SSC

SMIT SIR COMMERCE

GSEB | ENGLISH MEDIUM

ECONOMICS

STANDARD 12

CHAPTER 2

Indicators of Growth and Development

Complete Concept Notes | Textbook-Based | Board Exam Preparation

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Learn the Concept. Understand the Logic. Write Better Answers.

How These Notes Are Different

These notes are rebuilt from the official GSEB Class 12 Economics textbook and the earlier chapter notes you supplied. The aim is not to make a shorter copy of the book, but to turn every textbook idea into an easier teaching sequence: meaning -> logic -> detailed explanation -> example -> exam line.

- Every textbook heading is covered: Growth, Development, National Income, Per Capita Income, PQLI and HDI.
- Historical source tables are preserved as textbook examples, but clearly labelled so students do not mistake old textbook figures for current data.
- Definitions are explained rather than memorised blindly.
- Comparison tables, formula boxes and conceptual examples are added to improve understanding.
- Practice material is original and textbook-aligned, not copied line-for-line.

TEXTBOOK DATA NOTE

The textbook uses historical World Bank, Economic Survey and Human Development Report data from around 2014-15. These figures are kept only because they are part of the prescribed chapter and may be relevant for textbook-based examination questions.

Chapter at a Glance

Section	Topic	Core Idea
2.1	Economic Growth	Increase in real output / real income - mainly quantitative
2.2	Economic Development	Growth plus structural, social and qualitative change
2.3	Growth vs Development	9-point textbook comparison
2.4.1	National Income	Development indicator using real national income growth
2.4.2	Per Capita Income	Average income per person; considers population
2.4.3	PQLI	Literacy + Life Expectancy + Infant Mortality
2.4.4	HDI	Health + Education + Standard of Living

EXAM IMPORTANT

The chapter's central idea is simple: Growth asks 'How much did the economy increase?' Development asks 'Did people's economic and social life improve too?'

Learning Objectives

- explain economic growth without confusing it with development.
- explain economic development as a multidimensional process.
- write all textbook limitations and characteristics in correct sequence.
- differentiate growth and development on nine clear bases.
- explain why development needs indicators.
- explain national income and per capita income as development indicators and their limitations.
- explain Physical Quality of Life, PQLI and its complete method.
- explain HDI, its three determinants, importance and limitations.
- interpret the textbook's historical data tables correctly.
- answer MCQs, case questions and long answers using board-friendly language.

Introduction – Why Growth and Development Matter

After the Second World War, economic development became one of the central goals of countries. Developing countries faced poverty, unemployment, hunger and large inequalities, while developed countries aimed to maintain already high living standards.

The chapter explains that the words growth and development were once used as if they meant the same thing. Modern economics treats them as different concepts.

SMIT SIR'S NOTE

Ursula Hicks is associated in the textbook with a useful distinction: developing economies mainly need development, while developed economies focus more on sustaining growth.

REMEMBER THIS

Growth and development are related - but they are not identical.

2.1 Meaning of Economic Growth

Economic Growth - Core Meaning

In Simple Words: Economic growth means the economy is producing and earning more in real terms over a long period.

The textbook links economic growth with a continuous rise in real national income and real per capita income. This can happen because the quantity of factors of production increases or because productivity improves.

Example: If real output increases from 100 units to 110 units while quality of life, inequality and institutions remain unchanged, the economy has shown growth.

KEY TERM - REAL INCOME

Income measured after removing the effect of price changes. The chapter stresses real income because money income can rise merely due to inflation.

EXAM IMPORTANT

Economic growth is mainly a quantitative change. It tells us about increase in output/income, not the complete quality of people's lives.

2.1.1 Definitions of Economic Growth - Understand the Idea

Prof. Hansen: The textbook definition focuses on growth of national income or increase in the total quantity of goods and services.

Simon Kuznets: The textbook definition focuses on a long-term rise in the country's capacity to supply a wider range of economic goods.

SMIT SIR'S NOTE

Do not memorise the full wording mechanically. The common meaning in both definitions is long-term increase in productive capacity and real output.

2.1.2 Limitations of the Concept of Economic Growth

1. Only Quantitative Change is Considered

Growth records how much output or income rises, but does not directly tell us about health, education, equality or social welfare.

Example: GDP can rise even when many people remain poor.

2. Institutional and Psychological Factors Are Ignored

Growth by itself does not necessarily change institutions, social systems, motivation or attitudes of people.

Example: Income may rise without major reform in education or social structure.

