

## Economic Development



### Economic Development

- **Economic development** is defined as a sustained improvement in society's material well-being.
- Economic development encompasses a broader range of concepts than economic growth.
- Aside from national income growth, it includes social, cultural, political, and economic changes that contribute to material progress.

## Economic Development

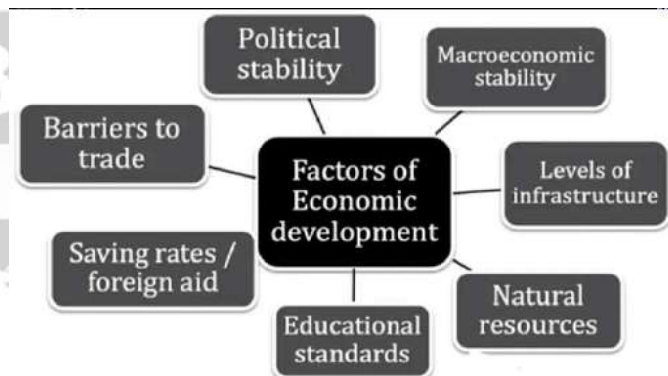
*The process in which people in a country become wealthier, healthier, better educated, and have greater access to good quality housing.*



### Factors Affecting Economic Development

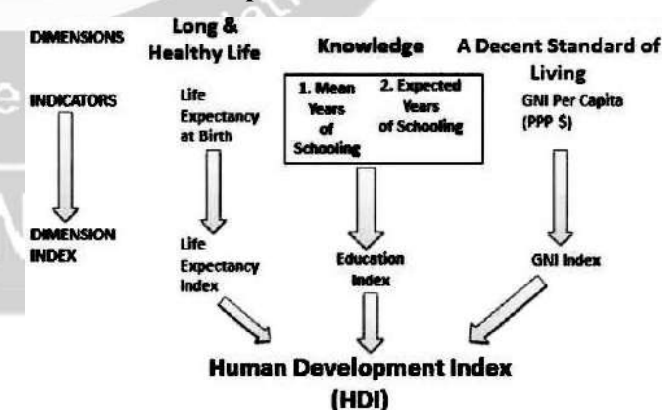
1. Infrastructural Development
2. Education
3. Increase in capital formation
4. National Income and Per Capita Income
5. Purchasing Power Parity (PPP)
6. Green GDP
7. Human Development Index (HDI)
8. Political Stability
9. Macroeconomic Stability (Inflation, Fiscal Policy, Employment Level National Income, Global/ International Trade,)

10. Natural Resources
11. Saving Rate / Foreign Investment
12. Trade Barriers



### Measures of Economic Development

1. Human Development Index
2. Planetary Pressure Adjusted Index (PHDI)
3. Gender Development Index
4. Gender Empowerment Measure (GEM)
5. Gender Inequality Index
6. Inequality Adjusted HDI
7. Multi-Dimensional Poverty Index (MPI)
8. Physical Quality of Life Index (PQLI)
9. Global National Happiness Index (GNH)



- The Human Development Index (HDI) measures the level and changes in quality of life
- Mahbub ul Haq and Amartya Sen, two renowned economists from Pakistan and India
- Introduced by UNDP in 1990 and has been released annually ever since, except in 2012.
- HDI value ranges from 0.000 to 1.000

(a) 0.000 - 0.4999 (Low HDI)

(b) 0.500 – 0.799 (Medium HDI)

### **HUMAN DEVELOPMENT REPORT 2021-22**

- **India ranks 132 out of 191 countries and 130 in the year 2020, behind Bangladesh (129) and Sri Lanka (73).**
- India's latest **HDI value of 0.633 (132)** places the country in the **medium human development category**, lower than its value of 0.645 (130) in the 2020 report.
- **Life expectancy:** In 2021, India's life expectancy - 69.7 to 67.2 years. (global drop in life expectancy, down from 72.8 years in 2019 to 71.4 years in 2021)
- **Schooling:** Expected years of schooling at 11.9 years down from 12.2 years in the 2020 report, mean years of schooling at 6.7 years from 6.5 years in the 2020 report.
- (The mean years of schooling for females declined from 12.6 to 11.9 years in the corresponding period.)
- **Gross National Income:** The gross national income per capita stood at USD 6,590. Among India's neighbours, **Sri Lanka (73rd), China (79th), Bangladesh (129th), and Bhutan (127th)** are ranked above India, while **Pakistan (161st), Nepal (143rd), and Myanmar (149th)** are worse off. The report said around 90 per cent of countries registered a decline in their HDI value in 2020 or in 2021.

