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Modeling the Impact of Export along with Government Education Spending on Economic Growth of Pakistan: An ARDL and Bound Test Approach

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ABSTRACT

The main focus of the present research work is to scrutinize the effect of export on the economic growth of Pakistan. For this motive, the research work put to use annual time sequence data for 46 years from1972 to 2018. In the affairs of dependent and independent variables, the make use of GD P as dependent and Exports, Exchange Rate, Capital Investment, Labour Force Participation Rate Education Spending and Inflation are utilized as independent variables. For data stationary justification, the study applied the Augmented Dickey-Fuller (ADF) unit root test. To find out the long–run and short-run results, the study used Autoregressive Distributed Lag (ARDL) approach. The empirical results show the optimistic and statistically significant effect of export on the GDP growth of Pakistan. Other independent variables like Capital Investment, Education Spending, and Labour Force Participation Rate also have a positive and unforgettable effect on the GDPP growth of Pakistan. Exchange Rate put a negative impact and significant in the long – run and Inflation put a positive effect on the GDP growth of Pakistan insignificant in the long – run.

1 Introduction

The economic growth of any developing and developed country is determined by the gross domestic product of the country. Any type of fluctuations in the Gross Domestic Product will affect the country's overall economic growth. In any country, the increment in Gross Domestic Product means that the economic growth of the country is going toward a better situation and if the Gross Domestic Product of a country is diminished it means that the economic growth of that country is going to decrease. In short, economic growth takes place when a country's Gross Domestic Product increases.

The question arises here, that, how a nation can achieve economic growth. There are so many sectors of the economy that can make a contribution to financial development. Export is one of the main salient sectors which can accelerate economic growth. Some economists put forward their different opinions regarding the export and financial development of the country.

Some economist is in favour of export-led growth and some are in favour of growth led export. The link from export to G D P growth is named export-led-growth. The export-led-growth conjectures that promotion in export is the most important measure of GDP growth of the country. It invigorates that on the whole development of nations can be accomplished not only by escalating the volume of manpower and money/capital invested in the economy, but also by extending exports. Different studies like Michaely (1977), Balassa

(1978, 1985), Bhagwati (1978), Vohra, (2001) and Herzer, (2005), and Hye and Siddiqui (2011) confirmed the export-led growth.

On the other hand, the link from growth to export is named growth-led-export. Growth led export means export-oriented growth. That is, growth coming from exporting goods from a country. Different studies like Findlay (1984), Jung and Marshal (1985), Mishra, (2011), Iqbal, (2012) and Santos, (2013) confirmed the growth led export.

Export is a very essential sector that can accelerate economic growth. It has observed that, a close and optimistic connection between export and financial development of the nation. High with rapid economic growth is usually characterized by expansion in exports. Some researcher put forward their opinions regarding the export and the economic growth of the country.

1.1. Statement of the Problem

Nowadays, the reduction in export is very common in all the developing countries. Due to unfavourable conditions of the economy, the export of developing countries reduced and these countries face many problems. Instability and weakness of the trade performance put a bad impact on the development of the countries. Pakistan is one of those developing countries which daily face many economic problems. Due to these problems, Pakistan's export performance remained weak.

According to the World Bank Report (2017-18) Pakistan's exports share in world export declined from 0.18 percent to 0.13 percent. One of the most crucial reasons behind the depreciation of export in Pakistan is various natural disasters, earthquakes, floods, energy crises, instability of political condition, and devaluation of the Pakistani rupee in the international market.

The devaluation of the Pakistani rupee put a negative impact on international trade. The budget of Pakistan badly disturbed which means the demand for import increase than export. Pakistan's continuously trying to improve the balance of trade and make the value of exports more than imports value. In the current year, Pakistan faces the same problems as discussed above; now in a present research study, we see how export along with government education spending and different other macroeconomic variables put an impact on the economic development of Pakistan.

1.2. Objective of the Study

Economic growth plays a role like blood in the human body in any state. The core goal of the present study is to inspect, how economic growth in Pakistan is affected by exports and other different macroeconomic variables? For this purpose, different variables like Gross Domestic Product, Export, Exchange Rate, Capital Investment Government Education Spending, and Labour Force Participation Rate are used in this work. The aims of the work are to scrutinize the effect of export on the financial development in Pakistan and also to examine the long-run connection between export and financial development in Pakistan. The study also endeavours to examine the outcome of dissimilar other variables like exchange rate, capital investment, labour force participation rate, government education spending, and inflation on the growth of the economy in Pakistan.

1.3. Significance of the Study

The present work inquires into the effect of export on the growth of the economy in the case of Pakistan. We easily observe the effect of export on the economic expansion of Pakistan with the help of different macroeconomic variables used in this study, like export, exchange rate, capital investment, labor force participation rate, government education spending, and

inflation. For any country exchange rate are very important to determine the level of exports and imports. The devaluation of the currency in the international market makes exports inexpensive and import pricier in international markets. A high-rise in the exchange rate moves down the trade steadiness of the country moreover lower the exchange rate, the higher the steadiness of trade of the country.

