Impact of economic development on quality of life and human happiness: a study on urban socio economic classes of suburban Mumbai

Debjani Banerjee
Vivekanand Education Society’s Institute of management Studies and Research
Mumbai, India

Keywords
Economic development; Quality of Life; Human happiness; Consumption. Gross Domestic Product

Abstract
This paper emphasizes that for a nation to revitalize in terms of development, not only does it need to evaluate in terms of GDP growth rate, but also has to consider the Quality of Life of its citizen and their human happiness. There is strong correlation between macro-economic development parameters like health, education, GDP growth rate and Quality of Life Index, expressed through HDI. It also has correlation with subjective quality of life based on the perception of urban socio economic classes, as measured in this study. The subjective quality of life is studied through five parameters like Quality of house, education, health care, transportation and recreation facilities. Human happiness is evaluated through the perception of respondents towards change in their financial conditions and consumption expenditure influencing their quality of life.

This empirical research through spearman’s rank correlation tried to establish the relationship between macro-economic indicators with the quality of life parameters as perceived by people.

The study was conducted in Mumbai, and its suburban areas with a sample of 850 respondents taken through structured questionnaire, during 2012-13. It was observed from A. T. Kearney’s GRDI report that India was ranking between first five positions, consistently in terms of Modern Trade Retail Business since 2000.

The managerial implication of the study highlights the association of quantitative economic development with larger aspect of human development, for the policy makers to understand the various areas which needs to be taken care to cater towards revitalizing the development of the nation.

1. Introduction
Historically it has been observed through cross country research, that economic development enables societies to improve their quality of life. The past 50 years lessons indicates that different parameters of economic development provides a wider picture reflecting its influence on quality of life and Human happiness. In-order to revitalize, every nation needs to evaluate the quality of life of their human capital understanding their perception and expectation of betterment to attain happiness in life. This would facilitate the public policy makers to understand the need to fulfill attainment of a wider approach of development which is both quantitative and qualitative in nature.

Human Development reflects the position of citizens of a country who are the back bone of a nation. An exploratory study by Srikant Devraj, Sushil Sharma, Michael Hicks and Dagney Faulk, (2014) had brought out its scope, which was much beyond the Human Development Index (HDI). The HDI confines this to healthy life, good education, and a decent standard of living. But it does not encompass various other important dimensions like political freedom, guaranteed human rights, and self-respect. (Ranis, Stewart, and Samman, 2006). Porter (1989) finding which stated that poor quality of human capital resulted in poor economic performance of Italy. Singapore’s remarkable economic development being an outcome of human...
development, as studied by Aahad M. Osman-Cani et al (1998). Mexico’s study by Pedro Flores-Crespo (2007), who applied Amartya Sen’s Capability Approach and observed economic development to have strong relation resulting from improvement in human development.

The Human Development Report has been commissioned by United Nations Development Program (UNDP) since 1990 with an objective of encouraging government, different international organizations and policy makers. This index enables to understand the need of the human capital and measures needed to be adopted to address the different statistical indicators of human development and thus exhibit the relative socio-economic progress of the nation. The dimension of HDI reports have changed over the years, yet the three parameters of health, education and living standard had always remained the focus area (Alkire, 2002, 2010).

The 1990 Human Development Report gave the clear and fundamental articulation of the concept of human development. It was the only report to date to focus on the concepts and measures of Human Development, hence provides the richest introduction of any of the reports. The first Chapter of that report, entitled “Defining and Measuring Human Development”, opens with the idea that, the real wealth of the nation are its People. The basic objective of development should be creation of an environment which would enable its people to live Long, Healthy and Meaningful creative life. This simple truth gets overlooked with the accumulation of financial wealth and commodities (HDI Report 1990).

Human development brings forth the usage and expansion of human capabilities, in the process of production and distribution of commodities. The focus goes on choices about what people should do, have and be, to determine their own livelihood. Human development is, not only concerned with fulfillment of basic needs and satisfaction obtained out of it but also, observe human development as a participatory and dynamic process. There is no difference in its application to less developed and highly developed countries. Sen-Fittousi commission, and the OECD taxonomy on efforts to measure the progress of societies, echo this similar observation (Alkire, 2010).

HDI has an association with the economic development of a nation. Studies have also shown that the perception of people towards anticipation in their change in financial condition over a period of time also influences their consumption. Thus economic development, an anticipation of improved financial condition and better quality of life creates a state of happiness in the mind of the people. Quality of life and people’s perception of human happiness has a strong correlation with the quantitative growth of the nation measured through the gross domestic product (GDP) of any country. In India 67% of GDP comprises of Consumption and that is influenced by people’s standard of living.

