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Financial capital of Malawi and Mongolia during 2005-2014

By Ya-Feng CHANG [a†] & Kuan-Chun HUANG [b]
Margad-Erdene SANDUI [c]

Abstract. Financial capital is among the most critical endowment of a nation. It is a driver of other sorts of capitals (e.g., human, technology, and so on), especially for developing countries. This study collected and analyzed important data for national financial capital through established indicators in two representative countries in Asia and Africa – Mongolia and Malawi. Through the analyses we observe comparable development of both countries' national financial capital and witness the growth potential of them. Managerial and policy implications are discussed.
Keywords. Financial capital, National competitiveness, Malawi, Mongolia.
JEL. M10, M11, M14.

1. Introduction

As the world keeps running, the definition of competition in business and economic environment no more limits in the level of organizations and industries. Rather, Porter (1990) argued that a nation's attributes is significant in altering the competitive advantage of itself and the development of the industries and businesses within it. Further to Porter's approach, the National Intellectual Capital approach (Lin & Edvinsson, 2011) also stressed the importance of sketching a nation's profile, but from relatively more intangible endowment dimensions. Both approaches, though starting from different angles, emphasizes the financial capital as one of the critical capital of a nation. Although the national intellectual capital uses financial capital to highlight of sorts of intangible capital, the approach did not mean to de-emphasize the strategic meaning of financial capital. On the contrary, financial capital was included in most analyses the approach has made.

In such vein, we can accept that financial capital is critical for measuring a nation's capacity and potential to compete in global market, especially for those developing countries. This paper collects data of financial capital at the national economy level in two comparable economies – Malawi and Mongolia. The two nations established diplomatic relations in the year of 2011 for mutual benefit. As a major news media reported "Like Mongolia, Malawi is landlocked. And both countries ended one-party rule in the early 1990s. There are some similarities between Mongolia and Malawi, and the two believe the establishment of diplomatic relations corresponds with the national interests of both countries and will further strengthen international peace and security" [Retrieved from]. The

[a†] Department of Business Administration, Cheng Shiu University, Taiwan.
. +886-7-7310606
.
[b] I-Shou University, No.1, Sec. 1, Syuecheng Rd., Dashu District, Kaohsiung City 84001,Taiwan.
[c] I-Shou University, No.1, Sec. 1, Syuecheng Rd., Dashu District, Kaohsiung City 84001,Taiwan.

comparison of fundamental aspects of the national endorsements follow in the tables listed in the appendix A.

2. Design and report

The NIC40 measurement model is referred to collect data of financial capital at the national level. Such measurement involves secondary data regarding the overall development of a nation's finance situation. *Financial capital* includes Gross domestic product, foreign liability for debts, industrialized production by main departments and inflation. The Financial capital is shown with a scale: the logarithm of GDP per capita modified by purchasing power parity. That is the most usual measurement of the financial prosperity of a country. Its ratio calculated to the highest value and then transformed into a 1–10 score. Example, the following table displays Mongolia's financial capital by the logarithm of GDP per capita adjusted by the purchasing power parity.

Table 1. *Logarithm of GDP for Financial Capital for Mongolia*

	Financial Capital									
Years	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Logarithm_GDP	23.33	23.45	23.57	23.67	23.67	23.74	23.92	24.06	24.18	24.27

Table 2 exhibits Malawi's financial capital by the logarithm of GDP per capita adjusted by the purchasing power parity.

Table 2. *Logarithm of GDP for Financial Capital*

Years	GDP	LN (GDP)
2005	7,008,534,571.717	22.670
2006	7,372,811,708.030	22.720
2007	8,287,435,053.572	22.840
2008	9,154,640,629.015	22.940
2009	10,057,644,429.954	23.030
2010	10,845,611,288.542	23.110
2011	11,550,780,162.647	23.170
2012	11,979,877,673.599	23.210
2013	12,790,620,286.783	23.270
2014	13,716,940,874.299	23.340

With raw data being collected then standardized, with the span period from 2005 to 2014 (10 years), figure 1indicates the trend of financial capital in Malawi with an increasing growth rate driven largely by agriculture, manufacturing, wholesale and retail trade, and services. Typically, the trend would be constant in developed countries but because Malawi is a developing country, therefore any radical changes would be clearly visible.

