

NOTES

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Obstacles to Economic Development:

There are many barriers and difficulties in the way of economic development of less developed countries. Development for developing nations is desirable but not achievable due to a lot of hurdles. These obstacles are grouped into the following four categories:

- A. Economic Obstacles
- B. Social Obstacles
- C. Administrative (Governmental) Obstacles
- D. International Obstacles

A. ECONOMIC OBSTACLES

- 1- Deficiency of Capital and Foreign Exchange:** There is scarcity of capital and foreign exchange in underdeveloped countries. Lack of capital and foreign exchange are a big hurdle in way of economic development. Per capita income is very low on the average of i.e., \$ 1095. Low level of per capita income results in low saving and low investment.
- 2- Vicious Circle of Poverty:** According to Ranger Nurkse, vicious circle of poverty is the greatest obstacle in way of economic development. In developing countries there is low income that leads to low saving and low investment. Low level of investment causes low rate of capital formation, which stops the economic development. Rate of capital formation is just around 5%.
- 3- Backward Natural Resource:** No doubt, developing countries have rich and many resources. But due to backward state of technology these resources are un-utilized, under-utilized or mis-utilized. So, the improper utilization of natural resources is also a hurdle in the development procedure.

- 4- **Backward State Technology:** Use of backward technology is another problem of economic development. Due to use of backward technology productivity level of their labour and its efficiency is very low. Productive quality and quantity are also inferior due to use of old means of production. Annual value of productivity of our labour is about \$ 100 as compare to the more than \$2500 in advanced countries.
- 5- **Inflation:** High rate of inflation is also a hurdle in way of economic development. Due to inflation purchasing power of people decreases, their consumption increases and saving decreases. Low saving leads to less investment and a country remains poor and backward.

B. SOCIAL OBSTACLES

These are the major social obstacles in way of economic development of underdeveloped countries:

- 1) **Illiteracy:** Due to illiteracy farmers and industrialists are ignorant. Efficiency and productivity level of our labour is poor due to illiteracy. Use of modern techniques of production is impossible due to illiteracy. Accordingly, illiteracy is a difficulty in way of economic development.
- 2) **Low of Living Standard:** Low level of living is a hurdle in the way of economic development. Our population is backward and its growth rate is as high as 2.05 %. Poor population is not provided appropriate facilities to make high standard of life. Low level of living, low income, inadequate housing facilities, poor health etc. are the problems of economic development.
- 3) **Joint Family and Caste system:** Joint family system is also one of the main obstacles in the way of economic development. In joint family system all the members of the family do not work. They depend upon one another. Similarly, due to caste system rich and superior class do not work hard.
- 4) **Unproductive Expenditure:** Most of the expenditure of people is unproductive like expenditure on various rural fairs and festivals. People in developing countries prefer to keep resources in cash form in lockers at home. They invest in real estates and in gold and silver ornaments. These resources can be used for economic development.
- 5) **Consumption Oriented Society:** People have to make huge consumptions due to demonstration effect. Due to posh locality, friends and relatives people have to adjust their consumption styles. Consumption of people is very high due to fulfilment of customs, traditions and habits.
- 6) **Low Participation of Women:** Almost 49 % population is female dominated in underdeveloped countries and out of them only 20 % takes an active part in economic activities. These facts are showing a little participation of women in economic activity that is also an obstacle in the way of economic development. Woman labour force is just 10.96 million.

C. POLITICAL OBSTACLES/ Government obstacles:

These are political obstacles in the way of economic development:

- 1) **Political Instability:** There is political instability in underdeveloped countries; the policies of the government are also instable. Due to political instability, rate of economic growth and development remains low in all the sectors of the economy. Investors feel hesitation while making investment if political situation is not stable.
- 2) **Mis-use of Authorities:** Mis-use of authorities and powers is a big problem in the way of economic development. Mis-use of authority leads to corruption and nepotism. Accordingly, there is no regard for talented, intelligent and brilliant brain.
- 3) **Changes in Fiscal Policy:** In developing countries there are frequent changes in fiscal policy. Change in price level and tax rate is a common practice. It is also a hurdle in economic development.
- 4) **Lengthy Legal Process:** In developing countries law and order and legal process is very lengthy and costly. To obtain social justice, people have to waste their income and time. The official matters and domestic problems are highly inter-related.

D. International Obstacles:

- 1) **Primary Exporting:** Most of the developing countries, in its initial stage of development are exporting mostly primary products and thus cannot fetch a good price of its product in the foreign market. In the absence of diversification of its export, the developing countries have failed to raise its export earnings.
- 2) **Un-Favourable Terms of Trade:** Another problem of trade faced by these developing countries is that the terms of trade are always going against it. In the absence of proper infrastructure and the quality enhancement initiative, the terms of trade of these countries gradually worsened and ultimately went against the interest of the country in general.
- 3) **Higher Import Intensity:** Another peculiar problem faced by the developing countries is the higher import intensity in the industries development resulting from import intensive industrialization process followed in these countries for meeting the requirements. Such increasing trend towards elitist consumption has been resulting a huge burden of burgeoning imports in these developing countries, resulting serious balance of payment of crisis.

- 4) **BOP Crisis:** The developing countries are facing the problem of burgeoning imports and sluggish growth in its exports resulting in growing deficit in its balance of payments position. In some countries, this deficit has gone to such an extent at a particular point of time that ultimately it led to a serious crisis in its international trade.