A quantitative investigation into the long-term impacts of devaluation of currencies on sub-Saharan local communities

By

Fitzgerald Refilwe Kajane

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CHAPTER ONE
INTRODUCTION

1.0 Introduction

The main aim of this chapter was to carry out a quantitative investigation into the long-term impacts of devaluation of currencies on sub-Saharan local communities. The chapter presented the background of the study, statement of the problem, research objectives, research questions, and significance of the study. Additionally, it also, highlighted delimitations and limitations of the study.

1.1 Background of the study

Overall, developing countries have three times the volatility of developed ones, according to Ali (2015). According to Arize et al (2016), higher exchange rate volatility in developing nations is mostly due to a lack of management resources, and even when resources exist to mitigate risk impacts, they are too complicated and not all-encompassing in the short run, limiting their functions. The expense of such instruments is also a barrier to their use, particularly for small businesses and in the face of significant volatility (Hutchet-Bourdon and Korinek, 2016).

Due to the commencement of currency devaluation, an unexpected loss connected with exchange rate volatility produce exchange rate risk, which inhibits manufacturing has an impact on trade volume. Traders must therefore bear exchange rate risk on future promises to pay or receive foreign currency unless they hedge in the forward market. Exporters and importers respect the predictability of the exchange rate because their decisions are ultimately based on the value of domestic currency and its volatility. The appreciation of the nominal exchange rate, the depreciation of other nations' currencies, or a higher rate of domestic inflation relative to a foreign equivalent are all reasons why a country's real exchange rate (RER) can move upward. Reduced local inflation or currency depreciation as a compensation for its substantially higher costs would be the cure for lost pricing competitiveness.

Inflation is not the only factor that causes ER adjustments in developing nations. For example, policymakers in developing nations may be adjusting internal economies to changes in the international market, such as a drop in export profits, which has a negative impact on the balance of payments.

The appropriate level of a country's exchange rate has been the subject of much debate among policymakers. The level of a country's exchange rate should be such that it favours export growth and is consistent with normal and expected capital flows over the medium-term current

account position, whose management does not necessitate extensive trade regulations or a reduction in economic activity, according to a multilateral agencies standard (Bird, 2017). However, it is vital to recognize that the adjustment programs that followed 1973 explain why most developing countries' nominal exchange rates fell. Between the mid-1970s and the early 1980s, large real exchange rate depreciations occurred on average as a requirement of accessing international loans by the International Monetary Fund (IMF), despite opposition from developing countries. Between 1973 and 1981, depreciation of the exchange rate was a policy requirement in about half of all IMF-supported programs, according to Csermely (2018).

According to Bahmani (2016), developing countries choose to cope with the repercussions of currency overvaluation by simulating devaluation fiscally, reducing imports through tariffs and other quantitative restrictions, and increasing exporters through subsidies. They also advocated deflation of domestic aggregate demand to lower imports relative to exports or the implementation of foreign exchange controls. Multiple exchange rate schemes that separated imports from exports based on their price elasticity were also common. Chile's adoption of a fixed exchange rate in mid-1979 is the finest example of the repercussions, with overvaluation combined with persistently high inflation leading to a 15% increase in imports and a 5% drop in exports by 1981, Bird (2017). While average exchange rate overvaluation in Africa is lower than in the early 1980s, many countries have maintained exchange rates that are up to 10% higher.

However, resistance to adopting a flexible exchange rate regime has decreased, and an increasing number of them have abandoned fixed exchange rates over time. Proponents of the flexible exchange rate contended that depreciation improves the current account position and is a preferable policy instrument when compared to the alternatives, arguing that if depreciation is expensive, other forms of adjustment are even worse.

As a result, multinational agencies continued to push devaluation as a technique for correcting currency overvaluation. As a result, emerging countries have abandoned currency pegs in favour of more flexible exchange rate regimes such as crawling pegs (Bird 2017). Exchange-rate based stabilization was a reputable strategy prescription for developing countries with high inflation rates. It was stated that devaluation might harm the agricultural sector, which is the economic backbone of most low-income developing countries and accounts for most of the non-tradable sector. This is because overvaluation deters the creation of both tradable (exports)

and non-tradable goods. As a result, food imports in many countries have become less expensive than domestic production.

Overvaluation caused the prices obtained by exporters in most African countries to fall in actual terms. Given that developing countries are tiny and have little impact on the worldwide price of their principal exports, they can influence the local currency equivalent of their exchange earnings by implementing suitable exchange rate regulations. Overvalued exchange rates in emerging nations also spawned parallel foreign exchange markets, in which significant illegal foreign exchange markets coexisted with official markets and drained limited foreign currency from the legitimate financial markets, as in Tanzania and Burma. This would necessitate foreign exchange rationing, which would be not only inefficient administratively, but also result in abnormal profits for the few foreign exchange licensees, Csermely (2015).

The resistance shifted to the extent of the currency decline, with the IMF and World Bank generally favouring a higher level of depreciation than the concerned states. The hesitancy to devalue was mostly political, as most low-cost food importers were urban dwellers whose wages were protected by trade unions. Furthermore, while currency devaluation was inevitable, the longer the overvaluation remained, the more difficult it became politically, Blassa (2017).

According to Belloumi (2020) highlighted that despite the opposition, considerable depreciations have been conducted in African countries, such as Zaire in 1983 and Ghana in 1984. Ghana achieved depreciation by using import taxes and export subsidies as a fiscal proxy for depreciation. The usage of transitional multiple exchange rates was used to alter Uganda's exchange rate. The Franc Zone crisis in 1994, the Mexican peso crisis in 1994-95, and the East Asia currency crises in 1997-98, all of which led to substantial devaluations, are examples of current international dynamics that have further reinforced devaluation.

As a result, these events provide a foundation for furthering the debate on the evaluation of exchange rate policy in Sub-Saharan Africa, particularly regarding the quantitative analysis of the long-term effects of currency depreciation on sub-Saharan local populations.

1.2 Statement of the problem
Furthermore, in scenarios involving devaluations of currencies in Sub-Saharan Africa, forecasted values are insufficient; additionally, there is a failure to foresee exchange rate changes. Purchasing power parity recommends a constant equilibrium real exchange rate,

whereas a movement in the equilibrium exchange rate is a potential failure in detecting UIP. Variability in exchange rates affects international trade as a risk in the form of exchange rate volatility, which has had detrimental consequences for the communities around it. Exchange rate volatility is seen to be an indicator of poor economic policy management in developing countries, which has a negative impact on international trade. Exchange rate volatility is a source of risk and uncertainty from a theoretical standpoint, and it has a negative influence on risk-averse traders, resulting in lower international trade volumes. Despite these export-oriented initiatives, the trade deficit in Sub-Saharan African countries worsened from 0.82 percent of GDP in 2004 to 10 percent of GDP in 2012. In tandem to this, the researcher pursued to conduct research on the quantitative investigation into the long-term impacts of devaluation of currencies on sub-Saharan local communities.

1.3 Objectives

- To assess the impact of currency devaluation on community's living standards.
- To analyse the challenges faced by sub-Saharan countries in relation to currency devaluations.
- To find out factors that led to the devaluation of currency in the sub-Saharan Africa.

1.4 Research questions

- What is the impact of currency devaluation on community's living standards?
- What are the challenges faced by sub-Saharan countries in relation to currency devaluations?
- What are the factors that led to the devaluation of currency in the sub-Saharan Africa?

1.5 Significance of the study

This section indicated the benefits of the research study that major stakeholders got, and these encompass the company, University and the researcher.

1.5.1 To the organisations

Organizational management used the research to make informed judgments on the effects of currency depreciation on sub-Saharan African local communities. They also identified areas that demand significant improvement and made the necessary changes. Furthermore, the research aid in the contribution on determining the impact of currency depreciation on organizational performance.

1.5.2 University

The research was of paramount importance since it is used as referral material by other students who carried out similar research in future.

1.5.3 Researcher

The research was carried out in partial fulfilment of the requirements of the studies the researcher was pursuing.

1.6 Assumptions

The researcher assumed that the sample obtained used would be a true reflection and representative of employees, community representatives and management and the information obtained would be true and not biased.

1.7 Delimitations

The study focussed on the study local communities within the sub-Saharan Africa.

Geographical

The study focused on impacts of devaluations on currencies to the local communities within the sub-Saharan Africa.

Time

The period of the study mainly focused from February 2022 to December 2022.

Conceptual

The research focused on the long-term impacts of devaluation of currencies on sub-Saharan local communities.

1.8 Limitations

• Some respondents were afraid of disclosing information for fear of exposing the company to competition. The researcher informed the participants that the study was private, and that the information acquired would only be utilized for academic purposes.

• Due to lengthy lockdowns inside countries, the prevalence of the Covid-19 epidemic impacted data gathering operations in terms of time taken.

1.9 Definition of key terms

Devaluation is the downward adjustment of a domestic currency's value against another currency, such as the Nkalu (2016).

Njuru 2017) defines **exchange rate volatility** as the risk of trading with sudden and unpredictable fluctuations in the currency rate (2017).

Internal balance: a state in which a country's revenue, employment, and price levels are all in balance.

Purchasing Power Parity (PPP) is the process of adjusting the exchange rates of two currencies to bring them closer to each other's purchasing power, according to Ndavi (2017).

The real exchange rate is the ratio of relative prices that compares the consumption baskets of two countries, Mwega (2015).

