Public Policies versus Institutional Structures: A New Perspective of Assessing Economic Growth Dynamics in Developing Nations

Sidrah Saleem

Graduate, Department of Economics， Government College University, Pakistan

Diasial@ymail.com

Saima Sarwar

Lecturer, Department of Economics， Government College University, Pakistan

saimasarwar@gcu.edu.pk

(Corresponding Author)

Abstract

This study is performed to find out the impact of policy and institutional factors on the economic growth of the developing countries. These include Economic management, Structural policies, Social inclusion/equity and Governance. Panel data of 72 countries is being taken for this study and the time period is from 2005-2013. Simple ordinary least square (OLS) model has been applied to find the impact of these variables on economic growth of developing countries and the results showed that overall institutions are related more to the economic growth of these nations as compared to policy contents. On the other side from institutional parameters, role of budgetary management and equity of public resource use by the government is positively contributing to economic performance of these nations. Nevertheless few variables have showed negative impact as well in which the process resource mobilization and transparency of the system is exhibiting more negative role in economic growth of these nations. Overall results showed that non-economic parameters of the political systems are more closely interrelated with the process of economic growth in these nation as compared to pure economic factors.

Key Words: Fiscal Policy, Economic Integration, Budget, Debt Management, Government Regulations, Economic Development

JEL Classification: E63, F15, H61, H63, I18, O1

1: INTRODUCTION

The debate over the issue whether policies matter more or institutions in economic development of nations is getting intensified in the present century. The context is not new but with the passing times researchers are trying to relate these two variable in more sophistication with the process of economic growth just to be closer to reality. Economic growth is important because it provides a grounds for the future of society. It can contribute to advancements in all fields, creating beneficial outcomes and solutions of many economic problems. Moreover it renders to lower government borrowing, improved public services, lower unemployment and higher incomes. Although the significance of economic growth cannot be denied, but the factors contributing into it is more important to know. Because following the approach of 'one size fits all' is flopped now after the consensus based remedies for the better economic performance of developing nations in 1990. That's why now analyst are showing their keen interest at present times to diagnose properly the disease of such economies by following 'diagnostic approach' before giving any prescription for development to such a large number of nations. Presently developing nations are facing declines in their economic growths not due to lack of natural resources rather it is attributed to many political, economic and social factors. Role of institutions is getting more effective in policy implementation as compared to availability of resources. That is why this study has been tried to find the impact of various policy and institutional factors using new approach i.e. impact of economic management, structural policies, social inclusion/equity and governance on economic growth in developing countries. A sample of 72 developing countries is taken for this purpose and the time period taken for this study is from 2005-2013. For economic management, two variables that is fiscal policy and debt policy are used. Trade policies, financial sector policy and business regulatory environment are picked out to represent structural policies. Four variables, gender equity, equity of public use, environmental sustainability and building human resource are chosen to represent special inclusion/equity. For representing governance, variables like budgetary and financial management, revenue mobilization, quality of public administration and transparency, accountability and corruption are used. All these sub-factors defining two categories of interest i.e. policy and institutions, are main features of any economy and to deal these separately and in detail will help us in giving the some better suggestions for bringing positive change in growth figures.

2: LITERATURE REVIEW

This section covers past literature which covers different aspects of those factors which this study is trying to relate in a new way to the economic performance of developing nations.

Easterly (1993) worked on empirical regularities relating fiscal policy variables, the level of development and rate of growth. He applied historical data and recent cross section data. He found that there is a strong association between development level and fiscal structure. Poor countries depend upon international trade taxes. While developed countries only need income taxes. Another finding was that, the fiscal policy is influenced by the scale of economy and it is measured by its population. Lastly he found that investment in transport and communication is consistently correlated with growth, while the effects of taxation are difficult to isolate empirically.

Devarajan, Swaroop and Zou (1996) focused on the composition between the level of public expenditure and growth. 20 years data were used for 43 developing countries. It showed that an increase in the current expenditure has positive and significant growth effects. However the relationship between capital component of public expenditure and per capita growth is negative. So it showed the excess use of public expenditure could become unproductive and insignificant as well.

Khan and Senhadji(2000) provided the new empirical evidence on the relationship between financial development and economic growth for a large cross section sample of countries. Results indicated that the impact of financial development on economic growth is positive. This study has also used endogenous growth theory to show a close relationship between a level of financial development and growth. The idea was that the financial development improves the efficiency of capital allocation which implies higher long term growth.

