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EXCHANGE RATE MONETARY POLICY PASS THROUGH AND CREDIT GROWTH IN SUB SAHARA AFRICA

REPASSE DA POLÍTICA MONETÁRIA DAS TAXAS DE CÂMBIO E CRESCIMENTO DO CRÉDITO NA ÁFRICA SUBSARIANA

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Abstract
The study examines the role of monetary policy transmission channels in shaping credit growth across sub-Saharan Africa (SSA) from 1985 to 2024.Using panel data for over 40 countries in the region, the research employed panel ARDL estimation technique to analyse the short and long run effect of the key transmission mechanisms, including interest rate, exchange rate, asset price and credit growth. The result indicates that credit growth as measured by value of stock traded and bank credit to private sector is the most reliable and influential pathway through which monetary policy affects loan expansion in SSA countries. The interest rate and asset price channel both demonstrated a strong significant influence on credit growth. In contrast, the exchange rate is relatively weak in many SSA countries hindered by shallow financial markets and limited exchange rate responsiveness. Furthermore, the analysis highlights that structural reforms such as inflation targeting, financial sector liberalization, and central bank autonomy have contributed to the improved performance of transmission mechanism since the early 2000s. The study concludes by emphasising the need for deeper

Resumo
O estudo examina o papel dos canais de transmissão da política monetária na formação do crescimento do crédito na África Subsaariana (ASS) de 1985 a 2024. Utilizando dados em painel para mais de 40 países da região, a pesquisa empregou a técnica de estimação ARDL em painel para analisar o efeito de curto e longo prazo dos principais mecanismos de transmissão, incluindo taxa de juros, taxa de câmbio, preço dos ativos e crescimento do crédito. Os resultados indicam que o crescimento do crédito, medido pelo valor das ações negociadas e pelo crédito bancário ao setor privado, é a via mais confiável e influente pela qual a política monetária afeta a expansão do crédito nos países da ASS. Os canais da taxa de juros e do preço dos ativos demonstraram uma forte influência significativa no crescimento do crédito. Em contraste, a taxa de câmbio é relativamente fraca em muitos países da ASS, devido à baixa liquidez dos mercados financeiros e à limitada capacidade de resposta da taxa de câmbio. Além disso, a análise destaca que reformas estruturais, como o regime de metas de inflação, a liberalização do setor financeiro e a autonomia do banco central,

financial sector development, stronger institutional capacity within central banks, and policies adapted to country-specific economic structure.

Keywords: Exchange Rate. Monetary Policy. Credit Growth. SSA. Panel-ARDL.

contribuíram para o melhor desempenho do mecanismo de transmissão desde o início dos anos 2000. O estudo conclui enfatizando a necessidade de um desenvolvimento mais profundo do setor financeiro, de uma capacidade institucional mais robusta nos bancos centrais e de políticas adaptadas à estrutura econômica específica de cada país.

Palavras-chave: *Taxa de câmbio. Política monetária. Crescimento do crédito. África Subsaariana. Painel-ARDL.*

1 INTRODUCTION

The most important channels through which the policy decisions of the central banks disseminate to influence the real economic activities through financial systems are the transmission channels of the monetary policy. The mechanisms connect instruments of the monetary policy and ultimate policies like price stability, full employment, and economic growth in the long term (Mishkin, 2022). These channels of transmission significantly vary based on the economic conditions and are highly complicated in the case of developing economies because the financial markets share structural characteristics that are unique in nature (Adeoye & Saibu, 2021).

Exchange rate transmission in an open economy is of great importance in that, monetary measures determine the value of currencies and consequently the trade balances. By capital flows (Obstfeld & Rogoff, 2022), appreciation/depreciation is a traditional way that is achieved through the differentials in interest rates. The channel poses as an opportunity and challenge to the SSA countries. Flexibility in exchange rate might be an additional source of independence of monetary policy, but the dread of floating among SSA economies is constrained by the fact that they are in a state of being dollarized, and they lack the complexities of well-developed foreign exchange markets (BIS, 2023). Nigerian and Ghana are two examples of countries which have recorded exchange rate pass-through of inflation rates that exceeds 60 percent compared to the more developed economies where the level is averagely between 20-30 percent (IMF, 2023).

