

EASTERN UNIVERSITY, SRI LANKA
FACULTY OF COMMERCE AND MANAGEMENT
FINAL YEAR SECOND SEMESTER EXAMINATION IN
BACHELOR OF BUSINESS ADMINISTRATION/SPECIALISATION IN
MARKETING MANAGEMENT/HUMAN RESOURCE MANAGEMENT-2017/2018
(JUNE/JULY, 2020)
(PROPER/REPEAT)

ECN 4023 – ECONOMIC DEVELOPMENT & PLANNING

Answer all Questions

Time: Three hours

Q1. Read the following Seven (07) Cases given below and answer the questions based on them.

1. Development Indicators

No.	Development Indicators	Country	Country
		A	B
01.	Gross domestic investment as a % of GDP	18.0	27.0
02.	Foreign direct investment as a % of GDP	5.2	1.2
03.	Illiteracy rate (%)	13	56
04.	Employment share of agriculture (% of total labour force)	18	45
05.	Population growth per year (%)	2.6	1.0

Question: Above the table shows “five (5)” development indicators for two countries, A and B. “In which country” are the prospects for growth in GDP per capita the highest? Present your answer “with reasons”. (04 Marks)

2. Foreign Direct Investments (FDIs)

Foreign direct investment (FDI) inflows to the less developing countries (LDCs) in Asia rose by 3.9% to US\$512 billion in 2018-2019, according to UNCTAD’s World Investment Report 2019. Growth occurred mainly in China, Hong Kong (China), Singapore, Indonesia and other countries that belong to the Association of Southeast Asian Nations (ASEAN), as well as India and Turkey. The region remained the world’s largest FDI recipient, absorbing 39% of global inflows in 2018/2019, up from 33% in 2018. Even in Asia, there are more than 4,000 special economic zones, *that is*, three quarters of the world total.

Question: Evaluate the possible benefits of “inward” foreign direct investments to less developing countries (LDCs). Present your answer “with examples”. (04 Marks)

3. Remittances

The money, workers send home to their families from abroad has become a critical part of many economies around the world, including Sri Lanka. The World Bank estimates that global remittances reached a total of \$689 billion in 2019, up from \$633 billion in 2018. In 2019, Mexico received over \$35 billion in remittances from migrant workers sent money home. India is the highest remittance recipient. World Bank revealed that the country got \$79 billion in remittances in 2019.

Question: Analyse the benefits of remittances for "economic development" of a country. (04 Marks)

4. Overseas Aid

The United Nations' target is that developed countries should devote 0.7% of their Gross National Income (GNI) to the poor countries. For some countries such as Rwanda (13% of GDP), Malawi (24% of GDP) and Samoa (16% of GDP) overseas aid is a very high percentage of their annual GDP.

Question: List out the impact of inflows of "overseas aid" to promote economic development. (04 Marks)

5. Poverty Reduction

More than a third of the world's population live in 'extreme poverty'. Today, less than 10% of people live on \$1.90 a day. Between 2004 and 2019, 15 countries lifted 802.1 million people out of extreme poverty, according to a new analysis of World Bank poverty data (Dec, 2019). Half of the world's 736 million extreme poor people live in just 5 countries in 2019: India, Nigeria, Congo, Ethiopia, and Bangladesh, according to the most recent data available.

Question: Discuss "any two poverty alleviation policies with reference to Sri Lanka" that can be effective in reducing extreme poverty. Present your answer "with examples". (04 Marks)

6. Debt

Emerging and developing economy's total debt reached almost 170% of gross domestic product (GDP) in 2019 – or \$55tn – an increase of 54 percentage points of GDP since 2010. China accounted for the bulk of the increase – in part due to its size – but the build-up was broad-based, and included other big emerging economies such as Brazil. The World Bank fears that high levels of debt can make developing economies vulnerable to large depreciations and capital outflows, particularly when it is financed from abroad.

Question: Evaluate the possible benefits of less developing countries (LDCs), "borrowing" to accelerate their economic growth and development. (04 Marks)

7. Per Capita Income (PCI)

It is expected that per capita income in the South Asian countries will fall to Rs 1.43 lakh per annum and decline by 5.4% in 2021. The economies of the most of these nations are going to take a heavy toll on its finances. This decline in PCI will be higher than the nominal GDP decline of 3.8%. Interestingly, the rich countries will be most affected in per capita income terms (*World Bank Report, 2020*).

Question: Explain "what" factors are responsible for the "slow increase" in per capita income in Sri Lanka?
(04 Marks)

(07×04 = Total 28 Marks)

Q2.

- a) Why are countries classified as "developed" countries and "developing" countries, based on "per capita income"? Discuss.
(04 Marks)
 - b) Explain the "indicators" of economic development for a country, like "Sri Lanka".
(04 Marks)
 - c) Why do poor nations "remain" poor? Give reasons.
(04 Marks)
 - d) Describe the "necessary needs" that you consider for "accelerating" the process of economic development in a poor country.
(06 Marks)
- (Total 18 Marks)

Q3.

- a) "*Rostow's development model suggests how developed countries reached their degree of development*" Do you "agree with" this statement? Explain with examples.
(06 Marks)
- b) "Japan" is in what stage of Rostow's "Level of Development"? Comment.
(04 Marks)

- c) "How far" is the Rostow's development model true "with reference to Sri Lanka". Analyse. (08 Marks)

(Total 18 Marks)

Q4.

- a) Why is "economic planning process" in the less developing countries (LDCs) "the low success"? Discuss. (04 Marks)
- b) Explain the important factors "to support" economic planning in the less developing countries (LDCs). (06 Marks)
- c) Assume that you are given the responsibility for rapidly expanding the education sector in the Sri Lankan economy. What are "the primary issues and factors" that you would have to consider "in order to formulate a well-designed plan" for the education sector? Clarify. (08 Marks)

(Total 18 Marks)

Q5. Discuss on the following.

1. Technological Progress
2. Tools of Fiscal policy
3. Planned Economy
4. Human Development Index
5. Balanced Growth
6. Open Market Operation (OMO)

(06×03 = Total 18 Marks)