Commercial Bank Credit Availability to Small and Medium Scale Enterprises (SMEs) in Nigeria

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***Abstract*—T**his paper examines the relationship between commercial bank credits indicators and availability of credit facility to small and medium scale enterprises in Nigeria. Data were collated from theCentral Bank of Nigeria (CBN)Statistical Bulleting for a period 31 years (1980 to 2010).

The estimated Augmented Dickey-Fuller (ADF) unit-root testas used to test for stationary. the generalized least squares estimation technique was used to test the hypothesis stated and standard regression secondly.The result showed that commercial banks' credit to SMEs have significant effect on Nigeria economic growth by positively affecting gross domestic product. This also implies that SMEs financing is a great catalyst and a driving force for economic growth in Nigeria.

It is recommended that soft and short term loans should be made available SMEs for business enhancement.

***Keywords*—**SMEs development, SMEs, Commercial Banks, Credit facility.

I. Introduction

THE role of commercial bank credit is very important in the development of entrepreneurship and Small and Medium Scale Enterprises (SMEs). There is no also generally accepted definition of entrepreneurship (OECD, 1998a; Van Praag, 1999; Bull and Willard, 1993). As indicated by Drucker (2005), the definition of entrepreneurship spills over into many areas in literature. Herbert and Link (1989) observe that an entrepreneur encompasses various functions.

However, this paper adopts the definition given by (Somoye, 2011, p. 9)as "an act of possessing an inclination for self-development, ability to innovate, nurtures an enterprise and having means of and access to finance in both formal and informal financial sub-sectors to achieve a successful investment towards sustainable economic growth"(Somoye, 2011, p. 9).

In Nigeria, the level of finance for entrepreneurship is one of the lowest in the world (Vision, 2020, 2009). However, while the World Bank (2010) report indicates that Nigeriaits financial system is highly capitalized and vibrant, her contribution to entrepreneurship and MSMEs sector is only about 1.6% of the total loans and advances to the private sector as of 2009 (CBN, 2009). Nigeria MSMEs are estimated to contribute 10% of theemployment level in Nigeria well below that of the UK 54%; USA 50.3%; Bangladesh 80%; India 80%; Belgium 66.6%; South Africa 60%; Malaysia 57.7%, Ireland 66.5% and China 58.8% (Vision, 2020, 2009).

The Manufacturing (including Micro, Small and Medium Enterprises) sector is acknowledged to have huge potential for employment generation and wealth creation in any economy. Yet in Nigeria, the sector has stagnated and remains relatively small in terms of its contribution to GDP or to gainful employment. Activity mix in the sector is also quite limited–dominated by import dependent processes and factors. Although there is no reliable data, imprecise indicators show that capacity utilization in the sector has improved perceptibly in the period since 1999, but the sector is still faced with a number of constraints with lack of credit availability as the principal constraint. Credit is the largest element of risk in the books of most banks and failures in the management of credit risk, by weakening individual banks and in some cases the banking system as a whole, have contributed, to many episodes of financial instability. A greater understanding of the nature of credit risk, leading to improved measurement and management, would help to strengthen the financial system vis-à-vis the small and medium enterprises in the long-run. An increasing amount of research on credit risk is being carried out within financial firms, central banks, regulators and universities.

A major characteristic of small and medium enterprises (SMEs) worldwide is that they are generally managed by their owners either as sole proprietorship or partnership (Adamu, 2005).

Commercial bank credits play a crucial role in the development of an economy. Reference contends that bank credits influence positively the level of economic activities in any country. It influences what is to be produced, who produces it, and how much is to be produced.(souc)

(CBN, 1992), postulates that credit is the money that banks give out as loans and advances with future date of repayment. An important role of banks is to design ways of providing loans to informational opaque small business.The Central Bank of Nigeria (CBN) Prudential Guidelines of 1990

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however provides a wider definition of credit, and this includes aggregate of all loans, advances, overdrafts, bills discounted banks guarantees, banks acceptances, commercial papers, leases and indemnities.

