

UPSC Civil Services Examination

UPSC Notes [GS-III]

Topic: Economic Growth & Development - UPSC Economy Notes

What is Economic Growth?

Economic growth can be defined as an increase in the value of goods and services produced in an economy over a period of time. This value calculation is done in terms of % increase in GDP or Gross Domestic Product.

Economic growth is calculated in real terms where the effects of variation in the value of goods and services due to inflation distortion are also accounted for.

Factors influencing Economic Growth

1. Human resources – this is a major factor that is responsible for boosting the economic growth of a country. The rate of increase in the skills and capabilities of a workforce ultimately increases the economic growth of a country.
2. Infrastructure development- Improvements and increased investment in physical capital such as roadways, machinery and factories will increase the efficiency of economic output by reducing the cost.
3. Planned utilization of natural resources – Proper use of available natural resources like mineral deposits helps boost the productivity of the economy.
4. Population growth – An increase in the growth of population will result in the availability of more human resources which in turn will increase the output in terms of quantity. This is also an important factor that influences economic growth.
5. Advancement in technology – Improvement in technology will affect the economic growth of a country positively. The application of advanced technology will result in increased productivity of labour and economic growth will advance at a lower cost.

What is Economic Development?

The term economic development can be explained as the process by which the economic well-being and quality of life of a nation, community or particular region are improved according to predefined goals and objectives.

Economic development is a combination of market productivity and welfare values of the nation.

Factors Affecting Economic development

1. Infrastructural improvement – Development in the infrastructure improves the quality of life of people. Therefore, an increase in the rate of infrastructural development will result in the economic development of a nation.
2. Education – Improvement in literacy and technical knowledge will result in a better understanding of the usage of different equipment. This will increase labour productivity and in turn, will result in the economic development of a nation.

- Increase in the capital – Increase in capital formation will result in more productive output in an economy and this will affect the economic development positively.

Difference between Economic Growth & Development

The major differences between economic growth and development are stated below:

Economic growth	Economic development
Increase in market output results in economic growth	Economic development can be measured in terms of welfare values and market output
It is a quantitative concept	It is a qualitative concept
Economic growth is uni-dimensional in nature	Economic development is multidimensional in nature
This is one of the major concern of developed countries	This is a major concern of developing countries
Economic growth is independent of development	Economic development can only happen if economic growth takes place.
Indicators of Economic growth <ul style="list-style-type: none"> • Real GDP • Real per capita income 	Indicators of economic development <ul style="list-style-type: none"> • Human Development Index • Physical Quality of Life Index • Net Economic Welfare (NEW)