

Characteristics of Under- Developed Economy

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Economies cannot be classified as developed and underdeveloped economies based on their natural resources, population and sectoral dependency, however Underdevelopment is low level of development characterized by *low real per capita income, wide-spread poverty, lower level of literacy, low life expectancy and underutilisation of resources etc.*

The state in underdeveloped economy *fails to provide acceptable levels of living* to a large fraction of its population, thus resulting into *misery and material deprivations.*

We need to note here that underdevelopment is a *relative concept* but it sustains absolute poverty

There are some characteristics of Under developed Economy mentioned below, *these are:*

- ❖ ***Per Capita Income/ Low level of Income*** - Almost all underdeveloped countries of the world show low per capita income in comparison to developed countries of the world
- ❖ ***Economic Inequalities*** - High level of inequality of income and wealth is another characteristics of under developed countries. Big share of wealth and income is shared by rich people in small numbers while small share of wealth is shared by poor people in large numbers
- ❖ ***Mass Illiteracy*** - Underdeveloped countries are mostly characterised by the existence of mass illiteracy. Due to illiteracy the people in these countries are very much superstitious and conservative which is again responsible for lack of initiative and enterprise on the part of people of these countries

- ❖ ***High Growth Rate of Population and Dependency Burden***
 - The natural growth rate of population in these countries is very high due to its prevailing high birth rate and falling death rate. This excessive population pressure has been creating the problem of low standard of living and reduction in the average size of holding.
- ❖ ***Low Volume of Foreign Trade***- Underdeveloped countries export primary products like, agricultural goods, minerals, petroleum oil, etc., and import finished products, especially consumer goods. Terms of trade are grossly unfavourable to underdeveloped countries
- ❖ ***Low Productivity of Labour*** - Underdeveloped economies are characterised by low labour productivity due to low level of skill set

- ❖ ***Large Scale Unemployment***- Large scale unemployment is another characteristic feature of underdeveloped countries
- ❖ ***Slow Growth Rate of Per Capita Income***- Low per capita income and slow growth rate of per capita income are characteristics of these countries
- ❖ ***Infrastructural Backwardness*** - Economic Infrastructure and social infrastructure are almost at their bottom level in under developed countries
- ❖ ***Underutilisation of Natural Resources***- Natural resources are under utilised in underdeveloped economies. Their capability to exploit them is very low

- ❖ ***Lack of Proper Markets*** - Underdeveloped countries are also suffering from lack of properly developed market. Whatever market these countries have developed, these are suffering from number of limitations viz. lack of market information, lack of diversification, lack of proper relation or connection between markets, lack of adequate demand etc
- ❖ ***Low Rate of Capital Formation***- Developing or underdeveloped countries of the world are suffering from poor rate of capital formation. As the level of per capita income in these countries is very low thus their volume and rate of savings are also very poor. This has resulted lack of capital formation and which is again responsible for low rate of investment in these countries

- ❖ ***Inefficient Administrative Set Up*** - Underdeveloped countries are also suffering from its existing inefficient administrative set up. In the absence of efficient and sound administrative set up, these countries are suffering from lack of proper economic organisation, lack of investments and lack of appropriate decisions leading to total mismanagement of these economies
- ❖ ***High Incidence of Poverty***- Existence of chronic mass poverty is another characteristic of underdeveloped economies. This problem of poverty arises not due to any temporary economic maladjustment but arises mainly due to existence of orthodox methods of production and social institutions

- ❖ ***Dominance of Agriculture and Agricultural Backwardness***-

Large section of people in underdeveloped economies depends on primary sector for employment. Nearly 60 to 70 per cent of the total population of these countries is depending on agriculture and about 30 to 40 per cent of the total GNP of these countries is generated from agricultural production. Agricultural productivity in these countries remained still very poor in spite of its great importance

- ❖ ***Poor Socio Economic Conditions***-

Poor Socio-Economic Condition- Under developed countries are also suffering from totally socio economic conditions. The path of economic development in these countries is being obstructed by various socio economic factors like joint family system, universal marriage, costly social customs and law of inherence