

The
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UNDERGRADUATE UNIVERSITY EXAMINATIONS
SCHOOL OF MANAGEMENT AND LEADERSHIP
DEGREE OF BACHELOR OF MANAGEMENT AND
LEADERSHIP

BMT 302 : ECONOMIC DEVELOPMENT

DATE: 7TH APRIL 2026

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:

IMPLEMENTATION OF POLICIES IS VITAL FOR ECONOMIC GROWTH

One of the most significant promising and commonly evoked vistas of the future is drawn from the country's coruscating potential to develop and implement sound economic policies. It is from this view that many of Kenya's profound problems, such as unemployment, diseases, and corruption menace could be solved.

The Big Four Agenda, which focuses on enhancing manufacturing, food security and nutrition, universal health coverage and affordable housing could be panacea to these prevailing challenges facing our country. However, much need to be done to ensure that the intended purpose of the Big Four Agenda is achieved. The onus is on the citizenry to support such development policies being driven by the government by providing an enabling environment for their implementation. Getting a glance at the "Asian Tigers", with classical examples of South Korea, Singapore and Malaysia, they implemented sound economic policies which focused on agricultural production and manufacturing for export markets.

Historically, these developed countries were at the same growth and development trajectories with Kenya in the early 1960s. It is therefore imperative to note that Kenya has equal potential. What we only lack is the agility and political will to implement our economic policies. What therefore is the problem? This is the question that lingers in the minds of many Kenyans.

Critically examining this questions pokes holes in the way, we as Kenyans might have significantly or partly contributed to slow economic growth and development. The culture of impunity that is engulfing the good efforts put by the government agencies has to be dealt with squarely in order to move a step in achieving the country's objectives. We must be alive to the fact that corruption cases have become rampant and the perpetrators must be prosecuted. This is the only antidote to the endemic vice that has consistently diluted efforts put in place by government towards achieving the Big Four agenda. Moreover, sound institutional frameworks and governance structures for organisations must be put in place in order to eliminate any cases of corruption in the long run. This is wake-up call for all to defy corruption for the development agenda to be achieved. In addition, the existing discordance between the national and county governments on revenue sharing ratios could derail the achievements of the Big 4 Agenda in the long run.

Without the wheels, it is impossible for the vehicle to move even if the engine is in good condition. Both national and county government should reach a consensus with a view to providing a conducive environment for implementing development policies. Among other factors that the government must deal with is to reduce the progressively widening budget deficit resulting in huge external borrowing which then plunge the country into a debt crisis. It is good that the government has risen to the occasion by putting forward fiscal consolidation policies though the situation was getting out of hand.

Source: *Business daily*

Required:

- a) Examine any seven policies by government that can help in the achievement of big for agenda for enhanced economic growth and development. **(7 Marks)**

b) Analyze four reasons why Reduction of Government deficits has increasingly become an important issue in fiscal policy framework in Kenya. **(8 Marks)**

c) Examine five effects of impunity and corruption as cited in the above case on Kenya's economic growth and development

(10 Marks)

QUESTION TWO

a) Underdevelopment is the state in which full realization of development in a country has not been attained either due to lack of resources or under-utilization of the available resources. Explore six characteristics of underdeveloped countries.

(12 Marks)

b) With the help of appropriate illustrations, analyze any three negative consequences of economic growth on the environment **(3 Marks)**

QUESTION THREE

a) Analyze any five reasons why Trade Unions in developing countries tend to be less effective in their wage negotiations with employers than their counterparts in developed countries.

(10 Marks)

b) Discuss any five social costs of unemployment in developing countries. **(5 Marks)**

QUESTION FOUR

a) Budget deficit is the annual amount the government borrows. The government usually financed the budget deficit by selling bonds to the private sector. Discuss any four benefits of budget deficit.

(8 Marks)

- b) Analyze any four difficulties economists encounter while measuring national income statistics in developing countries.

(7 Marks)

QUESTION FIVE

- a) Discuss any four instruments of monetary policy used to control and regulate money supply by the Central Banking Authorities.

(9 marks)

- b) Examine any four factors limiting the application of monetary policy tools in developing countries

(6

Marks)

QUESTION SIX

- a) Discuss any five limitations of Ricardo's theory of comparative advantage.

(5 Marks)

- b) The World trade organization is a system that supervises and liberates trade among member states. Examine any five principles that form the foundation of this multilateral trading system

(10 Marks)