ERRORS AND OMISSIONS AND UNRECORDED CAPITAL FLOWS AND FLIGHT IN NIGERIA

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Abstract
One of the estimates of capital flight includes the errors and omission of the Balance of Payment which is been used to balance up the accounts. This study examines the significance of the E and O in the capital flows and flight in Nigeria. The main variables of capital flight and investment and financial savings among others were of concern in the study. The study adopts the paired sample tests and ordinary least squares techniques. It discovers that the e and o affects the statement and the veracity of the accounts in that the models that include it produce better and more significant results. Its main effect is seen in the role it plays in the investment flows where the figures become more significant with its inclusion. This calls for the adoption of measurements of capital inflows that in includes e and o in Nigeria. More importantly it calls for a higher level exactitude in correctly stating the sources and end uses of flows of capital in and out of Nigeria.

Keywords: Illegal Capital flight, Investment, Dooley Capital flight, Corruption.

JEL: E22, E26, F33,

Introduction
One of the puzzles most countries’ statisticians face is balancing the entries of the Balance of Payments which Eggerstedt, Hall, and Van (1995) have raised as a challenge, is the errors and omissions. This item balances up the Balance of Payment, when the figures do not agree, which is the case of the time. The International Monetary Fund (1993) explains it, as the practice, when all actual entries are totalled, the resulting net balance will almost inevitably show a net credit or a net debit. That balance is the result of errors and omissions. In the compilation of statements, the standard practice is to show separately an item for net errors and omissions. Errors and Omissions is known as statistical discrepancy and is intended to offset over-statements or under-statements in a Balance of Payment. The Central Bank of Nigeria (2008) describes the errors and omissions as the difference between debits and credits in the current and the capital accounts which are balanced with the use of the Errors and Omissions. Data from both sides of a single transaction arising from independent sources lead to discrepancies that calls for its use. In addition, different values may be given to the same item at each valuation point and or the item may be completely omitted at one of the valuations. Credit balance on the net errors and omissions account shows that the credit items were underestimated while a debit balance indicates an understatement of debit items.

Admittedly, the major source of errors and omissions in the BOP is the short-term capital movement that is often difficult to trace or fully recorded. This item permits clear recognition of the real creditor non-resident who is the owner of the claims on the economy and the real debtor non-resident who has external liabilities to the economy. Some of the errors would have offset one another and therefore the size of the figure does not necessarily provide a measure of accuracy of the BOP (Linde, 1999). Large and negative variable items can be indicative of capital flight especially in the face of pending devaluation or anticipated depreciation of the currency, and of uncontrolled outflows to bypass exchange controls. Equally, positive net errors and omissions can be indicative of proceeds from illegitimate activities flowing into the country. However, all the formal errors in the Errors and Omission of the BOP can be summarised into three basic groups, according to (Bloomberg, Forss and Karlsson, 2003). They are measurement errors that deal with valuation registration especially due to exchange rate fluctuations. Coverage errors which occur when business operations and operators are not fully registered (leading to reduction in the number of recorded transactions) and periodisation or time errors which occur because of transactions being reported for a different period other than when they occur.
Some illicit reasons have been adduced for the need to use this statistical discrepancy. These illegal transactions have only one entry where such transfers are legitimate. Others are deliberate attempts by some countries to portray their BOP in a particular light (Adegbite, 2007). It has been the main item under consideration by researchers of capital flight, because of the possibility of abuse of the statistical discrepancy. When the Net Errors and Omission (or sometimes NEO) in the BOP is consistently large and comes with a regular sign over the years then it is an indication that the accounts are not correctly stated (IMF, 1993). If the NEO is positive, it means that the sum of current account balance and capital account balance is understated and vice versa when negative.