(Essang, S. M. &Olajide, S. O., 1974), identified bank as a monetary institution owned by either government or private businessmen for the purpose of profit making. In pursuit of this profit, the commercial banks perform a number of functions. One of these functions is the acceptance of deposits from the public. These deposits are in turn given as credit to Small and Medium Scale Enterprises among other, which led to more production and provision of employment opportunities in the economy.

(Ezekie, E.1997; Ijaiya, G &Abdulraheem, A.2000; Ijaiya, M. 2003, Stephen, N &Osagie, E.1985)

II. The Pitfalls Of Credit Guarantees

There is moral hazard at the borrower and financial service provider levels: The existence of guarantee systems reduces the willingness of end borrowers to service their loan obligations. A similar moral hazard may exist for a financial service provider with guarantee cover for its portfolio, as the existence of a guarantee system may reduce the financial service provider's efforts to supervise and eventually enforce loan repayments from its borrowers. In practice however, lending banks consider the reputational losses that this would bring. From the borrower's point of view, the massive increase in credit information databases makes it increasingly difficult for a loan defaulter to obtain future loans, irrespective of whether or not the defaulted loan has guarantee cover.

(Rauno, Z, Calvin.M,&Nomathemba.M. 2013).

Rural development is highly essential for an economy aiming at economic prosperity. This will reduce congestion in the urban sector of the economy which in turn gives road to full employment of resources. Moreover, not all contributions in terms of deposits in bank are used for the development of rural sector, hence, this study investigates whether contributions of rural dwellers in financial institution in Nigeria serve as crowd-in effect or crowd-out effect on the living standard of people residing in the area. This study covers a period of 1980 to 2010.

III. Literature Review

Gibson (2008) evaluates the challenges faced by African commercial banks in providing adequate funding to SMEs and proffers strategies for increasing SMEs' access to risk capital. The findings show that shareholder loans, as opposed to pure equity, reduce investors' risk and increase their current income. Risk capital intermediaries may capitalize their funds using diverse financial instruments which reflect investors' differing return objectives. Governments can initiate tax incentives programs to increase private sector participation in SME risk capital. The implication is that increasing the availability of non-asset-based financing is critical to viability of Africa's SME sector and contribution to the continent's economic growth. Hoff et al. (2007) examine the environment of financing for sustainable SMEs andidentifies key challenges and solutions forsustainable enterprise finance sector.

Given the prominent role played by the SMEs sector in nation building, plethora of studies have assessed the performance of the sector in the light of the various policies and programs adopted to stimulate the growth of the sector.

Aremu and Adeyemi (2011) examined the role of small and medium scale enterprises as a survival strategy for employment generation in Nigeria. The study observed that the SME sector is the main driving force behind job creation, poverty reduction, wealth creation, income distribution and reduction in incomedisparities in Nigeria and that most of the government interventions failed to create a much needed transformation due to poor coordination and monitoring and policy inconsistencies.

The Small and medium–scale Enterprise (SMEs) have been at the fore-front of economic development especially the developing nations. The provision of employments in the public and private sectors are insufficient. Hence, there is need for SMEs to augment the low rate of employment existing currently. Small and Medium-Scale Enterprises possess qualities peculiar to themselves and rarely found in other forms of business ownerships.

A major characteristic of Nigeria's SMEs relates to ownership structure or base, which largely revolves around a key man or family. Hence, a preponderance of the SMEs is either sole proprietorships or partnerships. Even where the registration status is thus that of a Limited Liability Company, the time ownership structure is that of a one-man, family or partnership business. Other common features of Nigeria's SMEs include the following among others:-Labour-intensive production processes; Concentration of Management on the key man; Limited access to Long Term Funds; High cost of funds as a result of high interest rates and bank charges; Over-dependence on imported raw materials and spare parts; Poor intra and inter-sectorial linkages – hence, they hardly enjoy economies of scale benefits (Ngwu, 2005).

