

# "Economic Growth: Meaning & Sources"

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Aparna Sengupta  
Associate Professor  
HOD, Department of Economics

## Introduction :-

Economic growth is one of the most important indicators of a healthy economy. One of the biggest impacts of long-term growth of a country is that it has a positive impact on national income and the level of employment, which increases the standard of living.

Higher economic growth also leads to extra tax income for Govt. spending, which the Govt. can use to develop the economy.

What is meant by Economic growth?

## Meaning of Economic growth :-

Economic growth is an increase in the production of economic goods and services, compared from one period of time to another. Economic growth is the most-watched economic indicator.

In simplest terms, economic growth refers to an increase in aggregate production in an economy. So it is commonly measured in terms of the increase in aggregate market value of additional goods and services produced using estimates such as GDP.

### Sources of Economic Growth:-

Economic growth, the process of increasing the economy's ability to produce goods and services, can be achieved by increasing the quantity as well as the quality of resources.

The most important sources of economic growth in economically less developed countries include: increase in quantities of physical capital and human capital, the development and use of new technologies that are appropriate to the conditions of the economically less developed countries, and institutional changes.

There are four basic requirements, which are:-

- 1) Natural Resources:- Land, minerals,

fuels, climate, their quantity and quality

2) Human Resources :-

The supply of labour and the quality of labour.

3) Physical Capital and technological factors :- Machines, factories, roads, their quantity and quality

4) Institutional factors :- which may include the banking system, the legal system and important factors like a good health care system.

These are economic factors.

But economic growth is not possible so long as social institutions, political conditions (i.e. political stability) and moral values in a nation do not encourage development, which are non-economic factors.

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