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# ECONOMIC GROWTH OF SOUTH ASIAN COUNTRIES

**Athar Nasir Gulzar**
Business Studies Department
Bahria University, Karachi Campus, Karachi, Pakistan

**Samiya Hameed**
Senior Lecturer
Business Studies Department
Bahria University, Karachi Campus, Karachi, Pakistan

## Abstract

This study investigates the trade and industry volume of Sub-Continent Asian republics: Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. The study includes a precipitate of the economic situation in South Asia based on the Asian Development Outlook 2017 report and the IMF's WEO Database twenty seventeen cutting-edge kith and kin to GDP for every capita, investment cutting-edge uncultured capital formation, gross national saving, and inflation based on average consumer prices in South Asian countries, with a special focus on Nepal. The study spans the years 2002 to 2017. The study emphasized the important alteration in South Asian countries GDP growth rates. Maldives discovered a very variable GDP growth rate, followed by Afghanistan during 2003 to 2016-year revision old-fashioned. Bhutan, in the middle of the Sub Continent of Asian republics consume complete uppermost percentage of asset while Pakistan gives the impression the lowermost point intended for speculation cutting-edge the proportion of GDP. As of 2002 in the way of 2010, Afghanistan challenged the threatening price rises in the middle of the Sub Continent of Asian republics in addition to better-quality price rises in the direction of the good neck and neck throughout 2011 to 2016. Nepal qualified for the maximum price rises for the duration of 2011 to 2016 in addition unsuccessful in the direction of recovering cutting-edge assessment in the order of the old-fashioned as from 2002 to 2010. The essential requirement of enlightening for each capita GDP, accumulative the percentage of speculation meant for resources development in addition governing price rises cutting-edge the area, be situated principal apprehension intended for swift financial monitoring growth in Sub Continent of Asia.

**Keywords:** Economy, Investment, Inflation, South Asian

## Introduction

Charles I Jones (1998) book "Introduction to Economic Growth" has initially mentioned that the domain comprises of financial prudence(economies) of altogether forms and dimensions. The data presented by the Asian Development Bank and IMF (International Monetary Fund) showed that some economies of South Asia be situated emergent quickly and approximately be situated not increasing next to altogether. The issue of financial economic development cutting-edge South Asia especially GDP development rate, GDP each capita, its growth rate, ratio of speculation intended for principal materialization and price rises are the leading indicators which have been

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highlighted in this learning.

The revision consumes focused to present the subsequent purposes in the direction of highlight the South Asian Economic Growth Overview with special reference to Nepal:

- to display the overview of economic growth in South Asia
- to highlight the trend of investment in gross capital formation and also the trend of grossnational saving in South Asia
- to compare the inflation in South Asian countries

**ADO 2017 Perspective of Nepal**

ADO (2017, pp 172) stated GDP development exceeded the expected forecast of 2017 due to the robust performance that is mostly reproduced by an upright torrential rain in addition fruitage, enhanced modernization, sound power energy source in addition administration in addition to also the standardization of interrupted external vocation besides quantity. Being the small country and its economy, small improvement in the socio-economic and agri-economy and management will enhance the economic increasing development above the level of standard. Nepal's primary source of economic indicator i.e. Cultivation, which financial records intended for almost a third of GDP, has shown favorable environment and showed the growth prospect to the tune of 5.3% happening an outpouring cutting-edge rice fabrication. The significant improvement on industry, which is now as long as 15% of GDP, increased by means of 10.9% happening strong reverberations cutting-edge altogether subsectors—built-up, manufacture, efficacies, and pulling out— on or after miserable productivity cutting-edge FY2016. Service area, next to impartial completed semi of GDP, forward-thinking by means of 6.9% subsequently lethargic development a year prior, by means of robust presentation transversely the subdivision in addition sightseer appearances recurring towards statistics documented beforehand the seismic activity.