Interest rate channel is the most direct channel of monetary policy transmission directly studied all over the world. When central banks manipulate policy rates, the commercial banks tend to change their rates of deposits and lending, respectively, interfering with consumption and investment judgments (Bernanke *et al*., 2019). This channel is highly effective in the context of advanced economies that possess deep financial markets and estimates indicate that an expansion and contraction of an output growth of 0.8-1.2 percentage points could occur for every one percentage point change of a policy rate (Hofmann *et al*., 2022). Nevertheless, in Sub-Saharan Africa (SSA), interest rate pass-through is ranges with an average of 40-60 percent in comparison to 80-100 percent in developed markets because of high costs of operation, market concentration, and risk premiums (Agyei *et al*., 2023).

The mechanism of the asset price channel is the wealth effect and the q mechanism developed by Tobin, in which equity and property prices change because of monetary policy, and it affects the consumption and investment (Mishkin, 2022). In the developed markets this channel makes a contribution of about 30 percent of all monetary transmission (Gambacorta *et al*., 2021). But, this channel is weakened by shallow capital markets and low financial inclusion in SSA. The average of stock market capitalization is only 40 percent of the GDP in SSA as opposed to 120 percent in advanced economies, whereas mortgage debt forms less than 5 percent of the GDP or 50 percent in developed economies (World Bank, 2024). These structural flaws undermine the strength of asset prices transmission in the area.

Credit channel enhances the impacts of monetary policy by altering bank lending patterns, and borrowers balance sheets (Bernanke & Gertler, 2020). Such a channel becomes especially significant in a bank-based financial system such as those in SSA where banks contribute more than 80% of external finance as opposed to 40% in a market-based system (Beck *et al*., 2021). Nevertheless, structural hitches such as the high non-performing loans (averaging 10-15% in SSA and 2-4% in advanced economies) and highly concentrated bank systems reduce the effectiveness of credit channels (AfDB, 2023). There are recent evidences about the fact that the credit channel is active in SSA but its effect can vary in different countries according to the financial depth and quality of institutions (Adeoye & Saibu, 2021).

These transmission channels show substantial interactions as indicative in empirical studies. Exchange rate channel in SSA may have a controlling effect over other channels because of high dependence on imports whereas interest rate effects are dampened by the system imperfections of the financial system (Agyei *et al*., 2023). Such interactions involve sophisticated policy trade-offs, so hiking rates to crack down on inflation will unintentionally might generate inflows of capital and currency appreciation that destroy export competitiveness (BIS, 2023).

These dynamics were further complicated by the COVID-19 pandemic, where the unconventional monetary policies of advanced economies provided spillover effects that blurred the conventional transmission channels in SSA (IMF, 2023). The knowledge of these transmission channels has far reaching policy implications on the SSA central banks. The data indicate that in monetary policy frameworks, region-specific structural characteristics related to shallow financial markets, high informality, and institutional weaknesses ought to be observed (Adeoye & Saibu, 2021). In response, several countries of the SSA have instead taken hybrid policy strategies that integrate aspects of inflation targeting with realistic modifications to head off financial stability risks (IMF, 2023). With the development of financial systems, the relative significance of various transmission channels might change, and constant empirical observations and alterations to the framework can be required to ensure performance of the policies.

The effects of such transmission issue are far-reaching and multidimensional. Sluggish credit growth restrains the capacity of the private sector to develop, create more employment opportunities and reduce poverty and poor policy transmission impairs macroeconomic stability. Moreover, poor monetary policy can cause governments to burden more on the fiscal policy that could worsen the already existing debt sustainability issues in SSA countries. Since the region aims at obtaining Sustainable Development Goals and the recovery after shocks recently experienced in the world, it becomes more important to find a solution to the monetary policy transmission puzzle.

