

Composite Indices of Basic Human Needs and Income in India

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This study provides a few composite indices of development, using the State level data for 1981 and 1991. It uses the principal component technique, which provides a straightforward procedure for deriving a single index from a multiplicity of variables, income and basic need indicators. The results show that a considerable inter-State inequality exists in the case of income, basic needs and overall development index. The overall development and income indices indicate that the inequality has slightly declined during the last decade. However, the income inequality is much lower than the inequality in the overall development. We hope that this study will help policy makers to identify the States making improvement in the living standards and to know whether the State disparity has been reduced over time in India.

I Introduction

According to the 1948 United Nations Declaration of Human Rights, every one has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services. Yet today, millions of people still lack the basic human requirements for living, especially in developing countries. Development economics has put forward a substantial effort in addressing the issue and various methods have been developed to measure the extent of deprivation. Initially, the economists considered the GNP (or related income measure) as the sole measure of standard of living. However, three major problems arise in the use of per capita GNP as a measure of development. Firstly, the method of computing the GNP creates a bias, since the coverage of GNP is incomplete and changing over time. Secondly, uses of market exchange rates for the conversion of the local currency into a common denominator create serious biases in making comparisons. Thirdly, many agree that there is a philosophical distinction between income and well being and raises doubt about the equity aspect of the distribution (Ram, 1982). The international experiences also show that a rise in GNP alone does not give a guarantee against worsening poverty.

The emphasis has now shifted to alternative measures of development. One such approach is the basic needs approach which uses a set of indicators of basic need fulfillment and not a single indicator to analyze the inter-state or inter country variations in the standard of living¹. Since various measures (positive and normative) of inequality such as coefficient of variation, Gini coefficient, Atkinson's index and Dalton's index are

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¹ The other approaches include the social indicators and quality of life approaches. Hicks and Streeten (1979), Morris (1979), Sen (1973) and Dasgupta (1990) give elaborate discussions on all these approaches.