Although, the federal government instituted various measures to develop the economy and fight poverty through the small scale businesses (FGN, 2003), the initiatives involved the collaboration of Federal Ministry of Finance Incorporated (MOFI) and theCentral Bank of Nigeria (CBN) through the establishment of specialized institutions and programmes like Nigerian Agricultural and Cooperative Banks (NACB), National Economic Reconstruction Fund (NERFUND); Bank of Commerce and Industry; People Bank of Nigeria PBN), Community Bank (CBs); Nigerian Agricultural Credit Guarantee Scheme and recently National Poverty Eradication Programme (NAPEP) Adamu, 2004).

However, government recognized the need to encourage the small enterprises through the provision of credit and this informed policy reforms that brought about Micro-finance banks that the federal government of Nigeria introduced during the Obasanjo regime and it became operational in 2005.

Ogunsiji and Ladamu (2010) argued that entrepreneurial orientation is the panacea to the ebbing productivity. They opined that in Nigeria, there is need for a non-stop growth, harmonious and balanced blend of resources with the other engines of growth. Each of these engines of growth like people, market, capital, technology and organization can only flower and blossom fully where the efficacy of entrepreneurial orientation is appreciated and implemented.

Aremu and Adeyemi (2011) claimed that their findings have shown that most SMEs particularly in Nigeria die within their first five years of existence. It was also revealed that smaller percentage goes into extinction between the sixth and tenth year while only about five to ten percent of young companies survive, thrive and grow to maturity. Many factors have been identified as likely contributing factors to the premature death. They include insufficient capital, lack of focus, inadequate market research, over-concentration on one or two markets for finished products, lack of succession plan, inexperience, lack of proper book keeping, irregular power supply, infrastructural inadequacies (water, roads etc), lack of proper records or lack of any records at all, inability to separate business and family or personal finances, lack of business strategy, inability to distinguish between revenue and profit, inability to procure the right plant and machinery, inability to engage or employ the right caliber staff, cut-throat competition (Basil, 2005:34).

Chidi and Shadare (2011), investigated the challenges confronting human capital development in small and medium-sized enterprises (SMEs) in Nigeria. It was found that human capital development in Nigerian SMEs leaves much to be desired. They recommended the need to address the issues of human capital development in SMEs and for SMEs to embrace the investor in people criteria if the desired corporate and national goals are to be realized.

Looking at relationship that exists between the SMEs and Nigerian financial system reveals clearly an apathy that is directed towards small businesses by financial system and resentment on the part of the SMEs towards the financial system (FS). This is despite the numerous government established developmental programs such as Mandatory Credit Guideline (1970),Small Scale Industries Credit Guarantee Scheme (1971, Agricultural Credit Guarantee Scheme (1973), Nigeria Agriculture and Co-operative Bank (1973.Nigerian Bank for Commerce and Industry (1973), Rural Banking Scheme (1977), African Development Bank Export Stimulation Loan Scheme (ADB-ESL) in 1988. The World Bank Assisted SME I (1985) and the World Bank Assisted SME II (1990). Second Tier Security Market (1985).Peoples Bank (1989), National Economic Reconstruction Fund (1992), Small and Medium Scale Enterprises Loan Scheme (1992), Family Economic Advancement Program (1997). Bank of Industry (BOI) - being merger of NIDB, NBCI and NERFUND) in 2001, Nigerian Agricultural Co-operative and Rural Development Bank (NACRDB) - being merger of NACB, Peoples Bank and Family Economic Advancement Program (FEAP) in 2002; and Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) in 2004.

