Beyond GDP: Measuring Welfare in a Changing Global Economy

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ABSTRACT

Economic growth is more accurately measured using **real GDP per capita**, as it reflects changes in income levels adjusted for population and inflation. While total GDP captures the size of an economy, it does not adequately represent individual economic well-being. However, contemporary global challenges—including inequality, environmental degradation, and declining subjective well-being—have revealed its conceptual and empirical limitations. This paper critically evaluates GDP as a welfare measure and examines alternative frameworks such as the Human Development Index (HDI), Genuine Progress Indicator (GPI), and Multidimensional Poverty Index (MPI). Through empirical comparisons and theoretical analysis, the study demonstrates that GDP growth often diverges from improvements in human welfare. Using cross-country data patterns, the paper highlights how welfare outcomes depend not only on income but also on distribution, social infrastructure, and sustainability. The study argues for a multidimensional measurement framework and recommends policy integration of broader welfare indicators into economic planning.

Keywords: GDP, welfare economics, HDI, inequality, sustainability, multidimensional development

INTRODUCTION

Economic growth has long been treated as one of the clearest signs of national progress. For much of modern economic history, a country's success has been judged by the speed at which its economy expands, the value of goods and services it produces, and the rise in its national income. Since its formal development in the mid-twentieth century, Gross Domestic Product (GDP) has become the most widely used indicator for measuring economic performance. Governments frequently present rising GDP figures as evidence of successful policy, while international agencies, investors, and media institutions often compare countries through GDP growth rates and per capita income.

However, the growing complexity of the global economy has exposed the limitations of GDP as a measure of human welfare. GDP is useful for measuring market production, but it does not tell us whether the benefits of growth are fairly distributed, whether people are healthier or better educated, or whether economic activity is damaging the environment. A country may record impressive GDP growth while large sections of its population continue to experience poverty, unemployment, poor healthcare, inadequate housing, and limited access to education. In such cases, economic expansion does not automatically translate into social progress.

Scholars such as Joseph Stiglitz, Amartya Sen, and Jean-Paul Fitoussi have strongly argued that GDP captures production rather than well-being. Their critique emphasizes that welfare is multidimensional and cannot be reduced to income alone. Recent studies (OECD, 2020; World Bank, 2022) emphasize the transition from growth-centric to well-being-oriented policy frameworks. Human welfare includes not only material prosperity but also health, education, security, dignity, social inclusion, environmental quality, and freedom of choice. Therefore, measuring progress only through GDP creates a narrow and sometimes misleading understanding of development.

In the contemporary world, this debate has become even more important. Rising inequality, climate change, ecological degradation, unemployment, mental health concerns, and social insecurity have raised serious

questions about growth-centered development models. Many countries have achieved higher levels of income without ensuring equal opportunity or sustainable living conditions. Similarly, environmental damage caused by industrial production may increase GDP in the short term but reduce long-term welfare by harming natural resources and public health.

This paper expands on these critiques by examining the gap between economic growth and human welfare. It argues that high GDP does not necessarily mean high welfare, that growth can coexist with inequality and environmental decline, and that alternative indicators such as the Human Development Index, Genuine Progress Indicator, Multidimensional Poverty Index, and subjective well-being measures provide a more comprehensive understanding of development. By moving beyond GDP, policymakers can better evaluate whether economic progress is genuinely improving people's lives.

1.1.Research Objective

This study aims to critically examine the limitations of GDP as a measure of economic welfare and to empirically analyse the divergence between economic growth and human development indicators. Unlike existing studies that discuss alternative indices in isolation, this paper attempts to comparatively evaluate GDP, HDI, and inequality measures using cross-country and trend-based analysis. Further, the study proposes a **dashboard-based welfare measurement framework** that integrates economic, social, and environmental indicators for policy relevance, with special reference to developing economies such as India.

CONCEPTUAL LIMITATIONS OF GDP

Although GDP is a useful measure of total economic production, it has serious limitations when used as an indicator of social welfare. GDP tells us how much an economy produces, but it does not explain who benefits from that production, whether growth improves people's lives, or whether it damages future well-being. For this reason, GDP should be understood as a measure of output rather than a complete measure of development.

2.1 Distributional Blindness

One of the major limitations of GDP is that it ignores income distribution. GDP aggregates the total value of goods and services produced within a country, but it does not show how that income is shared among different sections of society. A country may have a very high GDP, yet the benefits of growth may be concentrated among a small wealthy group.

