

The Innovation, Human Development and Economic Growth in Ethiopia

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Abstract

The primary objective of this research is to examine the recent impressive economic growth and to analyze the policy options in Ethiopia with a view to contributing to the ongoing discourse on enhancing sustainable economic development. It identifies the main determinants of Gross Domestic Product (GDP) growth and analyzes the developmental policy that contributed economic growth. It is also emphasizing the role of Investment, Human Capital, and Trade Openness on GDP growth by using time series data that covered from 1981 to 2014. The data analysis was preformed through econometric testing with Augmented Dickey-Fuller Test to check the stability of time series data. Johansen Co-integration Test is employed to check whether GDP has empirically meaningful relationships with other variables. The Vector Error Correction Model and Granger causality test identify long-run equilibrium and short-run causality in GDP growth. The results of this research show that GDP growth has long-run relationship with independent variables and short-run causality with Export, Import, and Employment except Gross Fixed Capital Formation, and Labor productivity growth.

Furthermore, this research is an attempt to measure the relationships among economic growth, innovation and human development in Ethiopia, by comparing with Sub-Saharan Africa and East Asian. Most developing countries in Africa show sustainable economic growth, exceptionally Ethiopia has registered double digit economic growth in the last decade. The growth figure is much higher than the average Sub Saharan African countries. Thus, Ethiopia has been emerging as a key player in Africa. To consider the associated factors in its outstanding growth, we use empirical data analysis and extended theories, using a quantitative approach on the data of macroeconomic and innovation indicators and human development indicators for the period of 1960 to 2015. We use time series and cross country regression with descriptive analysis while employing panel regression and OLS regression model to determine the core engine behind the sustainable double digit economic growth in the last decade. The result of this research reveals that innovation has insignificant relationships with economic growth.

Keywords: Economic Growth, Human Capital, Innovation, VECM, and Income Inequality.