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Role of Financial Institutions in Economic Development Through Adding Value in Botswana

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ABSTRACT

Financial Institutions (FIs) have always been recognized to play a significant role in economic development by mobilizing and allocating savings for production, providing structures for monetary management and serving as the basis of liquidity management (World Economic Forum, 2012; Kehinde and Adejuwon 2011). These FIs helped reinforce the thinking behind the colonization of Africa. The traditional view has always been that raw material is obtained from the developing countries for processing in the developed countries. However, the increased demand for more jobs and pressure to provide quality life for their nationals, finds the developing countries trying to expand their industrial bases as well. Consequently most developing countries are now seeking an accelerated effort to add value to their raw materials. However, the onset of the Global Financial Crisis (GFC) has not made it any easier. The developed world views the developing countries as if they are denying them their exclusive preserve and source of sustenance. This paper looks at the role of FIs in economic development in the modern world and efforts that they could engineer in order to bring about a win-win situation for both the developed and the developing countries. The study is carried out in the context of the Botswana environment in the aftermath of the GFC. It discusses on the one hand the importance and nature of FIs in the light of the need to add value to raw materials exported from Botswana to the developed world and, on the other hand offers strategies that could help the developed world to benefit from the value addition processes of the developing world. The study was based on a strong literature review and personal interviews conducted in Gaborone, Botswana. The proposed future contributions of the FIs towards economic value addition are also laid out. It is assumed that countries with similar economies and FIs would benefit from this research.

KEYWORDS economic development; value-addition; financial institutions; raw materials; developed world

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