**ADO 2017 Perspective of South Asia**

ADO (2017) has clearly noted the slightly changed in bargain budget cutting-edge the South Asian districts. The statement specified that financial development in unindustrialized republics in South Asia is expected in the direction of limit to the tune's 7% in 2018. The to some extent subordinate development be situated predictable cutting-edge comprehensively prejudiced India, the viewpoint aimed at greatest South Asian financial prudence either encounters or else surpasses. It has been stated that the irrepressible proceedings such by way of wicked meteorological conditions pretentious the agro based and also smooth business activities. The effect of goods and service tax (GST) in India also has mild effect on production. Bangladesh and Pakistan have made commendable trade and industry growth improving manufacturing and services and also the agricultural sectors. Cutting-edge Sri Lanka, dearth in addition deluges unhappy cultivation, in addition manufacturing development decelerated down while in Maldives, sturdier vacation industry dignities GDP development to tired as per the expected level. Likewise, Afghanistan liked an unimportant spontaneous cutting-edge development cutting-edge the primary semi of 2017, nonetheless deprived refuge

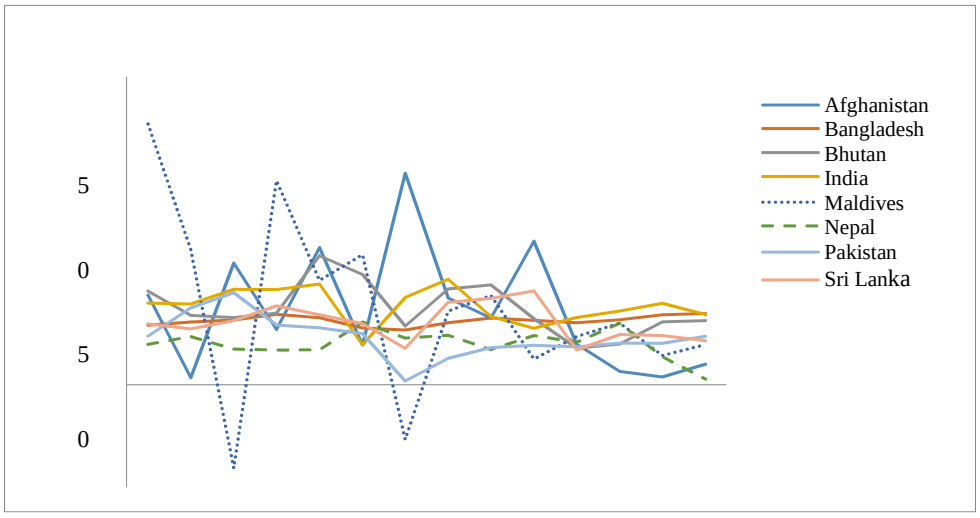
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endures to confine speculation in addition ingesting (Nizam, 2022); approximately development happening procedure in addition supremacy improvement withstands development cutting-edge aggregate.

**Economic Growth in South Asia: An Outlook**

GDP growth rate shows the growth in the country's output. India and Bangladesh have comparatively higher average GDP development rate in the South Asia. Bhutan's GDP seems higher with greater deviations amongst the South Asian Republics. Afghanistan in addition Maldives growth ratetowards the tune of around 4% plus average GDP growth rate with the greater deviation of more than the average GDP growth rate felt sometimes lower than 1% GDP growth (Nizam and Liaqat, 2022). Afghanistan GDP growth rate after 2009 was miraculously decreased and could not reach its growth position to theprevious average standard. Sri Lanka's GDP rate before 2012 were in the above the average in South Asian but after 2012, it couldn't maintain its earlier GDP growth rate.