3. Concept is Narrow

It focuses mainly on the rate and extent of production/output and does not give a complete picture of who benefits.

Example: Higher output may be concentrated in a few sectors or groups.

4. Does Not Help Fully Understand Welfare

A rise in national income may be concentrated in a small section of society and therefore may not reflect the welfare of the general public.

Example: If income rises only for the richest group, average growth can look strong while mass welfare changes little.

EXAM IMPORTANT

Growth is necessary for development, but growth alone is not enough to prove development.

2.2 Meaning of Economic Development

Economic Development - Core Meaning

In Simple Words: Development means the economy grows and, at the same time, its structure and people's well-being improve.

The textbook presents economic development as a broad, continuous process involving economic growth + economic welfare + economic progress. It includes both quantitative and qualitative changes.

Example: As development occurs, agriculture's share may fall, industry/services may rise, technology improves and disguised workers may move to more productive jobs.

KEY TERM - QUALITATIVE CHANGE

Change in the quality or structure of the economy - for example better technology, improved skills, changing sector composition and improved institutions.

REMEMBER THIS

Economic Development = Growth + Structural Change + Welfare Improvement.

2.2.1 Definitions of Economic Development - Understand the Idea

Michael Todaro: The textbook presents development as a multidimensional process.

G. M. Meier: The chapter's definition connects development with long-run increase in real per capita income while avoiding worsening poverty and inequality.

Machlup: The chapter connects development with expansion of productive factors, technological change, continuously rising per capita income and improvement in living standards.

SMIT SIR'S NOTE

All three definitions point beyond output. Development is about income, structure, technology and human welfare.

2.2.2 Characteristics of Economic Development

1. Continuous Process

Development proceeds in a continuing sequence. It may begin rapidly but becomes difficult to maintain and must be sustained over time.

Example: A one-year rise in output is not enough to prove lasting development.

2. Quantitative and Qualitative Changes

Output and income increase, while product quality, technology, labour efficiency and economic structure also change.

Example: More production + better technology + better skills.

3. Change in Demand

As income rises, the pattern of demand changes from basic goods toward comforts and luxury goods.

Example: Households may move from spending mainly on necessities to more services and durable goods.

4. Labour Becomes More Dynamic

Education and skill formation make labour more productive, efficient and adaptable.

Example: Trained workers can use modern machines more effectively.

5. Increases Capital Formation

Higher demand attracts new enterprises and investment, increasing the stock of capital.

Example: New factories and infrastructure raise productive capacity.

6. Change in Technology

Development involves movement toward more advanced methods of production and technology.

Example: Modern mechanised production replaces older methods.

7. After a Stage, Development Becomes Self-Motivating

Development can create a reinforcing cycle: income rises -> demand rises -> investment rises -> employment rises -> income rises further.

Example: A growing industrial cluster attracts more investment and jobs.

2.2.3 Limitations of the Concept of Economic Development

1. Economic Scenario Does Not Fully Measure Human Development

Economic development shows economic progress but cannot by itself perfectly measure every dimension of human progress.

2. Very Difficult to Measure

Development contains both quantitative and qualitative changes, and many qualitative changes are difficult to express numerically.

3. Does Not Automatically Guarantee Better Living Standards

Even if economic development is occurring, its benefits may not improve the living standard of all people equally.

SMIT SIR'S NOTE

This limitation is why the chapter later studies PQLI and HDI - broader indicators that look beyond income.

2.3 Difference between Economic Growth and Economic Development

REMEMBER THIS

Gerald Meier's textbook idea: Development = Growth + Change.

Basis	Economic Development	Economic Growth
1. Nature	A continuous process	An occurrence / result of increase
2. Change	Quantitative + qualitative	Quantitative only
3. Main Emphasis	Utilisation of unutilised resources and structural change	Increase/distribution of available output/resources
4. Mainly Related To	Developing countries	Developed countries
5. Measurement	Difficult to measure	Comparatively easy to measure
6. Breadth	Broad concept	Narrow concept
7. Income / Distribution	Concerned with per capita income plus wider distribution/welfare	Mainly increase in output and per capita income
8. Speed	Usually slow process	Can be comparatively rapid
9. Dependence	Cannot occur without some growth	Growth can occur without full development

EXAM IMPORTANT

This 9-point table is a major long-answer area. Learn the basis, not just the sentences.

