

## Economic Growth and Economic Development in India

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### 1.1: Introduction:

**E**conomics is all about making smart choices to cope with scarcity. The most fundamental measurement used to evaluate the success in allocating the scarce resources is economic growth. Individuals monitor their income and the changing value of their assets. Businesses track their profits and their market share. Nations monitor a variety of statistics to measure economic growth such as national income, productivity etc. Moving beyond growth and productivity, some economists argue that any assessment of the nation's economy must also include measurements of distribution, equity, per-capita income etc. Further, the country should also focus on other needs of a society, like environmental justice or cultural preservation to sustain the economic growth process and allows an overall human development in the economy through creation of more opportunities in the sectors of education, healthcare, employment and the conservation of the environment. Hence, in this paper we explore the various factors of economic growth and economic development with four objectives, which are as follows;

### 1.2: Objectives

- This paper define the meaning of Economic Growth and Economic Development, and their differences;
- It explain the concept of Sustainable Development and Human Development;
- It list out the factors affecting Economic Growth; and
- It describes the broad Features of the Underdeveloped countries.

### 1.3: Economic Growth

The term economic growth is defined as the process whereby the country's real national and per capita income increases over a long period of time.

This definition of economic growth consists of the following features of economic growth:

- Economic Growth implies a process of increase in National Income and Per-Capita Income. The increase in Per-Capita income is the better measure of Economic Growth since it reflects increase in the improvement of living standards of masses.
- Economic Growth is measured by increase in real National Income and not just the increase in money income or the nominal national income. In other words the increase should be in terms of increase of output of goods and services, and not due to a mere increase in the market prices of existing goods.
- Increase in Real Income should be Over a Long Period: The increase of real national income and per-capita income should be sustained over a long period of time. The short-run seasonal or temporary increases in income should not be confused with economic growth.
- Increase in income should be based on Increase in Productive Capacity: Increase in Income can be sustained only when this increase results from some durable increase in productive capacity of the economy like modernization or use of new technology in production, strengthening of infrastructure like transport network, improved electricity generation etc.

#### 1.4: Economic Development

Economic development is defined as a sustained improvement in material well being of society. Economic development is a wider concept than economic growth. Apart from growth of national income, it includes changes – social, cultural, political as well as economic which contribute to material progress. It contains changes in resource supplies, in the rate of capital formation, in size and composition of population, in technology, skills and efficiency, in institutional and organizational set-up. These changes fulfill the wider objectives of ensuring more equitable income distribution, greater employment and poverty alleviation. In short, economic development is a process consisting of a long chain of interrelated changes in fundamental factors of supply and in the structure of demand, leading to a rise in the net national product of a country in the long run.

The economic growth is a narrow term. It involves increase in output in quantitative terms but economic development includes changes in qualitative terms such as social attitudes and customs along with quantitative growth of output or national income. Economic development without growth is almost inconceivable. The comparison between the two concepts is given in the table 1.5:

#### 1.6: Sustainable Development

Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. Sustainable development includes the protection of future economic growth and future development. In other words, it means a better quality of life for everyone, now and for generations to come. Sustainable development includes the protection of future economic growth and future development. Growth is essential, but sustainable development requires it to be different. It must become more concerned about the physical environment not only to present generation, but to the future generation also. It means that the current consumption cannot be financed for long by increasing economic debt and ecological imbalance which future generation will pay. Sustainable development constantly seeks to achieve social and economic progress in ways that will not exhaust the

earth's finite natural resources. Sustainable development is a process of development in which economic and other policies are designed to bring about development which is economically, socially and ecologically sustainable. The concept thus is pro-people, pro-job and pronature. It gives highest priority to poverty reduction, productive employment, social integration and environmental regeneration.

