

Economic Growth, Development & New Trends in the Economy

AAT Level I
ECN - Economics

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CHAPTER 07

ECONOMIC GROWTH DEVELOPMENT AND NEW TRENDS IN ECONOMY

Economic growth

Economic growth is the continuous Increase in the amount of the goods and services produced in an economy over time .It is measured as the percentage rate of increase in real gross domestic product. Therefore it is the increase in the capacity to produce goods and services in other words increase in the potential output of an economy

Economic growth rate

Importance of Economic growth

- Improvement in living standard
- Increasing employment level
- Decrease in Poverty
- Encourage investment
- Increase the government revenue and the ability of government Expenditure will increase on education health and social services etc.

Cost of Economic Growth (Disadvantages)

1. Social Cost – with the industrialization many problems will be created with environment pollution and noise
2. Inflation –if aggregate demand increases faster than aggregate supply economic growth will be unsustainable
3. Balance of payments deficit –Increase economic growth causes an increase in spending on more imports causing a deficit on the current account
4. Opportunity cost –Economic Growth requires more investment .this means the resources allocation should be done more on investment goods than consumption goods
5. Increasing income inequality –benefits of economic growth will not distribute among the people in a fair manner

Determinants of economic growth

1. Factor endowment
 - Physical capital
 - Human capital
 - Natural capital
 - Social capital
2. Productivity
 - Technology
 - Innovation
 - Investments on research and development
3. Economic stability
4. Political stability
5. Good governance
6. incentives

Economic Development

Economic Development generally refers to as the qualitative and quantitative changes in the economy. IF the benefits of economic growth are distributed among the people in the country by uplifting their standard of living it's called as Economic Development .Accordingly Economic Development process emphasizes following Improvement

- Economic Growth
- modernization
- Reduction in the inequities in income distribution
- Reduction in poverty
- Reduction in unemployment
- Increase in living standard
- Protection of environment
- Freedom –Self dignity(Self guarding human rights)

Human development

It is the enhancement of human abilities by people themselves and employing these abilities in economic, social, cultural, political spheres and ensuring the same right to future generation with a view to bringing human life to a better condition.

Profile of human development

1. Income
2. Education
3. Health condition
4. Political freedom

5. Healthy and social relations
6. Empowerment equality

Sustainable development

Sustainable development (SD) refers to a mode development in human in which the use of resources aims to fulfill human needs while preserving the environment, so that these needs can be fulfilled not only in the present but also for the generation to come. Sustainable development is conceptually broken into three parts as

- Environment sustainability
- Economic sustainability
- Social political sustainability

Profiles of sustainable development

1. Economic profile
 - Efficiency
 - Stability
2. Environment profile
 - Favorable sanitary condition
 - Protection of nonrenewable resources
 - Efficient use of nonrenewable resources
3. Social profile
 - Corporation
 - Justice
 - Social coexistence
 - Empowerment cultural integrity
 - Social mobility

Sustainable development and changing role of accounting and businesses

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New trends in Srilankan Economy

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