

Private Investment and Economic Growth: Regional Experience in India

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This paper examines the impact of private investment on economic growth at the state levels for the major 15 states in Indian economy over the periods from 1993-94 to 2004-05 by using panel data methods. The result finds that, elasticity of per capita income with respect to private capital stock is more than that of the public capital stock, which is due to the higher productivity of private capital than the public capital in developing countries. There is evidence of the convergence of states real per capita income by conditioning real per capita private investment along with other factors of economic growth by using both the dynamic panel fixed effect growth models and dynamic panel Generalized Method of Moments (GMM). This paper differs from the existing studies by using appropriate data on state level private investment and suggests that, balanced regional growth can be achieved by the equitable allocation of private investment across states.