GEC S4 01 (M/P)

Development Economics

SEMESTER - IV

ECONOMICS

BLOCK - 2

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SEMESTER IV
BACHELOR IN ECONOMICS
DEVELOPMENT ECONOMICS
BLOCK 1

CONTENTS

		Pages
Unit 9 :	**Population and Economic Development** The Theory of Demographic Transition; The two conflicting views on Population and Development- Malthusian View and Kuznets-Simon-Boserup View	**115-124**
Unit 10 :	**Capital Formation and Economic Development** Significance of Capital Formation in Economic Development; Reasons of Low Rate of Capital Formation in Developing Countries	**125-134**
Unit 11 :	**Technical Change and Economic Development** Role of Technology in Economic Development; Problems of Technology in Developing Countries	**135-144**
Unit 12 :	**Role of State in Economic Development** Role of State in Promoting Economic Development- Problems and Challenges; Role of Public Sector in Developing Countries	**145-154**
Unit 13 :	**Manpower Planning and Economic Development** Need for Manpower Planning in Developing Countries; Manpower Planning in India.	**155-164**
Unit 14 :	**Human Resource Development** Human Resource Development: Concept and Significance; Indicators of Human Resource Development	**165-175**
Unit 15 :	**Millennium Development Goals** Millennium Development Goals: Concept and Importance	**176-188**

BLOCK 2: INTRODUCTION

Block 2 has seven units. Unit 9 is Population and Economic Development. Here the Malthusian Theory of Population is explained in details along with the Theory of Demographic Transition. Unit 10 discusses the Role of Capital Formation in developing countries. It also discusses why the rate of capital formation is low in developing countries. Unit 11 on Technical Change and Economic Development discusses the relative importance of labour-intensive and capital-intensive methods of technical change and their applicability to developing countries. Unit 12 explains the role of the State in Economic Development. The Problems and Challenges of the State in Economic Development is also studied here along with the relative role of the Public and Private Sectors. Unit 13 on Manpower Planning and Economic Development brings in the concepts of manpower planning along with a discussion on manpower planning in India. Unit 14 discusses the different issues of Human Resource Development. The significance, objectives and indicators of Human Resource Development are explained in cdetails. Unit 15 discusses the Millenium Development Goals and gives a critical analysis of the MDGs. The achievements and failures of MDGs are also discussed.

While going through a unit, you will notice some along-side boxes, which have been included to help you to know some of the difficult, unseen terms. Again, we have included some relevant concepts in “LET US KNOW” along with the text. And, at the end of each section, you will get “CHECK YOUR PROGRESS” questions. These have been designed to self-check your progress of study. It will be better if you solve the problems put in these boxes immediately after you go through the sections of the units and then match your answers with “ANSWERS TO CHECK YOUR PROGRESS” given at the end of each unit.

UNIT- 9: POPULATION AND ECONOMIC DEVELOPMENT

UNIT STRUCTURE

9.1 Learning Objectives

9.2 Introduction

9.3 Malthusian Theory of Population

9.4 Theory of Demographic Transition

9.5 Malthusian view and Kuznet-Simon-Boserup view on Population and Development.

9.6 Impact of Population on Economic Development

9.7 Let us Sum up

9.8 Further Reading

9.9 Model Questions

9.1 LEARNING OBJECTIVES

After going through this unit, you will be able to

- understand the Malthusian Theory of Population
- learn about the Theory of Demographic Transition
- make a comparison between Malthusian view and Kuznet-Simon-Boserup view on population and development.
- learn about the Impact of Population Growth in Development

9.2 INTRODUCTION

There is a mutual relationship between economic growth and population – on one end economic growth affects population growth and at the other end, pace of population growth affects economic growth. Putting the importance of population growth on economic growth and development, classical economists were of the view for an optimum level of population. The size of the population at which the per capita income is highest is called the **optimum population** up to which population growth is desirable**.** It was Malthus, who pioneered the analysis regarding the relationship between the population growth and economic growth.

9.3 MALTHUSIAN THEORY OF POPULATION:

Malthus discussed his views on population growth and development in his book "An Essay on the Principle of Population' which was first published in 1798. The theory states that population tends to increase in geometric progression (1, 2, 4,8,16.....) while food supply increases in arithmetic progression (1, 2, 3, 4,.....). Therefore, Malthus asserted that population would outstrip food supply every twenty five years creating food scarcity. This leads to poverty and misery in the society. Thus economic development is limited unless effective measures are undertaken to check population growth.

Malthus mentioned two types of measures which can limit population growth – preventive check and positive check. Preventive checks are those checks which are applied by man. These are policy measures to control the birth rate including usage of contraceptives, late marriage, etc. or some moral restraints. Positive checks to population growth are things that shorten the average life span, such as disease, extreme poverty, warfare, famine and poor living and working environments. They all shorten human life and increase the death rate. Malthus recommended the use of preventive checks if mankind was to escape from misery. If preventive checks were not effectively used, positive checks would come into effect and population would be reduced to the level which can be sustained by the available quantity of food supply.

Criticism of Malthusian Approach:

Malthus has been criticised mainly for his pessimistic view on population growth. Moreover, his theory is not sound on the following grounds.

- As Malthus pointed, there is no practical evidence that population grows at geometric rate and food supply at arithmetic rate. Food may be grown even more than population if there is technological improvement.
- As Malthus assumed, diminishing returns is not always applicable in agriculture.
- His view about emergence of positive check of population cannot be related to population growth. Some natural calamities emerge without population growth too.

Malthus's Theory of Population, though theoretically not so sound, has been quite popular and relevant in the developing countries. Though he has been criticised for his pessimistic views on population, his ideas are still considered to be of great significance in most of the developing nations. Due to his emphasis on preventive measures to control birth rate, he is often termed as the father of modern family planning.



CHECK YOUR PROGRESS

Q1: State the Malthusian Theory of Population. (Answer in around 20 words)

.....

.....

Q2: What are the two checks Malthus mentioned to control population growth? (Answer in around 70 words)

.....

.....

9.4 THEORY OF DEMOGRAPHIC TRANSITION:

The theory of demographic transition explains the process how every developing nation passes through three stages of demographic transition. These phases are self driven during the course of development of every country.

Stage-I is the phase when the country has a stable population as a result of high birth rate and high death rate. The death rate in this stage is high because the society is in an underdeveloped situation, where there are no modern facilities to minimise the health related challenges and to fullfill the nutritional needs to lead a healthy life. Birth rates are high because of social beliefs and customs against birth control measure, early age of marriage, etc. More children mean more economic strength of the family and security of the parents in old age. Thus both high birth rate and death rate maintains a stable population growth.

Stage-II begins with the introduction of modernized health care, spread of education and improved living conditions bringing down the death rate and a slow, or practically no reduction in birth rates, leading to high growth of population. In this stage, there is divergence between birth rate and death rate because though improved living conditions bring down death rate, it can't bring down the fertility rate immediately. This period is called the period of 'population explosion'. This phase is the worst phase for an economy in the process of transformation from an agrarian under-developed economy to a developed economy.

Of course, modernization brings in the final stage (stage - III) of demographic transition when the decline in fertility rate brings down the birth rate also and makes population growth rate stable. The development of economic roles for women outside the house brings in the small-family trend.

The three stages of demographic transition can be graphically presented as below where the horizontal axis represents the time and vertical axis measures the birth and death rates.

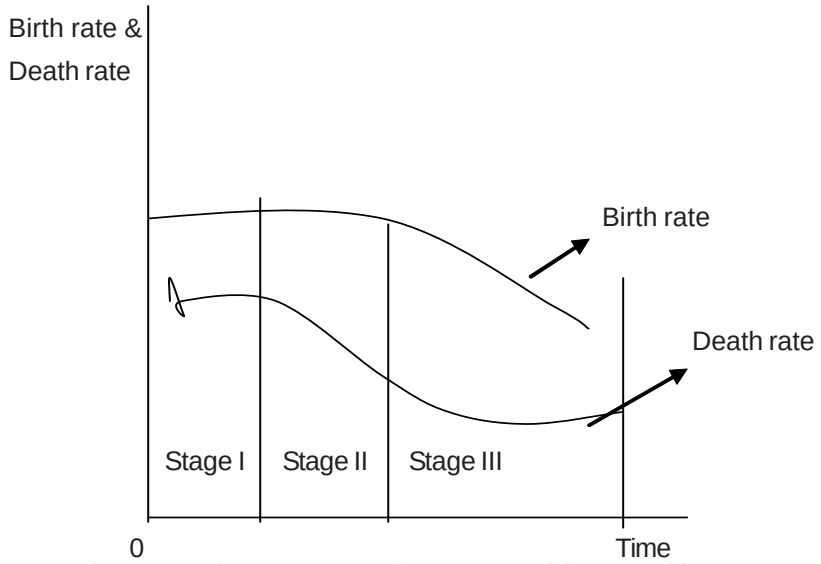


Figure 1: Three stages of Demographic Transition

As can be observed from the diagram, birth rate starts declining after stage - II of transition, death rate starts falling earlier than it and also more rapidly for which there is divergence between the two. However, by

the later part of 3rd stage, the gap is reduced due to fall in birth rate and stable death rate.

9.5 MALTHUSIAN VIEW VERSUS KUZNET-SIMON-BOSERUP VIEW ON POPULATION GROWTH:

Some alternative views on population growth can be observed against Malthusian views in modern times. Kuznets and Simon, and later on Boserup explored the ideas of supply driven and demand driven effects of population on technical progress. We can see two categories of effects of population growth on technical progress. First, population growth can spur technical progress out of the pressures created by high population density. This is the demand driven view explored by Boserup (1981). Second, population growth creates a larger pool of potential innovators whose innovations may be useful for the economy. This is the supply driven views by Simon (1977) and Kuznets (1960).



LET US KNOW:

Ester Boserup (1910–1999), a Danish economist challenged Malthus's conclusion that the size of the human population is limited by the amount of food it can produce. She suggested that food production can, and will, increase to match the needs of the population. From the perception of Boserup, it is true that scarcity drove man to innovate, to create, or to apply the methods of production that accommodated the increased population by a quantum jump in food output.

There is a common idea in the views of these three economists. Demand driven views of Boserup argue that the increased population density creates demand for food; Kuznet and Simon were of the view that due to increased population, there will be more innovators which will benefit the economy; Malthusian view considers that food scarcity caused by population growth keeps population steady through positive and preventive checks.

Malthusian views are mostly pessimistic while Kuznet, Simon, Boserup analysed the same thing from optimistic perspective. They put due importance on technological progress and innovation by manpower.



CHECK YOUR PROGRESS

Q3: State the Theory of Demographic Transition. (Answer in around 30 words)

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Q4: Which period in the Theory of Demographic Transition is referred to as the period of 'population explosion'? (Answer in around 20 words)

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Q5: Briefly explain the theory of Demographic Transition. (Answer in around 70 words)

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LET US KNOW:

- At present, China tops in the world in terms of population followed by India. However, China's One Child Policy introduced in 1979 has been having a positive effect and it is expected that by 2028, India will surpass China to become largest populated country in the world unless adequate population policy is undertaken in India.
- China and India together account for 36.41% of total world population. Among Asian countries combined share of both countries is 61.07%.
- In terms of geographical area, China is placed 4th in the world while India placed in 7th in the world.