Naseem (2017) defines **exchange rate misalignment** as the difference between the real exchange rate and its equilibrium level.

1.10 Chapter Organisation

CHAPTER 1: INTRODUCTION: the chapter introduction, the study's background, the problem description, the research aims, the research questions, the study's importance, the study's limits, and the chapter summary.

CHAPTER 2: Review of Literature: This chapter reviewed similar literature from other scholars' works. The studied literature's major goal was to outline the research topic understudy while also considering imperial studies.

CHAPTER 3: Research Methodology: In this chapter, you'll learn about research methodology, research design, population, sampling, research tools, ethical issues, and data collection processes used in the study.

CHAPTER 4: Data Presentation, Analysis, and Discussion: In this chapter, the data was provided, the data was analysed, and the findings were discussed.

CHAPTER 5: Summary, Conclusion and Recommendations: this chapter gave a summary of major findings, discussions, and recommendations.

1.15 Chapter Summary

The chapter emphasized that increased exchange rate volatility in developing countries is mostly due to a lack of management resources, and that even when resources exist to mitigate risk impacts, they are too complicated and not all encompassing in the short run, limiting their functions. It also pointed out that the prevalence of international agencies has long pushed devaluation as a technique for correcting currency overvaluation. As a result, emerging countries have abandoned currency pegs in favour of more flexible exchange rate regimes such as crawling pegs. In addition, the chapter went on to present the main limitations that were faced, and these were the issues of disclosure of information and the advent of Covid-19. The next chapter covers the review of literature.

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CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction

The chapter presented the information attained from different authors pertaining to the long-term impacts of devaluation of currencies on sub-Saharan local communities. In this instance arguments for and against the issues to with devaluation of currencies within the Sub-Saharan communities were articulated. The chapter also elaborated the impact of currency devaluation on community's living standards, analyses the challenges faced by sub-Saharan countries in relation to currency devaluations and illustrated factors that led to the devaluation of currency in the sub-Saharan Africa. The economic performance of Sub-Saharan Africa over the past two decades has been rather poor compared with other developing regions. Real per capita income has raised little and has even declined in some countries, while inflation has proved difficult to control. A closer examination of individual country results reveals, however, significant variations over time and between different countries.

2.1 The impact of currency devaluation on community's living standards.

2.1.1 Traded goods and the law of one price

In recent years, doing a balance-of-trade analysis in terms of traded and non-traded items has become standard practice. The implication for traded goods is that there is a set price ratio between exportable and importable items, as well as between any (WTO products are included in these categories) (Guitian ,2015). The stability of this relationship is claimed on the basis that each country is typically small in comparison to the rest of the globe and faces fixed prices in international marketplaces, according to Dornbusch (2017). Furthermore, arbitrage and international competition ensure that the prices of traded items do not differ from international prices except in a predictable way specified by transportation costs and tariffs.

Non-traded goods, on the other hand, are domestic goods that are protected from international trade due to tariff and non-tariff barriers, transportation costs, or other factors. Domestic supply and demand determine the prices of these items, which are fully independent of international prices. Most non-traded items are believed to be services that must be created and consumed in the same location. Because it has been assumed that the price ratio between exportable and importable products is fixed, companies can treat tradable as a single composite good that includes both categories of commodities. Non-tradables are handled as a separate composite.

As a result, changes in the market prices of the two composites of traded and untraded currencies are considered when measuring the effects of devaluation.

An empirical investigation conducted by Isard (2015), has put into doubt the procedure's validity. Empirical evidence flagrantly and consistently violates the law of one price," according to Isard (2015). Furthermore, "exchange rate fluctuations significantly impact the relative dollar-equivalent values of the most narrowly specified domestic and foreign manufactured commodities for which prices can easily be compared," according to the study. These pricing differences could not be disregarded as transient because they were shown to continue "for at least several years" in certain circumstances.

2.1.2 The effects of devaluation

The limit on emphasis to evaluate the prescriptions of the various conventional methods explicitly with respect to devaluation, having sketched the general features of the leading balance of trade theories. This is a good place to start to figure out what questions and problems devaluation is supposed to solve. Four configurations of internal and external imbalance have been found in the literature for this purpose, and their roots are commonly traced back to James Meade.

I) unemployment or surplus, (ii) over-employment or surplus, (111) over employment, and (IV) unemployment or deficit is the four conceivable combinations.

(1) and (iii) above are regarded as compatible because each instance would require a single consistent policy to address imbalances, Bai (2016). In the case of an unemployment surplus, for example, an expansionary policy would be required to maintain both internal and external balance. The other two combinations pose a problem for the cops. In order to explain the disparities, contradictory policies are required. Given a condition of employment or deficit, achieving internal balance would necessitate and explain conventional policy, whereas eliminating the deficit would necessitate a demand contraction. The truly relevant policy challenge for our purposes is that outlined in (IV). Over-employment or surplus would be a source of embarrassment for LDCs, and it was not recognized to be an issue among them in the 1970s or 1980s. As a result, our attention will be drawn to the problems of unemployment and deficit. It is odd, then, that the models developed to address these issues often function on the assumptions of initial balance both internally and externally.

2.1.3 Non-Monetary Models

An elasticity model can be used to investigate the impact of devaluation on output and the trade balance, Bain et al (2015). The "global prices of importable are given" and "the price of

domestic commodities is given" are important assumptions. These assumptions ensure that "exchange rate depreciation and terms of trade worsening are inextricably linked." The trade account is likewise considered to be in balance at the outset. When we look at contractionary models, the significance of this assumption will become evident. The Marshall-Lerner condition emerges as the essential component influencing the outcome in the setting of these assumptions. In a simple two-country model, this is the requirement that the absolute sum of demand elasticity of the two trading countries must be greater than zero.

Once this requirement is met, devaluation is proven to be beneficial to both output and the trade balance. The rise in output causes an increase in imports, which dampens but does not cancel out the trade balance gain. The assumption that the devaluation action has no effect on domestic prices ensures that the relative price change is not decreased. The transition from elasticity to absorption models necessitates the explicit acknowledgment of several assumptions that were previously hidden in the background. These assumptions enable for the income and spending effects of devaluation to be considered.

Dornbusch (2017) selects the nominal price of household products from among the set of constant variables. The purposeful activity of fiscal policy keeps this consistent. Dornbusch asserts that which normal variable is held constant is of maternal importance. As a result, the following assumptions are added to the standard model:

a nominal price of domestic goods that is maintained constant in each country by fiscal policy)', (ii) a unit marginal propensity to spend on non-traded goods, (iii) zero cross price effects (substitution effects) between traded goods. Based on this model, Dornbusch (2017) finds that devaluation unambiguously improves the trade balance of the devaluing country. The output effect is avoided by the assumption of zero cross price effects (substitution effects) between this final point emphasizes the significance of assuming continual internal balance. The immediate effect of the depreciation is to shift demand away from tradable goods, perhaps raising their prices by 10%. This point to the need for a deliberate policy to tax income in order to keep non-tradable prices stable. Otherwise, the effects of the devaluation would be negated by a rise in the latter's prices. Unfortunately, this analysis does not directly apply to a situation where significant unemployment is a major aspect. One aspect worth mentioning is that a drop in the standard of living, manifested as a decline in real earnings, is an unavoidable consequence of progress.

The strategy, it is maintained, is required by downward rigidity in money wages; otherwise, the imbalance would adjust spontaneously. On the other side, a devaluation action would be

thwarted by real-wage resistance,' or the inflexibility of real wages downward. It is debatable. If, in the face of rising unemployment, real wage opposition can be a long-term feature. Subsidizing labor could be one solution to the problem of real-wage resistance, Boyd (2015). This would create a gap between the salary paid to workers and the cost of labor for businesses. This strategy, on the other hand, has the disadvantage of "substituting a budgetary problem for a genuine pay crisis."

The companies can consider the results of two interpretations when it comes to the typical absorption model, often known as the 'dependent economy model.' These models are based on the distinction between tradable and non-tradable items. Goods that are tradable are those whose domestic pricing are largely controlled by the world market, non-tradable are items and, in particular, services "whose pricing are controlled by domestic supply and demand, Brown (2016). **To** treat tradable as a composite product, all of the categories in this group's respective values must be taken as given. In these models, the process by which devaluation affects the economy is determined by changes in the price of tradable compared to those of other commodities**.**

Devaluation is thought to raise the relative price of tradable. This attracts productive resources to that category of commodities while simultaneously lowering demand. Non-tradable, on the other hand, are seeing a decrease in supply and an increase in demand. These forces work together to lower the excess demand for tradable, which is a symptom of external imbalance. In a vast variety of models, the impacts of devaluation are examined using a monetary method, Atiyas et al (2017). Typical assumptions in these models include full employment, flexible pricing and wages, and money as the sole asset. Because the topic of contractionary or expansionary impacts on output is never raised, the assumption of perpetual full employment diminishes the appeal of mode 1. The output is assumed to be constant. We're just interested in the effects on the balance of payments. The assumption of price flexibility also vitalizes the analysis a little because there isn't much need to modify the exchange rate over monetary policy in these situations. The monetary method to devaluation analysis stresses the influence of money supply changes on expenditure via the real balance effect.

