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FACTORS DETERMINING INCLUSIVE GROWTH IN INDIA: AN EXPLORATIVE EMPIRICAL STUDY

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Abstract

The present study tries to identify the determinant factors of inclusive growth in India. More specifically, the purpose of this study is to analyse the long-run and short-run impact of different factors viz. road infrastructure, Foreign Direct Investment (FDI), exports, and inflation on inclusive growth over the period of 1990 - 2019. To analyse such impact, Johansen cointegration test and Vector Error Correction Model (VECM) have been used. The Results indicate that road infrastructure, FDI, and exports have significant positive effect on inclusive growth in the long-run while inflation has a negative long-run effect on inclusive growth. However, in the short-run, change of FDI has a positive effect on change of inclusive growth among the other factors. Finally, the results of the Granger-causality test indicate that there exists bidirectionally causality between FDI and inclusive growth whereas unidirectionally causality runs from exports to inclusive growth. Based on the findings, our study suggests that policymakers should adopt liberal trade policies that encourage exports and attract more FDI as well as promote better transport facilities in order to make growth more inclusive in India.

Author Keywords

Inclusive Growth, Road Infrastructure, Export, FDI, Inflation, Johansen Cointegration, VECM, Granger causality .

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