This paper will thus aim to analyze the issue of the weakness of the monetary policy transmission channels in countries in SSA region though the financial sector reforms benchmark and how different transmission channels interact within the unique economic environment in the region, as well as policy directions that could lead to credit growth without jeopardizing the macroeconomic stability. The research will offer empirically supported answers through a 4 decade comparative analysis (1985-2024) of all the countries in SSA using the Panel Autoregressive Distributive Lag of E-view in an attempt to clearly define proper policy options with the aim of controlling the issue that has long deprived the region of beneficial development opportunities in respect to exchange rate monetary policy transmission channels to credit growth.

2 LITERATURE REVIEW

Chukwu and Nwokoye (2021) examined how change in the exchange rate impacts bank credit growth in Nigeria by focusing on the 2000-2019 period. They aimed at evaluating the magnitude by which the exchange rate adjustments as informed by the monetary policy ascertained the amount of credit issued by the commercial banks. Based on a vector error correction model (VECM), the researchers established that the depreciation in the exchange rate was a significant hidden constraint to growth in bank credit especially because of imported inflation and the rise in the cost of capital. In previous studies, the authors discovered that there existed a methodological gap in these studies as external price shocks were rarely used as the mediating factor. They then affirmed that volatility of exchange rates has continued to act as a major barrier to growth of credit in the developing world economies.

Li and Zhang (2022) examined the Chinese financial system to explore the ways that exchange rate shocks were transferred through the banks sector. They utilized structural VAR model and covered the data of the period between 2005 and 2020 with adding the data of capital inflows, monetary aggregates, and the accumulation of foreign reserves. The results indicated that appreciation of the exchange rate, especially when managed floating exchange regimes were adopted, was the reason why the level of growth in credit increased as a result of leading to the external balance sheet of banks to be surged. The positive effect however decreased during tightening of capital account. The paper has augmented the relevance of capital mobility and attitude concerning the exchange rate regimes in the formation of monetary transmitting, partly contrary to the overall negative impact conclusion made by Chukwu and Nwokoye.

In their paper, Gonzalez and Martin (2021) compared the Eurozone countries in 2001-2020 to see whether exchange rate changes triggered by the policies of European Central Bank (ECB) do affect the level of bank credit in the country. Using panel ARDL took model, they inferred that euro depreciation is closely associated with the supply of credit in export-oriented economies, whereby enlarged revenues conceivable through trade boost the creditworthiness of borrowers. In weaker economies that are financially strained, however, depreciation translated in increasing debts and reduced credit growth. The article created the notion of the exchange rate asymmetry in the impact of policy implying that various monetary policies must be applied throughout Eurozone.

Within the framework of Latin America, Torres, and Rojas (2022) evaluated the impact of the exchange rate volatility on the bank credit growth in Brazil, Chile, and Colombia during the period of 2004-2021. Employing a generalized method of moments (GMM) estimator, they determined that the extended depreciation of the exchange rate led to a contractionary repercussion on bank lending, most notably because of the dollarization of bank liability in these economies. The research they conducted indicated a severe flaw in the past studies that is the absence of almost all previous studies on loans that are denominated in terms of the foreign currency and also sensitivity to exchange rate movements. Unlike the results by Li and Zhang, this study raised the dangers of external vulnerabilities in the emerging markets.

Kim and Lee (2023) devoted attention to the experience of South Korea in 2000-2022. With the help of nonlinear autoregressive distributed lag (NARDL) model, the authors aimed at analyzing whether exchange rate appreciations and depreciations have symmetric impact on bank credit. They found that there was a high asymmetry with large negative impacts of depreciations on credit concern foreign increasing obligations to foreign debt and trivial (insignificant) positive impacts of appreciations. This lopsided observation concurred with the results obtained by Gonzalez and Martin regarding asymmetry in the exchange rate impact but was in contrast with the one-way thinking of Chukwu and Nwokoye.