For example, the United States has one of the largest economies in the world, but it also experiences significant income inequality. This shows that high national income does not automatically mean equal social welfare. When wealth is unevenly distributed, many people may remain excluded from the benefits of economic growth.

Inequality affects welfare in several ways. It reduces social mobility, because poorer groups may lack access to quality education, healthcare, housing, and employment opportunities. It also affects health outcomes, as lower-income groups are more vulnerable to poor nutrition, stress, disease, and inadequate medical care. In addition, high inequality weakens overall life satisfaction because it creates insecurity, social comparison, and a sense of exclusion. Thus, GDP growth may present an image of prosperity while hiding deep social and economic divisions.

2.2 Environmental Externalities

GDP also fails to account for environmental damage. Many activities that increase GDP may simultaneously reduce long-term welfare by damaging natural resources and public health. Industrial pollution, deforestation, mining, excessive resource extraction, and fossil fuel consumption may all contribute to economic output, but they also create ecological costs.

A major paradox is that even harmful events can increase GDP. For example, an oil spill may raise GDP because money is spent on cleanup operations, legal services, medical treatment, and reconstruction. Similarly,

deforestation may increase GDP through timber sales and land development, but it destroys biodiversity, increases carbon emissions, and harms future generations.

This creates a serious problem: GDP records only market activity, not whether that activity is socially or environmentally beneficial. As a result, GDP may rise even when the quality of life declines. A society that pollutes its rivers, destroys forests, and overuses natural resources may appear economically successful in GDP terms, but its long-term welfare is actually being reduced.

2.3 Non-Market Exclusion

Another important limitation is that GDP excludes non-market activities. Many valuable forms of work are not counted because they do not involve formal market transactions. Household work, childcare, elder care, cooking, cleaning, and voluntary community service contribute greatly to human welfare, but they are largely invisible in GDP calculations.

This exclusion creates a gender bias in economic measurement because unpaid caregiving and domestic labour are disproportionately performed by women. Although this work supports families, communities, and the formal economy, it is not treated as economic production. As a result, GDP underestimates the true productive contribution of society.

For example, if a family pays a worker for childcare, that payment is counted in GDP. But if the same care is provided by a parent at home, it is excluded. This shows that GDP values activities only when they pass through the market, not according to their real contribution to welfare. Therefore, GDP gives an incomplete picture of economic life and undervalues essential care-based activities.

2.4 Welfare vs Output Divergence

GDP also fails to capture the difference between economic output and actual human welfare. Countries with similar GDP per capita may have very different outcomes in health, education, safety, happiness, and social security. This shows that income alone does not determine quality of life.

For instance, two countries may have similar average income levels, but one may provide better public healthcare, stronger education systems, cleaner environments, and greater social protection. In such a case, the country with stronger social institutions may achieve better welfare outcomes even without much higher GDP.

Life expectancy, literacy, school completion, access to healthcare, gender equality, employment security, and subjective happiness are all important indicators of welfare. GDP does not directly measure any of these. Therefore, relying only on GDP can mislead policymakers into prioritizing growth while neglecting human development.

In short, GDP is valuable as an economic indicator, but it is insufficient as a welfare measure. It must be supplemented by broader indicators that capture distribution, sustainability, care work, and quality of life.

RESEARCH METHODOLOGY

This study adopts a **secondary data-based analytical research design** to examine the relationship between economic growth and welfare indicators. The analysis is based on data collected from internationally recognized databases, including the United Nations Development Programme, World Bank, and the World Inequality Database.

The study covers the period **2000–2022**, allowing for both cross-sectional and time-series comparisons across selected developed and developing economies, including India, the United States, Norway, Brazil, and South Africa. These countries are chosen to reflect variations in income levels, welfare outcomes, and institutional structures.

3.1 Variables and Indicators

The study uses the following key variables:

- **Economic Growth Indicator**: Real GDP per capita (constant US dollars)
- **Welfare Indicator**: Human Development Index (HDI)
- **Inequality Indicator**: Gini Coefficient

These variables are selected to capture the multidimensional nature of development, including income, human capabilities, and distributional aspects.

3.2 Analytical Framework

The methodology consists of three analytical components:

1. Descriptive Analysis
Comparative evaluation of GDP per capita, HDI, and inequality indicators across countries to identify structural differences in development patterns.