Growth or Development? - Concept Diagnostic

Situation	Growth?	Development?	Reason
Real output rises by 8%, but health and education do not improve	Yes	Not necessarily	Quantitative rise alone
Income rises, poverty falls, education improves and industry expands	Yes	Yes	Growth plus qualitative/social change
Per capita income rises but inequality becomes much worse	Yes	Questionable	Average rises but welfare distribution may not
Technology improves labour efficiency and raises output	Yes	Yes	Quantitative + qualitative improvement

2.4 Indicators of Development

Indicators are measuring tools used to understand how much development has occurred and how fast. They make comparison possible across countries or across different time periods.

Indicator	What It Tries to Measure
1. Growth Rate of National Income	Overall real-income growth
2. Growth Rate of Per Capita Income	Average real-income growth per person
3. Physical Quality of Life Index - PQLI	Physical welfare through literacy, life expectancy and infant mortality
4. Human Development Index - HDI	Human development through health, education and standard of living

SMIT SIR'S NOTE

The chapter gradually moves from income-only indicators toward human-welfare indicators.

2.4.1 Growth Rate of National Income

Meaning: If real national income rises continuously for a long period, the country is considered to be developing economically at a faster rate.

- High real NI growth -> faster development rate.
- Low real NI growth -> slower development rate.
- No rise -> stagnancy.
- Fall -> negative development / underdevelopment.

KEY TERM - REAL NATIONAL INCOME

National income measured at constant prices so that inflation does not create a false impression of growth.

EXAM IMPORTANT

Use real income at constant prices, not merely money income at current prices.

Textbook Table 2.1 - Historical National Income Growth Example

TEXTBOOK DATA NOTE

The following figures are historical textbook data used for chapter explanation, sourced in the textbook to World Bank / Economic Survey 2015-16. They are not current rankings.

Country	Annual Growth Rate of National Income (%)
Norway	2.2
America	2.4
Sri Lanka	4.5
China	7.3
India	7.3
Pakistan	4.7

How to Interpret: A high growth rate shows faster increase during that period, but it does not automatically mean the country had a higher level of living than every country with a lower rate.

SMIT SIR'S NOTE

A developed country can have a low growth rate but a very high existing income level. Rate of growth and level of development are different ideas.

2.4.1.2 Limitations of National Income as an Indicator

1. Difficulty in Calculating True National Income

Double counting, self-consumption, depreciation, illegal income, tax evasion, barter, illiteracy and multiple occupations can make national-income estimation difficult.

2. Population is Ignored

National income alone does not show what happens per person. If population rises faster than national income, individual welfare may not improve.

3. Different Methods of Calculation

Countries may use production, income or expenditure methods differently, making international comparison more difficult.

2.4.2 Growth Rate of Per Capita Income

Meaning: Per capita income is the average income per head of the population. Continuous growth in per capita income over a long period is treated as a development indicator.

KEY TERM - PER CAPITA INCOME

Average income per person in the country.

EXAM IMPORTANT

Per Capita Income = Gross National Income (GNI) / Population

- Faster PCI growth -> development rate is faster.
- Slow PCI growth -> development is slower.
- Constant PCI -> stagnation.
- Falling PCI -> negative development.

SMIT SIR'S NOTE

Per capita income is better than total national income in one important way: it explicitly considers population.

Per Capita Income - Simple Numerical Understanding

Example 1: If GNI = Rs. 50,00,00,000 and population = 10,000, then average income per person = GNI / population.

Exam Logic: You do not need to know the income of every citizen separately. Per capita income is a statistical average.

COMMON MISTAKE

Do not say per capita income is the income actually earned by every citizen. It is an average.

Textbook Table 2.2 - Historical Per Capita Income Example

TEXTBOOK DATA NOTE

Historical textbook figures (PPP, 2014; source cited in the book as World Bank / Economic Survey 2015-16). Use them only as textbook data.

Country	Per Capita NI - PPP 2014 (US$)	Growth Rate (%)
Norway	64,992	1.1
America	52,947	1.6
Sri Lanka	9,779	3.5
China	12,547	6.7
India	5,497	6.0
Pakistan	4,866	2.6

Interpretation: Norway's level was much higher than India's, while India's rate of per capita income growth was faster in the textbook period. This shows why level and growth rate must be read separately.

2.4.2.2 Limitations of Per Capita Income

1. Only Estimates

Population census is not available every year; estimates may be used between census years.

2. Difficulty in Calculation

National-income estimation difficulties remain, and price-basis choices may create further problems.

