

CHAPTER 5

Conclusions and Discussion

5.1 Conclusions and Discussion

This study aims to study whether human capital, represented by education and health care and the role of government lead Thailand to achieve inclusive growth or not in the past 18 years. The data used in this study is 18 years panel data in each region of Thailand ranking from the year 1996 to 2013. The result of panel unit root test using Levin, Lin, and Chu (LLC) Test and The Persaran test gives us that all the data are stationary at level or $I(0)$. The methods used to find the correlations between variables are Two-Stage Least Square: 2SLS test.

5.1.1 Conclusions

This study assumed that the way country could achieve inclusive is by success all six assumptions, including education and health leads to employment then leads to growth, government tax revenue and health leads to poverty reduction and finally leads to growth, government tax revenue and health leads to inequality reduction and finally leads to growth, and the backward process of all above assumptions. Regional estimation use method of least square estimation called two stages least squares 2SLS.

According to Rauniyar and Kanbur (2010) and seyfried, (N.D) employment is, positively relate with growth. This study found that there is no positive significant correlations between employment and growth, when employment (E_m) is instrumented by Education (Edu) and health care (H and Heg). While some study such as Yusof (2007), Sudrajat (2008) and Caporale and Skare (2011) suggest the negative correlations between employment and growth, the same result found in this study, but the difference is the significant correlations

are not found in the study. Considering poverty aspect Ravallion and Chen (2003), Kraay (2004), Bhalla (2007), Son and Kakwani (2008), Grosse et al. (2008), Ianchovichina and Lundstorm (2009), Habito (2009) suggest the negative relationship between poverty and growth. They site that poverty reduction could leads country to inclusive growth. In this study significant correlations are not found in Thailand and the correlations found are positive. Means that, with growth, poverty situation become worsen in those regions. In the inequality aspect, White and Auderson (2001) Kraay (2004), Ali and Son (2007), Son and kakwani (2008), Grosse et al (2008), Klasen (2010) and Mokinley (2011) suggest the significant negative correlations between growth and inequality. They cite that growth came up with inequality reduction. In this study, in each region of Thailand, no significant correlations are found.

For the backward correlations, considering the correlations between employment and human capital, when growth induce human capital through employment, growth could lead back to education in all regions of Thailand. Moreover, with positive correlations, so, this conclude that higher growth in all regions bring back a good situation in education and health care through employment. Next, considering the backward effect of Poverty, human capital and the role of government when poverty was induced by growth. The results show that growth have positive correlations with the growth rate of tax revenue and health care, only in the North and South region, but the correlations are not significant. In addition, the negative correlations are found in Bangkok, Central and Northeast regions, but the correlations are neither not significant. In the case of inequality, when inequality is instrumented by growth, negative significant correlations are found in Central, North, Northeast and South regions. Imply that, with higher growth, inequality reduction could bring back higher growth rate of tax revenue, ratio of medical profession per head, and growth rate of the ratio of medical equipment per head.

5.1.2 Discussion

In this study, significant correlations are found only in the back ward effect of employment and inequality, while no significant correlations are found in all forward effect and the backward effect of poverty. This study suggest that inclusive could be achieve through an improvement of employment and poverty and inequality reduction through

education, health care, and the role of government, which affect higher growth rate of economy. Moreover, the growth from an improvement in employment and poverty and inequality reduction should bring back to the better situation of education, health care and the role of government. Since, the study found only the backward effect which affect only education and inequality, could imply that Thailand cannot achieve inclusive growth. However, government could still induce higher education and inequality reduction by obtaining high growth.

5.2 Policy Implications

Since the significant correlations only found in the backward effect of employment and inequality, government should focus on these two factors.

Employment

In this study higher average year of education, ratio of medical profession, and growth rate of ratio of medical equipment are induced by higher employ amount of citizen, when employ amount of citizen is induced by growth. Therefore, government should induce employment through growth. According to Keynes (1980), factors affecting growth are divided into two major groups, demand side factors and supply side factors. For demand side, growth is induced through aggregate demand, so, to induce growth, aggregate demand should be stimulate. There are many factors affecting aggregate, for example, interest rate, consumers' confidence, asset price, real wage, value of exchange rate, and banking sectors. Furthermore, another way to induce growth is to induce aggregate supply. Aggregate supply could be stimulate through many factors include, level of infrastructure, human capital, and the development if technology. In addition, there are others factors that could affect growth, for example, commodity price, political instability, and weather.