Even more contentious are opinions on the relationship between exchange rate changes and economic growth. According to popular wisdom, depreciation boosts output by increasing production in export and import-competing industries (Dornbusch 2017). A low exchange rate

may also place a country on a development path with more potential for sustainable growth by boosting expansion in the tradable sector. A flexible nominal exchange rate, in general, improves adjustment and aids in the restoration of production growth following negative shocks. Gosh et al. (2015) found no evidence that output growth differs significantly between nations with different exchange rate regimes, in contrast to their findings on inflation. This is in line with Hoffmaister et al. (2018), who found that output variations were highly comparable across country samples from 1971 to 1993. Agénor (2016) discovered that an expected real exchange rate depreciation had a negative impact on economic activity, whereas an unforeseen depreciation had a positive impact.

Furthermore, the concept of contractionary devaluations has gained considerable empirical support in recent years. Devaluations, as Krugman and Taylor (2018) pointed out, cause immediate price rises in export and import items relative to domestic ones. As a result, profits in the tradable sectors may rise. Ex ante national saving increases if nominal wages lag price increases and the marginal inclination to save from profits is higher than from salaries, resulting in a fall in aggregate demand and consequently a contraction in output, at least in the short run. Devaluations may have a secondary contractionary effect through the channel of external debt, which is frequently denominated in foreign currencies. Devaluations, in fact, increase the resources necessary to service foreign debt, crowding out investment. In terms of the impact of exchange rate changes on output, Kamin and Rogers (2017) found that depreciation shocks (real or nominal, levels or variations) can cause a drop in economic activity in Mexico. Devaluations tended to diminish output when government spending, terms of trade, and measures of money growth were held constant, according to Edwards (1989).

Ghura and Hadjimichael (2015), on the other hand, found that growth was inversely linked with changes in real effective exchange rates. Furthermore, nations with faster convergence of their actual real effective exchange rates to their respective equilibrium levels enjoyed higher growth rates. As a result, empirical evidence on the effects of exchange rate fluctuations on economic activity appears to be mixed.

2.2 The challenges faced by sub-Saharan countries in relation to currency devaluations.

The exchange rate is a key indication in many countries' monetary policy evaluations (Bank of England 2014; Baqueiro et al. 2017). Normally, the exchange rate serves as a link between two trading countries' interest rates by appreciating or depreciating their currencies (Frenkel and

Levich 2015). It has a wide range of effects, including affecting the flow of exports and imports, as well as the price pass-through of foreign goods to domestic prices (Taylor 2018). These consequences can diminish domestic citizens' purchasing power and influence government resource allocation, resulting in political and economic crises (Fischer 2017).

Because of their interconnectedness, excess liquidity is historically known to be the principal source of increases in domestic prices and depreciation of the exchange rate (for example, the phenomenon of imported inflation). Indeed, in a monetary system where shocks affect both inflation and the exchange rate, the link between the exchange rate and inflation is critical (López-Villavicencio and Mignon (2017).

2.2.1 Exchange Rate Crisis

Previous financial crises (late 1960s and early 1970s, 1980s, 1992 and 1993, and 1994 and 2000) have indicated that an exchange rate crisis is severe for countries that are susceptible to international capital flows (Fischer 2017). The majority of major exchange rate crises linked to the international capital market have included countries that have either a fixed or non-flexible exchange rate regime (Cavdar and Aydin 2015). At the same time, as Obstfeld and Rogoff (2018) suggest, nations with flexible currency rates, such as South Africa, avoided the crises that hit emerging markets (Fischer 2017).

To limit the danger of currency devaluation, the currency crisis theories of Salant and Henderson (2016) and Krugman (2017) use models in which governments anchor their currencies with gold sales and foreign exchange reserves, respectively. Friedman (2015) pioneered the argument for flexible exchange rates, arguing that supply or demand shocks in the currency rate will necessitate inflation adjustment between countries linked by trade. Friedman (2015) claims that a flexible exchange rate allows prices to adapt instantly in this way. According to this idea, governments in open developing economies should embrace flexible exchange rate regimes. The above-mentioned policy is similarly based on the assumption that exchange rate swings have an immediate impact on local prices.

Recent research (Bank of England 2015; Devereux and Engel (2017); Baqueiro et al. (2017); Gali and Monacelli (2016) suggests that in the short run, this influence may be minimal. In evaluating the relationship between the currency rate and inflation, López-Villavicencio and Mignon (2017) discovered that adopting an inflation-targeting framework lessens the impact of depreciation pressures on consumer prices.

2.2.2 Domestic banking system and macro-prudential issues

The African countries' reliance on commodities alters the bank loan transmission channel in numerous ways, posing systemic hazards to the banking system and the financial sector. During commodities booms, bank credit tends to expand rapidly, with banks extending credit to borrowers who are less creditworthy. A lower country risk premium and easier borrowing for local banks are generally connected with exchange rate appreciation fuelled by commodity booms. As a result, banks may view consumers and businesses (particularly those with foreign currency debt) as less risky. Such processes can enhance the procyclicality of bank lending through the so-called risk-taking channel of currency appreciation (Hofmann et al., 2016).

Excessive loan growth has the potential to substantially destabilize the financial system (including the share of that growth that is denominated in dollars). In the event of a commodity price shock and related capital outflows, problems at one lending institution can easily have domino consequences on the domestic and regional banking systems (for example through a pan-African bank). If the windfalls from the commodity boom are preserved in local banks, a collapse in commodity prices could result in a massive withdrawal of deposits. These negative consequences are more common in nations with poor governance, larger public debt, and less developed financial systems (Kinda et al 2017).

The implementation or activation of macro-prudential measures can help to mitigate the effects of strong commodity-related pricing, exchange rate, or credit growth dynamics. The recent drop in commodity prices, coupled with numerous nations' tighter monetary policies and the public sector's greater use of domestic financing, has increased the banking system's vulnerability to the government (for instance Angola, Chad and Gabon). The reduction in prices has coincided with a decline in the soundness of private firms and an increase in nonperforming loans, notably in oil exporters (such as Angola, Chad, Equatorial Guinea, and Nigeria) and small and weak states (Gambia, Malawi, Sierra Leone and Zimbabwe).

In many nations, banking profitability has dropped, and capital adequacy has deteriorated. Only Kenya, Nigeria, Tanzania, Uganda, and Zimbabwe, as well as the CEMAC monetary union, have implemented deposit insurance programs so far (IMF (2016).

Only Malawi, Mauritius, Mozambique, and South Africa have fully implemented Basel II norms. Pan-African banks have recently emerged, facilitating the integration and development of banking systems across the continent. However, there are still significant gaps in the supervision and cross-border coordination of these institutions on a consolidated basis. 10 The modest amount of loans to agriculture in the South African banking system, according to the

BIS survey, suggests that the banking system has been largely shielded from the slump in commodity prices.

Mining activities are largely managed by multinational firms and are financed through equity and bond issues both domestically and internationally. Another element insulating the financial system is the lack of foreign exchange mismatches between bank assets and obligations, which has lessened banks' sensitivity to the rand's considerable decline since 2011. The unexpected loss of income in oil-exporting countries sometimes forces the government and oil-dependent firms to withdraw their local bank savings. This was the case in Algeria, where a drop in hydrocarbon exports resulted in a significant reduction in such reserves. The use of funds from the oil stabilisation fund to cover the fiscal deficit, as well as modest issuance of government bonds, helped to keep bank liquidity under control. Because the banking sector had little external debt, the impact of the dinar depreciation on the financial system was minimized.

2.2.3 Growth and inflation performance

The two African areas' average economic growth over the last two decades has been among the lowest in the developing world. With the continuous rapid rise of the population, average per capita income has remained quite low. This stands in stark contrast to recent events in other parts of the world, particularly Asia. However, both across time and between countries, output performance has been quite inconsistent. The CFA franc countries' total output increased fast in the early 1980s, but then began to decline. In fact, the sharp devaluation in January 1994 was the catalyst for a partial rebound in output.

The economic trajectory in the non-CFA zone has been substantially different, with a continuous period of positive real per capita income growth from the mid-1980s.

However, inflation in non-CFA countries has remained consistently higher than in the CFA zone. Various stabilization programs have failed to keep inflation under control. Indeed, consumer price inflation soared to more than 40% in 1994-95, much outstripping that of the CFA franc-depreciating countries. The nominal anchor offered by the CFA franc's fixed parity with the French franc has undoubtedly been the key element contributing to the CFA area's relatively low inflation.

The 1980s and early 1990s were marked by a steady slowing of inflation, aided by a protracted contraction in monetary expansion, following the absorption of the 1979 oil price shock and its ramifications on other international prices. The 50 percent depreciation of the CFA franc against the French franc caused a following increase in inflation. In terms of inflation, there is

broad agreement on the role of monetary growth as either the primary driver of inflation or, alternatively, as a crucial component in containing inflation caused by other variables. The influence of nominal exchange rate flexibility on inflation, on the other hand, is less clear. All empirical studies show that nominal exchange rate depreciations are linked to temporary rises in consumer prices.

Furthermore, Gosh et al. (2015) discovered evidence that nations with pegged exchange rates had lower average inflation rates than countries with more flexible rates. Aghevli et al. (2015) found similar results, although they point out that many nations with pegged exchange rates have faced high inflation rates as a result of ineffective fiscal policies. In contrast, several countries with more flexible arrangements have achieved lower inflation rates by implementing cautious fiscal policies. Similarly, Siklos (2017) found that nations with fixed exchange rate regimes had higher average inflation rates than those with floating exchange rates because the regimes were not credible. Overall, discrepancies between various exchange rate regimes have lessened, as Quirk (2017) found.

