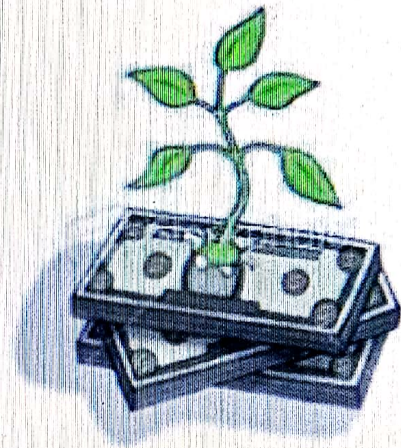


Economic growth:

Economic growth can be defined as an increase in the capacity of an economy to produce goods and services, compared from one period of time to another. Economic growth can be measured in nominal terms, which include inflation, or in real terms, which are adjusted for inflation.



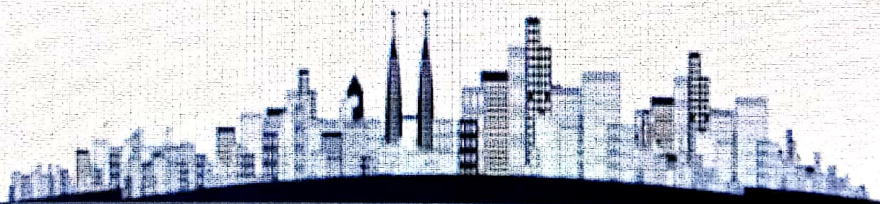
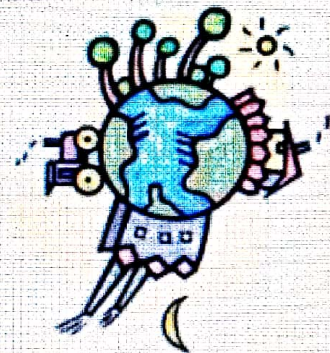
How is Economic Growth Measured?

- Economic growth in a country is measured by the country's **Gross Domestic Product (GDP)** in one year
- GDP = the **total amount of final goods and services produced in one year** within a country



4 Factors of Economic Growth

- There are four factors that determine a country's Gross Domestic Product for the year:
 - Natural Resources
 - Human Capital
 - Capital Goods
 - Entrepreneurship



Economic development:

- **Economic Development** is policy intervention with aims of development of:

- Human capital
- Literacy ratio
- Infrastructure
- Health & general welfare of the citizens

whereas **Economic growth** is a phenomenon of market productivity and rise in GDP



Economic development is:

- **Quantitative and Qualitative** changes in the economy
- Promoting the **standard of living** and **Economic health**
- **Human Development Index** is one of the most accurate method for measuring it which takes into account the literacy rates & life expectancy.
- **Modernization and industrialization** plays important role for economic development of a nation.



Factors affecting Economic Development:

- **Inflation** distorts business decisions as buying capacity of consumer reduces.
- **Tax Levels** Income tax and sales tax (eg VAT) affect how much consumer have to spend, hence the demand.
- **Interest Rates** can impact the growth of an industry. For ex. High car loan interest rate will discourage vehicle industry.
- **Governmental Policies** provides a friendly environment for businesses to move into and operate within a community.

- **Currency Strength** is important even for companies that do not import or export goods.
- **Government Intervention** Many industries are regulated by the government which ensures safety of consumers, employees & natural resources
- **Overall Economic Health** The economic state of the country and consumer confidence can also spur development or harm it.
- **Social and Cultural Values** affect economic development through attitude toward progress.
- **Foreign Direct Investment**



Indicators of Economic Growth:

- Using measures of economic performance in terms of the value of income, expenditure and output
- GDP – Gross Domestic Product
 - The value of output produced within a country during a time period
- GNP – Gross National Product
 - The value of output produced within a country plus net property income from abroad
- GDP/GNP per head/per capita
 - Takes account of the size of the population
- Real GDP/GNP
 - Accounts for differences in price levels in different countries

The Importance of Economic Growth:

- Economic growth is important because it is a necessary ingredient for both higher incomes and higher living standards.
- GDP is a measure of both output and income. Growth of output is necessary for growth of income.
- *Per capita GDP* is the nation's GDP divided by its population. Growth of per capita GDP means more goods and services per person.
- In most cases, higher levels of per capita GDP will mean that the typical person has a better diet, improved health and access to medical services, a longer life expectancy, and greater educational opportunity.

