

12th Economics

Chapter 2: Indicators of Growth and Development

GSEB

Amit Academy

The main title is enclosed in a light blue rounded rectangle with a yellow border. To the left, there is an illustration of the Indian flag (saffron, white, and green) with a blue Ashoka Chakra, positioned above a bar chart with three bars of increasing height and an upward-pointing arrow. To the right, there is a glowing yellow lightbulb and a clipboard with a green arrow pointing upwards and a bar chart with three bars of increasing height.

India: Growing, Developing, or Both?

1. Quantitative Changes

- a) Measurable or numerical changes.
- b) Occur in economic growth.
- c) Example: Increase in GDP, per capita income, production



2. Qualitative Changes

- a) Improvements in quality and welfare.
- b) Occur in economic development.
- c) Example: Better education, healthcare, poverty reduction



3. Why Both?

- a) **Growth** means more production and higher income (quantitative).
- b) **Development** means better quality of life and social progress (qualitative).
- c) Since India is showing both higher output and improvements in living conditions, it can be said that India is both growing and developing.



Meaning of Economic Development

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According to Michael Todaro, “Economic development is a multidimensional process”

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1. Economic development means improvement in a country's income and quality of life.
2. Includes quantitative changes (increase in income and production) and qualitative changes (better education, health, and living standards).
3. It is a long-term and continuous process.



Characteristics of Economic Development

1. Continuous Process

- a) Economic development does not happen in one day.
- b) It is a long-term and ongoing process.



2. Quantitative and Qualitative Changes

- a) It increases income and production (quantitative).
- b) It also improves quality of life, education, and health. (qualitative).



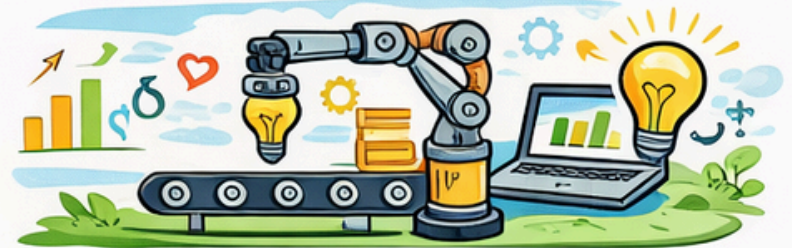
3. Dynamic Labour Force

- a) Workers become more educated and skilled.
- b) They adjust to new methods and technologies.



4. Technological Change

- a) New and better technology is introduced.
- b) It increases production and supports economic growth.



Limitations of Economic Development

1. Economic Progress Only



Not Real Human Development

2. Income Increase Issue



Standard of Living Not Improved for All

3. Benefits to Certain Groups



Limited Advantages

4. Wealth Inequality



Unequal Distribution

Physical Quality of Life Index (PQLI)



Concept presented by Morris Davis Morris

1. Literacy Rate (Education)



- ✓ Shows the percentage of educated people in the country
- ✓ Indicates the level of education

2. Life Expectancy at Birth



- ✓ The number of years a newborn baby is expected to live
- ✓ Shows the average life span of people in a country
- ✓ Higher life expectancy indicates better healthcare and living conditions
- ✓ Affected by diseases, wars, and pollution

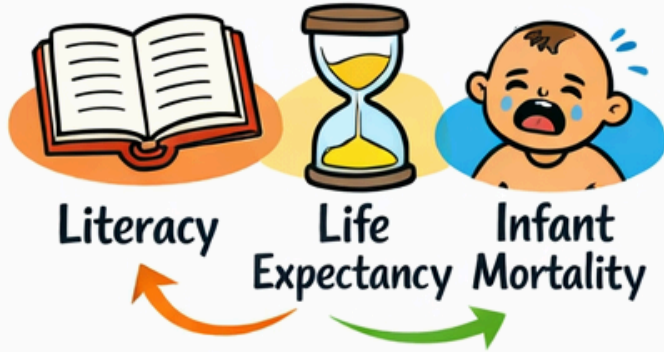
3. Infant Mortality Rate



- ✓ Number of babies who die before one year of age per 1000 births
- ✓ Lower rate shows better healthcare facilities

Limitations of the Physical Quality of Life Index (PQLI)

1. Limited Indicators



- Only Three Factors
- Not Fully Representative

2. Shows Only Average



- Just an Overall Value
- No Strong or Weak Points

3. Equal Weight to All Indicators



- Same Weight to All
- Not Always Realistic

Per Capita Income as an Indicator of Economic Development

What is Per Capita Income?



It is the average income per person in a country.

$$\text{\$ Per Capita Income} = \frac{\text{National Income}}{\text{Population}}$$

National Income



- Total income earned by a country in one year.

