

CAUSAL DIRECTIONS IN THE RELATIONSHIP BETWEEN DOMESTIC CREDIT AND CHANGES IN NET FOREIGN RESERVES IN KENYA (*)

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1. Introduction

The majority of the non-oil less developed countries (LDCs) have at one time or another since the early 1970s experienced severe deficits in their balance of payments (Bop). As a consequence they were forced to reduce their foreign exchange reserves as a proportion of imports, to borrow abroad, to adopt foreign exchange controls in an attempt to reduce the volume of their imports and to apply adjustment or stabilisation policies aimed at reducing aggregate demand to the level consistent with a viable Bop position.

It is generally agreed in the literature that a major cause of these Bop disequilibria was adverse developments in the international economy beyond the control of domestic policy-makers. Such developments included the deterioration in the terms of trade mainly associated with OPEC oil price hikes and high interest rates, increased protectionism and recessions in western industrial countries. There is however less agreement on the extent to which these Bop disequilibria were also caused by expansionary fiscal and monetary policies that created an excess demand for imports and which reduced the competitiveness of exports¹.

The issue of the extent to which Bop disequilibria in non-oil LDCs are caused by internal factors largely within the control of domestic policy-makers has found its way into the analysis of Kenya's Bop performance. One group of studies argues that the flow of domestic credit has been a significant cause of changes in net foreign reserves in the country, while another group of studies assigns only a minor causal role to fiscal and monetary policies and instead argues that it is non-monetary factors which have been the overwhelming cause of changes in net foreign reserves in Kenya with the flow of domestic credit tending to respond passively to these changes. The purpose of this paper is therefore to empirically determine whether the flow of domestic credit has been a significant Granger-cause of changes in net foreign reserves in Kenya as strongly suggested by Grubel and Ryan² and King³ or whether the flow of domestic credit tend-

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We are grateful to the Canadian International Development Research Centre (IDRC) for financial assistance. 1 See M.S. Khan and M.D. Knight «Some Theoretical and Empirical Issues Relating to Economic Stabilization in Developing Countries» *World Development*, September 1982.

2 H.G. Grubel and T.C.I. Ryan, A Monetary Model of Kenya's Balance of Payments (University of Nairobi, Mimeo, 1978).

3 J.R. King, *Stabilisation Policy in an African Setting: Kenya 1963-73* (London: HEB, 1979).

ed to be Granger-caused by changes in net foreign reserves as strongly implied by Maitha et al.⁴ and Killick⁵. While adjustment to Bop deficits may be considered inevitable given the generally limited capacity of non-oil LDCs to finance them from foreign exchange reserves and from external sources, establishing their causes can help in the design of the least cost adjustment policies⁶.

The rest of the paper is organised as follows. Section 2 discusses the analytical framework used in the paper. Section 3 introduces the methodology used to detect the dominant direction of causality between flows of domestic credit and changes in net foreign reserves of the banking system in Kenya. Section 4 discusses the empirical results while Section 5 evaluates their stability. The paper concludes in Section 6.

2. The Analytical Framework

The analysis is based on the money supply identity which is derived by consolidating the balance sheets of the banking institutions in the monetary system. In this identity changes in net foreign reserves (ΔFR) can be expressed as the difference between the broad money supply (ΔMS) and the flow of domestic credit to the private sector (ΔDCP) and to the public sector (ΔDCG). It is this identity which forms the basis of the monetary theory of the balance of payments⁷. According to the theory, if a small open country maintains a fixed exchange rate and its demand for money is stable, then the flow of domestic credit is in the longrun fully offset by changes in the net foreign reserves of the banking system with the overall balance of payments reflecting disequilibrium in the demand for money relative to supply.

While the theory focuses on the longrun equilibrium, we emphasize its shortrun empirical implications which may be more important for policy formulation and in tracing

4 J.K. Maitha et al., *The Balance of Payments Adjustment Process in Developing Countries: Kenya* (University of Nairobi, Mimeo, 1978).

