

Nature of Indian Economy

Economy

Generally speaking economy refers to the state of a country in which **productions and consumptions of goods and services** are been followed along with supply of money. Here we have given brief description on the nature of Indian economy it will be useful in knowing the country in detail.

Indian Economy

The following are the some of the features of Indian Economy,

- India is developing country or underdeveloped country.
- It is following mixed economy system.
- It is world's 7th largest economy in terms of GDP.
- India is rich in source of young population so it has good labor force.
- India ranks second in terms of agriculture farm output.

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.

Characteristics of Underdeveloped countries

- 1. Low per capita income:** In underdeveloped countries, per capita real income is very low compared to the developed countries. As per the world development report 2007, the per capita income (GNI) of India in 2005 was \$720. This is quite low then compared with the developed economics of different nations. When comparing the purchasing power parity (PPP) of India and America in 2005, India was found to be one twelfth of American's PPP. The per capita income in underdeveloped countries is as low as 7% of the per capita income in some of the advanced nations.

- 2. Mass poverty and inequitable distribution of income:** Income inequalities lead to mass poverty and unequal distribution of income is due to inequality in asset distribution. This has also enhanced due to liberalization policies. The rich took a large percentage of the total income distribution as compared to what the poor received. The higher income people are usually private sector-owners, managers and workers, public sector-managers and workers and small family farmers in prosperous rural areas.
- 3. Predominance of Agriculture:** Most of the less developed countries like India depend upon agriculture sector. The majority of population is engaged in agriculture. But unfortunately agriculture is held in a backward stage in the developed countries. So national product remains very low in these countries.
- 4. Rapid population growth and high dependency:** In 2004 the population of India was growing at the rate of 1.44% P.A and was about 1065 million. Birth rate is high as compared to the death rates and all of this also contributes to the population. A rapidly increasing population poses a lot of problems:
 - a. The economic growth rate must match the population growth rate so that the standard of living is kept at a specific level not low.
 - b. The growing population daily essential requirements also increase whereby supply should match the demand.
 - c. Large populations mean more workforces which in turn mean employment for all. But if the demand does not match of development or expansion of the industries to accommodate the Labour force.
- 5. Scarcity of capital and underdeveloped natural resource:** India is a country which has abundant renewable and non-renewable resource. Renewable resource is source of water, tanks, canals, rivers and so on. While non-renewable resources are minerals. But these resources have not utilized properly because of the lack of capital. The scarcity of capital is because of the lack of technical knowledge which results in a low rate of production and ultimately low consumption of steel, cement and electricity.

6. Unemployment: In India there is unemployment due to a large population the supply of Labour being more than the demand. There is deficiency of capital in the India economy whereby there is not much of development or expansion of the industries to accommodate the Labour force.

7. Technological backwardness: India still uses outdated technology. There still exist a wide gap between the sophisticated production techniques of the developed countries and Indian technology. The reason is due to the poverty of living. This has led to a continuous low production of output.

8. Lack of entrepreneurs: In India businessmen are concerned about profits only and do not contribute much towards the long term industrial development of the country.

9. Poor quality of Human capital: India is the land of superstition, conservatism and laziness. Illiteracy is found amongst majority of the population.

India as Developing Economy

1. Sustained growth: The economic growth of India since independence has been erratic but there is an upward trend. Unit recently India's growth rate has been about 8% which is quite good.

2. Significant changes in sectorial distribution of domestic product: The contribution of agriculture to the gross domestic product since the first two decades of the economic planning has declined steadily due to service sector development.

3. Change in the occupational distribution of the population: The changes in occupational pattern and shift from agriculture to other sectors.

4. Growth of capital goods industries: Industries developed to produce industrial goods. Ex: Iron, Steel, heavy chemicals, fertilizers, heavy engineering, locomotives, and machine tools.

5. Infrastructure development: in India at present there is good progress in transport, education and medical sector including banking and financial sector.

Mixed Economy

India is said to have mixed economy system. Generally mixed economy means an economy where both public and private partnership is been involved

Features of Mixed Economy

The following are the some of features of mixed economy,

- Both the **public and private sector exist side by side**. Due to this the economic activities are carried out by the individuals as well as government.
- Both the **public sector and private sector are required to function in a coordinated manner**.
- Apart from **national security** the government engages into activities that private sector considers are unprofitable.
- The heavy industries and other sectors like **banking, transport, energy, national security are controlled by public sector** and others like **agriculture, consumer goods and other industries, trade are controlled by private sector**.

Facts on Indian Economy Current Scenario

- In 1950-51 72% of the people in India were dependent on Agriculture now in 2011-12 report it has been reduced to 50%.
- Population growth rate in India is more than 2%.
- Incidence of unemployment in India is quite high. As per the 66th round of NSSO unemployment rate in India is as high as 6.6% of the labor force.
- The level of human well being is low. The Human Development Index Rank of India is 134 out of 187 countries. And also the Gini Index for Human Development Index was 368.
- India is having forward growth in terms of infrastructure development and communication development.
- Industrialization in India is improving.
- Sustainable development is been maintained in the development of the economy.