NEO item represents the unrecorded source of part of capital inflows from outside the economy. Also, it is easy to suspect the possibility of capital flight when there is a large negative figure. Large positive figures occur when the funds return to the country under various guises and names completely obliterating its original source. Sometimes the ingenuity of the authorities is needed to make sense of where the inflows come from. Tax losses occur to the government in some acute cases where the shadowy economy has developed transactions involve external payments (Vuksic, 2009). Other losses are not uncommon through misinvoicing (Adler, 1950). The capital flows and flight recorded by the BOP can then be underestimated or overestimated by the NEO.

The many definitions of capital flight include those that adopts the use of NEO entries to estimate total nominal capital flight. Cuddington (1986) expressly adopts the NEO as a measure of speculative outflows while Dooley (1986) adopts it as a measure to estimate unrecorded and outflows that do not generate returns. It is clear that the estimation of Dooley’s capital flight relies on the errors and omissions to complete its estimation. It is also clear from the above that its use as balancing entry or statistical discrepancy allows the BOP figures to agree, but it is nevertheless open to much abuse. This paper intends to investigate the impact of the errors and omission on the estimates of capital flight out of Nigeria and in the process finds how it significantly affects the flows of capital out of and into Nigeria. The paper is divided into five sections. Following after this section is the common abuse of the E and O, this is followed by the methods, models and methodology. The results are discussed in section four, while the last section concludes, summarises and recommends solutions.

The Causes and Abuse of Errors and Omissions

With the accepted belief that misinvoicing in foreign trade transactions which affects the current account is a common route of capital flight, the role being played by non resident investors in the flight process makes capital flight studies much more intriguing. Investors have been seen to resort to clandestine efforts to transfer capital out in desperate moves that attract suspicions. This method of transferring capital out of Nigeria will continue until there is a fairly free floatation of the domestic currency by the authorities and complete documentation, openness and transparency in transactions in addition to an environment conducive for investment.

A common method of transfer usually involves the exportation of goods and commodities in high demand overseas by the individuals or firms engaged in capital flight. It starts with the accumulation of the capital to be transferred and the placement of such for purchasing exportable items. When the goods are bought, the persons or firms interested in exporting capital ships them out of the country for sale. Once this is done, they are sold and the proceeds are simply not repatriated back to the country. One cannot say if crude oil (Nigeria main export) is employed for these private transactions since it is heavily used by the government to make international payments. Nevertheless, the abuse is commonplace in the exports of agricultural produce such as cocoa, coffee and rubber.

The reverse of this transactions often occur when capital whose origins cannot be disclosed is being brought into the country by importers. Importers simply bring in highly demanded goods without disclosing where the capital to purchase such items is coming from and it is declared as personal effects by the importer. The changes are reported in the net errors and omissions or the statistical discrepancy of the Balance of Payments. The effects of these discrepancies are that records do not reflect the true nature of transactions with the country. In addition, much of the outflows of foreign exchange is not backed by letters of credit (L/Cs) indicating a pure transfer of capital out of the economy. This could initially be for external portfolio investment and finally ends up as capital flight rather than for the purpose of purchase of needed capital goods in the economy. Some of the transactions in the errors and omissions are illegitimate. Cardoso and Dornbush (1989) first hinted at the possibility of illegal capital flight when they refer to the type of capital flight that took legal channels being dominated purely by profit motive, since capital flight is more of a private sector activity. Baker (1999) established the strongest link between capital flight and political corruption, when he divided capital flight into two: legal and illegal.
The legal aspect of capital flight covers the movement of capital out of the economy, which involves the proper transfer of after-tax profits, which is documented as it passes through the borders and remains in the books of the entity from which it is transferred.

On the other hand, the illegal component is tax evading and therefore illegal from the country from which it originates and disappears externally. Of the $7.3 trillion assets under management by the offshore banks around the world for various purposes, among which is corruption, as at March 2001, about $500 billion of these assets is said to have emanated from transitional and developing economies into western banks’ accounts or some other offshore bank accounts. Baker (1999) insists that the motivation for the two forms differ as the legal capital flight flees to safety, while illegal capital flight flees to secrecy to transform or metamorphose later. Legal capital flight that flees to safety might return after a return of the economic environment to a more clement situation, but little of illegal capital that flees to secrecy ever return. When it does return, it is as foreign direct investment, or as interest on principal loans and dividends on share capital: but it never fully returns.