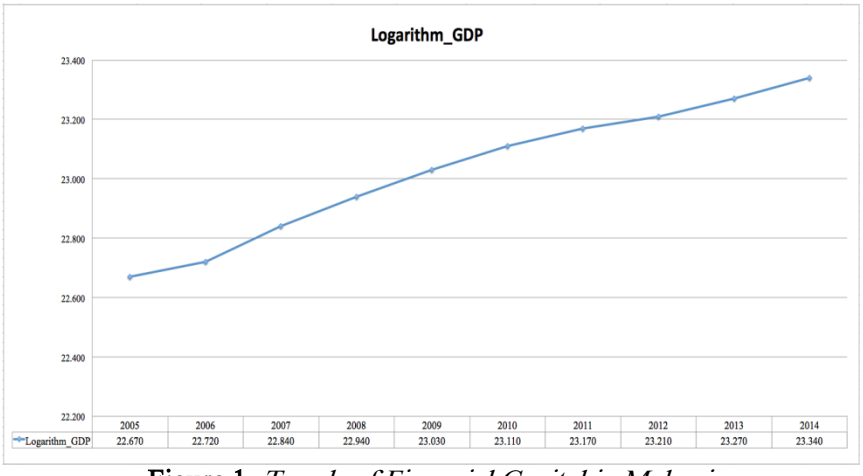

Figure 1. *Trends of Financial Capital in Malawi*

Figure 2 illustrates the trend of financial capital in Mongolia with an increasing growth rate exception of in year of 2009 actual GDP has been decreased by 1.3% cause by the price of copper and coal has decreased sharply, that are the main raw material of export, its influenced by global economic crises. In 2001, it's increased by 17.5% driven by mining, international trade. However, since 2012 economical speed has been slowed down it has constantly growth. The main effected factor of The Financial capital in Mongolia is the development of Mining. But it identified by increase and decrease of price of main mineral raw material in World market. Because of leverage of mining, there is many issues such as unemployment, inflation, loss of budget, loss of international trade. But with significant contributions from service sector, manufacturing of mining, construction. GDP per capita demonstrates living standard of the country, in 2004 it was 747USD and Mongolia was one of the lowest incoming country but in 2014 it's 5400USD and classified as over medium income country. However economy growth is increasing, 40% of gross income distributed to medium rich part which 20% of society, contrary only 7% of gross income goes to poor and vulnerable part (20%) of society, it shows that distribution of income is unfair.

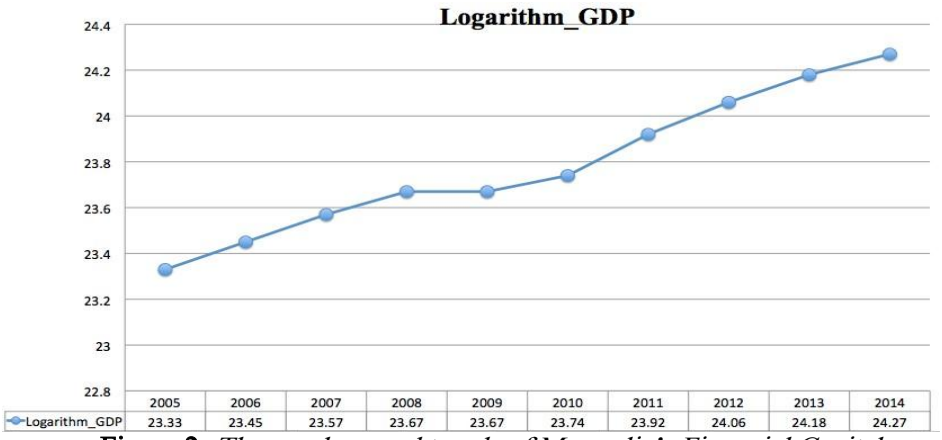

Figure 2. *The numbers and trends of Mongolia's Financial Capital*

Generally, the trend would be constant in developed countries but from the graph it is shown that there is big growth of GDP from this aspect we can know that Mongolia one of the developing countries.

3. Conclusion and Suggestions

Empirical data analysis showed that there are some differences between the two economies' financial capital level and development rate. This could be one important issue to pay attention to when the two economies try to collaborate in financial capital-intensive areas/business. Especially when it is in the context of collaboration between two developing economies, since financial capital can decide the potential capacity of innovative actions that may help developing countries to catch up to their developed counter-parts. Aligning the levels of financial capital is critical to make the national wide collaborations more smoothly implemented and benefit each of Malawi and Mongolia. References and reminder of caring about financial capital also present for other developing countries.