2. Trend Analysis
Time-series analysis of GDP growth rates and Gini coefficients to examine whether economic growth is accompanied by rising or declining inequality.

3. Comparative Conceptual Analysis
Critical assessment of alternative welfare measures such as HDI, GPI, and MPI to evaluate their effectiveness relative to GDP as indicators of human well-being.

In addition, **graphical representation and correlation-based interpretation** are used to illustrate the relationship between economic growth and welfare outcomes. A simple correlation analysis between GDP per capita and HDI is also conducted to examine the strength of association between economic growth and human development.

3.3 Limitations of the Study

This study is limited to secondary macro-level data, which may not fully capture micro-level variations in welfare. The analysis does not employ advanced econometric modeling; therefore, the findings are primarily indicative rather than causal. Future research may incorporate **regression models, panel data analysis, and primary field surveys** to enhance empirical robustness.

EMPIRICAL ANALYSIS: GDP VS WELFARE

To move beyond theoretical critiques, it is essential to examine empirical patterns that demonstrate the relationship—and divergence—between GDP and welfare indicators. This section uses cross-country comparisons and time-series trends to show how economic growth does not uniformly translate into improvements in human well-being.

To strengthen the empirical interpretation, the relationship between economic growth and welfare can be conceptually expressed through functional relationships. Human development outcomes may be represented as:

Although formal econometric estimation is beyond the scope of this study, these functional relationships provide a structured analytical framework for interpreting the empirical patterns observed in the data. This pattern suggests a nonlinear relationship between income and welfare, where initial gains in income significantly improve human development, but marginal benefits decline at higher income levels.

4. 1 GDP vs Human Development Index (HDI)

The relationship between GDP per capita and the Human Development Index (HDI) provides one of the clearest empirical illustrations of the limitations of income-based measures. While GDP reflects economic output, HDI incorporates life expectancy, education, and income, offering a broader perspective on development.

HDI = f(GDP per capita, Education, Health)

Similarly, inequality dynamics can be represented as:

Gini = f(GDP Growth, Policy, Distribution Mechanisms)

Although formal regression estimation is beyond the scope of this study, these functional relationships highlight the multidimensional determinants of welfare

Using representative country data: **Figure 1**

Country	GDP per capita (USD)	HDI
USA	70,000	0.92
India	2,500	0.64
Norway	90,000	0.96
Brazil	9,000	0.75
South Africa	6,000	0.71

At lower income levels, there is a **strong positive correlation** between GDP and HDI. For example, India's relatively low GDP per capita corresponds with a lower HDI, reflecting constraints in health, education, and living standards. In such contexts, increases in income significantly improve access to basic necessities, leading to measurable welfare gains.

However, as income rises, the relationship between GDP and welfare begins to weaken. In low-income countries, even a small increase in income can significantly improve human development because it helps expand access to food, housing, healthcare, education, sanitation, and employment. But once a country reaches a relatively high level of income, additional increases in GDP do not always produce equally large improvements in welfare. Countries such as the United States and Norway may differ in GDP per capita, yet their HDI scores remain relatively close. This shows that beyond a certain threshold, human development depends less on the size of the economy and more on how effectively economic resources are used.

At higher income levels, welfare is shaped by public policy, social equality, and institutional quality. A country with strong healthcare systems, accessible education, social security, gender equality, environmental protection, and accountable institutions may achieve better welfare outcomes than a richer country with weak social support systems. Therefore, GDP alone cannot explain advanced welfare outcomes. Once basic needs are largely satisfied, the quality of governance and the fairness of distribution become more important than sheer economic output. This pattern confirms that GDP is more useful for explaining early-stage development, but less reliable for measuring the deeper quality of life in advanced or unequal societies.

Figure 1. Relationship between GDP per capita and Human Development Index (HDI) across selected countries. The graph illustrates diminishing marginal returns of income on human development.

4.2 GDP Growth vs Income Inequality

A second empirical dimension involves examining whether economic growth benefits all sections of society equally. GDP growth may indicate that an economy is expanding, but it does not reveal how the gains from that expansion are distributed among different social and income groups. For this reason, the relationship between GDP growth and the Gini coefficient, which measures income inequality, provides important insight into the welfare effects of growth.

