

**THE EFFECTS OF FINANCIAL LIBERALISATION IN ECONOMIC  
DEVELOPMENT IN KENYA**

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**DECLARATION**

I declare that this research project is my own original work and has not been presented for examination in any other university.

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This research project has been submitted for examination with my approval as the University Supervisor.

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## **DEDICATION**

I dedicate this Study to my loving parents: Johnson Mwitwa Chacha, Yossina Bunyige and Siblings: Faith Mokami, Silvanus Getang'ita, Diana Kohe and Allan Madaraka may the Almighty God shower them with thy blessings.

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## **ABSTRACT**

Financial liberalization in Kenya is much more recent. Ceilings on bank lending rates were not removed until July 1991. The central bank continued to announce guidelines for the sectoral composition of bank credit expansion, although these were not strictly enforced after interest rate liberalization. Although the Kenyan authorities have allowed market forces to play a relatively influential role in the financial system, the government maintains a formidable presence in the financial sector. Central Bank is that bank which is responsible for the economic stability and financial soundness of any country. Central Bank is the top national institution. Its chief responsibility is to regulate the flow of money and credit in the country. It seeks to provide monetary conditions favourable to the realization of national objectives, stable prices, steady economic growth, higher employment and a sound international financial position. The objective of the study was to determine the effects of financial liberalization in economic development in Kenya.

Every civilized country now has its own central bank. The primary function of the central bank is to regulate the monetary and credit system of the country and to foster its growth in the best national interest with a view to securing monetary stability and full utilization of the country's productive resources in order to maintain economic stability, efficiency and growth of the country. The Central Bank of Kenya was established in May 1966. The powers and operations of the Central Bank of Kenya are governed by the Central Bank of Kenya Act 1966, and the Banking Act 1968.

The study used descriptive technique and carried out a meta- analysis study. This study used exclusively secondary data. The study used Statistical Package for Social Sciences for data analysis (SPSS) to analyze the data and the data findings were presented in tables and figures. The study carried out regression analysis to establish the relationship between Financial Liberalization and Economic development by conducting a Meta-analysis study, since it is proving to be very useful for policy evaluations and increasingly accepted research tool in finance and economics phenomena (Pang et al. 1999, Stanley 2001)

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## **LIST OF ABBREVIATIONS**

ANOVA	-	Analysis of Variance
CBK	-	Central Bank of Kenya
GDP	-	Gross Domestic Product
GNP	-	Gross National Product
KSHS.	-	Kenya Shillings
M2	-	Financial Assets
NBFIs	-	Non-Bank Financial Institutions
SPSS	-	Statistical Package for Social Sciences
USD	-	United States Dollar

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## CHAPTER ONE: INTRODUCTION

### 1.1 Background of the Study

Williamson and Mahar (1998, 2) comprehensively outlines financial liberalization as freeing the market and allowing the forces of demand and supply to determine market prices, grants and credit. Johnston and Sundararajan (1999, 2–3) explores this policy process in a broader systemic perspective. They state that financial sector liberalization “can be viewed as a set of operational reforms and policy measures designed to deregulate and transform the financial system and its structure with the view to achieving a liberalized market-oriented system within an appropriate regulatory framework.” Financial liberalization refers to measures directed at diluting or dismantling regulatory control over the institutional structures, instruments and activities of agents in different segments of the financial sector. These measures can relate to internal or external regulations (Chandrasekhar, 2004).

Financial liberalization also encompasses the following concepts: Trade Liberalization which refers to the removal or reduction, of restrictions or barriers on the free exchange of goods and services between nations. This includes the removal or reduction of both tariff (duties and surcharges) and non-tariff obstacles (like licensing rules, quotas and other requirements). The easing or eradication of these restrictions is often referred to as promoting "free trade." Those against trade liberalization, claim that it can cost jobs and even lives, as cheaper goods flood the market (which at times may not undergo the same quality and safety checks required domestically). Proponents, however, say that trade liberalization ultimately lower consumer costs, increases efficiency and fosters economic growth McCulloch NA *et al* (2001).

Deregulation of Interest Rates that entails a movement towards or an entire privatizing of the interest-rate; making it more free-market dictated rather than by government-regulated means. Liberalization will likely result in higher interest rates, discourage marginal investment, improve the effectiveness of intermediation and monetary transmission, and enhance the financial access of underserved sectors. This also encourages savings, as the returns on savings are more rewarding hence savers will seek to gain from the improved interest rates. On the downside however, higher interest rates will lead to higher cost of capital and this may lead to inflation/ inflationary environment in a country.

### **1.1.1 Financial liberalization**

According to Kaminsky and Schmukler (2003). Financial liberalization consists of the deregulation of the foreign sector capital account, the domestic financial sector, and the stock market sector viewed separately from the domestic financial sector. The financial system performs a number of important functions in an economy. Basically, it takes care of mobilizing financial resources, facilitating risk management, allocating resources to the most efficient projects, monitoring the use of financial resources (exerting corporate governance), and providing a payment system that makes trade among economic participants more efficient(Levine, 1997).

Financial development occurs when a financial system is able to improve on performing these functions. There is a large body of theoretical and empirical work emphasizing that financial development is positively associated with economic growth. Closely related to the discussion of the relationship between finance and growth is the discussion of the role that financial liberalization can play in this relationship. The main idea is that financial liberalization may impact on financial development which, in turn, affects economic growth.

### **1.1.2 Economic Development**

In Sub Saharan Africa, Kenya is the largest economy with an estimated population of 39.8 million. In 2009, Kenya's gross domestic product (GDP) was 29.5 billion with an annual growth rate of 2.6 percent. Although Kenya is currently in a stage of growth, there are still several factors inhibiting economic development and contributing to the poverty trap. According to the 2009 Human Development Report, 20 percent of the Kenyan population lives on less than 1.25 USD a day, and approximately half of the population lives below poverty. (African Economic Outlook, 2010).

Despite Kenya's recent crisis, the economy appears to be on track to reverse their poor performance from 2007 to 2008. Kenyan government introduced a strategy called Vision 2030 in 2008 that funded investment growth through increasing credit supply to the private sector, and infrastructure investments to the public sector. This strategy assisted the economy's recovery and contributed to a GDP growth of 2.6 percent in 2008, and is expected to provide a push to accelerate economic growth in subsequent years. (African Economic Outlook, 2008: 34).

Seers (1979) postulates the purpose of development is to reduce poverty, inequality, and unemployment. For Sen (1999), development involves reducing deprivation or broadening choice. Deprivation represents a multidimensional view of poverty that includes hunger, illiteracy, illness and poor health, powerlessness, voicelessness, insecurity, humiliation, and a lack of access to basic infrastructure (Narayan et al. 2000:4-5).

According to Prof. Meier and Baldwin; "Economic development is a process whereby an economy's real national income increases over a long period of time". Some economists like Profs. Baran, Buchanan and Ellis interpret economic development as something more than merely an increase in total output; they believe that it should also denote a rising standard of

living. They define economic development as a process whereby the total per capita income output of a country increases over the long period. Economic development, as it is now generally understood, includes the development of agriculture, industry, trade, transport, means of irrigation, power resources, etc. It, thus, indicates a process of development. The sectoral improvement is the part of the process of development which refers to the economic development. Broadly speaking, economic development has been defined in different ways and as such it is difficult to locate any single definition which may be regarded entirely satisfactory.

### **1.1.3 Financial liberalization and Economic Development**

Financial system in any particular country facilitates the development and growth of the economy. Basically, it takes care of mobilizing financial resources, facilitating risk management, allocating resources to the most efficient projects, monitoring the use of financial resources (exercising corporate governance), and providing a payment system that makes trade among economic participants more efficient (Levine 1997). Financial development occurs when a financial system is able to improve on performing these functions. There is a large body of theoretical and empirical work emphasizing that financial development is positively associated with economic growth. Closely related to the discussion of the relationship between finance and growth is the discussion of the role that financial liberalization can play in this relationship. The main idea is that financial liberalization may impact on financial development which, in turn, affects economic growth.

