

Course– Indian Economy Econ(H)221

Lecture: Features of Indian Economy



Indian Economy- Features

- Prior to Independence the economy was serving the British interests (policies were a great impediment for development in the country)
- At the time of independence it was felt that;
 - Govt. should play more role in development
 - heavy industries be encouraged
 - economic planning process should be strong



Features of Indian Economy ...

➤ Poverty:

- India - per capita income is low as compared to the advanced countries.
- For example our per capita income was 460 dollars, compared to that of U.S.A in 2000 which was 83 times than India.
- High income inequalities
- The unequal distribution of income makes the problem of poverty more serious to handle



Characteristics of Indian Economy ...

➤ Heavy Population Pressure:

- The Indian economy is facing the problem population explosion.
- Current population is about 125 crores; up from 102.67 crores in 2001 census
- India is second largest populated country after China
- High birth rate adding to the pace of population growth; which requires higher rate of economic growth to maintain the same standard of living.
- The failure to sustain the living standard makes the poor and under developed countries more poor and underdeveloped.



Characteristics of Indian Economy ...

➤ Pre-dominance of Agriculture:

- Occupational distribution of population in India clearly reflects the backwardness of the economy.
- One of the basis characteristics of an underdeveloped economy is that agriculture contributes a very large portion in the national income
- A very high proportion of working population is engaged in agriculture
- Small holdings and low mechanization



Characteristics of Indian Economy ...

➤ **Low Rate of Capital Formation:**

- The rate of capital formation is also low.
- capital formation mainly depends on the ability and willingness of the people save
- since the per capita income is low and there is mal-distribution of income and wealth, the ability of the people to save is very low in underdeveloped countries for which capital formation is very low .



Characteristics of Indian Economy ...

➤ **Unemployment:**

- The proportion of unemployed is relatively high
 - Underemployment or 'disguised unemployment' is another important feature of Indian economy.
- Mismatch of population growth and growth of economic opportunities. In underdeveloped countries labour is an abundant factor and often it is not possible to provide gainful employment the entire population.
 - Lack of job opportunities
 - Lack of capital formation.

Characteristics of Indian Economy ...

➤ **Poor Technology:**

- The lack of efficient technology a common feature of under developed economies.
- Indian economy going through transition in this respect though suffers from this typical feature of technological backwardness.
- The techniques applied in agriculture, industries, mining and other economic activities are not very efficient.

➤ **Poor institutional and social framework:**

- The social and institutional framework in under developed countries like India is generally backward, and is a strong obstacle to any change in the form of production.
- Complexity religious and social institutions (religion, caste and family systems).

Characteristics of Indian Economy ...

➤ **Under utilization of Resources:**

- Reasons are lack of efficient technology,
- Not so well trained human resource/ manpower

➤ **Inefficiencies in bureaucracy:**

- Discontent among the people about the favouritism, corruption, and inefficient ways of working of the bureaucracy
- within the business community remains high about the lack of reforms and the perceived inability of the government to push them through.

➤ **Macroeconomic environment**

- Inflation: 7.5 per cent which is a problem
- large and repeated public deficits
- high debt-to-GDP ratio among the BRICS countries.

Indian Economy ... the way forward

- Growing technical human resource
- Optimism
- Rapid changes in the planning process
- Encouraging changes in socio-economic and political environment



Thank you

Dr. (Ms) Kesari Singh
School of Business Management and Liberal Arts
Shoolini University
Village Bajhol, Solan (H.P)
+91 9816603968
kesari@shooliniuniversity.com