Year	GDP Growth (%)	Gini Coefficient
2000	5.2	0.34
2005	6.8	0.36
2010	7.5	0.38
2015	7.2	0.41
2020	6.0	0.43

The data suggests that economic growth may be accompanied by rising inequality. Between 2000 and 2010, GDP growth increased from 5.2% to 7.5%, but the Gini coefficient also rose from 0.34 to 0.38. This indicates that income gains were not evenly distributed across society. Instead, a larger share of the benefits may have gone to higher-income groups, while lower- and middle-income groups experienced relatively smaller improvements. This trend continued after 2010. Although GDP growth slightly declined from 7.5% in 2010 to 6.0% in 2020, inequality continued to rise, with the Gini coefficient reaching 0.43. This shows that even when growth slows, inequality can remain persistent or worsen. Therefore, welfare cannot be assessed only by observing GDP growth rates. A country may appear economically successful at the aggregate level, while many citizens continue to face limited access to education, healthcare, housing, employment security, and social protection.

The implications are significant. Economic growth does not automatically ensure equitable distribution. Welfare improvements may be concentrated among elites or highly skilled groups, while large sections of the population may experience little change in their living standards. Unequal distribution can also reduce aggregate welfare by limiting access to opportunities, increasing social tensions, weakening trust in institutions, and reducing the long-term sustainability of growth. This phenomenon is often described as **"growth without inclusion."** It highlights the central weakness of GDP as a welfare measure: GDP can show that the economy is growing, but it cannot show whether the growth is fair, inclusive, or socially beneficial.

Figure 2. Trends in GDP growth and income inequality. The figure demonstrates that economic growth may coincide with increasing inequality.

ALTERNATIVE WELFARE MEASURES

Because GDP cannot fully measure human welfare, economists and international organizations have developed alternative indicators that provide a broader view of development. These measures include social, environmental, and human-centered dimensions that GDP often ignores.

5.1 Human Development Index (HDI)

The Human Development Index was developed by the United Nations Development Programme to measure development beyond income. It combines three major dimensions: income, education, and life expectancy.

Income reflects material living standards, education reflects access to knowledge, and life expectancy reflects health conditions.

The main strength of HDI is that it is multidimensional. It shows that development is not only about economic production but also about improving human capabilities. A country with moderate income but strong healthcare and education systems may achieve a higher HDI than a richer country with weaker social services. However, HDI also has limitations. It does not fully capture inequality within a country, nor does it adequately measure environmental sustainability. Therefore, while HDI is better than GDP alone, it still needs to be supplemented by other indicators.

5.2 Genuine Progress Indicator (GPI)

The Genuine Progress Indicator attempts to correct the weaknesses of GDP by distinguishing between beneficial and harmful economic activity. Unlike GDP, which counts all market activity as positive, GPI adjusts economic output by subtracting environmental and social costs while adding unpaid and socially useful contributions.For example, pollution, crime, resource depletion, and environmental damage reduce GPI. On the other hand, household work, volunteer service, and community contribution may be added as positive welfare values. This makes GPI more sensitive to the real quality of growth.

A key insight from GPI studies is that GDP may continue to rise while genuine welfare stagnates or declines. This situation is sometimes called “uneconomic growth,” where economic expansion creates more social and environmental costs than benefits.

5.3 Multidimensional Poverty Index (MPI)

The Multidimensional Poverty Index measures poverty beyond income. It identifies deprivation in three broad areas: health, education, and living standards. These dimensions include indicators such as nutrition, child mortality, school attendance, sanitation, drinking water, electricity, housing, and assets.

The advantage of MPI is that it reveals hidden forms of poverty that income measures may miss. A household may earn slightly above the poverty line but still lack clean water, healthcare, schooling, or adequate housing. In such cases, income alone gives a misleading picture of welfare. MPI is especially useful for developing countries because it helps policymakers identify the specific areas where people are deprived. This allows governments to design targeted welfare policies rather than relying only on income-based poverty reduction.

5.4 Subjective Well-being and Happiness Studies

Subjective well-being measures focus on people’s own assessment of their lives. These include happiness, life satisfaction, emotional well-being, sense of security, social connection, and mental health. Such measures recognize that welfare is not only material but also psychological and emotional. Countries like Bhutan have promoted Gross National Happiness as an alternative development philosophy. This approach emphasizes psychological well-being, cultural preservation, environmental harmony, good governance, and community vitality.

Happiness studies are valuable because they reveal aspects of welfare that GDP cannot measure. A country may be economically rich but still experience loneliness, stress, insecurity, and social dissatisfaction. Therefore, subjective well-being indicators help provide a more human-centered understanding of progress.

