Appendices

Appendix : I

Cointegration Test between Saving and Economic Growth

Cointegration Regression Durbin-Watson Test

Test for Cointegration						
Time Period : 1950-51 to 2003-04						
	Variables		**CRDW Test**			**Inference**
Eqn No.	***Dependent***	***Independent***	***Residual***	***D-W value***	***Cointegration***	
1.	S	Y	ECT 01	0.72^	Yes	Cointegration : implies Granger causality
2.	S	Y_{fc}	ECT 02	0.78^	Yes	Cointegration : implies Granger causality
3.	S	YNA_{fc}	ECT 03	1.025^	Yes	Cointegration : implies Granger causality

^ implies that the DW value is significantly away from zero [based on the thumb rule that DW value should be above 0.5 for significance].

The CRDW test results indicate that the residuals ECT 01, ECT 02 and ECT 03 are stationary. Hence, the three pairs of saving and income - S and Y, S and Y_{fc} and S and YNA_{fc} are cointegrated or share a stable long-run relationship between them. This implies Granger causality between saving and income pairs in atleast one direction.