

FINANCIAL STABILITY IN AFRICA

02/03/2021

An Analytical Study for the period 1860-2014

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AN ANALYTICAL STUDY FOR THE PERIOD 1860-2014

OBJECTIVE

The objective of this study is to analyze the data sets relating to Banking, Internal and external Debt, Inflationary trends, Financial and Systemic Crises occurred in the African continent during the period 1860-2014 and interpret the data to arrive at conclusions on major factors that contributed to the crisis, frequency of such occurring, the dynamics of financial stability in the African context, the lessons for future and their relevance to other geographies.

Dataset

The dataset for the study specifically focuses on the Currency Fluctuation, Annual Inflation linked to Consumer Price Index, Internal Debt, Sovereign External Debt Defaults, Banking and Systemic Crises that occurred, from 1860 to 2014, in 13 African countries, including: Algeria, Angola, Central African Republic, Ivory Coast, Egypt, Kenya, Mauritius, Morocco, Nigeria, South Africa, Tunisia, Zambia and Zimbabwe.

Link: <https://www.kaggle.com/chirin/africa-economic-banking-and-systemic-crisis-data>

Link <https://www.hbs.edu/behavioral-finance-and-financial-stability/data/Pages/global.aspx>

Attributes

The dataset of choice encompasses the following attributes:

- Case – A number which denotes a specific country.
- Cc3 – Three letter country code
- Country – The name of the country
- Year – The year of observation
- Systemic_crisis – A tell of whether systemic crisis had occurred in a given year.
- Exch_usd – The exchange rate of the country vis-à-vis the USD
- Domestic_debt_in_default – A tell of sovereign domestic debt occurred in a given year
- Sovereign_external_debt_default – A tell of sovereign external debt occurred in a given year
- Gdp_weighted_default – The total debt in default vis-a-vis the GDP
- Inflation_annual_cpi – Annual CPI inflation rate
- Independence – A tell whether they had independence in a given year.
- Currency_crisis – A tell whether there was a currency crisis in a given year.
- Inflation_crisis – A tell whether there was an inflation crisis in a given year.

Business Questions

1. Which of the African countries faced a banking crisis during the period 1860 - 2014?
2. If so, what is the frequency of such crisis?
3. What is average 5 Year inflation of the country in the year in which it faced the banking crisis?
4. How is the moment of currency rate (exch_usd)? Were there any violent moments or huge fluctuations Year on to Year (YoY)
5. What is the average foreign exchange fluctuation during the last 5 years of crisis?
6. Countries which defaulted on their sovereign external debt and the year (s) when defaults have occurred.
7. Is there any correlation between the banking crisis and sovereign external defaults?
8. Weighted GDP default in the year of Crisis?
9. Are there any systematic crises identified in the year of crisis?
10. How frequently is the systematic crisis viz., raising inflation, depreciation in the currency, domestic/external debt defaults and banking crisis have occurred?
11. What are the factors contributing to the banking crisis?
12. What are the factors contributing to the external sovereign debt default?
13. Can we establish any time-series for the above events?
14. Can we forecast the next probable events in the African Region?
15. What are the learning points for the countries located in other geographies?