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Does financial development induce total factor productivity growth in the presence of gender human capital in an emerging economy?

Shreya Pal[1]

[1]Department of Humanities and Social Sciences, Indian Institute of Technology Kharagpur, West Bengal-721302, India

Existing studies have looked at the determinants of total factor productivity (TFP) growth differences in emerging economies. But they ignore the interactive impact of gender based human capital and financial development on TFP growth differences. Therefore, this research gap motivates us to examine the impact of financial development on TFP growth in India by accounting gender based human capital patterns (low and high education). Government spending on education and foreign direct investment inflows are included as control variables in the TFP growth function. Using the annual data from 1980-2019, it estimates the productivity growth equation through ARDL bounds test model. After confirming the long-run relationship between the series, ARDL's long-run results indicate that financial development hampers productivity growth without accounting gender based human capital. Financial development positively contributes to productivity growth when both high and low male educations are added into the estimation. Surprisingly, financial development impedes TFP growth when females' high education is incorporated in the estimation, but the result is not the same when we add female's low education. These findings suggest that education of males is much more important than female education, while looking at the impact of gender based human capital financial development on TFP growth in India. Thus, policymakers and the government in India should not undermine the importance of education of males in supporting financial development to rise productivity growth. Moreover, policymakers should look into the adverse impact of financial development on productivity in presence of female high education.

Keywords: Total Factor Productivity; Financial Development; Gender Human Capital; Time-series technique; India