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**ECONOMIC GROWTH AND HUMAN DEVELOPMENT**

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**1. INTRODUCTION**

This paper explores the links between economic growth and human development, identifying two chains, one from economic growth to human development, and the other, conversely, from human development to economic growth. The various links in each chain are explored, together with a review of some existing empirical material on their importance. The paper examines the significance of the relationships, for the chains as a whole and for particular links in them, with the help of cross-country statistics for the period 1970-92. It finds that there exists a strong positive relationship in both directions and that public expenditure on social services and female education are especially important links determining the strength of the relationship between economic growth and human development, while the investment rate and income distribution are significant links in determining the strength of the relationship between human development and economic growth. The existence of these chains gives rise to the potential for virtuous or vicious cycles of development, with good or bad performance on HD and economic growth reinforcing each other over time. The paper concludes by classifying the actual performance of developing countries into these virtuous and vicious cycles, as well as identifying lop- sided performers, with good performance in one dimension but not the other, and explores how country classification can change over time. We find that lop-sided development almost never persists: countries which are initially lop-sided favoring economic growth always lapse into the vicious category; but countries where HD is favored can move into the virtuous category. This has strong sequencing implications, implying that, while ideally both HD and economic growth should be jointly promoted, HD should be given priority where a choice is necessary.

The Human Development (HD) story of India is remarkable in its kind. Through the preparation of country, as well as sub-country Human Development Reports (HDR), India has decentralized and coordinated the human development idea into its development motivation at country [1], State, and also the region and region level. More sub-country HDRs have been delivered in India than in some other country. More HDRs have been created in India than the aggregate number of Global HDRs. An

unmistakable element of the HDR arrangement process is the firm Statepossession, and multi - partner organizations. This has empowered approach exchange on essential HD issues.

This document depicts the human development story of India, and goes for delineating the strategy effect of planning Human Development Reports, and how focal HD ideas can go past the reports through different HD exercises and add to manageable arrangement affect in a country from a human development viewpoint. The report starts with a general prolog to the human development approach and HDRs, [2] trailed by a presentation of how the HD idea and HDRs have been deciphered and developed in the Indian setting.

### ***Human Development Perspective***

A Theoretical Analysis An investigation of the hypothetical point of view of human improvement empowers a comprehension of the advancement of the idea of human advancement over a timeframe reflecting diverse subtleties of human advancement [2].

It was the important built up monetary investigator to join human capital in his acclaimed book "An Enquiry into the Nature and Causes of the Wealth of Nations". He fights that improvement infers capital gathering and concentrated progress, and in addition advancement of human capital which accept a fundamental part amid the time burned through money related change. He consolidated into the capital supply of a nation the inhabitant 'picked up and significant capacities of individual which improves wealth of society and individuals country all things considered. He conveyed the view that "money related change should engage a man to mix uninhibitedly with others without "being humiliated to appear out in the open" [3]. Thusly conveying Smith stressed over the possibility of poverty that went past counting calories - an imagined that planned the poor into the standard of the gathering. Along these lines, nature of people's life transforms into the central stress of change.

The neoclassical financial analyst, appears to have perceived that capital comprises in an awesome piece of information and Organization and of this, some part is private property and other part is learning, a most intense motor of generation; it empowers us to curb nature and constrain her to fulfill our needs [4]. Marshall likewise focused on instruction and parental care as interest in human capital. Be that as it may, Marshall dismisses the promoted net-income way to deal with human capital as being improbable as people are not attractive.

## 2. REVIEW OF LITERATURE

**Knight (2004) [5]**, states that interest in man, the conventional idea of capital, must be reached out to make space for human capital. Human capital is likewise of a wide range of structures, and it renders various purchaser and maker administrations. Interest in human capital is likely, the real subject of human advancement. The interest in man especially in training, wellbeing, sustenance and so on, is basic to exploit better openings for work.

