

# Development Issues of Indian Economy

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## **Introduction :-**

On one hand, India is receiving accolades for a sustained growth rate and on the other, it is still a low-income developing economy. Even today, nearly 25 percent of India's population lives below the poverty line. Also, there are many human and natural resources which are under-utilized. In this article, we will explore the economic issues in India.

## **Methodology:-**

The present study relies on the secondary data to make an Development Issues of Indian Economy economy. The data sources are reports of National Account Statistics, a publication of ministry of statistics and programme implementation (MOSPI); Handbook of Statistics on Indian Economy and Monthly Bulletin, Reserve Bank of India; Export-Import Database, Ministry of Commerce, Government of India; and annual reports (various issues), Ministry of Micro Small and Medium Enterprises.

## **1. Low Level of per capita income:-**

Usually, developing economies have a low per-capita income. The per capita income in India in 2014 was \$1,560. In the same year, the per-capita Gross National Income (GNI) of USA was 35 times that of India and that of China was 5 times higher than India.

Further, apart from the low per-capita income, India also has a problem of unequal distribution of income. This makes the problem of poverty a critical one and a big obstacle in the economic progress of the country. Therefore, low per-capita income is one of the primary economic issues in India.

## **2. Huge dependence of population on agriculture:-**

Another aspect that reflects the backwardness of the Indian economy is the distribution of occupations in the country. The Indian agriculture sector has managed to live up to the demands of the fast-increasing population of the country.

According to the World Bank, in 2014, nearly 47 percent of the working population in India was engaged in agriculture. Unfortunately, it contributed merely 17 percent to the national income implying a low productivity per person in the sector. The expansion of industries failed to attract enough manpower either.

## **3. The existence of chronic unemployment and under-employment :-**

The huge unemployed working population is another aspect which contributes to the economic issues in India. There is an abundance of labor in our country which makes it difficult to provide gainful employment to the entire population.

Also, the deficiency of capital has led to the inadequate growth of the secondary and tertiary occupations. This has further contributed to chronic unemployment and under-employment in India. With nearly half of the working population engaged in agriculture, the marginal product of an agricultural laborer has become negligible. The problem of the increasing number of educated-unemployed has added to the woes of the country too.

## **4. Slow improvement in Rate of Capital Formation :-**

India always had a deficiency of capital. However, in recent years, India has experienced a slow but steady improvement in capital formation. We experienced a population growth of 1.6 percent during 2000-05 and needed to invest around 6.4 percent to offset the additional burden due to the increased population.

Therefore, India requires a gross capital formation of around 14 percent to offset depreciation and maintain the same level of living. The only way to improve the standard of living is to increase the rate of gross capital formation.

### **5. Inequality in wealth distribution :-**

According to Oxfam's 'An economy for the 99 percent' report, 2017, the gap between the rich and the poor in the world is huge. In the world, eight men own the same wealth as the 3.6 billion people who form the poorest half of humanity.

In India, merely 1 percent of the population has 58 percent of the total Indian wealth. Also, 57 billionaires have the same amount of wealth as the bottom 70 percent of India. Unequal distribution of wealth is certainly one of the major economic issues in India.

### **6. Poor Quality of Human Capital :-**

In the broader sense of the term, capital formation includes the use of any resource that enhances the capacity of production. Therefore, the knowledge and training of the population is a form of capital. Hence, the expenditure on education, skill-training, research, and improvement in health are a part of human capital.

To give you a perspective, the United Nations Development Program (UNDP), ranks countries based on the Human Development Index (HDI). This is based on the life expectancy, education, and per-capita income. In this index, India ranked 130 out of 188 countries in 2014.

### **7. Low level of technology :-**

New technologies are being developed every day. However, they are expensive and require people with a considerable amount of skill to apply them in production. Any new technology requires capital and trained and skilled personnel. Therefore, the deficiency of human capital and the absence of skilled labor are major hurdles in spreading technology in the economy.

Another aspect that adds to the economic issues in India is that poor farmers cannot even buy essential things like improved seeds, fertilizers, and machines like tractors, investors, etc. Further, most enterprises in India are micro or small. Hence, they cannot afford modern and more productive technologies.

#### **8. Lack of access to basic amenities :-**

In 2011, according to the Census of India, nearly 7 percent of India's population lives in rural and slum areas. Also, only 46.6 percent of households in India have access to drinking water within their premises. Also, only 46.9 percent of households have toilet facilities within the household premises.

This leads to the low efficiency of Indian workers. Also, dedicated and skilled healthcare personnel are required for the efficient and effective delivery of health services. However, ensuring that such professionals are available in a country like India is a huge challenge.

#### **9. Density of Population and Age Structure :-**

According to the 2011 Census, India had a population density of 382 per square kilometer as against the world population density of 41 per square kilometer.

Further, 29.5 percent was in the age group of 0-14 years, 62.5 percent in the working age group of 15-59 years, and around 8 percent in the age group of 60 years and above. This proves that the dependency burden of our population is very high.

#### **10. Under-utilisation of natural resources :-**

India is rich in natural resources like land, water, minerals, and power resources. However, due to problems like inaccessible regions, primitive technologies, and a shortage of capital, these resources are largely under-utilized. This contributes to the economic issues in India.

#### **Lack of infrastructure**

The lack of infrastructural facilities is a serious problem affecting the Indian economy. These include transportation, communication, electricity generation, and distribution, banking and

credit facilities, health and educational institutions, etc. Therefore, the potential of different regions of the country remains under-utilized.

**Conclusion :-**

1. Apart from the the low per-capita income, India also has a problem of unequal distribution of income. This makes the problem of poverty a critical one and a big obstacle in the economic progress of the country.
2. About 47% of India's population was engaged in agriculture. Unfortunately, this contributed only 17 percent to the national income, resulting in lower per capita productivity in the region.
3. We have a high-level of birth rates and a falling level of death rates. In order to maintain a growing population, the administration needs to take care of the basic requirements of food, clothing, shelter, medicine, schooling, etc. Hence, there is an increased economic burden on the country.
4. The problem of the increasing number of educated-unemployed has added to the woes of the country too.
5. India had a population density of 382 per square kilo meter as against the world population density of 41 per square kilo meter. This proves that the dependency burden of our population is very high.

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