



Q. Meaning of Economic Growth, Distinction between growth and development. Measurement of Economic Growth?

Ans. INTRODUCTION:-

Economic Growth is the increase in goods and services produced by an economy or nation, considered for a specific period of time. It is the Quantitative Aspect. Economic Development is the increase in level of production in an economy along with enrichment of living standards and advancement of technology. It is both 'Quantitative' as 'Qualitative' aspects.

* MEANING ECONOMIC GROWTH ~

MEANING :- Economic growth as per defined by Kuznets, "The capacity to sustain rapidly increasing numbers at the same or only slightly lower levels of living, in and of itself can be viewed as economic growth".

Economic growth is thus the sustained increase over a significant period, in the quantity of material goods and services produced in an economy. More generally, Economic growth may be positive or negative for total production or for production per capita and the two need not be in same direction.

To "Modern Economic growth reflects a continuing capacity to supply a growing population with an increased volume of commodities and services per capita".

MEASUREMENT OF ECONOMIC GROWTH:-

The economy produces and uses its output at one point of time. Growth theory explains why a country's national income grows, i.e. what are the sources of growth. Economic growth is measured by using data on GDP which is a measure of total income earned by the people of a country through their participation in the production process.

Time series data is used to compare per capita income of a country over a number of years. Similarly, cross-section data is used to make an international comparison of income and living standard at a particular point in time.

Sometimes there is an use of panel data, that is cross-section data over time to compare the income and living standard of number of countries over time.

TYPES OF GROWTH:-



TYPES OF GROWTH

a) EXTENSIVE GROWTH:

(It is caused by increase in supply of factors of production)

b) INTENSIVE GROWTH

(caused by increment in total factor productivity).

FACTORS AFFECTING ECONOMIC GROWTH:-

a) HUMAN RESOURCE:- The quality and quantity of available human resource can directly affect the growth of an economy. If human resource is well skilled and trained, then output would be of high quality, leading to higher growth and vice-versa.

b) NATURAL RESOURCES:- Natural resources involves resources that are produced by nature either on land or beneath land, which affects economic growth to a large extent.

c) CAPITAL FORMATION:- This increases the availability of capital per worker, which raises capital/labour ratio. This thereby raises productivity of labour which results in increase in output and growth of economy.



d) TECHNOLOGICAL DEVELOPMENT:- It helps in increasing productivity with limited amount of resources. The right technology plays an important role for growth of economy.

e) SOCIAL AND POLITICAL FACTORS:- Social factors involve customs, traditions, values and beliefs which contribute to ~~economic~~ economic growth. Political factors such as participation of government in formulating and implementing various policies thus have major part in economic growth.

* CRITICAL AND ECONOMIC DEVELOPMENT:-

Economic development is the growth of standard of living of nations people from a low-income (poor) economy to a high-income (rich) economy when the local quality of life is improved, there is more economic development. It focuses on qualitative and quantitative growth of economy. It can create more opportunities in the sectors of education, healthcare, employment and conservation of environment. It also indicates increase in per capita income of every citizen. Therefore, an increase in economic development is more necessary for an economy to achieve the status of developed nation.



It can be measured by Human Development Index, which considers the literacy rates and life expectancy which affects the productivity and could lead to economic growth.

ECONOMIC GROWTH VS ECONOMIC DEVELOPMENT :-

#1. CONCEPT

Eco. Growth

Eco. Development

> It is narrower concept than economic development.

> Eco. Development is a much broader sense / concept than economic growth.

$$\text{Eco. Development} = \text{Eco. Growth} + \text{Living Standard}$$

#2. SCOPE

Eco. Development

Eco. Growth

> It is multi-dimensional phenomenon because it focuses on the income of people and on important improvement of living standards.

> It is considered as a single dimensional in nature as it only focuses on income of people



3. TERM

Eco. GROWTH

> It is a short-term process

Eco. DEVELOPMENT

> It is a long-term process

4. MEASUREMENT

Eco. DEVELOPMENT

> It is both qualitative and Quantitative terms.
HDI, gender-related index, HPI, infant mortality, literacy rate, etc.

Eco. GROWTH

> It is increase in real GDP

5. RELATED TO

Eco. GROWTH

> It is related to developed economies

Eco. DEVELOPMENT

It is related to underdeveloped and developing economies

6. EFFECT

Eco. DEVELOPMENT

> Qualitative and Quantitative impact on economy, improvement in life expectancy rate, infant, literacy rate, poverty rate and mortality rates

Eco. GROWTH

> It brings quantitative impact on economy; increase in indicators like per capita income, GDP, etc



7. PROCESS TENOR

Eco. GROWTH

> It is in certain period

Eco. DEVELOPMENT

& It is a continuous process

CRITICAL ANALYSIS OF ECONOMIC GROWTH WITH REFERENCE TO INDIA: -

The Economy of India characterised as Developing Market Economy. It is the world 5th largest economy by nominal GDP and 3rd largest by Purchasing Power Parity. Since, the start of 21st century, annual average GDP growth has been 6% to 7%. and from 2014 to 2018, India was the world's fastest growing major economy surpassing China.

[Moody's Investors Service on Friday slashed its estimate of India's GDP growth during 2020 calendar year to 2.5% from early estimate of 5.3% and said the coronavirus pandemic will cause unprecedented shock to global economy].

INDIA'S ECONOMIC GROWTH RATE PROJECTIONS FOR FY20 BY VARIOUS THINK TANKS (%) —

| | | |
|-----------------|---|-----|
| ECONOMIC SURVEY | : | 7 |
| RBI | : | 6.1 |
| IMF | : | 6.1 |
| WORLD BANK | : | 6.0 |
| OECD | : | 5.9 |



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Page _____

CONCLUSION:-

Hence, we conclude economic growth is a subset of economic development. Eco. development is a bigger concept than economic growth. Hence, economic growth is essential but not the only condition for economic development.

- X -

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