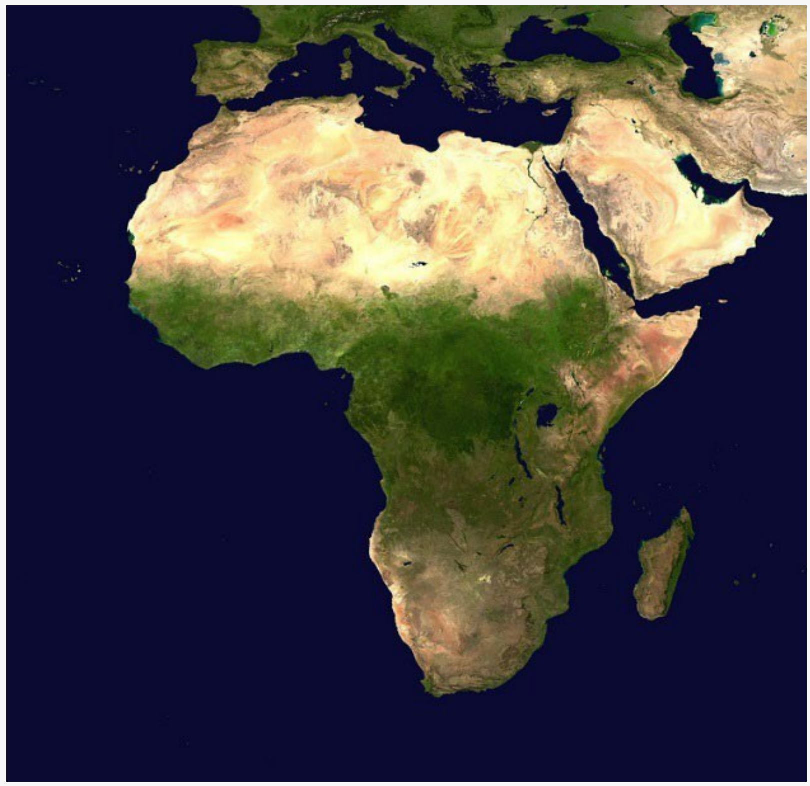
EINPRESSWIRE

Monetary Policies and Bank Lending in Developing Countries: Evidence from Sub-Sahara Africa

A research study on monetary policies and bank lending in developing countries carrying evidence from Sub-Sahara Africa


Monetary Policies and Bank Lending in Developing Countries: Evidence from Sub-Sahara Africa

ABU DHABI, ABU DHABI, UAE, March 31, 2023 /EINPresswire.com/ -- The effectiveness of monetary policies in the real sector of emerging economies, particularly Sub-Sahara Africa, has long been a subject of debate among economists and policymakers. As a core objective, the role of monetary policy is to achieve price stability through inflation control, full employment and economic growth; however, the efficacy of its transmission mechanism has yet to be established. The groundbreaking research of Dr Kennedy Modugu and Dr Juan Dempere titled “Monetary Policies and Bank Lending in Developing Countries: Evidence from Sub-Sahara Africa” seeks to provide empirical evidence to this effect by examining the impact of monetary policy on bank lending in the Sub-Saharan African region.

Through the application of the dynamic system-generalized method of moments (GMM) that overcomes issues of unobserved period and country-specific effects, as well as potential endogeneity of explanatory variables, this article attempts to answer questions such as: How does a change in money supply, as well as a change in the monetary policy rate, influence bank lending in Sub-Saharan African countries? What is the role of capital adequacy, size of economic activities and other factors in the credit intermediation process? What are the implications of this evidence for the effectiveness of monetary policy transmission and the economic diversification efforts of Sub-Sahara African governments?

In this study, the authors sought to understand how monetary policies and bank lending in the Sub-Saharan African region are related. To do this, they used a dynamic system- generalized method of moments to examine the data from 80 banks across 20 countries from 2010 to 2019. The authors aimed to provide insight into how monetary policy can be used to enhance the effectiveness of credit intermediation and support economic diversification efforts in the region.

The results of this study suggest that changes in both money supply and monetary policy rate have an effect on bank lending in Sub-Sahara Africa. An increase in money supply stimulates bank lending, while an increase in the monetary policy rate leads to credit contraction. Other factors influencing bank-lending channels include capital adequacy ratio and size of economic activities. These findings have practical implications for governments in Sub- Sahara Africa, as they can use monetary policies to stimulate lending and foster economic growth. Policymakers should look to effectively use the transmission mechanisms of changes in money supply and interest rate, while simultaneously addressing the institutional constraints that weaken the effectiveness of monetary policy transmission.

The findings from this study can benefit both private and government entities in Sub-Saharan Africa. Private entities, such as banks and organizations seeking capital, can benefit by understanding how changes in money supply and monetary policy rate impact the availability of loanable funds. This understanding can help them plan their investments and finance projects accordingly. Government entities can use the results of this study to better formulate policy objectives and ensure that their monetary policies are effective in stimulating bank lending and economic growth. The insights from this study can also be used to create robust financial infrastructure and reduce institutional constraints that obstruct financial intermediation.

The research articles is available at https://doi.org/10.1108/JED-09-2021-0144

Watch a short video about the article in YouTube at https://youtu.be/J6g3u04IuwI

Dr Haris bin Aziz
Haris PR Services
+92 321 2888243
az_haris@hotmail.com
Visit us on social media:
Facebook
Twitter
LinkedIn

---

we have missed, please do bring it to our attention. Your help is welcome. EIN Presswire, Everyone's Internet News Presswire™, tries to define some of the boundaries that are reasonable in today's world. Please see our Editorial Guidelines for more information.