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**DEVELOPING INDIA IN CONJUNCTION WITH LOW PERCAPITA
INCOME: A CRITICAL ANALYSIS**

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ABSTRACT

Per capita income is used to measure total cash that a person has earned in his country in a particular geographical area. This determines the person's living style among the whole population. Per capita income is usually compared with other nations to determine the citizen's condition. It is also known as the average income. This concept of per capita income was written by Irving B. Kravis, Alan W. Heston and Robert Summers in the economic journal which estimated the GDP of the whole world which consisted of around 100 countries. Every guy, woman, and infant, including newborns, is counted like an element of the population when calculating per capita income. This is in contrast to other typical measures of an area's affluence, including such family income, that also counts all persons living in the same household as both a community, and family income, which considers those living under the same roof that are connected via birth, marriage, or adoption as a family. During the post-pandemic world, India's strength is its reliance on agriculture. And as we have already discussed, India's decreasing per capita income is nevertheless, a topic of concern and should be looked into. The core concepts and terms such as developing India, Indian economy and Per capita income have been clearly discussed. Those core elements on which today's India is being constructed are agriculture, realising the latent potential of India's natural resources, and creating infrastructure. Those studies were limited to the advantages of this measure of calculation but in this research, the data from internet, articles and non-empirical methods has been used in this study to find out how per capita income is the sole of development in a developing country along with its criticisms.

Keywords: *Developing India, Per capita Income, Indian economy*

INTRODUCTION

The people have come across the term "per capita income" somewhere or other during our

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higher studies or maybe in the economy and business section of the newspapers². But what does it mean and why do we need to find it? Is it necessary? The literal meaning of the term “per capita” means “per person”³. Yes, it is indeed an inseparable part of the economy. Per capita income is shown in ratio using a statistical notion and by its meaning we already know that it is about the income of each person in a particular country⁴. India is one of those countries whose economy is the largest economy of the world, that too within 10 ranks. The country India has started from nothing after it got independence. India’s per capita income post-independence was 249.6 rupees/years only⁵. Previous studies have shown that, India's actual per capita income is nearly 60 times that of the world's richest countries and almost eight times that of the world's lowest.⁶ As well as according to 2019 data, per capita income of India was \$2198⁷. But compared to countries like USA and China, our per capita income is far behind.

METHODOLOGY

The target of this work is to gather information regarding the level of per capita income as a relation with developing India. Therefore this is regarded as descriptive work which is concentration on finding out the answers for what and how related with the topic developing India in a relationship with law per capita income. In this course of intense search of facts it is considering all data available in internet as well as journals, articles, news clips, books etc. to reach on a valid conclusion. This work is focusing on the following points;

- a. What are the measures of development?
- b. Is per capita income a sole of development in a Developing country like India?
- c. What are the reasons of law per capita income in India?
- d. What are the effects of this law per capita level on developing India?

CONCEPTUALISATION OF DEVELOPING INDIA IN CONJUNCTION WITH LOW PERCAPITA INCOME

Developing India: India used to be entirely reliant on agriculture, but it is currently working

² Kenton W., *Per Capita Income*, 2022, INVESTOPEDIA (Mar. 10, 2022), <https://www.investopedia.com/terms/i/income-per-capita.asp#:~:text=Per%20capita%20income%20is%20a,of%20life%20of%20the%20population>

³ Banton C., *Per Capita*, INVESTOPEDIA (Nov. 21, 2020), <https://www.investopedia.com/terms/p/percapita.asp>

⁴ Singh H., *Salient features of Indian economy*, JAGRAN JOSH (Jul. 5, 2016, 4:36 PM), <https://www.jagranjosh.com/general-knowledge/salient-features-of-indian-economy-1467716170-1>

⁵ Choudhary R., *Know how much per person income in 1947, how much income today*, BANK.CAKNOWLEDGE.COM (Sept. 18, 2021), <https://bank.caknowledge.com/per-persons-income-india/>

⁶ *GDP Per Capita of India*, STATISTICS TIMES (Jun. 5, 2021), <https://statisticstimes.com/economy/country/india-gdp-per-capita.php#:~:text=GDP%20per%20capita%20of%20India&text=Nominal%20GDP%20per%20capita%20or,99%2C694%20I NR%20for%202020%2D21>

⁷ *GDP Per Capita of India*, STATISTICS TIMES (Jun. 5, 2021), <https://statisticstimes.com/economy/country/india-gdp-per-capita.php>

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to improve its economic and social standing. Its Gross Domestic Product (GDP) is lower than that of wealthy countries with economies that are less developed and sophisticated. Other reasons why India is tagged as a developing country rather than a developed country include widespread poverty, overcrowding, unemployment, and technological backwardness.

