

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF SCIENCE IN
AGRICULTURAL ECONOMICS AND BACHELOR OF AGRIBUSINESS MANAGEMENT**

AGEC 455: NEW INSTITUTIONAL ECONOMICS

STREAMS: AGECE Y4S2, AGBM Y4S2

TIME: 2 HOURS

DAY/DATE: THURSDAY 13/04/2023

11.30 A.M. –1.30 P.M.

INSTRUCTIONS

- i. Answer ALL questions IN Section A and any THREE in Section B
- ii. Answer each question on separate pages

SECTION A

SECTION A: ANSWER ALL QUESTIONS (25 MARKS)

Question One

- a) Define the following terms as used in the New Institutional Economic Discipline
 - i. Path Dependence (2 marks)
 - ii. Action Domain (2 marks)
 - iii. Moral Hazard Behaviour (2 marks)
 - iv. Rent seeking (2 marks)
 - v. Adverse Selection (2 marks)
- b) Discuss five reasons for agricultural policy failure in Developing countries (5 marks)
- c) Differentiate between State-Led Development and Market-Led Development Policies. Which of the two strategies would you recommend as agricultural policy maker? Give reasons (5 marks)
- d) Property rights usually also refer to a bundle of rights. List and discuss five of these bundles of rights. (5 marks)

SECTION B: ANSWER ANY THREE QUESTIONS (45 MARKS)

Question Two

- a) Discuss the problem of contracting in Africa agricultural trade (7 marks)
- b) Explain the following as used in exchange of goods and services;
 - i. The concept of Incentive- Compatibility for Self-Enforcement (4 marks)
 - ii. Personal trust (4 marks)

Question Three

- a) Discuss five reasons why market exchange in Africa is much costlier, cumbersome, time consuming, and unpredictable than elsewhere in the world (5 marks)
- b) List and discuss four important determinants of success in collective action group from the context of agricultural institutions (4 marks)
- c) Illustrate and discuss the conceptual framework for institutional analysis. Indicate how the framework can be used to address the current situation in the milk industry in Tharaka Nithi County (6 marks)

Question Four

- a) Discuss eight functions of institutions in social and economic interactions between actors. (4 marks)
- b) Explain five essential characteristics of institutional change that an organization must consider when restructuring its operations (5 marks)
- c) Describe the role of the following factors in lowering truncation costs
 - i. Contractual arrangements (2 marks)
 - ii. Regulations (2 marks)
 - iii. Social Capital (2 marks)

Question Five

- a) Societal values can play a crucial role even in the absence of laws and regulation governing transactions. Describe five roles of morality in market exchange (5 marks)
 - b) Describe five evident NIE principles and concept behind the formation of agricultural cooperative societies (5 marks)
 - c) Describe five ways in which trust can be built in an exchange relationship (5 marks)
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