In the late 1970s and early 1980s, most developing countries were in a crisis of economic policy. Due to adverse circumstances and the deteriorating economic and financial conditions, the financial system proved to have many deficiencies and was unable to generate economic growth. Based on financial aid from the World Bank and International Monetary

Fund, many developing countries in Asia, Europe, Latin America and Africa have undertaken economic reforms to create a suitable investment environment and develop the private sector through a economic system based on market mechanisms. Apparently the result of these reforms was to transform developing economies of many emerging economies, where economic growth is underpinned by strong private sector growth and rapid maturation of capital markets.

#### **1.1.4 Financial liberalization and Economic Development in Kenya**

The interest rate policy in Kenya in the early 1970s was relatively inactive. Thus, compelling the government to regulate interest rates through fixing minimum savings rate for all deposit accepting institutions and minimum lending rates for commercial banks, non-bank financial institutions (NBFIs) and building societies. The official policy in Kenya at that time was to follow a low interest policy in order to encourage investment and protect the small borrowers. This however rendered most interest rates negative in real terms in the 1970s. The first interest rate review was however, undertaken in June 1974 when the minimum savings and lending rates were raised by 2 and 1 per cent respectively (Kariuki, P.W, 1995:5-7).

The financial sector in Kenya is fairly well developed in comparison to most countries in sub-Saharan African countries. The financial sector, measured by the ratio of financial assets to GDP, is relatively deep. The ratio of broad money to GDP, M2/GDP, averaged about 0.30. This compares favorably with other countries in the region where the ratio is abysmally low, ranging from 0.12 in Rwanda, 0.14 in Burundi, to 0.22 in Benin (Abebe, 1990). The diversity of the financial system in Kenya is also manifested in the existence of financial institutions of various types including commercial banks, non-bank financial institutions, insurance companies, and government monopolized financial parastatals.

Financial liberalization means to give central banks more authority to conduct monetary policy, to privatize and restructure the banking sector, to liberalize interest rates, to waive the direct loans and, more generally, to develop and promote the role of financial markets in financing the economy. The main objective is to enable emerging economies to emerge from recession, and later to develop rapidly. Although the Kenyan authorities have allowed market forces to play a relatively influential role in the financial system, the government maintained a formidable presence in the financial sector. The principal instruments of government's intervention in the financial sector included: (a) ownership of commercial banks, finance companies, the largest pension fund, and an insurance company, which provided the government with extensive direct control over credit allocation;(b) massive public sector financing requirements and borrowing to relend to the parastatal enterprises; and (c) a regime of minimum interest rates on deposits and maximum lending rates (Hanson and Neal, 1986).

## 1.2 Statement of the problem

Recent theoretical and empirical studies Husain, (2002); Khan, 2003; Iimi, 2004; Trabelsi (2002), also finds economic growth to Granger cause finance in developed countries using a bivariate causality technique. The authors find reverse causality in some countries and bi-directional causality in others. Darrat (1999), while conducting causality tests in Saudi Arabia, Turkey and the UAE, finds growth-led finance evidence in the UAE, finance-led growth in Turkey and a bi-directionality in Saudi Arabia (see Chuah and Thai, 2004). Odhiambo (2004), while conducting a causality test between financial development and economic growth . Husain, 2005; Khan et al., 2005) investigated effects of financial sector reforms. Shan et al (2006) find little support to the hypothesis that financial development “leads” economic growth.

Financial liberalization in Kenya is much more recent. Ceilings on bank lending rates were not removed until July 1991. The central bank continued to announce guidelines for the sectoral composition of bank credit expansion, although these were not strictly enforced after interest rate liberalization. International financial liberalization is even more recent. Offshore borrowing by domestic residents has been permitted only since early 1994, and portfolio capital inflows from abroad were restricted until January 1995. Supporting structural and institutional reforms have yet to be fully implemented. Many banks remain publicly owned and competition among them is limited, Huwpill and Mahmood Prandan (1997).

Many studies have been conducted to explore the impact of financial liberalization nexus economic development in emerging economies. According to Kim and Single (2000) they explicitly emphasizes that the liberalisation of controls on financial sector leads to more efficient and effective capital markets in emerging economies, allows the guidance of existing funds and national economies to most productive investments. In contrast, it has also

been argued that financial liberalization has led in many cases to disappointing results and in some cases even to economic and financial crises. First, Stiglitz (2000) and others have pointed out that financial liberalization as such does not solve the problem of asymmetric information. This may prevent financial intermediation from becoming more efficient in a liberalized market.

This study therefore sought to answer the following question: what is the effect of financial liberalisation on economic development in Kenya? In the context of the Central Bank of Kenya's role in Financial Liberalisation and Economic development. By conducting a meta-Analysis study of the Central Bank of Kenya.

### **1.3 Objective of the Study.**

This project sought to comprehensively determine the relationship between financial liberalization and economic development in Kenya. By conducting a meta-Analysis study of the Central Bank of Kenya's role in Financial Liberalisation and Economic Development.

### **1.4 Significance of the Study.**

Researchers and policy-makers: would have expended enormous efforts attempting to examine alternative schemes to promote economic growth. Since a great majority of these analysts believe that financial deepening is a catalyst for economic growth and the issues involved have important policy implications to the national economic development. In this case, policy-makers should focus attention on the creation and promotion of modern financial institutions including banks, non-banks, and stock markets in order to promote genuine and enduring economic growth.

Investment advisors: their role of advising government entities on the general macroeconomic conditions that they should invest in and when to divest from those that are non-performing in the context of liberalized financial markets.

Academia: this project proposal hopes to contribute to the body of knowledge in areas of financial deepening, financial liberalisation and economic development in the Kenyan context and the impacts it has on the national economic growth. In addition Students would also benefit from this study as it would act as a basis of reference for any future study in the phenomenon of financial deepening, financial liberalisation and economic development.

The study will also have great benefit to the government and regulatory bodies: It will help the regulators to understand the concepts of financial deepening, financial liberalisation and economic development in the Kenyan context and the impacts it has to has on the national economic growth.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter comprehensively explores on the theoretical underpinning of Financial Liberalization and its impacts to Economic development and any previous studies carried out in relation to the topic through navigation of the very critical theories of Financial Liberalisation nexus Economic Development and finally give a summary of the chapter.

Financial liberalization and Economic development are not a contemporary phenomenon. For decades, Western countries and companies were operating in a free economy. Thus, it is difficult to identify the beginnings of financial liberalization, on which is based the economy liberalization. It is sufficient to recall the role of Italian bankers in Renaissance Europe, the importance considered in the nineteenth century of English and French capital in the world, particularly in the colonial empires in Russia, and the influence of American capital movements from the crisis of 1929.

### **2.2 Theoretical Framework**

A theoretical (or conceptual) definition gives the meaning of a word in terms of the theories of a specific discipline. This type of definition assumes both knowledge and acceptance of the theories that it depends on. To theoretically define is to create a hypothetical construct (Wikipedia, Encyclopedia, 2013).

#### **2.2.1 Classical Economic Theory**

The earliest proponent of free market economy was first discussed in the Classic 1776 Wealth of Nations by Adam Smith. He advocated for the “invincible hand” in the economic set-up where the economy was to be left to operate on its own where forces of supply and demand interact to bring about an equilibrium state in the economy of a country.

According to Adam Smith the Classical economic theory is rooted in the concept of a laissez-faire economic market. A laissez-faire--also known as free--market requires little to no government intervention. It also allows individuals to act according to their own self-interest regarding economic decisions. This ensures economic resources are allocated according to the desires of individuals and businesses in the marketplace. Other early intellectual development came from Bagehot (1873), in his classic *Lombard Street*, where he emphasized the critical importance of the banking system in economic growth and highlighted circumstances when banks could actively spur innovation and future growth by identifying and funding productive investments.

Schumpeter (1912), Schumpeter is very explicit on this score: "The banker, therefore, is not so much primarily the middleman in the commodity 'purchasing power' as a producer of this commodity.

### **2.2.2 Keynesian Economic Theory**

Keynes (1930), in his *Treatise on Money*, also argued for the importance of the banking sector in economic growth. He suggested that bank credit "is the pavement along which production travels, and the bankers if they knew their duty, would provide the transport facilities to just the extent that is required in order that the productive powers of the community can be employed at their full capacity". In the same spirit Robinson (1952) argued that financial development follows growth, and articulated this causality argument by suggesting that "where enterprise leads finance follows". Both, however, recognized this as a function of current institutional structure, which is not necessarily given.

