Indicators of Economic Development

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Abstract:

Economic growth refers to quantitative changes in the economy. Hence economic growth can be measured. While, both quantitative and qualitative changes are considered in the process of economic development. along with income, education, life expectancy, healthy life, standard of living are considered In economic development. Due to economic development is difficult to measure. However, the evaluation of economic development can be determined on the basis of the index formed from the factors that affect the standard of life of individuals in the country. No single indicator is necessary for economic development, rather the availability of several factors is necessary. National Income, Per Capita Income, Economic welfare are important indicators of economic development. Today, economic development is measured by the indices formed from the factors that affect the standard of living of the people. Such as PQLI, HDI, IHDI, GII, MPI, GEM, HPI, DI and EKC. Therefore, only income assay is not enough to measure economic development, but many factors are important in economic development. As this trend of thought has grown. Due to the focus of the study of economic development has shifted from 'increasing the nation's wealth' to 'poverty alleviation' and 'human development'. Today various indices are used to measure economic development.

Key Ward: Economic development, Indicator, Index.

Introduction:

The study of economic growth and economic development shows that economic growth refers to quantitative changes in the economy. While, both quantitative and qualitative changes are considered in the process of economic development. Hence economic growth can be measured. In contrast, economic development is difficult to measure. However, the evaluation of economic development can be determined on the basis of the index formed from the factors that affect the standard of life of individuals in the country.

There is no unicism among economic thinkers about the indicators of economic development that can be used to see whether a nation is developing economically. Mercantilist economists have considered gold-silver and foreign trade as indicators of economic development. According to Adam Smith, “Increase in net national product is economic development”. According to Karl Marx, “socialism or communism is the basis of greater social welfare, so socialism is an indicator of economic development”. While, modern economists have given importance to production along with distribution in economic development. According to modern economists, no single indicator is necessary for economic development, rather the availability of several factors are necessary. Indicators of economic development which are mentioned by modern economists. It can be classified into I) traditional indicators and II) modern indicators, as shown in the following table.

Indicators of Economic Development

Traditional Indicators	Modern Indicators
1) National Income 2) Per Capita Income 3) Economic welfare 4) Occupational structure 5) Purchasing Power Parity Index 6) Per Capita Consumption of Power	1) Physical Quality of Life Index (PQLI) 2) Human Development Index (HDI) 3) Inequality Adjusted Human Development Index (IHDI) 4) Gender Inequality Index (GII) 5) Multi-dimensional Poverty Index (MPI) 6) Gender Empowerment Measurement (GEM) 7) Happy Plannet Index (HPI) 8) Danison Index (DI) 9) Environmental Kuznets Curve (EKC)

1) National Income:

National income is considered as an indicator of economic development. "National income means the value of goods and services produced by a country during a financial year." If there is a long-term increase in national income in a nation, it can be said that economic development is taking place. But national income cannot be a true indicator of economic development. Because, the machinery which is used for production wears out, the cost incurred to cover this wear is called depreciation. Depreciation is required to be deducted from national income. Net national income is obtained after deducting depreciation from national income. Hence, long-term growth in net national product is considered as an indicator of economic development. Prof. Simon Kuznets, Prof. Meier and Baldwin, and Prof. A. J. Youngson considered national income as an indicator of economic development.

2) Per Capita Income :-

According to the major modern economists, national income cannot be a true measures of economic development, because even if the increase in population is greater than the increase in national income. Economic Development becomes ineffective. Therefore, it cannot be said that there has been real development.

So the real measure of economic development is per capita income. According to modern economists, the main problem in underdeveloped country is to raise the standard of living of the people, and the standard of living depends not on the national income but on the per capita income. Therefore, increase in per capita income is the true indicator of economic development. Per Capita Income is derived by following formula.

Per Capita Income = Total Income of Area / Total Population

Per capita income gives a clear idea of the economic status of people. Emphasis is placed on the problem of distribution and population in per capita income. At the same time, 'Per Capita Income' is the true indicator of labor productivity.

3) Economic Welfare :-

According to some economists, an increase in economic welfare is an indicator of economic development. According to them, the economic process in which the per capita real income and consumption increases, and at the same time income inequality decreases, and the people of the country get more satisfaction can be called economic development.

Economic welfare depends on standard of living while standard of living depends on consumption. Therefore, raising the level of consumption and standard of living is considered as an indicator of economic development.

4) Occupational Structure :-

Australian economist Colleen Clark explains that occupational structure is an indicator of economic development. Colin Clark in her book "The conditions of the Economic progress" has discussed that there is a close relationship between economic development and occupational structure. He divided the production processes in the economy into I) Primary Group, II) Secondary Group and III) Tertiary Group.

Primary activities include agriculture, fishing, forest products. The secondary group includes mineral business, construction, public utility services, gas and electricity generation while the tertiary group includes services such as transport, distribution, public administration, entertainment etc.

