

Economic Growth and Planning



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How to measure Economic Growth?

- ❖ *GDP* is the best measurement for Economic Growth
- ❖ *GDP* is the total value of all the final goods and services produced by the residents of a country within the territory in a time period
- ❖ Increase in the *GDP* shows the *rising standard of living*

What are the factors of Economic Growth?

- ❖ Two types
- ❖ ***Economic Factors***- Those directly affect the Economic Growth
- ❖ ***Non-Economic Factors***- Those Indirectly affect the Economic Growth

Economic Factors

- ❖ *Natural Resources*
- ❖ *Human Resources*
- ❖ *Capital Formation*
- ❖ *Technological Advancement*
- ❖ *Basically Land Labour Capital and Enterprise*

Natural Resources

- ❖ *Gift of Nature*
- ❖ It includes *raw materials, minerals, forests, air, water, sunshine, vegetables, Plants* etc
- ❖ *Land* is regarded in the predominant position for Economic Growth
- ❖ Abundance of Natural Resources is essential for the Economic Growth
- ❖ But the *efficient utilization* of natural resources is also important which depends on the skills and abilities of human resource, technology used and availability of funds

Human Resources

- ❖ *Quantity and Quality* of Human Resource (HR) is crucial for the Economic Growth
- ❖ Quality of Human Resource depends on its *skills, creative abilities, training, and education*
- ❖ Good quality of Human Resource produce *high quality output* and it creates Economic growth
- ❖ Quantity of HR is also important as lesser quantity will hamper production
- ❖ Hence *skilled labour in adequate quantity* is the requirement for the Economic Growth

Capital Formation

- ❖ Capital implies the *stock of physical reproducible factors of production*
- ❖ It includes *land, building, machinery, transportation, power and mode of communication* etc
- ❖ Production of all these manmade goods termed as *Capital Formation*
- ❖ Increase in capital leads to capital accumulation
- ❖ Capital formation increase the *level of Investment*, which has two results
- ❖ Firstly, *Increase in Per capita Income = Increase in Purchasing Power = Increase in Effective Demand = Economic Growth*
- ❖ Secondly, *Investment leads to more production = Economic Growth*

Technological Advancement

- ❖ *Level of technology* is an important factor of *Economic Growth*
- ❖ *Rapid progress in technology* makes growth process fast
- ❖ Rapid rate of growth can be achieved with the *high level of technology*
- ❖ It increases the *production, fast moving products to market, easy access to new markets, increases communication* etc
- ❖ It has *positive impact* on economy as well as *Economic Growth*

Non-Economic Factors

- ❖ *Social factors*
- ❖ *Political factors*
- ❖ *Demographic factors*

Social factors

- ❖ Social factors involves *values, customs, beliefs, traditions* which contributes growth of the economy
- ❖ An *individual's views* in a society, *towards development* decides the Economic growth of that country
- ❖ Social institutions can *help or hinder* the process of growth and development of the country
- ❖ Undeveloped and under developed countries where society has *conventional and superstitious beliefs* which resist them to adopt modern technology and way of living, *hindrance* for economic growth
- ❖ On the other hand developed societies have *scientific temper* towards modern life style and technology which helps them in economic growth.

Political Factors

- ❖ Political factors, such as *participation of the government in formulating and implementing various policies* for the economic growth.
- ❖ The government ensures *strong, competent and honest* administrative machinery.
- ❖ The government maintains *law and order* for the economic growth.
- ❖ *International law* plays an important role in *defence of the country* against external aggression and protection of public property against external disorder.
- ❖ The *existence of peaceful atmosphere* in the state, law and order are significant factors to ensure quick economic growth.
- ❖ The government bring *new policies, advanced technological and monetary policies* to ensure economic growth.

Demographic Factor

- ❖ Demographic change can influence the growth rate of economy, *structural productivity growth, living standards, saving rates, consumption, and investment.*
- ❖ It can influence the *long-run unemployment rate.*
- ❖ Demography influences the *supply of labour.* Typically, as mortality rates decline and people live longer, the supply of labour increases.
- ❖ The *shift of rural population to the urban areas* reduces the need for large families to run farms.
- ❖ *Life expectancy* has a positive effect on economic growth.

Thank You