3. Shows Only an Average

Per capita income can rise even when income distribution is highly unequal.

4. Difficulty in Comparison

Different currencies and exchange-rate systems make international comparison difficult.

5. Deceptive Indicator

It is a statistical average, not the actual income received by each citizen.

EXAM IMPORTANT

Per capita income is better than national income because it includes population - but it still does not show income distribution.

2.4.3 Improvement in Quality of Life and PQLI

The chapter now moves beyond income. Physical quality of life depends on the goods and services people consume and the conditions in which they live.

Physical quality of life improves when living standards improve.

2.4.3.2 Ten Aspects of Physical Quality of Life

- 1. Food - calories, proteins and fats / nutrition.
- 2. Health and medical services - for example ratio of doctors to population.
- 3. Housing and clothing - housing availability and persons per house.
- 4. Education and entertainment - education access and recreational facilities.
- 5. Transport, communication and information services - roads, railways, telephone etc.
- 6. Energy - per capita energy consumption.
- 7. Population with access to pure drinking water.
- 8. Average life expectancy.
- 9. Infant mortality rate.
- 10. Drainage / sanitation facility.

SMIT SIR'S NOTE

These ten aspects describe the wider physical quality of life. PQLI itself, however, uses only three determinants.

2.4.3.3 Physical Quality of Life Index - PQLI

PQLI was developed to address an important weakness of income indicators: rising income concentrated in a few hands does not necessarily mean that poor people's living conditions have improved.

KEY TERM - PQLI

An index of physical quality of life based on literacy, life expectancy and infant mortality.

The textbook associates PQLI with Morris D. Morris and treats improvement in physical quality of life as an important sign of economic development.

2.4.3.4 Three Determinants of PQLI

Determinant	Meaning	Direction of Improvement
Extent of Education / Literacy	Percentage of population educated; indicates the educational situation	Higher literacy = better
Life Expectancy	Expected number of years a child/person will live at birth	Higher life expectancy = better
Infant Mortality Rate	Infants dying before age one per 1,000 live births	Lower IMR = better

EXAM IMPORTANT

PQLI = (Literacy Index + Life Expectancy Index + Infant Mortality Index) / 3

2.4.3.5 Why Only These Three Determinants?

1. Dependable data: Comparable data can be obtained for many countries.
2. They show results, not merely efforts: They reflect outcomes of development.
3. They are outcome/product-based: They make cross-country performance comparison more meaningful.

Why each matters: Literacy reflects human efficiency; life expectancy reflects nutrition, medical care and environment; infant mortality reflects health, drinking water, housing and maternal conditions.

2.4.3.6 Formulation of PQLI - Step by Step

1. Each of the three indicators is converted to a 0-100 index.
2. The performance score of literacy, life expectancy and infant mortality is obtained.
3. The three index values are added.
4. The total is divided by 3.
5. The result is called PQLI.

REMEMBER THIS

PQLI is always expressed between 0 and 100.

2.4.3.7 Important Aspects of PQLI

- Closer to 100 -> better performance.
- Closer to 0 -> poorer performance.
- PQLI always lies between 0 and 100.
- It can compare states within a country or different countries.
- Higher PQLI -> higher physical-quality development.
- Lower PQLI -> lower physical-quality development.

2.4.3.8 Positive Aspects / Merits of PQLI

- Includes literacy and health-related factors that directly affect human life.
- Provides a broader picture than per capita income alone.
- Has fewer income-measurement drawbacks than national income / per capita income indicators.
- Can compare countries, groups of countries and states.
- Can be prepared separately for rural/urban areas or males/females for comparison.

2.4.3.9 Limitations of PQLI

1. Only Three Aspects

Three indicators cannot capture the complete development of a country.

2. Only Averages

An average hides differences within each indicator.

3. Cannot be Generalised

A high PQLI does not automatically prove that the economy is superior on every aspect of development.

4. Equal Weightage is Questionable

All three components are treated equally even though importance may differ by situation.

5. Growth of Income is Ignored

Income is important for living quality, yet it is not directly included.

6. Slow Rise for Rich Countries

Life expectancy has biological limits, so already-developed countries may show slower further improvement.

2.4.3.10 Present Scenario - QLI

The textbook notes that after 2003 a broader Quality of Life Index (QLI) began using additional aspects beyond the original three-factor PQLI approach.

SMIT SIR'S NOTE

For the exam, the key point is not the exact current global methodology. It is the textbook idea that PQLI was considered too narrow and later quality-of-life measures became broader.

