



SDI FINAL EVALUATION FORM 1.1

PART 1:

Journal Name:	British Journal of Economics, Management & Trade
Manuscript Number:	Ms_BJEMT_26967
Title of the Manuscript:	ECONOMETRIC MODELING OF INCOME-CONSUMPTION RELATIONSHIP: EVIDENCE FROM NIGERIA

PART 2:

FINAL EVALUATOR'S comments on revised paper (if any)	Authors' response to final evaluator's comments
-Nigeria is one of the countries in the world where there is a positive relationship between growth and poverty (see Acemoglu and List, macroeconomics, pearson publ.). -Authors may cite the paper Cengiz and Sahin (2010) which is closely related to the topic: Sahin, Afsin and Cengiz, Sibel (2010). "Another Brick for the Aggregate Consumption Puzzle in Turkey" . <i>International Research Journal of Finance and Economics</i>, 45: (135-160). The paper can be downloaded from the following link: http://www.websitem.gazi.edu.tr/site/afsinsahin/files -"DL variables are the long run impacts." (p. 10): There is seems to be problem in equation 5 since simultaneous effect of pcdi on ppce is not shown. I think j should start from 0. -What is the difference from ARDL and Bounds test? -Did you try ARDL with seasonal dummies? These may change the results. See Cengiz and Sahin (2010). -In appendix 3 you have ARDL test results rather than Johansen. What is the difference between ARDL Model, ARDL Bounds Test and ARDL Cointegration Short and Long-Run Results? Authors should reply the comments in detail.	The major objective of equation 5 is to study the dynamic relationship between consumption expenditure and income in Nigeria by experimenting Permanent Income Hypotheses. We tried to maintain the hypothesis which relates the effect of permanent income on consumption expenditure holding the reverse effect constant. Incorporating the simultaneous effects of the model would imply a bivariate co-movement objective which is quite different from the objective of this paper. Equation 5.0 is the ARDL model of the consumption-income relationship that was used to estimate the short-run (cointegrating form) of the permanent income hypothesis and the long run coefficients. The ARDL model is a dynamic model that can be used to estimate the distributed impact of X on Y along with the feedback effect of lags of Y on Y. The Bound test cointegration approach was developed by Peseran, Shin and Smith in 2001 as the appropriate cointegration test where series are of different order of integration. The ARDL is the underlying model for estimating both the long run, short run, and error correction (speed of adjustment) parameters, if the Bound Test shows there is cointegration, which is long run relationship. We did not directly apply seasonal cointegration method because we did not use quarterly data. However, we experimented with a model specified with seasonal dummy variable to capture the seasonal changes in income and the response of consumption to it. Using both the Johannsen and Bound Test cointegration techniques, the result is very similar to the when seasonal dummy were not included. The trace test of the Johannsen technique shows there is one cointegrating equation, while the F statistic of the Bound test falls below the lower bound implying no cointegration. The results are shown in Appendix 4 and 5 respectively.