Factors Determining Economic Development in India

A. Economic Factors:

Economic environment is working as an important determinant of economic development of a country. Economic environment can determine the pace of economic development as well as the rate of growth of the economy. This economic environment is influenced by the economic factors like— population and manpower resources,

natural resources and its utilization, capital formation and accumulation, capital output ratio, occupational structure, external resources, extent of the market, investing pattern, technological advancement, development planning, infrastructural facilities, suitable industrial relations etc.

1. Population and Manpower Resources:

Population is considered as an important determinant of economic growth. In this respect population is working both as a stimulant and hurdles to economic growth. Firstly, population provides labour and entrepreneurship as an important factor service. Natural resources of the country can be properly exploited with manpower resources. With proper human capital formation, increasing mobility and division of labour, manpower resources can provide useful support to economic development.

2. Natural Resources and Its Utilization:

Availability of natural resources and its proper utilization are considered as an important determinant of economic development. If the countries are rich in natural resources and adopted modern technology for its utilization, then they can attain higher level of development at a quicker pace. Mere possession of natural resources cannot work as a determinant of economic development.

3. Capital Formation and Capital Accumulation:

Capital formation and capital accumulation are playing an important role in the process of economic development of the country. Here capital means the stock of physical reproducible factors required for production. The increase in the volume of capital formation leads to capital accumulation. Thus it is quite important to raise the rate of capital formation so as to accumulate a large stock of machines, tools and equipment by the community for gearing up production.

4. Capital-Output Ratio:

Capital-output ratio is also considered as an important determinant of economic development in n country. By capital-output ratio we mean number of units of capital required to produce per unit of output. It also refers to productivity of capital of different sectors at a definite point of time. But the capital output ratio in a country is also determined by stage of economic development reached and the judicial mix of investment pattern. Moreover, capital-output ratio along with national savings ratio can determine the rate of growth of national income.

5. Favourable Investment Pattern:

Favourable investment pattern is an important determinant of economic development in a country. This requires proper selection of industries as per investment priorities and choice of production techniques so as to realize a low capital—output ratio and also for achieving maximum productivity.

6. Occupational Structure:

Another determinant of economic development is the occupational structure of the working population of the country. Too much dependence on agricultural sector is not an encouraging situation for economic development. Increasing pressure of working population on agriculture and other primary occupations must be shifted gradually to the secondary and tertiary or services sector through gradual development of these sectors.

7. Extent of the Market:

Extent of the market is also considered as an important determinant of economic development. Expansion of the scale of production and its diversification depend very much on the size of the market prevailing in the country.

8. Technological Advancement:

Technological advancement is considered as an important determinant of economic environment. By technological advancement we mean improved technical know-how and its broad-based applications.