 Furthermore, he noted that currency rate stability, and hence inflation, has become a "by-product" of other policy decisions. As previously stated, many developing nations have been subjected to frequent terms-of-trade shocks since the mid-1980s and have implemented more flexible exchange rate regimes to avoid a decline in external competitiveness. However, as Kamin (2017) demonstrated in the instance of Mexico, the peso's real depreciation had a significant inflationary impact. Calvo et al. (2018) found similar results, finding that undervalued real exchange rates were associated with increased consumer price inflation in Brazil, Chile, and Colombia. Overall, it appears that the rate of inflation relates to both changes in the nominal exchange rate and the level of the real effective exchange rate.

Investment and saving

Given the importance of investment in sustaining economic growth and saving in defining the current external balance, it's worth looking back at how investment and saving have evolved over time. Both have had significant variations in relation to GDP, but with a clear trend toward diminishing gross saving from 1984 to 93.5. It was particularly pronounced in the CFA region, where worsening terms of trade and a loss of external competitiveness contributed to a sharp swing in government saving from positive saving of around 3% of GDP in 1986 to dis-saving of around 3% of GDP by 1993 (Hadjimichael et al. (2017). Furthermore, when actual per capita

income fell, so did the willingness to save in the corporate and family sectors. The reduction in the saving ratio in non-CFA countries was less dramatic, but the ensuing rise in 1994-95 was also less striking than in the CFA zone. The reduction in the CFA franc countries' aggregate investment or GDP ratio to barely 14% in 1993 was even more drastic than the savings ratio. Considering the CFA franc's "assured convertibility" against the French franc, this drop in investment is disheartening. This should, in principle, have fostered a stable and favourable investment climate for both domestic and international investors. The severe budget constraint, which resulted in massive reduction in government investment spending, was one of the drivers driving the downturn. The large import content of projects valued at the new exchange rate, as well as increased project aid payments, may explain the comeback in the investment ratio seen in 1994. Even amid a period of high inflation and accompanying weak credibility of the authorities' commitment to a stable macroeconomic environment, the CFA area's investment performance contrasts with the simultaneous buoyancy of investment in non-CFA countries.

2.3 Factors that led to the devaluation of currency in the sub-Saharan Africa
2.3.1 Weak Savings and Investment
Efforts for over four decades, from the 1960s to the 1990s, Africa's savings rate stayed virtually unchanged. For most of the time under consideration, the investment rate has been higher than the savings rate. Following a decade of stagnation in the 1960s, the investment rate spiked in the early 1970s, only to trend downward for the next three decades. Aid inflows and foreign borrowing filled the financing gaps created by these trends, with aid flows mostly benefiting SSA nations. Foreign aid and debt relief efforts continued to fund significant fiscal deficits.

In the 1960s, SSA savings ratios remained essentially flat, with just a slight improvement in the 1970s. SSA's investment rate increased over the 1960s and 1970s, but at a slower rate. Following that, the SSA region's savings and investment ratios began to decline in the 1980s. In the 1990s, there was no discernible increase in the investment rate (18%) or the savings rate (15%), which remained significantly below 1970s levels. Savings and investment patterns in North Africa were similar. Savings ratios were essentially unchanged throughout the 1960s and only slightly improved in the 1970s. Investment ratios in North Africa climbed sharply in the second half of the 1970s before trending downward in the 1980s and early 1990s, but savings ratios remained low and showed no improvement. As a result, these countries' annual investment-savings deficits (albeit shrinking) remained considerable.

Growing Inflationary Pressures, Monetary Expansion and Exchange Rate Policies

Annual inflation rates in SSA (about 6%) and North Africa (around 2%) were relatively low in the 1960s, according to the GDP deflator. However, inflation rates were significantly higher in the 1970s in both SSA (13%) and North Africa (2%) (about 9 percent). In the 1980s, inflation in the SSA region rose even more, ranging from 20 to 30 percent. Inflation in North Africa remained at 10%. During the 1980s, Africa's inflation rate was in the double digits (in the range of 10 to 20 percent).

Africa's inflation rate spiked in the first half of the 1990s before plummeting in 1995-97, mirroring a similar trend in the SSA region. In the second half of the 1990s, SSA's average annual inflation rate fell, with significant headway being made in decreasing inflationary pressures in a rising number of nations. In the late 1990s, inflation rates in Algeria, Egypt, and Libya fell below 10%, while Morocco and Tunisia maintained their low-inflation status. The rates of monetary expansion in Africa were closely mirrored by changes in the inflation rate. Both measures rose strongly in the early 1990s before declining between 1995 and 1997.

African countries with fixed exchange rates had different inflation experiences than those with more flexible currency rates. For example, from 1975 and 1989, inflation rates in the CFA Franc Zone countries averaged significantly below 10%, although double digit inflation rates were normal in countries with flexible exchange rates (such as in Ghana, Sierra Leone, Uganda and Zambia). The CFA franc countries' low inflation is due to their unique monetary and financial structures, which include not just a fixed exchange rate but also a high degree of external capital account openness and a shared central bank that is autonomous. Domestic credit expansion does not lead to monetary expansion or inflationary pressures in this environment.

Large fiscal deficits and investment-savings imbalances are routed through the accumulation of foreign debt and/or the draining of foreign reserves, with little or no inflationary spill over. Fiscal deficits requiring significant monetary financing were the primary cause of inflation in nations with flexible exchange rate regimes. Exchange rate depreciation in these instances can exacerbate inflationary pressures by raising the cost of imports (particularly imported inputs), especially if domestic supply elasticity is low. The 1994 CFA franc devaluation (50 percent in foreign currency terms) undertaken by 14 Franc Zone countries had a significant inflationary impact for a short time after the devaluation. All 14 countries devalued their currencies at the same time and initiated macroeconomic initiatives to maximize their benefits.

This explains Africa's temporary rise in prices in 1994 and subsequent decline in inflation from 1995 to 1997. Exchange rate depreciation has not always resulted in inflationary pressures in other countries. When countries' official exchange rates and parallel market rates differed

significantly, devaluations tended to bridge the gap without causing major inflation when suitable macroeconomic and financial policies were in place. This is because, before the devaluation, domestic prices already reflected the parallel market exchange rate. High inflation and thriving parallel markets persisted before the reform of their exchange rate regimes, according to the experiences of nations such as Ghana, Sierra Leone, Uganda, and Zambia, who went from fixed to flexible exchange rate regimes.

In these circumstances, devaluations tended to bring the official rate into line with the parallel rate, and in certain cases, they relieved fiscal strains by raising government revenues. As a result, these exchange system modifications had little impact on inflationary pressures. Many African countries have implemented financial sector structural changes. The ability of central banks to conduct monetary policy has been increased. Credit allocation mechanisms were phased out and interest rates were liberalized. Borrowing constraints were imposed on the government. Restructuring efforts increased bank solvency, and bank monitoring and auditing processes were tightened. Steps were also taken to alter monetary policy implementation from direct to indirect.

2.3.2 Persistence of large Fiscal Deficits

Between the early 1970s and the early 1990s, Sub-Saharan Africa's fiscal deficits ranged between 5% and 9% of GDP, with no obvious trend toward deficit reduction (Figure 2.6). Between 1994 and 1997, the deficit was drastically reduced. The overall fiscal deficit profile for Africa has been remarkably similar to that of the SSA countries over time.

Various budgetary measures were incorporated in reform efforts in the 1980s and 1990s. Improvements in project selection and public spending management systems allowed the integration of public investment programs within a coherent financial framework. Human resource development (with an emphasis on health and education) and poverty reduction objectives were given higher priority when prioritizing government spending.

The public enterprise sector was restructured, some of these firms were privatized, and the sector's dependency on budgetary subsidies and domestic bank credit was reduced. The Gambia, Ghana, Lesotho, and Mali are among the countries that have taken initiatives to cut the civil service salary cost as a percentage of GDP and improve the wage structure. Steps were done to improve tax administration, broaden the tax base, and streamline tax arrangements on the revenue side. Efforts were made to shift away from foreign trade taxation and toward taxes on domestic transactions and sources of domestic income.

Prolonged Deficits in the External Current Account of the Balance of Payments

During the 1970s and 1980s, Sub-Saharan Africa's external current account deficits were large as a percentage of exports (averaging around 23%) as a result of fiscal imbalances; however, these deficits began to decline around the mid-1990s. Because of the lower ratios in North Africa, Africa's foreign deficits were smaller as a percentage of exports.

2.3.3 A growing debt problem and repeated recourse to debt relief

Sub-Saharan Africa's massive fiscal and external current account deficits were financed by significant foreign borrowing. As a result, by the mid-1990s, Sub-Saharan Africa's external debt to GDP ratio had risen from 24.9 percent in 1973 to almost 70 percent. The SSA region's foreign debt payment ratio to exports increased from 8% in 1974 to almost 20% by the mid-1990s. These ratios followed similar patterns across Africa.

Bilateral government creditors attempted to reduce Africa's debt burden through rescheduling operations on increasingly favourable terms, mostly (but not only) for low-income countries. In 1990, the Houston terms were implemented for the benefit of qualifying middle-income countries by bilateral official creditors giving debt relief through the Paris Club. African countries were able to not only finance their fiscal and external deficits but also progressively build up a much needed (although modest) buffer of foreign reserves as a result of considerable foreign assistance inflows and debt reduction from bilateral and government development partners. In SSA, reserves climbed from less than a month's worth of imports in 1980 to slightly more than two months' worth of imports in 2000.

