### **Concept of Developed and Developing country**

### **Developed Countries**

Characteristics of **developed countries** include:

* Relatively few people experiencing poverty.
* Very low unemployment rates.
* Citizens experience a high [standard of living](https://study.com/academy/lesson/standard-of-living-definition-measurement-quiz.html).
* Strong economic growth.
* Equitable income distribution, especially in comparison to developing countries.
* Industrialization; three main factors of production (land, labor, and capital) are used in the most efficient way possible.
* Consume almost 90% (88% to be exact) of the natural resources on Earth.

# **Difference Between Developed Countries and Developing Countries**

Countries are divided into two major categories by the United Nations, which are developed countries and developing countries. The classification of countries is based on the economic status such as **GDP, GNP, per capita income, industrialization, the standard of living,** etc. **Developed Countries** refers to the soverign state, whose economy has highly progressed and possesses great technological infrastructure, as compared to other nations.

**Utilisation of resources in developing countries:**

1. It is mostly for subsistence and basic needs purpose.

2. Lacks adequate technologies.

3. Wastages of resources are higher.

4. Mostly for domestic purposes.

**In developed countries**:

1. Most abundant use and widespread technology.

2. Highest level of resources consumptions.

3. Higher returns on material use.

**Developing Countries**

A developing country, in the simplest terms, is a nation working towards improved industrialization, economic stability, and enhanced living standards for its populace. In this article, we'll delve into the nuances of defining these countries, their distinguishing characteristics, and the unique challenges they grapple with on their path to development. Drawing from a spectrum of global examples, we will illustrate the breadth of conditions and experiences that encompass the term "developing country," in an effort to provide a more rounded understanding of this complex and often controversial concept.

**Developing Country**

A developing country, often referred to as a less low-income country or an emerging market, is a nation that is in the process of strengthening its economic, political, and social structures. These countries typically exhibit a lower standard of living, less industrialization, and lower income per capita. Their primary goal is to enhance their economies, improve technology and infrastructure, and uplift their citizens' living standards.

It's essential to note that the term "developing country" has been criticized for being overly simplistic and potentially misleading. It's been suggested that this terminology may be inappropriate because it assumes a uniform standard of development, often based on Western or colonial models and neglects these nations' diverse economic systems, histories, and experiences.

Instead of using broad categories, a more accurate representation might be to reference the specific economic or social conditions present in a country or refer to the geographic region. This approach highlights each nation's unique challenges and achievements without implying a linear path of development or homogenizing vast and varied regions.

**Example of developing country**

For instance, although home to the world's fifth-largest economy by nominal GDP, India grapples with significant challenges such as poverty, corruption, inadequate public healthcare, and insufficient public infrastructure. Nonetheless, India is making strides in various areas like technology, manufacturing, and global economic influence, signifying its progress towards becoming a developed country.

## **Characteristics of Developing Countries**

Examining the characteristics commonly associated with developing countries can help shed light on the various facets of their socio-economic realities. While these characteristics are by no means universal, they are prevalent enough to warrant discussion. Here are some common traits, each presented with examples to clarify the concept.

### **Low Per Capita Income**

Developing countries often exhibit low per capita income, which refers to the average income per person in a given country. For instance, in countries like Nepal or Malawi, the GDP per capita is significantly lower than in high-income countries, such as Switzerland or Norway. This gap in income levels is often a result of a variety of factors, including lower levels of industrialization, technological advancement, and [human capital](https://app.studysmarter.de/link-to?studyset=9610053&summary=61139360&language=en&amp_device_id=8lrJ4mxp2VffIfWuYcn633).

### **High Levels of Poverty**

Higher levels of poverty are another characteristic associated with developing countries. A substantial portion of the population in these nations lives below the international poverty line. Take, for example, Zambia, where over 50% of the population is considered to be living in poverty. This poverty can often be traced back to systemic issues like unequal wealth distribution and limited access to quality education and healthcare.

### **Dependence on Agriculture**

Developing nations often exhibit a higher reliance on the agricultural sector for their economic output and employment. For example, in Bangladesh, a significant proportion of the population is engaged in farming, contributing to a large share of the country's GDP. However, this dependence can expose these economies to risks such as volatile global commodity prices and climatic uncertainties.