This analysis extends the literature in the following ways: First, this paper uses the HDI of India for a period of 10 years and correlates with the quantitative development statistics given by GDP of the nation for the same period. Then the perception towards the quality of life enjoyed by the urban socio economic classes of Mumbai is studied through five parameters like i) the quality of house they live in, ii) the quality of education facility they get, iii) the quality of health care facility available to them, iv) the quality of transportation facility they can avail, v) the means of recreation facility that can be obtained by them. These population’s perception towards their change in consumption and change in financial situation is also studied to understand their quality of life and happiness as perceived by them.

2 A Brief Review of Literature

The concept of Quality of Life (QOL) was developed by Ferrans Carol and Powers in (1984) to measure quality of life in terms of satisfaction of life. The study identified the QOL being expressed as a state of Happiness or unhappiness of an individual from various aspects of day to day living. Thus the basic objective of human development and quality of life is to link all
those external aspects which influences the perception of happiness within an individual. Different studies had taken different approaches to conclude the concept of human well-being. John Finnis as in Alkire(2002) had considered the set of dimensions identified by the Sarkozy Commission on the Measurement of Economic Development and Social Progress led by Stiglitz, Sen and Fitoussi, the Gross National Happiness Index of Bhutan, the categories identified in Voices of the poor, and the categories identified by Ranis, Samman and Stewart as being relevant to measures aspects which were beyond human development.

The history of development research has many distinction between growth and development. Sen( 2000) gives one of its most articulate rationales and states that role of wealth is important in influencing living condition and quality of life. But development needs to consider parameters beyond income related variables. Hence it needs to consider other day to day aspects of life to understand the broader picture of human development.

The concept of human development was established in the United Nation Development Programme’s Human Development Reports. The specific purpose of this body was to establish a broader and complete picture of development which helps in the achievement of growth. It extended this through obtainment of healthy human capital- with good education, health and standard of living. These are the tools through which a person can live happily and add on to the country’s progress.

Development, according to the UN, should have as its basic objective the creation of an environment that would enable its people to live long, healthy and creative lives. The Human Development programme of 1990 also emphasised on the fact of enlarging people’s choice to remain happy.

World-wide every nation’s development is expressed through GDP which is considered to be the measuring yard stick of quantitative growth of the nation, but scholars like Sen (1980) believes that health of a nation lies in the well-being of its human mass. Clark’s report, (Clark, 1980), was based on the “capability approach” of Sen, which explained that the well-being of an individual has focus upon the significance that an individual gives towards capability of achieving the kind of life they have reason to value. Thus it has divergence from the concept of subjective well-being which has utilitarianism or resources as the base of evaluation of good life enjoyed by people. Clark (1980) proposed a life’s capability to be good based on the set of valuable ‘beings and doings’ like being in good health or having loving relationships with others to which they have real access. Subjective Well-Being (SWB) was defined by Diener,( 2009) as the general evaluation of one’s quality of life. The concept has been conceptualized as the three components: (1) a cognitive appraisal that one’s life was good (life satisfaction); (2) experiencing positive levels of pleasant emotions; (3) experiencing relatively low levels of negative moods.

Human Development is about expanding the choices human beings have, to lead life that they value. Which are reflected through various capability sets and are expressed through their quality of living parameters. Different numerical value is given by different country which expresses the rank that the country occupies with respect to others Gaertner & Yonhsheng (2008). Gough et al (2006) stated this concept of Human Development through well-being relating to what people have notionally been able to do and be and what they have actually been able to do and be. Eric, (2008), the philosophical literature refers to the simple notions of well-being, as has been perceived by a person likebenefit, advantage, interest, prudential value, welfare, happiness, flourishing, eudemonia. Shin & Johnson(1978) have defined well-being to be a form of happiness as an individual’s quality of life from their own chosen criteria.

Quality of life has also been stated by Emerson (1985) as the satisfaction of an individual’s values, goals and needs expressed through their actualization based on abilities or lifestyle. This definition is consistent with the conceptualization that satisfaction and wellbeing
stem from the degree of fit between an individual’s perception of their objective situation and their needs or aspirations as observed by Felce & Perry (1995). The World Health Organization observation on Quality of life as stated by Oort (2005) is based on an individual’s perception of their position in life in the context of the culture and value systems in which they live and in relation to their goals, expectations, standards and concerns. It is a broad ranging concept affected in a complex way by the person’s physical health, psychological state, personal beliefs, social relationships and their relationship to salient features of their environment.