5 T. Killick, Kenya 1975-81, in T. Killick (ed), *The IMF and Stabilisation: Developing Country Experiences* (London: HEB, 1984).

6 See G. Bird, *Balance of Payments Policy in Developing Countries*, in T. Killick (ed), *The Quest for Economic Stabilization: The IMF and the Third World* (London: HEB, 1984).

7 For good applications of this theory, see J.A. Frenkel and H.J. Johnson (eds) *The Monetary Approach to Balance of Payments* (Toronto, University of Toronto Press, 1976), and IMF, *The Monetary Approach to the Balance of Payments* (Washington D.C., 1977).

the time path of the Bop adjustment process than the longrun results achieved when the economy is in equilibrium. Due to the inherent instability of many LDCs economies⁸ such equilibrium is perhaps rarely attained in practice. In the shortrun, changes in availability and terms of credit may influence the demand for money so that the offset relationship is not significant. The flow of credit may also endogenously reflect changes in the net foreign reserves so that the monetary theory becomes misspecified.

The monetary theory of the balance of payments has been extensively tested for developed countries with studies mainly pertaining to the Bretton Woods fixed exchange rate regime which collapsed in the early 1970s⁹. The theory was explicitly tested for Kenya by Grubel and Ryan¹⁰ using annual data for the 1967-78 period¹¹. They found the offset coefficient significantly different from zero and not significantly different from unity so that the theory was apparently validated for Kenya. The model also explained a large proportion of the variation in net foreign reserves ($R^2 = 0.95$) to imply that the overall balance of payments in Kenya was essentially determined by monetary factors. They found these results surprising in that Kenya did not fulfil some of the assumptions of the monetary theory of the balance of payments. For example, the domestic currency was devalued several times and the country had foreign exchange controls on the current and capital accounts in the period of analysis. King¹² also contrasted the Keynesian IS-LM model with the Polak model over the 1967-73 period and found that the Polak model simulated Bop changes in Kenya better and quite well.

The conclusions of these monetarist studies that Bop changes in Kenya are mainly caused by monetary factors largely within the control of domestic policy-makers diametrically contrast with the conclusions reached by Maitha et al¹³ who explained the Bop perfor-

8 See B. Leff and K. Sato, «Macroeconomic Adjustment in Developing Countries: Instability, Shortrun Growth and External Dependency. *The Review of Economics and Statistics*», May 1980.

9 A good review of this empirical literature is to be found in M.E. Kreinin and L.H. Officer, *The Monetary Approach to the Balance of Payments: A Survey* (Princeton Studies in International Finance No. 43, 1978).

10 Op. cit.

11 They fitted this equation to Kenyan data.

$$\frac{R}{H} gR = a_0 + a_1 gP + a_2 gY + a_3 SE + a_4 \frac{D}{H} gD$$

where R is the net foreign reserves, H is high-powered money, P is the price level, Y is the national income, SE is the Nairobi stock exchange index (a proxy for the rate of interest), D is the domestic component of high-powered money and g is the growth operator.

12 Op. cit.

13 Op. cit.

mance in Kenya in the same period mainly by such non-monetary factors as the terms of trade, weather conditions, and the structural characteristics of the economy largely beyond the control of domestic policy-makers.

In another study Killick¹⁴ criticizes monetarist studies in general and those on Kenya in particular on the basis of (i) the models used and the robustness and stability of the derived results (ii) the failure to take into account the «real» forces that underly the flow of domestic credit in the economy and (iii) the policy applicability of the results.

In our view an important way in which the two groups differ is the posture they take about the dominant direction of causality between the flow of domestic credit and changes in net foreign reserves. The monetarist studies rely on historiography to argue that the dominant causality is from the flow of domestic credit to the overall balance of payments. They further postulate that there are no significant feedback effects so that domestic credit can be controlled by the monetary authorities independently of these effects.