Keynesian economics relies on government spending to jumpstart a nation economic growth during sluggish economic downturns. Similar to classical economists, Keynesians believe the nation economy is made up of consumer spending, business investment and government

spending. However, Keynesian theory dictates that government spending can improve or take the place of economic growth in the absence of consumer spending or business investment.

Keynesian economics often focuses on immediate results in economic theories. Policies focus on the short-term needs and how economic policies can make instant corrections to a nation's economy. This is why government spending is such a key cog of Keynesian economics. During economic recessions and depressions, individuals and businesses do not usually have the resources for creating immediate results through consumer spending or business investment. The government is seen as the only force to end these downturns through monetary or fiscal policies providing in aggregate demand and that will increase the level of output.

In the Keynesian theory, financial deepening occurs due to an expansion in government expenditure. In order to reach full employment, the government should inject money into the economy by increasing government expenditure. An increase in government expenditure increases aggregate demand and income, thereby raising demand for money. This disequilibrium is resolved by reducing private investments resulting from higher interest rates. Since higher interest rates lower private investment, an increase in government expenditure promotes investments and reduces private investments concurrently (Dornbusch and Fischer 1978, Chap.4).

The financial sectors in developing countries are not only regulated, but heavily "repressed," if one uses the terminology of McKinnon (1973) and Shaw (1973). In many developing economies, governments impose on depository institutions (which constitute the major component of the financial system) a maze of interest restrictions on deposits and loans, reserve requirements, and guidelines for credit allocation. When inflation is taken into

account, bank deposit rates can be highly negative, and hence provide little incentive for savers to hold their wealth in the form of bank deposits. The bulk of limited bank credit is rationed and channeled to preferred industries and large borrowers with real-asset collateral. In response to interest restrictions, both savers and investors leave the organized financial sector and carry out their financial transactions through informal unregulated money markets.

Governments in developing countries intervene extensively in the allocation of credit, in the apparent belief that without such intervention, credit allocation would not reflect social and economic priorities, often set by the governments themselves. In general, when a government assumes the role of the leading sector in economic development, it is only natural that it should repress the financial system by controlling interest rates and management of financial intermediaries so as to dictate the allocation of financial resources in the desired direction.

Efficiency and equity are not the only considerations that lead to government intervention in credit allocation in developing countries. Markets for labor, foreign exchange, and commodities are also subject to a variety of imperfections, and are often as heavily regulated as financial markets. The imperfections in and control of other markets often mandate alternative allocations of resources and consequently invite government intervention in credit allocation.

### **2.2.3 Keynesian Theory II**

In fact, Keynes (1936) later supported an alternative structure that included direct government control of investment. Financial deepening occurs due to an expansion in government expenditure. In order to reach full employment, the government should inject money into the economy by increasing government expenditure. An increase in government expenditure increases aggregate demand and income, thereby raising demand for money.

This disequilibrium is resolved by reducing private investments resulting from higher interest rates. Since higher interest rates lower private investment, an increase in government expenditure promotes investments and reduces private investments concurrently (Dornbusch and Fischer 1978)

#### **2.2.4 McKinnon and Shaw theory**

McKinnon (1973) and Shaw (1973) argued that real interest rates kept below the market equilibrium increase the demand for investment but not the actual investment. Low interest rates are insufficient to generate savings, and even reduce savings especially if substitution effects dominate the income effect for households. On the other hand, low rates raise the expected profitability of investment projects by raising the net present value of future earnings from the project. The theory rests on the assumptions that saving is an increasing function of real rate of interest on deposits and real rate of growth in output and that investment is a decreasing function of the real loan rate of interest and an increasing function of the growth rate. At the initial repressed stage, the nominal interest rate is administratively fixed, and thus the real rate is kept below its equilibrium level.

The net effect is to raise the demand for funds without raising the supply of financial resources. The results are rationing of credit among the competing investors based on non-price methods as credit is allocated. According to McKinnon financial saving is necessary for investment and consequently for growth. In emerging markets, saving resources exist but are badly managed. Emerging economies are fragmented so there is a greater likelihood of having investments that are less productive. Capital accumulation is discouraged by the fact that for a high inflation rate, nominal interest rates are set too low and thus real interest rates could be negative. As capital supply of banking sector is limited and banks have only specialized credit activities, people have to finance their investment projects by themselves or have to go to the informal sector where interest rates are often usurious.

### **2.2.5 Allocative Efficiency Theory Solow (1956)**

The first view, Allocative Efficiency, draws heavily on the predictions of the standard neoclassical growth model pioneered by Solow (1956). In the neoclassical model, liberalizing the capital account facilitates a more efficient international allocation of resources and produces all kinds of salubrious effects. Resources flow from capital-abundant developed countries, where the return to capital is low, to capital-scarce developing countries where the return to capital is high.

The flow of resources into the developing countries reduces their cost of capital, triggering a temporary increase in investment and growth that permanently raises their standard of living. Related literature has been, to a great extent, based on the neoclassical view that financial liberalization mobilizes savings and allocates capital to more productive uses, both of which help increase the amount of physical capital and its productivity. By this means, financial liberalization increases economic growth. The logic follows that economic growth caused by (or accompanied by) financial liberalization increases incomes and therefore reduces poverty. What the neoclassical model does predict is that liberalizing the capital account of a capital-poor country will temporarily increase the growth rate of its GDP per capita. The temporary increase in growth matters, because it permanently raises the country's standard of living.

### **2.2.6 Financial Liberalization Theory**

The liberalization of the capital account is captured by the regulations on offshore borrowing by financial institutions and by non-financial corporations, on multiple exchange rate markets and on capital outflow controls. In a fully liberalized capital account regime, banks and corporations are allowed to borrow abroad freely. They may need to inform the authorities but permission is granted almost automatically. Reserve requirements might be in place but are lower than 10 per cent. In addition, there are no special exchange rates for either the

current account or the capital account transactions; nor are there any restrictions to capital outflows.

A fully liberalized domestic financial system is characterized by lack of controls on Lending and borrowing interest rates and certainly, by the lack of credit controls, that is, no Subsidies to certain sectors or certain credit allocations. Also, deposits in foreign currencies are permitted. In a fully liberalized stock market, foreign investors are allowed to hold domestic equity without restrictions and capital, dividends and interest can be repatriated freely within two years of the initial investment.

According to Kaminsky and Schmukler (2003), financial liberalization theory, then, argues for improved economic growth through financial sector reforms. The supporters of financial liberalization base their arguments on the works of McKinnon and Shaw. According to the theory, positive real deposit rates raise the saving rate, thus increasing the flow of financial savings. Developing countries with repressed financial systems thus mounted financial reforms aiming at: mobilization of financial resources with increased amounts of domestic savings channelled through the formal financial sector, reducing the role of direct controls in determining the allocation of credit, increasing reliance on market based system of monetary control and broadening the range of domestic sources of finance.

### **2.3 Review of Empirical Studies.**

According to Eschenbach (2004), the absence of financial liberalisation is a function of indiscriminate nominal interest rate ceilings and accelerating inflation. A high reserve requirement may also play a role. Thus, hampering the attainment of economic development. This is why financial liberalisation in combination with a weak regulatory structure may have strongly adverse effects on growth (Andersen and Tarp 2003). Examples of this abound: Chile and Argentina in the early 1980s experienced the negative effects of financial liberalisation. Levine (2005) reviewing theoretical and empirical studies on the subject of finance and growth, finds that the preponderance of evidence suggests that both financial intermediaries and markets matter for growth and that reverse causality alone is not the driver of this relationship. He concludes that both theory and evidence imply that better developed financial systems ease external financing constraints facing firms, which illuminates one mechanism through which financial development influences economic growth.

Financial liberalization can be viewed as a set of operational reforms and policy measures designed to deregulate and transform the financial system and its structure with the view to achieving a liberalized market-oriented system within an appropriate regulatory framework (Johnston and Sundararajan, 1999).