9.6 EFFECTS OF POPULATION ON ECONOMIC DEVELOPMENT

The negative impacts of population on economic development are as follows:

- Adversely effects Employment and Agricultural Productivity
- Causes shortage of food supply
- Has an adverse impact on Per Capita Income
- Over population affects capital formation and creation of socio-economic overheads.
- Adversely effects environment.

However, we can also highlight some positive impact of population on economic development

- As Boserup points out, increased density of population creates demand for food products.
- Population is the source of innovation.
- Plenty of young population favours the workforce of the country which is called population dividend.
- Helps adequate utilization of natural resources.

Thus population growth has both positive and negative aspects. And only population growth does not affect the development process, it is also affected by development. As seen from the theory of demographic transition, in a developed, modernized economy, population has a stable rate of growth, while in the intermediary stage of development, population grows at a very high rate. Thus, the relation is a twofold one where both population growth and economic growth affects each other. on population growth (Answer in around 50 words)



CHECK YOUR PROGRESS

Q6: State Boserup's views on population growth. (Answer in around 50 words)

.....

.....

Q7: Mention the negative impact of population growth on economic development. (Answer in around 50 words)

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.....



9. 7 LET US SUM UP

- Economic growth and population are interrelated.
- There are conflicting views on the impact of population growth on development – both pessimistic and optimistic views have been put forward.
- The Malthusian approach states that population tends to increase in geometric progression while food supply increases in arithmetic progression. Thus population doubles every twenty five years creating food scarcity. This leads to poverty and misery in the society.
- The theory of demographic transition explains the process how every developing nation passes through three stages of demographic transition.
- Stage-I is the phase when the country has a stable population as a result of high birth rate and high death rate.
- Stage-II begins with introduction of modernized health care, spread of education and improved living conditions bringing down the death rate and a slow, or practically no reduction in birth rates, leading to high growth of population.
- In Stage III, both birth rate and death rates come down.
- Though the two approaches -Malthusian views and Kuznet-Simon-Boserup views are contradictory, they are also complimentary in the sense that if we analyse from both perspectives, we can draw both positive and negative impact of population growth on development.

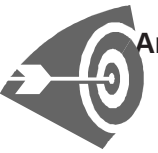


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9.9 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q.1: The theory states that population tends to increase in geometric progression (1, 2, 4,8,16.....) while food supply increases in arithmetic progression (1, 2, 3, 4,.....).



Ans to Q.2: Malthus mentioned two types of checks to limit population growth – preventive check and positive check. Preventive checks are policy measures to control the birth rate including usage of contraceptives, late marriage, etc. or some moral restraints. Positive checks to population growth are things that shorten the average life span, such as disease, extreme poverty, warfare, famine and poor living and working environments. They all shorten human life and increase the death rate.

Ans to Q.3: The theory of demographic transition states the process how every developing nation passes through three stages of demographic transition. These phases are self driven during the course of development of every country.

Ans to Q.4: The Second Period in the Theory of Demographic Transition is referred to as the period of 'population explosion'.

Ans to Q.5: The theory of demographic transition explains the process how every developing nation passes through three stages of demographic transition. Stage-I is the phase when the country has a stable population as a result of high birth rate and high death rate.

Stage-II begins with the introduction of modernized health care, spread of education and improved living conditions bringing down the death rate and a slow, or practically no reduction in birth rates, leading to high growth of population. In the Third stage decline in fertility rate brings down the birth rate and makes population growth rate stable.

Ans to Q.6: Ester Boserup suggested that food production can, and will, increase to match the needs of the population. From the perception of Boserup, it is true that scarcity drove man to innovate, to create, or to apply the methods of production that accommodated the increased population by a quantum jump in food output.

Ans to Q.7: The negative impacts of population on economic development are as follows:

- Adversely effects Employment and Agricultural Productivity
- Causes shortage of food supply
- Has an adverse impact on Per Capita Income
- Over population affects capital formation and creation of socio-economic overheads.
- Adversely effects environment.



9.10 MODEL QUESTIONS

Short Questions (Answer each question in around 75 words)

Q1: What is meant by optimum population?

Q2: Mention two positive impact of population growth on economic development.

Q3: Explain briefly the second stage of the Theory of Demographic Transition.

Long Question (Answer each question in around 300-500 words)

Q1: What are the two views of impact of population growth on technological progress?

Q2: Distinguish between the Malthusian views and Kuznet-Simon-Boserup views on population growth.

Q3: How does population growth affect the development process of a country?

*** ***** ***

UNIT 10: CAPITAL FORMATION AND ECONOMIC DEVELOPMENT

UNIT STRUCTURE

10.1 Learning Objectives

10.2 Introduction

10.3 Meaning of Capital formation

10.4 Significance of Capital formation

10.5 Causes of Low Capital Formation in Developing Countries.

10.6 Conclusion

10.7 Let Us Sum Up

10.8 Further Reading

10.9 Answers to Check Your Progress

10.10 Model Questions

10.1 LEARNING OBJECTIVES

The developing countries are trying to accelerate their capital formation for rapid economic development.

After going through this unit, you will able to-

- understanding what is meant by capital formation
- know the importance of capital formation in economic development of the developing countries.
- understand the factors responsible for low capital formation in the less developed countries.

10.2 INTRODUCTION

One of the pre requisites of economic development is capital formation. Less developed countries suffer from capital deficiency and low rate of capital formation which limits the pace of economic growth and development of these countries. According to Prof. Nurkse, the vicious circle of poverty in the LDCs can be broken with the help of adequate capital formation. There is a need for the sacrifice of present consumption goods for obtaining more consumable goods in future. Capital formation requires

curtailing present needs and accumulating it for future production. Therefore, capital formation is considered as one of the central objectives of many development strategies. Since capital is a man made factor of production, its supply can be increased, or its quality can be improved by increasing its productive capacity through human efforts. Therefore it is very significant to study the various aspects relating to capital formation.

10.3 MEANING OF CAPITAL FORMATION

According to Prof Colin Clark, 'capital formation refers to the net addition made to the existing stock of capital in a given period of time'. Capital formation thus refers to increasing the stock of real capital which helps in raising the level of production of goods and services. Therefore, capital formation means a diversion of a part of society's currently available resources to increase consumable output in future. As Nurkse said, 'the meaning of capital formation is that a society does not apply the whole of its productive capacity to the needs and desires of immediate consumption, but directs a part of it to the making of capital goods, tools and instruments, machines and transport facilities, plant and equipments – all the various forms of real capital that can so greatly increase the efficacy of productive effort. The term is sometimes used to cover human as well as material capital: it can be made to include investment in skill, education and health – a very important form of investment'.

Capital formation can be defined in narrow sense as well as broader sense. In the narrow sense, it includes only the investment in material or physical capital such as building roads and transport facilities, construction of railways, irrigation facilities to increase the agricultural productivity, etc. In the broader sense, along with investment in such material capital, it also includes investment in human capital such as spending on education, health, nutrition, etc. As Singer defines, capital formation consists of both tangible goods like plants, tools and machinery and intangible goods like standard of education, health, scientific tradition and research.



LET US KNOW:

Capital is different from other resources in general. It is manmade and not in use only for present production, rather for future production. It is formed out of own savings or taken on credit. Capital may or may not have present use, but have potentiality in future. Students are a form of capital because in future they are expected to give return to the society. Capital may be tangible or intangible. Capital may be also divided into physical or material capital and human capital. Capital may be money acquired in advance to pay various factors of production, or it may consist of infrastructure, buildings, roads, power supply, etc.

10.4 SIGNIFICANCE OF CAPITAL FORMATION:

Economic development depends to a significant extent on capital formation. It is one of the crucial factors in overall performance of the development process of a country, especially the less developed countries. A higher rate of capital formation can increase the stock of capital goods like machines, instruments, plants, etc. which enable the economy to produce higher level of output and employment. It leads to fuller and efficient utilization of available resources. With increase in national output and employment, it thereby helps in solving the problems related to balance of payment, inflation, employment, economic growth etc. Let us discuss some significance of capital formation in economic development of the LDCs.

- **Increase in National Income:** Increase in capital improves the techniques of production of a country. This leads to an increase in national income and per capita income. By accumulation of capital, other means of production can be utilised properly to maximise the level of production.
- **Formation of Economic and Social Overhead Capital:** Formation of economic and social overhead capital such as roads, railways, electricity, hospitals, schools, etc. are required for economic

development which needs large amount of capital. The process of development in the developing countries depends on the size and extent of capital formation which increases the strength of productive capacity of the economy. Availability of educational institutes and health facilities increases the skill level of manpower. In the same way, smooth power supply, market facilities, roads and transportation facilities increases the production and movement of commodities.

- **Technical Progress:** Technological advancement needs large amount of capital. Capital formation creates the social overhead capital which is helpful for technical progress. Technical progress in modern world has become a pre condition for the economic development of the developing countries.
- **Development of Human capital:** Capital formation is also important for improvement of human resources of the country. Human capital formation depends on education, training, health services, social and economic security etc. which needs sufficient capital. Moreover, to absorb the labour force and to minimise unemployment, entrepreneurial and business activities can be increased injecting additional capital.
- **Expansion of Market:** Capital formation not only increases the volume of production and thereby national income, it also creates demand for the produced commodities and thus there is expansion of the market. Overall economic activities increases and also makes the country less dependent on foreign countries.
- **Increase in economic welfare:** With capital formation, more public spending is possible from which public get more facilities in economic as well as social fields in the form of various welfare schemes. Indirectly such facilities increase productivity, and also increase the disposable income of the people, especially the poor.



LET US KNOW:

Capital may be accumulated from different sources. The sources may be both internal or external. Some internal sources of capital formation are voluntary savings, thrift or forced saving and taxation, etc. On the other hand, external sources are foreign aid -grants or loans, restriction on imports, etc.



CHECK YOUR PROGRESS

Q.1: What is meant by capital formation? (Answer in around 20 words)

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.....

Q.2: Name the different sources of capital. (Answer in around 50 words)

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Q.3: What role does market expansion play in capital formation? (Answer in around 30 words)

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10.5 REASONS OF LOW RATE OF CAPITAL FORMATION IN DEVELOPING COUNTRIES

It has been agreed that rate of capital formation is low in Less Developed Countries (LDCs). As already mentioned, capital formation is a key factor to economic development. The LDCs have slow pace of development due to low capital formation. This is one of the important parts of the chain that creates the vicious circle of poverty in developing countries. There are certain reasons behind the low rate of capital formation in the developing countries as mentioned below.

- **Low Income:** Capital accumulation is done from savings which is very low in LDCs. Savings is dependent on the size of income. Since income is very low, the propensity to consume is very high. So, almost entire income is spent on consumption purpose, keeping

nothing for savings. Therefore capital formation remains low in those countries.