On the other hand, the non-monetarist studies on Kenya do not address themselves directly to the issue of causality so that in principle any of the several causal orderings could be dominant. If however the flow of domestic credit reflects «real» factors one such factor is the availability of foreign reserves given that a large proportion of domestic credit to the private sector is used to finance imports. The overall balance of payments also increases the monetary base so that causality is likely to be from changes in net foreign reserves to the flow of domestic credit. It will also run from the overall balance of payments to the flow of domestic credit if the monetary authorities sterilize the financial effects caused by changes in net foreign reserves and if the availability of foreign reserves significantly influences their propensity to relax or stiffen credit controls. The non-monetarist studies therefore postulate that there are strong feedback effects so that domestic credit cannot be treated as an exogenous variable under the independent control of the monetary authorities. The presence of strong feedback effects also implies that the econometric results of the monetarist studies suffer from simultaneous equation bias and cannot be taken seriously in policy formulation.

In the next section, we introduce the methodology used in testing the dominant direction of causality between the flow of domestic credit and changes in the net foreign reserves in Kenya.

14 Op. cit.

3. Tests of Causality

The paper uses the Granger-Sims methodology for detecting causality in temporal data systems. According to the Granger¹⁵ definition of causality, a variable X «causes» Y in the «proper» sense relative to a given information set if past Xs are significant in explaining Y when past Ys are included as explanatory variables of present Y in a regression model. This definition does not conform to the conventional understanding of the term but it offers a concept of causality that is empirically testable. The «direct» Granger method has advantages over the alternative Sims¹⁶ method in that it is parsimonious with data and easier to implement. Guilky and Salemi¹⁷ also found the «direct» Granger method performed better than the included Simsonian methods in showing the true directional relationships in small samples in a Monte Carlo study. The following equations are therefore fitted to quarterly data for the 1970 II - 1985 IV period¹⁸. It is assumed that the temporal effects take at least one quarter and at most two years to significantly manifest themselves¹⁹.

$$\Delta FR(t) = a_0 + \sum_{j=1}^8 a_{1j} \Delta FR(t-j) + \sum_{j=1}^8 a_{2j} \Delta DC(t-j) + a_3 \Delta TOT + a_4 TIME + \sum_{j=1}^3 a_{5j} SD_j + U(t) \quad (2)$$

$$\Delta DC(t) = b_0 + \sum_{j=1}^8 b_{1j} \Delta DC(t-j) + \sum_{j=1}^8 b_{2j} \Delta FR(t-j) + b_3 TIME + \sum_{j=1}^3 b_{4j} SD_j + V(t) \quad (3)$$

where DC is total domestic credit or one of its two components, TOT is terms -of-trade²⁰, TIME is the time trend variable, SD are seasonal dummies and U (t) and V (t)

15 C.W.J. Granger, «Investigating Causal Relations by Econometric Methods and Cross-Spectral Methods», *Econometrica*, July 1969.

16 C.A. Sims, «Money, Income and Causality», *American Economic Review*, September 1972.

17 D. Guilky and M.K. Salemi, «Small Sample Properties of Three Tests for Granger-causal Ordering in a Bivariate Stochastic System», *Review of Economics and Statistics*, November 1982.

18 The source of data is the Central Bank of Kenya's *Financial and Economic Review*.

19 Longer lags could not be used because of the need to preserve degrees of freedom.

20 There was no compelling theoretical reason to include ΔTOT in equation (3). Including the term had no significant effect on the results.

are mutually uncorrelated «white noise» residuals. TIME and the SD variables capture the secular growth and the seasonal changes in the demand for money, credit, and the foreign-reserves earning capacity brought about, for example, by the monetization of the economy. Terms-of-trade capture the shortrun impact of external shocks on the demand for money, credit and the overall balance of payments.

The null hypothesis that ΔDC does not Granger-cause ΔFR is then rejected if $a_{2j} \neq 0$ for all j while the null hypothesis that ΔFR does not Granger-cause ΔDC is rejected if $b_{2j} \neq 0$ for all j . ΔFR and ΔDC feedback on one another if both $a_{2j} \neq 0$ and $b_{2j} \neq 0$ for all j . They are independent of one another if $a_{2j} = b_{2j} = 0$ for all j .