2.4.4 Human Development Index - HDI

HDI is presented as a broader and more modern indicator of development. The chapter explains that the United Nations Development Programme (UNDP) introduced the Human Development Report in 1990 and used HDI to measure development.

HDI combines economic and non-economic dimensions. It focuses on health, education and standard of living.

KEY TERM - HDI

Human Development Index - a composite index combining life expectancy, education/knowledge and standard of living.

REMEMBER THIS

PQLI: 0-100. HDI: 0-1.

2.4.4.1 Three Determinants of HDI

Dimension	What the Textbook Uses	What Higher Performance Means
Life Expectancy	Expected years of life at birth	Better health conditions
Knowledge / Education	Adult literacy and schooling-related measures	Better educational attainment
Good Standard of Living	Per capita GNI on Purchasing Power Parity basis and living-facility context	Better material standard of living

HDI Determinant 1 - Life Expectancy

Life expectancy measures the expected number of years a person will live from birth. A higher value generally reflects better health, nutrition, medical care and social conditions.

SMIT SIR'S NOTE

The textbook uses life expectancy as the health dimension of HDI.

HDI Determinant 2 - Knowledge / Education

The education dimension looks at literacy/education attainment and schooling. The textbook discusses actual years of schooling and expected years of schooling as important measures.

KEY TERM - EXPECTED YEARS OF SCHOOLING

Number of years of education a child is expected to receive under the education system.

KEY TERM - AVERAGE YEARS OF SCHOOLING

Average number of years actually completed by people in the relevant population.

HDI Determinant 3 - Good Standard of Living

Standard of living includes access to facilities such as pure drinking water, medical services, sanitation and adequate nutrition. The income component is represented through per capita GNI measured on a Purchasing Power Parity (PPP) basis.

KEY TERM - PURCHASING POWER PARITY - PPP

A method used to compare the purchasing power of currencies by considering what money can actually buy in different countries.

2.4.4.2 Important Aspects of HDI

- Maximum HDI value is 1.
- HDI ranges from 0 to 1.
- Closer to 1 -> more developed / higher rank.
- Closer to 0 -> less developed / lower rank.
- The textbook's 2014 example places Norway at 0.944, rank 1.
- The textbook's 2014 example places India at 0.609, rank 130 out of 188.

TEXTBOOK DATA NOTE

The rankings above are historical textbook examples, not current HDI rankings.

Textbook Table 2.3 - Historical Human Development Data

TEXTBOOK DATA NOTE

Historical HDR 2015 / 2014-value data reproduced in simplified form for textbook-based study.

Country	HDI	Rank	Per Capita GNI (US$)	Life Expectancy	Expected Schooling	Avg. Schooling
Norway	0.944	1	64,992	81.6	17.5	12.6
America	0.915	8	52,947	79.1	16.5	12.9
China	0.727	90	12,547	75.8	13.1	7.5
India	0.609	130	5,497	68.0	11.7	5.4
Pakistan	0.538	147	4,866	66.2	7.8	4.7
Niger	0.348	188	908	61.4	5.4	1.5

Textbook Classification of 188 Countries - Historical HDI Example

Group	Rank Range	Average HDI Value in Textbook
Highest Human Development	1-49	0.890
High Human Development	50-105	0.735
Moderate Human Development	106-143	0.614
Low Human Development	144-188	0.493

Textbook conclusion: India, with HDI 0.609 and rank 130 in the example, falls in the Moderate Human Development group.

2.4.4.4 Derived Conclusions from the Textbook Table

- Norway is shown as number 1 in the textbook's 2014 HDI example.
- India is shown at rank 130 out of 188 and is classified as moderate human development.
- Niger is shown at rank 188 in the textbook example.
- Higher income alone is not the complete meaning of human development; health and education matter too.

2.4.4.5 Importance of Human Development Index

1. More Complete Indicator

HDI includes economic as well as social dimensions, especially health and education.

2. Corrects a Wrong Notion about Development

GDP/income growth is a means; human welfare is the ultimate purpose.

3. Shows the True Meaning of Progress

The textbook presents true progress as economic progress plus social progress.

4. Functional Indicator

Improvement in HDI can indicate progress in health, education and living standards.

5. Gives Direction to Developing Countries

It helps identify areas where policy effort and improvement are needed.

6. Progressive Approach

It goes beyond income to fundamental dimensions of human life.