Per capita Income: The term "per capita income" refers to "the entire amount of money earned by a person in his or her country in a specific geographic area which is calculated by dividing total income earned by the people of the country with the total population in a particular year".

Indian economy: The Indian economy is known as the developing economy in the world. This economy is the "world's fifth largest economy".⁸ India's economy was in the worst shape after the colonial period.⁹ The country has been moving towards such a market-based economy since 1991 as a result of continued economic liberalisation. India had identified as being one of the fastest-growing economies in the world by 2008.¹⁰

THE MEASURES OF DEVELOPMENT

- i. *Human Development Index:* "The Human Development Index" (HDI) measures the level and improvements in quality of life by combining certain aspects which includes, life expectancy, education or access to knowledge, and income or standard of living.¹¹
- ii. *Increase in Real Gross National Product Per Capita:* The entire value of all products and services generated by a country's citizens and enterprises is known as the gross national product (GNP).¹² GNP accounts for both domestic and international investments made by foreign residents and businesses. GNP per capita is a method of comparing a country's GDP with that of other countries.
- iii. *Increase in Per Capita Real Income:* Per Capita Real Income is indeed a measurement of income divided by the country's population. It reflects the state of the country. If it rises, it signifies it has met its economic objectives.

⁸ Reynolds O., *The World's Top 5 Largest Economies in 2024*, FOCUS ECONOMICS (Feb. 16, 2021), <https://www.focus-economics.com/blog/the-largest-economies-in-the-world>

⁹ Bagchi A., *Why did the Indian economy stagnate under the colonial rule?*, IDEAS FOR INDIA (Sept. 16, 2013), <https://www.ideasforindia.in/topics/poverty-inequality/why-did-the-indian-economy-stagnate-under-the-colonial-rule.html>

¹⁰ *Is India 2nd fastest growing economy?*, THE ECONOMIC TIMES (Oct. 10, 2008, 5:04 PM), <https://economictimes.indiatimes.com/news/economy/indicators/is-india-2nd-fastest-growing-economy/articleshow/3580973.cms>

¹¹ *Human Development Index (HDI)*, CFI (May 1, 2022), <https://corporatefinanceinstitute.com/resources/knowledge/economics/human-development-index/>

¹² The Investopedia Team, *Gross National Product*, INVESTOPEDIA (Jul. 5, 2022), <https://www.investopedia.com/terms/g/gnp.asp>

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- iv. *Efficacy in terms of physical well-being*: Physical well being such as Infant Mortality Rate (IMR) and Life Expectancy determine the development of a country.
- v. *Human Capabilities*: Human capacities of a nation free of starvation, hunger, and malnutrition, as well as proper shelter, boost people's well-being, resulting in an increase in the value of living.

DEVELOPING INDIA IN CONJUNCTION WITH LOW PERCAPITA INCOME

USES OF PER CAPITA INCOME:-

The amount of funding made by “per person” in a country or region is referred to as each capita income.

- i. *Per capita income is used to find out the approx. “per-person” income in order to assess a population's standard of living.*
- ii. *The inadequacy to compensate on “inflation, income disparity, poverty, wealth, or savings is one of the drawbacks of per capita income as a metric”*
- iii. *Per capita income can be used to check if a particular location is affordable or not. It could be mixed with different statistics to let know if an ordinary middle class family could afford a particular residence or not. The firms could use this to decide if a particular region is appropriate to open a business in or not.*

GDP PER CAPITA OF INDIA

INDIA'S STATUS IN GLOBAL ECONOMY

In terms of nominal GDP per capita, India has secured 144th rank out of 194 economies of the world. India's GDP per capita has reached about 6.5% of the total world GDP per capita in 1993; by 2019, it has increased to 18.4%. India's nominal per capita income has been nearly 60 times more than that of the whole world's richest countries and almost 8 times multiplied that of the globe's lowest. Within the list of Asian countries, India is ranked 33rd. “According to PPP, India's GDP per capita is expected to reach 7,333 US dollars in 2021. It accounts for over 40% of global GDP per capita. Our Asian rank is 31 and also the world rank has been 128, respectively”.