#### **Performers :**

- These are Switzerland (1, 0.962), Norway (2, 0.961), Iceland (3, 0.959), Denmark (6, 0.948), Sweden (7, 0.947), Ireland (8, 0.945), Germany (9, 0.942) and Netherlands (10, 0.941).
- The island nation was followed by Sri Lanka (73 and 0.782), China (79 and 0.768), Bhutan (127 and 0.666), Bangladesh (129 and 0.661), India, Nepal (143 and 0.602) and Pakistan (161 and 0.544).

### **2. Planetary Pressures-Adjusted Human Development Index (PHDI)**

Planetary pressures-adjusted Human Development Index (PHDI)

Country (HDI rank)	India	World	China	Switzerland
PHDI	0.609	0.667	0.648	0.796
PHDI (vs HDI)	Falls by 4%	Falls by 9%	Falls by 16%	Falls by 17%

- The PHDI adjusts the standard HDI by a country's level of **carbon dioxide emissions and material footprint**, each on a **per capita basis**.
- **India's Performance :**
  - ❖ India would move up eight places in the ranking (123rd)
  - ❖ Under the **Paris Agreement**, India pledged to reduce the emission intensity of its GDP from the 2005 level by 33-35% by 2030 and to obtain 40%

of electric power capacity from non- fossil fuel sources by 2030.

- ❖ **Solar capacity in India increased** from 2.6 giga watts in March 2014 to 30 giga watts in July 2019, achieving its target of 20 gigawatts four years ahead of schedule.
- ❖ In 2019, India **ranked fifth for installed solar capacity**.
- ❖ The **National Solar Mission** aims to promote solar energy for power generation and other uses to make solar energy competitive with fossil fuel-based options.

### **3. Gender Development Index**

Gender Development Index

Country (HDI rank)	India (#132)	World	China (#79)	Switzerland (#1)
GDI	0.849	0.958	0.984	0.967
GNI per capita for women (in 2017 PPP \$)	2,277	12,241	13,980	54,597
GNI per capita for men (in 2017 PPP \$)	10,633	21,210	20,883	79,451

- Introduced in Human Development Report 1995
- The GDI measures gender gaps in human development achievements by accounting **for disparities between women and men in three basic dimensions** of human development—**health, knowledge and living standards** using the same component indicators as in the HDI.
- The closer this ratio is to 1, the smaller the gender gap between women and men in Human Development Index terms.
- India's GDI stands at 0.849 which is significantly behind the world average of 0.958.
- The female life expectancy dropped from 71 years in the 2020 report to 68.8 years in the 2021 report.
- From India's perspective, the key Human Development Index metric where women seem to lag behind men the most is the income per capita.

- **GDI = Female HDI/Male HDI**

### **4. Gender Empowerment Measure (GEM)**

- Introduced in 1995
- Developed by UNDP
- It measures Gender Inequality in Three major dimensions
  - (a) Political Participation and Decision Making
  - (b) Economic Participation and Decision Making
  - (c) Power Over Economic Resources

### **5. Gender Inequality Index**

- The GII is an inequality index **released by UNDP**. It measures gender inequalities in three important aspects of human development—

❖ **Reproductive Health** measured by maternal mortality ratio (Number of Maternal Death due to birth or pregnancy per 100000 live births) and adolescent birth rates (The Annual Number of Births to women 15 to 19 years of age per 1000 women) ;

❖ **Empowerment** measured by proportion of parliamentary seats occupied by females and proportion of adult females and males aged 25 years and older with at least some secondary education; and

❖ **Economic Status** expressed as labour market participation and measured by labour force participation rate of female and male populations aged 15 years and older.