The joint significance of the coefficients in Equations (2) and (3) was evaluated by the F-test with the equations fitted first in the constrained form with $a_{2j} = b_{2j} = 0$ for all j and then in the non-constrained form. The F-statistic was then calculated in the usual way as:

$$F(J, DF) = \frac{(E SS_c - ESS_{nc})/J}{ESS_{nc}/DF}$$

where ESS_c and ESS_{nc} are the sums of squared residuals in the constrained and non-constrained equations respectively, J is 8 and DF is the degrees of freedom in the non-constrained equation.

In the interpretation of the «direct» Granger method²¹ the lagged dependent variables are counted on to produce the «white noise» residuals. First-order serial correlation in the estimated equations was tested by the Durbin²² method which was developed to analyse equations with lagged dependent variables.

The following equations were estimated:

$$U(t) = c_0 + c_1 U(t-1) + \sum_{j=1}^8 c_2 \Delta FR(t-j) + e(t) \quad (4)$$

$$V(t) = d_0 + d_1 V(t-1) + \sum_{j=1}^8 d_2 \Delta DC(t-j) + s(t) \quad (5)$$

where $U(t)$ and $V(t)$ are the residuals when equations (2) and (3) are fitted in the con-

21 See, for example, D.A. Pierce and L.D. Haugh, «Causality in Temporal Systems», *Journal of Econometrics*, 1977, p. 265-293 and Guilky and Salemi, op. cit.

22 J. Durbin, «Testing for Serial Correlation in Least Squares when some of the Regressors are Lagged Dependent Variables», *Econometrica*, May 1970.

strained form. The null hypothesis that first-order serial correlation is present in equations (2) and (3) was rejected with c_1 and d_1 insignificant at even the 20% level. It was therefore not necessary to «prewhiten» the data further, for example, by running them through a causality-preserving filter.

The results are discussed in the next section.

4. The Causality Results

A summary of the regression results are presented in Table 1. Adopting a significance cutoff of 10% they indicate the following:

- (i) The flow of domestic credit to the private sector (ΔDCP) had a significant negative impact on the net foreign reserves (ΔFR) of the banking system in the 1970 II - 85 IV period as predicted by the monetary theory of the balance of payments. However, changes in net foreign reserves had a significant positive impact on the flow of credit to the private sector so that the monetary authorities did not successfully manipulate

Table 1

RESULTS OF TESTS OF CAUSALITY BETWEEN THE FLOW OF DOMESTIC CREDIT TO THE PRIVATE SECTOR (ΔDCP), DOMESTIC CREDIT TO THE PUBLIC SECTOR (ΔDCG), TOTAL DOMESTIC CREDIT (ΔTDC) AND CHANGES IN NET FOREIGN RESERVES (ΔFR) IN KENYA

Direction of Causality 1970 II - 1985 IV	R ²		Dw Stat		T-Stat Durbin Test	ESS		F-Stat	Pattern of Causality ^b
	C	NC	C	NC		C	NC		
1(a) ΔDCP to ΔFR	0.387	0.599	2.0915	2.0091	0.22*	12,581,288	8,209,700	2.73**	Negative
(b) ΔFR to ΔDCP	0.346	0.580	2.0185	1.9120	1.13	3,385,993	2,174,993	2.92**	Positive
2(a) ΔDCG to ΔFR	0.387	0.581	2.0915	2.2767	0.22*	12,581,288	8,567,429	2.40**	Negative
(b) ΔFR to ΔDCG	0.476	0.632	1.9400	2.1221	0.82	19,715,276	13,826,187	2.24**	Negative
3(a) ΔTDC to ΔFR	0.387	0.636	2.0915	2.1766	0.22*	12,531,288	7,441,210	3.51***	Negative
(b) ΔFR to ΔTDC	0.499	0.585	1.9204	1.9243	0.02	22,126,242	18,319,563	1.09	Positive/ Negative

