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Economic Growth and Significant Determinants: An Update

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Abstract:

Development theories illustrate the progression and economic thought trends that shaped the way economic growth is perceived. Researchers also concentrated on discovering the most significant parameters that affect development by forming new hypotheses and models. We want to propose several variables that strongly influence economic growth and progress. It has not been completely known yet which growing variables have the biggest impact on economic development.

INTRODUCTION

Growth theory and models describe various variables which affect economic growth (Stern, 2004). There is a great need for sustainable development in the human race to continue evolving and improving. Global growth theories shift with time as markets change. Besides, significant influence on formulating new ideas has produced a substantial impact on mathematical and statistical methods. Some fundamental dynamics dictate economic development. They are supply determinants, productivity, and demand. The four value generators are natural resources, capital goods, human resources, and innovations, and such aspects have a significant impact on the value of services rendered (Amayi and Ngugi, 2013; Binswanger *et al.*, 1987; Lauer *et al.*, 2010; Lin, 2008). GDP can calculate economic development, but what defines the growth in each sector is different.

There are various factors relevant to the complexities of economic development around the states. Some socio-political causes and incidents have a significant impact on the advancement of a country's economy. Economic determinants are somewhat distinct from non-economic determinants. Proximate or economic determinants apply to variables such as capital accumulation, technical development, labor, institutions, political and governmental structures, cultural and social factors, geography, and demography (Acemoglu, 2010).

Natural resources

Natural resources exert a restraint on economic development since they constrain the productive power of the economy. Whether or not this laborer limitation would have a significant economic effect would rely on the production method's design. This is the most significant effect causing the detrimental impact of natural capital on economic development in the literature. A previous study documented that steady-state rates of growth of production per capita in a rising economy of natural capital are proportional to the pace of technological change and demographic growth lag and natural

resource depletion drag. Secondly, substantial mining royalty could build a favorable climate for rent-seeking behaviors, which will redirect capital into less economically useful industries (Auty and Gelb, 2001; Gelb, 1988). It was shown that "terms of trade windfalls and natural resource booms triggered political interaction among powerful interest groups" which shows that "current account deficits, disproportionate fiscal redistribution, and reduced growth" (Tornell and Lane, 1998). In severe situations, apart from social disturbances, civil wars could collapse the rule of law and the entire social system. It was reported that resource shortage raises the risk of civil war (Collier, 2009). A simple illustration includes strong multinational governments invading a democratic and stable state. The U.S. military budget has a tremendous influence on economic development because it gets in the way of capital creation and resource distribution (Knight *et al.*, 1996).

Big leases are riskier because they come from a narrow regional base (as in oil or other natural resources) and are simple to use (Mehlum *et al.*, 2006). Natural resource shortage may contribute to the Dutch disease in different forms. A resource boom and related rise in exports will contribute to a currency appreciation that will limit exports in the manufacturing and services sectors (Corden, 1984). Recurrent boom and bust cycles aim to enhance instability of the economy while reducing output in the tradable market and exports and imports of products and services. There is the Dutch disease influence of markets with no country's own currency (Paldam, 1997). The rise in the primary sector leads to an increase in labor cost, which pushes foreign competitiveness, eventually boosting domestic demand. "The Dutch disease" results in reduced manufacturing and service sector export activity. This aligns with perceptions that technical progress emerges from engineering rather than agriculture (Gylfason *et al.*, 1999). To the degree that advanced agricultural productivity emerged by technology migration from other industries, the Dutch disease is unlikely to slow down the economy's development.

Health effect on economic growth

The main contribution of human resources comprises technological expertise and competence. This practice misunderstands the good argument for treating wellbeing as a critical element of the human resources for economic development (Bloom *et al.*, 2004). Jobs that work out more are emotionally and emotionally happier. They are more professional and are paying higher than their peers. Employees are less likely to be away from work because of sickness and medical costs (or illness in their family) (Bloom *et al.*, 2004). Illness and impairment influence hourly earnings and affect developed countries where a higher proportion of manual labor is engaged than in industrial countries. Microeconomics has shown that these issues appear to be well established. Our key conclusion is that wellness has a major influence on economic development. This research showed that 1 year of improved life expectancy produces a 1.3% gain in the production ratio (Bloom *et al.*, 2004).

