Welcome

students.Today we're going to discuss the meaning of economic growth,economic development, and indices of development from unit 1. Economic growth and

development. I would just like to give a brief outline before we proceed with the details of the topic. The first we are going to learn is meaning. Then understanding the distinction between economic growth and development, and then you are going to learn indicators of development. Now, after studying these topics you will be able to understand the meaning of economic growth and development.

You will be also able to differentiate between the concept of growth and development and will able to illustrate the different indicators of economic growth and development. Now what do you mean by economic growth? You must have heard about economic growth now. Economic growth is nothing, but it is a continuous increase in production of the country. In other word, when the production or output of the the country increases continuously over the period of time, we called his economic growth.

We measure the economic growth in percentage terms over the previous year, or over the base year. Normally the GDP is a good indicator of economic growth and it is measured in terms of real GDP adjusted to the inflation by removing the distorting effects of inflation on the production of the goods.

Next concept is economic development. Economic development is a much broader concept than economic growth. Economic development takes into account not only the economic growth but the quality of life . It stresses more on how we can improve the quality of life along with economic growth.

Thus for economic development it is not only that we should achieve high economic growth,but along with economic growth, the fruit of.growth must be distributed to the people of the country that is in the form of better quality of life. Now all of you are aware that better quality of life can be achieved with better education, health facilities, technological development or better infrastructure facilities. And so on. All these are very important for the development concept. It is very multi dimensional concept
becauses not only look into the income aspect but the quality of the life of the nation.

Now we will be able to distinguish between the economic growth and economic development. As I mentioned before, economic growth means only or increase in production or output, whereas economic development is the increase in production as well as the quality of life. Economic Growth is a purely quantitative concept while economic development is both quantitative as well as qualitative concept.

Economic growth is a narrow concept. While economic development is multidimensional because it includes various factors which will include the quality of life. An Improvement in the quality of the life people can provide the better standard of living.

Next we turn to indicators of development. There are several

indicators of development which are used for classifying the countries in the world.Generally three most important indicators are used that is per capita income, human development index, and human poverty index. Now,first I will learn what is the per capita income per capita income is nothing, but in simple terms it is an average pull in.

You know this book up to the income of the people. It is simply the average income of the people in our nation. We have to remember that it is just a statistical measure which reflects how much income a person will earn irrespective of whether they are earning or whether they are not earning.

This can be achieved or this can be derived by simply by dividing the total income with the total population income. Now we know that if the rate of population surpasses the national income,the per capita income of the country will fall. Thus, if the nation wanted to achieve a higher national income and per capita income, one must be clear that either the population should remain constant and national income should increase, or population should decline and national income should increase in both these cases.

The per capita income of the country will increase and it will reflect a better standard of living in a particular country. Now how the countries are classified in the world on the basis of the per capita income. World banks in its world development indicators have classified the countries into the four categories, high income countries, middle income countries. Middle income countries are classified into two categories: upper middle income countries and lower middle income countries and low income countries. The countries which have income greater than dollar 12,375 are considered to be the high income countries and the countries which have the income low ,then dollar 1026 will be classified as an underdeveloped country. India is in the lower middle income countries while our neighbors like Nepal. Afghanistan, Sri Lanka fall in the low income countries. Next concept is the Human development index. The Human Development Index is a Composite Index of three important measures of long and healthy life access to knowledge and a decent standard of living human Development Report 2010 defined. It is a geometric means of normalized index. Is measuring achievement and of each dimension. What other components of the HDI?There are. Three important components of the HDI life expectancy, aeees to knowledge and it included mean years of schooling and expected year of schooling and standard of living . There are two steps to calculate the HDI. Creating the dimension indices. and finding the geometric mean of the three Indices, that is of life expectancy, education and standard of living, each indices will have the normalized index value of 021. Now what are the goal posts for constructing the HDI dimensions? As I said, health education and standard,the minimum and maximum values are given for the construction of these indices for help. It is a health we consider as aindicator life expectancy which has the minimum value of 20 and maximum value of 85. Education has the expected years of schooling that is zero to 18 and mean year of schooling zero to 15 and standard of living which is reflected in the gross national income per capita from dollar 102 dollar 75,000.

With the value of a given country,the global maximum and minimum dimension indexes value for each country calculated with the following formula dimension index actual value minus minimum value upon maximum value minus minimum value. After that we have to get the geometric mean dividing one by

three of all the three indices. The geometric mean index is considered to be suitable over the arithmetic mean because it considers the effects of stability across dimension.

If the value is one, that means that country has the maximum human development, while if the zero that country means have the lowest development index. The country which we generally fall above 0.80 are considered to be a highly developed country and country which falls below 0.55 are considered to be the low developed country. Next we have the Human poverty index. The Human Poverty Index is a supplementary index to theHuman development index. Now the human poverty Index came into existence in 1997 which was issued by the United NationsDevelopment Programme the United Human. Poverty index measures the level of poverty in a particular country. The HumanPoverty Index is measured for developing countries and for theOECD countries when it measures for the developing countries. It is called HP one and when it is measured for the OECD countries,it is called HP two. Now, what other indicators of HP one probability of at birth of not surviving to the age of 40 and adult literacy rate. The arithmetic average of three characteristics, that is the percentage of population without. Access to water, without access to health facilities and malnourished childrens below the age of 5. What are the indicators of theSP2 which is measured for the OECD countries? It is the probability at birth not surviving to the age of 60, adults lacking the functional literacy skills, and population below the poverty line and the rate of long-term unemployment lasting for 12 months or more. This is a more generalistic index because it does not classify the countries on the basis of their per capita income, but to understand the quality of the light and how many people live below the poverty line. Secondly, by classifying the countries into the highly industrialized developed countries and for the underdeveloped countries, one can clearly get the understanding which countries are lacking in the terms of development . These indicators are just a few measures which we can probably classify the countries into developed and underdeveloped countries. But no doubt there are other measures which have also come up like human poverty index measures.

Physical Quality life index or nutrition level food basics need an approach which economies have given. You can read more about this on the further reference books which have been given in the last slides. Also you can go into quadrants for reference. Thank you very much.