YEAR	<u>At 2011-12 prices (INR)</u>			<u>At current prices (INR)</u>		
	Per capita GDP	Per capita GNI	Per capita NNI	Per capita GDP	Per capita GNI	Per capita NNI

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2004-05	50,325	49,981	45,611	29,259	29,054	25,987
2005-06	53,478	53,102	48,387	32,841	32,605	29,169
2006-07	56,964	56,527	51,431	37,920	37,624	33,717
2007-08	60,466	60,218	54,649	43,046	42,866	38,394
2008-09	61,469	61,111	55,101	47,783	47,498	42,356
2009-10	65,394	65,011	58,442	54,414	54,089	48,189
2010-11	69,994	69,240	62,170	64,372	63,682	56,971
2011-12	71,610	70,980	63,462	71,610	70,980	63,462
2012-13	74,600	73,722	65,538	80,519	79,573	70,983
2013-14	78,348	77,370	68,572	89,796	88,678	79,118
2014-15	83,091	82,107	72,805	98,405	97,241	86,647
2015-16	88,617	87,565	77,659	107,342	106,096	94,797
2016-17	94,752	93,639	83,003	118,489	116,070	103,870
2017-18	100,035	98,925	87,586	130,061	128,655	115,224
2018-19	105,526	104,377	92,241	142,328	140,804	125,883
2019-20	108,645	107,589	94,566	151,760	150,320	134,186

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2020-21	99,694	98,749	86,659	145,679	144,319	128,829
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The fiscal year in India runs from April to March.¹³ For instance, fiscal year 2017 occurred in April of year 2016 and concluded in March of year 2017. Rupees 1= 0.013 dollars and 0.012 euros (March 2022). In the financial year 2020, the estimated per capita income throughout the south-western region of Goa were about 435 thousand Indian rupees, while it was over 45 thousand rupees in the northern state of Bihar. In that year, the average per capita income in the country was expected to be 134 thousand rupees.

REASONS FOR LOW PER CAPITA

- i. Lack of knowledge regarding technology is one of the most important causes for low national income. Even though technology has been developed in India, people are not aware to make use of it.
- ii. Certain social and political institutions and conditions like illiteracy, corruption, caste, kinship and many other are to blame for this country's poor rise of national income.
- iii. The country's unusual labour force participation rate is also to blame for the slow increase of national GDP. Currently, 66% of the working population is employed in agriculture and related industries, 3% in industry and mining, and the remaining 31% with in tertiary sector. Furthermore, the high frequency of underemployment among agricultural labourers, as well as the work force in other sectors, contributes to the slow rise of national income.
- iv. This poor rate of progress of India's industrial sector is another key explanation for the country's slow rise of national GDP. And during intended growth periods, and especially in recent years, India's industrial sector has not been able to maintain a steady and sustainable growth rate. Therefore, India's basic industry growth is not sufficient. As a result of all of this, the country's national income has grown at a slow pace.
- v. In India, infrastructural facilities such as transportation, communication, power, irrigation, and others have not yet been created to meet the country's needs. This has created significant roadblocks in the country's agricultural and industrial development, resulting in low national income growth.
- vi. The Indian economy is characterised by an excessive reliance on agriculture. Because agriculture is not structured on a commercial basis, but rather as a way of life, such heavy reliance on agriculture prevents rapid increases in national and per capita income.

¹³Fiscal Year, WIKIPEDIA, https://en.wikipedia.org/wiki/Fiscal_year

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- vii. Last but not the least, one of the most primary element for slow rise of the factor is the population growth rate, which is a major predictor of economic growth. Whatever gains in national income have been made, the rising population consumes them all. As a result, India's rapid population increase is slowing the country's economic growth and is to blame for the country's poor national income growth.

EFFECT OF LOW PER CAPITA INCOME ON INDIA

- a) India's low per capita income in comparison to other countries is concerning and should be investigated. During and during the pandemic, India demonstrated its worldwide supremacy by being the world's pharmacy. It is a pioneer in the development and delivery of crucial protective equipment including such PPE kits as well as hydro choroquine tablets. The widespread usage of digital equipment during the lockdown, as well as its widespread adoption by millions of Indians, are significant achievements. This is because of the government's digital revolution during the previous few years.
- b) The World Bank publishes data on overall GDP and GDP per capita, although each metric can give a different picture of India's economic situation and its citizens' wealth. Some economists believe that when it comes to individual poverty levels, India's aggregate economic expansion, or overall GDP, is irrelevant. For instance, if an outlet says that the world's GDP increased by 3%, it may sound good, but it ignores the fact that now the world's population increased by 1.5 percent, making the GDP statistic less spectacular.
- c) The disparity among both GDP per capita increment and total GDP growth is low in such countries where ever the population is not quickly growing. GDP growth for nations with rapidly rising populations, such as that in India, can be particularly misleading because a country's overall GDP growth might mask a fall in per capita growth.¹⁴ Afghanistan has been offered as an example, where the GDP grew by 2.8 percent overall in 2013, but fell by 0.7 percent per capita.