Gender Inequality Index				
Country (HDI rank)	India (#132)	World	China (#79)	Switzerland (#1)
Maternal mortality ratio (deaths per 100,000 live births)	122	225	29	5
Adolescent birth rate (births per 1,000 women ages 15-19)	37	43	31	2.2
Share of seats in parliament (% held by women)	33	36	35	40
Female population with at least some secondary education (% ages 25 and older)	43	64	78	97
Labour force participation rate (% ages 15 and older)	39	46	62	62
GII	0.490	0.465	0.192	0.018

### Gender Inequality Index - 2021

- ❖ In GII, India is at the 122nd rank out of 190 countries.
- ❖ India's GII stands at 0.490 (0.493 in 2020) which is slightly below the world average of 0.465.
- ❖ India's performance is far below than China whose GII value is 0.192.

### 6. Inequality Adjusted HDI

Inequality-adjusted HDI				
Country (HDI rank)	India (#132)	World	China (#79)	Switzerland (#1)
What happens to HDI when adjusted for inequality	Falls by 25%	Falls by 19%	Falls by 15%	Falls by 7%
Income share held by poorest 40% of	20%	18%	17%	20%
Income share held by the richest 1%	22%	17%	14%	12%

- Introduced in 2010.
- The IHDI indicates percentage loss in HDI due to inequality.
- If there is no inequality, HDI will be equal to IHDI.
- For **India**, the IHDI value for 2019 is **0.537**.

- The report found that India's Human Development Index falls by 25%, when adjusted for inequality. It is higher than the global average of 19%.
- That's because the share of income held by the richest 1% of the population is more than the income held by the poorest 40%.

### 7. Multi-Dimensional Poverty Index (MPI)

- Introduced in 2010
- Released by the **United Nations Development Programme (UNDP)** and the **Oxford Poverty & Human Development Initiative (OPHI)**
- The Index considers data from 109 countries and 5.9 billion people.
- A person is multidimensionally poor if she/he is deprived in one third or more (means 33% or more) of the weighted indicators (out of the ten indicators). Those who are deprived in one half or more of the weighted indicators are considered living in extreme multidimensional poverty.



### Global Multidimensional Poverty Index (MPI) 2022

- 1.2 billion people are multidimensionally poor.
- Nearly half of them live in severe poverty.
- Half of poor people (593 million) are children under age 18
- The number of poor people is highest in Sub Saharan Africa (579 million), followed by South Asia (385 million). The two regions together are home to 83% of poor people.

### Global Multidimensional Poverty Index (MPI) and India

1. India has by far the **largest number of poor people worldwide at 22.8 crore**, followed by **Nigeria at 9.6 crore**.
2. The incidence of **poverty fell from 55.1% in 2005/06 to 16.4% in 2019/21** in the country.
3. As many as **41.5 crore people moved out of poverty in India** during the 15-year period between 2005-06 and 2019-21.
4. **Performance of States:**
  - (a) Bihar, the poorest state in 2015-16, **saw the fastest reduction in MPI value in absolute terms.**
    - (i) The **percentage of poor in Bihar fell from 77.4 % in 2005-06 to 52.4 % in 2015-16** and further to 34.7 % in 2019-21.
  - (b) However, in relative terms, the **poorest states have not quite caught up.**
    - (i) Of the 10 poorest states in 2015/2016, only one (West Bengal) have emerged out of the list in 2019-21.

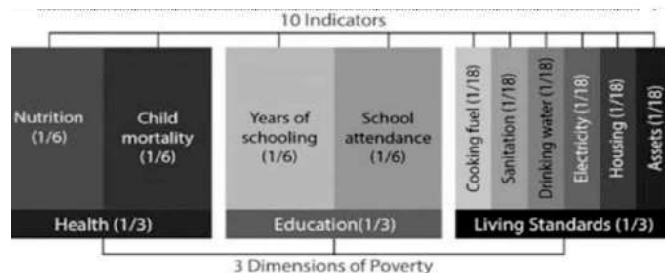


- (ii) The rest (Bihar, Jharkhand, Meghalaya, Madhya Pradesh, Uttar Pradesh, Assam, Odisha, Chhattisgarh and Rajasthan) remain among the 10 poorest.