Thiel (2001) studied the relation between financial development and economic growth in EU and found through theoretical reasoning and empirical evidence a positive, first-order relationship between economic growth and financial development. The author concluded that financial development leads to economic growth, accumulation of capital and technological change.

Schclarek (2004) investigated the linear and non linear relationship between debt and economic growth for developing and industrial countries. In developing countries the result showed the negative and insignificant relationship between total external debt and economic growth. The author found a negative relationship between public external debts but no significant relationship with private external debt. Therefore he concluded that the negative relationship of external debt an economic growth is due to public external debt. Other debt indicators such as interest payments and debt services, they have no robust relationship with growth.

Hoon Lee, Chung and Koo (2005) analyzed a tradeoff between economic growth and environmental quality. This study revealed that while income has a beneficial effect on pollution measures, it has a detrimental effect on most co efficiency measures of environmental sustainability measures. They suggested that conventional policies should focus more on pollution control otherwise economic growth will continue to degrade environmental sustainability in most countries.

Jha (2007) observed some of major challenges of fiscal policies like tax, expenditure and intergovernmental transfer policies in developing countries. He said that the developing countries has less GDP and expenditure even they have more need than the developed countries. Developing countries tax resource is more volatile than those of developed countries. He also considered the issues of budgetary deficit in developing countries.

Mikkola and Miles (2007) presented the relationship between gender equality and economic development. Facts indicated that women roles are although restricted both in developed and developing countries. He found that today the developing nations are facing the same problem that now developed countries resolved over the past century like education of girls, women's political, legal and marital rights, and employment outside the home for women and men alike etc. Results of both empirical and theoretical research's explanatory models and studies explored both forces that challenges and those that facilitate greater equality presented.

Bose, Haque and Osborn (2007) tested the growth effects of Government/public expenditure. Panel data was 1970 to 1980s for 30 developing countries. Primary results were that the share of governmental capital expenditure in GDP is positively and significantly correlated with economic growth. But current expenditure was insignificant. Analysis strongly suggested that government expenditure on education has long lasting effects on economic prosperity.

Berik and Rodgers (2009) stated that the promotion of gender equality is not only constitutive of development, but also is instrumental for setting in virtuous cycles of development. They also said that the promotion of gender equality is ever greater resource for financing development requires a macroeconomic environment in which equity is compatible with economic growth.

Ilzetzki (2011) explored the effect of fiscal policy, government expenditure and taxes on output in 28 developing and high income countries. He found that the cut in personal income tax rate have a significant impact on economic growth than in corporate and VAT rates in developing countries. Other than that in SWAR studies he also found that tax policy is more effective at stimulating output than increase in government expenditure

Parr, Guyer and Remer (2011) studied whether budget transparency leads to economic growth, human development and social rights or not. Authors used variety of techniques to find out relation between budget transparency and a broad range of indicators of development outcomes. They used OBI (Open budget index) as a primary independent variable in their study as a measure of budget transparency. The results showed that budget transparency leads to development outcomes and helps in realizing the social as well as economic rights of their citizens in a better way.

Ugur and Dasgupta (2011) studied the impact of corruption on economic growth in low-income countries. They took dataset of 43 low- income countries in order to study the theoretical and empirical relation between corruption and economic growth. They used narrative synthesis method and meta-analysis method for finding this relation. The results of these tests showed that there exists little direct relation between corruption and growth in low income countries which is -0.07 percent and is negative. The indirect effect on the other hand is -0.52 percent. However for the mixed- country group, the estimated impact on economic growth by corruption is -0.86.

Cottarelli (2011) linked between revenue mobilization and economic growth. Study paper showed that progress can be made by strong political will. There are some disappointments but several countries have significantly improved their tax performance in very short period of time and econometric analysis suggested that many low income countries could increase their tax by 2 to 4 percent of GDP. The thing which is most important and showed by the results of this study is the substantial political commitment should be at the highest level.

Cecchetti and Kharroubi (2012) investigated that how financial development affects economic growth. The authors used a simple histogram constructed from a sample of 50 advanced and emerging countries from the time period of 1980 to 2009. They found out that financial sector size has an inverted U-shaped effect on economic growth. Based on a sample of developed and emerging economies, the authors concluded that the level of financial development is good only up to a certain point and beyond that point it becomes a drag on economic growth and even can reduce real growth. Focusing on developed economies, the authors show that a fast-growing financial sector is detrimental to aggregate productivity growth.