Appendix

			Government			
GDP Mill.$ [+]	2016	5,442M.$		11,031M.$	2016	GDP Mill.$ [+]
GDP per capita [+]	2016	301$		3,644$	2016	GDP per capita [+]
Debt [+]	2016	3,072 M.$				
Debt (%GDP) [+]	2016	62.08%				
Debt Per Capita [+]	2016	187$				
Deficit [+]	2016	-386 M.$		-1,881 M.$	2016	Deficit [+]
Deficit (%GDP) [+]	2016	-7.80%		-17.05%	2016	Deficit (%GDP) [+]
Expenditure (M.$) [+]	2016	1,634.2		4,491.7	2016	Expenditure (M.$) [+]
Education Expenditure (M.$) [+]	2015	359.3		478.8	2011	Education Expenditure (M.$) [+]
Education Expenditure (%Bud.) [+]	2015	21.55%		12.15%	2011	Education Expenditure (%Bud.) [+]
Gov. Health Exp. (%Bud.) [+]	2014	16.77%		6.72%	2014	Gov. Health Exp. (%Bud.) [+]
Defence Expenditure (M.$) [+]	2016	33.1		101.0	2016	Defence Expenditure (M.$) [+]
Defence Expenditure (%Bud.) [+]	2016	3.37%		3.54%	2013	Defence Expenditure (%Bud.) [+]
Expenditure (%GDP) [+]	2016	33.02%		40.71%	2016	Expenditure (%GDP) [+]
Expenditure Per Capita [+]	2016	90$		1,484$	2016	Expenditure Per Capita [+]
Education Expenditure P.C [+]	2015	20$		172$	2011	Education Expenditure P.C [+]
Gov. Health Exp. P.C. [+]	2014	21$		109$	2014	Gov. Health Exp. P.C. [+]
Defence Expenditure P.C. [+]	2016	2$		33$	2016	Defence Expenditure P.C. [+]
				Caa1	03/30/2017	Moody's Rating [+]
				B-	08/19/2016	S&P Rating [+]
Fitch Rating [+]	03/06/2007	B-		B-	02/19/2017	Fitch Rating [+]
Corruption Index [+]	2016	31		38	2016	Corruption Index [+]
Competitiveness Ranking [+]	2016	135º		104º	2016	Competitiveness Ranking [+]
Fragile States Index [+]	2015	86.9		57.0	2015	Fragile States Index [+]
				63º	11/01/2016	RTI Raking [+]
Innovation Ranking [+]	2016	98º		55º	2016	Innovation Ranking [+]
			Labour			
				6.5%	2016Q4	Unemployment rate [+]
				79 m.	2016Q4	Unemployed [+]
Human Capital Ranking [+]	2015	110º		51º	2015	Human Capital Ranking [+]

Source: [Retrieved from].

Business					
Doing Business [+]	2017	133º	64º	2017	Doing Business [+]
Vehicles / 1,000 people [+]	2015	7.67			
Taxes					
Standard VAT [+]	01/01/2013	16.50%			
Top tax rate + SSC [+]	2014	30.0%	10.0%	2016	Top tax rate + SSC [+]
Trade					
Exports [+]	2016	1,017.4 M.$	4,917.3 M.$	2016	Exports [+]
Exports % GDP [+]	2016	18.70%	44.58%	2016	Exports % GDP [+]
Imports [+]	2016	2,425.1 M.$	3,357.9 M.$	2016	Imports [+]
Imports % GDP [+]	2016	44.56%	30.44%	2016	Imports % GDP [+]
Trade balance [+]	2016	-1,407.7 M.$	1,559.4 M.$	2016	Trade balance [+]
Trade balance % GDP [+]	2016	-25.87%	14.14%	2016	Trade balance % GDP [+]

Source: [Retrieved from].

Socio-Demography					
Density [+]	2016	153	2	2016	Density [+]
Population [+]	2016	18,091,575	3,027,398	2016	Population [+]
Immigrant stock [+]	2015	215,158	17,620	2015	Immigrant stock [+]
Remittance received (M.$) [+]	2015	38.5	265.3	2015	Remittance received (M.$) [+]
% Immigrant [+]	2015	1.19%	0.59%	2015	% Immigrant [+]
Remittance sent (M.$) [+]	2015	44.1	64.1	2015	Remittance sent (M.$) [+]
Emigrant stock [+]	2015	302,515	59,266	2015	Emigrant stock [+]
% Emigrant [+]	2015	1.67%	1.99%	2015	% Emigrant [+]
HDI [+]	2015	0.476	0.735	2015	HDI [+]
Global Peace Ranking [+]	2017	48º	46º	2017	Global Peace Ranking [+]
Gender Gap Ranking [+]	2016	67º	58º	2016	Gender Gap Ranking [+]
Ranking [+]	2015	95º	72º	2015	Ranking [+]
Birth Rate [+]	2015	38.54‰	23.43‰	2015	Birth Rate [+]
Fertility Rate [+]	2015	5.05	2.64	2015	Fertility Rate [+]
Crude death rate [+]	2015	7.47‰	6.09‰	2015	Crude death rate [+]
Life expectancy [+]	2015	63.80	69.82	2015	Life expectancy [+]
Number of homicides [+]	2012	279	214	2015	Number of homicides [+]
Rate Homicides per 100.000 [+]	2012	1.8	7.2	2015	Rate Homicides per 100.000 [+]

Source: [Retrieved from].

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