**Figure 1: GDP Growth Rate Trend during 2003 to 2017 in South Asian Countries**




Source: International Monetary Fund, World Economic Outlook Database, April 2017 andauthor's calculations

Table 1: Gross domestic product based on purchasing power parity (PPP)

PPPGDP ($, Billions)

| South Asian Countries | Average PPPGDP 2002 to 2010 | Average PPPGDP 2011-2016 | Increment from 2002-2010 to 2011-2016 |
|---|---|---|---|
| Afghanistan | 29.14 | 58.36 | 100.3% |
| Bangladesh | 294.20 | 521.47 | 77.2% |
| Bhutan | 2.88 | 5.54 | 92.7% |
| India | 3,693.00 | 7,119.91 | 92.8% |
| Maldives | 2.81 | 4.83 | 72.1% |
| Nepal | 41.46 | 64.46 | 55.5% |
| Pakistan | 569.59 | 864.43 | 51.8% |
| Sri Lanka | 125.65 | 225.42 | 79.4% |

Source: International Monetary Fund, World Economic Outlook Database, April 2017

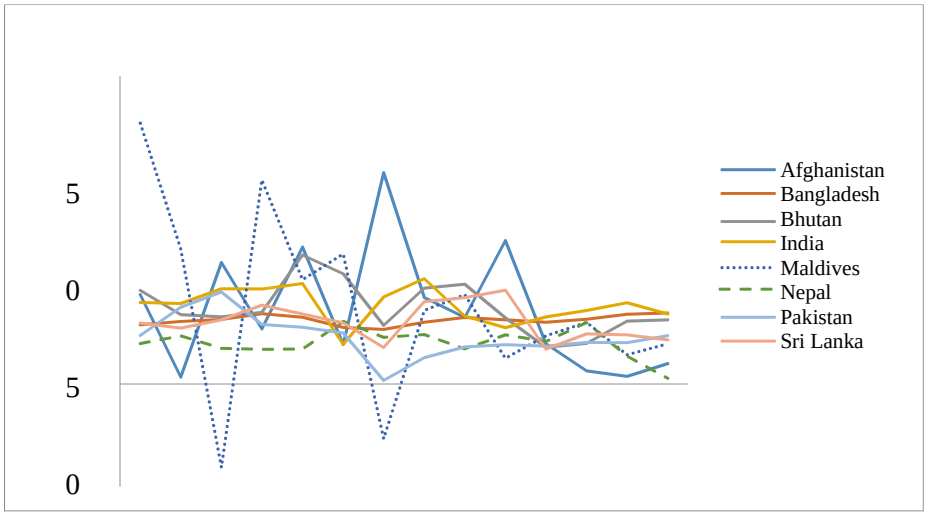
Table 1 highlights the key feature of South Asia's growth cutting-edge footings of uncultured internal merchandise based happening buying control equivalence (PPP). As shown in the table 1, the average PPPGDP between 2002 to 2010 and 2011 to 2016 has shown the significant change in six years after 2010. From two different average period 2002–2010 and 2011 to 2016, three of the economies (Afghanistan, Bhutan and India) increased their gross domestic product (PPPGDP) growth above the averagein South Asian. Among the South Asian economy, Sri Lanka's growth increased only marginallyfollowed by Bangladesh and Maldives. Nepal and Pakistan PPPGDP observed under the slow pace economy.

With reference to the interpretation of Charles I Jones (1998) in relation with economic development Average PPPGDP is the indicator of country's output and also the sign of development. While comparing the average PPPGDP of two different periods, Afghanistanseemed able to increase its PPPGDP by 100% where as Nepal's PPPGDP was just increased by 55.5%. Having the lower PPGDP and Nepal's slow pace development is also the reason of failingto enhance the GDP itself.

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## GDP Growth rate changes

Figure 2: Yearly % of persistent worth GDP be situated every year variations




Source: IMF, World Economic Outlook Database, April 2017 andauthor's scheming

Figure 02 portrays the GDP growth rate trend of South Asian countries. The GDP growth rate trend of Maldives and Afghanistan have higher eve and flow. Maldives able to reach 25% GDP growth rate in 2003 and dramatically decreased to negative (i.e. -8%) in 2005 and again revived to reach around 20% in 2006 and again decreasing trend till 2009 and faced negative trend by around - 5%. The highly fluctuating trend of Maldives shows that maintaining stable growth, the pace of development shall be in a greater extent. Afghanistan is also facing fluctuating in its GDP growth rate. During the study period 2003 to 2016, Afghanistan's highest GDP rate is observed 20.6% in 2009 and then after its growth rate is in decreasing and decreasing trend. Among the Sub Continent of Asian republics, Bangladesh, Bhutan, India and Sri Lanka GDP growth trend found above 3% in during 2003 to 2016. Bangladesh experienced the somehow least deviated growth rate in the South Asia. Nepal and Pakistan, in comparison among the Sub Continent of Asia, mild GDP growth during the study period is observed.