2.3.4 The contribution of reform efforts to economic recovery

The success of reform implementation varied greatly between countries and among policy reform sectors. Both World Bank and IMF officials, as well as development economists in academic institutions, conducted periodic assessments of Africa's progress in implementing reforms and obtaining the desired economic results. According to World Bank research that looked at the experiences of twenty-nine countries, the six countries that improved their macroeconomic policies the most between 1981 and 1987 had the greatest improvement in economic performance. These countries saw a significant improvement in their per capita GDP growth rates, as well as significant gains in their industrial and export growth rates.

Agricultural growth rates accelerated in countries where farmers' tax burdens were decreased. While the research acknowledged that reforms varied by country, it concluded that the countries reviewed had been more effective in improving their macroeconomic, trade, and agricultural policies than in reforming their public and financial sectors. During the period 1986-1993, an IMF staff study examined the adjustment experiences of two groups of countries: those that had implemented broadly appropriate policies under their programs for at

least three years (the sustained adjusters) and those that had been less successful in sustaining the implementation of their programs (the laggards) (weak adjusters).

This overall improvement in SSA economies obscures the much lower growth rates in countries that have experienced or are experiencing political turbulence. Burundi, Comoros, the Democratic Republic of the Congo, Rwanda, Sierra Leone, Swaziland, and Zambia all experienced negative or declining growth rates as a result of the conflict.

2.4 Research Gap

Bertoli et al. (2016) demonstrated that the current version of currency devaluation has some weaknesses, particularly in the context of underdeveloped countries. Bertoli et al. (2016) warned against identifying exchange market pressure using an arbitrary variable. Pontines and Siregar (2019) observed weighting issues with the devaluation's component as well as the previously mentioned threshold concern of different nations. These findings from the literature highlight a gap that this study aims to close. Pontines and Siregar recognized a threshold problem that has yet to be addressed in previous research (2017). Furthermore, most research did not focus on quantitative investigation into the long-term impacts of devaluation of currencies on sub-Saharan local communities, despite the fact that Girton and Roper (2018) added the interest rate component to the index, which is important in the devaluation framework. This study employed multiple estimate versions of the devaluations based on the reviewed literature and applied. Addressing these issues will aid in the resolution of devaluation of currencies on sub-Saharan local communities**.**

2.5 Case studies

2.5.1 The exchange Rate (Cross Country case study)

Any assessment of the continent's experience must distinguish between the CFA franc countries, which peg their currencies to the French franc, and the countries of Sub-Saharan Africa, which set their own exchange rates. As shown in the table below, the growth records of these two groups are extremely different. Real exchange rate adjustments coincided with the restart of aggregate growth for each group.

Real Growth Rates in Africa 1981-1995 (annual averages)

Country Group	198-985	1986-1993	1994-1995

Non-CFA Zone Countries			
GDP Growth	0.4	4.4	3.0
Per Capita GDP Growth	-2.5	2.1	-0.2
CFA Zone Countries			
GDP GROWTH	4.3	-0.4	2.8
Per- Capita GDP Growth	0.6	-3.2	-0.8

Most Sub-Saharan African currencies, outside of the CFA zone, had considerable real appreciations in the 1970s and early 1980s, estimated to be around 44% on average. Overvaluations in the CFA zone began a little later, in the mid-1980s. There is strong evidence that real exchange rate overvaluation contributed significantly to Africa's dismal economic performance. Between 1972 and 1987, Ghura and Grennes (2015) looked studied the relationship between the real exchange rate and macroeconomic performance in 33 Sub-Saharan African nations. Even after accounting for other factors, they discovered that misalignment, or overvaluation, was linked to lower levels of real GDP per capita growth, lower levels of exports, lower levels of imports, fewer levels of investment, and lower levels of savings.

Klau (2016) found that the late 1980s and early 1990s CFA franc overvaluation was one of the main reasons of output reduction in those countries. He demonstrated that real devaluations relate to short- and long-run gains in economic activity in both CFA zone and non-CFA zone countries, as seen in the table. Improvements in African export performance are also linked to real devaluations. From 1970 to 1992, Sekkat and Varoudakis (2017) looked at the real exchange rate and manufactured exports in three industries in 11 African nations. Overvaluation was found to be negatively associated with exports in all three categories for non-CFA zone countries: textile items, chemical products, and metal products.

The other came from a spike in both imports and exports, which was a direct outcome of the ERP's exchange rate and other reforms. While Ghana was a successful reformer in many ways,

its experience also highlights the challenges of reforming in a highly skewed economy with a history of government intervention. Not all the reforms were maintained. The government offered huge increases in pay and benefits in 1992, with a new constitution in April and elections in November and December, putting the budget out of balance and raising the rate of inflation. Savings and investment by individuals fell as well (Nowak et al 2015).

2.5.2 Case Studies of reform and adjustment conducted in Ghana

According to Nowak et al (2017), Ghana has one of the best reform records in Africa (1996). The cedi's metamorphosis from one of the world's most overvalued currencies to a convertible currency by 1992 was part of this milestone. Ghana likewise began to achieve dramatically increased growth after balancing its budget and liberalizing its trade policy. The Economic Recovery Program (ERP) was implemented in two parts, from 1983 to 1986 and then from 1987 to 1991. Between 1978 and 1983, real GDP dropped at an annual pace of 1.6 percent on average, and gross investment, goods exports, and merchandise imports all accounted for around 5% of GDP.

The black-market premium, or the difference between the official and black-market exchange rates, was one indicator of the economy's troubles. After topping 500 percent earlier in the 1980s, it closed the period at 223 percent in 1983 (Sekkat and Varoudakis, 2015). The first round of reforms, which included considerable changes to trade and currency rate restrictions, was intended at stabilization. Ghana reduced the average tariff rate's level and dispersion, removed quantitative limits, and adjusted the exchange rate. Inflation plummeted from about 123 percent in the years leading up to the program to 24.6 percent in the first year. Real GDP began to grow at a 3.6 percent annual rate, and gross investment increased to 7.5 percent.

Both exports and imports exceeded 8% of GDP, with cocoa exports remaining the most concentrated. The second reform period tried to make even more structural and institutional changes. The black-market premium, which was 0.4 percent in 1991, was eliminated with the unification of foreign exchange markets in 1990. The second period saw GDP grow at a quicker rate of 4.8 percent on average. Gross investment increased to 14.7% of GDP, while merchandise exports and imports increased to 15.5 and 19.1%, respectively. Despite a drop in the terms of trade, exports increased. Nowak and colleagues show econometric evidence that removing exchange rate overvaluation improved both investment and growth. Poverty decreased between 1987 and 1992, especially in rural areas.

Poverty rates fell from 36.9% to 31.5 percent overall. Rural poverty has decreased from 41.9 percent to 33.9 percent, accounting for two-thirds of Ghana's population. Poverty rose from 8.5 percent to 23.0 percent in Accra, the capital, but declined in other metropolitan regions, bringing urban poverty down to 26.5 percent. Poverty reductions were most noticeable in female-headed households and non-farm rural households, although they occurred across the board. The bulk of income increase in non-farm self-employment, particularly wholesale and retail commerce were responsible for the majority of the reduction in poverty. Domestic trade activity increased in part as a result of a recovery from low levels prior to the commencement of the recession. Despite these challenges, Ghana has benefited from its reforms. GDP growth averaged more than 4% per year from 1995 to 1997, and the black-market premium was virtually non-existent.

2.6 Chapter Summary

While post-colonial African countries have a great diversity in people and geography, their economic strategies prior to the 1980s were strikingly similar (Foroutan, 2015). They used import and export quotas and restrictions, price controls, foreign exchange controls, interest rate limits, state-owned firms, and marketing monopolies to exert tight control over economic activities. This resulted in a stacking of rules with a strong anti-trade slant (Nash, 2015). Many countries were experiencing balance of payments issues and economic downturn by the early 1980s. Shocks in the terms of trade were a major cause of these issues (Bouton et al, 2016). Commodity booms throughout the second half of the 1970s resulted in increased government revenues and fast spending expansion.

Commodity prices decreased in the early and mid-1980s, but governments did not respond. They continued to spend, relying on external debt and inflation to cover their growing deficits. Madagascar's budget deficit, for example, increased from 4% of GDP in 1978 to 17% in 1982, causing inflation. Kenya's foreign debt, which was quite modest in the early 1970s, had risen to 50% of GDP a decade later. The actual exchange rate appreciated as a result of the foreign borrowing. Inflation and a lack of nominal exchange rate adjustments resulted in grossly overvalued real exchange rates across Africa. Instead of devaluing in response to the genuine appreciation, countries adopted currency controls and import restrictions, setting off a downward spiral. The overvalued rate weakened exporter incentives, and the trade deficit worsened, causing government to tighten restrictions even more. Many countries saw negative economic development. Ghana's real per capita income, for example, fell by 30% between 1970

and 1983, while real export revenues fell by 52%. Between 1977 and 1985, real per capita income in Africa declined by 15%, and export performance fell from roughly 10% annual growth in the early 1970s to decreases in the early 1980s (Jones and Kiguel, 2016). As a result of these issues, a period of severe adjustment programs ensued. The real exchange rate's valuation proved crucial to reform success. When Bouton, et al (2016). Compare three types of policy exchange rate, fiscal, and monetary they find that exchange rate reforms have the greatest impact on growth. The actual evidence from the past three decades in both wealthy and developing countries raises doubt on most governments' capacity to achieve these conditions. Support for a more comprehensive strategy with minimal diversity in the level of aid stems from a broader mistrust about the practical virtues of any form of targeting.