2.4.4.6 Limitations of HDI

1. Only Three Main Indicators

Other dimensions such as environment, gender equality, social security and political freedom are not directly captured.

2. Equal Weightage

The three dimensions receive equal importance, even though their relative importance may differ across countries or situations.

3. Relative, Not Absolute

HDI is useful for comparison but does not represent every absolute aspect of development.

Other indices mentioned by the textbook: GDI - Gender Development Index; TAI - Technological Achievement Index; HPI - Human Poverty Index; HCI - Human Consumer Index.

PQLI vs HDI - Important Comparison

Basis	PQLI	HDI
Main Aim	Physical quality of life	Broader human development
Range	0 to 100	0 to 1
Health	Life expectancy + infant mortality	Life expectancy
Education	Literacy	Education / schooling measures
Income	Not directly included	Per capita GNI at PPP included
Nature	Older physical-welfare index	Broader composite human-development index
Textbook Emphasis	Useful but limited by only three aspects	More complete, though still limited

EXAM IMPORTANT

Why is HDI generally considered broader? Because it includes health + education + income/standard of living.

The Indicator Ladder - How the Chapter Becomes Broader

Level	Indicator	What It Adds
1	National Income	Total real economic output/income
2	Per Capita Income	Population adjustment
3	PQLI	Physical welfare - literacy, longevity, infant mortality
4	HDI	Health + education + standard of living/income

SMIT SIR'S NOTE

This ladder is the best way to understand the chapter: each later indicator tries to fix an important weakness of the earlier one.

Common Mistakes Students Make

COMMON MISTAKE

Wrong idea: Growth and development are identical.
Correct idea: Growth is mainly quantitative; development is broader and includes qualitative change.

COMMON MISTAKE

Wrong idea: Money income is enough to measure growth.
Correct idea: The chapter stresses real income because inflation can raise money values.

COMMON MISTAKE

Wrong idea: National income automatically shows welfare.
Correct idea: Population and distribution can change the conclusion.

COMMON MISTAKE

Wrong idea: Per capita income is the actual income of each citizen.
Correct idea: It is only a statistical average.

COMMON MISTAKE

Wrong idea: Higher per capita income always means equitable development.
Correct idea: Average income can rise while inequality remains high.

COMMON MISTAKE

Wrong idea: PQLI uses ten indicators.
Correct idea: Physical quality of life has many aspects, but PQLI uses only three determinants.

COMMON MISTAKE

Wrong idea: Higher infant mortality improves PQLI.
Correct idea: Lower infant mortality reflects better health conditions.

COMMON MISTAKE

Wrong idea: PQLI and HDI use the same range.
Correct idea: PQLI: 0-100; HDI: 0-1.

COMMON MISTAKE

Wrong idea: Historical textbook HDI rank is current.
Correct idea: The textbook figures are historical examples and should not be presented as current data.

How to Write Major Answers in the Exam

Q1. Explain Economic Growth and its Limitations

Best structure: Meaning -> real NI / real PCI -> quantitative nature -> four limitations.

Q2. Explain Economic Development and its Characteristics

Best structure: Meaning -> multidimensional nature -> seven characteristics.

Q3. Difference between Growth and Development

Best structure: Draw a 9-basis table. Do not write a paragraph.

Q4. Explain National Income as an Indicator

Best structure: Meaning -> real income -> textbook data interpretation -> 3 limitations.

Q5. Explain Per Capita Income as an Indicator

Best structure: Meaning -> formula -> why better than NI -> 5 limitations.

Q6. Explain PQLI

Best structure: Meaning -> 3 determinants -> formulation -> important aspects -> merits -> limitations.

Q7. Explain HDI

Best structure: UNDP/1990 -> 3 determinants -> 0-1 range -> importance -> limitations.

Practice Set A - MCQs

1. Economic growth is mainly a:

- A. quantitative change
- B. qualitative change only
- C. social index only
- D. legal change

2. Economic development is best described as:

- A. multidimensional
- B. only income growth
- C. only population growth
- D. only output

3. Which economist is associated with 'multidimensional process' in the textbook?

- A. Todaro
- B. Hansen
- C. Kuznets
- D. Hicks

4. Which concept is broader?

- A. Economic development
- B. Economic growth
- C. Both identical
- D. Neither

5. Which indicator considers population directly?

- A. Per capita income
- B. Total national income only
- C. PQLI only
- D. None

6. Per capita income equals:

- A. GNI / Population
- B. Population / GNI
- C. GNI x Population
- D. GNI - Population