TABLE I
RATIO OF LOANS TO SME'S BY COMMERCIAL BANK (N = MILLION)

YEAR	Commercial Banks Loans to SME'S (₦: M)	Commercial Banks Total Credit (₦:M)	Commercial Banks Loans to SMEs as percentage of Total Credit (%)
1980	6,344.00	102.00	1.50
1981	8,604.80	185.00	2.10
1982	10,277.00	206.70	2.00
1983	11,100.00	351.30	3.20
1984	11,550.00	705.70	6.10
1985	12,170.30	972.20	8.00
1986	15,701.00	3,587.30	9.30
1987	17,531.00	1,445.30	20.46
1988	24,602.30	5,090.00	20.69
1989	28,108.80	5,789.50	20.60
1990	28,640.80	5,900.00	22.90
1991	32,912.40	7,572.30	23.80
1992	20,400.00	41,810.00	48.80
1993	15,462.90	48,056.00	32.20
1994	20,552.50	92,624.00	22.20
1995	32,374.50	141,146.00	22.90
1996	42,302.10	169,242.00	25.00
1997	40,844.30	240,782.00	17.00
1998	42,260.70	272,895.50	13.60
1999	46,824.00	353,081.00	13.30
2000	44,542.30	508,302.20	8.80
2001	52,428.40	796,1664.80	6.60
2002	82,368.80	954,628.80	8.60
2003	90,176.50	1,210,033.10	7.50
2004	54,981.20	1,519,242.70	3.60
2005	50,672.60	1,899,346.40	2.70

Source: CBN Statistical Bulletin Volume 13 December 2005
[3] Central Bank of Nigeria (2005)

In the table above, it will be observed that commercial bank loans to SMEs increased up to a point before it started to decline. The initial increase was only in figure when compared to the commercial banks total credit. For instance, between 1980 and 1986, the average commercial banks loan to total credit was 4.6 percent. As a result of government regulations and Structural Adjustment Programme of the Federal Government of Nigeria, banks in 1986 where mandated the allocation ofa certain percentage of their loans to SMEs. Thus, the was a percentage surge from 1986 (9.30) to 20.46 percent in 1987. This continued up till 1992 when the figure doubled to 48.80 percent. The figure thereafter started a downward trend and this has continued ever since at an alarming rate. These periods also witnessed performance of banks exhibiting negative trends. As a result, the number of banks in the country declined steadily from 63 in 2001 to only 51 in 2004.

More so, this period also witnessed a rise in (marginal banks) from 8 in 2001 to 16 in 2004. In addition, (unsound banks) rose from 9 to 10 in 2004. Also within the 9 banks failed to meet the required minimum capital adequacy ratio of 10% as at December 2004, which led to their being classified as unsound (New Age June, 2005: 22). Also, despite the banking sector reforms put in place by the Nigerian government, the ratio of commercial bank loans to SMEs have continued to decline. As at 2006, the figure went down to only

0.9 percent.

The claims by Banks on the poor ratio of the commercial banks total credit to loans advanced to SMEs, among others, include the shortage of skill among the sponsor of the SMEs, weak infrastructural facilities, high administrative costs to monitor loans advanced to the SMEs, poor demand for the finished products of the SMEs, restricted access and land tenure system in operation in the country, difficulties in input procurement and lack of continuity after the death of their owners.

IV. Methodology

The econometric model employed in this study to investigate the effect of small and medium scale enterprises (SMEs) financing on economic growth in Nigeria is adopted following previous empirical studies (Asta and Zaneta, 2010; Aremu and Adeyemi, 2011).

There empirical models follow a standard growth regression form express as:

$y_t = \alpha + \beta_1 SME + \beta_2 X + \mu$ …….(1)

Where y = Real Gross Domestic Product;
SME =Small and Medium Enterprises (SMEs) activities;
X = The time series properties of the variables set of control variables;
α = Intercept or constant;
β = Parameters or Co-efficient of explanatory Augmented Dickey-Fuller unit root test in order to
variables;
u = Error term;

In the case of this study, SME activities are considered as commercial bank credit to SMEs and
SMEs output to national output. Also, the set a control variables considered to augment the model are
lending rate and exchange rate. Therefore, the empirical model for this study is specified as:

$\text{In } RGDP_t = \alpha + \beta_1 \text{ In } SMEQ_t + \beta_2 BCRT_t + \beta_3 + EXCR_t + \beta_4 LNDR_t + \mu$ …… …….(2)

Where: RGDP = Real gross domestic product;

