



The Developed Country Goal

For Prelims: Developed Country, Gross Domestic Product (GDP), Per Capita Income, Human Development Index (HDI), United Nations, World Bank, World Trade Organization, World Economic Forum, Gross National Income (GNI).

For Mains: significance of per capita income and economic prosperity to meet India's goal of a developed country.

Why in News?

Recently, the [Prime Minister](#) in his Independence Day Speech laid out **Panch Pran (Five Vows)** to be completed by 2047 when India celebrates 100 years of Independence,

- The first vow is for India to become a **Developed Country in the next 25 years.**
- The remaining pledges for 2047 are - **removing any sign of servility, pride in heritage, unity and fulfilling our duties.**

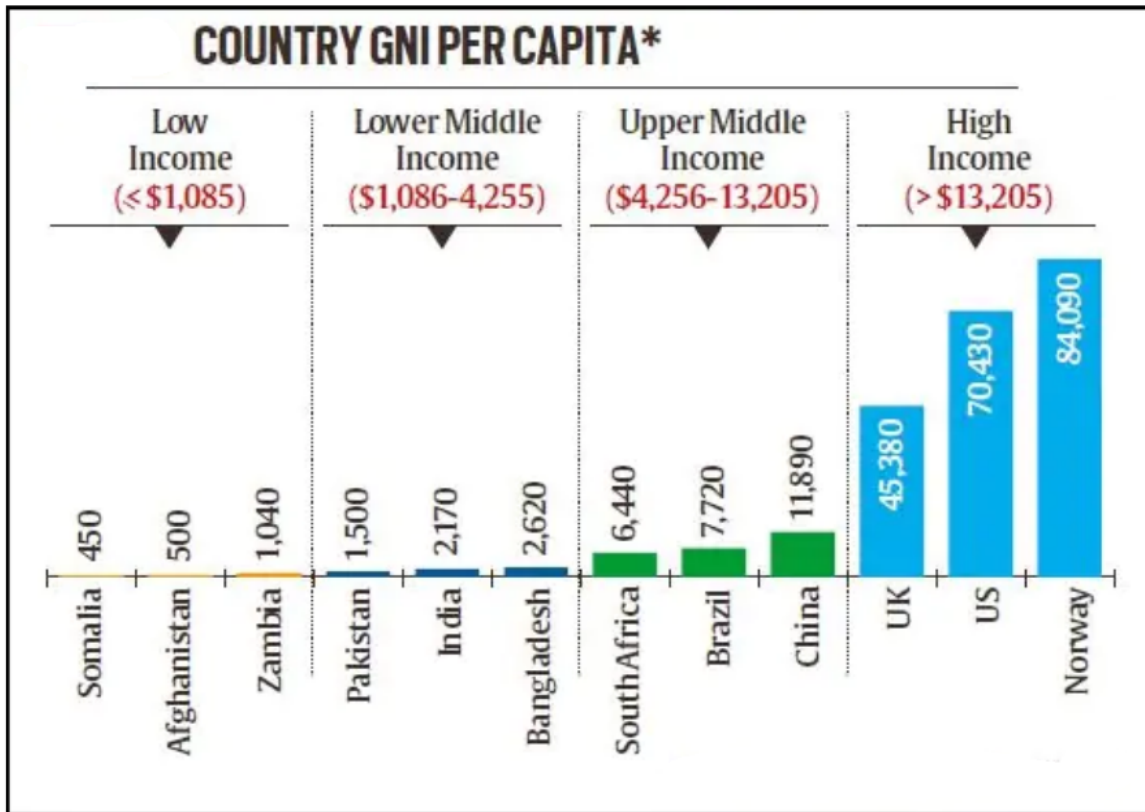
What is a Developed Country?

- A [Developed Country](#) is industrialised, has a high quality of life, a **developed economy** and advanced technological infrastructure relative to less industrialised nations.
- Whereas developing countries are **those in the process of industrialisation or are pre-industrial and almost entirely agrarian.**
- The most common criteria for evaluating the degree of economic development are:
 - **GDP:**
 - The [Gross Domestic Product \(GDP\)](#), or the monetary measure of all goods and services produced in a country in a year.
 - Countries with a high GDP and **per capita income** (the amount of money earned per person) are considered developed.
 - **Dominate Tertiary and Quaternary Sector:**
 - The Countries in which the **tertiary** (companies that provide services such as entertainment, financial, and retailers) **and quaternary sectors of industry** (knowledge-based activities such as [information technology](#), research, and development, as well as consulting services and education) dominate are described as developed.
 - **Post-Industrial Economies:**
 - Also, the developed countries generally have **more advanced post-industrial economies, meaning the service sector provides more wealth than the industrial sector.**
 - **Human Development Index:**
 - Other criteria are the scale of infrastructure, the general standard of living, and the [Human Development Index \(HDI\)](#).
 - As the HDI focuses on indices for life expectancy and education and **does not take into account factors** such as **the net wealth per capita or**

the relative quality of goods in a country.

