

## Underdevelopment

**Underdevelopment** is when resources are not used to their full socio-economic potential, with the result that local or regional development is slower in most cases than it should be, specially compare with the investment and innovation in countries that surround it.

All economies of the world are not equally developed. Some are more developed and advanced than others. Therefore, the economics of the world have been classified into developed economies and under-developed economies.

Previously, the undeveloped economies were called backward economies and the developed economies were known as advanced economies. But the terms backward and advanced are now considered unsatisfactory and misleading. Therefore, the terms developed and under-developed began to be used in place of advanced and backward.

### Concept of Underdeveloped

The terms 'underdeveloped', 'less developed', 'backward', and 'poor' and 'developing' are generally used to refer to low income countries. The countries which have low standard of living because of their low per capita incomes are known as underdeveloped countries.

Countries are classified into developed and underdeveloped countries according to their per capita income. For example, in 1949, high income countries with 18% of world population enjoyed 67% of world income, whereas low income countries which had 67% of world population got only 15% of world income. The rich countries include United States, Canada, Western Europe and Australia. The poor counties cover most of Asia, Africa, south eastern Europe and Latin America. And there were middle income countries with a population of 15% which got 18% of world income. They consisted of countries such as Argentina, South Africa, Israel and former soviet Russia. The poor countries are collectively referred to as the Third World.

### Characteristics of underdeveloped countries

It is difficult to find an underdeveloped economy representing all the representative characteristics of underdevelopment. While most of them are poor in nature, they have diverse physical and human resources, socio-political conditions and culture. Some of the common characteristics displayed by most of the underdeveloped countries in the world are as follows:

#### 1.Low Per Capita Income

Almost all underdeveloped countries of the world show low per capita income in comparison to developed countries of the world.

## **2.Slow Growth Rate of Per Capita Income**

Low per capita income and slow growth rate of per capita income are characteristics of these countries.

## **3.Economic Inequalities**

High inequality of income and wealth is another common feature of underdeveloped countries. In these countries, large percentage of national income is shared by a small segment of the society while a large segment of the society gets barely enough to survive. Economic inequality exists even in developed countries but it is not as much as found in underdeveloped countries.

## **4.Low Level of Living**

Level of living in the underdeveloped countries is low because of low per capita income. Low level of living of the people of underdeveloped countries is also reflected in Human Development Index prepared by the United Nation Development Programme (UNDP). HDI of developed countries is very high whereas for underdeveloped countries it is very low.