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ID: Degree: Supervisor: The impact of the global financial crisis on the industrial development of least developed countries. Introduction
The period between 2008 to 2012 experienced hard times characterized by failing financial institutions, laying down of workers (Dolezalek, 2011, p. 7), the debt crisis in European union, housing sector crunch etc. The magnitude of the global recession during this period has not been experienced since 1930’s economic recession (Ciro, 2013, p. 1). The global financial crisis affected both the developed and developing financial institution. A financial crisis refers to a situation in which some financial assets lose a large part of their nominal value. The main objectives are, first, determine the cause the global financial crisis and secondly, the effect of the financial crisis on the developing country. The research will attempt to answer the following questions; what caused the financial crisis and what was its impact on the least developed nations. The results of the research will be of great importance to both governments and private sector in both developing and developed nations alike. It will enable the governments to come up with strategies for predicting and preventing future occurrences. The private sector will be able to cushion their businesses from a financial crisis and learn how business practices can cause a financial crisis.
Literature Review.
Many economists consider the 2008 to 2012 financial crisis as the worst since the great depression of the 1930’s. It led to the collapse of financial institutions, decline in consumer wealth (Muma, 2012, p. 6); the stock market dropped worldwide and mortgages default in the housing sector. What started as US mortgage crunch (Sun et al., 2011, p. 2), extended to the other nation especially the European Union. On September 14, 2008, the fate of Lehman Brothers was to be decided (Dolezalek, 2011, p. 7). The eventual fall of Lehman Brothers undermined the confidence and trust of the investors in the financial market. One year earlier, the Bank of England has bailed out Northern Rock, a large mortgage lender (Dolezalek, 2011, p. 7).
The financial and banking crisis that started in the developed nation reached the least developed nation through at least three channels. First, the crisis led to sharp decline in world trade volume (Alabi et al., 2011, p. 3) and commodity prices (Alabi et al., 2011, p. 116). Secondly, the foreign direct investment started declining since 2007 and hurt most, the mineral and oil exporting nations (Nafziger, 2012, p. 546). Thirdly, it led to a reduction in the foreign remittances to the least develop countries. The research will extend the body of knowledge by critically analyzing how the crisis flowed from the developed nations to the least developed nations and the impact it had on this nations’ industrial sector.
Methodology
The research will be quantitative and will analyze the secondary data. The data will be used to answer the research questions and determine if there is any evidence of effects of the global financial crisis on the least developed nations. Data will be collected from public institutions, the private institution, and international institutions and then cleaned before any statistical analysis is done. The study aims to identify the link between the financial crisis and the least developed countries. And whether, the financial crisis affected the industrial sector in these nations.
References.
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