SMEQ = SMEs output proxy by Wholesale and Retail Trade output as a component of gross domestic product.
SMEQ = SMEs output proxy by Wholesale and Retail Trade output as a component of gross domestic product
(GDP); BCRT = commercial banks' credit to SMEs;
EXCR = Exchange rate of naira vis-à-vis U.S dollar;
LNDR = lending rate; ln = log = natural logarithm;
α = Intercept or constant; β = Parameters or Co-efficient of explanatory variables; and μ = Error term.

a. Research Hypotheses

The relevant research hypotheses for this study are specified in null form as follows:

Hypothesis I

H_0: Banks credit to SMEs has no significant effect on economic development in Nigeria.

Hypothesis II

H_0: SMEs output has no significant effect on gross domestic product as a measure of economic development in Nigeria.

The time series properties of the variables incorporated in static model (2) is examined using the Augmented Dickey-Fuller unit root test in order to determine the long-run convergence of each series to
its true mean. The test involves the estimation of equations with drift and trends as proposed Dickey
and Fuller (1988). The test equations are expressed as:

$\Delta Z_t = \eta_o + \eta_1 Z_{t-1} + \sum_{i=0}^{n} \pi_i \Delta_{t-1} + V_t$ …….…… .(3)

$\Delta Z_t = \eta_o + \eta_1 Z_{t-1} + \eta_1 t \sum_{i=1}^{n} \pi_i \Delta_{t-1} + V_t$ …….. (4)

The time series variable is represented by Z, t and V_t as time and residual respectively. The equation (3) and (4) are the test model with intercept only, and linear trend respectively.

b. Long-Run Analysis

The long-run analysis of the relationship between small and medium scale enterprises (SMEs) financing on economic growth in Nigeria from 1970 to 2009 is established using the Engle-Granger cointegration two procedures test. The first procedure involves generating residual or error correction term (ECT) from the equation (2) express as:

$ECT_t = \mathcal{E}_t = \text{In } RGDP_t - (\alpha + \beta_1 \ln SMEQ_t + \beta_2 BCRT_t + \beta_3 \ln EXCR_t + \beta_4 LNDR_t)$ ……..…….. (5)

V. Data Description

The time series data required for this study (RGDP = Real gross domestic product;
SMEQ = SMEs output proxy by Wholesale and Retail Trade output as a component of gross domestic product
(GDP); BCRT = commercial banks' credit to SMEs; EXCR = Exchange rate of naira vis-à-vis U.S dollar;
LNDR = lending rate) were sourced from the Central Bank of Nigeria (CBN) Statistical BulletinVolume 13 December 2005, December 2012 and Annual Abstract of Statistics from National Bureau of Statistics (NBS) (Afolabi, M. O,2013).

VI. Results And Discussions

This section of the paper presents the results of estimated Augmented Dickey-Fuller (ADF) unit-root test models in section A, and the estimated regression results are shown under section B. The results are presented in the appendix.

VII. Time Series Stationary Test Results

The stationary test results of the incorporated times series variables in the regression model expressed in equation (2) is presented in Table A using the (Augmented Dickey-Fuller) ADF unit-root test. The test result indicated that the time series variable, lending rate (LNDR) was found to reject the null hypothesis "no stationary" at levels. This indicates that lending

rate or monetray policy rate has no unit-root or is stationary at level and this implies that this series is mean reverting and convergences towards its long-run equilibrium.

However, other incorporated time series, log of real gross domestic product (lnRGDP), log of small and medium enterprise output (lnSMEQ), log of commercial credit to SMEs (lnBCRT), and log of exchange rate of naira vis-à-vis U.S dollar (lnEXCR) were found to accept the null hypothesis "no stationary" at level but after several iterations based on the number of lag length and differencing, the series is found to reject the null hypothesis at first difference. This indicates that the first-difference of log of real gross domestic product (lnRGDP), log of small and medium enterprise output (lnSMEQ), log of commercial credit to SMEs (lnBCRT), and log of exchange rate of naira vis-à-vis U.S dollar (lnEXCR) are mean reverting and its variance converges over time.