- **Low Productivity:** Since the agricultural and industrial sectors are backward in the LDCs, their productivity is also low. They practice outdated method of production and are unable to properly utilize the natural resources. Thus the level of income and savings remain low, resulting in poor capital formation.
- **Inefficient Manpower:** Labour and entrepreneurs are not skilled and trained due to which they often misutilze the available resources which leads to low productivity. High labour productivity is essential for high productivity of capital also.
- **Demographic Structure:** Major portion of the population in LDCs are unskilled, which leads to low productivity. Moreover, unemployment and large dependency ratio also adversely affect the capital formation in the developing countries. Even with large size of income, due to heavy population, the per capita income remains low. High life expectancy and high birth rate increases the dependency ratio resulting in high consumption and low savings and thereby low capital formation. .
- **Small Size of Market and Market Imperfection:** Entrepreneurs find it difficult to find adequate demand for their products due to small size of market and also due to lack of proper transportation and communication facilities. There also exists a gap in information which adversely affects the overall investment and capital formation in LDCs. Moreover, size of the market is also limited by low level of income for which demand for commodities are low. In developing countries, the capital and money markets are not well organized to facilitate profitable investment.
- **Shortage of Credit Facilities and Incentives:** There are not enough financial institutions in the LDCs to provide credit facilities to the entrepreneurs. Therefore, there is lack of funds to invest. Also due to poor administrative systems, existing programmes are also not able to promote investment. Stock markets are also not sound for facilitating long term profitable investment and funding.

- **Poor Social and Economic Overheads:** Poor roads and communication facilities, insufficient power supply, inefficient education and health facilities are also important factors leading to low capital formation in the developing counties.
- **Technological Backwardness:** Developing countries use old out dated techniques which have less productivity. They are either not willing or have no accessibility or unable to bear the cost of highly sophisticated technologies. Modern techniques and equipments are more productive but also expensive which less developed countries cannot afford. Therefore, they have to use old techniques which are less efficient, which leads to less production. Thus, capital formation also remains low in these countries.
- **Demonstration effect:** Prof. Nurkse mentioned an important factor which leads to low capital formation in the LDCs, which is the demonstration effect. Every individual has a tendency to imitate the better living standards of his neighbours. People in LDCs have a tendency to imitate the activities of advanced counties. Examples of such demonstration effects are watching foreign film, foreign food, foreign tour, etc. which are highly expensive. For that there is more consumption expenditure leading to less saving and thereby low capital formation.



CHECK YOUR PROGRESS

Q.4: How does insufficient credit restrict capital formation in LDCs? (Answer in around 40 words)

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Q.5: How does size of market restrict capital formation? (Answer in around 30 words)

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10.6 CONCLUSION

Capital formation is a pre requisite for growth and development. Each of the factors responsible for low capital formation is related to other factors. For example, low income is caused by low productivity which is dependent on usage of less efficient technology and unavailability of infrastructural facilities like market, transport and communication and skilled manpower. Capital formation itself is also a cause of hindering factors. Therefore, we need to make proper planning and have appropriate policies to overcome these for better performance of the developing countries.



10.7 LET US SUM UP

- Insufficiency of capital accumulation is one of the most serious limiting factors in the developing countries to increase the pace of economic growth and development.
- Capital includes all goods that are created by humans and used for producing goods or services. Capital can include physical assets, such as a production plant, or financial assets, such as an investment portfolio. It also includes the knowledge, skills and abilities that employees contribute to the generation of income as human capital.
- Capital formation can be defined in narrow sense as well as broader sense. In the former, it includes only the investment in material or physical capital such as building roads and transport facilities, construction of railways, irrigation facilities to increase the agricultural productivity, etc.
- In broader sense, capital formation means investment in both human capital such as spending on education, health, nutrition, etc. along with investment in material capital such as buildings, construction of roads, provision of power supply, etc.
- Capital formation is very significant for economic development of the developing countries. They are crucial in attaining a certain rate

of growth in national income. Capital formation is essential for building economic and social overheads. It also lowers the external burden of a country.

- Capital formation is also important for human development of the country. They help in increasing skill level, employability of manpower and thus increase labour productivity.
- Low income, use of old and outdated technology, lack of demand, poor entrepreneurial skill and incentives are important reasons for low capital formation in the developing countries.



10.8 FURTHER READING

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10.9 ANSWERS TO CHECK YOUR PROGRESS

Ans. to Q.1: Capital formation refers to the net addition made to the existing stock of capital in a given period of time.

Ans. to Q.2: Capital may be accumulated from different sources. The sources may be both internal or external. Some internal sources of capital formation are voluntary savings, thrift or forced saving and taxation, etc. On the other hand, external sources are foreign aid - grants or loans, restriction on imports, etc.

Ans. to Q.3: Capital formation not only increases the volume of production and thereby national income, it also creates demand for the produced commodities and thus there is expansion of size of market. Overall

economic activities increases and also makes the country less dependent on foreign countries.

Ans. to Q.4: There are not enough financial institutions in the LDCs to provide credit facilities to the entrepreneurs. Therefore, there is lack of funds to invest. Also due to poor administrative systems, existing programmes are also not able to promote investment. Stock markets are also not sound for facilitating long term profitable investment and funding.

Ans. to Q.5: Entrepreneurs find it difficult to find adequate demand for their products due to small size of market. Moreover, size of the market is also limited by low level of income for which demand for commodities are low. In developing countries, the capital and money markets are not well organized to facilitate profitable investment.



10.10 MODEL QUESTIONS

Short Questions: (Answer in around 75 words)

Q1: Distinguish between human capital and physical capital with example.

Q2: Explain the demonstration effect as cause of high propensity to consume in a developing country.

Long Questions: (Answer in around 300 words)

Q1: Explain the importance of capital formation in developing counties for their economic development.

Q2: What are the factors that cause low capital formation in the developing countries?

Q3: How vicious circle of poverty can be broken with adequate capital formation?

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UNIT 11: TECHNICAL CHANGE AND ECONOMIC DEVELOPMENT

UNIT STRUCTURE

11.1 Learning Objectives

11.2 Introduction

11.3 Meaning of Technical Progress

11.4 Role of Technology in Economic Development

11.5 Problems of Technological Change in Developing Countries.

11.6 Labour Intensive versus Capital Intensive Techniques: Choice of Technique

11.7 Conclusion

11.8 Let Us Sum up

11.9 Further Reading

11.10 Answers to Check Your Progress

11.11 Model questions

11.1 LEARNING OBJECTIVES

In this unit we discuss about topics related to technical progress and economic development of the developing countries. After going through this unit, you will be able to

- understand the role of technology in economic growth and development
- learn about the different forms of technical progress
- know the problems of technical progress in developing countries
- learn about the difference between labour intensive techniques and capital intensive techniques

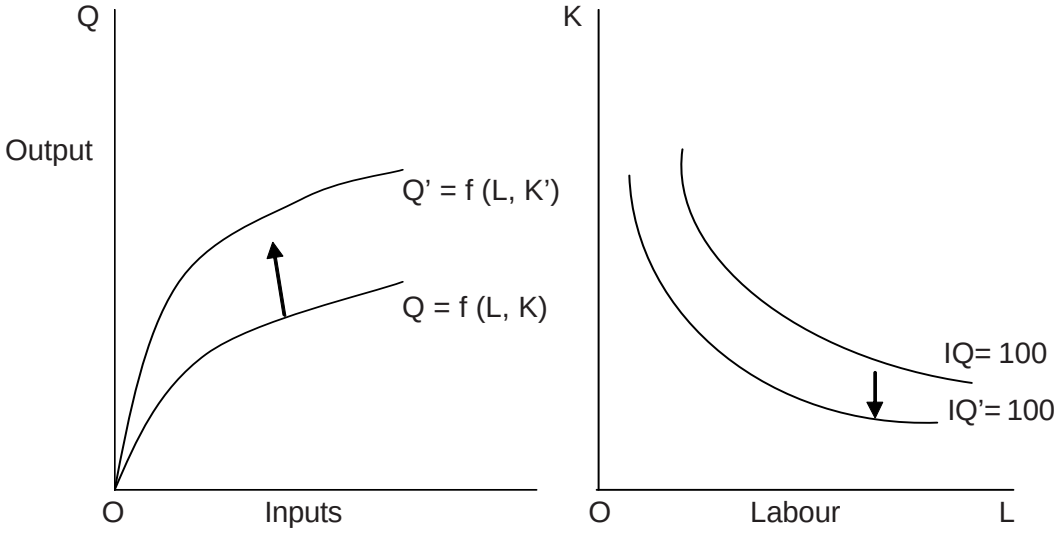
11.2 INTRODUCTION

Technical change or technological change has a great role in economic development of a country. Advancement of technology can increase productivity and hence it is important to know how technological

progress affects the performance of an economy. An efficient production technique can produce more output with same unit of input, or in other words, same level of output can be produced with less amount of factor employment. But improving the technique of production is a challenge for developing economies because capital formation is low here and size of market is also small. Therefore it is very important to know whether technical progress is in the right direction in promoting specialisation for the better comparative advantage in their resource endowments in developing countries.

11.3 MEANING OF TECHNICAL PROGRESS

Technical progress (or technological progress) is an economic measure of innovation. Thus, it is a long term continuous process when a state of production technique advances from a lower to another more efficient state. Technical progress or technological progress results in availability of new knowledge, innovation and invention which increases the efficiency of all methods of production.



In the above set of figures, left panel shows how production function Q = f (L, K) is shifted to Q'= f (L, K'). Right panel show the inward shift in iso quants representing same level of output. This simply indicates that less amount of labour and capital is used to produce same level of output.

ACTIVITY



1. Prepare a list of the major technical change that has been taken place in agriculture during the Plan period in India. Also write a note whether such technical changes has increased the per capita production in the sector or not.
2. Find out whether technical changes have benefitted the agricultural sector in the rural areas?

11.4 ROLE OF TECHNOLOGY IN ECONOMIC DEVELOPMENT

Technical progress has a big role in promoting rapid economic growth and development of developing countries. They not only increase production by reducing production cost and bringing new products, by spreading new knowledge and education; it also creates a skilled cadre of manpower and thus there is a sustainability of the effects of technical progress. A technical progress may have two types of effects -

- **Shift of the production function:** Shift in the production function indicates more output is produced due to improvement in the productivity of either any one or both the factors. This can also be shown by an inward shift of the iso quants which indicates that same output can be produced with less input. It may take the form of new methods of producing existing commodities and new forms of organization, marketing and management. Thus there is efficiency which reduces the cost of production and increases the extent of market.
- **Availability of new products:** Technological progress makes new machines and tools available. For example the inventions and availability of mobile phones, laptops, computers, etc. have made a huge difference in productivity.

The two types of effects are not, however, mutually exclusive. In a number of cases, availability of new products results in a shift of the production function reducing the cost of production since it brings efficiency in overall methods of production. Of course, without inventions of new

products too, there may be technical progress when an entrepreneur innovates in marketing or managerial organization and techniques.