A large body of theoretical and empirical literature on financial liberalization and capital flows is produced globally. Shumpeter (1911) argued that services provided by financial intermediaries are essential for economic development. Robinson (1952) reports that financial development follows economic growth or causation between them may be bidirectional. Later on, J. Gurley and E. Shaw (1955; 1956; 1960; 1967) explicated the relationship between financial structure development and economic growth, and argued that financial development is a positive function of real wealth. So the importance attached to

money and financial structure as determinant factors in economic development shifts thinking about the role of money and financial policies.

Financial liberalisation has both a domestic and foreign dimension. In general, liberalisation focuses on introducing or strengthening the price mechanism in the market, as well as improving the conditions for market competition. In the literature, several arguments in favour of liberalisation have been put forward. Most of these arguments implicitly start from the neoclassical perspective, which assumes that markets are most efficient in allocating scarce resources. The discussion on liberalising financial markets started with the seminal publications of McKinnon (1973) and Shaw (1973). Both scholars wrote their work as a critique of government policies, which were focused on restricting and controlling financial markets, also known as *financial repression*. Among other things, these policies consisted of establishing interest rate ceilings, and government directed credit and subsidies to banks, leading to excess demand and inefficient allocation of capital. McKinnon (1973) and Shaw (1973) held these policies responsible for the low growth rates in many developing countries during the 1950s and 1960s. They both argued in favour of liberalising financial markets on the grounds that this would lead to more as well as more efficient investment which, in turn, would lead to higher economic growth rates. In the 1990s, when the role of financial institutions in economic growth became intensively discussed in the literature, several authors explicitly modelled the relationship between finance and growth, while others focused on investigating the empirical support for these models.

The following arguments have been raised to support the positive relationship between financial liberalisation of both credit (i.e. banking) and capital markets vis-à-vis economic growth. First, it is claimed that introducing market principles and competition in banking markets increases interest rates on deposits, which leads to higher saving rates. This, in turn,

increases the amount of resources available for investment (McKinnon 1973). If financial liberalisation includes opening up the capital account, capital inflows (in terms of both credit and equity investment) may increase, again raising the availability of funds for investment and growth. In both cases financing constraints of firms are reduced and investment will rise, leading to higher growth.

In contrast, it has also been argued that financial liberalisation has led in many cases to disappointing results and in some cases even to economic and financial crises. First, Stiglitz (2000) and others have pointed out that financial liberalization as such does not solve the problem of asymmetric information. This may prevent financial intermediation from becoming more efficient in a liberalised market. Many papers, among them the seminal contribution of Stiglitz and Weiss (1981), have indeed shown that problems of asymmetric information prevail in financial markets and that therefore financial repression may arise even without government intervention.

Some papers make the point that financial liberalisation may actually aggravate information problems. When financial markets become liberalised and competition is increased, this may lead to a reduction of relationship lending, more opportunities may be open to borrowers and they will look for the cheapest way of financing their investment. However, a reduction of relationship lending also destroys information capital and thereby increases asymmetric information (Boot, 2000).

Finally, increased risk taking in financial markets and the consequent increase in the number of failures of banks and other institutions may in itself trigger bank runs (Diamond and Dybvig 1983). Bank runs are another source of financial instability, even in a situation where some banks may be economically viable. One way to curb the adverse effects of financial liberalisation on the stability of the financial system is to install financial market regulations.

Such regulations should reduce risk taking by banks and should, at least to some extent, bail out depositors when their bank goes bankrupt. Such a deposit insurance system aims to reduce the probability of bank runs taking place in times of financial distress.

The above short discussion shows that, from a theoretical perspective, the nature of the relationship between financial liberalisation and economic growth is ambiguous. Given this theoretical ambiguity, it is important to investigate from an empirical point of view whether or not financial liberalisation leads to higher economic growth. Several papers have looked into this issue. The general picture that emerges from the empirical literature is that the empirical evidence is inconclusive.

## **2.4 Chapter Summary**

The chapter vividly looked into the literature review and empirical framework by outlining the relevant theories to justify the research topic. And, also captures the review of empirical studies on the concepts of financial liberalization and economic development respectively.

Reforms of financial liberalization and economic development are a complex and long-term phenomenon. This implies that the impact of this reform on the financial markets should not be immediate, but rather gradually, over a long period.

However, the arguments for financial liberalization and economic development both theoretical and empirical, are relatively fragile, and there are many reasons for skepticism about claims made by proponents of these measures. Indeed, there is good reason to ask us questions about the extent and type of financial liberalization and its impacts to economic growth. In this context, This study therefore seeks to fill the eminent knowledge gap on the effect of financial liberalisation on economic development concepts respectively in Kenya.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

The chapter comprehensively explored a discussion of the research methods and procedures that will be used. The research design which was used, unit of study, data analysis and data presentation methods utilized in the study.

### **3.2 Research Design**

Mathoko *et al* (2007) describe a research design as a set of decisions that make up the master plan specifying the methods and procedures for collecting and analyzing the needed information. The study comprehensively carried out a meta- analysis study. The study effectively explored the descriptive technique. Descriptive research portrays an accurate profile of persons, events, or situations (Saunders, Lewis and Thornhill, 2003).

Meta-analysis is a statistical technique to quantitatively synthesise the empirical evidence of a specific field of research. This study sought to investigate and substantiate the impacts of Financial Liberalization to Economic development. Meta-analysis has also become an increasingly accepted research tool in finance and economics phenomena, since it is proving to be very useful for policy evaluations (Pang et al. 1999, Stanley 2001). In this context a Meta-analysis approach was justified as the most effective statistical technique to correlate both the dependent and independent study variables.

### **3.3 Data Collection**

Data collection is gathering empirical evidence in order to gain new insights about a situation and answer questions that prompt undertaking of the research (Kothari, 2004). This study utilized secondary data from the Central Bank of Kenya (CBK) reports and library in a period of three months.

Secondary data has already been collected, analyzed and made available from sources other than yourself (White, 2010). Collecting and analyzing primary data can be expensive and time consuming so where possible the use of secondary data is important.

### 3.4 Data Analysis

Secondary data from the Central Bank of Kenya (CBK) reports and library were reviewed for completeness and consistency in order to statistical analysis. According to Mugenda (1999), data must be cleaned, coded and properly analyzed in order to obtain a meaningful report. The Secondary data from the Central Bank of Kenya (CBK) reports and library was analyzed using descriptive statistical approach, The excel software was used to transform the variables into a format suitable for analysis after which the Statistical Package for Social Sciences for data analysis (SPSS) which provided various statistics, which then applied to analyze the quantitative data in terms of percentages, frequency distribution, means and standard deviation. Tables and charts are to be used to summarize responses for further analysis and facilitate comparison. The unity of analysis was essentially secondary data from the Central Bank of Kenya (CBK) reports and library. This study adopted multiple - regression model which was:

$$Y=f(X) \quad (1)$$

$$Y= \alpha + \beta X_1 + \beta X_2 + \beta X_3 + \dots + \beta X_n + \epsilon \quad (2)$$

Where

Y=Dependent variable (**ECONOMIC DEVELOPMENT**); Measured by the GDP and GNP

X=Independent variable (**FINANCIAL LIBERALISATION**); whereby  $x= f(X_1, X_2, X_3)$

X1= Credit controls; including Foreign Assets and directed credit toward favored sectors or industries, Ceilings on credit toward other sectors, and excessively high reserve requirements.

X2= Interest rate control; including Lending Interest Rates and cases where the government directly controls, Interest rates or where floors, ceilings, or interest rate bands exist.

X3= Capital Controls; Restrictions on international financial transactions, including Current Account Performance and restrictions on capital and current account convertibility, and the use of multiple exchange rates.  $\alpha$  = Constant term.