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CHAPTER THREE

3.1 Introduction

The methods and procedures utilized to acquire and gather the data were presented in this chapter. The research design, target population, sampling units, sampling processes and sample size, research instruments, data collection procedures, data presentation and analysis procedures, and research instruments were all elaborated.

3.2 Research design

3.2.1 Exploratory research

Exploratory studies, according to Bryman (2016), are conducted when a new subject is being researched or when little is known about a topic of interest.

It's a form of research that's done to better understand a topic that hasn't been examined thoroughly before, as well as to improve the final research design. This research strategy was based on a review of the literature and secondary data from prior studies on devaluation of currencies. Furthermore, this research design aided the researcher in gaining a thorough grasp of the long term impacts of devaluation of currencies on sub-Saharan local communities, as well as the flexibility and use of unstructured questions, which substantially aided the researcher in gathering data from local and managers.

3.2.2 Descriptive Research

According to Thornhill (2016), descriptive research design simply refers to marketing research conducted to characterize conditions such as a product's potential and customer perception. This design allowed the researcher to utilize closed-ended questionnaires to collect data from the local people and confirmatory interviews to obtain extra information from management. As a result, it aided the researcher in having a solid foundation for understanding the topic under investigation and making strong and clear judgments about the variables under investigation.

3.3 Sampling

Sampling, according to Burns and Groove (2015), is the process of selecting a group of people, events, or behaviours to research.

3.3.1 Target Population

A population is a grouping of all the subjects who will supply study data to the researcher (Mitchell and Jolley, 2017). A research population, according to Ritchie et al (2013), also includes members who are related to the research topic and/or its relevant features. Local communities (120) and selected management from firm representatives make up the target

group for this study (50). As a result, the target population is 170 people. The following table 3.1 shows the target population:

Table 3.1: Target Population

Category	Population
Local Population	120
Management	50
Total	**170**

Source: Researcher's Own (2022)

3.3.2 Sample Size

Neuman (2016) A sample is a group of persons or units selected from a population (2015). According to Cooper and Schindler (2016), a sample must be sufficiently representative and give a fair distribution of age, gender, income, and skills. Collecting data from all units of analysis covered by the study challenge is often difficult or too expensive. As a result, the researcher has drawn interferences on all of the units (set) based on a tiny number of units (subset), even though the subsets perfectly represent the whole's features.

Table 3.2: Sample Size

Population Identify	Population	Size
Local Population	100	30
Management	50	15
Total	**170**	**45**

Source: Researcher's Own (2022)

According to Jalil (2015), a sample size of not less than 30% should be used for a target population of 100 or more. Because the target population for this study is 170 people, the sample size was calculated as follows: local population (30 percent of 100=30) and management (30 percent of 50=15).

3.4 Sampling Techniques

3.4.1 Stratified Random Sampling

According to Saunders et al (2015), probability sampling ensures that every member of the target population has an even and equal chance of being chosen. As a result, a stratified random selection procedure was employed to equitably pick participants for this study sample. This is a sampling strategy that allows the sample to be divided into different groups before individuals are chosen at random from each category. This method of sampling ensured that all respondents

were fairly represented and that each stratum was thoroughly investigated. This was possible since the employees were divided into several strata. Participants were chosen at random from these stratas on a basis of five (5) out of ten (10) stratas.

3.4.2 Systematic sampling

The researcher used a systematic sampling strategy in which the data base of employees was used as a source of information. In systematic random, the researcher selects the first item or subject from the population at random, then each k'th subject from the list, alphabetically arranging the employees by name and selecting them methodically. The researcher chose the fifth employee until all six employees had been chosen. Because systematic methodology is a sort of probability, the researcher believes that the odds of bias are quite low while applying it, which is why he utilized it. Non-probability samples, according to Churchill (2014), include personal judgments at some point throughout the selection process. In some cases, the researcher makes the decision, and in others, the researcher makes the decision.

3.5 Sources of data

According to Coolican (2014), data collecting can be separated into two types: primary and secondary. The data for this study was gathered from a variety of sources, including in-depth interviews, written and published materials such as journals, books, newspapers, reports, and the internet, as well as personally administered questionnaires. These various data sources aided the researcher in compiling detailed information on the long-term effects of currency depreciation on sub-Saharan African local populations.

To answer the research questions and research objectives, the researcher gathered data from both primary and secondary data sources. In order to acquire primary data, the researcher used questionnaires and interviews.

3.5.1 Primary Data

Primary data is a collection of all the information gathered by the researcher directly. Primary data can be gathered by surveys, observations, experiments, interviews, and questionnaires, according to Remler and Van Ryzin (2015). Primary data is an essential aspect of the validation of a research project, according to Blaxter et al (2015), because the data obtained is specific to the study subject. The case study's relevance to the topic was demonstrated via primary data. Interview questions were changed in respect to the individuals being questioned, so primary data collection was personalized to match the researcher's specific goals.

3.5.2 Secondary Data

Secondary data, according to Bryman and Bell (2015), is information gathered from secondary sources by individuals other than the researcher. Organizational records such as management accounts and meeting minutes, business unit reports, annual business plans, weekly performance reports, and annual financial budgets were used as secondary sources. After management clearance, secondary data was easy to access from the company's archived files.

3.6 Research Instrument

These are tools for gathering information, according to Bell (2015). Questionnaires and personal interviews were utilized to collect data for the study. Management data was collected through interviews, and employee data was collected through questionnaires. Secondary data was used to supplement the questionnaires and interviews conducted in this study.

3.6.1 Questionnaires

A questionnaire, according to Blaxter et al (2015), is the concept of employing questions and other forms of actuations as research tools to collect data from respondents. The researcher structures a questionnaire to attain the intended outcome. To help the researcher to achieve a certain conclusion, questions were typed to address the study questions. In order to acquire information from respondents, the researcher used both open ended and closed questions, as well as Likert scale questions. In this case, the researcher employed a questionnaire with structured questions to collect both qualitative and quantitative data.

A and B were the two sections of the questionnaire. Section A contained questions that aligned with the research objectives and all of the research questions highlighted in the first chapter of the research, while section B contained questions that aligned with the research objectives and all of the research questions highlighted in the first chapter of the research. This study relied heavily on closed-ended structured questions.

The open-ended questions allowed respondents to respond in their own terms and with their own expression. Open-ended inquiries are extremely beneficial in resolving difficult and contentious issues since they allow for the gathering of extra information (Hair et al, 2015). The responses were useful since they revealed certain areas of concern that the researcher had missed while constructing the questions because respondents were free to express their answers without any limits. Open ended questions, on the other hand, required longer to get input from because each respondent had to completely express himself or herself in answering the questions.

In addition, the researcher gathered data from respondents using Likert scale questions. The Likert scale is a rating frequency scale created by Rensis Likert that is similar to a closed

question or multiple choice question but differs in that it provides intervals for responding questions (Girden and Kabacoff, 2017). It asks respondents to rate their level of agreement and provides response options ranging from'strongly agree' to'strongly disagree' in order to measure their opinions, attitudes, or perspectives (Likert, 1932). The Likert scale has the advantage of being simple to understand, thus respondents did not have to exert much effort when responding.

3.6.2 Interviews

An interview, according to Gosh (2016), is a conversational approach for gathering data. The main goal of this technique was to gain a complete comprehension of the respondent's actions and to uncover more fundamental reasons for their attitude. Confirmatory interviews were performed to acquire data from the fifteen managers. These interviews were limited to information about the long-term effects of currency depreciation. Furthermore, in this study, face-to-face interviews were conducted to collect genuine and reliable data relevant to the question. Interviews are also beneficial since they provide more opportunities for questions and responses to be clarified.

3.7 Data Analysis Procedures

Interviews were scheduled and agreed upon with the interviewers, and they were finished on time. Prior to the interview, the researcher distributed questionnaires by hands, which were collected once the interviews were completed. In addition, unanswered questionnaires were followed up on to increase response rates and address any question anonymity. In this case, the researchers left the surveys for a week and then collected them to give respondents enough time to complete them. In order to analyze the data, the researcher followed the processes below. The first step was to collect the data, which was followed by sorting. This step was taken to make it easier to process the data gathered. Furthermore, the researcher received an introductory letter from the university, which was the identical letter used to get permission to perform the study.

3.8 Actual data Collection

For the purposes of this study, the researcher followed several typical procedures that were required in order to complete it. The researcher received a letter of consent and set up an appointment with the managers to drop off the questionnaires and collect them up after 5 days

to give staff more time to complete them without feeling rushed. Interviews with the managers were conducted using an interview guide and were completed in under 10 minutes.

In addition, the researcher employed questionnaires to collect data, which were distributed to local residents. Questionnaires were prepared, electronically printed, and presented to research participants by hand on an earlier date, then collected five days later to allow respondents adequate time to respond without feeling rushed. Furthermore, there was no place or area on the questionnaire to record names or addresses, therefore scrawled notes was used to strengthen the study instrument's credibility.

3.9 Fieldwork Limitations

During the data collection procedure, the researcher encountered obstacles that limited the information obtained from management, particularly in areas where respondents felt the requested information was sensitive. Furthermore, the research was hampered by delays in completing the filled question by the agreed-upon deadline due to employee-related modifications. In this case, the researcher had to reschedule for a later meeting, but it worked out and the questionnaires were collected satisfactorily.