## GDP Per Capita

The economic progress of the country is reflected also through the GDP Per capita and this oneis one of the best tools for comparing one country to another country's citizen for the GDP contribution and that has comparative influence in the overall economy within the regions. Like in South Asia, one country's GDP per capita shall the reference for another country for the progress and development through the individual's economy entirely having significant economic contribution to the country.

**Table 2: Statistics on growth and development**

| Country | GDP Per Capita ($), 2016 | Average Annual Growth Rate from 2002 to 2016 | Years to double |
|---|---|---|---|
| Afghanistan | 565.44 | 8.3% | 9 |
| Bangladesh | 1,411.04 | 9.1% | 8 |
| Bhutan | 2,673.53 | 8.9% | 8 |
| India | 1,723.30 | 9.7% | 7 |
| Maldives | 9,554.15 | 9.2% | 8 |
| Nepal | 733.17 | 8.5% | 9 |
| Pakistan | 1,468.20 | 7.5% | 10 |
| Sri Lanka | 3,887.49 | 10.2% | 7 |

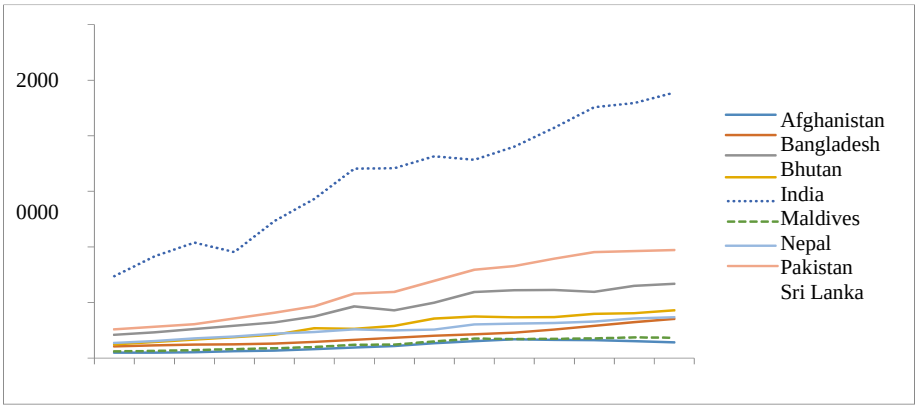
Source: IMF, World Economic Outlook Database, April 2017 and author's calculations

Table 2 reports the GDP per capita in 2016, together with average once a year development amount of GDP percapita happening or afterward 2002 toward 2016 and also the figure of years to double of GDP per capital of South Asian countries. GDP per capita measures the generic welfare. Second column shows the GDP per capita in dollars during the course of 2016, which shows that Maldives has the highest GDP per capital in South Asia, shadowed through Bhutan, Bangladesh, India, Nepal Pakistan, and Sri Lanka. Afghanistan consumes the lowest GDP per capita. Third column of table 02 presents the average annual growth ratein GDP per capita from 2002 to 2016 where Sri Lanka consumes got the uppermost average GDP apiece capita growth rate in South Asia and it will be doubled in around seven years. Among the South Asia, Pakistan has the lowest average annual GDP per capita growth which takes around 10 years to double the aforementioned GDP apiece capita. Cutting-edge the context of Nepal, GDP for every capita average growth rate seems 8.5%, which will be doubled in around nine years.