**Schultz T.W. (1961)** in his Human Capital model shows how guideline allows the era method to benefit by positive externalities and advances improvement. The advancement theories that anxiety Research and Development (R and D) moreover underline the essentialness of human capital in money related improvement.

**Kenneth J. Jolt (2002) [6]** focused on the securing of data through "Learning by Doing". The term learning is an aftereffect of experience that happens in the midst of activity since it generally speaking happens through the attempt to deal with an issue. Increases in total yield accomplished by the desire to learn and adjust achieve higher gainfulness.

**Gary Becker (2006) [7]** after a similar contention of Schultz says that human capital is the interest in preparing, training, wellbeing, values, and different parts of human potential. Human capital speculations increment the capacity of individuals to make riches. He advocated that the present century is the "Period of Human Capital," referring to the enormous development in interest in human capital in this century, and the subsequent immense increment in wealth.

**Dennison (2007) [8]** states that human capital stock upgrades work productivity, and add to the general progression of society. He gave a prompt association between enlightening satisfaction and the money related and Social welfare of nations. In the current period, the ordinary information sources, for example, work and capital could clarify just 60% of the aggregate development of United States. The staying 40% development in genuine national wage could be credited to upgrades in human capital.

**Lucas (2008) [13]** was another endogenous growth theorist who emphasized investment in human capital more directly and links it to long-term rates of economic growth. These human capital theories indicate how investment in education enables the entire production process to benefit from positive externalities. Educated people not only use technology more efficiently, they are also likely to innovate and spread the benefits of such innovation to co-workers thereby increasing the efficiency of all factors of production. The human capital theories attribute the lack of convergence between the growth rates in

developed and developing countries to the fact that the poorer countries do not make adequate investments in human capital, which results in their recording low growth rates.

**Nancy Stocky (2000)** her model 'Human capital, item quality and development' clarifies heterogeneous work, separated by level of human capital, decides a nation's relative favorable position. The development wonders experienced by some effective new industrialized nations in East Asia, where fast financial development was joined by higher volume of fares, quick development in instruction and quick changes in the arrangement of yield. In this procedure she highlighted that –

### **3. ECONOMIC GROWTH AND HUMAN DEVELOPMENT – A CAUSALITY ANALYSIS**

Financial development is additionally an essential variable prompting to high human advancement. Segment I, inspects the part of human improvement in monetary development. Be that as it may, an endeavor is made in this segment to analyze the causality between these two. The arrangement of extensive amounts of products and ventures enhance the way of life of the general population. In creating nations, financial development is required for lessening neediness, giving access to essential social administrations, working of fundamental capacities in the general population and producing the assets required for human improvement [17]. Indeed, even observational proofs have demonstrated that individuals in high-salary nations have more prominent abilities than those individuals in poorer nations.

Monetary development is a vital however not a lacking condition for the advancement of human improvement. Past amount, it is the nature of development that is pivotal for human prosperity. Development can be jobless, as opposed to work making – merciless, as opposed to neediness lessening – voiceless, instead of participatory – rootless, rather socially revered and futureless, as opposed to ecological amicable. Development that is jobless, heartless, voiceless, rootless and futureless is not positive to human advancement. In such manner, monetary development is a method for improvement and not its definitive objective. Expanded wage contributes generally on the off chance that it enhances individuals' life. Be that as it may, wage development is not an end without anyone else. Improvement ought to be individual's focused and financial development must be impartial for its advantages to affect individuals' lives.

Unmistakably, there exists a solid association between financial development (EG) and human improvement (HD). From one perspective, EG gives the assets to allow managed changes in HD on alternate, enhancements in the nature of the work compel are an essential donor to EG. However, while this two-route relationship between human advancement and monetary development are broadly

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acknowledged, the particular components connecting them have not been efficiently investigated. Nor has the subject of needs in the staging of strategy.

### ***Causality links between EG and HD***

Economic growth expands the material resources available for the fulfillment of human needs. But the extent to which these needs are met depends on the allocation of the rewards of growth through the distribution of private and public resources (both income & assets). The distribution of opportunities, particularly, employment is crucial. Economic growth will not invariably translate into human development if other important factors are not in place. Among the most important of these factors is public policy.

