







LEXPO	0.022504	0.056067	0.401379	0.6942
LGE	-0.002814	0.006716	-0.418978	0.6816
C	19.17209	1.127784	16.99979	0.0000
<hr/>				
R-squared	0.994878	Mean dependent var	27.15099	
Adjusted R-squared	0.993414	S.D. dependent var	0.239854	
S.E. of regression	0.019465	Akaike info criterion	-4.819510	
Sum squared resid	0.005304	Schwarz criterion	-4.570973	
Log likelihood	50.78534	Hannan-Quinn criter.	-4.777447	
F-statistic	679.8091	Durbin-Watson stat	0.958289	
Prob(F-statistic)	0.000000			

Source: Output of the E-Views Regression

In the above table, the R square of 0.994878 shows that the explanatory variable explained 99% variation in the dependent variable of RGDP. Furthermore, the value of adjusted R square is 0.993414 shows that the study has accounted for 99.3414% of the variance in RGDP. Likewise, it is observed that value of F- statistics is 679.8091 and level of significance is less than 0.05 which means that there is significant impact of at least one of the independent variables on RGDP..

In addition, the result shows that the coefficient of import and export are positive, which implies that increase in import and export increases the RGDP .Whereas, remittance and government expenditure have negative impact on RGDP. Among the predictor, import is significant i.e. its p-value is less than 0.05.

### 4.2 DIAGNOSTIC TESTS

Diagnostic test	F-Statistics /Jarque-bera	Probability value (p)
Serial Correlation LM Test	F(2,15)= 1.237620	0.3221
Heteroskedasticity Test	F(3,15)= 0.897237	0.4655
Normality	JB= 0.116157	0.943576

Diagnostic tests were also carried out to evaluate the adequacy of the model specifications. When a model is assessed, diagnostic tests can be applied to appraise model residuals ,which also help as tests of model competence .The P- value of Breusch-Godfrey serial Correlation LM Test , Heteroscedasticity test: Breusch-Pagan-Godfrey test and Normality test is greater than 5 percent which is desirable. So, this model is free from autocorrelation and heteroscedasticity. The residual is normally distributed. The stability of the parameters was also tested by applying the CUSUM and CUSUMSQ tests developed by Brown, Durbin and Evans,(1975).

Figure 1: Plot of Cumulative Sum of Recursive Residuals

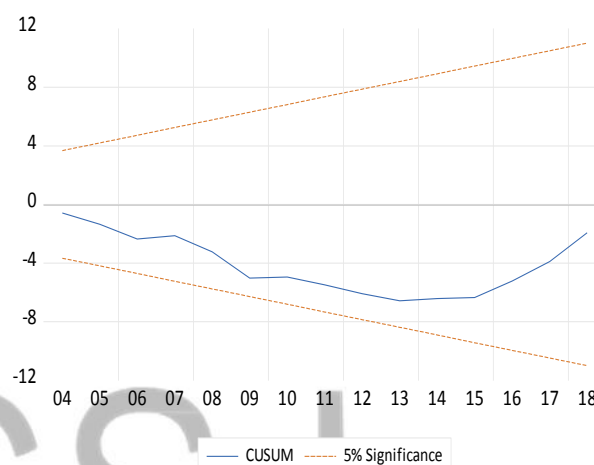


Figure 2: Plot of Cumulative Sum of Squares of Recursive Residuals

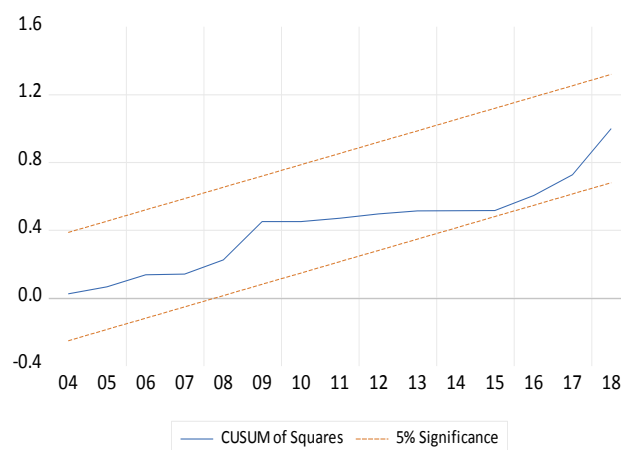


Figure 1 and 2 show plots of the cumulative sum of recursive residuals (CUSUM) and cumulative sum of squares of recursive residuals (CUSUMSQ) respectively. These results depict that the parameters are stable as graphs of the CUSUM and CUSUMSQ are within the critical bounds at 5 percent level of significance. Thus, the models are structurally stable.

## 5. CONCLUSION

This paper examines the impact government expenditure on economic growth in Nepal. In study of overall regression model, RGDP has positive and significant relation with import which means that increase in import will lead to increase in RGDP of Nepal. The P- value of Breusch-Godfrey serial Correlation LM Test, Heteroscedasticity test: Breusch-Pagan-Godfrey and normality test is greater than 5 percent which is desirable. So, this model is free from autocorrelation and heteroscedasticity. The residual is normally distributed. It implies that this model is robust and stable as the both lines long run and short run coefficients are acceptable over the study period 2000/2001 to 2017/18. The diagnostic tests confirm that the models have the desired econometric properties. It is concluded that the models are structurally stable.

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