### **Rapid Population Growth**

Another characteristic of developing countries is a higher rate of [population growth](https://app.studysmarter.de/link-to?studyset=9610113&summary=61140138&language=en&amp_device_id=8lrJ4mxp2VffIfWuYcn633). Countries like Nigeria and Pakistan have seen their populations surge over the past decades, placing pressure on resources and infrastructure. Rapid population growth can strain public services like education and healthcare, thereby posing challenges to sustainable development.

### **Weak Infrastructure**

Lastly, developing countries often grapple with weak or underdeveloped infrastructure. Whether it's road networks in rural areas of India or electricity supply in parts of sub-Saharan Africa, infrastructure deficits are a common challenge. Such infrastructural gaps can hinder [economic development](https://app.studysmarter.de/link-to?studyset=9610072&summary=61139627&language=en&amp_device_id=8lrJ4mxp2VffIfWuYcn633) and limit access to essential services.

### **Health Challenges**

Developing countries often face significant health challenges, including higher rates of infectious diseases and lower life expectancy. In many Sub-Saharan African countries, for instance, health issues such as HIV/AIDS and malaria continue to be major public health crises. Additionally, limited access to clean water and sanitation facilities can exacerbate health issues, as seen in parts of Yemen, where water scarcity has contributed to a severe cholera outbreak.

### **Limited Human Capital**

Human capital, measured by factors such as education and skills training, is often limited in developing countries. For instance, countries like Afghanistan have low literacy rates, particularly among women, impacting the workforce's skill level and the economy's productivity. Limited human capital can be attributed to various factors, including inadequate education systems, lack of investment in skills training, and limited access to quality health care, which affects the population's overall well-being and capacity to contribute productively to society.

While these characteristics are common among many developing nations, it's crucial to remember that there's considerable variation within this category. As such, these traits should be viewed as general patterns rather than definitive markers of all developing countries.

## **Developed and Developing Countries**

It is essential to revisit the historical narratives surrounding the dichotomy of 'developed' and 'developing' countries. Indeed, the terminology, as frequently used in the global discourse, may inadvertently perpetuate the legacy of colonialism.

The history of 'developed' countries often reveals a pattern of resource extraction and exploitation of regions they once colonized, regions that are now predominantly referred to as 'developing' countries. This historical perspective highlights a narrative of wealth accumulation on one end of the spectrum and resource depletion on the other, which may have been instrumental in shaping today's economic and social landscapes.

The terms 'developed' and 'developing' can, therefore, evoke a metaphorical description of 'colonizer' and 'colonized'. It may indirectly reflect an inherent power dynamic, characterized by a history of inequality and exploitation. The 'developed' nations, in essence, thrived through a significant period of their history by exploiting the human and natural resources of the 'developing' nations. Today, while overt colonialism has ended, implicit economic dependencies and inequities still persist.

When categorizing nations, a more nuanced approach could be to focus on specific socio-economic indicators or geo-economic contexts, instead of using broad, and potentially misleading, terms such as 'developed' and 'developing'. This shift in perspective is crucial for fostering a more comprehensive understanding of the global economic landscape and promoting a more equitable dialogue about progress and development.

## **Economic Problems of Developing Countries**

There are a lot of economic problems that developing countries face on a daily basis. Why do we care about these challenges? Because understanding these problems is crucial to improving the conditions and developing the economy.

### **Population Growth**

One of the main economic problems that developing countries face is [population growth](https://app.studysmarter.de/link-to?studyset=9610113&summary=61140138&language=en&amp_device_id=8lrJ4mxp2VffIfWuYcn633). The population of developing countries generally tends to grow at a faster rate compared to developed countries. "Why is it a bad thing?" you might ask. The higher the number of people living in a country, the higher the demand for products, jobs, and services such as education and health. Since the available income of the developing countries is limited, it is even harder to feed more and provide jobs and services for the increasing population.

High birth rates or increases in life expectancy are possible reasons behind the increasing population. As a result, it becomes hard to increase the income per capita. Some countries develop measures to prevent the increasing birth rate. For instance, China encouraged lower birth rates and limited the number of children each family may have.

