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THE EFFECT OF PUBLIC DEBT ON ECONOMIC GROWTH IN UGANDA

(1985-2016)

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ABSTRACT

This study empirically investigated the effect of public debt on Uganda's economic growth. It used time series data (1985-2016) that was obtained from the World Bank Development Indicators. Different tests that included stationarity test, heteroskedasticity test, causality test and autocorrelation test to authenticate the reliability of the data used. Basing on the findings suggest a positive correlation between GDP and Public debt. The results indicated public debt positively impacts economic growth in Uganda. The study concludes that an increase in public debt leads to an increase in economic growth and subsequently economic development. The results of causality tests suggest a bi-directional causality between public debt and economic growth. The study recommended the pragmatic use of public debt to attain the desired level of economic growth.