$\beta$ = Gradient/Slope of the regression measuring the amount of the change in Y associated with a unit change in X

$\epsilon$ =Error term within a confidence interval of 5%

# CHAPTER FOUR: DATA ANALYSIS AND PRESENTATION OF FINDINGS

## 4.1 Introduction

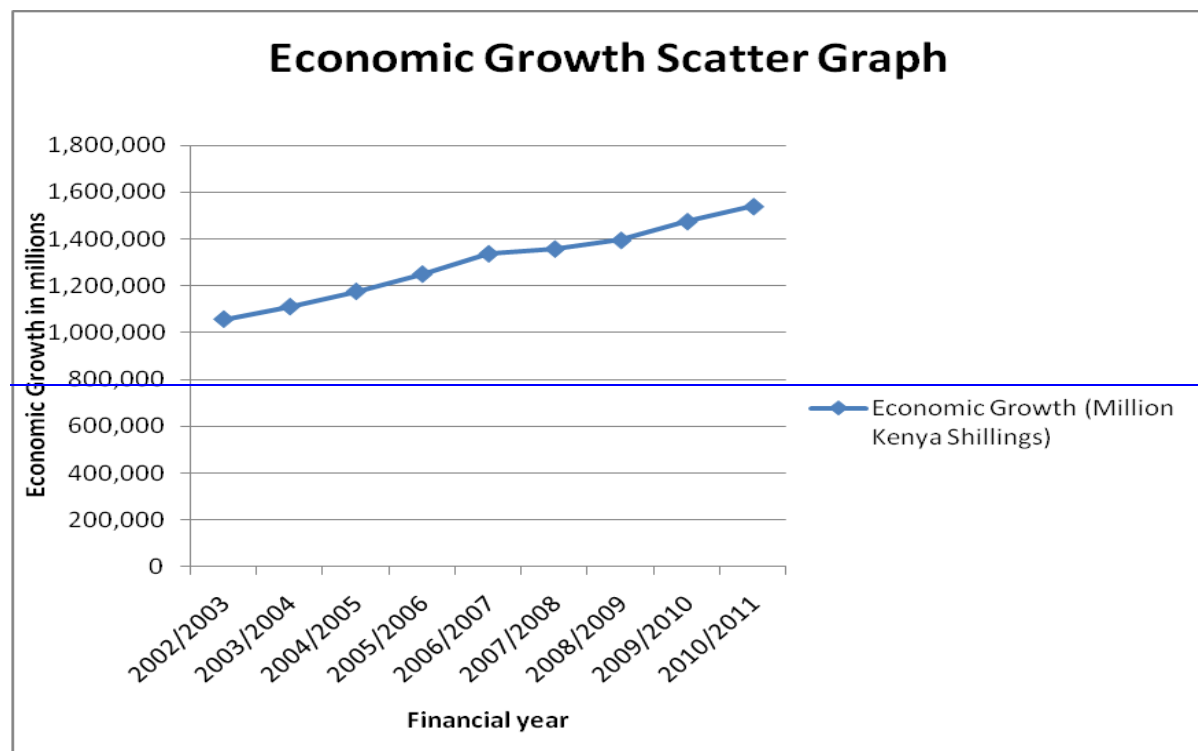
This chapter presents analysis and findings of the study as set out in the research objective and research methodology. The study findings are presented on the relationship between financial liberalization and economic development in Kenya. The study used secondary data from the Central Bank of Kenya (CBK) reports and library.

## 4.2 Data Presentation

### 4.2.1 Economic Growth

The study sought to establish the trend of Economic Growth in Kenya over the study period. The data findings are presented in Figure 4.1 below and appendix I.

**Figure 4.1: Economic Growth**



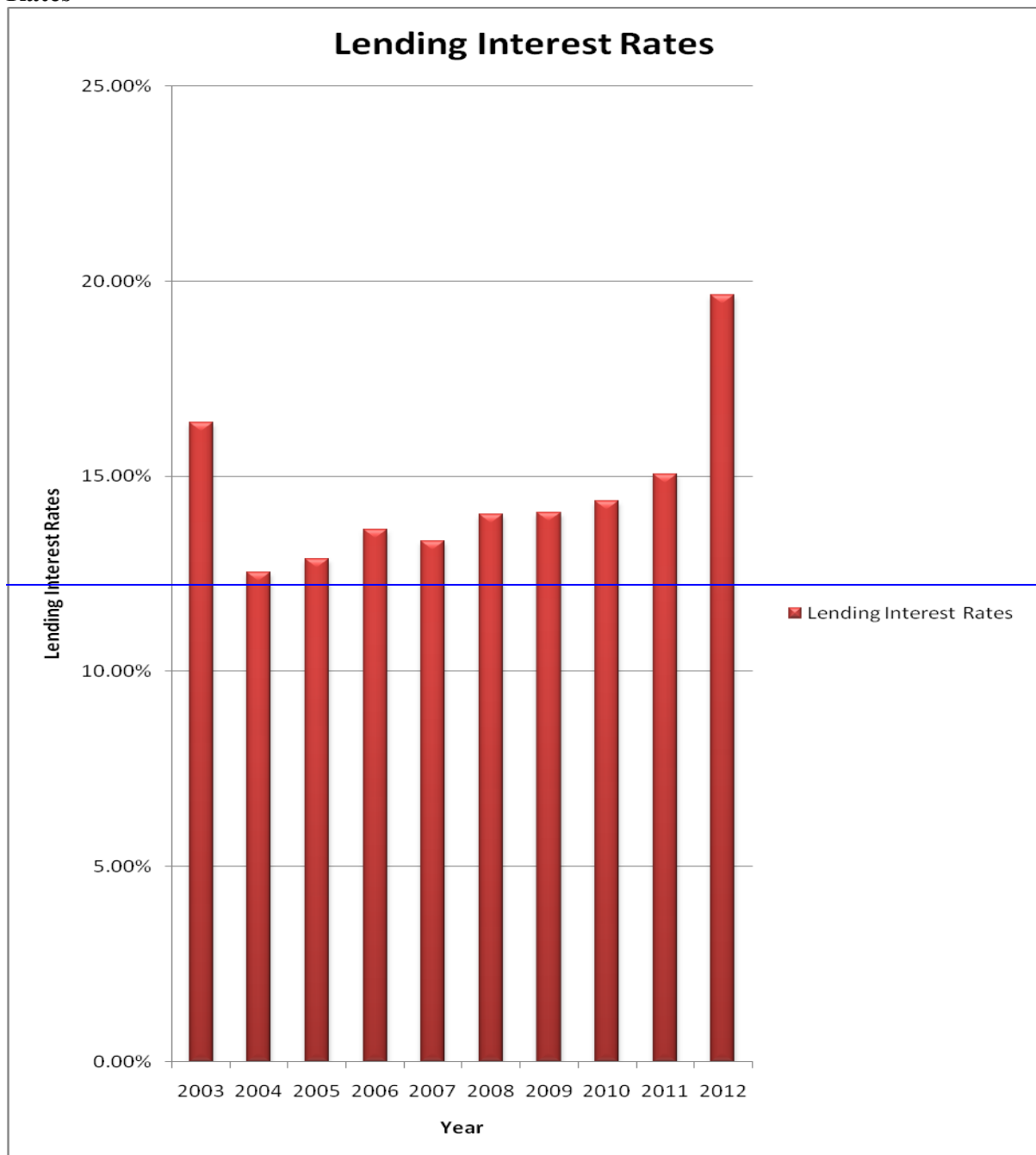
Source: central Bank

From the findings presented above, the study established that Economic Growth had been on continuous increase over the study period. The 2002/2003 financial year recorded an economic growth of 1,055,658 million shillings. This increased to 1,109,541 million shillings in 2003/2004, followed by a further increase to 1,175,133 shillings in 2004/2005 financial year. In the 2005/2006 financial year, economic growth increased to 1,249,470 million shillings, followed by further increase to 1,336,846 million and then 1,357,263 million shillings in the 2006/2007 and 2007/2008 financial year respectively. It is noted that the economic growth in 2006/2007 financial year was very slow. Economic Growth further increased to 1,394,387 million shillings in 2008/2009, followed by a further increase to 1,474,763 million shillings in 2009/2010 then 1,539,306 million shillings in 2010/2011. This implied that the economic growth of Kenya had been increasing over the study period however the study the growth was gradual as evidenced by the findings of this study. This study however notes that the economic growth was very slow in 2006/2007 financial year as evidenced by the findings of this study.

#### **4.2.2 Lending Interest Rates**

The study sought to establish the trend in the lending interest rates over the study period. The data findings are presented in Figure 4.2 below and appendix I.