Haidar (2012) examined the link between economic growth and business regulatory reforms. The results showed that there is positive link between economic growth and business regulatory reforms. He stated that business regulatory reforms have a positive impact on economic growth. His analysis of the above stated link showed that with each reform, on average, growth rate of GDP increased by 0.15 percent.

Analysis of past literature helps in knowing where gaps exist. So this study is trying to fill that gap by explore in detail various the relationship between policy, institutional factors and economic development using new approach.

3: HYPOTHESIS

H_1 = Institutions are contributing more to the economic growth of developing nations as compared to their policy choices/contents.

4: THEORETICAL AND PROPOSED RELATIONSHIPS

The major objective of this study is to investigate the impact of four economic (policy) and non-economic factors (institutions) factors including economic management, structural policies, social inclusion/equity and governance on economic growth of developing countries. Different variables, used to represent these economic factors, which might affect economic growth of developing countries, have been considered for this study. These parameters are not new to literature. These have their theoretical links like social inclusion/equity which is represented by four variables: gender equity, equity of public use, environmental sustainability and building human resource. Out of these variables, environmental sustainability deals with "Coase Theorem". For sustaining environment, it is important to internalize the externalities that arise from different activities in our surroundings. Coase theorem provides the basis for this purpose. Two variables that include fiscal policy and debt policy are used to represent economic management. General observations show that fiscal policy impacts on economic growth through a variety of ways. Economic growth is represented by the formula C+I+G+(X-M). "C" and "I" which represents consumption and investment are observed to be effected by changes in fiscal management. By increasing or decreasing taxes, government can change the rate of consumption and investment of the people. Debt policy is made to full fill the gap between government expenditures and revenues. The general trend shows that the increase in debt borrowing for filling up deficit has negative impact on economic growth. Trade policies are the policies which government opts in order to control foreign trade. The general trend shows that trade policies have positive impact on economic growth. However, both positive and negative impacts have been observed in recent years. The positive and negative impacts of trade policies on economic growth depend upon whether the economy is competitive or not. Financial sector policy, a variable used to represent structural policies, includes policies relating to banking sector, insurance companies, credit unions and other financial institutions. The general observation shows that financial sector policies have positive impact on economic growth. Third variable used to represent structural policies is business regulatory environment. And the same trend is observed as that of financial sector policies, that is, positive. From the institutional category of factors i.e. social inclusion/equity, four variables are chosen out. The first two variables, gender equity and equity of public use show positive relation with economic growth. Equity of public use measures the extent to which patterns of public expenditures and revenue collection affects poor and is consistent with poverty reduction priorities of the government. Environmental sustainability and building human resource are the other two variables chosen to exhibit social inclusion/equity. Customary analysis shows that these two variables also exhibit positive relation with economic growth. The second institutional category of variables opted in this study is governance and it is represented by budgetary and financial management, revenue mobilization, quality of public administration and transparency, accountability and corruption. Commonplace study show that better

governance leads to an increase in economic growth. Hence the schematic framework of our analysis can be seen in the figure given below.

Author's own formulation of structure
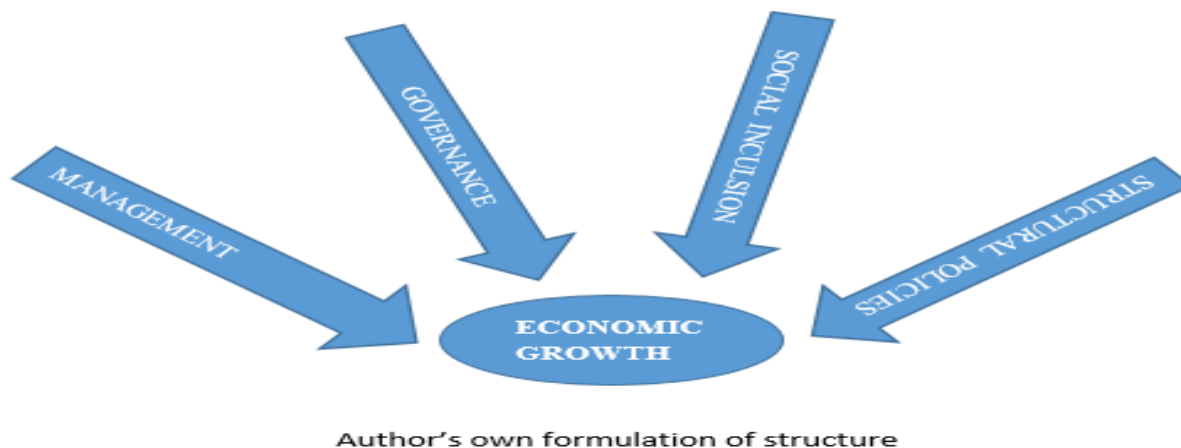
5: METHODOLOGY AND DATA SOURCES:

