

Quadrant II - Notes

Paper Code: CEG 104

Module Name: Causes of Underdevelopment

Module No: 2

i. Explain the concept of underdevelopment .

Underdevelopment is low level of development characterized by low real per capita income, wide-spread poverty, lower level of literacy, low life expectancy and underutilisation of resources etc.

The state in underdeveloped economy fails to provide acceptable levels of living to a large fraction of its population, thus resulting into misery and material deprivations.

ii. Explain the link between rapid population growth and underdevelopment of a country .

- **Rapid population growth** has serious economic consequences. It encourages inequities in income distribution; it limits rate of **growth** of gross national product by holding down level of savings and capital investments; it exerts pressure on agricultural production and land; and it creates unemployment problems.

Population has been increasing at around 2 to 3 percent in underdeveloped countries. This demographic trend has been determined mainly by the fact that the medical facilities now available in these countries have effectively brought down the mortality rates among all sections of the society, whereas the birth rates continues to be high due to widespread poverty, ignorance etc. As a consequence, the country remains underdeveloped.

iii. Write a note on "mass poverty".

Mass poverty is the result of low resource base of the poor who own a very small portion of the total assets in the form of land, capital, property etc.

The children of the poor are, by and large, either engaged in unskilled occupations or some semi skilled occupations. This enables them to earn very low and meagre wages and thus perpetuate poverty.

Mass poverty is not due to poor natural resources, but due to inadequate development of these resources and the exploitative structure.

iv. "India faces an unfavourable Balance of payments" .

The exports of the underdeveloped countries generally comprises of primary goods.

In case of some countries the number of products exported is very few and in some cases one or two goods provide the bulk of the exports. BoP of UDCs like India show that these countries export primary (agricultural) products and raw materials and import final products and technologies from developed countries. India's BoP is generally unfavourable i.e., it

faces deficit. To fill this deficit it has to borrow from other countries and international organisations like IMF, World Bank, ADB, etc.

V. Write a note on Technological backwardness as a cause of underdeveloped economies.

- In developing countries, production techniques are inefficient over a wide range of industrial activity.

Lack of research and development (R&D), weak communication system between the research institutes and industries, abundance of labour and capital scarcity are some obvious reasons for the use of techniques which have otherwise become obsolete.

These countries generally do not have large effective institutions working for discovering appropriate technology. In most cases it's not the ignorance which prevents producers from adopting modern techniques.