(c) Across states and union territories in India, **the fastest reduction in relative terms was in Goa, followed by Jammu and Kashmir, Andhra Pradesh, Chhattisgarh and Rajasthan.**

#### 5. Reduction of Poverty Region Wise:

- (a) The incidence of **poverty fell from 36.6% in 2015-2016 to 21.2% in 2019-2021** in rural areas and **from 9.0% to 5.5% in urban areas.**



#### National Multidimensional Poverty Index: NITI Ayog

- 12 Indicators (Health – Antinatal Care and Living Standard – Bank Account)
- Bihar has the highest proportion of people of the state's population followed by Jharkhand and Uttar Pradesh who are multidimensionally poor.
- Kerala registered the lowest population poverty levels, followed by Puducherry, Lakshadweep, Goa and Sikkim.

#### 8. Physical Quality of Life Index (PQLI)

- The Physical Quality of Life Index (PQLI) was developed for Overseas Development Council in the mid-1970s by Morris David
- The Physical Quality of Life Index measures the quality of life or well-being of a country based on three variables-
  - (a) basic literacy rate
  - (b) infant mortality
  - (c) life expectancy at age one

#### 9. Global National Happiness Index (GNH)

- Gross National Happiness is a term coined by His Majesty the Fourth King of Bhutan, Jigme Singye Wangchuck in the 1970s.
- Gross national happiness (GNH) measures economic and moral progress as an alternative to gross domestic product measurement in Bhutan.
- The concept implies that sustainable development should take a holistic approach towards notions of progress and give equal importance to non-economic aspects of well being.
- In 2012, for the first time World Happiness Report was released by United Nations Sustainable Development Solutions Network based on Gross Happiness Index at global level.

- The report usually ranks 150 countries
- It is based on several factors such as real GDP per capita, social support, healthy life expectancy, freedom to make life choices, generosity and perceptions of corruption.

➤ International Happiness Day – 20th March

#### 10. World Happiness Report 2022

- This year, the report ranked 146 countries.
- India saw a marginal improvement in its ranking, jumping three spots to 136, from 139 a year ago.
- Finland has been named the world's happiest country for the fifth year running followed by Denmark.
- Afghanistan was ranked as the unhappiest nation, followed by Lebanon, Zimbabwe, Rwanda and Botswana, respectively

#### 11. Global Gender Gap Index 2022

- **Four Key dimensions**
- Economic Participation and Opportunity
- Educational Attainment
- Health and Survival
- Political Empowerment

**The gender score |** India ranked 135 in gender parity out of 146 countries, according to the Global Gender Gap Report 2022 released by the World Economic Forum. A look at India's ranking in the four sub-indexes based on which the overall ranking was determined

India	Rank 2022*
<b>Global gender gap index</b>	<b>135</b>
Economic participation and opportunity	143
Educational attainment	107
Health and survival	146
Political empowerment	48

\*out of 146 countries



- **World Economic Forum (WEF) ranked India at 135 out of 146 countries in its Global Gender Gap (GGG) Index for 2022.**

- India's overall score has improved from 0.625 (in 2021) to 0.629, which is its **seventh-highest score in the last 16 years.**

❖ In 2021, India was ranked 140 out of 156 countries.

- The **gender gap** is the difference between women and men as reflected in social, political, intellectual, cultural, or economic attainments or attitudes.

INDIA'S RANK				
Index/sub-index	2022 (146 countries)		2021 (156 countries)	
	Rank	Score	Rank	Score
Global Gender Gap Index	135	0.629	140	0.625
Political empowerment	48	0.267	51	0.276
Economic participation	143	0.50	151	0.26
Educational attainment	107	0.96	114	0.962
Health and survival	146	0.937	155	0.937