We thus see that technical progress can increase production and productivity by introducing new production technique in existing products as well as bringing in new products into the market. This is very helpful for the development of the economy. Healthy competition among the producers in using improved technology can bring in a revolution. This process can continue beyond the national boundary introducing new dimensions in international trade. Rapid economic growth and development of Western countries and even Asian country like Japan proves the role and importance of improved technology as a factor promoting economic development. Thus we can summarise that technology has led to greater output, shorter working hours, creation of skilled job in the fields like design, engineering, production of new and better products with more efficient use of raw materials, decline of superstition and traditionalism by the spread of education and knowledge.



CHECK YOUR PROGRESS

Q.1: What is meant by technical change? (Answer in around 30 words)

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Q.2: Name the two types of effects of technical progress. (Answer in around 20 words)

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Q3: Discuss the role of technical progress in economic development? (Answer in around 50 words)

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LET US KNOW:

Invention and innovations are different. Schumpeter distinguishes between the two as: "while the former refers to the discovery of new technique, the latter refers to the practical (commercial) application of the former in production process." Innovation may take place with or without invention. If the entrepreneur brings new ideas with introducing new machines, tools, or techniques which is efficient than earlier, then it is innovation with invention. Again, one may also bring some new ideas in marketing or in managerial structure which is new, then also it is innovation but there is no new discovery. It is just a strategic innovation.

11.5 PROBLEMS OF TECHNOLOGICAL CHANGE IN DEVELOPING COUNTRIES

As stated, technology has an important role to play in the economic development of the developing counties. However there are some problems in the adoption of improved technologies by these counties. Such problems faced by the LDCs are briefly explained below.

- Improved technologies generally need large investment. People in LDCs have low level of income, because of which they are unable to make huge investments.
- The sophisticated techniques need skilled manpower. But most of the labours, entrepreneurs are not educated and trained enough to handle them in developing countries
- Most of the inventions that bring technical improvement are labour saving i.e., they release some workers. For example, one computer can replace almost 10 manual labours. Thus, it deepens the unemployment problem in the developing counties like India. So, it can be said that technological innovation leads to displacement of labour causing unemployment.
- Highly sophisticated technologies are basically developed and patent owned by developed counties. Therefore, developing countries have

to import such techniques from advanced countries. Thus, they have to become more dependent on foreign trade which makes the terms of trade unfavourable for these developing countries.

- Due to traditional mindset of the people of the developing countries, often the Government of such counties have to face challenges to convince the illiterate and conservative people to adopt the scientific and progressive inventions.
- Developing countries also have to face problems while selecting the type of technical progress. Most of the developing countries are basically labour surplus countries with abundant natural resources. So, labour intensive technique seems to be more convenient for them. But as shown by Leontief in case for America and Japan, it may be opposite in practical field. Moreover, capital deepening techniques are needed to explore the unexplored natural resources so that they are able to utilize their idle resources.

11.6 LABOUR INTENSIVE VERSUS CAPITAL INTENSIVE TECHNIQUE: CHOICE OF TECHNIQUES

If the technical progress is such that it uses more labour than capital, then it is called labour intensive technique. In such technical progress, the capital labour ratio decreases indicating that the proportion between capital and labour has fallen. Countries having more population have a large labour supply and so find it beneficial to favour the labour intensive technique. On the other hand, if the technical progress is such that it uses more capital than before compared to the use of labour, it is called capital intensive technique. In case of capital intensive technique, capital labour ratio increases.

Only the abundance of a factor does not imply that the country should adopt a particular technique; rather the relative price of that factor, efficiency, etc is important to give priority to a certain technique. And sometimes, it becomes wise to develop an intermediate technology which is a good mixture of both. One technique should not be treated as the substitute of other; rather they are complimentary to each other. Well developed capital

equipments can bring more labour productivity and may also create more employment opportunities.



CHECK YOUR PROGRESS

Q.4: Define labour intensive technique of production. (Answer in around 40 words).

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Q.5: Which technique of production is applicable in developing countries? (Answer in around 30 words).

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11.7 CONCLUSION

Technical progress is like the gear of an engine of growth and development. More the technical progress, more is the capacity to increase the pace of development. Though most of the developing nations are labour surplus, it is imperative for them to promote technical progress. Technical progress has a cumulative effect to increase the production and productivity. However, this improvement should not remain concentrated in the hand of few high class capitalists only. This should benefit the common people.



11.8 LET US SUM UP

- Technical progress or technological progress is an economic measure of innovation..
- A technical progress may have two types of effects – i. Shift of the production function and ii. Make new products available.
- Shift in the production function indicates more output is produced due to improvement in the productivity of either one or both the factors. This can also be shown by an inward shift of the isoquants which indicates that same output can be produced with less input. Scientific

inventions make new machines and tools available which reflects the second type of effect of technical progress.

- Improved technology can lead to greater output, shorter working hours, creation of skilled jobs, production of new and better products with more efficient use of raw materials, decline of superstition and traditionalism due to the spread of education and knowledge.
- Though technology has an important role in economic growth and development of the developing counties, there are certain problems related to technological progress in these countries. The problems are two types, one is that they have to tackle the negative impacts of technical progress and the other is selection and adoption of appropriate techniques.
- The developing countries have to be cautious while accommodating technological change so that their unemployment problems do not deepen.
- It may not necessarily be true that being labour surplus country, they have to promote only labour intensive techniques. Relative factor price and efficiency are also important for making the choice.
- In most of the cases, an intermediary technique or mixture of both labour intensive and capital intensive technique is adopted by a developing economy.
- Technical progress has a cumulative effect to increase the production and productivity. However, this improvement should not remain concentrated in the hand of few capitalists only. It should benefit the common people.



11.9 FURTHER READING

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11.10 ANSWERS TO CHECK YOUR PROGRESS

Ans. to Q.1: Technical progress (or technological progress) is an economic measure of innovation. Thus, it is a long term continuous process when a state of production technique advances from a lower to another more efficient state.

Ans. to Q.2: The two types of effects of technical change are-

i. Shift in the production function,

ii. Availability of new products.

Ans. to Q.3: Technical progress can increase production and productivity by introducing new production technique in existing products as well as bringing in new products into the market. This is very helpful for the development of the economy. Technologcial change can lead to greater output, shorter working hours, creation of skilled job in the fields like design, engineering, production of new and better products with more efficient use of raw materials, decline of superstition and traditionalism by the spread of education and knowledge.

Ans. to Q.4: If the technical progress is such that it uses more labour than capital, then it is called labour intensive technique. In such technical progress, the capital labour ratio decreases indicating that the proportion between capital and labour has fallen.

Ans. to Q.5: Since developing countries have an abundant supply of labour and capital is scarce in these countries, they are usually seen to adopt labour intensive technique of production.



11.11 MODEL QUESTIONS

Short Questions (Answer each question in about 150 words)

Q1: Why does an iso quant shift inward as a result of technical progress?

Q2: What is choice of technique? Give reasons for and against capital intensive techniques and labour intensive techniques in developing countries.

Long Questions (Answer each question in about 300-500 words)

Q1: What is the risk of technical change? Mention two positive and two negative impacts of technical progress for developing counties.

Q2: What are the problems of technical progress in developing countries?

Q3: Define labour intensive and capital intensive techniques? Which do you prefer for a developing country?

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UNIT 12: ROLE OF STATE IN ECONOMIC DEVELOPMENT

UNIT STRUCTURE

12.1 Learning Objectives

12.2 Introduction

12.3 Role of the State in Promoting Economic Development

12.4 Problems and Challenges of the State in Economic Development

12.5 Role of Public Sector in Developing Countries

12.5.1 Relative Role of the Public Sector

12.5.2 Positive Role of the Public Sector

12.6 Let Us Sum Up

12.7 Further Reading

12.8 Answer to Check Your Progress

12.9 Model Questions

12.1 LEARNING OBJECTIVES

After going through this unit, you will be able to

- understand the role of the state in the promotion of economic development.
- learn about steps taken by the state in eradication of poverty, optimum utilization of resources, role in capital formation, in the removal of income inequality etc. in the developing countries.
- know the different types of problems and challenges associated with the promotion of economic development by the states.
- understand the role of Public Sector Units in the promotion of economic development in the developing countries.

12.2 CLASSICAL DEVELOPMENT THEORY OF ADAM SMITH

We all know that developing economies are characterized by low national and per capita income, vicious circle of poverty, chronic unemployment, starvation of masses, acute shortage of capital and weak

infrastructure. These countries have remained stagnant and thereby a positive role of the state is necessary to put them on the path of rapid economic development. As a matter of fact, the economic problems in developing countries are so complicated and important that they cannot be solved without active state participation and corporation. The state has to devise physical controls, monetary and fiscal measures. Further, such measures are also inevitable for reducing economic and social inequalities that pervade the underdeveloped countries. Therefore, state participation in all economic activities is a must for economic development and also for ensuring economic welfare and social justice in such countries.

12.3 ROLE OF THE STATE IN PROMOTING ECONOMIC DEVELOPMENT

The major fields of active state participation in the economic development of developing countries may be stated as under-

- **Eradication of Poverty**: The vicious circle of poverty can be broken only by the state's comprehensive economic planning. An underdeveloped country cannot attain a high rate of investment and growth of output if it is left to the functioning of the market forces. The state has to intervene directly to initiate the process of economic development by increasing income of the people.
- **Creation of Social and Economic Overheads**: Developing countries lack economic overheads such as means of communication and transportation, electricity and power, irrigation, gas, roads, ports etc. The private enterprise is not interested to invest in these enterprises as the investment involved is beyond their resources. The yield from them is also very low. Investment in these sectors then needs to be done by the state.
- **Agricultural Development**: Agriculture is the major contributor to national income of a developing country and provides employment to the majority of people. But in most of these countries, agricultural productivity is low due to the existence of uneconomic holdings, fragmentation of land holdings, defective land tenure system, lack

of adequate credit facilities, indebtedness of the masses, obsolete technology of production, the absence of irrigation and banking facilities, low level of investment and the overpressure of population on land. In these conditions the state has to undertake programmes for agricultural development including land reforms, productivity movements, consolidation of land holdings, electrification and minor irrigation programmes and formulate agricultural policies that ensures the farmers fair prices for their crops.

- **Ensuring Optimum Utilisation of Natural Resources**: Underdeveloped countries have vast unexploited natural resources. Due to shortage of capital and other means, the private sector is not in a position to make use of these vast natural resources. It is the state which takes up programmes for optimum utilisation of these natural resources in the interest of the country.
- **Role in Capital Formation**: Due to low savings and investments, the process of capital formation is very low in developing countries. Mass poverty prevails in these countries. Without adequate capital formation, economic development is almost impossible. The state can accelerate the rate of capital formation by launching attractive saving schemes, direct and indirect taxation, deficit financing and inflation etc.
- **Role in Industrial Development**: The developing countries lack requisite capital, technology, entrepreneurship, skilled labour etc. In such countries, the private sector is primarily engaged in the manufacture of few domestic goods for domestic consumption. However, to accelerate the rate of economic development, the establishment of basic and key industries like iron and steel, paper, textiles, heavy engineering, cement, fertilizers, heavy electrical, machine-tools is essential. Such industries require huge investments and have long gestation periods. Private sector is, therefore, reluctant to enter in these areas of production. The state can play a vital role in the industrial development of a country by framing a suitable industrial policy.

