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# Factors Influencing Developing Nations' Economic Growth: A Study

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**Abstract:**

Growing per capita GDP in developing nations is positively impacted by large export volumes, abundant natural resources, longer life expectancies, and more excellent investment rates. Economic growth results from the interplay of production elements such as land, labour, capital, and entrepreneurship.
Economic growth can be attributed to capital goods, labour force, technology, and human capital increases. Using estimates like GDP, economic growth is typically calculated as the rise in the total market value of newly created products and services.

Keynotes: Factors,Developing,Growth

**Introduction:**

To understand the origin of economic growth, economists have employed both theory and empirical investigation. Most later efforts are based on theoretical frameworks offered by individuals such as Solow, Swann, and Romer. Barro and Sala-i-Martin have since conducted a great deal of empirical research to verify existing theories. This study will examine if the theory of economic growth, which proved true for most of the nations in Barro's sample, will hold for a group of emerging countries by utilizing the empirical model of economic growth put forth by Barro (1996) and more recent data.
In recent years, a need for more empirical research focuses on the factors that influence growth in developing economies. Studies based on situations from hundreds of years ago may be less applicable today because growth is a dynamic process. The previous two decades have seen a technological revolution, which has completely changed how nations boost their economies. More research and case studies on developing nations will be encouraged by this study, which will benefit and teach other nations. Thus, there are policy implications for this work.

**Problem of the Statement:**

1. Large, rapidly expanding populations, gender disparity, and inept and corrupt governments are a few significant social and political obstacles. Financial and economic obstacles include low trade terms, excessive debt, a dearth of capital investment, and outdated technologies.

2. Excessive rates of underemployment or unemployment. Growing inequality, with many people left out of the process of growth.

**Review of Literature:**

1. Parash Upreti (2015) notes in his study "Factors Affecting Economic Growth in Developing Countries" that in order to explain the origin of economic growth, economists have employed both theory and empirical research. The majority of later efforts are based on theoretical frameworks offered by

individuals such as Solow, Swann, and Romer. Barro and Sala-i-Martin have since carried out a great deal of empirical research to verify existing theories.

2. Eric Hanushek (2013) notes in his study "Economic Growth in Developing Countries: The Role of Human Capital" that an excessive amount of emphasis has been placed on school achievement as a result of the focus on human capital as a driver of economic growth for developing countries.
3. Robert Barro (1996) looked at a panel of 100 nations between 1960 and 1990 to see what factors influenced each nation's rate of economic expansion. He discovered that the preservation of the rule of law, less government consumption, longer life expectancy, more male secondary school graduates with higher education, lower fertility rates, higher investment levels, the degree of democracy, lower inflation rates, and trade openness were all related to the growth rate of real per capita GDP.
4. Florin Teodor Boldeanu and Liliana Constantinescu (2015) emphasize in their study "The main determinants affecting economic growth" that growth theories trace the developments and currents in economic theory that have influenced the perception of economic growth. Researchers have created new and improved theories and models in an effort to identify the most significant factors influencing growth, starting with the early writings of Adam Smith and Malthus and continuing to the present.

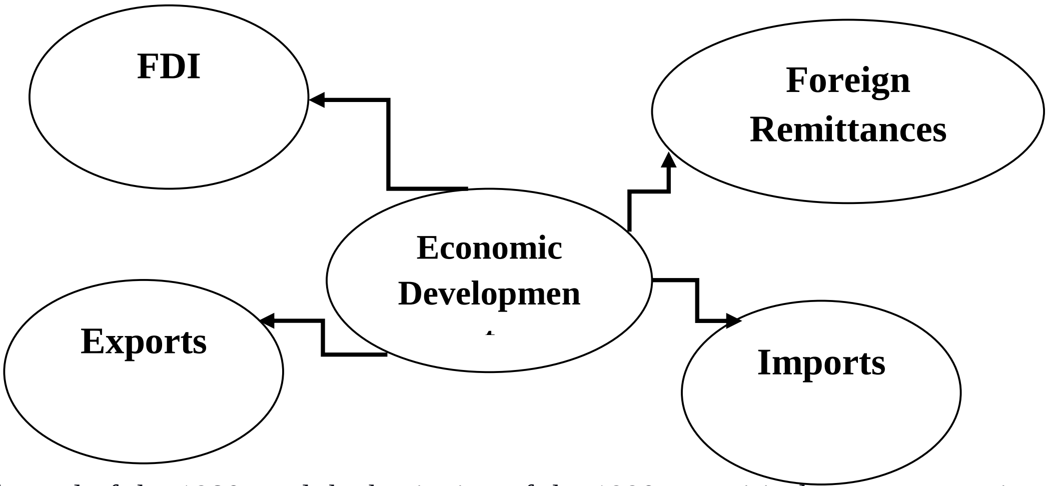
**Objective of the Study:**

1. The primary goals of economic development are to improve a community's economic well-being by promoting job creation, employment retention, tax base enhancements, and quality of life.
2. A rise in real GDP indicates a rise in the value of national output relative to national expenditure, which is what is meant by economic growth. Because it permits higher living standards, more tax income, and the creation of new jobs, economic growth is a crucial macroeconomic goal.
3. To improve everyone's level of living, achieve economic strength, and reduce unemployment. Recall that the direction of economic development initiatives was well accepted in the community.