In this study the panel data of developing countries has been included for analysis to check the relationship among the desire variables. Dynamic panel ordinary least square (OLS) has been applied. This gives us a quick picture of the relationship among variables. The data is collected from World Development Indicator (WDI).

5.1: MODELS

5.1.1: GDP= f (Economic management)

$$Y_{I,t} = \alpha_i + \beta_1 FP_{i,t} + \beta_2 DP_{i,t} + \mu_{i,t}$$

5.1.2: GDP $_{it}$ = f (Structural Policies)

$$Y_{i,t} = \alpha_i + \beta_1 TP_{i,t} + \beta_2 FS_{i,t} + \beta_3 BR_{i,t} + \mu_{i,t}.$$

5.1.3: GDP $_{it}$ = f (Social Inclusion/Equity)

$$Y_{I,t} = \alpha i + \beta_1 GE_{i,t} + \beta_2 EQR_{i,t} + \beta_3 IHR_{i,t} + \beta_4 PES_{i,t} + \mu_{i,t}.$$

5.1.4: GDP $_{it}$ = f (Governance)

$$Y_{i,t} = \alpha_i + \beta_1 QPA_{i,t} + \beta_2 BFM_{i,t} + \beta_3 RB_{i,t} + \beta_4 T_{i,t} + \mu_{i,t.}$$

5.2: DATA SOURCES

There are four dimensions of economic factors used in this study, which are following as,

1. Economic Management
2. Structural Policies
3. Social Inclusion/ Equity
4. Governance

5.2.1: Economic Management:
5.2.1.1: Fiscal policy (FP)
It is used to manage the macroeconomic stability. It helps to maintain the level of low ratio of public debt to GDP. The yearly data of fiscal policy 2005 to 2013 collected from IDA resource Allocation Index (IRAI). 1 to 6 is the scale of fiscal policy. 1 is the lowest value of data and 6 is the highest value of the data of fiscal policy. This index is used to find the level of fiscal policy.
5.2.1.2: Debt Policy (DP)
Debt is the legal framework of public borrowings. Debt policy means the good debt management unit and the medium term strategies for financing the governments. These debt policies help to maintain the position of debt sustainability. Debt policy linked to "economic management" category. Again the data source is same IDA resource Allocation Index (IRAI). Debt policy is scaled from 1 to 6. 6 is the highest value of data and 1 is the lowest value of data set.
5.2.2: Structural Policies:-
5.2.2.1: Trade Policies (TP)

Trade policy means the trade facilities and low average tariff rates which lies from less than 7 percent to maximum 15 percent. Trade basically depends upon the export and import performance. Trade policies support to minimize the tariff rates and it helps to robust the growth rate. Scale and data source is the same as above.

5.2.2.2: Financial sector policy (FS)

Financial stability means there are some strong and effective policies which help to manage the financial firms. We can see the efficiency by the size of private sector and the countries' share of GDP for the level of development. It also helps to access the financial services like clearance and credit reporting. The micro financing indicator and legal regulatory frame work can help to access the finance services. Data has been extracted out from IDA resource Allocation Index (IRAI) using the scale 1-6.

5.2.2.3: Business regulatory environment (BR)

Business regulatory environment explained the concepts of business operations and regulation of factor markets. Business operations are like inspection requirements and streamline industry licensing etc. The regulation of factor markets means state interventions in labor and land markets. 1 to 6 is the scale of the business regulatory environment. 1 falls for minimum value and 6 falls for maximum value in the data set. Data Source is IDA resource Allocation Index (IRAI).