MEASURES TAKEN BY GOVERNMENT

The government has implemented a number of economic changes and structural initiatives in order to achieve a faster growth rate in its national revenue. All of these initiatives have begun to have an impact on the country's national income growth. The Union Budget 2014-15 highlighted initiatives to stimulate the economy's growth and thereby boost per capita income,

¹⁴Callen t., *Gross Domestic Product*, AN ECONOMY'S ALL (Feb. 24,2020),
"<https://www.imf.org/external/pubs/ft/fandd/basics/gdp.htm>"

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and further efforts were made to implement them.¹⁵

- a) The government has generated a series of programmes aimed at increasing monthly percapita income. Furthermore, the government finally authorized a centrally sponsored certain schemes to promote the National Agricultural Market through the Agri-Tech Infrastructure Fund in order to provide better prices to farmers, strengthen supply chains, and decrease wastages, among other things (ATIF).¹⁶
- b) Mahatma Gandhi National Rural Employment Guarantee, Aajeevika-National Rural Livelihoods Mission, and National Urban Livelihoods Mission are among the government's initiatives.
- c) The Centre has taken a number of steps, including encouraging foreign direct investment in some industries, deregulating diesel rates, and finalising the natural gas pricing strategy.
- d) “*Make in India*” initiatives, capital enablement initiatives, *labour reforms*, land acquisition amendments, and a boost to savings through the PradhanMantriSahakariYojana are also on the table. The Jan DhanYojana has a direct impact on people's incomes.
- e) With an increased focus on “*agriculture, classic agriculture, improved farm borrowing, infrastructural development and rural employment, micro unit advancement remortgage and credit to SC/ST enterprises, self-employment and talent utilisation*”, and centralisation of skill developmental activities, the “*Union Budget 2015-16*” does include plans to strengthen *employment and income*.

IS PER CAPITA INCOME A SOLE OF DEVELOPMENT IN A DEVELOPING COUNTRY LIKE INDIA?

Critical appraisal of PCI as a sole measure of development: Per-capital income is widely treated as a base to know the development rate of a country. It is also used as best measure of where one nation stand in the context of world economy. But it has also criticised and treated as an incomplete measure to use as an indicator. These points are discussed below;

i) Living Standard: Per-capita income is not always a way to judge the standard of live in a country because statistical measures are biased in maximum cases as they are not taking into account the inequality of income. It is again in efficient to provide a complete or clear picture to visualise the standard of life in the earth because it is only resting on quantity not on quality.

¹⁵Union Budget, <https://www.indiabudget.gov.in/>

¹⁶ PIB Delhi, *Role of Agricultural Infrastructure*, MINISTRY OF AGRICULTURE & FARMER'S WELFARE (Dec. 21, 2021), <https://pib.gov.in/PressReleasePage.aspx?PRID=1783870>

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ii) Price spiral or inflation: This means continuous rise in price.¹⁷the presence of inflation results in a reduction in purchasing power and limits any growth of income.therefore it is wrong to assume PCI as a sole determinant of standard of living.

iii) Saving and wealth: “Individual savings as well as wealth aren’t included in calculating per capita income. The wealthy person may be represented as a person producing low income using the per capita statistic.”¹⁸ In this way it is also not accurate and only measure of standard of living in India.

iv) Children as a dependent: Even though children do not earn, they are obviously included in calculation of total population. And this is why, countries with high population of children have a different result because there will be more people dividing the revenue compared to other countries. Therefore for India it is not appropriate measure to consider as a determinant of development in India.

In Indian economy, the increased national income goes to the hand of few rich people instead of giving to the large number of poor. This is why, until and unless the national income is not served equally to the people of this country, per capita income can never be a satisfactory indicator of development.

CONCLUDING REMARK

During the post-pandemic world, India's strength is its reliance on agriculture. And as we have already discussed, India’s decreasing per capita income is nevertheless, a topic of concern and should be looked into. Those core elements on which today's India is being constructed are agriculture, realising the latent potential of India's natural resources, and creating infrastructure. We also require a bigger number of patent applications to just be lodged from India, because these are the sectors in which we lag far behind other major countries. More agricultural start-ups are needed in India to provide in-situ solutions to diverse concerns. Opportunities are clearly in front of us, and it is up to us to take advantage of them. From the standpoint of skilling and job creation, India's demography and population provide a challenge. However, the overwhelming amount of scientists and doctors, along with other professionals, flowing out from India provides reason for optimism.

Hence, we cannot say that per capita income is the most appropriate measure to represent the

¹⁷Oner C., *Inflation: Price on the Rise*, INTERNATIONAL MONETARY FUND (Feb. 24, 2020), <https://www.imf.org/external/pubs/ft/fandd/basics/inflat.htm>

¹⁸ “<https://www.oecd.org/els/soc/trends-in-income-inequality-and-its-impact-on-economic-growth-sem-wp163.pdf>”

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standard of living of our people but it is just an average tool because the higher national income goes to the richer community and not the poor. This is why, per capita income can never be the best indicator of development until and unless the national income is evenly distributed.



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