

**ANA AKHVLEDIANI**

Ivane Javakhishvili Tbilisi State University, Georgia

## **INTERCONNECTION BETWEEN GEORGIAN PUBLIC DEBT AND THE GDP GROWTH RATE**

### **Abstract:**

One of the most important factors that impacts on the economic stability is the public debt. Its management policy may support or hinder the economic growth, so it is crucial to analyze the relationship between the country's public debt and the economic growth. According to studies, an increase in the public debt can lead to loss of trust towards the country's financial stability, creates solvency problem and fear of debt unsustainability which will lead to economic instability. However, an increase in the public debt does not always lead to a negative result, on the contrary, some studies prove that it promotes economic growth, increases consumption and welfare levels. The effect depends on the debt level and countries economic situation.

Above mentioned information shows that public debt issues should not be easily approached. This paper investigates the relationship between Georgia's public debt and economic growth. Their interaction is analyzed with the econometric model. More specifically, the aim of this work is to identify whether there is a non-linear relationship between Georgia's public debt and economic growth. Taking into consideration the model's results, the recommendations have been developed to improve Georgia's debt management policy.

### **Keywords:**

public debt, economic growth, economic stability

**JEL Classification:** H63