However, considering the biasness of OLS estimates and implication of regressing non-stationary time series on stationary times, this paper examined the long-run relationship that exist between considered series in the regression model as reported in next sub-section(Afolabi, M. O,2013).

A..Long-Run Analysis

The long-run analysis of the relationship between SMEs financing and economic growth inNigeriafrom 1980 to 2009 is established using the Engle-Granger cointegration test procedure, whose test results are presented in Table B.

The reported results indicated that taking log of RGDP as dependent series, all the considered time series variables are found to reject the null hypothesis series are not cointegrated" at 5% significance level based on the reported tau-statistic (-5.535534) and z-statistic (-29.9923) values. Similar, results is reported for log of SME output as dependent. This indicates that there is long-run relationship among log of real gross domestic product (lnRGDP), log of small and medium enterprise output (lnSMEQ), log of commercial credit to SMEs (lnBCRT), log of exchange rate of naira vis-à-vis U.S dollar (lnEXCR), and lending rate (LNDR) in Nigeria between 1980.

4 We use Augmented Dickey-Fuller (ADF) unit-root test, to test result

and 2010. The long-run multiplier parameters are reported on Table C with appropriate diagnostic tests.

i. Long-run Analysis

The estimated regression model that captures the effect of SMEs financing on economic growth as a measure of overall macroeconomic stability in Nigeria is presented in table C, including the residual and stability diagnostic tests results are presented on Table C.

The reported long-run estimates indicated that changes in SMEs output and SMEs financing by the commercial banks have significant and positive effect on economic growth in Nigeria at 1% critical level.

This indicates that for a percentage change in SMEs output and financing, national or aggregate real output increased by 0.92% and 0.14% respectively. On the basis of the significant long-run multiplier parameters forlnSMEQ and lnBCRT, the null hypotheses (H01:Banks credit to SMEs has no significant effect on economic development in Nigeria; H02 : SMEs output has no significant effect on gross domestic product as a measure of economic development in Nigeria) were rejected at 1% significance level.

Also, a change in exchange rate of naira-vis-à-vis U.S dollar (lnEXRC) was found to exert positive but insignificant effect on economic growth rate in Nigeria during the reviewed period. In magnitude terms, a percentage change in exchange rate variation, economic growth rate is enhanced by 0.1%. Although, lending rate (LNDR) as a measure of cost of financing was found to deteriorates economic growth rate insignificantly by 0.001%. The results of the first order evaluation criteria, adjusted R-squared indicated that 99.7% of the total variation in economic growth is explained by changes in log of small and medium enterprise output (lnSMEQ), log of commercial credit to SMEs (lnBCRT), log of exchange rate of naira vis-à-vis U.S dollar (lnEXCR), and lending rate (LNDR) in Nigeria. This further explained by reported F-statistic value (3674.72) found significant at 1% critical level.

However, the non-significance of the conducted post-estimation diagnostic tests indicated that estimated residual from the static model is normally distributed; residuals are not serially correlated; and the error variance is homoskedasticity.

The overall stability, RESET test indicated that the estimated model is structurally stable and efficient to explain the long-run effect of SMEs financing on economic growth in Nigeria.(Afolabi, M. O,2013).

VIII. Conclusion And Recommendations

The analysis of the effect of small and medium scale enterprises (SMEs) financing on economic growth in Nigeria between 1980 and 2010 that span across the period of Pre-Structural Adjustment Programme (SAP), Structural Adjustment Programme(SAP), Post-Structural Adjustment Programme (SAP) and also the present era of National Economic Empowerment Development Strategy (NEEDS) revealed that only SMEs output proxy by wholesale and retail trade output as a component of gross domestic product (SMEQ) and commercial banks' credit to SMEs (BCRT) have significant effect on economic growth proxy by real gross domestic product (RGDP). This is found to complements the study of Osoba (1987) that SMEs financing is critical to economic growth. A similar finding is reported by Somoye (2008) and Iorpev (2012) that post bank consolidation had been instrumental in the financing of SMEs for growth and development. This implies that SMEs financing is an impetus and a driving force for economic growth in Nigeria.