Key: C - Constrained equation

NC - Non-constrained equation

*** - Significant at 1% level

** - Significant at 5% level

* - Significant at 10% level

a. These are from previous equations which did not have the ΔTOT variable

b. Except where the pattern of causality is unambiguous from the results (1b and 2b) the indicated pattern is the one expected from the discussion in the paper.

this component of domestic credit to sterilize the impact of changes in foreign reserves on the money supply. The results suggest that there were self-correcting credit cycles in the country. An expansion in the flow of domestic credit to the private sector significantly reduced net foreign reserves which significantly reduced the flow of credit to the private sector which significantly expanded foreign reserves which significantly expanded the flow of credit to the private sector etc. One cannot however tell the extent to which this process was automatic or a product of discretionary policies.

- (ii) The flow of domestic credit to the public sector (ΔDCG) had a significant negative impact on net foreign reserves (ΔFR) of the banking systems in the 1970 II - 85 IV period. However, changes in net foreign reserves had a significant negative impact on the flow of domestic credit to the public sector perhaps because changes in reserves were positively related to the level of economic activity, imports, and tax revenue and therefore negatively related to the public sector's borrowing requirements. The results suggest that there were unstable dynamics in the relationship between the two variables similar to those purported by Aghelvi and Khan²³ between fiscal deficits and inflationary pressures in LDCs. An expansion in the flow of credit to the public sector significantly reduced foreign exchange reserves which significantly increased the flow of credit to the public sector and so on in a self-perpetuating cycle. Such dynamics would inevitably lead to a crowding-out of domestic credit to the private sector and inflation unless halted by discretionary policies.
- (iii) The flow of domestic credit to the private and public sectors reinforced one another to impose a significant negative impact on the net foreign reserves of the banking system in the 1970 II - 85 IV period. However, they counteracted one another to make the impact of changes in net foreign reserves on the flow of total credit in the economy insignificant. These results therefore tend to support the conclusions of the monetarist studies of the Kenya balance of payments²⁴. This outcome is all

23 B.B. Aghelvi and M.S. Kahn, «Government Deficits and the Inflationary Process in Developing Countries», *IMF Staff Papers*, September 1978.

24 To get an indication of the size of these offset effects, the following reserves flow equation was fitted to annual data for the 1967-85 period by ordinary least squares method (t-values are in brackets)

$$\Delta FR = -2108.79 + 2.53y + 3.43\pi + 49.36 \Delta TOT$$

$$(1.51) \quad (1.89) \quad (0.12) \quad (3.76)$$

$$-0.60 \Delta TDC$$

$$(3.53)$$

$$R^2 = 0.8$$

$$Dw = 2.091$$

$$DF = 14$$

where y is real income and π is inflation as measured from the low income Nairobi CPI. Thus about 60% of the total flow of domestic credit was offset by changes in foreign exchange reserve. As postulated by monetary theory, the coefficients of y and π are positive.

the more significant because domestic credit includes not only that component issued by the central bank but also the other component issued by the commercial banks. The outcome implies that changes in reserves had no significant impact on credit creation in the economy by commercial banks due to the counteracting changes in the monetary base produced by the public sector borrowing²⁵.

In the next section, the stability of these results is evaluated.

5. The Stability of the Empirical Results

As the results in Table 2 clearly illustrate, the above causality results are not stable. The results for the 1973 I - 1982 IV period, for example, indicate that while the flow of credit to the private sector had a 10% statistically significant negative impact on net foreign reserves, the feedback effects were statistically significant at the 1% level so that it may be safe to infer that it is the latter which dominated as argued by the non-monetarist studies of Kenya's balance of payments. However the flow of credit to the private and public sectors reinforced one another to make the offset relationship highly significant while they counteracted one another to radically reduce the statistical significance of the feedback effects.

In contrast, the causality results for the 1976 I - 1985 IV period in Table 2 show that there was no significant relationship between the variables in the analysis.

