



Indicators of Economic Development: A Theoretical Approach

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Abstract:

Regional disparity in levels of economic development is of major concern for a welfare Government like the Union Republic of India. The present paper is intended to highlight the theoretical considerations in selecting the indicator of economic development. Since the level of economic development cannot be measured directly, one must select suitable indicators. A development indicator should represent some aspect of development such as Industrialization, Urbanization etc. it may be direct measure of an economic or social variable or more often, an indirect measure of some non-measurable phenomena, viz. standard of living. Indicators may be disaggregated, composite or representative. There is no foolproof method of reaching an operational index from the theoretical concept except by making a number of judgements. The choice of indicators of regional development should distinguish between the basic forces and derivative result and base itself on the intrinsic relationship between spatial and sectoral processes in a holistic.

***Keywords:** Theoretical Considerations, Types of indicators.*

Introduction:

Regional disparity in levels of economic development is of major concern for a welfare Government like the Union Republic of India. The main aim of the Government is to reduce regional disparity and provide every citizen all possible facilities for their development. The present paper is intended to highlight the theoretical considerations in selecting the indicators of economic development.

Theoretical Considerations:

Since the levels of development are not directly measurable one must select suitable indicators. A development indicator should represent some aspect of development such as industrialization, health, equality, participation etc., because development involves changes in structure, capacity and output. It may be a direct measure of an economic or social variable or more often, an indirect measure of some non-measurable phenomena viz., standard of living in favour of indicators limited to observable and measurable phenomena.

Indicators may be disaggregated, composite or representative. In the first case a complex phenomena is broken into a number of elements or components and indicators are selected to represent the different components. Ideally these elements should be homogeneous, mutually exhaustive and mutually exclusive. In the second case, a single indicator is constructed by combining a number of indices, involving some system of weighing indices, in the third case; a representative indicator is selected as the best measure of a particular phenomenon on the basis of some criteria such as closeness of correlation with other indicators of the same phenomenon. In all three cases the validation of the indicator depends on its reliability, sensitivity, accuracy and on the consistency of its relation to other development indicators. The justification for selection of a particular indicator and a particular process of selection will depend, however, on the purpose for which they are to be selected. Thus the selection of indicators requires subjective judgement on the part of research.

The meanings of the levels of development have had different connotations to various scholars. They have historically acquired a certain meaning, though this is not precise

of universally valid. The procedure of measuring the levels of development must, therefore attempt to tap these implications as best as possible. A regional analysis has thus to work out definite procedures for measuring and constructing an operational index for development. A good deal of literature has come up in the last few decades on the indices measuring quantitatively the level of development. The essential test of acceptability of these indices is how best it approximates the essence of the concept. There is no foolproof method of reaching an operational index from the theoretical concept except by making a number of judgements. These can roughly be grouped in to categories.

- 1) Selecting an indicator or indicators for formulating composite index.
- 2) Deciding the nature of relationship among the variables of the composite index.

Some crude indices of development can be evolved with the help of single indicators such as the level of an activity or some derived indicator such as the co-efficient of location, per capita income, level of urbanization, employment and other. The technical difficulties and need for subjective judgement in this uni variate analysis is considerably less but it fails to catch the real connotation of the word because development is multidimensional.

The proper choice of indicators constitutes the crux of the methodology, which in turn depends on theoretical assumptions. The choice of indicators of regional development should distinguish between the basic itself on the intrinsic relationship between spatial and sectoral processes in a holistic frame. With such an approach, the groups of economic and social indicators, or individual indicators within each group, reflect different aspects of a phenomenon, which in spite of its complexity and its apparently fragmented character, is essentially one.

Types of Indicators:

1) General Indicators:

The general indicators indicate per capita income is perhaps the best single measure of economic development of a region. It is an aggregative type of indicator, whole research of evaluating the combined effect of several indicators of the economy in grading the districts on the ladder of development. However, the variation in the real purchasing power of money may reduce its suitability as a good indicator of economic development. Moreover, it would not distinguish between the qualitative differences of development as the same monetary income from primitive practice of cultivation and modern industry or government service does not have the same bearing on the current stage of development.