The basic components of illegal capital flight are:

1. Corruption through government officials, which arises out of misappropriation or embezzlement of public resources, bribe resources and kick-backs received and paid into foreign bank accounts
2. Trade misinvoicing and transfer pricing and tax evasion to generate illegal returns.
3. Criminal money from the illegal trade in drugs, children and women, arms, counterfeit goods and other like activities.

The ease with which these types of capital moves around stems from elaborate tax havens, secret jurisdictions, shell banks, dummy corporations and fake foundations. In the case of illegal capital flight it might be impossible to trace out a misinvoicing (Baker, 2007). This is because of possible agreement between the parties on the method of transfer right from onset. Also, illegal flight of capital can be enabled by unfettered corruption and other anti-social vices. The line of difference between money laundering and illegal capital flight is fuzzy, as money laundering is seen as movement of illegal proceeds (from terrorism, drug trafficking and the like) through the financial system to clean it of illegality and criminal trace.

The World Financial Governing Institutions seemed helpless in the scourge of illegal capital flight which was generally ignored until Baker (1999) study. There are two general options: an upstream approach (anti-money laundering) or a downstream approach (recovery of stolen assets) to deal with the problem (Kaufmann, 2007), with the World Bank intending to lecture the developing countries on the evils of financial corruption, but it is the responsibility of rich countries to recover stolen resources stashed with them.

MATERIALS, METHODS AND MODELS

Data used for the study are mainly from the IMF’s Direction of Trade (DOT) for export and import values, Central Bank of Nigeria for investment (CBN) Debt Management Office (DMO) external debts and International Financial Statistics (IFS) for external reserves and current account balance. The general estimates of capital fights are the main defining and estimation processes. The World Bank (WB) estimates are more common than others like Morgan Trust Banking Company, Erbe, and Dooley. Data is for years between 1970 and 2007.

World Bank Estimates and Measures

The WB estimates does not use the NEO while some for others it is important. The estimate of WB is built to include the following variables: Net FDI, Changes in debt position, Current account deficit and changes in the total reserves holdings less gold. These are the main parameters. The trade data takes account of the adjustment needed to arrive at the misinvoicing

\[ CF(WB) = FDI + \Delta ADJDEBT - (CAD + \Delta TRESG) \]

where \( CF \) is capital flight, \( WB \) for World Bank, \( FDI \) for Foreign Direct investment, \( \Delta ADJDEBT \) is the changes in adjusted debt position \( CAD \) is current account deficit and \( \Delta TRESG \) is the changes in total reserves less holdings of gold.

\[ Kauflmann (2007) \] in the conference on Illicit Financial Flows organized by Global Financial Integrity Network agreed that reporting problems exist, but that the World Bank is looking at a way to attack them frontally.

and external debt position of the country. Thus the final stage brings up the following measurement:

\[ CF(WB) = FDI + \Delta ADJDEBT - (CAD + \Delta TRESG) \]

(i)

where \( CF \) is capital flight, \( WB \) for World Bank, \( FDI \) for Foreign Direct investment, \( \Delta ADJDEBT \) is the changes in adjusted debt position \( CAD \) is current account deficit and \( \Delta TRESG \) is the changes in total reserves less holdings of gold.

1Kaufmann (2007) in the conference on Illicit Financial Flows organized by Global Financial Integrity Network agreed that reporting problems exist, but that the World Bank is looking at a way to attack them frontally.
Dooley Measures and Estimates

The portfolio approach has been employed in Collier et al (2003) and Lawanson (2007). Some of the methods reported in Ajayi (1990) are adapted from Lessard and Williamson (1987), and are as listed below. The use of the method enables an update of Ajayi (1990) comparison method as first used by Lessard and Williamson (1987) for different definitions of capital flight. Capital Flight Estimates by different studies: World Bank = (H + B + A + F) Erbe = (H + B + A + F), Morgan Trust Banking Company = (H + B + A + E + F), Cline = (H + B + A + E) - (J + K + L), Dooley (cited in Ajayi 1992) = (H+B+A+F+G+I+M). This study is however adopting the World Bank and Dooley measures for comparison with investment in this study.