Figure 3: shows GDP each capita of South Asian republics. Maldives consuming the top ranked GDP apiece capita in South Asia gaining nine percentage average GDP respectively capital development degree. GDP apiece capita development degree is led by Sri Lanka and India among the South Asian countries. Under South Asian economy, Nepal's presence in per capita GDP seemed to the lowest position.

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**Figure 3: GDP Per Capita of South Asian Countries**




Source: IMF, World Economic Outlook Database, April 2017 andauthor's calculations

**Investment in Gross Capital Formation**

Table 3: Total Investment (Percent of GDP)

Table 3: showing the relation of entire speculation cutting-edge up-to-date indigenous exchange in addition GDP cutting-edge present indigenous legal tender. The average investment from binary dissimilar episodes i.e. 2002 to 2010 and 2011 to 2016 has been presented in the table. Speculation before uncultured wealth development be situated slow through the entire assessment of the uncultured immovable principal establishment in addition vicissitudes cutting-edge accounts in addition attainments a smaller amount discarding of pickings swags aimed at a component or subdivision.

**Total Investment (% in GDP)**

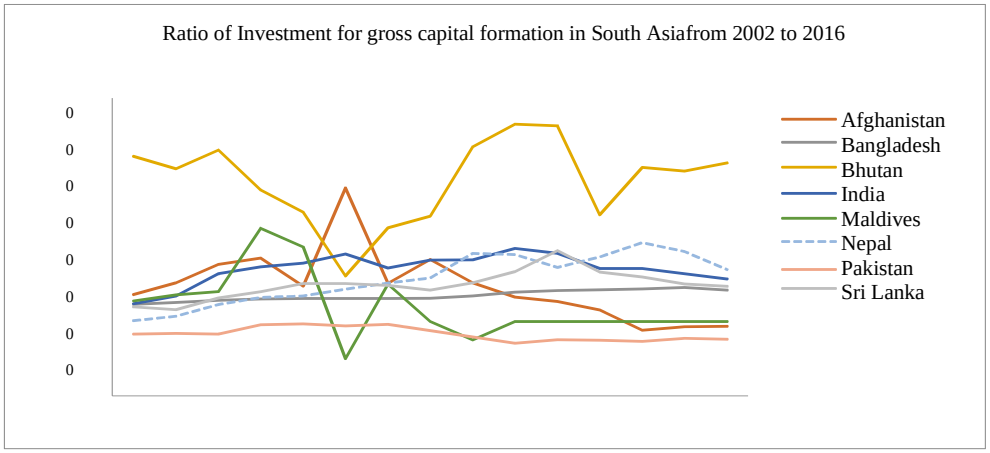
| South Asian Countries | 2002 to 2010 | 2011-2016 | Increase/ Decrease |
|---|---|---|---|
| Afghanistan | 34.74 | 21.66 | - 13.08 |
| Bangladesh | 25.90 | 28.51 | 2.60 |
| Bhutan | 54.27 | 63.09 | 8.82 |
| India | 33.35 | 35.07 | 1.72 |
| Maldives | 26.74 | 20.00 | -6.74 |
| Nepal | 27.60 | 37.28 | 9.68 |
| Pakistan | 17.74 | 14.91 | - 2.83 |
| Sri Lanka | 27.82 | 32.86 | 5.05 |

Source: IMF, World Economic Outlook Database, April 2017 andauthor's cunnings

Table 3 portrays historical reasons of economic development in South Asia due to investmentin capital formation. The country making higher portion of GDP investment in capital formation is able to increase the GDP. It means that GDP increases when significant portion of national investment is made for capital

formation in the country. Column two of table 2 shows theaverage investment during 2002 to 2010 and column 3 shows the average investment during 2011 to 2016. The regular investment rate of two different periods has made cutting-edge order to compare the vicissitudes in the portion of investment cutting-edge South Asia. Amongst South Asian republics, Bhutan completed the uppermost percentage of GDP asset in capital formation and investment portion was increased during 2011 to 2016 in comparison to the previous period. Afghanistan, Maldives and Pakistan reduced the average investment in later period. In the context of Nepal, the portion of investment in the later period (2011-2016) has been increased from average period (2002 – 2010) and its positive effect on GDP has been observed.

