Econometrics for Finance

Multiple Linear Regression Model

Example: The following data represents the demand for money (Yi), interest rate (X1), and investment ratios (X2).

N	Yi	X1	X2
1	22	8	6
2	23	10	7
3	18	7	5
4	9	2	2
5	14	4	3
6	20	6	4
7	21	7	4
8	18	6	3
9	16	4	3
10	19	6	3

Required:

1- Demand function estimation and explanation**.**
2- Calculation of the coefficient of determination (R^2), (**adjusted** R^2) and explanation.
3- Calculate the standard deviation (**SD**) to determine the degree of confidence of the estimates.
4- Calculation of the **t-test** for the significance of the estimated parameters.
5- Calculate the **F-test** for the function and explanation.

Note:

- The t**-** table in the level of significance (0.05) and degrees of freedom (n-k=7) equal to (1.895).
- The F**-** table in the level of significance (0.05) and degrees of freedom (n-k=7) equal to (4.74).