\[ CF(\text{Dooley}) = (H+B+A+F+G+I+M). \]

where \( A \) is Current Account Balance \( B \), Net Foreign Direct Investment \( C \) Private Short Term Capital Outflows \( D \) Portfolio Investment \( E \) Banking System Foreign Assets \( F \) Changes in Reserves \( G \) Errors and Omissions \( H \) Changes in Debt.

The model below is adopted

\[ \text{CAPFT (WB)} = \alpha_0 + \beta_1 \text{Avexrate}_i + \beta_2 \text{Kaopen}_i + \beta_3 \text{Invest}_i + \beta_4 \text{IntDiff}_i + \beta_5 \text{Fsavs}_i + \beta_6 \text{Reserv}_i + \mu. \]

The Dooley alternative is

\[ \text{DDCAPF} = \alpha_0 + \beta_1 \text{Avexrate}_i + \beta_2 \text{Kaopen}_i + \beta_3 \text{Invest}_i + \beta_4 \text{IntDiff}_i + \beta_5 \text{Fsavs}_i + \beta_6 \text{Reserv}_i + \mu. \]

\[ \text{Log CAPFT (WB)} = \alpha_0 + \beta_1 \text{logAvexrate}_i + \beta_2 \text{logKaopen}_i + \beta_3 \text{logInvest}_i + \beta_4 \text{logIntDiff}_i + \beta_5 \text{logFsavs}_i + \beta_6 \text{logReserv}_i + \mu. \]

The Dooley alternative is

\[ \text{Log DDCAPF} = \alpha_0 + \beta_1 \text{logAvexrate}_i + \beta_2 \text{logKaopen}_i + \beta_3 \text{logInvest}_i + \beta_4 \text{logIntDiff}_i + \beta_5 \text{logFsavs}_i + \beta_6 \text{logReserv}_i + \mu. \]

An autoregressive correction term was employed to correct the initial estimates of Durbin Watson of 2.44 with the following AR(1) process

\[ X_t = \rho X_{t-1} + \varepsilon_t \]

where \( \varepsilon_t \) is a white noise process with zero mean and variance \( \sigma^2 \).

RESULTS AND DISCUSSIONS

The results from the above test indicate that samples of the variables show high degree of correlations and marked significant levels that cannot be ignored. The general definition shows that capital flight and domestic investment and savings have inverse relationships and are quite significant at 0.005 and at 0.003 respectively. The significant level here is beyond 0.01 and is negative. With \( t \) results at -3.174 and -3.021 it can be inferred that the higher the capital flight that takes place in the economy the lower the level of financial savings and investment the economy receives. The initial results of the \( \text{CAPFT (WB)} \) is shows a disturbing \( DW \) which was corrected with AR(1). The results are reported in \( \text{CAPFT (a)} \) which is more acceptable. The report of the initial results indicates that \( INV \) has a positive relationship with \( \text{CAPFT (WB)} \). While one may find it implausible to it very apposite in the Nigeria case to have to have such a relationship. The results indicate that the AR(1) is significant.