There is also a key link back. Human development raises the levels of education, health and nutrition in an economy. The results are a healthier and better-educated population capable of being economically more productive. Modern growth theories explain economic growth primarily in terms of expanded human and social capital rather than physical capital. Growth can also be linked to many other elements of human development such as political freedom, cultural heritage, societal progress and environmental sustainability.

## **4. ECONOMIC GROWTH AND HUMAN DEVELOPMENT OF INDIAN STATES: AN EMPIRICAL ANALYSIS**

There are two unmistakable causal chains relationship between human advancement and financial development, one keeps running from monetary development to human improvement through national salary distributed to social areas, for example, instruction and wellbeing, alternate keeps running from human advancement to financial development. It looks at monetary development improving human advancement through social part uses to accomplish high human improvement crosswise over Indian states.

The observational proof of the underdeveloped nations at the worldwide level uncovers that financial development impacts on human advancement through dynamic state mediations as far as - equivalent disseminations of wage and riches among the general population, open consumption on social segments which incorporates instruction and wellbeing, individuals' interest and enhanced status of ladies in the working of the economy. Accordingly, an endeavor is made to fit relapse conditions,

which clarify effect of monetary development on human advancement. Then again, the turnaroundconnections from human advancement to monetary development rely on upon two basic variables; one is collection of human capital through interests in instruction and aptitudes arrangement [18], wellbeing and nourishment and innovative work. Also, the other one is available chances to individuals to add to financial improvement however social, political and monetary interest. As specified before, this review utilized the accompanying Regression show where in the spill out of monetary development to human advancement is investigated. At the end of the day it clarifies the impact of monetary development on human advancement.

We are thinking about HDI, training and wellbeing for the times of 1981, 1991 and 2001 for the 15 noteworthy states in India. Consequently the information displays the attributes of time arrangement and also cross sectional information. Be that as it may, the eras are constrained i.e., just for 3 decades. In that sense, the information considered is prohibitive time arrangement.

The model likewise incorporates the consumption of the legislature on training and wellbeing in light of the fact that the use on instruction and wellbeing by the administration has straightforwardly impacted on human improvement. So the review fused the above said factors

**Table 1:influence of Economic Growth on Human Development Index**

Variables	Co-efficient	Standard Error	Probability
Time variable	0.144780*	0.049634	0.0055
Dummy variable	0.370515*	0.032006	0.0000
Growth Rate	0.002439*	0.000883	0.0083
Education Expenditure	0.057042*	0.015683	0.0007
Health Expenditure	0.008259	0.011633	0.4815
R – Squared 0.98, Adjusted R Square 0.97			
F – Statistic 531.9673, Prob (F – Statistic) 0.00000			

**Note:** \* P < 0.01 Significant at 1.1 level \*\* P < 0.05 Significant 5 total

Influenced human development and their influence is significant at 1 percent level except health expenditure, which is positive but has not significantly, influenced human development. The dummy variable which is a proxy for initial level of development is found to be significant because the initial level of development of a state has certainly influence on human development so the results indicate this.

## 5. CONCLUSION

An endeavor is made to follow the hypothetical structure of human improvement since Adam Smith to the latest endogenous development hypotheses in the initial segment. Human capital hypothesis step by step prompted to human focused improvement where in human advancement turned out to be significant. A few ways to deal with human advancement have developed especially the "Capacity Approach" which turned out to be exceptionally prominent. The area II made an endeavor to analyze the two way causal connection amongst HD and EG. The EG convert into HD with the assistance of designation of the prizes of development through the conveyance of private and open assets (GNP), the dissemination of chances, especially business, female control over wage and NGO or other common society movement. While, then again HD prompts to EG through collection of human capital through interest in wellbeing, instruction, abilities preparing and R and D, open doors for individuals to add to EG through social, political and monetary cooperation.

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