

Impact of Public Debt on the Economy in the Republic of Kosovo - Empirical Evidence

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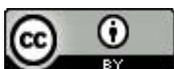
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Abstract

In addition to the various economic policies that governments use to achieve economic objectives and increase social welfare, public debt as a source of financing of the state budget is also used by governments of different countries. However, other macroeconomic indicators have a tremendous role to play in determining the level of short-term and long-term debt or the share of domestic debt and external debt. The aim of this paper is to investigate the impact of public debt on the economy of the Republic of Kosovo, using secondary annual data from 2009-2019. Data analysis was performed using multiple regression OLS (Ordinary Least Square). The results of the analysis confirm that public debt has a positive but statistically insignificant impact on the country's economy. Total debt also has a low positive correlation with GDP. This research will also analysis the theoretical and empirical literature related to public debt. In order for the effect of public debt to be higher on the economy and increase social welfare, the government must use these funds productively to finance various investment projects.

Keywords: Public debt, external and internal public debt, short-term and long-term debt, budget deficit, economic growth.

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