5.2.3: Social Inclusion/ Equity:-

5.2.3.1: Gender Equity (GE)

Gender equity means basically there is no gender difference in labor and property rights and it tells us that there is an equal family right. It also represents the concept of human capital development, equal status and access of productive economic resource. Data source is IDA resource Allocation Index (IRAI).

5.2.3.2: Equity of public use (EQR)

It is a consistency of Government spending with PRS (poverty reduction priorities). And it is also the revenue generation aligned with poverty reduction priorities. Data source is IDA resource Allocation Index (IRAI).

5.2.3.3: Building human resource (IHR)

Education training, equitable early child hood development programs and high efficiency of resource use at all levels are known as building human resources. It is basically the cost effective use of public resources and it represent the idea of appropriate government programs. Data source is IRAI (IDA resource allocation index). 1 to 6 scale based on measures. 1 shows the lowest value while on the other side 6 show the highest value.

5.2.3.4: Political and Environmental Sustainability (PES)

Natural resource issues and effective implementation and regulations for pollution help to support the Environmental sustainability. There should be no harmful subsidies as well. Data collected from WDI which is the source of data set. IDA resource Allocation Index (IRAI) from where we got the data for Environmental sustainability. Environmental sustainability is scaled from 1 to 6. 1 is the minimum and 6 is the maximum value of the data set.

5.2.4: Governance:-

5.2.4.1: Budgetary & financial managements (BFM)

This variable linked to the last category which is known as Governance. The effective management system, credible budget priorities and accurate accountings are known as budgetary & financial managements. There are also many budgetary policies which support to manage the financial budget system. These policies also support the developmental assistance. The data source is WDI and the data collected from IDAI (IDA resource allocation index). The scale of budgetary & financial managements is from 1 to 6. It helps to calculate the average of data set.

5.2.4.2: Revenue Mobilization (RB)

This variable is categorized from the Governance. Revenue Mobilization stated that, from very low amount of taxes such as sales tax and property tax the high amount of revenue can be generated. In the revenue mobilization there is very small amount of tariff rates. Data is obtained from the IRAI (IDA resource allocation index).

5.2.4.3: Quality of public administration (QPA)

It defines that the central government constructed and implemented some governmental policies and deliver some services effectively. For example the adequate payments and management of wage bills etc. Same scale and data source has been used for this variable too.

5.2.4.4: Transparency, Accountability & Corruption (T)

This is the last explanatory variable of the last category which is known as Governance. Transparency means what actions are performed in the institutions. Accountability is basically the willingness to the responsibility of a person to do something. So, transparency, accountability & corruption define the access of information of public affairs. Again data is taken from IRAI (IDA resource allocation index). Scale of this variable is based on measurement which is from 1 to 6. Six is the highest value of data and one is the least value of data set of this variable.

5.2.5: GDP growth (Y)

It is defined as "GDP growth is the sum of gross value added by all resident producers in the economy and the any product taxes. Subsidies are not included in the product taxes. It is calculated without making deductions for

depreciation of assets or for depletion and degradation of natural resources." Source: World Development Indicators (WDI).

6: RESULTS

Now after discussing methodology and variables description, this section presents the estimated results using the models mentioned above. Four columns represents four models with different economic and non-economic factors used in this study for developing nations.

Variables	Model 1 (Economic management)	Model2 (Structural Policies)	Model3 (Social Inclusion)	Model4 (Governance)
Fiscal Policy	1.4307 0.0005***	-	-	-
Debt Policy	-0.3566 0.0753*	-	-	-
Trade Policy	-	0.2833 0.0822*	-	-
Financial Sector	-	0.2294 0.0621*	-	-
Business Regulations	-	0.1298 0.7660	-	-
Gender Equity	-	-	0.5396 0.2245	-
Equity of public use	-	-	0.8971 0.0865*	-
Human Resource building	-	-	-0.3858 0.0412**	-
Political and environmental stability	-	-	0.0447 0.0025***	-
Quality of public administration	-	-	-	0.3479 0.0669*
Budgetary management	-	-	-	0.8941 0.0905*
Revenue mobilization	-	-	-	-0.5178 0.3386
Transparency	-	-	-	-0.1765 0.0420**
GDP(-1)	0.3305 0.0000***	0.3665 0.0000***	0.3390 0.0000***	0.3447 0.0000***
Constant	-0.3572 0.0154***	1.4107 0.0014***	-0.4258 0.0001	1.7977 0.0093***
R- Squared	0.19	0.17	0.21	0.23

Durbin-Watson Stat	2.0444	2.0989	2.0776	2.0702
F-Statistics	29.8957 (0.0000)	18.5987 (0.0000)	16.5058 (0.0000)	15.6628 (0.0000)

Table: OLS results using various categories defining Policy and Institutions
'***', '**' and '*' shows significance level at 1%, 5% and 10% respectively.