This goes to show that the investment estimates in the result that turned from positive to negative is very important. With the corrected results \( INV \) and \( \text{CAPFT (WB)} \) have the expected negative relationship in the macroeconomy of Nigeria. The logged version of the models does not show the need for correction as the results indicate the expected relationship though not significant. Though the import of the result is that the Nigerian environment has not received enough investment in comparison to the capital flight out of Nigeria, it is nevertheless important the \( a \) priori correct sign be expected. Capital flight and domestic investment should unarguably have inverse relationship which is the case of the corrected result. The logged results of the \( \text{CAPFT (WB)} \) performed better than the unlogged equation. The unlogged Dooley measures somehow present the best result with investment showing the expected negative sign. In addition the \( R^2, \text{Adj R}^2 \) and \( F \) statistics presents better and more acceptable and significant results. The significant variables of \( \text{reserve, Intdiff and Fsavs} \) also come out with higher \( t \) statistics.
The Dooley definition of capital flight somehow presents results that are more significant. The variables of investment, Kaopen, reserves and financial savings are all significant at various levels. The only insignificant variable here is the interest differential variables, which was significant in the straight World Bank definition. With this technique, investment is significant at 0.01 level, which indicates that capital outflows leads to reduction in domestic investment with $F$ statistic of 5.179 but can also increase capital flight. Kaopen is significant beyond 0.05 with $F$ Statistic of 4.316. The external reserve is significant at 0.1 with 2.5 and domestic financial savings is significant beyond 0.01 with $F$ Statistics of 21.4 respectively. The results as usual are not signed, though it is possible to know which of these is positive or negative by inference to earlier and other results. Dooley’s definition show a more negative impact in the OLS but a higher insignificant result in the long run equation is understandable as the effect of the errors and omissions are easily noticed in the inflow of capital that cannot be fully accounted for. This in effect reduces the total amount of capital flight estimates that flee abroad. Capital flight of the World Bank and Dooley’s estimates do impact insignificantly on domestic investment.

Paired Sample Results

The test result from the two different types of capital flight is equally significant at 0.05 level with the result at 0.036. The significance of the result show that of the sizeable amount of the capital flight that has left the economy some have flowed back and sources cannot be properly accounted for. The result from Dooley’s is more exemplifying as the $t$ show higher figures and level of significance is quite higher. The investment variable is negative in Dooley’s capital flight and was significant in World Bank’s. Capital flight and investment when compared, clearly shows a negative sign with a highly significant $t$ statistic. At -3.021 the variable is highly significant beyond 0.01 level. The two tailed statistic show a sig of 0.005. The impact of the inflows through the errors and omissions account that comes into the economy affects the result in the Dooley definition and is still significant. The fact the Dooley measurement of capital flight produces a lower figure is because of the inflows that Nigeria has received that cannot be fully accounted for with the net errors and omission that allow balancing entries in the Balance of Payment. Since the flows are part of the accounts, then it cannot be ignored in the process.

The discovery of this study is that the variable affected most in the estimates is investment as a flow. The import of this is that there are flows that affect the economy that are not fully recorded. More specifically Nigeria has been receiving inflows in the recent past that are not recorded in the statistics as such. The NEO has been used to cover significant inflows of capital that Nigerian has received. An observation of Fig. 1 shows a logarithmic increase in the figures entered as NEO in the BOP. The figures have gone consistently higher over the years and have become exceptionally high in the recent years. The unrecorded inflows have returned, probably from earlier illegal capital flights out of the economy; though some other illegal inflows that are not available to be traced cannot be ruled out.

Conclusions and Recommendations

Apart from the Dooley and Cuddington measures, Morgan Trust is not appropriate, given its estimation methods and the reality that faces Nigeria. The World Bank measure is basic and is normally used for comparison while Dooley’s should be a preferred choice in the case of Nigeria since the variables are more significant and produced better results. For practical purposes, nominal capital flight by World Bank estimates is $164,633 million and by Dooley’s $107,331 million as at 2007. The impact of net errors and omissions is clearly seen in that there are inflows that cannot be accounted for in Nigeria’s Balance of Payment. Unlike the impact of the E and O in most countries accounts, resulting into net capital outflows, Nigeria has been recording capital inflows through the ‘backdoor’