Child labor effect on economic growth

The development raises child labor. The data appears to reinforce the belief that it does. Child labor involvement in several countries has declined over time. Statistically, the decline in children's labor involvement from 1950-2000 is most definitely linear. Industrialization in the 18th and 19th centuries brought an increased reliance on child labor (Heywood, 2002). Scholars well know the final reversal of this pattern, but the exact timing of this is debatable. Although this young generation stayed, 13.1 % of the labor force in the cotton textile market in 1835. The proportion of working youths fell from 30% in 1851 to 17% in 1901. This is a typical trend in European economies at the moment. It was noticed that child labor has risen (Swaminathan, 1998). In this way, Swaminathan does not try to test his suggested partnership formally. A previous study investigated the effect of globalization on child labor in developed countries and noticed that the challenge resides in participating in foreign exchange and not only being subject to globalization (Cigno *et al.*, 2002). As Indian states' population declines a

rise in the urban child labor rate. This indicates that less industrialized countries would experience more child labor. It has been noted that a rise in economic activity is likely to reduce child labor.

Education effect on economic growth

Much analysis of returns to education uses indicators such as the quantity of schooling. The most popular predictor of educational success is typically years of college, averaged through the working-age community. The traditional method of estimating the impact of education on economic growth is to estimate the cross-country growth regressions where the yearly growth in GDP per capita is represented as a function of education and other collection of variables that seem important to economic growth. An overabundance of cross-country growth regressions appears to point out an indirect connection between quantitative evidence of schooling and progress (Barro, 2001; Mankiw *et al.*, 1992). Numerous scholarly works have been analyzed in many academicians' reports. This study demonstrates the influential effect of primary education on a country's GDP per capita over ten years. In brief, studying has a proven impact on economic development.

Agriculture effect on economic growth

Agriculture is essential for the economic growth of developed countries (Johnston and Mellor, 1961; Sertoglu *et al.*, 2017). For sustainable development, agriculture is the wellspring of fortune. The battle for economic stability will be gained or lost in agriculture. The effect of the agricultural sector on economic growth remains a topic discussed among experts and economists (Sertoglu *et al.*, 2017). The productivity gets a boost due to less height which increases the farmer's income thrice, which is an ultimate gain (Arshad, 2019). The use of cyanobacteria as a potential bio-fertilizer is beneficial in promoting the growth and productivity of the crop (Majeed *et al.*, 2017).

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for economic stability will be gained or lost in agriculture. The effect of the agricultural sector on economic growth remains a topic discussed among experts and economists as of now. Here, it can be said that agricultural growth influences the economic growth of a country. Their tests found plenty of benefits (Sertoglu *et al.*, 2017). They say that agricultural production is the major factor of developing countries' economic growth whereas that for developed countries was uncertain (Sertoglu *et al.*, 2017). This indicates that agricultural production is expected to influence GDP growth positively. Vector error correction model reveals that the rate of adjustment of the variables towards their long-run equilibrium direction was poor most of the time. At the same time, agricultural production had a positive effect on economic development (Mellor, 2017).

Effect of political factors on economic growth

The political environment plays an important role in triggering development (Lensink *et al.*, 1999). This will harm businesses and the desire to spend. A comprehensive analysis of 170 countries across 1961-2004 was performed (Aisen and Veiga, 2013). Political uncertainty can often contribute to reduced output and physical and human resource accumulation. Economic development may be small because of democracy. It is also unclear and debatable if democracy increases economic growth rates. It can adversely influence development.

CONCLUSION

The economic growth hypothesis analysis is a very complicated mechanism that developed over many centuries and decades. We also listed the major factors that will decide the overall economy. Among several various variables that can affect, many other determinants must be acknowledged. When modern strategies are validated with data from previous communities, the existing models may have to be reexamined with the new techniques' aid.

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CONFLICT OF INTEREST

There is no conflict of interest.

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