Quality of life is a broad concept that incorporates all aspects of life and has been used in a variety of disciplines such as: geography, philosophy, medical sciences, social sciences, health promotion, and advertising. (Oort, Visser, & Sprangers, 2005) Reerell, (1995) who has carried out a large research programme on pain and quality of life, defined quality of life as well-being covering four areas: quality of life in physical, mental, social and spiritual well-being.

The new Socio Economic Class (SEC) was defined by Market Research Society of India (MRSI) in May 2011 for both, Urban and Rural area of India and were categorized under different SEC based on two variables.

i) The education of the Chief Wage Ener (CWE)

ii) The number of “Consumer Durables” owned or used by the family out of 11 items predefined, ranging from Electricity connection to owning of Agricultural land.

Thus 12 Grades have been identified from A1 to E3 based on their educational qualifications and possession of the consumer durables.

All the above mentioned items asked uniformly to every respondent as a standard list of items were used for both cities and villages. An item might appear irrelevant, or too ordinary to be asked but in order to maintain same parity of evaluating parameters all inputs were given equal weightage by this new classification.

The advantage of this new SEC was that it had more discrimination as compared with current systems and comprised of a single system for urban and rural India. The new classification became less subjective- as occupation of the CWE was no longer used. Thus it became simple -easy to answer, not very time consuming, hence easy to classify. The challenge for this classification is that it needs to be better prepared to handle minor changes to the system, because “consumer durables” penetration will change faster than education or occupation. This will give a wider scope to the marketers in expanding their market share in various product category.

Economic Development

Economic development as stated by Sheffrin and Sheffrin (2003) aims toward a policy intervention endeavor for a nation which intends economic and social wellbeing of its people. Economic development is a sustained and concerted action of policy makers striving towards promotion of better living standard and economic health of the nation. The scope of it thus extends towards political economic and social well-being of its population.

The European and Asian proponents have argued economic development to be, government contribution towards transportation, housing, education and health care. Thus the concern of Economic development was towards expansion of people’s entitlement and their corresponding capabilities with the different socio economic indicators like, morbidity, nourishment, literacy, and education, (Todaro and Smith 2011).

Since long the economic development was evaluated with the rising per capita GDP or GNP, which was considered to be the best index to measure the nation’s economic well-being. It was believed that the other basic needs like education and health care would be taken care as a by-product of GDP or GNP growth. But different studies of Morris (1979) Ram 1982, Burket 1985) have changed this approach. Their studies stated that economic growth in national...
accounting terms cannot cover the broader picture of quality of human life. Better economic growth creates an environment in which people develop their full potential, to lead a creative and productive lives as per their needs and choice. Thus human development enlarge’s choice of people, which enables them to expand the accessibility of opportunities to have a long and healthy life, and avail a decent standard of living to lead a life which they value. Their perception towards betterment of financial status increases their consumerism and they feel happy to attain better and higher standard of living.

The QOL index has been developed by Carol, Ferrans and Powers (1984) also on the basis of satisfaction and importance of the various aspects of life. Which emphasized on five broad parameters, and the over-all satisfaction towards life as perceived by an individual. The different areas were health and functioning domain, psychological/ spiritual domain, economic/social domain and that with family. So it can be said that researcher who emphasizes on human development, feels that the satisfaction aspect of an individual towards their life acts as the yard stick to measure their perception towards QOL and not the economic worth alone.

HDI is thus a summary which measures and assessing the long-term progress in three basic dimensions of human development:
  i) a long and healthy life,
  ii) access to knowledge and
  iii) a decent standard of living.

In this research I have tried to find an association of GDP and HDI, to observe type of correlation that exists between economic development measured through GDP (which indicated the material well-being) and HDI which takes human well-being. Apart from that the research included five components of life, like house they live-in, education facility they can avail, health care facility that can be availed by the sample population, transportation facility available to them and the access to means of recreation available to them. The expense budget of an average consumer are made towards house, health care, education, transportation and recreation once their basic needs are fulfilled, as they obtain better satisfaction with these consumption expenditure which has been observed from the various studies done by Deaton and Muellbauer(1980); Pollak and Wales (1978); Phaneuf, Kling, and Herriges(2000); Kockelman(2001);Blanciforti, Green and King (1982); Mann (1980). These increased consumption signifies movement towards higher needs and attainment of better standard of living, which happens to be the third parameter of HDI identification, influencing Quality of living of an individual. Similar correlation has been found in this study also. The variables studied in the above researches enables to identify the five areas this paper would be focusing to understand quality of life of people.