6.1: DISCUSSION

Simple ordinary least square (OLS) model has been used to relate different categories of policy and institutional parameters with economic growth in developing countries. First two columns of the Table represent the performance of Policy variables in economic growth and the last two columns report about the empirics related to institutional factors. The category of variables including fiscal policy and debt policy of developing nations is showing that 19 % of the variation in economic growth is contributed by the economic management of these two variables. FP (Fiscal Policy) has positive and significant impact on economic growth. On average, 1% change in fiscal policy brings more than 100% change in GDP. On the other side Debt Policy (DP) is showing not only negative but significant effect on economic growth of the developing countries. Diagnostics of the model also prove the significance of the variables. Durbin-Watson statistics indicates no sign of serial correlation in the model and F-Statistics shows that overall model is satisfactory. In case of second category of the same dimension i.e. structural policies, three variables, TP (trade policy), FS (financial sector policy) and BR (business regulatory environment) have been used in the analysis. The results show that two out of three variables, TP and FS have positive relationship with economic growth in developing countries. TP and FS are showing significant results at 10%. Business regulatory environment (BR) is showing insignificant result. Last year's GDP model dynamics shows positive effect on present growth. R- Square value shows that structural policies have on average, 17% impact on economic growth in developing countries. Durbin-Watson statistics indicates no sign of serial correlation in the model. F-Statistics shows that overall model is satisfactory.

Now moving towards the categories defining various institutional dimensions, i.e. social inclusion/equity indicators and governance, it can be seen that Gender equity (GE) is showing insignificant results, thus it has no impact on economic growth in developing countries. Equity of public use (EQR) is showing positive and significant result at 10%. Human resource building process (IHR) is showing negative and significant relation at 5% level of significance with economic growth while Political institutions and environmental sustainability show positive and significant relation with economic growth. Value of R- Square shows that on average, 21% impact is caused by social inclusion/equity on economic growth in developing countries. Durbin-Watson statistics indicates no sign of serial correlation in the model. F-Statistic shows that overall this model is satisfactory. For measuring the effect of governance in these economies, four variables, QPA (quality of public administration), BFM (budgetary and financial management), RB (revenue mobilization) and T (transparency) have been used. The results show that out of four variables of governance, two have positive impact on economic growth in developing countries. These two variables are Quality of public administration (QPA) and Budgetary and financial management (BFM). These variables have positive coefficients and are showing significant results at 10% level of significance. Revenue mobilization (RB) is showing insignificant results thus it has no impact on economic growth in developing countries. Transparency (T) is showing negative relation with economic growth in developing countries and is showing significant result at 5% level of significance. R-Square value shows that governance has on average, 23% impact on economic growth in developing countries. Durbin-Watson statistics indicates no sign of serial correlation in the model. F-Statistics shows that overall this model is satisfactory.

7: CONCLUSION

This study tried to make comparison between policy choices and institutional varsities in explaining economic growth for developing nations by employing new measures for both dimensions. For this purpose data from 2005-2013 was being used comprising of 72 developing countries. Different variables were used to represent each category of economic and non-economic dimension. For evaluating the effect of policy choices in these nations, role of economic management through two factors has been tried to analyze i.e. Fiscal policy and Debt policy. For representing structural policies, three variables including trade policies, financial sector policy and business regulatory environment were employed. For explaining institutional dimension, again two categories have been used for extracting out their impact on economic performance of these nations. These include social inclusion/equity and governance. From policy analysis, results showed that it is management of fiscal policy which is affecting impressively to the economic performance of these nations but policies related to business regulations are having no impact. It shows that in such nations governments are not providing proper attention to facilitate business men by regulating properly to this sector. Results evaluating the institutional performance in these nations showed that gender equity and revenue mobilization is having no impact in these nations on economic growth. This shows misallocation of resources and poor social set up in these nations which is also an apparent feature of these nations as well. And this is due to lack of accountability and no rule of law which

