

Is There any Relation between Human Development and Economic Growth?: Evidence from Indian States

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This paper tries to explore the nexus between human development and economic growth in India. The important issue for policy purposes is how a State may move from higher economic growth to higher human development or vice versa. The paper analyzes the nexus between human development and economic growth indicators for 26 Indian States for the time period of 1981, 1991 and 2001. The results suggest strong two-way relation between economic growth and human development. It is seen that Indian States generally cannot move from the category of lopsided economic growth to virtuous cycle of development. Therefore, government should not give higher priority to economic growth at the cost of human development and leave the latter to fend for itself.

I Introduction

Human development has recently been considered as one of the fundamental object of development. It is a process of enlarging people's choices by enhancing their functioning and capabilities. Three essential choices for people are (a) to live a long and healthy life; (b) acquire knowledge and (c) have access to the resources needed for a decent standard of living. Human development is the ultimate object of human activity and economic growth is a necessary, though not sufficient, condition for achieving it. At the same time, achievement of human development is a significant contribution to economic growth. There exists a two-way connection between economic growth and human development (Ranis *et al.* 2000 and Boozer *et al.* 2004). This paper identifies the two chains in explaining the relation between economic growth and human development with the help of cross-country statistics for the period 1970-1992. They found that a strong positive relationship exists in both directions. Moreover, Ranis suggested that the first chain consists of economic growth benefiting human development through gross national product. With the increase in economic growth, families and individuals are likely to increase expenditures with increased incomes, which lead to an increase in human development. Further, with higher expenditures,

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