

The term economic growth is defined as the process whereby the country's real national and per capita income increases over a long period of time.

This definition of economic growth consists of the following features of economic growth:

- ✓ **Economic Growth implies a process of increase in National Income and Per-Capita Income.** The increase in Per-Capita income is the better measure of Economic Growth since it reflects increase in the improvement of living standards of masses.

Economic Growth is measured by increase in real National Income and not just the increase in money income or the nominal national income. In other words the increase should be in terms of increase of output of goods and services, and not due to a mere increase in the market prices of existing goods.

- ✓ **Increase in Real Income should be Over a Long Period:** The increase of real national income and per-capita income should be sustained over a long period of time. The short-run seasonal or temporary increases in income should not be confused with economic growth.
- ✓ **Increase in income should be based on Increase in Productive Capacity:** Increase in Income can be sustained only when this increase results from some durable increase in productive capacity of the economy like modernization or use of new technology in production, strengthening of infrastructure like transport network, improved electricity generation etc.

3.2 ECONOMIC DEVELOPMENT

Economic development is defined as a sustained improvement in material wellbeing of society. Economic development is a wider concept than economic growth. Apart from growth of national income, it includes changes – social, cultural, political as well as economic which contribute to material progress. It contains changes in resource supplies, in the rate of capital formation, in size and composition of population, in technology, skills and efficiency, in institutional and organizational set-up. These changes fulfill the wider objectives of ensuring more equitable income distribution, greater employment and poverty alleviation. In short, economic development is a process consisting of a long chain of inter-related changes in fundamental factors of supply and in the structure of demand, leading to a rise in the net national product of a country in the long run.

INDICATOR/DETERMINANTS OF ECONOMIC DEVELOPMENT

A. Economic Factors:

1. Population and Manpower Resources:

Population is considered as an important determinant of economic growth. In this respect population is working both as a stimulant and hurdles to economic growth. Firstly, population provides labour and entrepreneurship as an important factor service.

2. Natural Resources and Its Utilization:

Availability of natural resources and its proper utilization are considered as an important determinant of economic development. If the countries are rich in natural resources and adopted modern technology for its utilization, then they can attain higher level of development at a quicker pace. Mere possession of natural resources cannot work as a determinant of economic development.

3. Capital Formation and Capital Accumulation:

Capital formation and capital accumulation are playing an important role in the process of

economic development of the country. Here capital means the stock of physical reproducible

factors required for production. The increase in the volume of capital formation leads to capital accumulation.

4. Capital-Output Ratio:

Capital-output ratio is also considered as an important determinant of economic development in a country. By capital-output ratio we mean number of units of capital required to produce per unit of output. It also refers to productivity of capital of different sectors at a definite point of time. But the capital output ratio in a country is also determined by stage of economic development reached and the judicial mix of investment pattern.

5. Favourable Investment Pattern:

Favourable investment pattern is an important determinant of economic development in a country. This requires proper selection of industries as per investment priorities and choice of production techniques so as to realize a low capital—output ratio and also for achieving maximum productivity.

6. Occupational Structure:

Another determinant of economic development is the occupational structure of the working population of the country. Too much dependence on agricultural sector is not an encouraging situation for economic development.

7. Extent of the Market:

Extent of the market is also considered as an important determinant of economic development. Expansion of the scale of production and its diversification depend very much on the size of the market prevailing in the country.

8. Technological Advancement:

Technological advancement is considered as an important determinant of economic environment. By technological advancement we mean improved technical know-how and its broad-based applications.

9. Infrastructural Facilities:

Development of infrastructural facilities is also an important component of economic environment in a country like India.

10. Suitable Industrial Relations:

Suitable industrial relations are also an important determinant economic development in a country like India. Healthy trade union activities and cordial relations between employer and employee promote such economic environment for development.

B. Non-Economic Factors:

1. Urge for Development:

It is the mental urge for development of the people in general that is playing an important determinant for initiating and accelerating the process of economic development. In order to

attain economic progress, people must be ready to bear both the sufferings and convenience. Experimental outlook, necessary for economic environment must grow with the spread of education.

2. Spread of Education:

Economic progress is very much associated with the spread of education. Prof. Krause has observed that, "Education brings revolutions in ideas for economic progress."

3. Changes in Social and Institutional Factors:

Conservative and rigid social and institutional set up like joint family system, caste system, traditional values of life, irrational behaviour etc. put severe obstacle on the path of economic development and also retards its pace.

4. Proper Maintenance of Law and Order:

Maintenance of law and order in a proper manner also helps the country to attain economic development at a quicker pace. Stability, peace, protection from external aggression and legal protection generally raises morality, initiative and entrepreneurship. Formulation of proper monetary and fiscal policy by an efficient government can provide necessary climate for increased investment and also can stimulate capital formation in the country.

5. Administrative Efficiency:

Economic development of a country also demands existence of a strong, honest, efficient and competent administrative machinery for the successful implementation of government policies and programmes for development. The existence of a weak, corrupt and inefficient administrative machinery, leads the country into chaos and disorder.

6. Cultural Set Up:

Sound cultural set up also build up a better non-economic environment which are conducive towards economic development. Cultural activities improve the mental set up of the people in general and develop simultaneously a sense of bond-ness among various sections of people living in the society.

7. Politico-Legal Environment:

The politico-legal environment of the country is also an important determinant of economic development. Political stability and legal support for developmental activities creates a better environment for development. Reforms in the form of industrial policy reforms, labour reforms etc. should be enacted through proper legislation.

DIFFERENCES BETWEEN ECONOMIC DEVELOPMENT AND GROWTH

The basis of Comparison	Economic Development	Economic Growth
Concept	Economic development is a much broader concept than economic growth. Economic development = Economic Growth + Standard of Living	Economic Growth is a narrower concept than economic development.
Scope	Economic Development is considered as a Multidimensional phenomenon because it focuses on the income of the people and on the improvement of the living standards of the people of the country.	Economic Growth is considered as a single dimensional in nature as it only focuses on the income of the people of the country.
Term	Long-term process	Short term process
Measurement	Both Qualitative & Quantitative Terms: HDI (Human Development Index), gender-related index, Human poverty index, infant mortality, literacy rate etc.	Quantitative Terms: Increases in real GDP.
Related To	Economic Development is related to Underdeveloped and developing countries of the world.	Economic Growth is related to developed countries of the world.
Effect	Qualitative and Quantitative Impact on the economy. Improvement in life expectancy rate, infant, literacy rate, poverty rates, and mortality rate.	Brings a quantitative impact on the economy. Increase in the indicators like per capita income and GDP, etc.
Process Tenor	Continuous process	In a certain period