Restrictive Factors for Economic Growth in Developing Countries

Bucur Ion, Petroleum Gas University of Ploiesti, Ploiesti, Romania
Bucur Cristian, Petroleum Gas University of Ploiesti, Ploiesti, Romania

ABSTRACT

Economic growth reflects the ability of an economy to produce more goods, in the structure and quality demanded by consumers. Growth influence decisive the existing living standard in a country. Developing countries are characterized in a greater extent than developed countries by insufficient financial resources designed both to increase the volume of investment resources and their efficient use. Increasing economic resources requires investments and lead to increased production.

Keywords: Economic Growth, Existing Living Standard, Growth Influence, Labor Resources, Sustainable Development

1. ECONOMIC GROWTH: FUNDAMENTAL FACTOR FOR DEVELOPMENT OF HUMAN SOCIETY

Economic growth shows an upward trend of development of an economy over a long period of time, which does not preclude cyclical oscillations and even temporary economic setbacks. It has beneficial effects, such as enhancing created wealth and thus increase the lift of base living standards, the level of material and spiritual civilization, enlarging accumulation and investment opportunities to expand cultural, scientific, educational, activities.

Economic growth reflects the ability of an economy to produce more goods, in the structure and quality demanded by consumers. It makes possible to increase the average life and economic welfare. Economic growth is achieved in a specific spatial and temporal framework and reflect macroeconomic outcomes increasing per capita. This can be measured by several economic indicators, more frequent use are: the size and dynamics of real gross domestic product, gross national product and national income, both on the economy and per capita (Preda, n.d.a.).

Currently, growth is achieved in a country in the context of globalized economic development, gain links between national economies and the deepening trend of reduction and elimination of barriers between national economies (Popescu & Tășnad, 2009). Thus, increasingly greater economic activity is conducted between businesses in different countries. However,
economic activity is conducted, increasingly more in territories which runs under international responsibilities and rights.

Growth influence decisive the existing living standard in a country. During the greater part of human history, since man first produced economic goods and to this day, the standard of living was characterized by a high level of poverty for the vast majority of the population (Lipsey & Chrystal, 1999).

In the time elapsed since then, the standard of living for most of the population of the planet was at an unsatisfactory level.

Only in recent centuries the common people began to express aspirations and to achieve a high standard of living, but this occurred only in economically developed world countries. Currently, only 20% of the population have satisfactory income and consumption levels and varied leisure opportunities. Most inhabitants of the planet are struggling to survive and have a very low standard of living.

Richest countries, which have the highest per capita income form the group of developed countries. Poorest countries form the group of developing states. They have very different levels of development between each other. Some of them have negative per capita income, others have revenue of nearly 50% of those in developed countries (South Korea, Singapore, Taiwan, Hong Kong), others have a level of development a little behind them, etc.

Increasing per capita income in the poorest countries of the world requires changing economic structure in order to create favorable conditions for growth.

Achieving this goal is difficult, many countries remain far less developed, despite efforts.

Different levels of development, reflected by per capita income are reflected in significant differences between the living standards of the countries of the world. Consequences of very low level of per capita income are highly unfavorable: high rates of mortality, particularly infant mortality, average low lifespan, inadequate nutritional intake, poor health, illiteracy, etc.

Over time, the gap between the development levels of the countries of the world widened, leaving the poor ones more behind. Cases consist of various limiting factors of economic growth, among which are: inadequate or underutilized natural resources, inefficient agriculture, rapid population growth, inadequate human resources, cultural barriers, obsolete financial institutions, inefficient domestic savings, lack of adequate infrastructure, burden external debt and others (Ibid, n.d.).

2. INADEQUATE OR UNDERUTILIZED NATURAL RESOURCES, INEFFICIENT AGRICULTURE AND POOR INFRASTRUCTURE: RESTRICTION OF ECONOMIC GROWTH

The possession of natural resources by a country is a contributing factor of economic growth. Absence of natural resources or inefficient use increase the cost of growth.

The existence of natural resources in a country does not ensure growth. Many countries have significant natural resources and do not record economic growth, while others have fewer resources but high rates of economic growth; Japan is a representative example of this.

Significant growth rhythms were due to the use of well-qualified workers, some managers with entrepreneurial skills and effective management of resources.

In many developing countries is practiced a rudimentary agriculture, working on small areas of land where you cannot use efficient technologies and agricultural machinery.

In Romania, the application of the land law led to an average rural household size of less than 2 ha (Constantinescu, 1993). The small size of farms make them unviable. In addition, much of the land owners do not have modern equipment to perform various works nor have technical knowledge. Given that nearly one third of all agricultural surface was attributed to city inhabitants and a large proportion belong to older population, large tracts of land in our country remains uncultivated every year.
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