Figure 4: showing the ratio of total speculation cutting-edge proportion of GDP on or after 2002 to 2016




Source: (IMF) International Monetary Fund, World Economic Outlook Database, April 2017 andauthor's shrewdness

Figure 4 reveals all South Asian countries ratio of total investment in percentage GDP that is the absolute economic indicator of growing economy in the South Asia. As per the figure, Bhutan's portion of investment in percentage of GDP is the highest in aggregate in comparison to all South Asian countries. Pakistan stood in the lowest position of making lowest portion of investment in percentage of GDP among South Asian countries.

**Gross National Saving**

Table 4: Gross National Saving

Table 4 showing the gross national saving which is communicated by means of a proportion of uncultured countrywidesavings cutting-edge current home-grown exchange in addition GDP cutting-edge existing indigenous coinage. Unsophisticated state saving remains uncultivated throwaway proceeds a smaller amount concluding ingesting expenses afterward appealing explanation of a modification intended for retirement income resources.

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**Gross National Saving (GDP %)**

| South Asian Countries | 2002 to 2010 | 2011-2016 |
|---|---|---|
| Afghanistan | 51.69 | 26.86 |
| Bangladesh | 27.26 | 29.52 |
| Bhutan | 40.69 | 36.34 |
| India | 32.43 | 32.71 |
| Maldives | 12.84 | 9.94 |
| Nepal | 29.55 | 41.13 |
| Pakistan | 16.03 | 13.83 |
| Sri Lanka | 24.98 | 28.93 |

Source: IMF, World Economic Viewpoint Catalogue, April 2017 andauthor's cunnings

Table 4 simply displays the unsophisticated national saving in percentage of GDP of average of two different periods of Sub Continent of Asian republics. Bangladesh, India, Nepal in addition Sri Lanka consume the increased portion of Gross National Saving among South Asian republics. Bhutan, Pakistan, Afghanistan and Maldives have reduced portion of gross national savings.

**Table 5: Inflation in South Asian Countries**

Table 5 showing the inflation in South Asian countries articulated cutting-edge arithmetic mean intended for the year. A customer value catalogue (CPI) procedures ups and downs cutting-edge the charges of belongings in addition service capacity that ménages devour.

