

## Does "R and D" Investment Drive Economic Growth? Evidence from Africa

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**Abstract :** The bulk of research on the impact of research and development (R&D) has been carried out in developed economies where the intensity of R&D expenditure has been relatively high and stable for many years. However, there is a paucity of similar studies in developing countries. In this paper, we provide empirical estimates of the impact of R&D investment on economic growth in a developing African economy (Mauritius) where R&D expenditure intensity has been low initially, but rising, albeit moderately in recent years. Using a dynamic time series analysis over the period 1980 to 2014 in a Vector Autoregressive framework, R & D is shown to have a positive and significant effect on the economic progress of the island, although the impact is considerably less when compared to both other ingredients of growth and also to reported elasticities from developed economies. Interestingly, there is evidence of bicausality between R & D and growth. Furthermore, R & D positively impacts on both domestic and foreign investment, suggesting the possibilities of indirect effects.

**Keywords :** R & D, VECM, Africa, Mauritius

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