- **Removal of Income Inequalities**: Developing countries are characterized by wide disparities in the distribution of income and wealth. There exists a wide gap between the rich and the poor. The state must take appropriate measures to secure equitable distribution of wealth. This can be done through public finance operations. The state can impose steeply progressive taxes on income and wealth and on luxury goods and benefit the poor through wise public expenditure. The reform of inheritance laws, regulation of competition and control of monopolies will ensure equal opportunities for all and pave the way for economic development. Besides, the state must endeavour to bring about happy and harmonious relationship between labour and capital by means of social and labour legislation and thereby minimize losses of production through strikes and lock-outs.
- **Reduction of Regional Disparities**: The problem of regional disparity in the developing countries is of such a magnitude that their political and economic stability is threatened. In order to solve this problem, the state can devise and execute appropriate economic policies. This becomes more necessary because private sector is guided only by profit motive and invests in already developed regions of the country. Since the state does not have such considerations in view, it can devise policies that help in reducing regional imbalances and inequalities.



CHECK YOUR PROGRESS

Q.1: State whether the following statements are True or False:

i. State is an important vehicle of achieving socio-economic objectives. [True]

ii. Role of the State in the economic development of underdeveloped countries is most satisfactory. [False]

Q.2: Explain the role of the state in the agricultural development of developing countries. (Answer in around 70 words)

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Q.3: State the role of the state in the removal of income inequalities. (Answer in around 50 words)

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12.4 PROBLEMS AND CHALLENGES OF THE STATE IN ECONOMIC DEVELOPMENT

It may be remembered that the state cannot and should not do everything. The more the state intervenes, the greater is the burden and cost of administration and it may lead to inefficiency, corruption and waste. The major challenges facing the state may be summarized as follows:

- **Corrupt and Inefficient State Machinery:** In most of the underdeveloped countries the selection of the administrative machinery is not done on merit but on the basis of caste and recommendations. The standard of public morality is low. As such, it is not capable of organizing development programmes properly.
- **Concentration on Power:** The concentration of economic and political power in the state may lead to all sorts of corruption, favouritism, bureaucratic interference and nepotism.
- **Political Pressures:** In most of the developing countries, there are political pressures on the state which makes it impossible to concentrate on important economic activities. The public sector development projects are selected not on the basis of merits and feasibility but in order to satisfy vested interests and pressure groups.
- **Interference in Functioning of Public Sector Units (PSUs):** State participation in the functioning of PSUs is responsible for lack of autonomy in decision-making, use of public sector units by ministers and corrupt bureaucrats to siphon off funds; low works ethics resulting in low efficiency, negative rate of return etc.

- **Other Factors:** Some miscellaneous factors that create big challenge before the state in economic development are defective pricing policies, large over-head expenses, over capitalization, problem of over-staffing, under capacity utilization, rising cost of administrative machinery etc.

  Under the above circumstances, the state should limit itself to the performance of those economic activities only which the private enterprise is incapable of performing efficiently and effectively. In this regard, the adoption of mixed economy is the best strategy.



CHECK YOUR PROGRESS

Q.4: "Political interference is a major hindrance in the economic development". Explain. (Answer in around 50 words)

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Q.5: "The state administrative machinery in underdeveloped countries is mostly corrupt and inefficient". Justify the statement. (Answer in around 40 words)

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12.5 ROLE OF PUBLIC SECTOR IN DEVELOPING COUNTRIES

Public sector occupies an important place for achieving systematic and planned development in a developing country. The public sector offers the necessary minimum push for bringing the economy to a path of self sustained growth. The role of public sector can be broadly stated as

- Promoting economic development at a rapid pace by filling gaps in the industrial structure.
- Undertaking economic activity in those strategically significant development areas, where private sector may distort the spirit of national objective.

- Checking monopolies and concentration of power in the hands of a few.
- Promoting balanced regional development and diversifying natural resources and other infrastructural facilities in less developed areas of the country.
- Reducing the disparities in the distribution of income and wealth by bridging the gap between the rich and the poor.
- Attaining self-reliance in different technologies as per requirement and creating as well as enhancing sufficient employment opportunities in different sectors by making heavy investments.
- Eliminating dependence on foreign aid and foreign technology and exercising social control and regulation through various public finance institutions.
- Controlling the sensitive sectors such as distribution system, allocating the scarce imported goods rationally and reducing the pressure of balance of payments by promoting export and reducing imports.



12.6 LET US SUM UP

- Developing economies are characterised by low national and per capita income, vicious circle of poverty, chronic unemployment, starvation of masses, acute shortage of capital and weak infrastructure.
- These countries have remained stagnant and thereby a positive role of the state is necessary to put them on the path of rapid economic development.
- However, the state cannot and should not do everything. The more the state intervenes, the greater is the burden and cost of administration and it may lead to inefficiency, corruption and waste, faulty implementation of economic planning**,** over capitalization, problem of over-staffing, under capacity utilization etc.

- The important roles of the public sector in the economic development of the developing country are - Undertaking economic activity in strategically significant areas, checking monopolies and concentration of power, promoting balanced regional development and diversifying natural resources, eliminating dependence on foreign aid etc.



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12.8 ANSWER TO CHECK YOUR PROGRESS

Ans to Q.1: i) True

ii) False

Ans to Q.2: In developing countries, agricultural productivity is low due to the existence of uneconomic holdings, fragmentation of land holdings, defective land tenure system, lack of adequate credit facilities, obsolete technology of production, the absence of irrigation, and the overpressure of population on land. In these conditions the state has to undertake programmes for agricultural development including land reforms, productivity movements, consolidation of land holdings,

electrification and minor irrigation programmes and formulate agricultural policies that ensures the farmers fair prices for their crops.

Ans to Q.3: Developing countries are characterized by wide disparities in the distribution of income and wealth. The state must take appropriate measures to secure equitable distribution of wealth. This can be done through public finance operations. The state can impose steeply progressive taxes on income and wealth and on luxury goods and benefit the poor through wise public expenditure.

Ans to Q.4: In most of the developing countries, there are political pressures on the state which makes it impossible to concentrate on important economic activities. The public sector development projects are selected not on the basis of merits and feasibility but in order to satisfy vested interests and pressure groups.

Ans to Q.5: In most of the underdeveloped countries the selection of the administrative machinery is not done on merit but on the basis of caste and recommendations. The standard of public morality is low. As such, it is not capable of organizing development programmes properly.



12.9 MODEL QUESTIONS

A) Short Questions (Answer each question in about 150 words)

Q1: Explain the role of the state in the agricultural and industrial development of developing countries.

Q2: Examine the role of the Public Sector Units in the economic development of the developing countries.

B) Long Questions (Answer each question in about 300-500 words)

Q1: State the importance of state intervention for economic development of a country.

Q2: Expalin in brief the limitations of the role of the state in the economic development of a country.

Q3: Examine the role of the state in the creation of conditions of full employment in developing countries

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UNIT 13: MANPOWER PLANNING AND ECONOMIC DEVELOPMENT

UNIT STRUCTURE

13.1 Learning Objectives

13.2 Introduction

13.3 Need for Manpower Planning in Developing Countries

13.4 Manpower Planning in India

13.5 Let Us Sum Up

13.6 Further Reading

13.7 Answers to Check Your Progress

13.8 Model Questions

13.1 LEARNING OBJECTIVES

After going through this unit you will be able to:

- know the concept of manpower planning.
- understand the importance of manpower planning in developing countries.
- learn about the different measures of manpower planning in India.

13.2 INTRODUCTION

Manpower planning is also known as human resource planning. It is the process of estimating the number of personnel with different skills required for a particular project over a predetermined period of time. Manpower planning includes details like how and when new employees will be required and predicting technology and business trends. In other words, manpower planning consists of putting right number of people, right kind of people at the right place, right time, doing the right things for which they are suited for the achievement of goals of the organization.

13.3 NEED FOR MANPOWER PLANNING IN DEVELOPING COUNTRIES

Manpower Planning, also called Human Resource Planning, is the process of estimating or projecting the number of personnel required for a project with different skills over a predefined period of time. By correcting imbalances between manpower demand and manpower supply in the economy, manpower planning helps in attaining fuller and optimum utilisation of manpower resources of a country which ultimately leads to maximum growth of National Income. If the demand for a particular type of manpower exceeds its present supply, then appropriate steps need to be taken to increase supply by providing proper training facilities and necessary economic incentives to bring in more people in that particular type of manpower. Whereas, if supply of a particular type of manpower is more than its demand, then efforts should be made to restrict its supply. However, you need to understand that manpower planning does not mean balancing demand and supply of different categories of manpower – it is a much wider term and is concerned with the overall development and utilisation of manpower resources in a country. It also includes the details like how and when will new employees be acquired. This process considers the goals of the organisation, the future predictions for business and changing technology trends. This prepares the organisation for the future with adequate/skilled manpower at their disposal for business prosperity. It is therefore necessary that a comprehensive manpower planning policy must include all the activities directly related to the development, maintenance and utilisation of the labour force.

Need for Manpower Planning: The need for manpower planning arises because of the imbalances between manpower demand and manpower supply. This imbalance is a common characteristic of developing countries. The developing countries actually suffer from dual problems – firstly, is the shortage of skilled manpower and secondly, there exists a vast reservoir of unutilised and unskilled manpower. The imbalance between demand and supply of manpower can be corrected with proper manpower planning,

which can happen when these unskilled unemployed manpower are imparted training and brought into employment. This will ultimately solve the problem of persistent shortage of manpower facing developing countries. Moreover, the underemployed and unutilised resources can also be utilised with proper manpower planning.

Importance of Manpower Planning: Manpower planning is an essential requirement for any business. It basically helps the company to be prepared in advance for the type of employees they will require in the future. The importance of manpower planning can be studied under the following heads:

- **Meeting Future Manpower Needs**: Manpower planning ensures that right people are available for the right kind of job at the right time. Manpower planning is thus regarded as a tool to ensure future availability of manpower to carry on the organisational activities.
- **Selection of Trained Personnel**: Manpower planning leads to selection and recruitment of the most capable person for the job.
- **Development of Human Resources**: Manpower planning also leads to development of human resources. It first identifies the skill requirements for the different levels of job and then organises training and development programmes to impart the required skill and ability in the employees to perform efficiently and effectively.
- **Reduction in Uncertainty**: Manpower planning leads to reduction in uncertainty brought about by sudden changes in external factors (like changes in technological, political, socio-cultural and economic forces).