This shows that the impact of the errors and omissions in the Dooley definition is significant in the estimation process since much of the capital that flees leave in various forms and return under different guises and purposes that cannot be fully explained or captured by the records. In addition, the inflows that have been recorded are typical of Nigeria where the real origins of such goods and capital can hardly be established. It is concluded, that the Dooley estimation is more significant with the variables employed than for any other definitions or estimates in Nigeria. Flights of capital can be into secrecy or safety. Foreign investors that resort to transfer capital out of the economy would undertake the flights to safety. The flight to secrecy is undertaken when institutions and entities engage in capital flight through various clandestine means, which include false bottom suitcases. The flight to secrecy often returns in another form different from the way it left.
Thus, safety flights will include all desperate recorded actions that are engaged in transferring capital out of the country. In this way, it is possible to separate legal and illegal capital flight. Legal capital flight is normal economic reaction by investors to transfer capital out of a risky environment into a more suitable one. Illegal capital flight can then be defined as all flights of capital out of an economy in an unofficial and irregular manner so that the capital becomes untraceable and income from such capital are not known or recorded. This is the area where corruption and other illicit means of acquiring assets can be situated. This is the more reason why the Dooley definition is more significant for the Nigerian scenario of capital flight and why illegal capital flight is more prevalent in Nigeria.

Flight of domestic capital assumes serious dimension when foreign investors attempts to shift capital abroad through every means possible as the business risk in the environment becomes serious. The use of every legal possible means to move money out of the country becomes important, though much of this happens illegally. Foreign investors that have invested always want to be able to shift capital abroad at the slightest sign of inclement business environment. The most common method of shifting assets abroad via capital flight is trade misinvoicing (especially export underinvoicing), which simply involves the increasing of imports values or decrease in value of exported goods that involve the country. In this scenario, it is difficult to fully eradicate the menace of capital flight from any developing economy that is pursing free market system as long as the market is open to foreign investment and there is less restrictions on the capital account to allow inflows of foreign investment into the country. Since it cannot be eradicated, then efforts should be directed towards its minimization.

The Dooley measure of capital flight brings out the type of capital flight being faced by Nigeria in that some unaccounted inflows frequently occur and capital initially transferred overseas may find its way back into the country. The Errors and Omission of the Balance of Payment allows balancing entries to be introduced which makes up for unexplainable entries. The efforts of the country should be directed towards complete documentation from the consignee or transferee points in order to ensure that funds do not leave the country anyhow without the possibility of its being traced. Additionally, with more transparency, Nigerians that transfer capital out of the country illegally can be dissuaded if they discover that transfer process is more open than before. Efforts directed at reducing the rate of capital flight in the economy will only succeed if there are avenues for the domestic investment of capital that would otherwise be made overseas. The Dooley measure of capital flight is more significant in Nigeria. Therefore, measures of capital flight that do not include an astute management of errors and omissions of the Balance of Payment may not produce significant results, since some amount of capital enter the economy through other means which, however, is not taken into account in the World Bank measure though its estimates are higher. The investment inflow that the E and O represent in Nigeria at this time consequently reduces the estimates of capital flight. It shows that errors and omissions section of the Balance of Payments is open to abuse as it can be used to cover much information about inflows and outflows of capital in Nigeria since its fluctuating effects can be seen to affect the total capital flight experienced by Nigeria.

REFERENCES


FIGURES

**Fig. 1: Logarithmic Transformation of Nigeria Net Errors and Omissions between 1970 and 2007**

![Logarithmic Transformation of Nigeria Net Errors and Omissions between 1970 and 2007](image)

Source: Author’s transformation from CBN’s Statistical Bulletin (2009)

**Fig 2 Estimates of Capital Flight (WB) and Dooley of Nigeria 1970- 2007**

![Estimates of Capital Flight (WB) and Dooley of Nigeria 1970- 2007](image)

Source: Author’s Computations
Figure 3  World Bank (WB) Capital Fight and (Dooley) Capital Flight