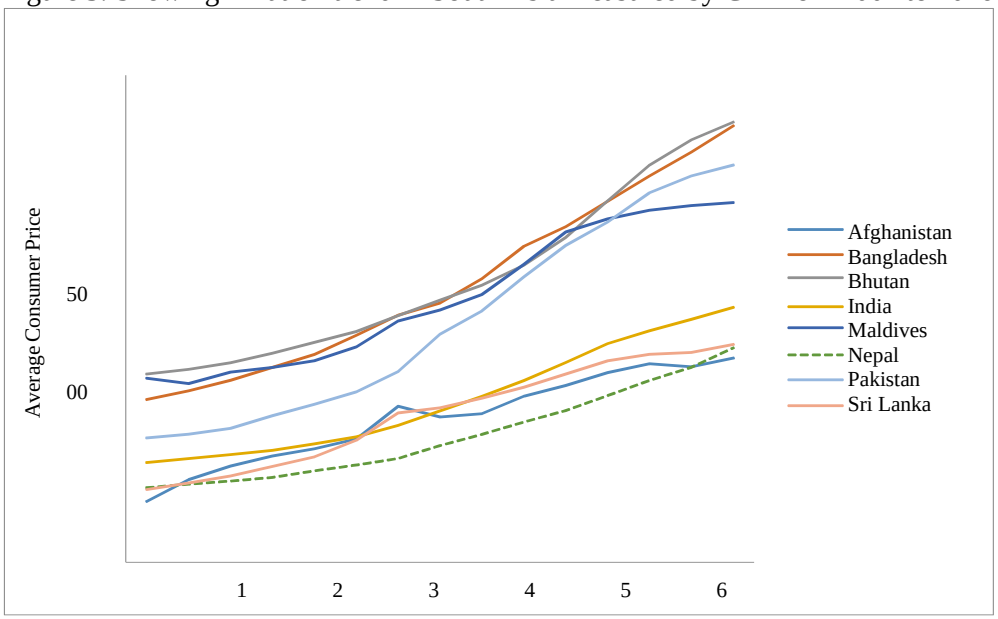
**Inflation, average consumer price**

| South Asian Countries | 2002 | 2010 | 2016 | From 2002 to 2010 | From 2010 to 2016 |
|---|---|---|---|---|---|
| Afghanistan | 31.263 | 76.229 | 104.792 | 144% | 37% |
| Bangladesh | 83.569 | 145.561 | 223.936 | 74% | 54% |
| Bhutan | 96.675 | 142.19 | 225.87 | 47% | 59% |
| India | 51.237 | 85.133 | 130.758 | 66% | 54% |
| Maldives | 94.422 | 137.42 | 184.679 | 46% | 34% |
| Nepal | 38.187 | 65.612 | 109.938 | 72% | 68% |
| Pakistan | 63.778 | 128.849 | 203.833 | 102% | 58% |
| Sri Lanka | 37.254 | 84.196 | 111.692 | 126% | 33% |

Source: IMF, World Economic Outlook Database, April 2017 andauthor's controls

Table 5 and figure five portray inflation in South Asian countries differently. Table 5 firstly attempts to present the inflation growth from 2002 to 2010 and secondly from 2010 to 2016 in order to test the improvement in inflation of South Asian countries in a decade. Afghanistan, Pakistan and Sri Lanka were able to reduce the hike inflation growth from 2010 to 2016 in comparison to the growth status from 2002 to 2010. Likewise, Bangladesh, India, Maldives and Nepal, growth percentage from 2010 to 2016 has been little bit improved in comparison to the growth status from 2002 to 2010. In the context of Nepal, the growth of inflation from 2010 to 2016 was observed the highest one that showed the weak sign for economic development in the country and also the weak point in controlling the inflation in the country.

Figure 5: Showing inflation trend in South Asia measured by CPI from 2002 to 2016




Source: International Monetary Fund, World Economic Outlook Database, April 2017 andauthor's calculations

Figure 5 displaying the upward inflation trend in South Asian countries. No matter the value of consumer price index higher or lower but all the countries in South Asia having facing growth status of inflation in the country that focus on the importance of controlling inflation in South Asia and it is the major concern for sound economic development in the region.

## Conclusion

The study on GDP, investment in gross capital and inflation has presented economic growth overview based on the data of IMF and ADB. With the objective of (1) outlining the economic growth in South Asia, (2) presenting the trend of investment in gross capital formation and also (3) the trend of gross national gave special note on monetary evolution that can be used as reference for policy making. The comparative study on trade and industry monetary progress among Sub Continent kingdoms of Asian showed as Nepal remains not yet marching to the tune of comparative standard growth.

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The result from the average PPPGDP between 2002 to 2010 and 2011 to 2016 showed that Afghanistan, Bhutan and India made special leap jump on economic growth where Nepal and Pakistan were observed very slow growth on PPPGDP. Inflation is considered as one of the significant macroeconomic factors for economic growth. The result of inflation data of South Asian countries showed that Afghanistan, Pakistan and Sri Lanka were able to reduce inflation growth from 2010 to 2016 in comparison to the growth status from 2002 to 2010. But, Bangladesh, India, Maldives and Nepal, growth percentage from 2010 to 2016 has been little bit improved in comparison to the growth status from 2002 to 2010. In the context of Nepal, the growth of inflation from 2010 to 2016 was observed the highest one that showed the weak sign for economic development in the country and also the weak point in controlling the inflation in the country.

In a nutshell country in South Asia need to increase the portion of investment so as to achieve the desired rise in growth rates going forward. It is also important to have sustained growth having growth trend in per capital GDP and controlling the excessive growth of inflation.

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