



## Social Cost Benefit Analysis Way to Efficient Resource Utilization

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### ABSTRACT

Nations have limited resources but many competing uses. These different uses of resources are not the final aim of the allocative process, they are in fact the means by which a country can marshal its resources to pursue its fundamental objectives. Social Cost Benefit Analysis (SCBA) is similar to financial analysis in that both seek to evaluate the profit of a project. However, financial analysis of a project identifies the money profit accruing to the project-operating entity only, while SCBA measures the effect of the project on the fundamental objectives of the whole economy. In the recent global financial crises, we have seen how private sector decisions can have devastating effect on the rest of the economy. If private sector decisions impact the whole society, then perhaps SCBA should be used to evaluate the feasibility and efficiency of these projects. The art of SCBA is to assign social prices to goods and services which do reflect their actual costs to society (when used as inputs) and their real benefits when produced. Using social prices generally produce a systemic bias towards projects that result in higher savings and further growth rather than higher current consumption; thus contribute towards achieving a sustainable balance between limited resources and the needs of a society. Also, SCBA can help a country identify the firms that use resources optimally; thus marshaling its resources on the path to achieving its objectives; whether it may be more job opportunities or efficient resource utilization. The authors have unprecedentedly used SCBA to evaluate a sample of private sector firms; to investigate if liberalization of Malaysia's banking sector, resulted in more efficient utilization of a country's resources. Social prices used incorporated both the country's growth and distributional objectives.

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**2<sup>nd</sup> Science for the Environment Conference  
Aarhus Denmark 3-4 October 2013**

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