7. PQLI ranges between:

- A. 0 and 100
- B. 0 and 1
- C. 1 and 1000
- D. -1 and 1

8. HDI ranges between:

- A. 0 and 1
- B. 0 and 100
- C. 1 and 10
- D. 100 and 1000

9. Which is NOT a PQLI determinant?

- A. Per capita income
- B. Literacy
- C. Life expectancy
- D. Infant mortality

10. Which is a determinant of HDI?

- A. Life expectancy
- B. Only stock prices
- C. Inflation only
- D. Export only

11. Higher life expectancy generally indicates:

- A. better health conditions
- B. higher infant mortality
- C. lower education
- D. no development

12. A lower infant mortality rate generally indicates:

- A. better health conditions
- B. worse health conditions
- C. more inflation
- D. lower literacy

13. Which uses per capita GNI at PPP?

- A. HDI
- B. PQLI only
- C. National income table only

- D. None

14. Growth without wider structural change is possible:

- A. Yes
- B. No
- C. Only in textbooks
- D. Never

15. Development without any growth is:

- A. not sustainable in the textbook logic
- B. always possible
- C. identical to inflation
- D. unrelated

Practice Set B – Conceptual MCQs

16. Real national income rises 7% but literacy and health do not improve. This mainly shows:

- A. growth
- B. full development
- C. PQLI only
- D. no change

17. Income rises but population rises even faster. What may happen to per capita income?

- A. It may fall
- B. It must rise
- C. It becomes HDI
- D. It becomes PQLI

18. Average income rises only because a small rich group earns much more. Which indicator weakness is shown?

- A. Per capita income hides distribution
- B. HDI range problem
- C. PQLI formula problem
- D. None

19. Which is the best match for qualitative change?

- A. Improved technology and labour efficiency
- B. Only more units produced
- C. Only higher price
- D. Only larger population

20. A country improves literacy, longevity and lowers infant mortality. Which index directly captures these?

- A. PQLI
- B. National income only
- C. GDP deflator
- D. Inflation

21. A country improves health, schooling and per capita GNI. Which index?

- A. HDI
- B. PQLI only

- C. CPI
- D. WPI

22. Which statement is correct?

- A. Rate of growth and level of development are different
- B. They are always identical
- C. Developed countries must have highest annual growth
- D. None

23. If PQLI is closer to 100, textbook interpretation is:

- A. better physical quality performance
- B. lower development
- C. higher infant mortality necessarily
- D. no education

24. If HDI is closer to 1, textbook interpretation is:

- A. higher human development
- B. lower human development
- C. stagnation
- D. no welfare

25. Which is a limitation of HDI?

- A. Only three main dimensions
- B. It contains no social factor
- C. It ranges 0-100
- D. It is only national income

MCQ Answer Key

Q	Ans	Q	Ans	Q	Ans	Q	Ans	Q	Ans
1	A	2	A	3	A	4	A	5	A
6	A	7	A	8	A	9	A	10	A
11	A	12	A	13	A	14	A	15	A
16	A	17	A	18	A	19	A	20	A
21	A	22	A	23	A	24	A	25	A

SMIT SIR'S NOTE

If an MCQ is wrong, identify the exact concept bucket: Growth, Development, National Income, Per Capita Income, PQLI or HDI.

Board-Style One-Line Questions

- What is economic growth?
- Give the meaning of economic development.
- What is per capita income?
- Why is per capita income better than national income as an indicator?
- Who is associated with PQLI in the textbook?
- State the maximum value of PQLI.
- State the maximum value of HDI.
- What is infant mortality rate?
- What is life expectancy at birth?
- What is Purchasing Power Parity?
- State the four indicators of development.
- What is meant by qualitative change?

Board-Style Short / Brief Questions

- State the limitations of national income as an indicator.
- State the limitations of per capita income as an indicator.
- State the limitations of economic growth.
- State the limitations of economic development.
- Where do quantitative and qualitative changes occur?
- Explain the ten aspects of physical quality of life.
- Explain the three determinants of PQLI.
- State the important aspects of PQLI.
- State the importance of HDI.
- State the limitations of HDI.

Board-Style Detailed Questions

- Explain with examples the difference between economic growth and economic development.
- Explain the characteristics of economic development.
- Explain national income as an indicator of economic development with limitations.
- Explain per capita income as an indicator of economic development with limitations.
- Explain PQLI in detail: determinants, formulation, merits and limitations.
- Explain HDI: determinants, important aspects, importance and limitations.
- Compare PQLI and HDI and explain why HDI is broader.
- Explain the four indicators of economic development.