3. Research Methodology-

In this study the researcher has focused on an exploratory research, based on convenience sampling technique. The objectives were framed based on reviewed literature of past researches across globe and the published data set provided by various bodies like NCAER, ICRIER, CII, KPMG, CRISIL, Mckinsey, Ernst & Young, and the data published on economic development and Human development Index, by Government of India, between 2000 and 2010. Thus hypothesis were formulated to have new interpretation of existing facts. This study focused on these variables to understand the current economic condition, their expectations and perception towards quality of life
  (i) Mode of transportation for regular shopping.
  (ii) Has the financial condition of household changed within a year.
  (iii) Expectation of change of financial status of household within a year.
(iv) Perception of QOL from perspective of housing, education, health care facility, transportation facility, access to recreation.

(v) Perception of correlation of individual living condition with economic development.

(vi) Perception of association of economic growth with social welfare.

Hypothesis Framing

Relationship of Economic Development with Quality of Life i.e Human Happiness

- **H01**: There is no relationship between economic development and quality of life
- **Ha1**: There is positive correlation between economic development and quality of life.
- **H02**: There is no relationship between economic development and human happiness
- **Ha2**: There is positive relationship between economic development and human happiness.

4. Analysis and Findings

**H0**: There is no relationship between economic development and quality of life

**Ha1**: There is positive correlation between economic development and quality of life.

In order to prove the relationship between Economic development and Quality of life, First the secondary data obtained from GDP indicator for analyzing economic development is taken and its correlation is tested with HDI data which indicates QOL through three approaches, Health, Education and Standard of living.

Majority of the correlations are found significant (Except for GDP world bank and GDP Per Capita Current). Majority correlations are also showing strong positive correlations between variables. Hence it can be concluded that there is positive correlation between Economic Development and QOL.

**Table 1: Correlation of GDP and HDI**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Pearson Correlation</th>
<th>HDI_INdia</th>
</tr>
</thead>
<tbody>
<tr>
<td>MPCE</td>
<td>.903**</td>
<td>.007</td>
</tr>
<tr>
<td>Sig. (1-tailed)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Food</td>
<td>.779**</td>
<td>.034</td>
</tr>
<tr>
<td>Sig. (1-tailed)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Nonfood</td>
<td>.962**</td>
<td>.001</td>
</tr>
<tr>
<td>Sig. (1-tailed)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>GDP_GF</td>
<td>.671</td>
<td>.072</td>
</tr>
<tr>
<td>Sig. (1-tailed)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>GDP_RBI</td>
<td>.435</td>
<td>.174</td>
</tr>
<tr>
<td>Sig. (1-tailed)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>GDP_WBank</td>
<td>.172</td>
<td>.356</td>
</tr>
<tr>
<td>Sig. (1-tailed)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>GDP_PC_Current</td>
<td>.907**</td>
<td>.002</td>
</tr>
<tr>
<td>Sig. (1-tailed)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>GDP_PC_2000</td>
<td>.951**</td>
<td>.000</td>
</tr>
<tr>
<td>Sig. (1-tailed)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>GDP_PC_PPP</td>
<td>.955**</td>
<td>.000</td>
</tr>
<tr>
<td>Sig. (1-tailed)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>7</td>
<td></td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level (1-tailed).**

*Correlation is significant at the 0.05 level (1-tailed).*

Thus it’s proved that there is positive and strong association with economic development expressed through quantitative approach of GDP and the quality of life as estimated through HDI. Hence the null hypothesis is rejected and alternative hypothesis accepted.
To identify if economic development has positive association with human happiness. –17, 18, 22, 24,

In order to study the relationship between Economic growth and Social welfare, the variables which measures the Economic growth are identified as Q17 (How is the financial situation of your household now, compared to what it was 12 months ago? ) Q18 (How do you think the financial position of your household will change over the next 12 months? ) Q 22 Up to what extent is the increase in your consumption directly proportional to the increase in your earnings? Q 24 (Do you agree that quality of life with reference to living conditions has improved with the improvement in Indian Economy?) The Social Welfare is measured from Quality of life which is measured from five variables- with individual respondents perception towards their own quality of life as the feel from the house they live in, education facility, health care facility available, transportation facility prevailing and the means to recreation available.

**H₀₂ : There is no relationship between economic development and human happiness**

**Hₐ₂ : There is positive correlation between economic development and human happiness.**

The correlation between Q 17 (How is the financial situation of your household now, compared to what it was 12 months ago? ) and Q 18 (How do you think the financial position of your household will change over the next 12 months? ) and (Quality of life shows positive correlation. Hence as the financial situation of the household increases their quality of life also increases.

