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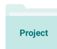

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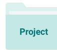

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INCOME CONVERGENCE FOR AFRICAN COUNTRIES: EVIDENCE FROM NONLINEAR TEST

VENUS KHIM-SEN LIEW*
Faculty of Economics and Business, Universiti Malaysia Sarawak, Malaysia

EMMANUEL ANORUO
School of Management Science and Economics, Coppin State University, USA

CHIN-HONG PUAH
Universiti Malaysia Sarawak, Malaysia

UCHENNA ELIKE
School of Business, Alabama A&M University, USA

This paper tests the income convergence hypothesis for a group of 27 African countries using nonlinear testing procedures that allow the joint testing of both the long-run convergence and the catching-up hypotheses. This study demonstrates that there exist different levels of economic achievement in the African countries. Important implications are derived from the study.

Keywords: Income convergence, Africa, long-run convergence, catching-up, nonlinear, unit root test

JEL Classification: F36, P44, P45

INTRODUCTION

Bernard and Darlauf (1995) propose the time series test for stochastic convergence. Specifically, stochastic convergence exists if income differential of two economies are stationary over time. Otherwise, income divergence is the case. Oxley and Greasley (1995) modify the Bernard and Darlauf test to differentiate long-run convergence from a catching-up process. Long-run convergence signifies the attainment of long run steady-state equilibrium in the incomes between two contrasting countries, while catching-up exists when the narrowing of the income gap is observed over time but the convergence process is yet to be consummated. Income convergence study has drawn the attention of many empirical researchers and policy-makers. This nature of study is important as it provides us with one objective way to evaluate the economic achievement of developing countries in general and the socio-economic welfare of the citizens in particular, as compared to certain benchmark countries.

Previous studies on ICH are mainly confined to the developed countries (Lim and McAleer, 2004; Strazicich and Day, 2004; Dawson and Sen, 2007; Yaua and Hueng,