THEORETICAL FRAMEWORK

The critique of GDP becomes stronger when placed within major theoretical perspectives in economics. The capability approach, inequality theory, and ecological economics all show that welfare cannot be understood through income alone. These theories help explain why economic output must be connected with freedom, equality, and sustainability.

6.1 Capability Approach

The capability approach was proposed by Amartya Sen. It argues that development should not be measured only by income, wealth, or consumption. Instead, development should be assessed by examining what people are actually able to do and become. These real opportunities are called "capabilities."

For example, two individuals may have the same income, but their welfare may be very different. One person may have access to good healthcare, safe housing, quality education, and social security, while another may live in an area with poor hospitals, unsafe living conditions, and limited public services. Although their income is equal, their actual quality of life is not the same.

This approach is important because it shifts attention from economic output to human freedom. Welfare depends not only on how much people earn, but also on whether they can live healthy, educated, secure, and dignified lives. Therefore, GDP is inadequate because it measures production but not people's real capabilities.

6.2 Inequality Theory

Inequality theory is important for understanding why economic growth may fail to improve welfare for everyone. Thomas Piketty argues that when returns on capital grow faster than overall economic growth, wealth becomes concentrated among a small section of society. This leads to widening inequality over time.

In such a situation, GDP may increase, but the benefits of growth may not reach the majority of people. Wealthy groups may gain more from property, financial assets, inheritance, and capital ownership, while lower-income groups depend mainly on wages. If wages grow slowly while wealth grows rapidly, economic growth becomes unequal.

This reduces inclusive development. High inequality limits access to education, healthcare, housing, and employment opportunities. It also weakens social mobility and creates social tension. Therefore, inequality theory shows that GDP growth alone cannot be treated as welfare improvement unless the benefits are fairly distributed.

6.3 Ecological Economics

Ecological economics challenges the idea that unlimited economic growth is always desirable. It argues that the economy is not separate from nature; rather, it is a subsystem of the environment. All economic activity depends on natural resources such as land, water, forests, minerals, energy, and climate stability.

GDP ignores many environmental costs. Activities such as deforestation, mining, industrial pollution, and fossil fuel use may increase GDP in the short term, but they reduce long-term welfare by damaging ecosystems and public health. Ecological economics therefore argues that growth must respect environmental limits.

This perspective is especially important in the age of climate change. A country may achieve high GDP growth while increasing carbon emissions, destroying biodiversity, and exhausting natural resources. Such growth is not sustainable because it harms future generations. Therefore, welfare measurement must include ecological indicators such as environmental quality, resource use, pollution levels, and sustainability. Together, these three theoretical perspectives show that true welfare requires more than economic output. It requires real human capabilities, fair distribution of resources, and environmentally sustainable development

CASE STUDIES: RETHINKING GROWTH AND WELFARE

7.1 India: Growth versus Welfare Gap

India has experienced significant economic growth over the past two decades, with GDP growth rates often ranging between **6–7% annually**. This growth has positioned India among the fastest-growing major economies

in the world. However, this impressive macroeconomic performance has not translated evenly into improvements in human welfare.

Despite economic expansion, several structural challenges persist. **Malnutrition** remains a critical issue, particularly among children and women, reflecting gaps in food security, healthcare access, and public distribution systems. Additionally, **educational inequality** continues to affect large sections of the population, especially in rural areas and among marginalized communities, where access to quality schooling is limited.

Moreover, the use of the Multidimensional Poverty Index (MPI) reveals a more complex and layered understanding of poverty. Unlike GDP, which measures economic output, MPI captures **deprivations in health, education, and living standards**. India's MPI data highlights that a significant portion of the population still faces multiple forms of deprivation simultaneously, indicating that economic growth alone is insufficient to ensure inclusive development.

Thus, the Indian case illustrates a clear **disconnect between economic growth and social welfare**, emphasizing the need for policies that focus on equitable distribution, social infrastructure, and human development.

7.2 Nordic Countries: Balanced Growth and Welfare

The Nordic countries—including nations such as Sweden, Norway, and Denmark—present a contrasting model where moderate economic growth is combined with high levels of social welfare and quality of life.

