## **Economic growth and development**

Economic growth and economic development have received a lot of attention in the 20thcentury. In an economy there must be balanced economic growth of all sectors – agriculture, manufacturing industry and the service sector. Only then, economic growth will benefit all sectors of the population. Economic welfare is based on proper distribution among the population. The distribution takes place in the form of rent, wages, interest and profits.

In the past, economic growth and economic development were used more or less with the same meaning. For example, the rate of growth of income per capita or per capita GNP was an index of economic development. The wellbeing of population depends on the rate of growth of 'real' per capita GNP. Real per capita GNP refers to the monetary growth of GNP per capita minus the rate of inflation.

The common notion says if there is decline in poverty, unemployment, and inequality, there is economic development in the country. Otherwise, even if per capita income doubles, it cannot be termed as economic development. So when there is development, there must be improvement in the quality of life. That means people must have higher incomes, better education, better health care and nutrition, less poverty and more equality of opportunity. So according to Michael P. Todaro and Stephen C. Smith, "Development must be conceived of as a multidimensional process involving major changes in social structures, popular attitudes and national institutions, as well as the acceleration of economic growth, the reduction of inequality, and the eradication of poverty". The economic development of a country or society is usually associated with (amongst other things) rising incomes and related increases in consumption, savings, and investment. Of course, there is far more to economic development than income growth; for if income distribution is highly skewed, growth may not be accompanied by much progress towards the goals that are usually associated with economic development. Economists usually measure economic growth in terms of gross domestic product (GDP) or related indicators, such as gross national product (GNP) or gross national income (GNI) which is derived from the GDP calculation. GDP is calculated from a country's national accounts which report annual data on incomes, expenditure and investment for each sector of the economy. Using these data it is possible to estimate the total income earned in the country in any given year (GDP) or the total income earned by a country's citizens (GNP or GNI).

# 1.2.8Barriers to economic growth

Economic growth depends on the quality and availability of these factors. If any of the factors of production suffers from a lack of quality or availability, then economic growth will not be possible to take place. These factors include:

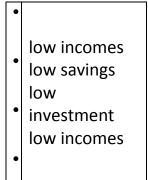
## > Dearth of infrastructure:

•	Insufficient or contaminated land
<ul> <li>Substandard labour supply</li> </ul>	
	Poor technical infrastructure, such as
	roads and communications
•	Poor social infrastructure, such as
•	schools or hospitals
	Poor industrial infrastructure, such as
	factories and machinery

These are basically the infrastructural support needed for economic growth. In the absence of such infrastructural facilities, economic growth in unimaginable.

Along with the infrastructural barrier, a wide range of other barriers which halt economic growth can be pointed as below.

## Poverty cycle:



Poverty cycle reduces the capacity of the country to make flow of capital for production and thus the process of production is retarded and economic growth is stunted.

# > Institutional and political factors:

•	ineffective taxation structure lack of property rights political instability
• corruption	
	unequal distribution of
•	income
• formal and informal markets	

## lack of infrastructure

Institutional and political factors play a crucial role in stagnating economic growth. When the institutional arrangements are not proper, there is inequality of income among the people, the country fails to generate adequate revenue needed to fuel the production process. Political instability leads to a shift of focus from economic growth to maintain stability and the system of governance withdraws its efforts from accelerating economic growth. Corruption is a great negation to growth as money gets siphoned to individual hands for personal consumption and is not used for mass consumption. Sick markets cannot stir economic growth. Because the demand subsides in a sick market and no longer the market plays its driving role to promote economic growth. Infrastructures like transports, communications, educational institutions and hospitals when are ill developed, economic growth is seriously hampered.

#### International trade barriers:

- overdependence on primary products
- consequences of adverse terms of trade
- consequences of a narrow range of exports
- protectionism in international trade

International trade barriers negate economic growth. Over dependence on primary products do not allow an economy to grow. Adverse terms of trade and limitations on exports cast its unfavourable consequences upon production. For such conditions, market expansion is blocked. Capital generation becomes difficult which is needed for production. Protectionism in international trade restricts consumer's choice and freedom and disallows the products of certain countries to get marketed outside. This negatively affects production and economic growth.

## International financial barriers:

- indebtedness
  non-convertible
  currencies
- capital flight

International financial barriers like debt traps, capital flight and drain make investment limited for a country. This adversely affects economic growth.

# Social and cultural factors acting as barriers:

- religion
- culture
- tradition
- gender issues

Socio cultural factors too arrest economic growth. Religious segregation, taboos, cultural prescriptions and limitations, traditions and gender based discriminations mar the human capital development and dissociate a major chunk of the population from getting integrated in the labour force and emerging as quality labour force. This becomes degrading for economic growth.

However, today nations are taking measures to overcome such barriers to make economic growth a reality. The structural adjustment policies, liberalization process and globalization have significantly reduced the international trade and financial barriers. Inclusive policies have tried to put an end to the socio cultural barriers to economic growth. Revamping of the economy through economic planning, policies and programmes have addressed many issues arising out of poverty cycle. Development of a strong political will, administrative reforms, and public policies and the ideology of good governance are also tuned to make economic growth an achievable agenda.