Estimating Money Demand in Cambodia

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Abstract

This study extended the existing to analysed the impact of money demand in Cambodia. In addition, to analyse the stable demand for money, the study used autoregressive distributed lag model (ARDL) approach to estimate the short and long run causality of the variables considered in the econometrics model. The results based on the bounds testing procedure confirm that a stable, long-run relationship exists between demand for money and its determinants: real income, inflation rate and nominal exchange rate. The empirical results reveal that there is a unique cointegration and stable long-run relationship among money supply, income, inflation rate and exchange rate. And found that depreciation of domestic currency decreases the demand for money. The results also reveal that after incorporating the CUSUM and CUSUMSQ tests, money demand is stable between 1996 and 2016.

Keywords: Money Demand, ARDL, econometrics model, cointegration, Cambodia