Population



- Total number of people in the country.

How Per Capita Income Indicates Economic Development

1. Measure of Average Living Standard

a) Higher per capita income



Earning More

Good Living

2. Indicator of Economic Growth

a) Rising per capita income



Economic Progress

More Jobs

3. Reduction in Poverty

a) Meeting Needs Better



Needs Met

Less Poverty

Limitations of Per Capita Income as an Indicator

1. Ignores Income Inequality



- ✓ Shows only average income of people
- ✓ Does not show how income is distributed among rich and poor

2. Does Not Measure Non-Monetary Factors



- ✓ Only considers income
- ✓ Does not include factors like health, education, social security, and environment

Therefore, per capita income alone cannot fully measure development.

How National Income Indicates Economic Development

1. Measure of Economic Growth



- ✓ Increase in national income means higher production of goods and services
- ✓ Shows economic growth and development

2. Rise in Employment



- ✓ When national income increases, production expands
- ✓ More jobs are created in different sectors

3. Improvement in Standard of Living



- ✓ Higher national income allows people to buy more goods and services
- ✓ Improves standard of living

Limitations of National Income as an Indicator

1. Difficulty in Calculation



- ✓ There may be problems of double-counting
- ✓ Goods produced for self-consumption are difficult to measure
- ✓ It is hard to calculate depreciation correctly

2. Ignores Population Growth



- ✓ National income shows total income but does not show income per person
- ✓ If population increases rapidly, national income may rise but living standards may not improve

Therefore, national income alone is not a perfect indicator of development.

Economic Growth

Explanation of Economic Growth

1. Increase in Real National Income



- ✓ Economic growth means an increase in real national income (income adjusted for inflation).
- ✓ When production of goods and services increases, the economy grows

2. Increase in Production Capacity



- ✓ Growth happens when a country produces more goods and services
- ✓ This is possible through better technology, more capital, and skilled labour

3. Structural Changes



- ✓ Growth leads to the development of industries and services
- ✓ Agriculture becomes modern and cities expand

Limitations of Economic Growth

1. Quantitative Changes Only



- ✓ Considers only quantitative changes (increase in output and income).

2. Ignores Quality of Life



- ✓ Ignores qualitative improvements like health and education

3. No Social Change



- ✓ Increases national and per capita income but no change in social and institutional factors

4. Narrow Concept



- ✓ It is a narrow concept

5. No Welfare Measure



- ✓ Does not properly show the welfare of the people

IMPORTANCE OF THE HUMAN DEVELOPMENT INDEX (HDI)

1. Shows Overall Development of a Country



2. Includes Health, Education & Standard of Living



3. Focuses on Human Welfare



4. Higher HDI Means Better Health & Education



5. Combines Economic & Social Progress



A Complete Measure of Development!

Limitations of Development

1. Does Not Fully Show Human Development



- ✓ Shows economic progress but does not clearly show real human development
- ✓ It cannot fully measure human welfare

2. Difficult to Measure



- ✓ Economic development includes social and qualitative changes
- ✓ Such changes are difficult to measure in numbers

3. Standard of Living May Not Improve for All



- ✓ Even if development takes place, all people may not benefit equally
- ✓ Standard of living may not improve for everyone.

Why the Human Poverty Index is Superior to PQLI and HDI

1. Focus on Poverty



- ✓ HDI measures poverty and deprivation directly
- ✓ PQLI and HDI show only average achievements

2. Measures Real Deprivation



- ✓ It includes factors like short life expectancy, illiteracy, and lack of basic facilities
- ✓ Shows actual living conditions of poor people

3. Shows Inequality



- ✓ HDI highlights how many people are deprived of basic needs
- ✓ Gives a clearer picture of inequality in society

The Human Poverty Index gives a clearer picture of real deprivation and inequality.

DIFFERENCE BETWEEN ECONOMIC GROWTH & ECONOMIC DEVELOPMENT

ECONOMIC GROWTH

- 1 It means an increase in a country's total output or income.
- 2 It is only a quantitative change (an increase in GDP, GNP, or income).
- 3 It is a narrow concept.
- 4 It can happen in a short period.
- 5 Example: 5% increase in GDP.