Considering Thailand previous situation, better political situation in Thailand increase investor confidence by 70.35% (FETCO and NIDA, 2015), implying that private investor tend to increase their investment rate in the future. This give Thai government a chance to improve country's economic growth. Since, investment induce both aggregate demand and aggregate supply. Government should provide more advantage to private investor by research and development encouragement in order to increase technological knowledge and

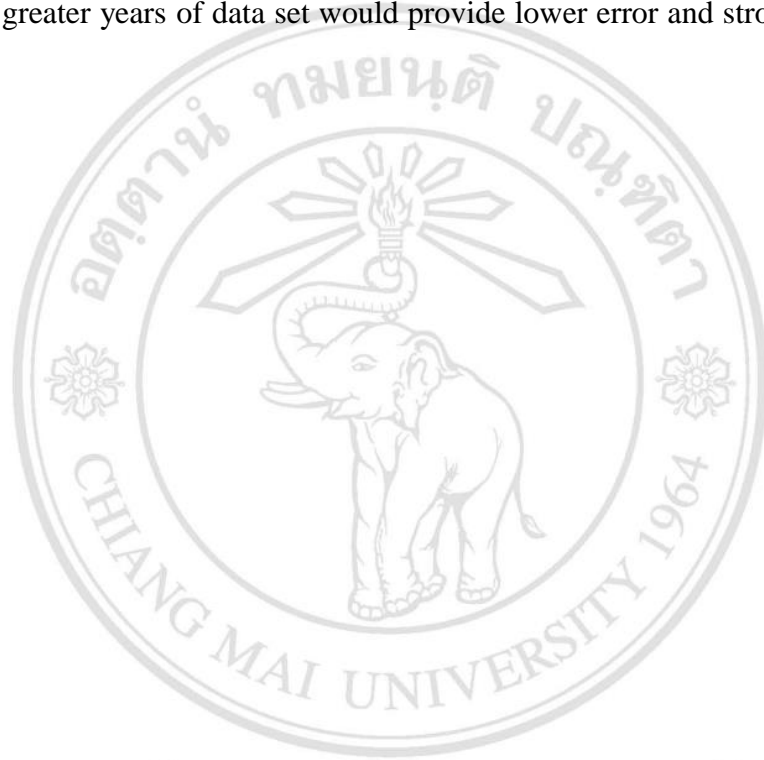
innovations in the society. Looking at country which have high innovation level, such as, Switzerland, United Kingdom, Sweden, United States, and Singapore. They could achieve high growth rate in their period of innovation development. Therefore, with innovations Thailand could be able to achieve high growth rate.

Inequality

In this study higher growth rate of tax revenue, ratio of medical profession, and growth rate of ratio of medical equipment are induced by inequality reduction, when inequality is induced by growth. Government should reduce inequality through growth. According to international finance cooperation (IFC), World Bank holding group, inclusive business model is applied to over 400 business for more than 85 countries. They integrate more than 200 million people including farmers, students, patients, and utility customers in core business operations. These investments are helping to improve lives, promote prosperity, and transform sustainable development outcomes in low-income communities around the world. Inclusive business help create income in supply chain producers by buying product from small holder and farmers, financing capital needed, providing inputs and providing services and training. Moreover, inclusive help promote accessible to goods and services of the consumers by adapting goods to low income market, provide accessible health care, education, utilities and financial services, providing working capital to distributors and providing capacity building and training. In addition, there are the evidences shows that inclusive business really improve people lives. In fiscal year 2009 alone, IFC committed \$780 million to more than 35 clients (out of all 150 clients) with inclusive business models and most of inclusive business who receive the fund could bring back better life to the citizen, for example, Anhanguera Educational Participacoes S.A. (AESAs) in Brazil could increase graduates' earning potential for more than 50%, ECOM Company, the coffee trader, could increase farmer's productivity by more than 40%, and Dialog Telekom PLC could achieve 32% compound annual growth rate and obtain 49% market share. These confirmed that inclusive business could achieve growth and built capacity of the poor altogether, then with high growth and high capacity, inequality in the poor would be reduce. Therefore, Thai government could reduce inequality and increase growth by inducing inclusive business in the country.

5.3 Further Study

In this study, limitations of data, no significant correlations of data usage and very high error in using 3SLS estimation was found. The problems may come from the lack of data and variables limitations. Therefore, further study is suggested to use other factors such as government expenditure, investment rate and corruptions level in order to see what factors is strongly lead the country to inclusive growth. Moreover, greater years of data should be used, since the greater years of data set would provide lower error and stronger impact of the variables.



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