[Summary]

Financing Development

Subject:	Business Economics
Course:	B. A. (Hons.), 6th Semester, Undergraduate
Paper No. & Title:	Paper – 641 Elective PaperE2 – Economic Growth and Policy
Unit No. & Title:	Unit – 4 Technological Progress
Lecture No. & Title:	Lecture – 2 Financing Development

Summary

We have learnt in various lectures on development economics that savings are important for investment and investment leads to growth of economies. Hence, it is necessary to know if countries with higher saving rate also experience higher growth rate of GDP. The Gross savings to GDP ratio for different countries of the world show that rich countries do not necessarily have high savings rate and developing countries do not necessarily have a low savings rate.

The reasons for such discrepancies are many, some of which we have studied in other lectures.

Governments, banking sector and financial intermediaries play an important role in financing investment for development. Governments of developing countries undertake several measures to increase their savings and to divert these savings into investment which in turn increases their growth and development. Some developing countries have high savings but these savings are not channelized efficiently into investment and hence governments have to promote financial intermediaries that can do so.

Level of national income, population growth rate, monetary policy and fiscal policy determine the growth rate of savings.