

Long Run Estimates of Population, Consumption and Economic Development of India: An ARDL Bounds Testing Approach of Cointegration

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Abstract : The amount of domestic consumption and population growth is having a positive impact on economic growth and development as observed by the Harrod-Domar and endogenous growth models. The paper negates the Solow growth model which argues the population growth has a detrimental impact on per capita and steady-state growth. Unlike the Solow model, the paper observes, the per capita income growth never falls zero, and it sustains as positive. Hence, our goal here is to investigate the relationship among population, domestic consumption and economic growth of India. For this estimation, annual data from 1980-2016 has been collected from World Development Indicator and Reserve Bank of India. To know the long run as well as short-run dynamics among the variables, we have employed the ARDL bounds testing approach of cointegration followed by modified Wald causality test to know the direction of causality. The conclusion from cointegration and ARDL estimates reveal that there is a long run positive and statistically significant relationship among the variables under study. At the same time, the causality test shows that there is a causal relationship that exists among the variables. Hence, this calls for policies which have a long run perspective in strengthening the capabilities and entitlements of people and stabilizing domestic demand so as to serve long run and short run growth and stability of the economy.

Keywords : cointegration, consumption, economic development, population growth

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