

## Appendix I: Augmented Dickey-Fuller Unit Root Test of Consumer Price Index of Nepal in Natural Logarithm Form

Null Hypothesis: LNCPIN has a unit root  
 Exogenous: Constant, Linear Trend  
 Lag Length: 1 (Automatic - based on SIC, maxlag=9)

	t-Statistic	Prob.*
<b>Augmented Dickey-Fuller test statistic</b>	-1.387121	0.8500
Test critical values:		
1% level	-4.198503	
5% level	-3.523623	
10% level	-3.192902	

\*MacKinnon (1996) one-sided p-values.

Null Hypothesis: D(LNCPIN) has a unit root  
 Exogenous: Constant, Linear Trend  
 Lag Length: 0 (Automatic - based on SIC, maxlag=9)

	t-Statistic	Prob.*
<b>Augmented Dickey-Fuller test statistic</b>	-5.051388	0.0010
Test critical values:		
1% level	-4.198503	
5% level	-3.523623	
10% level	-3.192902	

\*MacKinnon (1996) one-sided p-values.

## Appendix II: Augmented Dickey-Fuller Unit Root Test of Consumer Price Index of India in Natural Logarithm Form

Null Hypothesis: LNCPII has a unit root  
 Exogenous: Constant, Linear Trend  
 Lag Length: 1 (Automatic - based on SIC, maxlag=9)

	t-Statistic	Prob.*
<u>Augmented Dickey-Fuller test statistic</u>	-2.086721	0.5376
Test critical values: 1% level	-4.198503	
5% level	-3.523623	
10% level	-3.192902	

\*MacKinnon (1996) one-sided p-values.

Null Hypothesis: D(LNCPII) has a unit root  
 Exogenous: Constant, Linear Trend  
 Lag Length: 0 (Automatic - based on SIC, maxlag=9)

	t-Statistic	Prob.*
<u>Augmented Dickey-Fuller test statistic</u>	-4.586963	0.0036
Test critical values: 1% level	-4.198503	
5% level	-3.523623	
10% level	-3.192902	

\*MacKinnon (1996) one-sided p-values.

### Appendix III: Augmented Dickey-Fuller Unit Root Test of Broad Money Supply in Nepal (Rs. Millions) in Natural Logarithm Form

Null Hypothesis: LNM2 has a unit root  
 Exogenous: Constant, Linear Trend  
 Lag Length: 1 (Automatic - based on SIC, maxlag=9)

	t-Statistic	Prob.*
<u>Augmented Dickey-Fuller test statistic</u>	-1.828523	0.6725
Test critical values:     1% level	-4.198503	
5% level	-3.523623	
10% level	-3.192902	

\*MacKinnon (1996) one-sided p-values.

Null Hypothesis: D(LNM2) has a unit root  
 Exogenous: Constant, Linear Trend  
 Lag Length: 0 (Automatic - based on SIC, maxlag=9)

	t-Statistic	Prob.*
<u>Augmented Dickey-Fuller test statistic</u>	-4.875224	0.0016
Test critical values:     1% level	-4.198503	
5% level	-3.523623	
10% level	-3.192902	

\*MacKinnon (1996) one-sided p-values.

**Appendix IV: Augmented Dickey-Fuller Unit Root Test of Revenue Deficit in Nepal (Rs. Millions) in Natural Logarithm Form**

Null Hypothesis: LNRD has a unit root  
 Exogenous: Constant  
 Lag Length: 0 (Automatic - based on SIC, maxlag=9)

	t-Statistic	Prob.*
<u>Augmented Dickey-Fuller test statistic</u>	-1.132677	0.6931
Test critical values: 1% level	-3.610453	
5% level	-2.938987	
10% level	-2.607932	

\*MacKinnon (1996) one-sided p-values.

Null Hypothesis: D(LNRD) has a unit root  
 Exogenous: Constant  
 Lag Length: 0 (Automatic - based on SIC, maxlag=9)

	t-Statistic	Prob.*
<u>Augmented Dickey-Fuller test statistic</u>	-11.44056	0.0000
Test critical values: 1% level	-3.621023	
5% level	-2.943427	
10% level	-2.610263	

\*MacKinnon (1996) one-sided p-values.

**Appendix V: Augmented Dickey-Fuller Unit Root Test of Remittance Inflows  
(Rs. Million) in Natural Logarithm Form**

Null Hypothesis: LNRM has a unit root  
 Exogenous: Constant, Linear Trend  
 Lag Length: 0 (Automatic - based on SIC, maxlag=9)

	t-Statistic	Prob.*
<u>Augmented Dickey-Fuller test statistic</u>	-2.564634	0.2976
Test critical values: 1% level	-4.192337	
5% level	-3.520787	
10% level	-3.191277	

\*MacKinnon (1996) one-sided p-values.

Null Hypothesis: D(LNRM) has a unit root  
 Exogenous: Constant, Linear Trend  
 Lag Length: 0 (Automatic - based on SIC, maxlag=9)

	t-Statistic	Prob.*
<u>Augmented Dickey-Fuller test statistic</u>	-7.461025	0.0000
Test critical values: 1% level	-4.198503	
5% level	-3.523623	
10% level	-3.192902	

\*MacKinnon (1996) one-sided p-values.

**Appendix VI: Augmented Dickey-Fuller Unit Root Test of Real Gross Domestic Product of Nepal (Rs. Millions) in Natural Logarithm Form**

Null Hypothesis: LNRGDP has a unit root  
 Exogenous: Constant, Linear Trend  
 Lag Length: 0 (Automatic - based on SIC, maxlag=9)

	t-Statistic	Prob.*
<u>Augmented Dickey-Fuller test statistic</u>	-3.163087	0.1057
Test critical values: 1% level	-4.192337	
5% level	-3.520787	
10% level	-3.191277	

\*MacKinnon (1996) one-sided p-values.

Null Hypothesis: D(LNRGDP) has a unit root  
 Exogenous: Constant, Linear Trend  
 Lag Length: 1 (Automatic - based on SIC, maxlag=9)

	t-Statistic	Prob.*
<u>Augmented Dickey-Fuller test statistic</u>	-6.443658	0.0000
Test critical values: 1% level	-4.205004	
5% level	-3.526609	
10% level	-3.194611	

\*MacKinnon (1996) one-sided p-values.

## Appendix VII: Equation for Testing Cointegration

Dependent Variable: LNCPIN

Method: Least Squares

Date: 12/16/19 Time: 19:33

Sample: 1 43

Included observations: 41

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LNCPII	0.796127	0.142566	5.584262	0.0000
LN2	0.258614	0.054488	4.746288	0.0000
LNRD	0.005056	0.008506	0.594383	0.5561
LNRGDP	-0.207614	0.330551	-0.628084	0.5340
LNRM	0.065776	0.018608	-3.534729	0.0012
C	1.078461	3.720162	0.289896	0.7736
R-squared	0.998847	Mean dependent var		3.396395
Adjusted R-squared	0.998683	S.D. dependent var		1.019417
S.E. of regression	0.037001	Akaike info criterion		-3.621293
Sum squared resid	0.047917	Schwarz criterion		-3.370526
Log likelihood	80.23650	Hannan-Quinn criter.		-3.529977
F-statistic	6065.541	Durbin-Watson stat		1.057824
Prob(F-statistic)	0.000000			