Mensah, and Opoku (2022) within an African regional setting evaluated West African Monetary Zone (WAMZ) countries between the 2003 and 2020. They aimed to investigate the long-term connection between exchange rate policy and the development of the private sector credit; they made use of the panel cointegration and FMOLS estimation. These findings demonstrated long-term negative relationship implying that volatile exchange rates are inhibitory when it comes to financial intermediation. Interestingly, they revealed that the influence of those political and macroeconomic stable countries would be less sensitive in the face of exchange rate shocks. Such policy influence moderation by an institution involves a dynamic that is not reflected in the structural concentration of Li and Zhang.

Singh and Mehta (2021) created an analysis of the Indian banking industry with the help of quarterly data between the period 2001-2020. They conducted a study utilising an autoregressive distributed lag (ARDL) to determine the question of whether exchange rate fluctuations affect domestic credit by changing rates of inflation expectations. They found that depreciation of the currency through raising the cost of imported goods raises the inflationary expectations and this discourages the credit growth by tightening the monetary policies. The paper took an approach of integrating behavioral finance with adding in the role of expectation formation in the monetary policy-credit transmission process and did not focus on those models based on pure macroeconomic variables.

Al-Khaldi and Hassan (2023) studied the exchange rate-credit connection in the Gulf Cooperation Council (GCC) states that have pegged exchange rate systems in the Middle East. Examining their panel regression fixed-effect, the period of 2000-2021 indicated that the effect of exchange rate pass-through to a credit growth is also less noticeable during pegged regimes, especially where capital mobility is high. They were able to deduce that under these regimes there is less autonomy of the monetary policy and hence the diminished effects of monetary policy through the exchange rate channel. This observation conforms to what Gonzalez and Martin believe is that the institutional arrangements e.g. exchange rate regimes, are a critical factor that determines the performance of monetary policy.

In another study, Ofori and Boateng (2022) explore the exchange rate-credit dynamics in Ghana, the period between 2002 to 2020 which is based in the structural VAR model. Their results suggested that there exists a strong negative correlation between exchange rate depreciation and growth of banks credit particularly in the industries that are highly import dependent. The authors indicated that disaggregating credit into sectoral measures was advocated in future studies to get a better picture of how a monetary policy worked in terms of distributional effects. Their conclusion supports the contractions by Torres and Rojas but adds a new approach as it takes the perspective of the individual sectors.

Lastly, Hernandez and Alvarez (2021) studied the connection between the exchange rate fluctuations and the dynamics of credit in Mexico between 2005 and 2020. They employed the time-series cointegration methodology and concluded that there existed the short-term negative effect of exchange rate on crediting growth, whereas in the long run, the effect was neutral. The research gave the finding to the stability of Mexican banking and better monetary systems after 2008 crisis. It is contrary to those studies that lay emphasis on the long-run negative relationship and in favor of a less-fixed build-up of exchange rate-credit connection.

As indicated in the above recent studies, it has conclusively been collected that there is inconclusive evidence of effect of exchange rate monetary policy pass through on credit growth of credit. In taking position in this argument, this research would guarantee freshness of information and sufficiency of examining method in analysis of the relative influence of exchange rate monetary policy pass through on credit growth in SAA.

3 METHODOLOGY

This study resorted to the Panel Autoregressive Distributed Lag (PARDL) estimator to analyse the effects of exchange rate monetary policy transmission channels on credit development in Sub-Saharan African Countries. The selection of the Panel Autoregressive Distributed Lag (PARDL) is done on the basis of three main factors; first, it produces the consistent estimate of the short and long limits of the coefficients, to know if the underlying regressors are stationary at 1(0) or 1(1) or mixture of both. Secondly, it furnishes unbiased estimates of the long run model as well as valid t-statistics even when some of the regressors are endogenous and thirdly, it is highly friendly and shows robustness against endogeneity. This helped in determining the most efficient technique.

