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ANALYSIS OF FACTORS AFFECTING ECONOMIC GROWTH IN DEVELOPING COUNTRIES

Kofi Mensah

Central University, Ghana

Email: kofisah@gmail.com

Article Info	ABSTRACT
Keywords: Economic Growth, Developing Countries, Foreign Investment, Education, Infrastructure	Economic growth in developing countries is often influenced by a variety of complex and interrelated factors. This study aims to analyze the main factors that affect economic growth in developing countries. The research issue focuses on how variables such as foreign investment, education, infrastructure, and government policies affect economic growth. To achieve this goal, this study uses a qualitative method that involves literature study and secondary data analysis from economic reports, academic journals, and policy documents. Data is collected from trusted sources covering a wide range of developing countries. The analysis was carried out with a thematic approach to identify patterns and relationships between these factors. The results of the study show that foreign direct investment, improving the quality of education, and infrastructure development have a significant impact on economic growth. In addition, government policies that support innovation and economic reform have also been proven to contribute to better economic growth. However, the results of the study also reveal that challenges such as political instability and corruption can hinder the potential for economic growth despite the presence of positive factors. These findings provide important insights for policymakers in developing countries to design effective strategies to spur sustainable economic growth.
	Corresponding Author: Kofi Mensah E-mail: kofisah@gmail.com

INTRODUCTION

Economic growth is a key indicator of a country's well-being, especially in developing countries that face unique challenges in achieving economic progress. In a global context, developing countries often struggle to maintain stable and sustainable levels of economic growth, regardless of the potential resources and natural resources they have. The factors that affect economic growth in developing countries are diverse and interactive, including foreign investment, quality of education, infrastructure development, and government policies (Ferdiansah, Yusup and Sayudin, 2022).

Foreign direct investment (FDI) has long been considered a key driver of economic growth by providing new capital, technology, and knowledge. Education, as a key factor in human resource development, plays an important role in increasing productivity and innovation (Wahyudianty *et al*., 2023). Meanwhile, adequate infrastructure is an important prerequisite for supporting economic activity and attracting investment. Pro-growth government policies, including economic reforms and support for the private sector, also contribute significantly to the dynamics of economic growth. However, although various studies have examined the relationship between these factors and economic growth, many developing countries still face difficulties in utilizing their potential to the fullest. Factors such as political instability, corruption, and poor economic management often hinder economic progress.

Economic growth in developing countries plays an important role in improving people's welfare and maintaining global economic stability (Sayudin, Nurjanah and Yusup, 2023). Developing countries often have great potential in the form of natural resources and vast markets, but they face significant challenges in achieving sustainable economic growth. Factors such as foreign investment, quality of education, infrastructure, and government policies play an important role in influencing economic growth. Although much research has been conducted to understand the relationship between these factors and economic growth, there is still a lack of understanding of how these factors interact with each other in the context of developing countries.

Previous studies have highlighted a variety of factors that influence economic growth, but often they do not explore the complex interactions between those factors or consider specific contextual factors such as political stability and economic management. For example, the Kumar and Singh (2020) study explains the role of technology in increasing productivity which can impact economic growth, while Zhao and Zhang (2021) show how agricultural innovation can affect productivity in developing countries. Basso and Liu (2021) conducted a meta-analysis of the adoption of precision technology, while Nguyen and Ma (2021) explored new technologies in agriculture that have the potential to affect economic growth. Dixon and Gulliver (2020) discuss technological innovations in agriculture and their impact on productivity.

This study aims to fill the knowledge gap by analyzing how factors that affect economic growth interact with each other in developing countries. By using the latest data and comprehensive analysis methods, this study is expected to provide new insights into how these factors can be strengthened or overcome to accelerate economic growth. The findings from this study will not only provide guidance for policymakers but also contribute to the academic literature with new data and analysis that can serve as a basis for further study.

METHOD

In this study, a qualitative approach is used to analyze the factors that affect economic growth in developing countries, with a focus on literature studies or library research. This research aims to explore various aspects that affect economic growth through in-depth analysis of relevant literature.

The main data sources in this study include academic publications and research reports obtained from leading academic databases such as Google Scholar, JSTOR, ScienceDirect, and ProQuest. Data is collected from international journals, conference articles, books, as well as policy reports that address economic factors such as foreign investment, quality of education, infrastructure, and government policies.