According to Colin Clarke, "With economic development, the proportion of the working population in the primary sector decreases and the proportion of the working population in the tertiary sector increases. Therefore, the occupational composition of the population is an indicator of economic development". But occupational structure may not be a useful indicator of economic development. Because in a underdeveloped country it is difficult to clearly categorize business into the above three categories.

5) Purchasing Power Parity Index :-

The status of economic development can also be seen understood by purchasing power index. This index was first used by the International Monetary Fund. This index is currently used by the World Bank. The Purchasing Power Parity Index measures the gross national income (GNP) of a country based on the internal purchasing power of that country rather than the international foreign exchange rate, and compares the standard of living of the people of that country with the standard of living of the people of different countries.

6) Per Capita Consumption of Power :-

Per capita consumption of Power is also an indicator of economic development. Because 2/3 of power is consumed for production. Therefore, increasing consumption of Power is considered as an indicator of industrialization and economic development. As the national income increases, per capita consumption of power also increases. But this index also has limitations. Because economic development is not only dependent on the level of consumption and standard of living but also depends on savings and investment, these factors are not considered in this.

2) Modern Indicators:

1) Physical Quality of Life Index :-

Morris D. Morris explained the physical quality of life index as an indicator of economic development. In this index I) Life Expectancy, II) Infant mortality rate and III) Literacy is considered and economic development is measured between 1 to 100. According to the physical quality of life index, the higher the index, the more progress is considered.

2) Human Development Index :-

The economic development of a country does not depend on the size of the population but on the quality of the population. Quality of population depends on education, training, efficiency, skill, average life expectancy. Therefore, while measuring economic development, it is necessary to consider not only national income but also this factor. It is considered in Human Development Index. In the Human Development Index, the indices of I) average life expectancy, II) educational level and III) per capita income of the country are calculated, and finally the human development index is calculated by taking a simple average of these three indices. Human Development Index is calculated on the basis of following formula.

HDI=Life Expectancy Index + Education Index+ Income Index/3

According to this, the value of human development index comes between 0 to 1. The higher the human development index, the more the country's economic development is understood.

Pakistani economist Mahbub ul Haq and Indian economist Amartya Sen in year 1990, Human Development Index was propounded for the first time. Mahbub ul Haq is as the father of Human Development Index. Since then, the organization "United Nations Development Programme" publishes the Human Development Index of various countries for every year.

3) Inequality Adjusted Human Development Index :-

This index was implemented in the Human Development Report of "United Nations Development Program – 2010". This index is calculated like Human Development Index. But while calculating the Human Development Index, the average value of each index is assumed. But there is a huge disparity in that regard among the population. Hence this disparity is adjusted while deriving the IHDI.

4) Gender Inequality Index :-

The Gender Inequality Index was first published in the Human Development Index Report of the "United Nations Development Program – 2010". This index has replaced the Gender Development Index (GDI) and the Gender Empowerment Measurement (GEM).

5) Multi Dimensional Poverty Index :-

Multi Dimensional poverty index also gives an idea of economic development. The Multi Dimensional Poverty Index was first published in the Human Development Report of "United Nations Development Program – 2010". This index has replaced the Human Poverty Index (HPI). This index is calculated with the help of three criteria and ten indices.

6) Gender Empowerment Measurement :-

The 'Gender Empowerment Index' is produced by the United Nations Development Program to measure the extent of gender inequality in various countries around the world. The index considers factors such as women's political participation and decision-making, economic participation and decision-making, and women's right to economic resources (as measured by the income earned by a woman or a man). The closer the value of this index is to 1, the less gender inequality is considered and is considered an indicator of economic development. Therefore, the status of economic development of a country is also understood from this index.

7) Happy Planet Index :-

According to this index, instead of income, a healthy and happy life is considered as an indicator of economic development. Which is the happiest country in the world? It is not the purpose of this index to say, but the index expresses the relative technic with which a country utilizes its natural resources for the long and happy life of its citizens. This index is prepared by the New Economics Foundation. The following formula is used for this.

HPI= Life Expectancy x Experienced wellbeing x Inequality of Outcomes/ Ecological Footprint

8) Denison Index:

Edward Denison analyzed the Denison Index in 1962. This index considers education as a means of earning an individual's income. This index expresses the effect of education on productivity.

9) Environment Kuznets Curve :-

Prof. Simon Kuznets has illustrated the relationship between economic growth and environmental pollution with the help of a diagram. This is called the environmental Kuznets curve. According to the Kuznets curve, the production structure changes with the growth of the economy due to industrialization. As a result, environmental pollution increases. But after a certain level of per capita income or a certain level of development there is a decline in environmental pollution. So the shape of this curve is like an inverted 'U'.

Summary :-

The results of economic development efforts are not only reflected in people's income but also in the lives of common people. Therefore, only income assay is not enough to measure economic development, but many factors are important in economic development. As this trend of thought has grown. Due to the focus of the study of economic development has shifted from 'increasing the nation's wealth' to 'poverty alleviation' and 'human development'. Today various indices are used to measure economic development. . Such as PQLI, HDI, IHDI, GII, MPI, GEM, HPI, DI and EKC.

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