Manpower Planning Process: Manpower planning is a systematic approach and is carried out in a set procedure. The following steps are involved in the manpower planning process.

- **Understanding the existing workforce**: An organisation has to be fully equipped with information (skill, qualifications, etc) regarding its existing manpower resources.
- **Making future manpower forecasts**: After a careful assessment of the current manpower resources, planning should be done for future manpower requirements. With constant changes in business

requirements, companies must understand the future trend and the type of employees that would be required in the future. The organisations should, thus, forecast the type of employees they would need in the future.

- **Recruitment and selection**: Once an organisation correctly forecasts the needs of future, manpower planning leads to a well thought out requirement and selection pattern. Based on forecasts made, candidates with better qualification, skill, experience etc. are selected as employees to suit future needs.
- **Design training programmes**: These will be based on the extent of diversification, expansion paths, development programmes, etc. Employees who are a part of the organisation need to be trained to have the best skills, knowledge and understanding about the current job as well as the future requirements.



CHECK YOUR PROGRESS:

Q.1: What is meant by manpower planning? (Answer in around 30 words).

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Q.2: Mention the need for manpower planning. (Answer in around 50 words).

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Q.3: What role does forecasting future manpower needs play in manpower planning? (Answer in around 50 words).

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Q.4: Mention the steps involved in manpower planning process. (Answer in around 30 words).

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13.4 MANPOWER PLANNING IN INDIA

Manpower planning or Human Resource Planning has been on the forefront in the minds of Indian planners since Independence. Manpower planning, i.e., matching people's skills to the nation's human resource requirement to provide productive job opportunities is indeed a gigantic task, but is essential for maintaining economic and social stability in the economy. If done properly, there will be no unemployment problem.

The Planning Commission (now NITI Aayog) in India has been specifically charged with the responsibility to make estimates of human resources of the country. The Government of India in 1956, appointed a Scientific Personnel Committee under the chairmanship of Prof P C Mahalanobis to consider the problem of demand and supply of scientific, technical and engineering manpower in relation to national development plans. In the Second Five Year Plan too, the Planning Commission undertook a number of studies on the stock of different categories of scientific and technical personnel and their distribution by specialisation. These studies added a considerable knowledge to the then existing knowledge of the different categories of manpower. Over the years, the Indian government has been giving increasing priority to population planning and control, education, health, housing, etc.

- **Population Planning and Control**: To combat the problem of population explosion which leads to economic imbalances, the Government of India has initiated a number of measures. The National Population Policy was adopted in 2000 to ensure population stabilisation. This policy emphasises on affordable reproductive health care, increased quality of life by enhancing services of primary and secondary education, sanitation, drinking water, housing, transport, communication, etc. These efforts, which still continue, have led to a significant rise in population control awareness amongst people which has led to a decline in birth rate.
- **Literacy and Education**: Another initiative of the Government of India to develop manpower resources is the introduction of the

National Policy on Education in 1986. This policy focuses on complete eradication of illiteracy in India declaring basic primary level education up to standard V free and compulsory. Some of the initiatives undertaken for achieving this objective include –

- Sarva Shiksha Abhiyan (SSA)/ Right to Education (RTE): This has made free education for all children between 6 and 14 years of age a fundamental right under RTE Act 2009.
- Rashtriya Madhyamik Shiksha Abhiyan (RMSA): Launched in March 2009, the objective of this scheme is to improve quality of secondary education by enhancing access to it.
- National Programme of Mid Day Meals in Schools: Under this scheme, cooked midday meals are provided to all children attending classes I-VIII in government, local body, government aided, and National Child Labour Project schools.
- Saakshar Bharat (SB)/ Adult Education: The National Literacy Mission, recast as Saakshar Bharat (SB) launched on 8 September, 2009, focuses on increased adult literacy.
- National Programme for Education of Girls at Elementary Level (NPEGEL): This scheme focussed on intervention by Government of India to reach girls education.
- National Mission in Education through Information Communication Technology (ICT): This is the major initiative taken by the Government of India in 2011-12 for promoting higher and technical education.
- Inclusive Education for the Disabled at Secondary Stage (IEDSS): This scheme was launched by the Government in 2009-10 to make secondary education available to disabled people of the country.

- **Health and Medical-Care**: The aim of the National Health Policy of 2002 was to provide preventive and curative health-care facilities for achieving an acceptable standard of good health amongst the population of the country. Elimination and control of diseases such

as small pox, leprosy, polio and tuberculosis are some of the achievements of the Programme.

- **Housing**: The Government of India has implemented the National Housing and Habitat Policy in 1998 for achieving sustainable development of housing infrastructure through public-private partnership. The programme also gives priority for building rural infrastructure. One such programme is Bharat Nirman, launched in 2005-06 for building infrastructure and basic amenities which include irrigation, drinking water, rural roads, electrification, and rural telephone in rural areas. The Rajiv Awas Yojana (RAY) provides shelter and redevelopment and creation of affordable housing stock to states, which are willing to assign property rights to slum dwellers.



CHECK YOUR PROGRESS

Q.5: Name the steps taken by the Government of India to combat population explosion. (Answer in around 50 words).

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Q.6: What was the main objective of Sarva Shiksha Abhiyan? (Answer in around 20 words).

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13.5 LET US SUM UP

- Manpower Planning is the process of estimating or projecting the number of personnel required for a project with different skills over a predefined period of time.
- By correcting imbalances between manpower demand and manpower supply in the economy, manpower planning helps in attaining fuller and optimum utilisation of manpower resources of a

country which ultimately leads to maximum growth of National Income.

- The need for manpower planning arises because of the imbalances between manpower demand and manpower supply.
- This imbalance is a common characteristic of developing countries.
- The developing countries actually suffer from dual problems – firstly, is the shortage of skilled manpower and secondly, there exists a vast reservoir of unutilised and unskilled manpower. The imbalance between demand and supply of manpower can be corrected with proper manpower planning.
- The importance of manpower planning can be studied under the following heads – Meeting future manpower needs, Selection of trained personnel, Development of human resources, Reduction in uncertainty.
- The steps involved in manpower planning process include – understanding the existing workforce, making future manpower forecasts, recruitment and selection, designing training programmes.
- Manpower planning has been on the forefront in the minds of Indian planners since Independence.
- The Planning Commission (now NITI Aayog) in India has been specifically charged with the responsibility to make estimates of human resources of the country.
- The Government of India, in 1956, appointed a Scientific Personnel Committee under the chairmanship of Prof P C Mahalanobis to consider the problem of demand and supply of scientific, technical and engineering manpower in relation to national development plans.
- In the Second Five Year Plan too, the Planning Commission undertook a number of studies on the stock of different categories of scientific and technical personnel and their distribution by specialisation.

- Over the years, the Indian government has been giving increasing priority to population planning and control, education, health, housing, etc.



13.6 FURTHER READING

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13.7 ANSWERS TO CHECK YOUR PROGRESS

Ans. to Q.1: Manpower Planning is the process of estimating or projecting the number of personnel required for a project with different skills over a predefined period of time.

Ans. to Q.2: The need for manpower planning arises because of the imbalances between manpower demand and manpower supply. This imbalance is a common characteristic of developing countries. The developing countries actually suffer from dual problems – firstly, the shortage of skilled manpower and secondly, there exists a vast reservoir of unutilised and unskilled manpower. The imbalance between demand and supply of manpower can be corrected with proper manpower planning.

Ans. to Q.3: Planning needs to be done for future manpower requirements. With constant changes in business requirements, companies must understand the future trend and the type of employees that would be required in the future. The organisations should, thus, forecast the type of employees they would need in the future. This will help them to overcome future trained manpower shortage.

Ans. to Q.4: The steps involved in manpower planning process include – understanding the existing workforce, making future manpower forecasts, recruitment and selection, designing training programmes.

Ans. to Q.5: To combat the problem of population explosion, the Government of India has initiated a number of measures. The National Population Policy was adopted in 2000 to ensure population stabilisation. This policy emphasises on affordable reproductive health care, increased quality of life by enhancing services of primary and secondary education, sanitation, drinking water, housing, transport, communication, etc.

Ans. to Q.6: The main objective of Sarva Shiksha Abhiyan (SSA) is to make free education for all children between 6 and 14 years of age a fundamental right under RTE Act 2009.



13.8 MODEL QUESTIONS

Short questions (Answer in around 75 words)

Q1: How does manpower planning help in optimum utilisation of resources?

Q2: In what way training programmes help in the manpower planning process?

Q3: What is the objective of the Bharat Nirman Program?

Long questions (Answer in around 300-500 words)

Q1: Discuss the importance of manpower planning.

Q2: Discuss the steps involved in manpower planning process.

Q3: What steps have been taken by the Government of India for manpower planning in India?

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UNIT 14: HUMAN RESOURCE DEVELOPMENT

UNIT STRUCTURE

14.1 Learning Objectives

14.2 Introduction

14.3 Human Resource Development

14.4 Significance of Human Resource Development

14.5 Objectives of Human Resource Development

14.6 Indicators of Human Resource Development

14.7 Let Us Sum Up

14.8 Further Reading

14.9 Answers to Check Your Progress

14.10 Model Questions

14.1 LEARNING OBJECTIVES

After going through this unit, you will be able to

- understand the meaning of human resource development
- learn the significance of human resource development
- explain the objectives of human resource development
- understand the features of human resource development
- find out the indicators of human resource development

14.2 INTRODUCTION

The development of human resources is vital for development of any society or country. Human resources have unlimited potential capabilities. So it would be beneficial to train them so that they can fully utilize their capabilities. A country can develop without natural resources, but no country can develop without adequate human resources. Accordingly many recent models of development have given a lot of importance to human development. Human development helps to develop productivity of the people in all sectors of the economy. Higher efficiency on the part of the people helps to develop better techniques of production and marketing of goods and services. This in turn facilitates economic growth of the country.

At micro level, human resource development is a part of human resource management. The term human resource management is a process which use the following things-

- Recruitment and selecting employee
- Providing orientation and induction, training and development
- Performance appraisal of employee
- Providing compensation and benefits, maintaining employees' safety, welfare and health measures.
- Motivating and maintaining proper relations with employees and trade unions

14.3 HUMAN RESOURCE DEVELOPMENT

Human resource development is the process of increasing the knowledge, the skills and the capacities of all the people in a society. From economic point of view, it could be described as the accumulation of human capital and its effective investment in the development of an economy. Human resource development mainly depends on education and health. Human resources are developed with formal education, beginning with primary education, continuing with various forms of secondary education, and then higher education. The second condition for human resource development is the improvement in health of the working population through better medical and public health programs, and improvement in nutrition, which increase the working capacity of people, on a man-hour basis as well as over working life.

Meaning and Definition

From micro point of view, the meaning of human resource development can also be stated as-

- Human resource development is the frameworks for helping employees develop their personal and organizational skills, knowledge and abilities. Human resource development includes such opportunities such as employee training, employee career development, coaching, mentoring, succession planning, key employee identification, tuition assistance and organization development.