Apparently external borrowing and the adjustment policies carried out in the first half of the 1980s such as the introduction of a crawling peg exchange rate regime had broken the linkage between these variables. And as the results in Table 3 show, this took place without a substantial change in the degree of correlation between the variables, clearly indicating the danger of interpreting association as causation in analysing the relationships between the flows of domestic credit and changes in reserves. Such a danger can be reduced by first establishing the presence and direction of causality before estimating econometric models that use contemporaneous data from accounting identities.

25 A possible criticism of these causality results is that they may be spurious due to the influence of real variables omitted from the analysis which affect domestic credit earlier than they do net foreign reserve. This true of political factors which may for instance induce the fiscal/monetary authorities to incur large deficits and to borrow heavily from the banking system. However, while these factors may be regarded as the ultimate cause of changes in net foreign reserves, a more useful way of analysing the problem is to lay responsibility to the fiscal/monetary authorities for not resisting such destabilising pressures.

Table 2

RESULTS OF CAUSALITY BETWEEN THE FLOW OF DOMESTIC CREDIT TO THE PRIVATE SECTOR (Δ DCP), DOMESTIC CREDIT TO THE PUBLIC SECTOR (Δ DCG), TOTAL DOMESTIC CREDIT (Δ TDC) AND CHANGES IN NET FOREIGN RESERVES (Δ FR) IN KENYA

Direction of Causality	1973 I - 1982 IV			1976 I - 1985 IV		
	ESS		F Stat	ESS		F Stat
	C	NC		C	NC	
1(a) Δ DCP to Δ FR	6,099,390	3,030,538	2.28*	11,768,351	6,495,602	1.83
(b) Δ FR to Δ DCP	1,917,669	578,542	5.50***	3,023,584	1,644,283	1.99
2(a) Δ DCG to Δ FR	6,099,390	3,832,274	1.33	11,768,351	7,637,986	1.22
(b) Δ FR to Δ DCG	5,416,524	4,000,712	0.84	18,190,837	11,953,469	1.24
3(a) Δ TDC to Δ FR	6,099,390	2,131,097	4.19***	11,768,355	6,456,113	1.85
(b) Δ FR to Δ TDC	6,898,967	3,928,270	1.80	20,660,085	15,548,204	0.78

*** Significant at 1% level

** Significant at 5% level

* Significant at 10% level

Table 3

CORRELATION COEFFICIENTS BETWEEN THE FLOW OF DOMESTIC CREDIT TO THE PRIVATE SECTOR (Δ DCP), DOMESTIC CREDIT TO THE PUBLIC SECTOR (Δ DCG), TOTAL DOMESTIC CREDIT (Δ TDC) AND CHANGES IN NET FOREIGN RESERVES (Δ FR)

	1973 - 1982 IV				1976 I - 1985 IV				1970 II - 1985 IV			
	Δ FR	Δ DCP	Δ DCG	Δ TDC	Δ FR	Δ DCP	Δ G	Δ TDC	Δ FR	Δ DCP	Δ DCG	Δ TDC
Δ FR	1.000	-0.172	-0.519	-0.587	1.000	-0.217	-0.629	-0.660	1.000	-0.212	-0.609	-0.634
Δ DCP	-0.172	1.000	-0.195	-0.217	-0.217	1.000	0.030	0.329	-0.212	1.000	0.051	0.389
Δ DCG	-0.519	-0.195	1.000	0.915	-0.629	0.030	1.000	0.954	-0.609	0.051	1.000	0.940
Δ TDC	-0.587	0.217	0.915	1.000	-0.660	0.329	0.954	1.000	-0.634	0.389	0.940	1.000

6. Conclusions

The purpose of this paper was to test whether domestic monetary changes tend to be a significant Granger-cause of the overall balance of payments in Kenya as strongly suggested by one group of studies or whether monetary changes were essentially passive so that they tended to be Granger-caused by the overall balance of payments in the country as implied by another group of studies. The paper uses the Granger-Sims methodology to detect directions of causality. The results show that the flow of total domestic credit was a significant Granger-cause of changes in net foreign reserves in the 1970 II - 1985 IV period without significant feedback effects, apparently supporting the monetarist studies of Kenya's balance of payments. However, these results were not stable so that they cannot be generalised to other periods or subperiods, even when the exchange rate is pegged. The results clearly suggest the need to adopt an eclectic approach to analysing balance of payments in LDCs which incorporates both monetary and non-monetary factors as determinants.

