

## **ECONOMIC GROWTH AND HUMAN DEVELOPMENT- A THEORETICAL REVIEW**

**Prashant Kumar Bhardwaj<sup>1</sup>, Dr.Devesh Kumar<sup>2</sup>**

**Department of Economics**

**<sup>1,2</sup>Sri Venkateswara University, Gajraula (Amroha) – U.P.**

### **Abstract**

*The hypothetical confirmations are concentrating on the part of human capital in molding financial advancement. The load of expertise and profitable learning exemplified in individuals constitute human capital. The possibility of interest in human capital really began with Theodore W. Schultz's presidential deliver to American Economic Association in December 1960. Human capital is characterized as 'the assemblage of learning controlled by the general population and the limit of the populace for utilizing information adequately. Be that as it may, since 80s, a much more extensive impression of human capital i.e., Human Development began to get urgent significance being developed writing. For the most part every one of these activities finished in the production of human advancement reports by the UNDP consistently concentrating on different measurements of human improvement. The human advancement approach underscores interest in training, wellbeing, nourishment and pay.*

### **1. INTRODUCTION**

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.

**Harbison (2000) [9]** stated that Human Resource constitutes the ultimate basis for wealth of nations. Capital and natural resources are passive factors of production, human beings are the active agents who accumulate capital, exploit natural resources, build social economic and political organizations, and carry forward national development. Clearly a country which is unable to develop the skills and knowledge of its people and to utilize them effectively in the national economy will be unable to develop anything else.

**Paul Streeten (2000) [10]** built up the Basic Needs Approach, in the mid 1970's, and he characterized essential needs as far as nourishment, lodging, wellbeing, sanitation and training. He appropriately says that satisfaction of Basic Needs is the paradigm for monetary advancement. He distinguished the six motivations to advance human improvement Human advancement is an end in itself that needs no further avocation. It is a way to higher profitability. It lessens human generation by bringing down the craved family estimate. Human advancement is useful for the physical environment. It lessens the deforestation, desertification.

**Tinbergen (2005) [11]**, he has made an attempt to analyze the relationship between humancapital and inequality. He suggested that inequality was ultimately determined by

the opposing effects that technology and education exerted on the relative wage. He stipulated that the relationship between growth and inequality was determined by the race between technological development and education.

**Romer (2006) [12]** in the Endogenous Growth Theory highlights the fact that technological progress is not an exogenous factor influencing development but is the result of 'intentional actions' taken by people who respond to market incentives. Technology is considered to consist of a non-rival component, which being separate from individuals, can grow without bound and, therefore, leads to increasing returns to scale.

**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) [14]** 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 –

**Mahbub UI Haq (2007) [15]** defined human development paradigm as "the process of **enlarging** people's choices". In principle, these choices can be infinite and change over time. But at all levels of development, the most critical and essential ones are for people to lead a long and healthy life, to be educated and to have access to resources needed for a decent standard of living.

**Amartya Sen (1998) [16]** contends that the way of life of a general public ought to be judged not by the normal level of wage but rather by individuals' capacities to lead the life they esteem. He likewise communicated that wares ought not be esteemed in their own particular right but rather as methods for upgrading capacities, for example, wellbeing,

information, sense of pride and capacity to take part effectively in like manner life. The Capabilities allude to what a man can (not) do or can (not) be. Flexibility from appetite, being allowed to take an interest in the political procedure, being enough shielded, access to wellbeing and instruction and so forth., can be cited as various signs of abilities.

### **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 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

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

There are two unmistakable causal chains relationship between human advancement

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.

Presently, accelerating growth is a major challenge, an equal, if not the greater, challenge for many developing countries including India is to ensure that the growth translates into human development in terms of better living condition, more choice and greater opportunities. In this endeavor public action is needed –

- To accelerate growth in order to expand resources available for human development.
- To ensure that the available resources are actually allocated towards human development priorities, and
- To ensure their efficient use to address people's priorities.

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 [19].

**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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