2. Reviews of Relevant Literatures

All these studies analyzed the export performance of the country and examined how export improved the economic growth of the country. Some famous studies reviews are given below.

2.1. Literature Reviews from National Portfolio

Fatemah and Qayyum (2018) scrutinize the impact of export on economic flourish in Pakistan. Annually time series data is taken from 1971 to 2016. To make sure the stationary of the data, the study applied Augmented-Dickey-Fuller (ADF) unit root test. The study also implements econometric models such as Vector Error Correction Model (VECM), Johansen Co-integration, and Vector Autoregressive Models (VAR) to analyze the data. In this work, GDP operates as dependent and Capital Investment, Labour Force, Export, and Inflation as independent variables. After analyzing the data, the study makes clear that export is very significant and remarkable to determine the economic growth in Pakistan. The study also discloses that capital investment and labour force, for the long–run as well as short-run economic development of Pakistan is very crucial.

Ahmed et al (2018) investigate the outcome of import, taxes, inflation rate, and export on the economic extension of Pakistan. In favour of this motive, annual time series data is taken from 1977 to 2016. In this work, GDP employs as the dependent variable, inflation rate, exports, imports, and taxes as independent variables. ADF Unit Root test is applied on a stationary basis. Different econometrics tests such as the Johansen Co-integration test and Error Correction Model (ECM) are used to find out the effect of macroeconomic variables on the GDP of Pakistan. The study culminates the results that, imports, inflation rate, and taxes put a negative effect on the economic development of Pakistan in both periods long and short – run. The analysis also concludes with the result that, export put a positive and significant effect GDP growth of Pakistan in the long-run and in the short-run.

Hasan et al (2018) examined the relationship of foreign direct investment with imports and exports of Pakistan. The annual time series data is taken from 1978 to 2016. In this study, gross domestic product (GDP) put to use as a dependent, and FDI, import, and exports are taken as self-governing variables. Different econometrics models are applied to discover the relationship between FDI, imports, and Exports. To make sure the stationary of the data, the work employs the Augmented Dickey-Fuller (ADF) unit root test. Autoregressive Distributed Lag Model (ARDL) and Vector Auto Regression Model (VAR) are implementing to discover the long and short-run affiliation. The results show a positive association among FDI, imports, and exports of Pakistan in the short and in the long – run.

Javaid et al (2018) determine the factors that are includes in the progression of economic expansion in Pakistan. The annual time series data is used from 1975 to 2015. To ascertain the affiliation between variables, the study takes GDP as the dependent variable. Import, Population, Export, Inflation, Education Expenditure, Foreign Direct Investment, and Exchange Rates are taken as independent variables. For stationary purposes, the Augmented Dickey-Fuller (ADF) unit root test is used. The study also implements Multiple Regression analysis to guesstimate the influence of different macroeconomic variables on the economic augmentation of Pakistan. The study comes to the conclusion that there is an optimistic relationship between population and economic enlargement of Pakistan. It is very important to improve the skills of the population by spending on education.

Shaikh et al (2017) exploring the relationship between export and financial development in Pakistan. The work analyzed annually time-series data from 1990 to 2012. The study applied OLS Ordinary Least Square modus operandi to find out the association betwixt export and financial shooting up in Pakistan. GDP is taken as dependent and labour force, export, and gross capital formation are independent variables. The results show affirmative and significant affiliation betwixt export and economic escalation of Pakistan.

Hena et al (2017) examine the trade performance of Pakistan and India by using secondary data from 1960 to 2015. Multiple regressions analysis is used to discover the role of export and import in an economic escalation of both Pakistan and India. The study exploits the Augmented Dickey-Fuller (ADF) analysis for stationary purposes. The work utilizes GDP as a dependent; exports, imports used as self-regulating variables. After applying multiple regressions analysis, the results proclaim that import, export play a very vital position in the financial enlargement of both Pakistan and India. The study also compared the trade performance of both Pakistan and India, the results bring out that there is lots of distortion in Pakistan's trade performance as compared to India. Pakistan has less impact on imports and exports on their gross domestic product as compared to India. In India, imports and exports are highly effective in their gross domestic product.

2.2. Literature Reviews from International Portfolio

Guntukula (2018), analyzed the link among imports, exports, and economic growth of India by applying co-integration and causality analysis. The study used monthly data for 12 years from 2005 to 2017. The study used GDP as dependent and export and import as independent variables. For the stationary of the data of different variables, the study applied the ADF unit root technique. Different techniques also utilize Johansen and Juselius Co-integration test and Granger Causality technique to check correlation among dependent plus independent variables. The study concludes the result that, the bidirectional interrelation between export, imports, and financial augmentation of India. The study also confirms the Growth-Led-Export and Export-Led-Growth in India.

Dalmar et al (2018), examines the effect of import and export performance on the financial escalation of Somalia. Annually time series data is taken from 1970 to 1991. The researcher applied different econometrics models OLS (Ordinary Least Square) Model, Johansen Co-integration, and Granger Causality technique. For data stationary purposes PP (Phillip-Perron) & ADF (Augmented Dickey-Fuller) techniques are applied. The study takes GDP as dependent and Import and Export as independent variables. After applying econometrics models and unit root tests, the results show that export plays a very beneficial role in the economic intensification of Somalia. In short, exports and imports are a reason for the financial development of Somalia.