3.10 Reliability and validity

Because the researcher wanted to make sure that the credibility of this qualitative research was taken into consideration, she used answers to questions that closely matched their own responses. In order to conduct the interviews, the researcher must first obtain authorization from the managers who will be interviewed. Furthermore, the researcher established trustworthiness by instructing respondents not to provide personal information in their questionnaire responses. Furthermore, the researcher informed the respondents of their freedom to withdraw from the study.

3.11 Chapter Summary

The chapter focused on the research methodology used for this study as well as data collection procedures. Before concluding the chapter on ethical issues to the research, the researcher discussed the research design, demographic, and associated sample, data validity and reliability, and how the data will be presented in the next chapter. The presentation and analysis of data is the focus of the following chapter.

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CHAPTER FOUR

CONTENTS AND RESULTS

4.0 Introduction

The chapter presented the data, its analysis and also a discussion of findings were elaborated. The presentation of data was done using pie charts, bar, graphs and tables. It also articulated the demographic representation of the respondents.

4.1Response Rate

Table 4.1 Response Rate

Target Population	Research Instrument	Sample Size	Number of respondents	Response Rate
Local population	Questionnaires	30	28	93%
Management	Interviews	15	15	100%
Total		**45**	**43**	**96%**

Source: Primary data, 2022

From the distributed questionnaires to the local population within the sub-Saharan a total response rate obtained was 93% which represent the total response rate of twenty three (23) from the total of 28 as indicated in table 4.1 above. The response rate attained from the interviews conducted was 100% because all the interviewees were available at work when the interview sessions were done. From the questionnaires and interviews conducted the overall response rate gathered was 96%.

4.1.1 Bio Data / Background Information

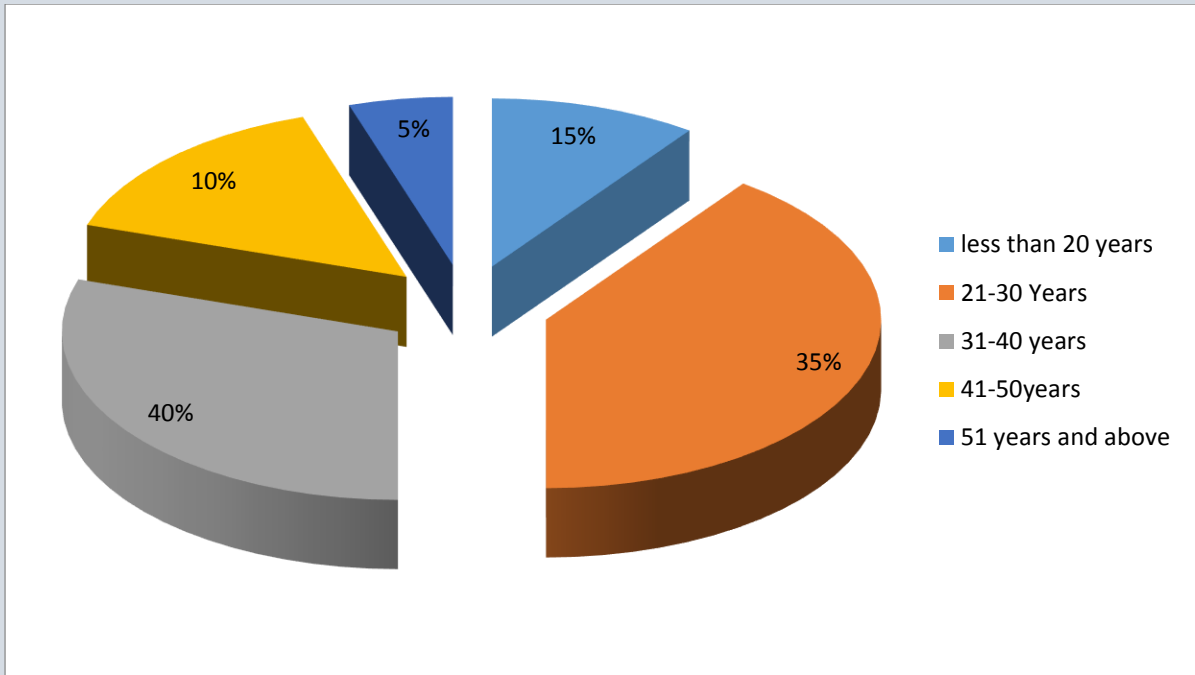The pie chart below shows the respondents gender.
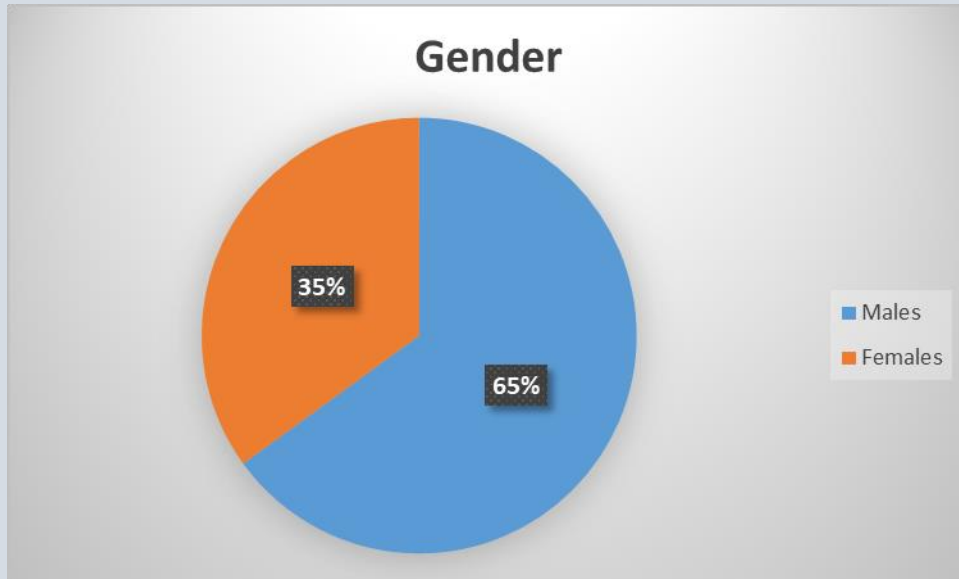
Fig 4.1: Gender Respondents

Source: Researcher's own (2022)

The gender representation showed that 65% of the respondents were males and 35% were females and this indicated that they were more males than females among the research respondents.

4.1.2 Age Category

Fig 4.2: Age category of respondents

Source: Researcher's own (2022)

As shown in the Fig 4.2 above 15% of the data was obtained from the population in the age range of less than 20 years. Furthermore, age group of 21-30 years constitute 35% .The age range of 31-40 had a representation of 40%,41-50 age group had 10% and for those in the range of 51 years and above had 5%.

4.1.3 Work Experience
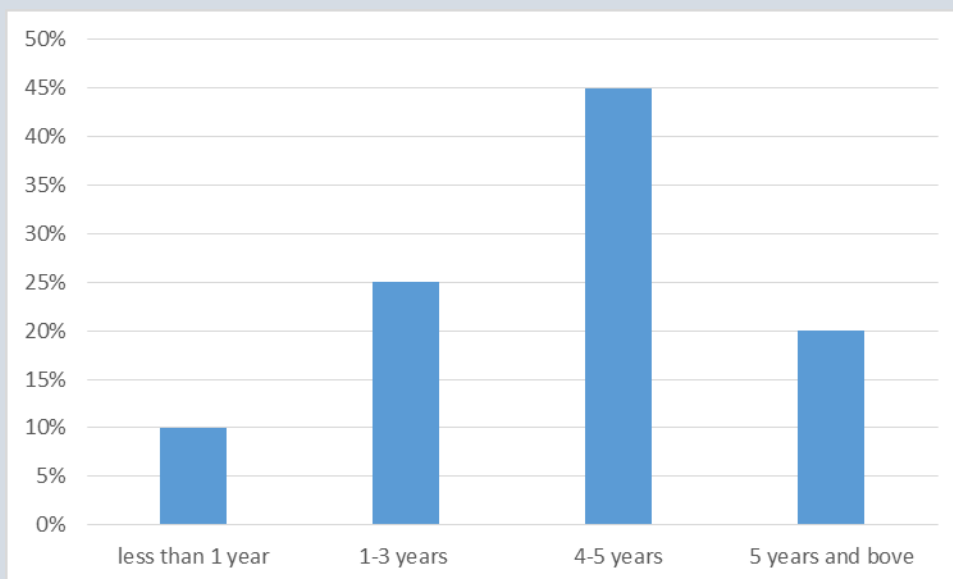
Fig 4.3: Respondents work experience

Source: Researcher's own (2022)

Fig 4.3 above indicated that that, respondents with less than one year had 10%, 1-3 years had 25%, 4-5 years had 45% and 5 years and above had 20%. The results attained showed that majority of had 4-5 years work experience within the organisation whilst a minority had a 10% representation which falls under the range of those with one year experience.

4.2 The impact of currency devaluation on community's living standards

Table 4.2: Impact of currency devaluation on community's living standards

Impacts	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Unemployment	50	45	3	2	0
raise the relative price of tradable	25	70	5	0	0
Initiates exchange rate fluctuations	35	60	3	1	2

From the research conducted 45% agree that currency devaluation has an impact on the community's living standards because it led to unemployment. As such 50% strongly agree, 3% were neutral, and 2% disagreed. In addition, 70% agree, 25% strongly agree and 5% were neutral on the issue that devaluation raise the relative price of tradable.

