<u>Developing countries</u>

A **developing country** (or a **low and middle income country** (**LMIC**), **less developed country**, **less economically developed country** (**LEDC**), **medium-industrialized country** or **underdeveloped country**) is a country with a less developed industrial base and a low Human Development Index (HDI) relative to other countries. However, this definition is not universally agreed upon. There is also no clear agreement on which countries fit this category. A nation's GDP per capita compared with other nations can also be a reference point. In general, the United Nations accepts any country's claim of itself being "developing".

These are the nations that have low living standards, undeveloped industrial base, and low Human Development Index (HDI). It is the **countries** which are economically and socially trying towards betterment by economic and social maintenances and proper policy implementation.

Some of the most important characteristics of developing economics are as follows:

<u>i. Low incomes per head:</u>

People in developing countries are poorer on an average, than those in developed economies. However, this does not mean that all the people are poor. In fact, some can be very rich.

<u>ii. Low levels of saving due to low income:</u>

Poor people cannot afford to save and so the savings ratio (saving as a percentage of disposable income) of a country, where the average income is low, is likely to be low.

<u>iii. Low life expectancy and high infant mortality rate:</u>

Someone born in Japan can expect to live up to the age of 83 whereas someone born in Zimbabwe has a life expectancy of 37 years only.

<u>iv. High rates of population growth:</u>

In a number of developing countries, the birth rate exceeds the death rate and there is a high dependency ratio, with a high proportion of children being dependent on a small proportion of workers.

<u>v. Low levels of education and health care:</u>

These tend to result in low levels of productivity.

vi. Low levels of capital goods and poor infrastructure:

These again reduce productivity.

vii. Poor housing and sanitation:

A significant number of people may not have access to clean water for drinking and washing.

viii. Relatively high number of workers, employed in the primary sector:

Underemployment can be high in agriculture. For instance, ten persons may be doing the work of six. This, again, lowers productivity.

ix. Concentration on a narrow range of exports (most of which are primary products):

Developing countries can be subject to, what is known as, the underdevelopment trap or the vicious circle of poverty- This is the problem, that a country with low incomes has a low saving rate. This means that most of their resources are used to produce consumer goods. The lack of capital goods keeps productivity and income low, as shown in Fig. 1.

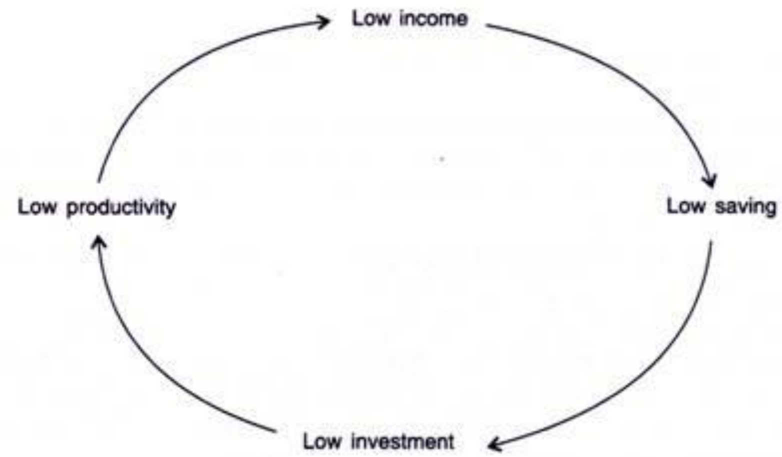

Fig. 1 The vicious circle of poverty