

Most etc. 4.
absorption capacity:
as noted earlier,



Most developed countries have been unwilling to provide sufficient aid to developing countries. This unwillingness has been the result of several causes including the ones mentioned in other parts of this section.

3. Credit Rating of the Aid-Recipient: Since foreign aid is primarily in the form of loans, the aid-giver country is concerned about the risk of default.

Consequently, countries with a poor credit rating are left with smaller aid offers. It is noteworthy that generally aid offered to an underdeveloped country is small if its government is inefficient, if market mechanism has a limited role in its economic philosophy, if it tries to maintain the integrity of its national interests by following a foreign policy not quite to the donor's liking and if it has a poor factor endowment, etc. 4.

Absorption Capacity: As noted earlier, "absorption capacity" (that is, capacity to use resource-inflows productively) of a country also plays a crucial role in the volume of aid received by it. Starting with a very low level, absorption capacity of a backward country increases only in stages. In addition, the aid-absorption capacity of a country also depends upon the development of complementary resources like infrastructure, availability of skilled labour, competent bureaucracy, congenial financial and other institutions, and so on. 5. Willingness to Receive Aid: In conventional analysis, it is assumed that a less developed country is always eager to receive aid. This, however, is not always the case. It can have many reasons for avoiding aid.

It may, for example, prefer a path of economic isolation; or the terms and conditions of aid may not be acceptable to it, and so on.