FEATURES OF ECONOMIC UNDERDEVELOPMENT OF THE INDIAN ECONOMY

1. Low income:
2. Low rate of capital formation: creation of domestic savings, mobilization and investment of such savings rate lead to capital formation in a country. Capital formation is required to increase the productivity of labour in different sectors of the economy. In 1950 the net saving and investment rate was around 8.7% and it was due to the small size of capitalist, the conspicuous consumption of the land owning class and poverty. Over the years the rate of domestic capital formation has increased to about 30.9% in 2010. Even though the rate of savings and investment have been increasing it is not enough in comparison to the growing population pressure.

3. Large population: population explosion and high growth rate of population is the characteristics of Indian economy. Total population of India was 361.1 million in 1951 which increase to around 846.3 million in 1991 and further increase to 1210.19 million in 2011.The three main reasons for this growth is the high birth rate, falling death rate and influx of refugees from adjoining countries.

4. High dependency on agriculture: in 1951 72.7% of the work force was engaged in agriculture. Even though it has decrease to around 53% in 2009-10 but a large part of the population is engaged in agriculture and other land based primary sectors. For developed country only a small section of the population will be in the agricultural sector, eg UK – 1.5% of the total population.

5. Unemployment and underemployment: rapid population growth and less job opportunities in the secondary and tertiary sector causes unemployment and underemployment in India. There exists

problem of disguised and seasonal unemployment in the rural areas and unemployment of skilled and educated works in the urban areas. The unemployment rate increased from 5.99% in 1993 to 7.32% in 2000. The reason for it being the rate of growth of employment was lower than the rate of growth of labour force.

6. Underdeveloped infrastructure: facilities like transport and communication, energy, banking and insurance, science and technology, health, eduction etc form the infrastructure of the economy. Growth in such areas are considered to be the prime force of economic growth. Even though there has been an increase in the growth in such areas it is still not adequate.

7. Underutilization of natural resources: country's natural resources consist of water resources, mineral resources, fisheries, marine resources, forest etc. Any country cannot attain its optimal level if these resources remain unutilized or underutilized.

8. Low levels of technology and skills: low levels of productivity suggest technological backwardness. Most of the small-scale industries still opt for traditional and primitive technology, as modern technologies and tools require money and capital and skill to operate those.

9. Unsuitable social and political institutions: rigid system of the society lead to unwanted conflicts and restriction in mobility. Caste system plays a very important role in the disparity in opportunities. Social customs followed due to some laws like the inheritance causes the fragmentation of land thereby decreasing the productivity. Both the social and political factors play a role in creating unfavorable scenarios for the economic growth.

CAUSES OF ECONOMIC UNDERDEVELOPMENT OF INDIAN ECONOMY

1. Flow of resources from the less developed to developed countries.
2. Unfavorable terms of trade in less developed countries: less developed countries export primary goods which is income and price inelastic and tend to import industrial goods which are income and price elastic.
3. Greater dependence on developed nations: less developed countries tend to take huge loan from the developed countries to overcome the unfavorable balance of payment. Foreign investment takes their profit back to their own country. The less develop country also depends on the developed country for the advanced technology.