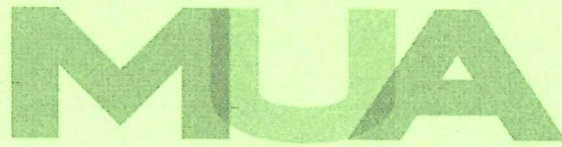


The
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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF ARTS IN DEVELOPMENT STUDIES

BDS 320/EDV 302 : INTERNATIONAL FINANCE FOR DEVELOPMENT

DATE: 9TH AUGUST 2024

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:

GLOBALIZATION AND INTERNATIONAL TRADE: OPPORTUNITY OR PITFALL FOR DEVELOPING COUNTRIES?

A video that went viral over the social media in the month of May 2023 captured a person who made certain disgusting remarks about third world countries and more specifically, the Sub-Saharan Africa. In a paraphrased manner, the message conveyed was as follows: 'Rich nations should always ensure that armed conflicts and socio-political crises continue in African countries so that they continue to have the opportunity to extract their raw material at minimal compensation; Sub-Saharan Africa must be placed where it belongs – producer and exporter of raw materials and never be allowed to engage in manufacturing and value addition; Never be deceived that democracy is a reality in any part of the world, simply the rich rule over the poor everywhere and rich nations rule over poor nations through neo-colonialism, thus poor nations must never be allowed to get off the hook; Africa must never be allowed to industrialize as this would make it cease to be dependent on developed foreign nations just as countries like Japan which were allowed to industrialize ceased dependency on foreign countries; Make the currencies of developing countries keep on depreciating until they are of no value.'

An analysis of the comments in the preceding paragraph raises eyebrows about globalization and whether it is of equal benefits to both the developed and developing nations of the world, or whether it's meant to benefit the former more than the latter. Indeed it would be extremely difficult if not impossible to reverse modern globalization trends. However, how can developing countries reap the benefits of globalization in an equivalent measure to that of the developed world?

A re-known historical/political book; 'How Europe Underdeveloped Africa' it is evident that Europe contributed greatly to the underdevelopment of African countries especially through colonization and slave trade. The Trans-Atlantic Slave Trade, also known as the Great Triangular Slave Trade during the Industrial

Revolution in Europe in the 19th Century, involved Europeans traveling to Africa, obtaining slaves who they took to America to labour in mines and plantations the output of which was taken to European factories to spearhead their wheels of development. The enormous black American population is a living testament to the predicament that Europe placed Africa into.

During colonial periods, the Europeans continued their oppression of the colonized populations. Natives were deprived of their lands by white settlers. When finally the dawn of independence appeared in many countries, it would have been expected that real freedom and prosperity had really appeared. But then, neo-colonialism set in and continued to thrive. Almost all so-called independent countries are still tied to their former colonial masters one way or the other. It seems like the writer of 'Not Yet Uhuru' (Not Yet Independence) had great insight into this ironical phenomena facing especially African countries.

Ties between Western countries and the African elite class seems to further the propagation of neo-colonialism to the detriment of the majority of these countries' populations. Many policies seem not to focus on the priorities of the majority even though 'democratic' elections are held on periodical intervals. Foreign Direct Investment (FDI) through Multi-National Corporations is arguably one of the new vehicles for the advancement of neo-colonialism though the developing countries still reap some benefits from such. Globalization and Foreign Direct Investment may eventually diminish the proportion of assets/resources owned by natives of developing countries while at the same time increasing the proportion of assets/resources in those countries that are owned and controlled by foreigners. This would overall be a mockery on the independence that the freedom fighters fought for to the point of the death of some of them.

Due to their disadvantageous position, Africa and other developing countries may well have to adopt 'Export-led growth' and/or 'Import-substitution' strategies so as to grow their economies. However, is exporting raw materials for little foreign exchange earnings and buying the value added manufactured products at high

prices really helpful for Less Developed Countries? To what extent can Less Developed Countries which cannot even sufficiently feed their citizens due to drought and famine be able to avoid importation when they cannot even produce enough food for themselves?

African countries are not part of the G-8 (Great Eight) countries that hold summits to decide issues that matter on the world. There has been a great push by African countries to have at least one combined seat in the G-8 so that their voice can be heard and their issues can gain prominence. There have been international trade imbalances that are disadvantageous to developing countries who primarily export raw materials for little foreign exchange but import manufactured value added products at exorbitant prices. Western countries brand the manufactured products as their own which prompted the former Zimbabwean president to remark; "English tea! Is any tea grown in England?"

Is it true that developed countries are really not interested in the development of third world countries? Is it true that the depreciation of African currencies against the dollar and other world countries is an intentional effort by developed countries to impoverish Africa and further its dependency? How can globalization and international trade be made to serve Africa and other developing countries?

Required:

In line with issues raised in the above discussion combined with other relevant knowledge gained on globalization and international trade;

- a) Assess five forces that have been responsible for the growing trends in globalization and international business. (10 Marks)
- b) Examine four challenges that developing countries experience which may be a deterrent for their adoption of export-led growth strategy of economic development. (4 Marks)
- c) Propose five reasons why Import substitution strategy of economic development may not be the optimal solution for a less developed country of your choice. (5 Marks)

- d) Notwithstanding its criticisms, compose six benefits that a developing country could reap from acceptance of Foreign Direct Investment (FDI).

(6 Marks)

QUESTION TWO

- a) Demonstrate five roles that are performed by the financial system of any country of your choice citing illustrations. (5 Marks)
- b) Evaluate five success milestones associated with the Central Bank of Kenya in fostering economic growth and development citing examples. (10 Marks)

QUESTION THREE

- a) Describe four key sources of revenue for your country's commercial banks. (6 Marks)
- b) Citing appropriate examples, appraise the roles played by Non-Bank Financial Institutions (NBFIs) in Kenya's development over the years. (9 Marks)

QUESTION FOUR

- a) Argue out four demerits associated with the adoption of consolidated financial sector regulation in your country. (6 Marks)
- b) Analyse six causes of global 'financial crises', citing relevant illustrations. (9 Marks)

QUESTION FIVE

- a) Describe 'credit rationing' and its modus operandi in your country's banking industry. (5 Marks)
- b) Appraise five reasons for the failure of Structural Adjustment Programmes (SAPs) to transform developing economies. (10 Marks)

QUESTION SIX

- a) Evaluate the success of World Trade Organization (WTO) in executing each of its five main functions. (7½ Marks)
- b) Design five objectives that the International Monetary Fund (IMF) seeks to achieve highlighting ways in which they have been actualized so far. (7½ Marks)