

India As A Developing Nation

The United Nations has divided countries into three major categories, namely, developed countries, developing countries and underdeveloped countries. This classification is based on various factors, economic status being the most immediate, including important parameters like Gross Domestic Product, Gross National Product, Per Capita Income, standard of living etc. The term 'developed countries' mostly refers to those which have highly progressed economies and have shown great technological progress, as compared to most other nations. Countries like the United States, Britain and Japan can be categorised as developed countries. On the other hand, developing countries are those which display low industrialization and low human development index. Countries like India and Pakistan can be put under this category. An underdeveloped country is a country which is not economically as developed as the advanced countries and has a very low per capita income coupled with widespread poverty, and whose residents live in very dreadful conditions. Countries like Nepal, Bhutan and many African countries fall under this category. There are various qualitative as well as quantitative factors which help us to calculate these economic indices.

India is classified as a developing country with its GDP amounting to 2.6 lakh crores USD in 2017 according to World Bank estimates. It's the world's fifth largest economy by nominal GDP and the third largest by purchasing power parity. According to IMF, on a per capita basis, India ranked 142nd by GDP and 119th by GDP per capita in the year 2018. In spite of all these factors we will find out why the Indian Economy is lagging behind the developed economies.

Basic Characteristics of India as a Developing Economy

In order to understand the Indian Economic landscape, it is important to make note of some of the basic characteristics of India as a developing economy. These are as follows:

Low Per Capita Income (PCI)

According to the International Monetary Fund's Report, in 2017, India's PCI was \$ 1983 and was ranked 140 out of 188 countries.

Further, according to the World Bank's Report, in 2017, India's PCI was \$ 1940 and was ranked 138 out of 184 countries.

Therefore, we can conclude that the per capita income of an Indian resident is lower than most countries in the world.

Occupational Pattern – Primary Producing

One of the fundamental characteristics of India as a developing economy is that it is majorly primary producing. What this means is that a majority of the population is engaged in agriculture (around 52 percent).

However, in 2011-12, the contribution of agriculture to the national income was only 13.9 percent. This disparity is slowing India's progress.

The reason behind this difference is that agriculture is a low income earning sector. Also, productivity per person engaged in agriculture is very low.

Population Pressure

It is 1.36 billion – the population of India as on January 17, 2019, 21:30 hours. We are the second most populated country in the world and our population is equivalent to around 17.74% of the total world population.

In India, the high levels of illiteracy lead to a high level of birth rates. Further, improvement in medical facilities has increased the average life of an Indian citizen and led to a decline in the death rates too.

Chronic Unemployment and Under-Employment in India

Due to the deficiency of capital in India, it is difficult to engage the entire population in gainful employment.

Therefore, a cheap labor force is available in abundance. As a result, there is chronic unemployment and under-employment in our country.

Steady Improvement in the Rate of Capital Formation

In 2017, the population growth rate in India was 1.13%. Therefore, the economy needed a high of investment to offset the additional burden imposed by the rising population.

This balance is critical to maintaining the costs of living. Otherwise, there is a risk that we could achieve growth only at the expense of unacceptable inflation.

Inequality in Wealth/Asset Distribution

Unequal asset distribution is the primary cause of inequality in income distribution in rural areas.

Demographic Characteristics

Demographically speaking, India has a high density of population with high infant mortality rates and comparatively lower life expectancy as compared to the developed countries. This makes it an underdeveloped economy.

Further, in India, the population density was 412 per square kilometer (in 2010). In comparison, the population density of the USA was 34 per square kilometer.

In fact, even China has a population density of 143 per square kilometer. Therefore, there is a lot of burden on land and other natural resources in India.

Also, India has a huge problem of harnessing the working age population in emerging areas of the economy.