**Figure 4.2: Lending Interest Rates**



**Source: central Bank**

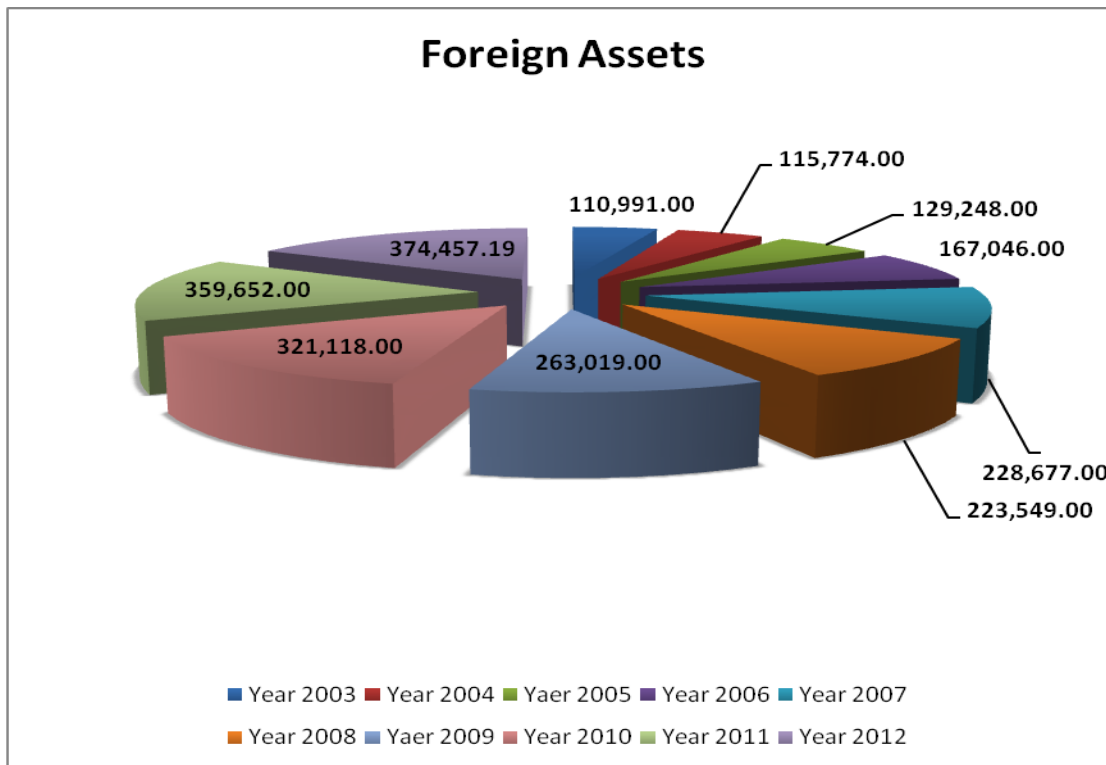
The study findings established that at the inception year 2003, the lending interest rates were 16.37%. These rates decreased in the year 2004 to 12.53%. Since then the study findings established that the lending interest rates have been on increase. In the year 2005 the lending

interest rates were at 12.89% which increased gradually to 13.64% in the year 2006, before a slight decrease to 13.33% in 2007. In the year 2008, the interest rate increased to 14.02%, then to 14.08% in the year 2009 and further increase was recorded in the year 2010 whereby the lending interest rates was 14.36%. By the year 2011, the interest rates had increased to 15.05% after which in the year 2012, there was a rapid increase in lending interest rates whereby the rates increased to 19.65%.

#### **4.2.3 Foreign Assets**

The study sought to determine the trend in foreign asset during the study period. The traditional approach to measuring financial openness is to measure of the sum of gross stocks of foreign assets and liabilities as a ratio to a country's gross domestic product. The findings are presented in figure 4.3 and appendix I

**Figure 4.3: Foreign Assets**



**Source: central Bank**

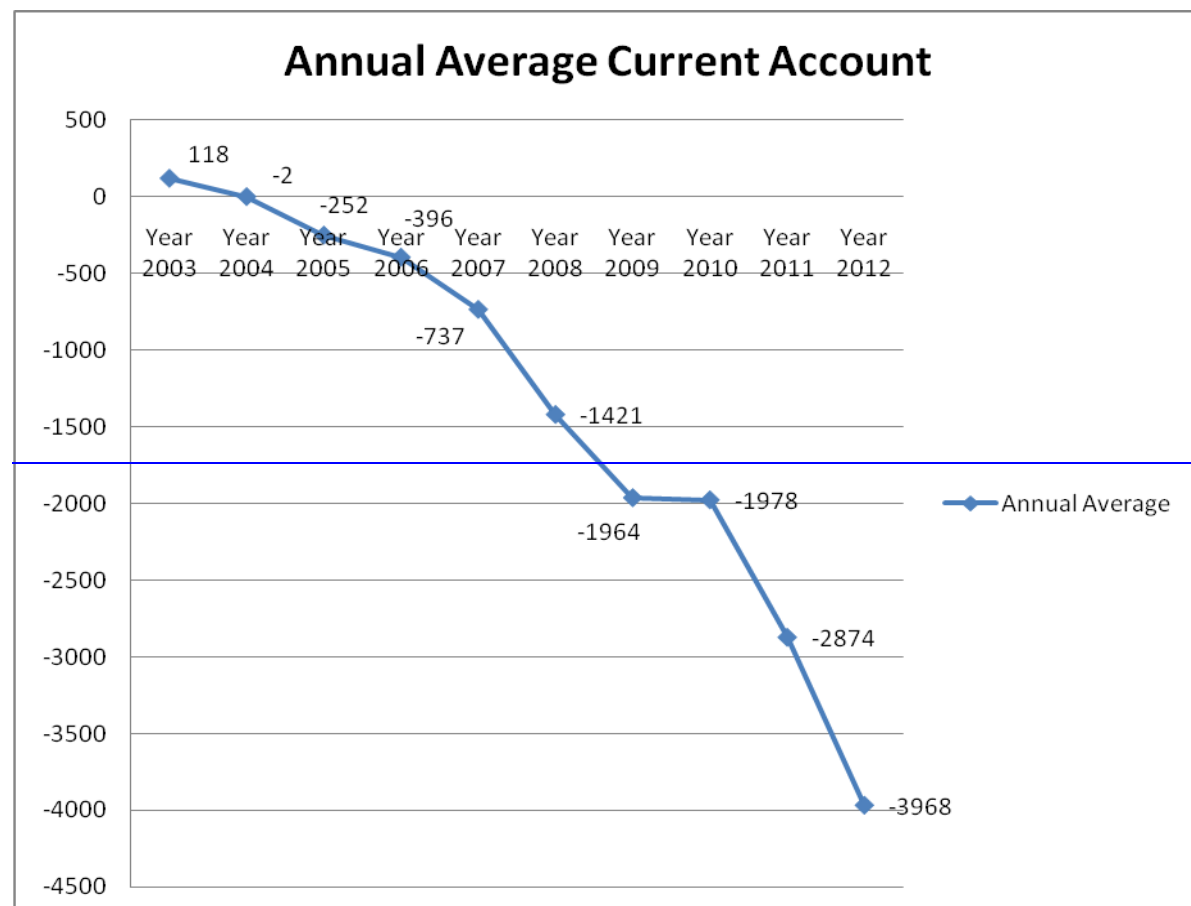
From the figure above, it can be noted that foreign assets stood at USD. 110,991 million in the year 2003. Foreign assets increased thereafter to stand at USD. 115,774, 129, 248, 167,046 and 228,677 for the years 2004, 2005, 2006 and 2007 respectively. This shows that following financial liberalization, more investors were willing to move their investments into the country. After the year 2007, foreign investment dropped slightly in the year 2008 to USD 223,549 before picking up a positive trend again from the year 2009 till 2012. The drop in the financial year 2008 could be attributed to the post election violence that rocked the country following the disputed presidential results. This situation caused political instability which forced foreign investors to relocate some of their investments.

However, after the peace deal was signed, the inflow of foreign assets continued to increase to USD 263,019, 321,118,359,652 and 374,457 for the years 2009, 2010, 2011 and 2012 respectively.

#### 4.2.4 Current Account Performance

The study sought to analyze the performance of the current account for Kenya over the study period. Positive current account balance measures the portion of a country's saving invested abroad while negative, the portion of domestic investment financed by foreign investment. The findings were as illustrated in figure 4.4 and appendix II.