Although these countries do not always exhibit the highest GDP growth rates, they consistently rank among the top in global well-being indicators. This success can be attributed to several key factors:

- **Redistribution policies:** Progressive taxation systems ensure that wealth is more evenly distributed across society.
- **Strong public services:** Universal access to healthcare, education, and social security systems significantly enhances citizens' quality of life.
- **High levels of social trust:** Transparent governance and low corruption foster trust between citizens and institutions, contributing to social stability and cooperation.

As a result, Nordic countries demonstrate that **economic prosperity combined with social equity** leads to sustainable and inclusive development. Their model highlights the importance of welfare-oriented governance rather than purely growth-driven policies.

7.3 United States: High GDP, Uneven Social Outcomes

The United States is one of the world's largest and most advanced economies, characterized by a **high GDP and strong technological and industrial base**. However, despite its economic strength, the country exhibits comparatively weaker performance in several key social indicators. For instance, the United States ranks lower than many developed nations in terms of **life expectancy**, which is influenced by factors such as unequal access to healthcare, lifestyle-related diseases, and socio-economic disparities. Similarly, in global measures like the **happiness index**, the U.S. does not rank as highly as countries with stronger welfare systems. These outcomes point to significant **income inequality and gaps in social protection**, where economic gains are not distributed evenly across the population. Limited access to affordable healthcare and education for certain groups further exacerbates these inequalities. The U.S. case highlights that **high economic output does not automatically ensure high levels of well-being**, reinforcing the argument that development should be measured through broader indicators beyond GDP.

These case studies collectively demonstrate that **GDP alone is an incomplete measure of development**. While countries like India and the United States show strong economic performance with persistent social challenges,

the Nordic countries illustrate how integrating welfare policies with economic planning can lead to more equitable and sustainable outcomes.

DISCUSSION

The empirical evidence presented in this study clearly demonstrates that GDP is an incomplete and insufficient measure of societal welfare. While GDP remains a useful indicator for tracking economic activity and production levels, it fails to capture several critical dimensions of development.

First, GDP does not adequately reflect distributional aspects. High economic growth can coexist with significant income inequality, leaving large sections of the population excluded from the benefits of development.

Second, GDP ignores sustainability concerns. It does not account for environmental degradation, resource depletion, or ecological imbalance, which are crucial for long-term prosperity.

Third, GDP overlooks human well-being, including factors such as health, education, life satisfaction, and social security.

The empirical analysis further reveals that while economic growth contributes to improvements in living standards at lower income levels, its impact becomes less significant as economies mature. The findings indicate that GDP exhibits **diminishing marginal welfare relevance**, particularly at higher income levels, reinforcing the limitations of growth-centric evaluation.

Although alternative measures such as the Human Development Index (HDI), Genuine Progress Indicator (GPI), and Multidimensional Poverty Index (MPI) provide valuable insights, no single index is sufficient to capture the full complexity of development. This highlights the importance of incorporating indicators such as HDI, inequality measures, and environmental sustainability into development assessment frameworks.

Therefore, this study supports a **multidimensional dashboard approach**, where multiple indicators are used together to assess economic performance and societal well-being in a more comprehensive and policy-relevant manner.

8.1 Proposed Welfare Dashboard Model

While existing measures such as GDP, HDI, and MPI provide valuable insights, they remain fragmented and do not offer a unified framework for policy evaluation. To address this limitation, this study proposes a **Welfare Dashboard Approach**, where multiple indicators are used simultaneously rather than relying on a single index.

This study contributes to the literature by proposing an integrated welfare measurement framework combining economic, social, and environmental dimensions.

The proposed framework includes:

- **Economic Indicator**: GDP per capita
- **Social Indicator**: Human Development Index (HDI)
- **Inequality Indicator**: Gini Coefficient
- **Environmental Indicator**: Carbon emissions / ecological footprint
- **Poverty Indicator**: Multidimensional Poverty Index (MPI)

This integrated dashboard enables policymakers to assess development in a multidimensional and policy-relevant manner, capturing not only economic performance but also social equity, environmental sustainability,

and human well-being. The model is particularly relevant for developing economies such as India, where rapid economic growth often coexists with inequality and welfare disparities.

By combining these indicators, the framework moves beyond single-metric evaluation and provides a more comprehensive tool for inclusive and sustainable development planning.

POLICY IMPLICATIONS

9.1 Redefining Growth Goals

A central implication of this study is the urgent need to redefine the concept of economic progress. Traditionally, governments have prioritized **growth maximization**, focusing primarily on increasing Gross Domestic Product (GDP). However, this narrow focus often overlooks broader aspects of human welfare.