### **Geography and natural resources**

The available natural resources are not even across countries and each geography has its own characteristics. Some geographies have limited natural resources, i.e. unproductive land or harsher climates. These conditions might hinder economic growth, especially considering an increasing population. Countries that have limited natural resources might want to focus on [international trade](https://app.studysmarter.de/link-to?studyset=9655054&summary=61676068&language=en&amp_device_id=8lrJ4mxp2VffIfWuYcn633) as we see in Japan to increase economic growth.

### **Disease**

Another obstacle that hinders [economic development](https://app.studysmarter.de/link-to?studyset=9610072&summary=61139627&language=en&amp_device_id=8lrJ4mxp2VffIfWuYcn633) and decreases the welfare of the society might be disease. For many developing nations, diseases such as HIV/AIDS or bird flu are major problems. Due to the high infection rates, the primary income providers are often affected which may lead families to poverty.

### **Other Obstacles**

Another challenge that developing countries face is the lack of available education and technology opportunities. However, these opportunities are required to increase the development level of societies and build an industrial and sustainable economy.

If countries need financial investment for these services and cannot afford it, they often take external debt from other countries to improve the conditions. However, sometimes some nations borrow so much [money](https://app.studysmarter.de/link-to?studyset=9655013&summary=61676001&language=en&amp_device_id=8lrJ4mxp2VffIfWuYcn633) that they cannot repay the money and have to face higher interest rates. This affects the developing nations even more negatively.

Corruption has a significant negative impact on developing countries since it increases the costs of production and public goods and reduces access to health and education services. It has a severe impact on the justice system which may lead to high crime rates and decreased welfare in society. Terror, war, drug trafficking, and organized crime can be listed as other consequences of corruption.

Trade wars and technology wars are issues that we might see in economies. However, their impact is much worse in developing countries since their economies are not so stable and they endure more economic crises compared to developed economies.

Actual wars are also a big issue for developing countries. Bloody civil wars have devastated many developing countries and thwarted their development efforts. The damage to infrastructure and property, as well as the loss of productive workers and leaders, can hold back a country's development for years, if not decades.

Another problem for developing countries is capital flight, which is the selling of assets and the moving of currency out of the country. This can happen if the economy is doing poorly, if the market is crumbling or if investors simply lose faith in the government's leadership. With all of the problems developing countries face, capital flight happens on a regular basis, and it can wreak havoc on the country's currency and economy.

## **Importance of Economics in Developing Countries**

Economics is the crucial element for a country to be developed. If there is enough funding in a country, the government can use it to improve the infrastructure, increase the quality of public goods, develop the health and education system and create jobs.

There are several ways to provide funding for developing countries.

**Savings** are one of the main resources to generate funds. In order to generate these internal funds, there should be more production than consumption. Companies would want to borrow [money](https://app.studysmarter.de/link-to?studyset=9655013&summary=61676001&language=en&amp_device_id=8lrJ4mxp2VffIfWuYcn633) for their projects and banks would earn interest on the [money](https://app.studysmarter.de/link-to?studyset=9655013&summary=61676001&language=en&amp_device_id=8lrJ4mxp2VffIfWuYcn633) they lend. The interest rate depends on this demand-supply relationship in the market.

**Microloans** as part of microfinance is another economic way to support developing nations. A microloan is usually a small loan made to women to support their projects and encourage them to start small businesses.

Soma major**international agencies** such as the International Monetary Fund (IMF) and the World Bank also provide loans and financial services and give advice to developing nations in order to help them develop their economies.

## **Developing Countries - Key features**

* Developing countries have developing economies and low average per capita income. Since their economies are not well developed, they have generally less developed infrastructure, education, and health care systems.
* Some economists categorize the developing countries into different stages of economic development and analyze them accordingly: Primitive Equilibrium, Transition, Takeoff, Semi Development, and High Development.
* Economics is the crucial element for a country to be developed. If there is enough funding in a country, the government can use it to improve the infrastructure, increase the quality of public goods, develop the health and education system and create jobs.
* Differentiating the developing and developed countries is not always easy because there is no strict line or a measure to use. Economists use the GDP per capita as the development measure. To be able to compare countries globally they need to use a common unit such as the U.S. Dollar.
* The developed countries include the United States, Australia, Canada, Japan, and West European countries (Germany, France, UK, etc, whereas most Asian countries, Russia, Africa, and South America can be given as examples of the developing countries or regions.