The sustainable development thus requires

- Preservation of Ecological Resources and greater use of renewable resources.
- Encouragement to the use of environmentally-safe technologies for development purposes i.e. focus on reduction of all kinds of pollution involved in the economic activities.
- Formulation and implementation of policy framework for people-security and human justice, including ecological and economic security

#### 1.7: Human Development

According to the United Nations Development Programme (UNDP), human development may be defined as “a process of enlarging people's choices.” At all levels of development, the three essential choices for people include to live a long and healthy life, to acquire better knowledge and to have access to resources needed for a decent standard of living. If these essential choices are not available, many other opportunities to improve the quality of life will remain inaccessible. Human development has two dimensions: acquiring human capabilities and the use of these acquired capabilities for productive, leisure and other purposes. The benefits of human development go far beyond the expansion of income and wealth accumulation because people constitute the very essence of human development. Human development is about much more than economic growth. The economic growth focuses on the improvement of one option i.e. income or product while human development focus on enlarging all human options including education, health, clean environment and material well being.

Thus, the options available for improving people's lives are influenced by the quality of economic growth in its wider sense, and the impact is

by no means confined to quantitative aspects of such growth. In other words, economic growth needs to be seen as a means, albeit an important one, and not the ultimate goal, of development. Income makes an important contribution to human well-being, broadly conceived, if its benefits are translated into more fulfilled human lives. But the growth of income is not an end in itself. It is the quality of growth, not its quantity alone, which is crucial for human well-being.

Thus, the concept of human development is concerned mainly with enabling people to enjoy a better life as the ultimate goal of human endeavor. It highlights that this goal cannot be achieved solely through improvements in income or material well-being.

As the 1996 Human Development Report put it, growth can be jobless, rather than job creating; ruthless, rather than poverty-reducing; voiceless, rather than participatory; rootless, rather than culturally enshrined; and futureless, rather than environment-friendly. Economic growth which is jobless, ruthless, voiceless, rootless and futureless is not conducive to human development. The lack of income or income poverty is only one aspect of human impoverishment; deprivation can also occur in other areas— having a short and unhealthy life, being illiterate or not allowed to participate, feeling personal insecurity, etc. Human poverty is thus larger than income poverty.

**1.8: Measuring Human Development: Human Development Index (HDI)**

As stated earlier three dimensions of Human Development are capabilities of people to lead a long and healthy life, to acquire knowledge and to have access to resources needed for a decent standard of living. The combined effect of various components of human development is measured through Human Development Index (HDI). The HDI contains four variables: life expectancy at birth, to represent the dimension of a long, healthy life; adult literacy rate and combined enrolment rate at the primary, secondary and tertiary levels to represent the knowledge dimension; and real GDP per capita to serve as a proxy for the resources needed for a decent standard of living. HDI thus looks not only at GDP growth rate but takes into account education, health,

gender inequality and income parameters to measure human development of a country. As per the latest available Human Development Report (HDR) 2013 published by the United Nations Development Programme (UNDP) (which estimates the human development index [HDI] in terms of three basic capabilities: to live a long and healthy life, to be educated and knowledgeable, and to enjoy a decent economic standard of living), the HDI for India was 0.554 in 2012 with an overall global ranking of 136 (out of 186 countries) compared to 134 (out of 187 countries) as per HDR 2012. India’s HDI has risen by 1.7% annually since 1980.

**1.5: Comparison Chart: Economic Growth Vs. Economic Development**

	Economic Growth	Economic Development
<b>Meaning</b>	Economic growth refers to an increase in the real output of goods and services in the country.	Economic development implies changes in income, savings and investment along with progressive changes in socioeconomic structure of country (institutional and technological changes).
<b>Factors:</b>	Growth relates to a gradual increase in one of the components of Gross Domestic Product: consumption, government spending, investment, net exports.	Development relates to growth of human capital, decrease in inequality figures, and structural changes that improve the quality of life of the population.
<b>Measurement:</b>	Economic Growth is measured by quantitative factors such as increase in real GDP or per capita income	The qualitative measures such as HDI (Human Development Index), gender-related index, Human poverty index (HPI), infant mortality, literacy rate etc. are used to measure economic development.

<b>Effect:</b>	Economic growth brings quantitative changes in the economy.	Economic Development leads to qualitative as well as quantitative changes in the economy.
<b>Relevance:</b>	Economic growth reflects the growth of national or per capita income.	Economic development reflects progress in the quality of life in a country.

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