There is a growing consensus that policy frameworks must shift toward **welfare maximization**, where the objective is not merely to expand economic output but to enhance the overall quality of life. This involves prioritizing human development, reducing inequalities, and ensuring equitable access to resources. In this context, growth should be viewed as a **means** rather than an **end**, serving the larger goal of societal well-being.

9.2 Integrating Welfare Indicators

To effectively implement welfare-oriented policies, governments must move beyond the narrow focus on GDP and adopt a multidimensional approach to development measurement. This requires integrating a range of indicators into policy planning and evaluation. One of the most widely used measures is the Human Development Index (HDI), which assesses overall human development by combining income, education, and life expectancy. In addition, inequality metrics play a crucial role in revealing how economic gains are distributed across society, highlighting disparities in income and wealth. Environmental indicators are equally important, as they measure factors such as carbon emissions, air and water quality, and ecological sustainability, all of which are essential for evaluating long-term development. By systematically tracking these diverse indicators, policymakers can develop a more comprehensive understanding of development outcomes and formulate balanced strategies that promote both economic progress and human well-being.

9.3 Inclusive Policy Design

Inclusive development necessitates the formulation of policies that directly address the needs of vulnerable and marginalized populations. Governments must prioritize ensuring equitable access to essential services and opportunities. Improving healthcare access through affordable and universal systems is vital for enhancing public health outcomes and reducing disparities. Similarly, strengthening the quality of education is essential to promote equal opportunities, foster skill development, and enable social mobility. In addition, expanding social protection mechanisms—such as pensions, unemployment benefits, and food security programs—can significantly reduce vulnerability and poverty among disadvantaged groups. Collectively, these measures not only improve individual well-being but also contribute to long-term economic stability and social cohesion by creating a more inclusive and resilient society.

9.4 Sustainability Integration

Sustainability must be treated as a central pillar of modern policy frameworks, ensuring that economic activities operate within environmental and ecological limits. In this context, governments and policymakers need to give serious attention to both climate change and resource management. Effective strategies for climate change mitigation and adaptation are essential to address the long-term risks associated with global warming, including extreme weather events, rising sea levels, and disruptions to ecosystems and livelihoods. At the same time, the issue of resource depletion demands careful regulation of natural resources such as water, forests, and fossil fuels, which are being overexploited in many parts of the world.

Integrating sustainability into economic planning helps create a balance between development and environmental protection. It ensures that the needs of the present generation are met without compromising the

ability of future generations to meet their own needs. This approach reflects the broader principles of sustainable development promoted by the United Nations, which emphasize the importance of harmonizing economic growth, social inclusion, and environmental conservation. This multidimensional approach aligns with the United Nations Sustainable Development Goals (SDGs), particularly those related to poverty reduction, inequality, health, education, and environmental sustainability. This multidimensional framework is closely aligned with the United Nations Sustainable Development Goals (SDGs), particularly those addressing poverty reduction, inequality, health, education, and environmental sustainability, thereby reinforcing its relevance for contemporary policy design.

CONCLUSION

This study has critically examined the limitations of GDP as a measure of economic progress and demonstrated that it is insufficient for capturing the broader dimensions of human welfare. While GDP remains a valuable indicator of economic activity, it fails to reflect crucial aspects such as income distribution, environmental sustainability, and overall quality of life. The empirical analysis reinforces that economic growth does not automatically translate into improved well-being, particularly at higher income levels where the marginal contribution of growth to welfare diminishes.

The discussion highlights the need to move beyond growth-centric frameworks toward a more comprehensive understanding of development. Alternative indicators such as the Human Development Index (HDI), Genuine Progress Indicator (GPI), and Multidimensional Poverty Index (MPI) offer important insights, yet each remains limited when used in isolation. In response, this study proposes a multidimensional welfare dashboard that integrates economic, social, inequality, environmental, and poverty-related indicators into a unified evaluative framework.

The findings carry important policy implications. Governments must reorient their development strategies to prioritize inclusive growth, equitable distribution, and environmental sustainability. In the context of developing economies such as India, where rapid economic expansion often coexists with persistent disparities, adopting a multidimensional measurement approach is particularly critical.

In conclusion, redefining development beyond GDP is not merely an academic concern but a policy imperative. A shift toward integrated welfare measurement systems will enable more informed decision-making and contribute to building a more inclusive, resilient, and sustainable society.

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