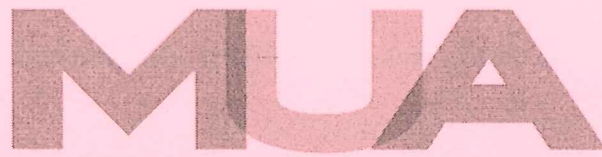


The
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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF ARTS IN DEVELOPMENT STUDIES

BDS 209/BDS 216 : DEVELOPMENT ECONOMICS AND FINANCE

DATE: 24TH MARCH 2025

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the Examination answer booklet provided.

QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

FINANCE FOR DEVELOPMENT IN ZAMBIA

Zambia, a landlocked country in Southern Africa, is endowed with a wealth of natural resources, including significant deposits of copper and cobalt. Despite this, the country faces considerable economic challenges such as high poverty levels, inadequate infrastructure, and limited access to finance, especially for small and medium-sized enterprises (SMEs). The Zambian government, alongside international financial institutions and development agencies, has been actively working to address these issues through various developmental and financial initiatives. One of the cornerstone initiatives in Zambia's strategy to enhance economic development is the Financial Sector Development Plan (FSDP). Launched in phases, the FSDP aims to create a more inclusive and robust financial sector by addressing key issues such as financial inclusion, strengthening financial market infrastructure, and improving the regulatory environment.

A critical component of the FSDP is the promotion of financial inclusion through the establishment and support of microfinance institutions (MFIs). These institutions play a vital role in providing financial services to underserved populations, including low-income households and SMEs. MFIs offer a variety of financial products such as microloans, savings accounts, and microinsurance. Their presence is intended to bridge the gap between formal financial institutions and the unbanked or underbanked segments of the population.

Microfinance has shown promise in Zambia by empowering small entrepreneurs and enabling them to grow their businesses. For instance, in rural areas where traditional banks are scarce, MFIs have provided essential financial products that help individuals invest in agriculture, small-scale manufacturing, and other local enterprises. However, the sector still faces significant challenges such as high-interest rates, limited financial literacy among potential clients, and regulatory barriers that can stifle growth and innovation.

To bolster economic growth, the Zambian government has also prioritized attracting foreign direct investment (FDI). Policies have been implemented to create a favorable investment climate, particularly in sectors such as agriculture, mining, and

manufacturing. These policies include tax incentives, streamlined business registration processes, and efforts to improve infrastructure.

FDI has brought substantial benefits to Zambia, including job creation, technology transfer, and increased export revenues. For example, foreign investments in the mining sector have led to the development of new mines and the revitalization of existing ones, significantly boosting the country's export earnings. However, reliance on FDI also poses risks, such as vulnerability to global market fluctuations and potential exploitation of local resources.

Despite the progress made, Zambia continues to face several obstacles in its quest for sustainable economic development. The high cost of borrowing remains a significant barrier for both individuals and businesses. Interest rates in Zambia are among the highest in the region, partly due to macroeconomic instability and perceived risks by lenders. Additionally, financial literacy levels are relatively low, limiting the effective use of available financial services by the population.

Regulatory frameworks also need continuous improvement to foster a more conducive environment for both local and foreign investors. Simplifying regulations, reducing bureaucratic red tape, and ensuring a stable policy environment are crucial steps toward this goal. The global economic environment, fluctuating commodity prices, and the lingering effects of the COVID-19 pandemic further complicate Zambia's financial landscape, necessitating adaptive and resilient economic strategies.

Zambia's efforts in finance for development highlight the complex interplay between local initiatives and global economic dynamics. Programs like the FSDP and the promotion of FDI are pivotal in driving economic growth and development. However, addressing the challenges of high-interest rates, financial literacy, and regulatory inefficiencies is essential for these efforts to achieve their full potential. Through collaborative efforts between the government, financial institutions, international partners, and local communities, Zambia can pave the way for a more inclusive and sustainable economic future.

Source: International Monetary Fund

Required:

- a) Examine five objectives of the Financial Sector Development Plan (FSDP) in Zambia (5 Marks)
- b) Discuss five potential benefits and challenges associated with role of microfinance institutions (MFIs) in promoting financial inclusion in Zambia (10 Marks)
- c) Propose five additional strategies that could enhance the effectiveness of foreign direct investment (FDI) policies on Zambia's economic development (10 marks)

QUESTION TWO

- a) Define the term "Development Economics" and explain its significance in the context of global economic policies (5 marks)
- b) Compare and contrast economic growth and economic development, providing examples to illustrate your points (10 marks)

QUESTION THREE

- a) Describe four stages of economic growth according to Rostow's model as they apply to Kenya today. (8 marks)
- b) Evaluate seven potential drawbacks and challenges of industrialization as a strategy for economic development in East Africa (7 marks)

QUESTION FOUR

- a) Analyze four positive impacts of globalization on societal structures in developing countries, using specific examples to support your arguments (8 Marks)
- b) Design a comprehensive framework for measuring economic development in emerging economies, incorporating the three chosen indicators (7 marks)

QUESTION FIVE

- a) Evaluate five benefits of the Human Poverty Index (HPI) in measuring poverty (10 Marks)

b) State five primary objectives of Structural Adjustment Programmes (SAPs)

(5 marks)

QUESTION SIX

a) Demonstrate five ways that microfinance initiatives can be utilized as a strategy for economic development in rural areas (10 Marks)

b) Highlight five relationships between globalization and economic development (5 Marks)

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