

Course: Indian Economy, Econ(H)221

Lecture 4: Economic Growth & Development



Economic Growth and Development

- **Economic Growth:**

An increase in economic variables over a period of time.

Economic Variables (examples): Agricultural Production, Industrial production, Increase in transportation and communication services, per capita income or in total GDP etc.).

- Economic Growth is a **quantitative progress** in the economic variable over a period of time.
- To measure growth we get the percentage change (+/-) over time in the value of the variable.
- Growth is thus an annual concept (or a change over time concept).
- In common use the term is used to denote positive change
- Negative change in the value is termed as **negative growth**

Economic Growth and Development

➤ Utility of Economic Growth concept

- For policy making
- For comparing the policies in different areas
- The figures serve as the basis for future financial planning
- For international comparison of the economies.

Economic Growth and Development

- Economic Development

- Indicates not only growth but also the quality of life in the economy
- **Quality of life** can be judged through
 - The level of nutrition
 - Expansion and reach of healthcare facilities (hospitals, medicines, safe drinking water, vaccination, sanitation etc.)
 - Level and quality of education among the people
 - Quality of housing, etc.

Economic Growth and Development

- On the basis of these criteria, we may have situations of;
 - *Higher growth and higher development*
 - *Higher growth but lower development*
 - *Lower growth but higher development*
- The economic growth is both quantitative as well as qualitative progress of the economy
- A new branch of Economics, called Welfare Economics, has come up which has its origin in the concept of development and people's overall welfare.

Economic Growth and Development

➤ Human Development Index

- It is an attempt to define and measure the levels of development
 - HDI does not consider growth in only one economic variable but considers an index of number of important variables to judge development
 - Index is prepared by measuring the progress on 0-1 scale for each country/region
- Three major indicators used to develop composite index are; Education, health and standard of living
- The sectors for these three dimensions are aggregated to get a composite index using geometric mean.

Economic Growth and Development

Human Development Index

- UNDP ranks the economies (countries) on the basis of HDI as under;
 - High Human Development Countries : $HDI = 0.8 - 1$
 - Medium Human Development Countries : $HDI = 0.5 - 0.799$
 - Low Human Development Countries : $HDI = 0.0 - 0.499$

Thank you

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