

REVIEWER'S REPORT

Manuscript No.: **IJAR-52517**

Date: 28.06.2025

Title: Analyzing the Effectiveness of Monetary Policy Transmission Mechanism in Ethiopia: A VAR Model Approach

Recommendation:

Accept as it is

Accept after minor revision: **Avoid redundancy**

& overly complex sentences:.....

Accept after major revision

Do not accept (*Reasons below*)

Rating	Excel.	Good	Fair	Poor
Originality	✓			
Techn. Quality		✓		
Clarity	✓			
Significance		✓		

Reviewer Name: Dr. Suvarna raagavendaran

Date: 28.06.2025

Reviewer's Comment for Publication.

(To be published with the manuscript in the journal)

The reviewer is requested to provide a brief comment (3-4 lines) highlighting the significance, strengths, or key insights of the manuscript. This comment will be Displayed in the journal publication alongside with the reviewers name.

The article titled "*Analyzing the Effectiveness of Monetary Policy Transmission Mechanism in Ethiopia: A VAR Model Approach*" offers a valuable empirical investigation into how monetary variables like CPI, M2, and RIR influence GDP in Ethiopia using annual data from 1995 to 2024 and a VAR modeling framework. The study is grounded in relevant economic theory and well-supported by citations such as Sims (1980), Mishchenko et al. (2021), and Bekele (2024), providing a strong academic foundation. The introduction clearly outlines the theoretical background of monetary transmission mechanisms, though it contains minor grammatical issues and some repetitive phrasing that could be streamlined. The statement of the problem is contextually relevant but is at times difficult to follow due to awkward sentence construction and needs better articulation of Ethiopia-specific challenges. The methodology section is technically sound, applying the ADF and PP tests correctly, and VAR model specification is well explained, though simplification would aid reader comprehension. The empirical findings are robust, revealing that while lagged GDP significantly affects current GDP, monetary variables like CPI, M2, and RIR show weak or insignificant short-term effects. The Johansen co-integration test indicates no strong long-term equilibrium relationship among variables at the 5% level, aligning with the study's cautious stance on the effectiveness of monetary policy in the short run. Diagnostic tests confirm the model's

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stability and low autocorrelation, though normality assumptions are only partially satisfied. The forecast for GDP is credible and supported by clear visualizations, though the discussion on policy implications could be more nuanced. The conclusion and recommendations appropriately highlight the limited impact of monetary tools and stress the need for structural reforms in Ethiopia, while the references are relevant but inconsistently formatted. Overall, the paper is insightful and policy-relevant, but it requires **minor revisions** in grammar, clarity, and formatting to enhance its readability and academic precision.