Abstract

The majority of non-oil less developed countries have at one time or another since the early 1970s experienced severe deficits in their balance of payments (Bop). While economists generally agree that a major cause of these Bop disequilibria was adverse developments in the international economy mainly associated with the OPEC oil price hikes, there is less agreement on the extent to which the Bop disequilibria were caused by too expansionary fiscal and monetary policies pursued by the domestic policy-makers.

This issue of the extent to which Bop disequilibria in non-oil LDCs have been caused by internal factors largely within the control of domestic policy-makers has found its way into the analysis of Kenya's Bop performance. Monetarist studies argue that the flow of domestic credit has been a significant cause of changes in net foreign reserves in the country while nonmonetarist studies assign only a minor causal role to expansionary fiscal and monetary policies and instead argue that the flow of domestic credit tended to respond passively to Bop changes in the country.

This paper therefore tests whether the flow of domestic credit has been a significant Granger-cause of changes in net foreign reserves in Kenya as argued by the monetarist studies on Kenya's Bop performance or the vice-versa as argued by the nonmonetarist studies on Kenya's Bop performance.

The results in the paper show that the flow of domestic credit was a significant Granger-cause of changes in the net foreign reserves in Kenya in the 1970 II - 1985 IV period. There was no significant feedback effects so that the results apparently support the monetarist studies. However, the results are not stable so that they cannot be generalised to other periods or subperiods in the country even when the exchange rate is pegged.

EXPANSION DU CRÉDIT ET RÉSERVES DE CHANGE AU KÉNYA: UNE ANALYSE DES RAPPORTS RÉCIPROQUES

RESUME

La majorité des pays en voie de développement non producteurs de pétrole a enregistré depuis le début des années 70 des déficits importants de leur balance des paiements (BdP). En général, les économistes sont d'accord pour expliquer ces déficits par des causes d'ordre international. Parmi ces causes la montée des prix des produits énergétiques se place en tout premier lieu. L'accord est beaucoup moins unanime en ce qui concerne les facteurs de nature interne c'est-à-dire l'adoption par les pouvoirs publics de politiques monétaires et fiscales excessivement expansionnistes.

Dans l'expérience des déficits de la balance des paiements du Kenya le problème précédent est très aigu: il faut déterminer si la cause des déséquilibres externes peut être recherchée dans des facteurs internes largement contrôlés par les pouvoirs publics nationaux. L'école monétariste pense que l'expansion du crédit interne a été un facteur significatif de la variation des réserves de change dans le pays considéré. Conclusions différentes pour les analyses non-monétaristes: les politiques fiscales et monétaires ont un rôle tout à fait secondaire tandis que le crédit interne réagit de façon passive à la variation du solde de la balance des paiements.

Cet article essaie de déterminer à l'aide de la méthode Granger si la variation des réserves nettes de change au Kenya est due au crédit interne (hypothèse monétariste) ou bien si le solde de la balance des paiements du Kenya a déterminé le montant du crédit interne (hypothèse non monétariste).

Se basant sur le test de Granger, on a pu démontrer que pour la période 1970 (II) - 1985 (IV) le crédit interne a été un facteur déterminant de la variation des réserves nettes de change. On n'a pas pu constater des effets de retour (de la balance des paiements au crédit interne) de façon que l'hypothèse monétariste puisse être confirmée. Toutefois les résultats ne sont pas tout à fait stables et ne peuvent donc pas être généralisés à d'autres périodes ou souspériodes dans le pays considéré lorsque le taux de change est fixe.

