDP .if total debt influence the GDP .if total debt influences the GDP significant in the second decade in Maldives.

For Maldives, the regression coefficient in the Third decade is 49.770 and it is significant at one per cent level of significance. GDP increased by 49.770 million of US Dollars, if total debt is increased by one million of us dollar in Maldives in the Third decade. However, total debt high explanatory power .it is capable of explaining 95 percent of variation in GDP. If total debt influences the GDP significant in the first decade in Maldives.

For Maldives, the regression coefficient in the first decade is 146.095 and it is significant at one per cent level of significance. GDP increased by 146.095 million of US Dollars, if total debt is increased by one million of us dollar in Maldives in the first decade .However, Long term debt high explanatory power .it is capable of explaining 68 percent of variation in GDP. If Long term debt influences the GDP significant in the first decade in Maldives.

For Maldives, the regression coefficient in the Second decade is 139.560 and it is significant at one per cent level of significance. GDP increased by 136.560 million of US Dollars, if Long term debt is increased by one million of us dollar in Maldives in the second decade .However, Long term debt high explanatory power. it is capable of explaining 70 percent of variation in GDP. If Long term debt influences the GDP significant in the second decade in Maldives.

For Maldives, the regression coefficient in the Third decade is 76.987 and it is significant at one per cent level of significance. GDP increased by 76.987 million of US Dollars, if Long term debt is increased by one million of us dollar in Maldives in the Third decade .However, Long term debt high explanatory power .it is capable of explaining 93 percent of variation in GDP. If Long term debt influences the GDP significant in the third decade in Maldives.

For Maldives, the regression coefficient in the first decade is -44.311 and it is insignificant. GDP increased by -44.311 million of US Dollars, if total debt is Decreased by one million of us dollar in Maldives in the first decade .However, total debt Low explanatory power .It is capable of explaining -0.1 percent of variation in GDP. If the short term debt no influences the GDP insignificant in the first decade in Maldives.

TABLE 5.3:- RESULTS OF THE REGRESSION ANALYSIS IN MALDIVES

S. NO	VARIABLE	YEAR	a	b	SE	t	SIG	R²	Adjusted R²	F
1	Total Debt	1981 - 1990	1180.717	36.961	39.987	0.924	0.382	0.096	-0.016	0.854
		1991 - 2000	-4602.708	128.559	21.055	6.106	0	0.823	0.801	37.282
		2001 - 2009	20858.421	49.77	3.701	13.447	0	0.963	0.957	180.822
2	Long-Term Debt	1981 - 1990	-3875.535	146.095	32.291	4.524	0.002	0.719	0.684	20.47
		1991 - 2000	-5120.387	139.56	29.749	4.691	0.002	0.733	0.7	22.008
		2001 - 2009	16372.208	76.987	7.187	10.711	0	0.942	0.934	114.733
3	Short-Term Debt	1981 - 1990	4585.075	-44.311	46.385	-0.955	0.367	0.102	-0.01	0.913
		1991 - 2000	8636.015	770.458	96.371	7.995	0	0.889	0.875	63.915
		2001 - 2009	31026.457	126.355	18.786	6.726	0	0.866	0.847	45.239

Source: Asian Development Bank (Key Indicator for Asia and the Pacific 2011)

For Maldives, the regression coefficient in the Second decade is 770.458 and it is significant at one per cent level of significance. GDP increased by 770.458 million of US Dollars, if short term debt is increased by one million of us dollar in Maldives in the Second decade .However, short debt high explanatory power .It is capable of explaining 87 percent of variation in GDP. If Short term debt influences the GDP significant in the second decade in Maldives.

For Maldives, the regression coefficient in the Third decade is 126.355 and it is significant at one per cent level of significance. GDP increased by 126.355 million of US Dollars, if short term debt is increased by one million of us dollar in Maldives in the third decade .However, short debt high explanatory power .It is capable of explaining 84 percent of variation in GDP. If Short term debt influences the GDP significant in the third decade in Maldives.

6. CONCLUSION

The external debt of Maldives growth and structures are taken for investigation in this research work is in different stage of external debt like total debt, long term debt and short term debt. In the research work to find out the economic growth which use of external debt and GDP. This study found positive relationship between the economic growth and Total debt. Long term debt, Short term debt has no effect on economic growth.

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