**Methods of Research:**

A few independent variables are selected in order to track GDP growth, including the currency rate, export and import of goods and services, net flow of foreign direct investment (FDI), Gross Fixed Capital Formation (GFCF), and inflation. Research paper and articles that have been published in peer-reviewed journals and other research pieces are among the study's sources.

**Discussion and Results:**




Around the end of the 1980s and the beginning of the 1990s, empirical macroeconomists began looking for explanations for the variations in global growth rates. Hundreds of different studies, most of which used cross-sectional regressions, followed Barro's (1991) pioneering work to investigate what factors contributed to the

extremely significant observed differences. While the methodologies varied greatly, they always examined a range of political and economic reasons, with the modeling always included some human capital component.
The interpretation of these research has been the subject of several reviews and criticisms of empirical growth modeling since its inception. Numerous elements of this work have been criticized, most notably the analysis's sensitivity to the exact specification (Levine and Renelt, 1992). Additionally, they highlighted the endogeneity of several of the parameters shared by the modelling, such as Bils and Klenow (2000), as well as fundamental identification concerns.
Much of the focus in both the research and the criticisms was on the structure of the growth model generated, particularly the variety of factors included, and the potential for missing factors to skew the results. Human capital measuring challenges received scant attention. This seems to be a regrettable but understandable error in the analysis and modelling.
It is easier to understand how empirical growth analysis came to be by briefly reviewing the development of human capital modeling and assessment. Economics has a long history of considering the value of labor skills, and this history serves to explain many of the issues that are relevant to the study of economic growth that is done today.

**Enhancement in Developing Countries' School Performance:**

With this baseline knowledge of growth and human capital, it is possible to evaluate developing nations' current standing and future potential. This debate starts with school attainment, the traditional indicator of human capital, to put things in context.
The growth of education has been a priority for international development organizations. A effort to attain "Education for All" was started by UNESCO and the World Bank in 1990, following an international meeting held in Jomtien, Thailand. A subsequent conference focused on far more specific objectives, despite the fact that this one developed some rather generic ones. Achieving universal primary education that is required in every nation is a key component of the Education for All aims. At the 2000 conference, it was agreed to accomplish the specified objectives by the year 2015.
The Millennium Development Goals were created by the UN in 2000 (MDG). In line with Education for All, the second MDG objective aimed to attain universal primary education by 2015. To be sure, both the EFA goals and the MDGs acknowledge the importance of quality and recommend that it be tracked. However, the ease with which school completion can be measured and the degree to which progress can be made toward particular objectives suggest that qualitative difficulties with education are given far less consideration.
The industrialized world has kept its net enrollment rate high, hovering around 95%. Over the past 20 years, there has been a minor improvement in transitional economies. However, the enrollment rate difference between developing and industrialized nations has narrowed to about half.

**Diverse Human Capital Strategies for Developing Nations:**
Investigating the connection between growth and human capital (as determined by accomplishment) in more detail is beneficial. First off, the general relationship between skills and growth may be more significant for OECD countries than for developing countries simply due to the varied technologies that are being used. Furthermore, emerging nations may have a greater need for basic skills and a lower demand for high-level abilities due to their use of less sophisticated and more basic technologies.

**Findings of the Study:**

1. The study's main conclusions are that economic factors include inflation, economic growth, the percentage of unemployment, interest and exchange rates, and the prices of commodities (such as gold, steel, and oil). These have an impact on both households' and organizations' purchasing power and discretionary spending.

2. Most economists concur that physical capital, technology, natural resources, and human resources are the four main determinants of economic development and growth. Governments in highly developed nations give priority to these areas.

**Conclusion:**

Nevertheless, there are several variables whose influence on the economic progress of developing nations is not clearly indicated by this study. First, it discovers inconsistent findings regarding how foreign direct investment affects economic expansion. It finds that while foreign investment inflows had a beneficial impact on economic growth in one time period, they had a negative impact on developing countries' GDP in another.

This highlights the need for more investigation into the function of FDI in emerging nations. Furthermore, the conditional convergence theory-which holds that large economies expand more slowly-is not sufficiently supported by the data. The fact that the starting GDP per capita levels of the majority of developing nations are similar is one reason for this result. Further investigation could ascertain if developing economies that begin at identical levels of per capita GDP eventually exhibit convergence.

More research is required, even if this study has political ramifications for how to improve developing nations' economic circumstances. Improved data would be beneficial. Certain case studies on developing nations experiencing higher growth might also be able to shed light on some of the growth-related issues. To confirm the findings of this work, future researchers should use a comparable dataset to do time series or panel analysis. The policy recommendations that arise from this kind of study may have a big influence on how quickly developing nations prosper.

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