Therefore, based on the F-statistic result this study rejects the null hypotheses and concludes that there is significant relationship between small and medium enterprises financing and economic growth and its variable determinants in the Nigerian economy. Also, emanating from the empirical results the study proffered that mandate should be given to commercial banks to reduce credit allocation requirements in terms of collateral and interest in order to increase credit allocation to SMEs to enhance economicgrowth in Nigeria; and also there is need to create an enabling environment for SME development in terms of clear tenure rules, simple business registration and export procedures, and accessible tax

and financial incentive schemes in order to enhance their potentials in promoting economic growth in Nigeria.

Appendix

TABLE A: ADF UNIT ROOT TEST RESULTS

Variable	ADF Tau Statistics		Order of Integration
	Intercept	Linear Trend	
lnRGDP	-4.189*(0)[-3.679]	-4.084**(0) [-3.574]	1
lnSMEQ	-4.573*(0) [-3.679]	-4.282**(0) [-3.574]	1
lnBCRT	-6.396*(0) [-3.679]	-7.005*(0) [-4.310]	1
lnEXCR	-4.734*(0) [-3.679]	-4.941*(0) [-4.309]	1
LNDR	-2.674***(0) [-2.621]	-3.492***(0) [-3.218]	0

Note: * significant at 1%; ** significant at 5%; *** significant at 10% Mackinnon critical values and are shown in parenthesis. The lagged numbers shown in brackets are selected using the minimum Schwarz and Akaike Information criteria

TABLE B: ENGLE-GRANGER COINTEGRATION TEST RESULTS

Series: LOG(RGDP) LOG(SMEQ) LOG(BCRT) LOG(EXCR) LNDR				
Null hypothesis: Series are not cointegrated				
Cointegrating equation deterministics: C				
Automatic lags specification based on Schwarz criterion (maxlag=6)				
Dependent	Tau-statistic	Prob.*	z-statistic	Prob.*
LOG(RGDP)	-5.535534	0.0150	-29.9923	0.0171
LOG(SMEQ)	-5.358049	0.0212	-29.0152	0.0240
LOG(BCRT)	-3.008351	0.6171	-14.61	0.5894
LOG(EXCR)	-3.581343	0.3596	-18.3806	0.3454
LNDR	-4.050986	0.1970	-21.6839	0.1823

*MacKinnon (1996) p-values
Computation (2013) using E-Views 7.

Table C: Long-Run Estimated Results and Diagnostic Test

Dependent Variable: lnRGDP			
Method: Least Squares			
Observation (n)=31			
Variable	Coefficient	Std-Error	Prob.
C	1.340**	0.659	0.0523
InSMEQ	0.921*	0.036	0.0000
InBCRT	0.136*	0.044	0.0045
InEXCR	0.074	0.051	0.1574
LNDR	-0.001	0.005	0.8212
R-squared 0.998	Durbin-Watson stat 1.8925		
Adjusted R^2 0.997	F-statistic 3674.72		
S.E.of regression0.1018	Prob(F-statistic) 0.0000		
Residual Normality Test			
Jarque –Bera 0.7428	Prob(J.B) 0.6898		
Breusch-Godfrey Serial Correlation LM Test			
F-statistic 1.3335	Prob. F(2,24) 0.2824		
Obs* R-squared 3.1003	Prob. Chi-square(2) 0.2122		
Heteroskedasticity Test: Breusch-Pagan-Godfrey			
F-statistic 0.2571	Prob. F(4,33) 0.9027		
Obs*R-squared 1.1796	Prob. Chi-square(4) 0.8815		
RESET Test			
F-statistic 1.3877	Prob. F(3,23) 0.2717		
Likelihood ratio 5.1575	Prob. LR(3) 0.1606		

Note: * significant at 1%; ** significant at 5%;
Computation (2013) using E-Views 7.

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