**Figure 4.4: Current Account Performance**



Source: central Bank

From the findings shown in the figure above, the current account started from a positive meaning that most of the country's savings were invested abroad. By the year 2003, the current account stood at positive USD 118 million. Starting the year 2004, the proportion of domestic investments financed by foreign capital started increasing. It stood at USD -2 million then continued increasing to USD -252 in the year 2005, -396 in the year 2006, to USD -1964 by the year 2009. The amount of domestic investments financed by foreign assets has continued to increase to reach a high of USD 3,968 million by the year 2012.

#### 4.6 Regression Analysis

In order to establish the relationship among the variables (independent), multiple regression analysis was conducted. The analysis applied the statistical package for social sciences (SPSS) to compute the measurements of the multiple regressions for the study. The findings were as shown in the table 4.1 below.

**Table 4.1: Model Summary**

<b>Model Summary</b>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.991 <sup>a</sup>	.983	.974	29311.94531
a. Predictors: (Constant), Lending rates, Foreign Assets (USD), Current Account				

Author: Research data (2013)

In order to explain the percentage of variation in the dependent variable (Economic Growth) that is explained by the independent variables, the researcher used coefficient of determination obtained from the model summary in table 4.1. Coefficient of determination explains the extent to which changes in the dependent variable (Economic Growth) can be explained by the change in the independent variables or the percentage of variation in the dependent variable that is explained by all the three variables (Lending rates, current account balance and foreign assets).

From the analysis, the independent variables (Lending rates, current account balance and foreign assets) in this study contributed to 98.3% of the variation in Economic Growth as explained by adjusted  $R^2$  of 0.983.

The study conducted an Analysis of Variance, in order to test the significance of the model.

The findings were as shown below:

**Table 4.2: ANOVA**

ANOVA <sup>b</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.903E11	3	9.675E10	112.612	.000 <sup>a</sup>
	Residual	5.155E9	6	8.592E8		
	Total	2.954E11	9			
a. Predictors: (Constant), Lending rates, Foreign Assets (USD), Current Account						
b. Dependent Variable: Economic Growth measures by GDP (Million Kenya Shillings)						

Author: Research data (2013)

From the ANOVAs results, the probability value of 0.000 was obtained implying that the regression model was significant in predicting the relationship between Public Debt and the predictor variables as it was less than  $\alpha=0.05$ . By use of the F-table, the  $F_{(5\%,3,6)}$  tabulated was 4.7571 which was less than  $F= 112.612$  which as well indicated that the model was significant.

**Table 4.3: Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1163591.839	133586.063		8.710	.000
	Foreign Assets (USD)	1.283	.395	.702	3.249	.017
	Current Account	-51.918	33.275	-.387	-1.560	.170
	Lending rates	-13514.612	7356.599	-.158	-1.837	.016

a. Dependent Variable: Economic Growth measures by GDP (Million Kenya Shillings)

Author: Research data (2013)

The researcher conducted a regression analysis so as to determine how lending rates, foreign assets (USD) and current account (independent variables) contributes to economic growth (dependent variable). The following regression equation was obtained:

$$Y = 1163591.839 + 1.283X_1 - 51.918X_2 - 13514.612X_3 + \epsilon$$

From the regression model obtained above, holding all the other factors constant, the economic growth measures by GDP would be 1163591.839. A unit change in foreign assets holding the other factors constant will lead to change the economic growth by 1.283; A unit change in current account holding the other factors constant will change economic growth by -51.918 while a unit change Lending rates holding the other factors constant will change economic growth by -13514.612. This implied that foreign assets had the highest influence on the economic growth followed by current account and finally lending rates

The obtained regression equation further implied that there was a direct relationship between economic growth and foreign assets while the relationship between economic growth and current account together with lending rates was lending rates inverse.

The analysis was undertaken at 5% significance level. The criteria for comparing whether the predictor variables were significant in the model was through comparing the corresponding probability value obtained and  $\alpha=0.05$ . If the probability value was less than  $\alpha$ , then the predictor variable was significant otherwise it wasn't. Foreign assets and lending rates were significant in the model as their corresponding predictor variables were 0.016 and 0.017 respectively while the current account performance was insignificant in the model as the probability value obtained was 0.170.

#### **4.7 Summary and Interpretation of Findings**

Although Kenya is currently in a stage of growth, there are still several factors inhibiting economic development and contributing to the poverty trap. Economic growth in Kenya as found out in the study been evident over the study period as it grew continuously as from 2002/2003 financial year, where it was Ksh.1,055,658 million to reach a high of 1,539,306 million as at the end of 2010/2011 fiscal year

lending rates had been an increasing in the lending rates over the study period. The study findings established that in the year 2003, the lending rates were rates were 16.37%. These rates decreased in the year 2004 to 12.53%. Since then, the lending interest rates increased gradually to 19.65% by the year 2011. In the year 2012, there was a rapid increase in lending interest rates whereby the rates increased to 19.65%.

Foreign assets as found by the study had been increasing over the study period with exception of the 2008 financial year. Foreign assets stood at USD. 110,991 million in the year 2003. Foreign assets increased thereafter to stand at USD. 115,774. After the year 2007, foreign investment dropped slightly in the year 2008 to USD 223,549 before picking up a positive trend again from the year 2009 till 2012 where it amounted to USD 374,457.

The study findings established that current account, the study established that it started from a positive meaning that most of the country's savings were invested abroad. By the year 2003, the current account stood at positive USD 118 million. Starting the year 2004, the proportion of domestic investments financed by foreign capital started increasing. It stood at USD -2 million then continued increasing to USD -252 in the year 2005, -396 in the year 2006, to USD -1964 by the year 2009. The amount of domestic investments financed by foreign assets has continued to increase to reach a high of USD 3,968 million by the year 2012.

With regard to economic growth, the study findings established that the economic growth had been increasing continuously over the study period. At the 2002/2003 financial year, the economic growth as reflected by GDP was Ksh.1,055,658 million. This increased gradually over the years to Ksh.1,357,263 million in the 2006/2007 after which the growth rate decrease over the 2007/2008 and 2008/2009. As at the end of 2010/2011 fiscal year, the economic growth had increased further as shown by GDP of Ksh. 1,539,306 million.

On the lending rates the study findings established that there had been an increase in the lending rates over the study period. The study findings established that in the year 2003, the lending rates were t rates were 16.37%. These rates decreased in the year 2004 to 12.53%. Since then, the lending interest rates increased gradually to 19.65% by the year 2011. In the year 2012, there was a rapid increase in lending interest rates whereby the rates increased to 19.65%.

The study findings established that foreign assets had been increasing over the study period with exception of the 2008 financial year. foreign assets stood at USD. 110,991 million in the year 2003. Foreign assets increased thereafter to stand at USD. 115,774. After the year 2007, foreign investment dropped slightly in the year 2008 to USD 223,549 before picking up a positive trend again from the year 2009 till 2012 were it amounted to USD 374,457.

With regard to the current account, the study established that it started from a positive meaning that most of the country's savings were invested abroad. By the year 2003, the current account stood at positive USD 118 million. Starting the year 2004, the proportion of domestic investments financed by foreign capital started increasing. It stood at USD -2 million then continued increasing to USD -252 in the year 2005, -396 in the year 2006, to USD -1964 by the year 2009. The amount of domestic investments financed by foreign assets has continued to increase to reach a high of USD 3,968 million by the year 2012.

The study findings established that there was a strong relationship between economic growth and the independent variables under study and that they greatly affected the variability of economic growth. The study findings established that there was a direct relationship between economic growth and foreign assets while the relationship between economic growth and current account together with lending rates was inverse.

The Central Bank was actively involved in several regional integration initiatives particularly those relating to monetary integration. The Bank participated in the implementation of monetary co-operation programmes of the East African Community (EAC), Common Market for Eastern and Southern Africa (COMESA) and the Association of African Central Banks (AACB).