In the first stage, we will estimate ordinary least squares equation as follows.

$$nCRG_{it} = \beta_0 + \beta_1 InEXCRB_{it} + \beta_2 InINTRB_{it} + \beta_3 InASPB_{it} + \beta_4 InINTRAG_{it} + \beta_5 InEXCRAGit + \beta_6 InASPAGit + \varepsilon_{it} \qquad (1)$$

Where In entails that the variables are in natural logarithm, β_0 is the constant, β_1 to β_6 represents the coefficients, CRG represents the credit growth rate, INTRB represent the interest rate on banks, EXCRB represent exchange rate on banks, ASPB represent asset price on banks, INTRAG represent interest rate on aggregate credit growth, EXCRAG represent rate on aggregate credit growth, ASPAG represent asset price on aggregate credit growth. Also, t represents time, while ε_{it} represents the white noise error term

4 RESULTS

First, a description of the dataset for the variables used in this study is presented.

Table 1

Descriptive statistics

S	Mean	Median	Maximum	Minimum	Std.dev	Skewness	Kurtosi	Jb stat
BCPS	15.71	12.07	104.84	0.00	14.46	2.37	10.27	5678.93
EXCR	436567	133.41	6.72	1.66	5.40	12.28	152.00	1756137
INTR	5.61	6.15	61.88	-931.5	15.09	-2.61	16.81	13141.87
LNDC	24.78	25.26	31.82	-2.71	3.67	-1.70	11.11	5666.05
VST	16.05	12.33	104.89	0.00	14.57	2.31	9.92	5184.16

Table 1 revealed the mean value of bank credit to private sector (BCPS) to be 15.71, the median is 12.07. The minimum and maximum are 104.84 and 0.00 respectively. The standard deviation of 14.46 implies that BCPS deviated from the mean by 14.46, BCPS shows a positive skewness value of 2.37. The kurtosis shows a positive value of 10.27 this implies that the distribution is leptokurtic (peaked-curve) pointing that they have a higher value than the sample mean for the variable, the JB value is 5678.93.

The result also shows that the mean value of exchange rate (EXCR) to be 43657, the median is 133.42, maximum and minimum is 6.72 and 1.66 respectively. The standard deviation of 5.40 implies that EXCR deviate from the mean by 5.40. EXCR has a positive skewness value of 12.28.the kurtosis has positive value of 152.00 which implies that the distribution is leptokutic (peaked-curve) indicating that they have higher value than the sample mean for this variable. The JB value is 156137.

The result also shows that the mean value of interest rate (INTR) to be 5.61, the median is 6.15, maximum and minimum is 61.88 and -931.5 respectively. The standard deviation of 15.09 implies that INTR deviate from the mean by 5.40. INTR has a negative skewness value of -2.61.the kurtosis has positive value of 16.81 which implies that the distribution is leptokutic (peaked-curve) indicating that they have higher value than the sample mean for this variable. The JB value is 1314187.

The result also shows that the mean value of net domestic credit (NDC) to be 24.78, the median is 25.26, maximum and minimum is 31.82 and -2.71 respectively. The standard deviation of 3.67 implies that NDC deviate from the mean by 3.57.NDC has a negative skewness value of -1.70.the kurtosis has positive value of 11.11 which implies that the distribution is leptokutic (peaked-curve) indicating that they have a higher value than the sample mean for this variable. The JB value is 5666.05.t

The above result also shows that the mean value of value of stock traded (VST) to be 16.05, the median is 12.33, maximum and minimum is 104.89 and 0.00 respectively. The standard deviation of 14.57 implies that VTS deviate from the mean by 14.57.

VTS has a positive skewness value of 2.31.the kurtosis has positive value of 9.92 which implies that the distribution is leptokutic (peaked-curve) pointing that they have higher value than the sample mean for this variable. The JB value is 5184.16.