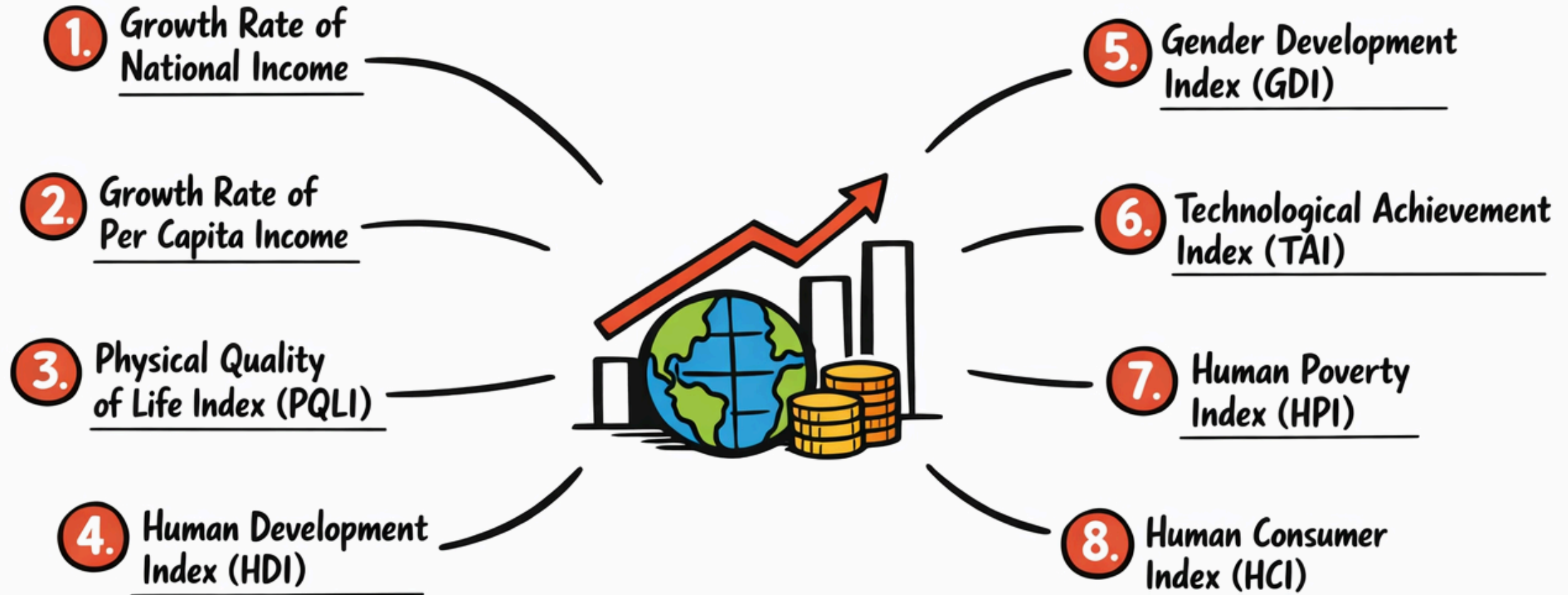


ECONOMIC DEVELOPMENT

- 1 It means overall improvement in people's living standards.
- 2 It includes both quantitative and qualitative changes (health, education, and poverty reduction).
- 3 It is a broad concept.
- 4 It is a long-term process.
- 5 Example: Better education and healthcare facilities.



INDICATORS OF ECONOMIC DEVELOPMENT



WHICH IS DIFFICULT TO MEASURE: GROWTH OR DEVELOPMENT?



Economic Growth

1. Easier to measure as it includes only quantitative changes



1. Quantitative statistics: increase in national income, per capita income, production
2. Can be measured in numbers/statistics



Economic Development

1. Harder to measure as it includes qualitative changes



2. Qualitative improvements: standard of living, education, health, social conditions
2. Difficult to measure in numbers/statistics

Economic development is more difficult to measure than economic growth.



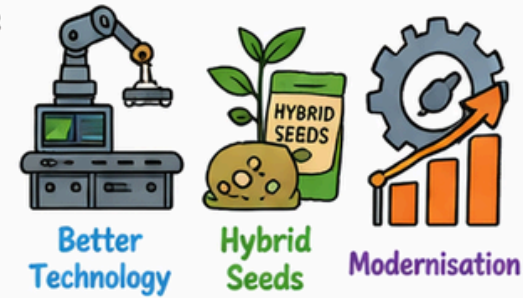
WHAT TYPE OF CHANGE IS A RISE IN PRODUCTION?



1 A rise in production is mainly a **quantitative** change because it shows an **increase in output**.



2 If production increases due to better technology, hybrid seeds, or modernisation, then it is also a **qualitative** change.



3 Therefore, a rise in production can be **quantitative** and sometimes **qualitative**.





**SANITATION FACILITY
INDICATES
IMPROVEMENT IN
WHICH ASPECT?**



1

Sanitation refers to **clean** and **hygienic conditions** like proper toilets, garbage collection, and **waste disposal**



2

It indicates a **qualitative aspect** of development.



3

Improved sanitation shows better **health and living conditions**.



Therefore, it reflects **improvement** in the **quality of life** and **standard of living** of people.