restrict the better utilization of tax revenues collected by governments. Similarly role of human capital building is also being observed negative which is due to less public expenditure made on education. But on the other hand, equity of public use which shows government concern for improving the conditions of poor either through poverty reduction strategies or elimination of regressive taxes, environmental sustainability, quality of public administration and budgetary and financial management showed positive impact on economic growth while transparency showed negative impact on economic growth of the developing countries. On the basis of these findings, it can be concluded by rejecting our null hypothesis that role of institutions is becoming more conducive in explaining economic growth of these nations as compared to policy choices or their contents. Because it's actually the public administrative role which facilitate the implementation of policies and if this institutions lack transparency accountability then no policy can give its fruits fully to the society. R-Squared value in case of both categories defining institutional features are showing increased magnitude as compared to the two categories representing policy indicators.

8: RECOMMENDATIONS

Relying on the findings of the study, the following recommendations can be put forward:

- It can be observed that trade policy is affecting positively to economic growth of the economy. Thus, governments should opt such trade policies that help in increase turnout. Business regulatory environment should be made feasible enough so that it may help as a catalyst in boosting economic growth.

- Governance plays a very crucial role in maintaining environment that may help in increased rate of economic growth. Government should ensure transparency, accountability and quality of public administration so that proper utilization of revenues could be ensured. Corruption is needed to be eradicated in all possible ways as it is a big hindrance in improvements in growth of the economy.

- Lack of human resource is a crucial factor in slowing down the economic development in case developing countries. So more focus should be on building human capital which may lead to systemized rise in economic growth.

- Governments of these nations should try to emphasize on 'participatory development approach' i.e. to work on pro-poor developmental projects so that these can contribute effectively in the development process of these nations because a large chunk of such nations is living below the poverty line. And if these are going to participate in economic activity through proper channel then pace of development can be increased.

REFERENCES

Bose,N, Haque,E,M & Osborn,R,D. (2007). Public expenditure and economic growth: *A disaggregated analysis for developing countries. The Manchester school, 75,* 533-556.

Cecchetti,G,S & Kharroubi,E. (2012). Reassessing the impact of finance on growth. *BIS working paper, 381.*

Cottarelli,C. (2011). Revenue mobilization in developing countries. *International Monetary Fund paper.*

Devarajan,S, Swaroop,V & Zou,H. (1996). The composition of public expenditure and economic growth. *Journal of Monetary economics, 37,* 313-344.

Easterly,W & Rebelo,S. (1993). Fiscal policy and economic growth: *An imperial investigation. NBER working paper series, 4490.*

Haidar,I,J. (2012). The impact of business regulatory reforms on economic growth. *Documents de travail du centre d'economie de la Sorbonne,1*, 48.

Ilzetzki ,E. (2011). Fiscal policy and debt dynamics in developing countries. *World Bank working paper.*

Jha,R. (n.d). Fiscal policy in developing countries: *A synoptic view. ASARC working paper, 1.*

Khan,S,M & Senhadji,S,A. (2000). Financial development and economic growth: *An overview. IMF working paper, 209.*

Lee,H,H, Chung,K,R & Koo,M,C. (2005). On the relationship between economic growth and environmental sustainability.

Lofstrom,A. (n.d). Gender equality, economic growth, and employment. *Sentenza media.*

Mikkola,A & Miles,A,C. (2007). Development and gender equality: consequences, causes, challenges and cures. *Helsinki center of economic research, 159.*

Parr,F,S, Guyer,P & Remer,L,T. (2011). Does budget transparency lead to stronger human development outcomes and commitments to economic and social rights? *International budget partnership open budgets (IBP), 4.*

Schclarek,A. (2004). Debt and economic growth in developing and industrial countries. *European central Bank working paper, 1237.*

Thiel,M. (2001). Finance and economic growth- a review of theory and the available evidence. *European communities, 158.*

Ugur,M & Dasgupta,N. (2011). Evidence on the economic growth impacts of corruption in low income countries and beyond. *MPRA paper, 31226.*

Voskanyan,F, & Armenia,Y. (2000). A study of the effects of corruption on economic and political development of Armenia. *American university of Armenia.*