



Credit to Private Sector, Investor Protection, Foreign Exchange Rate, Corruption Perception and Economic Growth Nexus Among COMESA Countries

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Abstract

Economic growth has remained an elusive issue in all economies in the world for a long period of time with empirical studies about factors determining economic growth giving mixed results in different countries. Common Market of Eastern and Southern Africa (COMESA) was founded to foster and promoting joint development in all fields of economic activity and the joint adoption of macro-economic policies and programmes to raise the standard of living of its peoples among its members states. Among others, emphasis was put on mobilizing domestic financial resources, mobilizing international resources, and promoting international trade as the engine of economic growth. However, it is not clear if these policies are a panacea to economic growth issue in COMESA countries and economic growth in these countries has remained a challenging issue in all economies. This study analyzed determinants of economic growth such as investor protection, credit to private sector, foreign exchange rate, and corruption. The study concluded by expounding that an increase in credit to private sector spurs economic growth. This is because investors are willing to invest in riskier venture while encouraging safe borrowers to be more effective. A depreciation of the currency can make a country's exports cheaper and imports more expensive. The financial sector, especially in the formal sectors of the economy, is critical in channeling savings into productive investment. The banking sector is widely regarded as an important economic conduit for financial intermediation. Credit to private sector increases a country's productive capacity. The result of this research adds new knowledge by analyzing the determinants of economic growth among COMESA countries. Results enables macroeconomists, policy makers and central monetary authorities of all the nations to deeply understand the role of investor protection, credit to private sector, foreign exchange rate, and corruption to spur economic growth.

Keywords: Economic growth, Random effects model and COMESA

Suggested Citation:

Kibet, K., Cheboi, J. & Agak, T. (2022). Credit to Private Sector, Investor Protection, Foreign Exchange Rate, Corruption Perception and Economic Growth Nexus Among COMESA Countries. *Journal of Business Management and Economic Research (JOBMER)*, Vol: 6, Issue: 3, 108-122.