From the study findings a strong relationship between economic growth and the independent variables existed. The study findings established that there was a direct relationship between economic growth and foreign assets while the relationship between economic growth and current account together with lending rates was inverse.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Summary**

This study was carried out to establish the effects of Financial Liberalization in Economic Development, by carrying out a Meta Analysis Study of the Central Bank of Kenya. The study's objective is to establish the relationship between Financial Liberalization in Economic Development in Kenya. This chapter vividly explains the summary of findings for the project's objective: Seeking to comprehensively determine the relationship between financial liberalization and economic development in Kenya. As clearly highlighted in Chapter one of the Project, the Chapter also captures conclusions, recommendations made anchored on findings and suggestions on concepts that need to be researched in relation to the phenomenon of Financial Liberalization nexus Economic Development.

In addition, this chapter presents the summary of key data findings, conclusions drawn from the findings highlighted and policy recommendations that were made. The conclusions and Recommendations drawn were in quest of addressing the research objective of determining the relationship between financial liberalization and economic development in Kenya. By conducting a meta-Analsis study of the Central Bank of Kenya's role in Financial Liberalisation and Economic Development.

#### **5.2 Conclusions**

The study concludes that economic development in Kenya is highly influenced by the financial liberalisation. lending interest rates, foreign investments as well as current account performance highly influence economic development. Further, the study concludes that economic growth had been on increase as indicated by the increase in GDP. The study further concludes that the political instability has a negative effect on the economic growth of the any economy.

The study find also concludes that lending rates have a detrimental impact on the economic growth. An increase in lending rates reduces the economic growth rate. The study further concludes that the lending rates have been on increase over the past years.

The study concludes that foreign assets positively influences economic growth as the there exists a direct relationships between the foreign assets and economic growth. The study further concludes that foreign assets have been increasing over the period of study and that instability discourages foreign assets in the country.

The study concludes that the proportion of domestic investments financed by foreign capital has been increasing over years. in addition the study concludes that that most of the country's savings is invested locally compared to the previous year whereby was invested locally.

The drop in the financial year 2008 could be attributed to the post election violence that rocked the country following the disputed presidential results. This situation caused political instability which forced foreign investors to relocate some of their investments. However, after the peace deal was signed, the inflow of foreign assets continued to increase to USD 263,019, 321,118,359,652 and 374,457 for the years 2009, 2010, 2011 and 2012 respectively.

### **5.3 Policy Recommendations**

The study has confirmed that the Central Bank of Kenya is very significant in enhancing the the Financial Liberalization phenomena. Which enables Economic Development

The study findings established that lending rates have increased continuously over the study period. Based on the inverse relationship existing between lending rates and economic growth as established by the study findings, this study calls upon for regulatory measures on the interest rates.

Policy makers should come up with regulatory policies that regulate the lending rates. The institutions charged with regulation of interest rates should be capacitated with all the necessary support they need in order to execute the mandate of regulating their lending rates.

The study findings also established that economic growth rate reduced in 2008 as well as foreign assets. Since these this year had been marked with the post election violence that rocked the country following the disputed presidential results, this could be contributed to the changes in the trend. This study therefore recommends that there is need for policy makers to come up with polices that ensure that the election code of and ethics are upheld during elections.

The study finally recommends that policy makers should enact rules that encourage and attract foreign investors into the country as well as discouraging investments of countries savings locally.

#### **5.4 Limitations of the Study**

The Central Bank of Kenya works under very strict confidentiality in order to secure any unauthorized access to information pertaining to the study variables.

Due to time limit and financial constraints, it was not possible to carry out comprehensive research pertaining to the scope of the study.

The study was therefore limited basically to the central Bank of Kenya located in Nairobi region and not the entire sub- Saharan countries.

The study utilized secondary data, which had already been obtained and in the public domain. Unlike the primary data which is first hand information, despite that the secondary data was tested for precision and remained relevant since it reflected current macroeconomic conditions and financial soundness in the republic of Kenya.

## **5.5 Suggestions for Further Studies**

A comparative study can be carried out to establish whether financial liberalization in other countries is able to impact the economic development. Thus enabling comparison with the Kenyan experience and provide concrete facts upon which reliable conclusions can be made.

Since economic growth is not affected by on lending rates, foreign assets and account performances, this study recommends that further studies be done to incorporates other factors influencing the economic growth.

The study findings established that economic development in Kenya was highly influenced by the financial liberalisation and that lending interest rates, foreign investments as well as current account performance highly influenced economic development.

The study findings established that economic growth had been on increase as indicated by the increase in GDP as well as foreign assets and lending rates and that lending rates negatively affected the affected the economic development while foreign assets in positive influenced economic development.

The study recommends that policy makers should come up with regulatory policies that regulate the lending rates and encourage and attract foreign investors into the country as well as discouraging investments of countries savings locally.

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## APPENDIX

### Appendix I: Dataset on Foreign Assets, Lending rates and GDP

Period	Foreign Assets (USD)	Lending rates	Economic Growth measures by GDP (Million Kenya Shillings)
Year 2003	110991	16.6	1055658
Year 2004	115774	12.5	1109541
Year 2005	129248	12.9	1175133
Year 2006	167046	13.6	1249470
Year 2007	228677	13.3	1336846
Year 2008	223549	14.2	1357263
Year 2009	263019	14.8	1394387
Year 2010	321118	14.4	1474763
Year 2011	359652	15.1	1539306
Year 2012	374457.19	19.7	1597198

Current Account Performance in Kenya 2003-2012

<b>Period</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Annual Average</b>
Year 2003	<b>90</b>	<b>81</b>	<b>142</b>	<b>99</b>	<b>102</b>	<b>100</b>	<b>83</b>	<b>88</b>	<b>146</b>	<b>157</b>	<b>184</b>	<b>145</b>	118
Year 2004	<b>128</b>	<b>72</b>	<b>0</b>	<b>18</b>	<b>35</b>	<b>27</b>	<b>61</b>	<b>13</b>	<b>-104</b>	<b>-71</b>	<b>-67</b>	<b>-133</b>	-2
<b>Year 2005</b>	<b>-257</b>	<b>-186</b>	<b>-85</b>	<b>-287</b>	<b>-257</b>	<b>-283</b>	<b>-236</b>	<b>-336</b>	<b>-253</b>	<b>-305</b>	<b>-291</b>	<b>-253</b>	-252
Year 2006	<b>-234</b>	<b>-333</b>	<b>-401</b>	<b>-407</b>	<b>-465</b>	<b>-376</b>	<b>-386</b>	<b>-322</b>	<b>-376</b>	<b>-425</b>	<b>-521</b>	<b>-511</b>	-396
<b>Year 2007</b>	<b>-540</b>	<b>-644</b>	<b>-644</b>	<b>-484</b>	<b>-481</b>	<b>-613</b>	<b>-788</b>	<b>-787</b>	<b>-851</b>	<b>-965</b>	<b>-1009</b>	<b>-1034</b>	-737
Year 2008	<b>-1207</b>	<b>-1046</b>	<b>-1116</b>	<b>-1090</b>	<b>-1234</b>	<b>-1175</b>	<b>-1242</b>	<b>-1535</b>	<b>-1745</b>	<b>-1820</b>	<b>-1876</b>	<b>-1973</b>	-1421
Year 2009	<b>-1889</b>	<b>-2032</b>	<b>-1973</b>	<b>-2166</b>	<b>-2167</b>	<b>-2260</b>	<b>-2204</b>	<b>-1925</b>	<b>-1856</b>	<b>-1740</b>	<b>-1678</b>	<b>-1671</b>	-1964
Year 2010	<b>-1720</b>	<b>-1625</b>	<b>-1760</b>	<b>-1723</b>	<b>-1851</b>	<b>-1920</b>	<b>-1974</b>	<b>-2017</b>	<b>-2073</b>	<b>-2147</b>	<b>-2408</b>	<b>-2512</b>	-1978
Year 2011	<b>-2492</b>	<b>-2551</b>	<b>-2589</b>	<b>-2552</b>	<b>-2718</b>	<b>-2800</b>	<b>-2823</b>	<b>-3164</b>	<b>-3171</b>	<b>-3107</b>	<b>-3190</b>	<b>-3330</b>	-2874
Year 2012	<b>-3399</b>	<b>-3503</b>	<b>-3768</b>	<b>-3892</b>	<b>-3853</b>	<b>-3895</b>	<b>-4181</b>	<b>-4150</b>	<b>-4284</b>	<b>-4352</b>	<b>-4121</b>	<b>-4221</b>	-3968