- Human resource development is that part of human resource management that specifically deals with training and development of the employees. Human resource development includes training an individual after he/she is first hired, providing opportunities to learn new skills, distributing resources that are beneficial for employees' tasks and any other developmental activities.

The concept of Human resource development was first introduced by Leon Nadler in a conference in United States. He defined human resource development as," those learning experience which are organized for a specific time and designed to bring about the possibility of behavioral change." Thus human resource development is a process in which the employees of any organization are provided with training and development to increase their knowledge, skills, education and abilities.

Different scholars have defined human resource development in various ways. Some of the important definitions of human resource development are-

- According to Leonard Nadler, "human resource development is a series of organized activities conducted within a specialized time and designed to produce behavioural changes."
- Udai Pareek and T.V. Rao explain "HRD is primarily concerned with developing employees through training, feedback and counseling by the senior officers and other developmental efforts."
- According to M. M Khan, "human resource development is the process of increasing knowledge, capabilities and positive work attitudes of all people working at all levels in a business undertaking."



CHECK YOUR PROGRESS

Q.1: What is human resource development? (Answer in about 30 words)

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Q.2: Who first introduced the concept of human resource development? (Answer in around 20 words)

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14.4 SIGNIFICANCE OF HUMAN RESOURCE DEVELOPMENT

Professor Harbison explains the significance of human resource development as, "Human resources… constitute 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." Any organization that wants to be dynamic and growth oriented must develop its human resources. Therefore the main purpose of human resource development is to provide training or coaching needed to strengthen the knowledge, skills and abilities of the employees that they already possess. In a study of the "Capacity of the United Nations Development System" it is said that, "human rather than capital is the key to development." The significance of human resource development in the growth of an organization is as follows-

- Human resource development helps in achieving the outcomes of the organization effectively. In other words human resource development promotes organizational effectiveness.
- Human resource development helps in improving the organizational behavior of the employees and improves team work.
- One of the most important roles of human resource development is that it improves the skills and efficiency of the employees. This further leads to better performance of the employees.
- Human resource development strengthens the executive skills of the employees.



LET US KNOW

Human resource development has an important significance in the context of any organization. It provides useful data for human resource development. It helps in increasing the skills, knowledge, and efficiency of the employees working in an organization and leads to organizational effectiveness. The employees strengthen their executive skills and improve their organizational behavior.



CHECK YOUR PROGRESS

Q.3: Point out the significance of human resource development (Answer in 60 words)

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Q.4: Write whether true or false-

a. Human resource development does not improve the organizational behavior of the employees.

b. Human resource development provides with various useful data.

14.5 OBJECTIVES OF HUMAN RESOURCE DEVELOPMENT

The main objectives of human resource development are as given below-

- To motivate the employees
- To develop the constructive mind and overall personality of each and every person in the organization
- To maintain a sound relationship between each employee and his supervisor
- To develop the sense of team spirit, team work, and inter - team collaboration in the organization
- To generate systematic information about human resources for the purposes of manpower planning, placement and the like

- To develop the overall health and capabilities of the total organization
- To provide a comprehensive framework for the overall development of people in the organization



CHECK YOUR PROGRESS

Q.5: What are the objectives of human resource development? (Answer in around 60 words)

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Q.6: Write whether true or false:

i. Human resource management maintains a sound relationship between the employee and his supervisor.

ii. Human resource management does not take into account the health situation and capabilities of the employees.



LET US KNOW

Human resource development is a continuous and systematic process where development of individuals takes place. It consists of techniques and is a multi-disciplinary subject as it uses knowledge from different subject matter. At the micro level human resource development involves improvement in the quality of individuals and in the macro level it involves improvement of the quality of life of the people of a nation.

14.6 INDICATORS OF HUMAN RESOURCE DEVELOPMENT

The United Nations Development Programme has defined three main indicators of human resource development. They are

- Longevity
- Education
- Income

Combining all these three together we get the human development index. It is to be noted that the calculation methods of these indicators may vary from time to time.

- **Longevity**- It means life expectancy at birth. In other words longevity refers to the number of years a newly born baby is expected to live. The value of this index varies between 0 and 1.
- **Education**- This index measures the level of educational attainment of the people. The expected years of schooling for school age children and average years of schooling in adult population is calculated. Like the longevity index the value of this index also varies between 0 and 1. Higher the level of this index, higher will be the education level.
- **Income**- This index indicates the per capita income of the individuals which will give idea about the living standard. A higher level of income will indicate a better standard of living of the individuals and vice versa. The real GDP per capita is calculated which is a better measure of the quality of life of the people as compared to per capita income.



CHECK YOUR PROGRESS

Q.7: What are the indicators of human resource development? Explain (Answer in around 60 words)

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14.7 LET US SUM UP

- Human resource development is a part of human resource management.
- Human resource development is a process in which the employees of any organization are provided with training and development to increase their knowledge, skills, education and abilities.
- Human resource development has immense significance.
- Human resource development has a number of objectives

- Features of human resource development-
  - Continuous process
  - Systematic approach
  - Techniques
  - Multi- disciplinary subject
  - Micro and macro aspects
- Human resource development has three main indicators- longevity, education and income.
  - Longevity means the life expectancy at birth.
  - Education measures the educational attainment of the people.
  - Income takes into account the real per capita GDP of the people. A higher level of income will indicate a higher level of standard of living.



14.8 FURTHER READINGS

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14.9 ANSWERS TO CHECK YOUR PROGRESS

Ans. to Q.1: Human resource development is a process in which the employees of any organization are provided with training and development to increase their knowledge, skills, education and abilities.

Ans. to Q.2: Leon Nadler first introduced the concept of human resource developme

Ans. to Q.3: Significance of human resource development-

1. Human resource development helps in achieving the outcomes of the organization effectively. In other words human resource development promotes organizational effectiveness.
2. Human resource development helps in improving the organizational behavior of the employees and improves the team work.
3. One of the most important roles of human resource development is that it improves the skills and efficiency of the employees. This further leads to better performance of the employees.
4. Human resource development strengthens the executive skills of the employees.

Ans. to Q.4: a) False b) True

Ans. to Q.5: The main objectives of human resource development are as given below

1. To motivate the employees
2. To develop the constructive mind and overall personality of each and every person in the organization
2. To maintain a sound relationship between each employee and his supervisor
3. To develop the sense of team spirit, team work, and inter team collaboration in the organization
5. To generate systematic information about human resources for the purposes of manpower planning, placement and the like
6. To develop the overall health and capabilities of the total organization
7. To develop the mind and overall personality of each and every person in the organization
8. To provide a comprehensive framework for the overall development of people in the organization

Ans. to Q.6: a) True b) False

Ans. to Q.7: The indicators of human resource development are-

1. Longevity- It means life expectancy at birth. In other words longevity refers to the number of years a newly born baby is expected to live. At present life expectancy in India is 63 years. The value of this index varies between 0 and 1.
2. Education- This index measures the level of educational attainment of the people. The expected years of schooling for school age children and average years of schooling in adult population is calculated. Like the longevity index the value of this index also varies between 0 and 1. Higher the level of this index, higher will be the education level. India's educational attainment rate at present is about 0.57 or 57 percent.
3. Income- This index indicates the per capita income of the individuals which will give idea about the living standard. A higher level of income will indicate a better standard of living of the individuals and vice versa. The real GDP per capita is calculated which is a better measure of the quality of life of the people as compared to per capita income



14.10 MODEL QUESTIONS

Short Questions (Answer each question in about 100 words)

Q1: What is human resource development?

Q2: Write two objectives of human resource development.

Q3: Human resource development includes both micro and macro aspects. Explain.

Q4: Point out the indicators of human resource development.

Essay type Questions (Answer each question in 300-500 words)

Q1: Write the significance of human resource development.

Q2: What are the objectives of human resource development?

Q3: Explain the features of human resource development.

Q4: What are the indicators of human resource development? Explain each of them.

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UNIT 15: MILLENNIUM DEVELOPMENT GOALS

UNIT STRUCTURE

15.1 Learning Objectives

15.2 Introduction

15.3 Millennium Development Goals (MDGs)

15.4 The Eight Millennium Development Goals

15.5 Importance of Millennium Development Goals

15.6 Critical Analysis of MDGs

15.6.1 Achievements of MDGs

15.6.2 Failures of MDGs

15.7 Let us sum up

15.8 Further Reading

15.9 Answers to Check Your Progress

15.10 Model Questions

15.1 LEARNING OBJECTIVES

After going through this unit, you will be able to

- know what is meant by Millennium Development Goals
- define the key concepts of Millennium Development Goals
- identify different targets and indicators of MDGs
- know the importance of MDGs
- assess the successes and failures of MDGs

15.2 INTRODUCTION

Just before the beginning of the new millennium, there was an enthusiasm among the developed countries to do something for the betterment of millions of people suffering from multiple deprivations across the world. At the Millennium Summit of the U.N. General Assembly in September 2000, leaders from 189 countries, both developed and developing, came together. They agreed on a vision for the future. They pledged to work together to make a better world for all by 2015. The heads of countries unanimously signed and adopted a package which aimed at

eradicating extreme poverty, social injustices and inequalities; getting all kids including girls to school, ensuing greater survival prospects for mothers and their infants, better educated children, equal opportunities for women, reversing the AIDS pandemic and a healthier environment based on sustainable development. The vision took the shape of eight Millennium Development Goals (MDGs), which provided a framework for development planning for countries around the world, and time bound targets by which progress can be measured. Accordingly, eight MDGs were set ranging from halving extreme poverty to halting the spread of HIV/ AIDS and to providing universal primary education.

15.3 MILLENNIUM DEVELOPMENT GOALS (MDGs)

The meeting of the U. N. General Assembly in 2000 concluded in a historic note because it adopted the Millennium Declaration. This Declaration collectively committed their governments to work to free the world from extreme poverty. Towards that end, it endorsed the International Development Goals for 2015: to cut in half the proportion of people living in extreme poverty, of those who are hungry, and of those who lack access to safe drinking water; to achieve universal primary education and gender equality in education; to accomplish a three-fourths decline in maternal mortality and a two-thirds decline in mortality among children under five; to halt and reverse the spread of HIV/ AIDS and to provide special assistance to AIDS orphans; and to improve the lives of 100 million slum dwellers. From the Millennium Declaration, the Millennium Development Goals had emerged.

15.4 THE EIGHT MILLENNIUM DEVELOPMENT GOALS

There are eight goals in MDGs. Each goal is translated into one or more than one targets; the targets, in turn, are expressed in indicators which are to indicate the degree of achievement in the target against goal. The total number of targets of the eight MDGs is 18, and the total indicators are 48 in numbers. Each goal has been designed in a way so that it is easy to understand, easy to implement and easy to measure.