Table 2

Panel Correlation Matrix

Correlation				
t-Statistic				
Probability	BCPS	EXCR	INTR	LNDC
BCPS	1.00			

EXCR	-0.01	1.00		
	-0.68	-----		
	0.49	-----		
INTR	0.03	-0.07	1.00	
	1.17	-2.66	-----	
	0.24	0.00	-----	
LNDC	0.23	-0.05	0.05	1.00
	9.04	-1.98	2.05	-----
	0.00	0.04	0.04	-----
VST	0.99	-0.01	0.03	0.23
	408.60	-0.62	1.19	8.90
	0.00	0.53	0.23	0.00

4.1 Exchange rate (EXCR) vs bank credit to private sector

Given that the correlation “R” is (-0.01) and t-stat (-0.06) which is less than 2.5 and with associated p-value of (0.49), the result therefore shows that exchange rate (EXCR) and bank credit to private sector(BCPS) has a negative and significant linear association.

The result above shows that the correlation “R” is (0.03) and t-stat (1.17) which is less than 2.5 and with associated p-value of (0.24), the result therefore shows that interest rate (INTR) and bank credit to private sector (BCPS) has a positive and non-significant linear association.

4.2 Value of stock traded (VTS) vs bank credit to private sector

The table above shows that the correlation "R" is (0.99) and t-stat (-1.98) which is less than 2.5 and with associated p-value of (0.04), the result therefore shows that value of stock traded (VTS) and bank credit to private sector (BCPS) has a positive significant linear association.

4.3 Exchange rate (EXCR) vs Net domestic credit (NDC)

The table shows that the correlation "R" is (-0.05) and t-stat (-1.98) which is less than 2.5 and with associated p-value of (0.05), the result therefore shows that exchange rate (EXCR) and net domestic credit (NDC) has a negative and significant linear association.

4.4 Interest rate (INTR) VS net domestic credit (NDC)

The result in the table above shows that the correlation "R" is (0.05) and t-stat (2.05) which is less than 2.5 and with associated p-value of (0.04), the result therefore shows that interest rate (INTR) and net domestic credit (NDC) has a positive significant linear association. We therefore reject the null hypothesis

4.5 Value of stock traded (VST) Vs net domestic credit (NDC)

The table shows that the correlation "R" is (0.23) and t-stat (8.908) which is more than 2.5 and with associated p-value of (0.00), the result therefore shows that value of stock traded (VTS) and net domestic credit(NDC) has a positive significant linear association.

Table 3

Cross Sectional Dependency Test

Variables	**Breusch-pegan LM**	**Pesaan sealed LM**	**Biased corrected sealed LM**	**Pesaran CD**	
EXCR	22733.58	454.88	454.26	141.06	No cross-section dependence
BCPS	1150.61	0.476	-0.13	-1.42	No cross-section dependence

INTR	763.59	0.58	0.08	-0.54	No cross-section dependence
LNDC	704.04	-0.95	-1.45	1.63	No cross-section dependence
VST	768.11	0.70	0.20	0.53	No cross-section dependence

Table 3 shows no cross-sectional dependence among the variable of the study. Thus, this furnish good justification for the use of panel unit root test that assumes no cross-section dependence.

This study used panel unit root test to ascertain the stationarity of the variables that was used for this research as presented below.

Table 4

Summary of Panel Unit Root Test

Variables	**IPS**			**ADF fisher**			**Pp**		
	Test stat	P-value	inference	Test stat	P-value	inference	Test stat	P-value	Inference
INTR	-20.61	0.00	**1(0)**	551.83	0.00	**1(0)**	1026.01	0.00	**1(0)**
NDC	-19.21	0.00	**1(0)**	506.30	0.00	**1(0)**	958.42	0.00	**1(0)**
VST	-21.73	0.00	**1(0)**	587.41	0.00	**1(0)**	1020.43	0.00	**1(0)**
BCPS	-22.82	0.00	**1(0)**	630.39	0.00	**1(0)**	2331.95	0.00	**1(0)**
EXCR	-19.37	0.00	**1(0)**	511.51	0.00	**1(0)**	961.76	0.00	**1(0)**

Table 4. made use of six panel unit root test that assumed cross-sectional dependency for the stationarity test, the result shows that all the variables are stationary at levels which provide justifications for the use of panel ARDL for the estimation.