Application / Case-Based Practice

Case 1

Country A's real output rises quickly, but poverty and health conditions remain unchanged. Is this definitely development?

Answer: No. It clearly shows growth, but full development cannot be concluded from output growth alone.

Case 2

Country B's national income rises 5% while population rises 7%. What warning does the chapter give?

Answer: Per capita welfare may fall because population grows faster than national income.

Case 3

Country C has high average income but extreme inequality. Which indicator limitation is shown?

Answer: Per capita income shows only an average and may hide unequal distribution.

Case 4

Literacy rises, life expectancy rises and infant mortality falls. Which index should improve?

Answer: PQLI.

Case 5

Health, schooling and per capita GNI at PPP improve. Which index should improve?

Answer: HDI.

Case 6

A country's HDI rises from 0.60 to 0.72. In textbook logic, what does this indicate?

Answer: Improvement in human development dimensions.

Case 7

A country already has very high living standards but only 2% annual income growth. Can it still be highly developed?

Answer: Yes. Level of development and current growth rate are different.

Case 8

Output increases because prices rise, but real production is unchanged. Is this real economic growth?

Answer: No. The chapter stresses real income/output, not inflation-driven money values.

5-Minute Chapter Revision

Growth: Long-run increase in real national income / real per capita income; mainly quantitative.

Development: Growth + qualitative + structural + welfare change; multidimensional.

Growth vs Development: 9-point difference table.

Indicators: National Income, Per Capita Income, PQLI, HDI.

National Income: Use real income; limits = calculation, population, method differences.

Per Capita Income: GNI / Population; better than NI but hides inequality.

PQLI: Literacy + Life Expectancy + Infant Mortality; range 0-100.

HDI: Life Expectancy + Education + Standard of Living/GNI at PPP; range 0-1.

Core Lesson: Higher income does not automatically mean higher human welfare.

EXAM IMPORTANT

Ultra-short memory: Growth = Numbers. Development = Numbers + Quality. PQLI = Physical Life. HDI = Human Life.

One-Page Master Revision Sheet

Topic	Must Remember
Economic Growth	Quantitative; real NI + real PCI
Growth Limitations	4 points
Economic Development	Multidimensional; quantitative + qualitative
Development Characteristics	7 points
Development Limitations	3 points
Growth vs Development	9 bases
National Income Indicator	Real NI; 3 limitations
Per Capita Income	GNI / Population; 5 limitations
PQLI	Literacy + Life Expectancy + IMR; 0-100
PQLI Merits / Limits	5 merits / 6 limitations
HDI	Health + Education + Standard of Living; 0-1
HDI Importance / Limits	6 importance / 3 limitations
Historical Textbook Data	Use as textbook examples, not current rankings

Have You Mastered This Chapter?

- [ ] I can explain growth and development without mixing them.
- [ ] I can write the 9-point comparison from memory.
- [ ] I can explain all four indicators.
- [ ] I know the PCI formula.
- [ ] I know PQLI determinants and range.
- [ ] I know HDI determinants and range.
- [ ] I can explain the major limitations of every indicator.
- [ ] I can interpret historical textbook tables without calling them current.

Chapter Glossary

Term	Simple Meaning
Economic Growth	Long-term quantitative increase in real output and income.
Economic Development	Multidimensional process involving quantitative, qualitative and welfare improvement.
Economic Progress	Improvement in per capita income / economic condition.
Quantitative Change	Increase that can be measured numerically, such as output.
Qualitative Change	Improvement in quality, efficiency, technology or structure.
Per Capita Income	Average income per person.
Real Income	Income measured after removing price-level effects.
PQLI	Physical Quality of Life Index.
Life Expectancy at Birth	Expected average years of life from birth.
Infant Mortality Rate	Infant deaths before age one per 1,000 live births.
HDI	Human Development Index.
PPP	Purchasing Power Parity.
Expected Years of Schooling	Years of schooling a child is expected to receive.
Average Years of Schooling	Average years actually completed by the population.

CHAPTER 2 COMPLETE

Indicators of Growth and Development

SMIT SIR'S FINAL MESSAGE

Do not study this chapter as a list of definitions. Understand the journey: income growth is useful, per capita income improves the measurement, PQLI adds physical welfare, and HDI adds a broader human-development view. Once this ladder is clear, the entire chapter becomes logical.

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