- This is why even some of the most advanced countries, including the [G7 members](#) (Canada, France, Germany, Italy, Japan, the UK, the US, and the European Union) and others, do not do too well on HDI. That's why countries like Switzerland rank high on HDI.

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What is the Definition of a Developed Country?

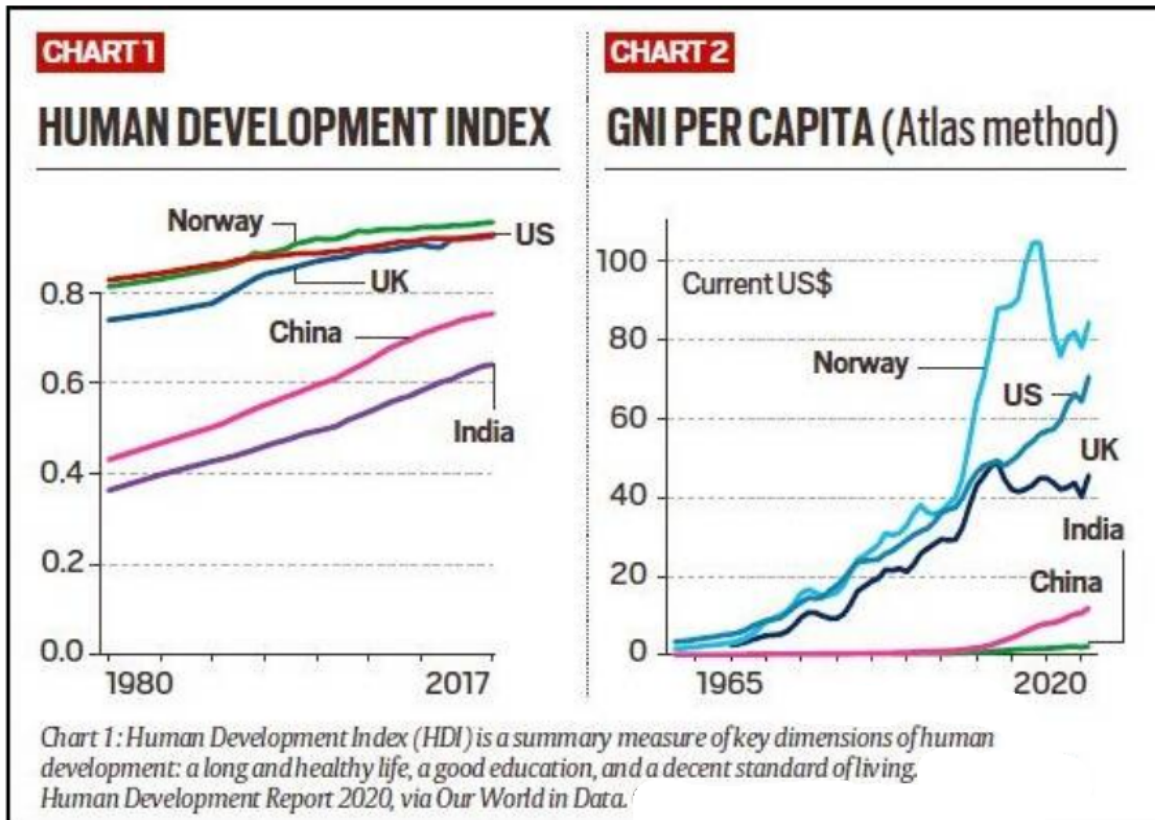
- There is no all-agreed definition of a developed country.
- Agencies such as the [United Nations](#), the [World Bank](#), the [World Trade Organization](#), and the World Economic Forum use their indicators to club developed and developing countries.
- For example, the UN classifies countries into low, lower-middle, upper-middle, and high-income countries.
 - This classification is based on an individual country's gross national income (GNI) per capita.
 - Low -Income Economy: GNI per capita of up to \$1,085
 - Lower Middle-income: GNI per capita up to \$4,255
 - Upper-Middle-income: GNI per capita \$13,205
 - High-Income economy: GNI per capita above \$13,205

Why is the United Nations Classification Contested?