TABLES

Table 1 CAPITAL FLIGHT REGRESSION RESULTS

<table>
<thead>
<tr>
<th>Variables</th>
<th>CAPFT (a)</th>
<th>LCAPFT(a1)</th>
<th>DDCAPF(b)</th>
<th>LDDCAPF(b1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>-5.0007</td>
<td>-1.05011</td>
<td>-3890.06</td>
<td>-3.6287</td>
</tr>
<tr>
<td></td>
<td>(-1.7912)</td>
<td>(-0.41979)</td>
<td>(-1.656)</td>
<td>(-1.0747)</td>
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<tr>
<td>Avexrate</td>
<td>-0.38035</td>
<td>-0.29443</td>
<td>27.143</td>
<td>-0.3835</td>
</tr>
<tr>
<td></td>
<td>(0.007245)</td>
<td>(1.03470)</td>
<td>(0.6060)</td>
<td>(-1.0832)</td>
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<tr>
<td>Kaopen</td>
<td>-1793.220</td>
<td>-1.49486</td>
<td>-27157.76</td>
<td>-1.4016</td>
</tr>
<tr>
<td></td>
<td>(-1.081627)</td>
<td>(-3.51025)</td>
<td>(-1.641)</td>
<td>(-2.482)***</td>
</tr>
<tr>
<td>IntDiff</td>
<td>2063.427</td>
<td>0.6244</td>
<td>1996.657</td>
<td>-0.1473</td>
</tr>
<tr>
<td></td>
<td>(2.14268)**</td>
<td>(1.22725)</td>
<td>(2.33)**</td>
<td>(-0.2250)</td>
</tr>
<tr>
<td>Invt</td>
<td>-0.008736</td>
<td>-0.050620</td>
<td>-0.003</td>
<td>-0.815</td>
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<tr>
<td></td>
<td>(-0.505270)</td>
<td>(-0.081777)</td>
<td>(-0.210)</td>
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<tr>
<td>FSavs</td>
<td>-0.015905</td>
<td>0.223799</td>
<td>-23.002</td>
<td>-0.1288</td>
</tr>
<tr>
<td></td>
<td>(-2.7151)**</td>
<td>(0.613862)</td>
<td>(-3.89)**</td>
<td>(-0.2722)</td>
</tr>
<tr>
<td>Reserves</td>
<td>0.94924</td>
<td>0.705916</td>
<td>1.019</td>
<td>0.3626</td>
</tr>
<tr>
<td></td>
<td>(3.741654)**</td>
<td>(2.43031)**</td>
<td>(4.272)**</td>
<td>(0.7751)</td>
</tr>
<tr>
<td>AR(1)</td>
<td>-0.387927</td>
<td>-</td>
<td>-0.249985</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(-1.905259)</td>
<td>-</td>
<td>(-1.22386)</td>
<td>-</td>
</tr>
</tbody>
</table>

R² 0.55 0.54 0.57 0.51
Adjusted R² 0.45 0.42 0.47 0.38
Durbin Watson 2.2 2.1 2.15 1.92
F Statistics 5.21 4.63 5.55 3.78
Observations 38 31 38 28

Note: * statistics in parentheses *, **, *** denote the level of significance at 1, 5, and 10 percent respectively.

Table 2 Paired Sample Tests Result of Selected Variables

<table>
<thead>
<tr>
<th>Paired samples</th>
<th>95% Confidence Interval of the Difference</th>
<th>t</th>
<th>Sig (2 tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lower</td>
<td>Upper</td>
<td></td>
</tr>
<tr>
<td>Capflit – Dfsavs</td>
<td>-1112.0380</td>
<td>-5037.5432</td>
<td>-3.174</td>
</tr>
<tr>
<td>Capflit – Dinvt</td>
<td>-1097.5378</td>
<td>-5569.8981</td>
<td>-3.021</td>
</tr>
<tr>
<td>Capflit – DDCAPFT</td>
<td>2911.1695</td>
<td>104.69204</td>
<td>2.177</td>
</tr>
<tr>
<td>Dfsavs – DDCAPFT</td>
<td>7278.7930</td>
<td>1886.6497</td>
<td>3.444</td>
</tr>
<tr>
<td>Dinvt – DDCAPFT</td>
<td>7058.8514</td>
<td>2624.4461</td>
<td>-4.425</td>
</tr>
</tbody>
</table>

Source: Abridged Results 2011