Abstract: The effectiveness of monetary policy depends on the adjustment response of Central Banks short-term interest rate on the real interest rates charged by commercial banks and ultimately on macroeconomic indicators of investment and consumption in the economy. Thus, the extent of interest rate pass-through largely depends on how effective the process of financial intermediation works and to what extent individual bank characteristics influence or hinder a perfect adjustment of product rates based on market conditions. The study examines the speed and completeness of pass-through from policy rates to retail bank rates and the effectiveness of monetary policy stance in influencing macroeconomic policy targets using a co-integration analysis based on Johansen and Juselius maximum likelihood and Engle-Granger two step procedures for the period 1970–2011. The VAR based Error Correction Model (ECM) and the Mean Adjustment Lag (MAL) was used to determine the short run estimates and asymmetric behavior respectively. The study found an evidence of downward stickiness both in the short-run and long-run policy pass-through to the retail bank rates. In order to ensure robustness of the result, the Impulse Response Function (IRF) and Variance Decomposition (VD) analysis were conducted and similar slow and sluggish pass-through was obtained. The study as well, found pass-through from policy rate to macroeconomic variables to exhibit extremely rigid immediate responses.