

Basic Characteristics Of Indian Economy

Indian Economy: Characteristic # 1.

Low per capita income:

In India, the national income and per capita income is very low and it is considered as one of the basic features of underdevelopment. As per World Bank estimates, the per capita income of India stood at only \$ 720 in 2005. Keeping aside a very few countries, this per capita income figure of India is the lowest in the world and it is even lower than China and Pakistan.

In 2005, the per capita income figure in Switzerland was nearly 76 times, in U.S.A. about 61 times, in Germany about 48 times and in Japan about 54 times the per capita income figure in India. Thus the standard of living of Indian people remained all along very low in comparison to that of developed countries of the world.

This disparity in the per capita income of India and other developed countries has registered a manifold increase during the last four decades (1960-2005).

Although the per capita income at official exchange rates exaggerated this disparity but after making necessary correction through purchasing power parity figures, the per capita GNP of U.S.A. was 12.0 times that of India in 2005 as against 68.0 times that of India at official exchange rates.

Even after making necessary adjustment, the per capita income differences, although narrowed down, yet remain quite significant and huge.

In order to convert national currency figures to the US dollars, the utilisation of official exchange rates does not allow to measure the relative domestic purchasing power of currencies. In this connection, work of LB. Kravis and others titled “**International Comparison of Real Product and Purchasing Power**” (1978) has provided some relief.

Following the aforesaid work, the United Nations International Comparison Programme (ICP) has introduced measures of real GDP on an internationally comparable scale using the system of purchasing power parities (PPPs) instead of exchange rates as factors for conversion.

Indian Economy: Characteristic # 2.

Excessive dependence of agriculture and primary producing:

Indian economy is characterised by too much dependence on agriculture and thus it is primary producing. Out of the total working population of our country, a very high proportion of it is engaged in agriculture and allied activities, which contributed a large share in the national income of our country.