The data collection technique is carried out by identifying and selecting relevant literature based on titles, abstracts, and keywords related to economic growth in developing countries. This process involves evaluating the quality of publications through strict inclusion and exclusion criteria, followed by collecting and organizing data from selected publications.

For data analysis, thematic methods are used. The data that has been categorized and encoded into key themes, such as investment, education, infrastructure, and policy, is analyzed to identify patterns and relationships between themes. Furthermore, thematic synthesis is carried out to integrate findings from various sources, resulting in comprehensive insights into how these factors interact and influence economic growth in developing countries. This analysis aims to identify existing knowledge gaps and provide useful recommendations for further policy and research in the field of economics.

RESULTS AND DISCUSSION

Foreign Direct Investment (FDI)

The findings of the study show that foreign direct investment (FDI) has a significant impact on economic growth in developing countries. Countries that are able to attract stable FDI flows show an increase in gross domestic product (GDP) and job creation. FDI not only increases capital but also brings technology and managerial skills that can increase productivity. FDI serves as a catalyst for industrial modernization and improving the global competitiveness of developing countries. However, the benefits of FDI often depend on government policies as well as the quality of existing infrastructure. Countries with friendly investment policies and good infrastructure usually benefit more from FDI.

Quality of Education

Improving the quality of education has been proven to be positively related to economic growth. Research shows that investments in the education sector, particularly higher education and skills training, contribute to increased workforce productivity and innovation. Quality education can improve workforce skills, ultimately improving productivity and economic competitiveness. Countries that have been successful in improving access and quality of education often experience more stable economic growth. However, challenges such as educational disparities between regions and lack of relevant skills can reduce the positive impact of education on economic growth.

Infrastructure

Good infrastructure, including the transportation, energy, and telecommunications sectors, plays an important role in supporting economic growth. Research shows that investment in infrastructure contributes to improved market efficiency, reduced transaction costs, and accelerated economic integration. Adequate infrastructure supports economic activity by facilitating trade, labor mobility, and access to markets. Developing countries that invest in infrastructure development tend to experience an increase in economic growth. However, it is important to ensure that infrastructure implementation is carried out with effective planning and management so that there is no waste of resources.

Government Policy

Government policies, including fiscal and monetary policies, have a significant influence on economic growth. Research shows that policies that support economic stability and structural reforms have a positive impact on economic growth. Pro-growth fiscal policy and stable monetary policy create an economic environment that supports investment and business development. Countries that successfully implement policies that support economic growth often show positive results in economic indicators. Structural reforms that address bureaucracy and corruption are also crucial to creating a better business climate.

Access to Technology and Innovation

Access to technology and innovation contributes to economic growth by increasing efficiency and productivity. Research shows that developing countries that are adopting new technologies and innovations are experiencing an increase in various sectors of the economy. Technology and innovation play a key role in increasing productivity and creating new

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opportunities. The adoption of technology such as information and communication technology can improve business processes and increase competitiveness. However, limited access and cost of technology can be an obstacle for developing countries to harness the full potential of innovation.

Political and Economic Stability

Political and economic stability has a significant influence on economic growth. Countries that experience political stability can usually attract more investment and create an environment that supports economic growth. Political stability reduces the risks and uncertainties that can affect investment decisions. Developing countries with stable and transparent political systems often experience better economic growth. Conversely, political instability can hinder economic development and create uncertainty for investors.

Social and Economic Inequality

Social and economic inequality can affect economic growth by hampering the full potential of the workforce and creating social instability. Research shows that reducing inequality contributes to more inclusive and sustainable economic growth. Social and economic inequality can hinder access to economic opportunities and resources, which impacts productivity and economic growth. Countries that have succeeded in reducing inequality through redistributive policies and social programs tend to show more inclusive economic growth. Reducing inequality can increase economic participation and social stability, which contributes to more sustainable economic growth.

CONCLUSION

The study identifies several key factors that affect economic growth in developing countries. Foreign direct investment (FDI), quality of education, and infrastructure have proven to play a significant role in boosting economic growth. In addition, access to technology and innovation, political and economic stability, and efforts to reduce social inequality are also very important.

To support economic growth, developing countries are advised to improve foreign investment policies, improve education, and develop infrastructure. In addition, economic stability and technology adoption must be encouraged, and policies to reduce social inequality need to be implemented. With these measures, it is hoped that developing countries can achieve more stable and inclusive growth.

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