Table 5

Panel ARDL Estimate Model One

Variables	**Short Run**				**Long Run**			
	coefficient	**Std Error**	**T-stat**	**Prob.**	**coefficient**	**Std Error**	**T-stat**	**Prob**
EXCR	0.02	0.02	1.03	0.30	2.09	1.39	1.50	0.13
INTR	0.04	0.08	0.58	0.58	-0.01	0.00	-2.49	0.01
VST	-0.23	0.05	-4.43	0.00	0.92	0.01	71.46	0.00

From the result in table 5 above, it was observed that in the short run, the value of stock traded has negative and significant impact on credit growth indicating that a unit increase in VST will result to -0.23 decrease in bank credit growth, while exchange rate and interest rate has a positive and non-significant impact on bank credit growth in SSA countries. However, all the independent variables except exchange rate exerted significant impact on the dependent variable in the long run. The relationship between interest rate and the dependent variable is significant and negative indicating that a unit increase in interest rate will lead to 0.01 decrease in credit to the private sector from banks in the long run. While value of stock traded has a positive and significant relationship with our dependent variable indicating that a unit increase in VST will result in 0.92 increase in banks credit to the private sector in the long run.

Table 6

Panel ARDL Estimate Model Two

Variables	**Short Run**				**Long Run**			
	coefficient	**Std Error**	**T-stat**	**Prob**	**coefficient**	**Std Error**	**T-stat**	**Prob**
EXCR	-0.00	0.02	-0.02	0.98	1.89	3.27	0.58	0.56
INTR	-0.11	0.03	-2.98	0.00	0.77	0.03	27.94	0.00
VST	1.33	0.07	-1.29	0.19	1.34	0.07	20.33	0.00

From the result in table 6 above .it was observed that in the short run the value of stock traded has a positive and non-significant impact on credit growth ,while interest rate has a negative significant impact on the dependent variable, indicating that a unit decrease in interest rate will lead to -0.11 increase in credit growth, exchange rate also shows a negative significant relationship with bank credit growth with a unit decrease of-0.00 in exchange rate to an increase in bank credit growth in SSA countries. However, all the independent variables except exchange rate exerted significant impact on the dependent variable in the long run. The interest rate has a positive and significant relations with the dependent variable, indicating that a unit increase in interest rate will lead to 0.77 increase in credit to the private sector from banks in the long run, value of stock traded has a positive and significant relationship with our dependent variable indicating that a unit increase in VST will result in 1.34 increase in banks credit to the private sector in the long run.

5 CONCLUSION AND RECOMMENDATIONS

The research focus on the relative impact of exchange rate monetary policy pass through on credit growth in sub-Saharan African countries. Drawing from the robust quantitative analysis, the study reveals that exchange rate has a non-significant impact on both bank credit and aggregate credit growth in SSA countries for the period under study.(ð=2.09, t-stat=1.50 and p-value=0.13),(ð=1.89, t-stat=0.57 and p-value=0.56).respectively, this shows that if banks or borrower have minimal foreign denominated liabilities, exchange rate movement have limited balance sheet effect., the non-significant impact of exchange rate on credit growth could be as a result of low foreign currency exposure, hedging practice, strong monetary policy framework, and structural rigidities.

The findings equally, demonstrated that interest rate exert a consistent positive and statistical influence on both banks credit and aggregate credit growth in SSA countries (ð=-0.012, t-stat=-2.48 and p-value=0.012), (ð=0.76, t-stat=27.94 and p-value=0.00) respectively.

The overall asset price demonstrated a positive and significant influence on bank credit and aggregate credit growth with a coefficient of (ð=0.92, t-stat=71.46 and p-value=0.00), (ð=1.33, t-stat=20.33 and p-value=0.00) respectively, this findings underscores the aggregate value of monetary policy as an important catalyst for enhancing credit growth in SSA, The study suggest that policy makers should prioritize on policies that will increase value of stock traded in the stock market and reduces the inefficiencies of information asymmetry in the stock market..

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Authors' Contribution

All authors contributed equally to the development of this article.

Data availability

All datasets relevant to this study's findings are fully available within the article.

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