The Q 22 and Quality of life have negative correlations. It indicates that whenever the consumption pattern increases in direct proportions their quality of life also increases.

The Q 24 and Quality of life have positive correlations. It indicates that whenever the agreement on quality of life with reference to living conditions has improved with the improvement in Indian Economy increases from strongly agree to strongly disagree, the QOL increases from poor to good

Table 2: Correlation of Economic Development and Quality Of Life

<table>
<thead>
<tr>
<th>Spearman's rho</th>
<th>Quality of house you live in</th>
<th>Quality of Educational facility</th>
<th>Quality of available health care facility</th>
<th>Quality Of access to transportaion facility</th>
<th>Quality of access to recreation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q17 Correlation Coefficient</td>
<td>.079*</td>
<td>.031</td>
<td>.024</td>
<td>.066</td>
<td>.072*</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.022</td>
<td>.370</td>
<td>.476</td>
<td>.056</td>
<td>.035</td>
</tr>
<tr>
<td>Q18 Correlation Coefficient</td>
<td>.069*</td>
<td>.051</td>
<td>.011</td>
<td>.000</td>
<td>.034</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.046</td>
<td>.139</td>
<td>.741</td>
<td>.988</td>
<td>.316</td>
</tr>
<tr>
<td>Q 22 Correlation Coefficient</td>
<td>-.024</td>
<td>-.008</td>
<td>-.015</td>
<td>.030</td>
<td>-.060</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.490</td>
<td>.818</td>
<td>.669</td>
<td>.379</td>
<td>.082</td>
</tr>
<tr>
<td>Q24 Correlation Coefficient</td>
<td>.138**</td>
<td>.133**</td>
<td>.154**</td>
<td>.142**</td>
<td>.236**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
</tbody>
</table>

5. Discussion and Summery

Economic development enormously influences living standard of people but as suggested by Sen (2000) GDP or GNP cannot act as an end in itself. On the contrary the means generated through this should be utilized for things people value. The relationship of economic development and advancement of living standard is greatly based on how public revenue is utilized keeping in mind social cause.
Quantitative and qualitative growth needs to go hand in hand and facilitate each other, this study focused to find out this association. Hence the quantitative data of economic development from GDP was studied to observe its association with HDI data. Similarly to understand the perception of people towards their living condition, five aspects of living was studied. When the perception of the respondents was analyzed, observation showed that 54.9% of the sample respondents believed that their financial position had improved within a span of 12 months and 64.1% expressed that they expected yet more improvement in the next 12 months span. 74.6% of the respondents either agreed or strongly agreed that their QOL had changed in 12 months span. In terms of their living standard as measured through their quality of house they lived in, 73.2% of population expressed it to be good and 26.1% sample felt it was moderate. 79.9% of respondents expressed that they had good education facility, 21.9% found it to be moderate. 71.6% of the respondents found their health care facility to be good, while 25.4 found it to be of moderate level. 61.4% of the population expressed transportation facility to be good, while 32.5% observed this facility of moderate standard. 40.4% of the respondents expressed access to recreation facility to be good, while 47.8% observed it to be of moderate quality. Consumerism is an outcome of increased income and observed in nations having healthy development. Almost 84% of the population sample also indicated that they consider consumption to be important to improve quality of life. It has been observed that consumption was more compared to increase in income, so they were more disproportional in correlation to increase in income. 60.8% of the sample population expressed that their quality of life with reference to living standard has improved with the improvement in Indian Economy.

The study thus established that as a nation develops in terms of material wealth expressed through GDP, it creates a positive impact in influencing the human development. India observed a rising trend in its GDP and its HDI index also went on rising showing positive association. The sample population had positive expectation from this development as they expressed their living standard to go up with the development of the nation. Even their current living condition in terms of the five variables studied showed positive association with economy’s development.

6. Further Scope Of Research

Based on the findings of the study, future research may replicate the same model using a different data set of other metro and tier two cities to observe if any change occurs with the change of SEC (Socio Economic Class). It will be interesting to test the same model using data on other states.

Future research may also consider using different indicators like environment, observe impact due to access of Information technology, wealth, technological diffusion, and environmental quality in addition to other indicators to capture the human development construct.

More over this study was done during 2012-13, the period when India was ranking within first five position as per A.T.Kearney’s Global Retail Development Index (GRDI) report. The scenario has changed hence a further study can understand what new changes in policy implementation is required.

References