More so, on the notion that devaluation of currency initiates the exchange rate fluctuations on economic activity, 60% agree, 35% strongly agree, 3% were neutral, 1% disagree and 2% strongly agree that it is also a major impact. The above responses assert that the main impact of currency devaluations was identified as unemployment, increases in the relative price of tradable and the exchange rate fluctuations on economic activity.

4.3 The challenges faced by sub-Saharan countries in relation to currency devaluations.

Table 4.3: challenges faced by sub-Saharan countries in relation to currency devaluations.

Challenges	Agree	Strongly agree	Neutral	Disagree	Strongly Disagree
Exchange Rate Crisis	55	37	5	3	0
domestic banking system and macro-prudential issues	40	54	3	2	1
Reduction in growth	60	35	5	0	0
Increases in inflation rate	40	55	3	2	0

The results showed that 55% agree, 37% strongly agree, 5% were neutral and 3% disagree that Exchange Rate Crisis was a challenge faced by sub-Saharan countries in relation to currency devaluations. Also 40% agree, 54% strongly agree, 3% were neutral, 2% disagree and 1% strongly disagree that domestic banking system and macro-prudential issues were other challenges encountered as a result of currency devaluations. In addition on the notion that currency devaluation lead to reduction in growth, 60% agree, 35% strongly agree and 5% were neutral. Furthermore, 40% agree, 55% strongly agree, 3% were neutral and 2% disagree that in relation to challenges of currency devaluations, it leads to increases in inflation rate. From these outcomes it has been noted that the main challenge faced by sub-Saharan countries in relation to currency devaluations were centred on exchange rate crisis, domestic banking system and macro-prudential and increase in the inflation rate.

4.4 Factors that led to the devaluation of currency in the sub-Saharan Africa

Factors	Agree	Strongly agree	Neutral	Disagree	Strongly Disagree
weak savings and investment	55	37	5	3	0
persistence of large fiscal deficits	40	54	3	2	1
growing debt problem and repeated recourse to debt relief	60	35	5	0	0

The results attained from the respondents in relation to factors that led to the devaluation of currency in sub-Saharan Africa showed that 55% agree,37% strongly agree,5% were neutral and 3% disagree to the fact that weak savings and investment are some of the factors which led to the devaluation of the currency in sub-Saharan Africa. In addition, on persistence of large fiscal deficits as another factor, 40% agree, 54% strongly agree, 3% were neutral, 2% disagree and 1% strongly disagree. Lastly, 60% agree, 35% strongly agree, and 5% were neutral that a growing debt problem and repeated recourse to debt relief was a factor that led to the devaluation of currency in Sub-Saharan Africa. In line with the results gathered, it showed that weak savings and investment, the persistence of large fiscal deficits, a growing debt problem and repeated recourse to debt relief were the main factors that led to the devaluation of the currency in the sub-Saharan Africa.

CHAPTER FIVE

DISCUSION OF FINDINGS

5.1 The impact of currency devaluation on community's living standards

The results assert that the main impact of currency devaluations was identified as unemployment, increases in the relative price of tradable and the exchange rate fluctuations on economic activity. This was supported by Dornmusch (2017) who postulated that the stability of this relationship is claimed on the basis that each country is typically small in comparison to the rest of the globe and faces fixed prices in international marketplaces, according to Dornbusch (2017).In the same view, Guitian (2015) highlighted that arbitrage and international competition ensure that the prices of traded items do not differ from international prices except in a predictable way specified by transportation costs and tariffs. Furthermore, the results were buttressed by Bai (2016) who indicated tha in the case of an unemployment surplus, for example, an expansionary policy would be required to maintain both internal and external balance. Moreso on the notion that devaluation increases comparable prices of tradable, Atiyas et al (2017) postulated that devaluation is thought to raise the relative price of tradable and this attracts productive resources to that category of commodities while simultaneously lowering demand. Non-tradable, on the other hand, are seeing a decrease in supply and an increase in demand. These forces work together to lower the excess demand for tradable, which is a symptom of external imbalance.

5.2 The challenges faced by sub-Saharan countries in relation to currency devaluations.

From these outcomes it has been noted that the main challenge faced by sub-Saharan countries in relation to currency devaluations were centred on exchange rate crisis, domestic banking system and macro-prudential and increase in the inflation rate. These results were further supported by Cavdar and Aydin (2015) who attested that the majority of major exchange rate crises linked to the international capital market have included countries that have either a fixed or non-flexible exchange rate regime. In this context, Friedman (2015) pioneered the argument for flexible exchange rates, arguing that supply or demand shocks in the currency rate will necessitate inflation adjustment between countries linked by trade. In addition, Hofmann et al., 2016) pointed out that during commodities booms, bank credit tends to expand rapidly, with banks extending credit to borrowers who are less creditworthy. A lower country risk premium and easier borrowing for local banks are generally connected with exchange rate appreciation fuelled by commodity booms. On the aspects relating to fact that currency devaluation leads to exchange rate fluctuations on economic activity, Gosh et al. (2015) discovered evidence that nations with pegged exchange rates had lower average inflation rates than countries with more flexible rates. Aghevli et al. (2015) found similar results, although they point out that many nations with pegged exchange rates have faced high inflation rates as a result of ineffective fiscal policies. In contrast, several countries with more flexible arrangements have achieved lower inflation rates by implementing cautious fiscal policies. Similarly, Siklos (2017) found that nations with fixed exchange rate regimes had higher average inflation rates than those with floating exchange rates because the regimes were not credible.

5.3 Factors that led to the devaluation of currency in the sub-Saharan Africa

In line with the results gathered, it showed that weak savings and investment, the persistence of large fiscal deficits, a growing debt problem and repeated recourse to debt relief were the main factors that led to the devaluation of the currency in sub-Saharan Africa.These results were supported by authours such as Ghura and Grennes (2015) who highlighted that following a decade of stagnation in the 1960s, the investment rate spiked in the early 1970s, only to trend downward for the next three decades. Aid inflows and foreign borrowing filled the financing gaps created by these trends, with aid flows mostly benefiting SSA nations. Foreign aid and debt relief efforts continued to fund significant fiscal deficits. Moreso, Nowak et al (2017) added that improvements in project selection and public spending management systems allowed the integration of public investment programs within a coherent financial framework. Human resource development (with an emphasis on health and education) and poverty reduction objectives were given higher priority when prioritizing government spending.

5.4 Chapter Summary

The data that was gathered was sufficient to deal with all of the research objectives. This helped to depict momentous and meaningful conclusions. The data analysis has helped to confer an outline of recommendations that were viable, especially in relation to the quantitative investigation into the long-term impacts of devaluation of currencies on sub-Saharan local communities. The following chapter will look on the summary, conclusions and recommendations.

CHAPTER SIX

SUMMARY,CONCLUSIONS AND RECOMMENDATIONS

6.0 Introduction

The chapter presented the summary of the findings, the conclusions drawn from these results and the conclusion.

6.1 Summary of the findings

6.1.1 The impact of currency devaluation on community's living standards

The results assert that the main impact of currency devaluations was identified as unemployment, increases in the relative price of tradable, and the exchange rate fluctuations on economic activity.

6.1.1.2 The challenges faced by sub-Saharan countries in relation to currency devaluations.

From these outcomes, it has been noted that the main challenge faced by sub-Saharan countries in relation to currency devaluations were centered on exchange rate crisis, domestic banking system and macro-prudential and increase in the inflation rate.

6.1.1.3 Factors that led to the devaluation of currency in the sub-Saharan Africa

In line with the results gathered, it showed that weak savings and investment, the persistence of large fiscal deficits, a growing debt problem and repeated recourse to debt relief were the main factors that led to the devaluation of the currency in sub-Saharan Africa

6.2 Conclusions

6.2.1 The impact of currency devaluation on community's living standards

Based on the results attained it can therefore be concluded that the main impact of currency devaluations were identified as unemployment, increases in the relative price of tradable, and the exchange rate fluctuations on economic activity.

6.2.2 The challenges faced by sub-Saharan countries in relation to currency devaluations.

The research concluded that the main challenge faced by sub-Saharan countries in relation to currency devaluations were centered on exchange rate crisis, domestic banking system and macro-prudential and increase in the inflation rate.

6.2.3 Factors that led to the devaluation of the currency in the sub-Saharan Africa

In line with the results gathered, the research concluded that weak savings and investment, the persistence of large fiscal deficits, a growing debt problem and repeated recourse to debt relief were the main factors that led to the devaluation of the currency in sub-Saharan Africa.

6.3 Recommendations

- In line with the conclusions drawn above the researcher recommended that correct polices that guard against the issues of unemployment and rampant increases in inflation need to be implemented effectively so as to curb these problems within the Sub-Saharan Africa.

- The researcher also recommended that effective mechanism should be put in place which help in safeguarding the increases in exchange rates within the banks. As this will help in stabilizing the trade between different stakeholders in the industry and help in improving the economic well-being of the surrounding community.

- The researcher also recommended that there is need for continuous monitoring of the main factors that contributed to the devaluation of the currency in the sub-Saharan Africa. This will help in keeping the organisation in the region abreast of the prevailing situation and corrective action will be undertaken quickly before the situation goes out of hand.

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