BASICS CHARACTERISTICS OF INDIAN ECONOMY

India ranks second in the world in terms of population and is the largest democratic country. India has adopted a New Population Policy in 1990-91 which accelerated economic growth rate faster.

BASICS CHARACTERISTICS OF INDIAN ECONOMY

1- Pre-dominance of Agriculture.
2- High population.
3- Underutilized Natural resources.
4- Low Human development index.
5- Lack of infrastructure facility.
6- Capital deficiency.
7- Wide spread unemployment.
8- Technological backwardness.
9- Poor economic organizations.
10-Low per capita income.
11-Economic backwardness.
12-Poverty.

BASIC CHARACTERISTICS OF INDIAN ECONOMY AS DEVELOPING ECONOMY:

BASIC CONCEPTS

Gross Domestic Product

The value of all the goods and services produced for money in an economy, evaluated at their market prices. Excludes the value of unpaid work (such as caring reproductive labour performed in the home). GDP is calculated by adding up the value-added at each stage of production.

Gross Domestic Product Deflator

A price index which adjusts the overall value of GDP according to the average increase in the prices of all output. The GDP deflator equals the ratio of nominal GDP to real GDP.

Gross Domestic Product Per Capita

The level of GDP divided by the population of a country or region. Changes in real GDP per capita over time are often interpreted as a measure of changes in the average standard of living of a country, although this is misleading (because it doesn't account for differences in the distribution of income across factors of production and individuals, and it doesn't consider the value of unpaid labour).

BASIC CONCEPTS

Gross National Product (GNP)

An economic statistic that includes GDP, plus any income earned by residents from overseas investments, minus income earned within the domestic economy by overseas residents.

Inequality

The distribution of income across individual households typically demonstrates inequality between higher-income and lower-income households.

Foreign Direct Investment:

An investment by a company based in one country, in an actual operating business, including real physical capital assets (like buildings, machinery and equipment), located in another country.

The investing company may make its overseas investment in a number of ways – either by setting up a subsidiary or associate company in the foreign country, by acquiring shares of an overseas company, or through a merger or joint venture.

BASIC CONCEPTS

Foreign Exchange

The process by which the currency of one nation is converted into the currency of another country.

Foreign exchange transactions encompass everything from the conversion of currencies by a traveler at an airport kiosk to billion-dollar payments made by corporate giants and governments for goods and services purchased overseas. Increasing globalization has led to a massive increase in the number of foreign exchange transactions in recent decades. The global foreign exchange market is by far the largest financial market, with average daily volumes in the trillions of dollars.

Economic Growth

Economic growth is the expansion of total output produced in the economy. It is usually measured by the expansion of real GDP.

Employment

Employment is a specific form of work, in which the worker performs their labour for someone else in return for a money wage or salary.

BASIC CONCEPTS

Employment Rate

This measures the share of working age adults who are actually employed in a paying position. The employment rate can be a better indicator of the strength of labour markets than the unemployment rate (since the unemployment rate depends on whether or not a non-working individual is considered to be “in” the labour force).

Depression

A depression is a very deep, long and painful recession, in which unemployment rises to very high levels and economic output does not bounce back. A depression is a sustained and severe recession. Where a recession is a normal part of the business cycle, lasting for a period of months, a depression is an extreme fall in economic activity lasting for a number of years. Economists disagree on the duration of depressions; some economists believe a depression encompasses only the period plagued by declining economic activity. Other economists, however, argue that the depression continues up until the point that most economic activity has returned to normal.

DEFLATION:

A general decline in prices, often caused by a reduction in the supply of money or credit. Deflation can be caused also by a decrease in government, personal or investment spending. The opposite of inflation, deflation has the side effect of increased unemployment since there is a lower level of demand in the economy, which can lead to an economic depression. Central banks attempt to stop severe deflation, along with severe inflation, in an attempt to keep the excessive drop in prices to a minimum. The decline in prices of assets, is often known as Asset Deflation.

Declining prices, if they persist, generally create a vicious spiral of negatives such as falling profits, closing factories, shrinking employment and incomes, and increasing defaults on loans by companies and individuals. Rising prices provide an essential lubricant for any sustained recovery because businesses increase profits and take some of the depressive pressures off wages and debtors of every kind.

INFLATION

Inflation is defined as a sustained increase in the general level of prices for goods and services. It is measured as an annual percentage increase. As inflation rises, every dollar you own buys a smaller percentage of a good or service.

There are several variations on inflation:

Deflation is when the general level of prices is falling. This is the opposite of inflation.

Hyperinflation is unusually rapid inflation. In extreme cases, this can lead to the breakdown of a nation’s monetary system. One of the most notable examples of hyperinflation occurred in Germany in 1923, when prices rose 2,500% in one month!

Stagflation is the combination of high unemployment and economic stagnation with inflation. This happened in industrialized countries during the 1970s, when a bad economy was combined with OPEC raising oil prices.