Indicators of economic development:

- GDP PER CAPITA
- LIFE EXPECTANCY
- LITERACY RATES
- MEASURES OF POVERTY
- DEMOGRAPHIC INDICATORS
- DISEASE INDICATORS



Economic growth in India :

GDP	\$1.824 trillion (nominal) 10th; 2012) \$4.684 trillion (PPP: 3rd; 2012)
GDP growth	3.986% (2012–13)
GDP per capita	\$1,491 (nominal: 141st; 2012) \$3,829 (PPP: 130th; 2012)
GDP by sector	agriculture: 17.4%, industry: 25.8%, services: 56.9% (2012 est.)
Inflation (CPI)	CPI: 9.31%, WPI: 4.7% (April 2013)
Population below poverty line	29.8% (2010)
Gini coefficient	36.8
Labour force	498.4 million (2012 est.) (includes child labor)
Labour force by occupation	agriculture: 51.1%, industry: 22.4%, services: 26.6% (2012 est.)
Unemployment	3.8% (2011 est.)
Average gross salary	\$1,410 yearly (2011)
Main industries	textiles, chemicals, food processing, steel, transportation equipment, cement, mining, petroleum, machinery, software, pharmaceuticals
Ease of Doing Business Rank	132nd (2012)

Recent trends:

S.No.	Industry	Percentage change over previous year			
		at constant (2004-05 prices)		at current prices	
		2011-12	2012-13	2011-12	2012-13
1	Agriculture, forestry & fishing	3.6	1.8	12.2	12.1
2	Mining & quarrying	-0.6	0.4	2.5	11.7
3	Manufacturing	2.7	1.9	11.2	7.7
4	Electricity, gas & water supply	6.5	4.9	10.5	18.3
5	Construction	5.6	5.9	15.1	13.9
6	Trade, hotels, transport & communication	7.0	5.2	18.5	12.8
7	Financing, insurance, real estate & business services	11.7	8.6	18.7	17.3
8	Community, social & personal services	6.0	6.8	14.9	16.0
	Total GDP	6.2	5.0	15.0	13.3

ECONOMIC DEVELOPMENT IN INDIA

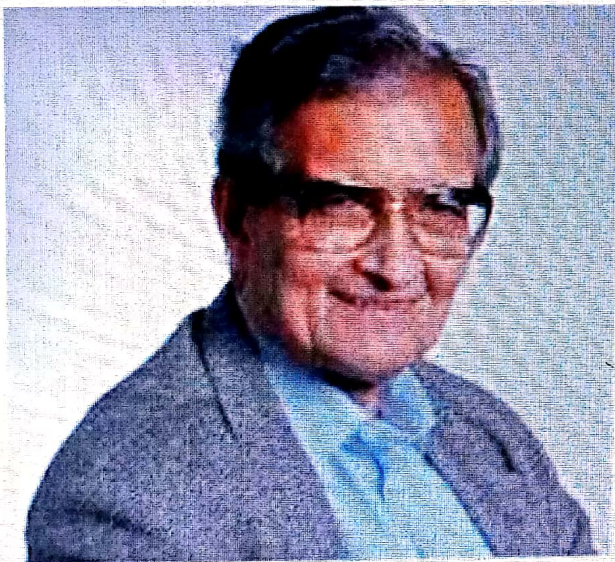
- *After fundamental reforms since 1991 and their renewal in the 2000s, India has progressed towards a free market economy*



Some key highlights of Indian economy are listed below:

- India ranks second in agriculture or farm output. India have a large and diverse agricultural sector, accounting, on average, for about 16% of GDP and 10% of export earnings.
- Manufacturing sector in addition to mining, quarrying , electricity and gas together account for 27.6% of the GDP and employ 17% of the total workforce.
- India is fifteenth in services output. The Indian service industry has emerged as one of the largest and fastest-growing sectors on the global landscape and hence has made substantial contribution towards global output and employment. This sector, accounting for 60 per cent of the GDP, grew 5 per cent in the FY13.
- Human Development Report 2013 released by the United Nations Development Programmers (UNDP), ranked the country at a low 136 among 186 countries on human development (HDI) — a composite measure of life expectancy, access to education and income levels

Amartya sen's view regarding economic growth and development:



Economic growth is not an end in itself and has to enhance the lives people lead and the freedoms that they enjoy

- **Capability to function** is what matters for status as a poor/non-poor person and it goes beyond availability of commodities
- Capabilities: “freedom that a person has in terms of the choice of his functionings,...”
- **Functioning's** is what a person does with commodities of given characteristics that they possess/control
- The concept of functionings reflects the various things a person may value doing
- Therefore, development cannot focus only on income, but we also need to look at other factors impacting a person's capability to function.

- Amartya Sen. traced five sources of disparity between real incomes and actual advantages:
 - Personal heterogeneities
 - Environmental diversities
 - Social climate variations
 - Differences in relational perspectives
 - Distribution within family