2) Indicators Of Agricultural Development:

Though overdependence on agriculture and related pursuits indicate backwardness of the economy, there is needed to study the relative development of agriculture for measuring the economic condition of the people engaged in cultivation. The level of the development in this case can best be reflected in agricultural efficiency. Thus is reflected in the total production from a particular unit area and in per acre yield. However, the gross value of agriculture output per agricultural workers would be the best indicator of agricultural development. It accounts for total production as well as their market value.

Following indirect indicators can be studied.

- i) Cultivable area per agricultural worker
- ii) Net area sown per agricultural worker
- iii) Area sown more than once as percentage net sown area
- iv) Percentage of gross irrigated area to gross sown area
- v) Wage rates of agricultural workers.

3) Indicators Of Industrial Development:

The role of industries in economic development cannot be over emphasized. It is a modern sector of economy on which the development in other sectors depends. Hence the incises formed to measure industrial development are very important. The per capita value of



industrial output could have been the best single indicators of industrial development, because it accounts for industrial output, income generated and value added by manufacturing etc.

4) Indicators Of Trade And Commerce:

Simultaneously with urban and industrial development tertiary activities particularly trade and commerce, develop in a region. No trade statistics worth mention are available on district level. The per capita sales tax structure were the same in all the states. Moreover, such data is collected on the basis of commercial circles which do not correspond to the districts. In its absence the percentage of workers in trade and commerce out of total workers can be taken as a indicator. The development of regional infra- structure is a prerequisite for the development of agriculture, industry and urban centres. It includes development of transportation network, power supply, irrigational facilities, educational and technical institutions etc.

5) Indicators Of Transport Development:

Roads constitute a very important infrastructural item of economic development. The mileage of surface roads per 100 sq. km and per lakh of population are generally the two indicators adopted to measure the relative development of different areas. The per capita motor spirit tax is a good indicator of the development of road transport, because it combines in itself the number of vehicles, miles run and also the load carried, because the consumption of petrol or diesel is higher in heavy transport vehicles. The direct aspect of the road traffic concerning the economy of the district is the number of goods carriers. In the absence of the data relating to ton-mileage carried, the number of goods vehicles per lakh of population can be selected as indicator of goods traffic. The person employed in transport can also be used as an indicator of development of transportation in a district.

6) Health Indicators:

With economic development health condition and educational facilities also improve. So the indicators of health and educational development would certainly point out the level of economic development. The expectancy of life if available district wise, would have been a good indicator of health condition. Since this is not available the general death rate can serve the purpose but the compilation of such a rate still suffers from the defect of incomplete coverage as deaths are generally not reported, and the data is also not properly compiled in different areas. The maternal death rate per 000 birth is another indicator or the health conditions.

7) Indicators Of Educational Development:

Effective literacy is a good indicator of educational development, particularly in a case like India where literacy is very low. However in absence of the data for effective literacy crude literacy can be taken as an indicator of educational development. It is a general index of cultural and technological advance. The percentage of school going children in the age group 6 to 14 years is another good indicator of the state of affairs in educational sphere. It throws light on the effort with which the lack in education is being made up. The scholars per lakh of population, per capita expenditure on education and educational institutions per lakh of population are other possible indicators.

8) Indicators Of Power Development:

As economic prosperity rises, the per capita electric power consumption generally increases. Hence, per capita consumption of electricity can be a good indicator of economic development. Another indicator would be per capita consumption of inanimate energy per kg. of coal equivalent.

9) The Human Development Index (Hdi):

The HDI was introduced in 1990 as part of the United Nations Development Programme (UNDP) to provide a means of measuring economic development in three broad areas - per capita income, health and education. The HDI tracks changes in the level of



development of countries over time. Each year, the UNDP produces a development report, which provides an update of changes during the year, along with a report on a special theme, such as global warming and development, and migration and development. The introduction of the index was an explicit acceptance that development is a considerably broader concept than growth, and should include a range of social and economic factors.

Conclusion:

To summarize it can be said that levels of economic development cannot be measured directly. One must select suitable indicators for measuring it. The indicators should represent some aspects of development. The proper choice of indicators constitutes crux of the methodology in studying levels of economic development which depends on theoretical assumptions.

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