Table 1: MDGs and their Targets

Goals	Targets	Indicators
Goal 1: Eradicate Extreme Poverty and Hunger	1. Halve, between 1990 and 2015; proportion of people whose income is less than $1 a day. 2. Halve, between 1990 and 2015, proportion of people who suffer from hunger.	5
Goal 2: Achieve Universal Primary Education	1. Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.	3
Goal 3: Promote Gender Equality and Empower Women	1. Eliminate gender disparity in primary and secondary education, preferably by 2005 and in all levels of education no later than 2015	4
Goal 4: Reduce Child Mortality	1. Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.	3
Goal 5: Improve Maternal Health	1. Reduce by three quarters, between 1990 and 2015, the maternal mortality rate.	2
Goal 6: Combat HIV/ AIDS, malaria and other diseases	1. Have halted by 2015 and begun to reverse the incidence of, malaria and other major diseases	7
Goal 7: Ensure Environmental Sustainability	1. Integrate the principles of sustainable development into country policies and programmess and reverse the loss of environmental resources. 2. Halve by 2015 the proportion of people without sustainable access to safe drinking water. 3. Have achieved by 2020 a significant improvement in the lives of at least 100 million slum dwellers.	8

Goal 8: Develop a Global Partnership for Development	1. Develop further an open, rule-based, predicable, non discriminatory trading and financial system. 2. Address the special needs of the LDCs. 3. Address the special needs of landlocked countries and small island developing states. 4. Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term. 5. In cooperation with developing countries, develop and implement strategies for decent and productive work for youth. 6. In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries. 7. In cooperation with private sector, make available the benefits of new technologies, especially information and communication technologies.



CHECK YOUR PROGRESS

Q.1: State whether True(T) or False (F).

(i) The MDGs are time bound targets in which progress can be measured. (T/ F)

(ii) The MDGs originated from Millennium Declaration of United Nations. (T/ F)

(iii) Economic Cooperation among countries are not recognized in MDGs. (T/ F)

Q.2: What are the MDGs? (Answer in 50 words)

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Q.3: State the goals of MDGs. (Answer in 50 words)

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15.5 IMPORTANCE OF MILLENNIUM DEVELOPMENT GOALS

The Millennium Development Goals are the most ambitious and most broadly supported development goals ever adopted, making the right to development a reality for everyone. The importance of MDGs can be discussed in several areas—

- The main importance of the MDGs is that they provide a clear framework on which the world is able to reduce the social injustices and inequalities.
- The aim of the MDGs is to liberate the billions of people who currently live in extreme poverty.
- The MDGs aims at reducing poverty. Research shows reducing the number of people in poverty matters for security and stability. A negative shock on income growth increases the probability of a civil war substantially.
- Rising economic wealth for the poor creates new worldwide growth opportunities by opening new consumer markets and commercial activities. If the 4 to 5 billion underserved people are provided opportunities to earn a decent living, it can add trillions of dollars to world economy.
- The MDGs are able to send the message that the issues being faced around the world are not the sole responsibility of the heads of states of the developing nations or developed nations, but it is a collective responsibility that the people of this world must share and be held accountable for.
- The Millennium Project argued that for the first time in history the world is rich enough to eradicate extreme poverty.



CHECK YOUR PROGRESS

Q.4: State whether True(T) or False (F)

i. The MDGs are the most ambitious development goals. (T/ F)

ii. Development is not a right of human being under MDGs. (T/ F)

iii. Reducing poverty is not connected with security and stability. (T/ F)

Q.5: State how the MDGs identify the role of international cooperation. (Answer within 50 words)

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15.6 CRITICAL ANALYSIS OF MDGs

The MDGs were the most ambitious goals of development. It became successful in several areas. In most of the developing countries, the MDGs have formed a critical element of government policy decisions for performance bench marking. Similarly it also identifies that the developed countries themselves are the main hurdle in the development of poor countries.

15.6.1 Achievements of MDGs

The Millennium Development Goals Report 2015 of UNDP highlighted the achievements of MDGs. The report found that the 15 years effort to achieve the eight ambitious goals was largely successful across the globe. The important achievements of MDGs according to this report, are—

- The number of people now living in extreme poverty has declined by more than half, falling from 1.9 billion in 1990 to 836 million in 2015.
- The number of people in the working middle class, living on more than $4 a day, nearly tripled between 1991 and 2015.
- The proportion of undernourished people in developing regions dropped by almost half since 1990.
- The number of out-of-school children of primary school age worldwide fell by almost half, to an estimated 57 million in 2015, down from 100 million in 2000.

- Gender parity in primary school has been achieved in the majority of countries.
- The mortality rate of children under-five was cut by more than half since 1990.
- Since 1990, maternal mortality fell by 45 percent worldwide.
- Over 6.2 million malaria deaths have been averted between 2000 and 2015.
- New HIV infections fell by approximately 40 percent between 2000 and 2013.
- By June 2014, 13.6 million people living with HIV were receiving antiretroviral therapy (ART) globally, an immense increase from just 800,000 in 2003.
- Between 2000 and 2013, tuberculosis prevention, diagnosis and treatment interventions saved an estimated 37 million lives.
- Worldwide 2.1 billion people have gained access to improved sanitation.
- Globally, 147 countries have met the MDG drinking water target, 95 countries have met the MDG sanitation target and 77 countries have met both.
- Official development assistance from developed countries increased 66 percent in real terms from 2000 to 2014, reaching $135.2 billion.

15.6.2 Failures of MDGs

Although considerable achievements have been made on many of the MDG targets universally, progress has not been uniform across regions.

Goal	Failure
Goal 1: Eradicate Extreme Poverty and Hunger	➢ Despite remarkable progress, about 800 million people continue to live in absolute poverty and suffer from hunger. More than 160 million children below five years have inadequate height for their age because of insufficient food.
Goal 2: Achieve Universal Primary Education	➢ In 2015, 57 million children of primary school age do not attend school. ➢ Compared to children in the richest households, those in the poorest households are four times more likely to be out of school.
Goal 3: Promote Gender Equality and Empower Women	➢ Gender inequality persists. Women in many parts of the world continue to face discrimination in access to economic assets, work, and participation in public and private decision making. They are also more likely to live in poverty compared to men. ➢ In the Caibbean and Latin America, the ratio of women to men in poor households grew from 108 women for every 100 men to 117 for every 100 men between 1997 and 2012, despite the decreasing rate of poverty for the entire region. ➢ With regard to the global labour market, women remain to be at a disadvantage, as three-quarters of working age men take part in the labour force compared to only fifty percent of working age women. Women also earn 24 percent less than men worldwide.
Goal 4: Reduce Child Mortality	➢ About 16,000 children die each day before they reach five years of age, mostly due to preventable causes. ➢ Huge gaps still exist between the poorest and richest households, as well as between rural and urban areas. ➢ Under-five mortality rates are nearly twice as high for children in the poorest households compared to the wealthiest households.



CHECK YOUR PROGRESS

Q.6: State whether True(T) or False (F)

i. The MDGs have failed completely. (T/ F)

ii. The progress of MDGs has been uniform across the regions. (T/ F)

iii. HIV infections fell in the world after the adoption of MDGs. (T/ F)

Q.7: Write the contribution of MDGs in reducing poverty. (Answer in 40 words)

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15.7 LET US SUM UP

- **Millennium Development Goals** refer to the eight goals that were adopted under Millennium Declaration in 2000.
- MDG has **eight goals**. Each goal is translated into one or more than one targets; the targets in turn are expressed in indicators which are to indicate the degree of achievement in the target against goal.
- The total number of targets of the eight MDGs is 18, and the total indicators are 48 in numbers.
- The MDGs grew out of the agreements and resolutions of world conferences organized by the United Nations in the 1990s.

Goal 8: Global Partnership for Development

- The level of MDG success was uneven.
- The number of MDGs unmet is staggering.
- Inequalities persist.
- Access of their markets to poor countries.
- Conflict remains the greatest threat to human development.
- By 2015, conflicts had forced nearly 60 million people to leave their homes.
- 50 percent of the global refugee population is made up of children, which has contributed to the increase in number of out-of-school children from 30 percent to 36 percent between 1999 and 2012.

Especially, MDGs succeed the International Development Goals (IDGs).

- The MDGs reflect an unprecedented commitment by the world's leaders to tackle the most basic forms of injustice and inequality in the world—poverty, illiteracy and ill health.
- The MDGs emphasize international cooperation. They send the message that the issues being faced around the world are not the sole responsibility of the heads of states of the developing nations or developed nations, but it is a collective responsibility that the people of this world must share and be held accountable for.
- After 15 years, effort to achieve the eight ambitious goals has been largely successful across the globe.
- UNDP reports confirm that MDGs can lift millions of people out of poverty, empower women and girls, improve health and well being, and provide vast new opportunities for better lives.
- The progress of MDGs has not been uniform across regions.
- Although there were some failures in implementation of MDGs in certain regions yet MDGs are a milestone in the development process of developing countries.



15.8 FURTHER READING

- Mishra, R. K. & Jayasree Raveendram (ed.) (2011). *Millennium Development Goals and India.* New Delhi: Allied Publishers Pvt. Ltd
- Agarwal, M. & A. S. Ray (ed.) (2007). *Globalization and the Millennium Development Goals: Negotiating the Challenges*, New Delhi: Social Science Press
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- *UNDP, Human Development Report,* New York: Oxford University Press

15.9 ANSWERS TO CHECK YOUR PROGRESS

Ans. to Q.1: i. True ii. True iii. False

Ans. to Q.2: The MDGs are a set of plans ranging from reducing hunger and poverty to the improvement of environment and other conditions in poor countries around the world. Originated from Millennium Declaration of the UN, the eight goals are the most broadly shared, comprehensive and focused framework for reducing poverty at the international level.

Ans. to Q.3: There are eight goals in MDGs. They are- Eradicate Poverty and hunger, Achieve Universal Primary Education, Promote Gender Equality and Empower Women, Reduce Child Mortality, Improve Maternal Health, Combat HIV/AIDS, malaria and other diseases, Ensure Environmental Sustainability and Develop a Global Partnership for Development

Ans. to Q.4: i. True ii.False iii. False

Ans. to Q.5: The MDGs were able to send the message that the issues being faced around the world are not the sole responsibility of the heads of states of the developing - nations or developed nations, but it is a collective responsibility that the people of this world must share and be held accountable for. This brings in the role of inter national co-operation

Ans. to Q.6: i. False ii. False iii. True

Ans. to Q.7: The number of people now living in extreme poverty has declined by more than half, falling from 1.9 billion in 1990 to 836 million in 2015. Similarly, after the adoption of MDGs the number of people in the working middle class, living on more than $4 a day, nearly tripled.



15.10 MODEL QUESTIONS

Short Questions (Answer each question in about 150 words)

Q.1: What are millennium development goals?

Q.2: Write the background of the adoption of MDGs?

Q.3: "The MDGs are more than just goals." Comment.

Q.4: What are the features of MDGs?

Easy type Questions (Answer each question in about 300-500 words)

Q.1: Explain the eight goals in MDGs.

Q.2: Discuss the importance of MDGs.

Q.3: Briefly analyze the achievements of MDGs.

Q.4: Mention the failures of MDGs.

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