- The UN classification is **not very accurate as it focuses on limited analytical value**. due to which only the **top three countries - the US, the UK & Norway are categorized as developed countries**.
- Whereas, **almost there are 31 developed countries, and the rest except 17** (economies in transition) are designated **as developing countries**.
- In the case of China, the country's capita income is closer to Norway's than Somalia's.
 - China's per capita income is 26 times that of Somalia's while Norway's is just about seven times that of **China's, but still, it got the tag of a developing country**.
- On the other hand, a country like **Ukraine, with a per capita GNI of \$4,120** (a third of China's)

designated as **economies in transition rather than a developed nation.**

Where Does India Stand?



- India is currently far behind both the developed countries, as well as some developing countries.
 - In terms of GDP, India is the sixth largest economy** but in the case of **per capita income**, India is **behind even Bangladesh.**
 - Further, **China's per capita income is 5.5 times that of India, and the UK's is almost 33 times.**
- To map this inequality and match the scores of India and other countries we look at Human Development Index (HDI),
 - India has performed fairly well.
 - The **life expectancy at birth in India has gone from around 40 years in 1947 to around 70 years now.**
 - India has also taken giant strides in education enrolment at all three levels — primary, secondary, and tertiary.
- To be called a developed country there is a **need to grow the per capita income as the people as a unit matters more.**
- The disparities in per capita income often show up in the overall quality of life in different countries.

Where Does India Lag?

- According to a **2018 diagnostic report on India by the World Bank**, despite being the third largest economy in terms of purchasing power parity most Indians are still relatively poor compared to the people in other middle-income or rich countries.
 - Almost 10% of Indians**, at most, have **consumption levels above the commonly used threshold of USD 10 (PPP) per day expenditures** for the global middle class.
 - Further, other metrics, such as the food share of consumption, suggest that even rich households in India would have to see a **substantial expansion of their total consumption** to reach the levels of poor households in rich countries.

How can India Achieve the Developed Country Goal by 2047?

- As per The World Bank's 2018 report, by 2047 — the **centenary of its independence** — at least **half its citizens could join the ranks of the global middle class.**
 - This will mean that households have **access to better education and health care, clean water, improved sanitation, reliable electricity, a safe environment, affordable housing, and enough discretionary income to spend on leisure pursuits.**
 - Further, the report highlighted the precondition of income well above the extreme poverty line, as well as vastly improved public service delivery.

What are India's Achievements Since Independence?

- **GDP:**
 - India's **GDP rose from Rs 2.79 lakh crore in 1950-51 to an estimated Rs 147.36 lakh crore in 2021-22.**
 - India's economy, currently at USD 3.17 trillion, is expected to become the **fifth largest in the world in 2022.**
- **Forex:**
 - India's **foreign exchange reserves have risen from Rs 911 crore in 1950-51 to Rs 45,42,615 crore in 2022.**
 - Now, India has the **fifth-largest forex reserves in the world.**
- **Food Production:**
 - India's **foodgrain production has increased from 50.8 million tonnes in 1950-51 to 316.06 million tonnes now.**
- **Literacy rate:**
 - The literacy rate has also improved from 18.3% in 1951 to 78%. The female literacy rate has improved from 8.9% to over 70%.

UPSC Civil Services Examination Previous Year Question (PYQ)

Prelims

Q. Increase in absolute and per capita real GNP does not connote a higher level of economic development if (2018)

- (a) industrial output fails to keep pace with agricultural output.
- (b) agricultural output fails to keep pace with industrial output.
- (c) poverty and unemployment increase.
- (d) imports grow faster than exports.

Ans: (c)

Exp:

- **GDP:** It is the market value of all final goods and services produced in an economy within a given period of time (typically a year).
- **GNP:** Gross National Product (GNP) is Gross Domestic Product (GDP) plus net factor income from abroad. GNP measures the monetary value of all the finished goods and services produced by the country's factors of production irrespective of their location.
- While GDP limits its interpretation of the economy to the geographical borders of the country, GNP extends it to include the net overseas economic activities performed by its nationals.
- **Nominal GDP:** It measures the value of all finished goods and services produced by a country at their current market prices. Thus, inflation is not adjusted while computing nominal GDP.
- **Absolute GNP or Real GNP:** It is also known as inflation-adjusted Gross National Product measured at constant base-year prices.
- **Per Capita GNP:** It is the total value of all the goods and services produced by a country in a year, including income from foreign investments, divided by the number of people living there.
 - Rise in absolute GNP and per capita GNP in an economy does not connote a higher level of

economic development, if there is high poverty and unemployment, and the same is on an increasing trend. Therefore, option (c) is the correct answer.

Mains

Q. Capitalism has guided the world economy to unprecedented prosperity. However, it often encourages short-sightedness and contributes to wide disparities between the rich and the poor. In this light, would it be correct to believe and adopt capitalism for bringing inclusive growth in India? Discuss **(2014)**

Source: IE

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