Title
Institutions, human capital and economic growth in developing countries

Journal
Studies in Economics and Finance

Document Type
Article

Authors
Uddin, M.A.,

Ali, M.H.,

Masih, M.

(mansurmasih@unikl.edu.my)

Full text link
UniKL IR:
Publisher: https://www.emerald.com/insight/content/doi/10.1108/SEF-10-2019-0407/full/html

Citation
Uddin, M.A., Ali, M.H. and Masih, M. (2020), "Institutions, human capital and economic growth in developing countries", Studies in Economics and Finance, Vol. ahead-of-print No. ahead-of-print. https://doi.org/10.1108/SEF-10-2019-0407

Abstract

Purpose: This paper aims to study institutions, human capital and economic growth in developing countries. Design/methodology/approach: The study applies dynamic system Generalized Method of Moments (GMM) and simultaneous quantile regression on a panel of 120 developing countries for the period of 1996-2014. Findings: The findings show that human development and institutions do have a significant positive effect on economic growth. Interestingly, institutions and human development have a significant negative interactive effect on the economic growth of developing countries. This paper argues that incremental investment in human development would impact economic growth negatively in the presence of weak and dysfunctional institutions because additional stock tends to be employed in rent-seeking and socially unproductive activities. Research limitations/implications: The policy makers should bear in mind the critical role played by the institutions and the initial stage of growth of a country in making their education and health policies more effective. Originality/value: The most important novelty is the study of various transmission channels: political, economic and financial institutions through which human development affect economic growth in developing countries. This paper also studies the Islamic economic development concept and empirically investigates whether Muslim countries are different from their counterparts. Moreover, this study extends the existing empirical growth literature by simultaneously applying dynamic system GMM and quantile regression techniques.