Botha et al (2017), investigate the effect of export and capital formation on the economic escalation of South Africa by taking quarterly data from 1975 to 2012. The study used GDP as the dependent variable and Capital Formation, Export, Employment, and Imports are taking as independent variables. To check the stationary of the data, Study used ADF (Augmented Dickey-Fuller) & PP (Phillip – Perron) units root method. The study makes use of Johansen Co-integration & Granger Causality models to evaluate the effect of export and capital formation on the economic magnification. The results hold up the nation that the role of export lies in their capability to support investment and capital arrangement. Exports have an affirmative effect on the economic magnification of South Africa.

3. The Methodology of the Study and Data Source

3.1. Theoretical Framework of the Model

To see the reaction of Export and other macroeconomic variables on the Economic Escalation in Pakistan, the macroeconomic model can be estimated by the following equation: **GDP (Gross Domestic Product)** = f (Export, , Capital Investment, Labor Force Participation Rate, Inflation, Exchange Rate, Education Spending)

3.2. Brief Explanation of Variables

Summary of variables which are used in present study, their abbreviation and their measurement unit are given below in Table 1.

Table: 1

Summaries of Variables

Variables	Explanation	Units
GDP	Gross Domestic Product	Billions Dollar
EX	Export	Billions Dollar
ER	Exchange Rate	Percentage
CI	Capital Investment	Billions Dollar
LFPR	Labour Force Participation Rate	Percentage
INF	Inflation	Percentage
ES	Education Spending	Billions Dollar

Gross Domestic Product (GDP)

The total worth of merchandise produced and facility provided in a country during one year. It is the amount of Consumption, Administration Spending, Investment, and Exports and Imports. It is represented as:

GDP = Consumption + Administration Expenditures + Investment +Exports + Imports.

In the present study, GDP (Billions Dollars) is used as dependent variable.

Now we define other independent variables as follows:

Export (EX)

The worth of merchandise or services manufactured by a nation in a prearranged time and sold these goods and services to different nations. The seller is called an exporter and the buyer of this merchandise is called importers. In the present study, export (Billions of Dollars) is used as the independent variable..

Exchange Rate (ER)

The exchange rate is the rate of two currencies in which the currency of one country is exchanged for another country's currency. In simple words, it is the value or price of one nation's money in the phrase of another country's money. For example, US 1$ is exchanged with Pakistani Rs. 156, it means 1 US $ is equal to 156 Pakistani rupees. In the present study, the (ER) Exchange Rate is designed as the yearly average basis on monthly averages.

There are three kind of exchange rate;

- **Fixed Exchange Rate:** It is set by the Administration or State Bank. It is also called the officials rate.
- **Flexible/Floating Exchange Rate:** It is fixed on through market forces demand for money and supply of the money in the international interchange market.

- **Managed Exchange Rate:** It is an exchange rate determined by the Government or State Bank by taking action to manage the worth of money respective to other nations in the FX market.

Capital Investment (CI)

The capital investment comprises expenses on increments to the fixed resources of the economy in addition to net changes in the degree of inventories. Fixed resources incorporate land enhancements, plant, hardware, and gear buys; and the development of streets, railroads, schools, workplaces, medical clinics, and private homes, business, and mechanical structures. Inventories are a load of merchandise held by firms to meet transitory or sudden vacillations underway or deals. In the present study, data of capital investment is used in Billions of Dollars.

Labor Force Participation Rate (LFPR)

Labour force participation rate is the level of working-age people in a financial system and those who are working and those who are jobless. Working-age has explained the age from 16 to 65. The formula of LFPR is as follow:

$$\text{LFPR} = \frac{\text{LF}}{\text{Population}} \times 100$$

Inflation (INF)

Basically, inflation is a rise in price. In another word, it is a condition by which a continued enhances in the price stage in a financial system. There are two kinds of inflations:

- **Demand – Pull:** is a situation in which a sustained increases in aggregate demand in an economy.
- **Cost – Push:** is a circumstance in which a nonstop increases in the cost of the production.

Education Spending (ES)

Government spending on education (current, capital, and transfers) is indicated in billions of dollars. It comprises spending finance by transfers from worldwide foundation to administration. The general government typically alludes to the community, district, and State government. The present study used education spending as an independent variable in billions of dollars.

3.3. Data Type and Sources

To find the relationship between Gross Domestic Product and other different variables like export, exchange rate, capital investment, labor force participation rate, education spending, and inflation in Pakistan, present research work exerts annually time-series data from 1972 to 2018. The information is composed of different resources like The Global Economy, World Development Indicators (WDI), and various Economic Surveys of Pakistan.

4. The Data Analysis, Empirical Results and Interpretation

4.1. Analysis for Testing Stationary of Data

To check the stationary or non- motionless of the data, Dickey and Fuller (1979 and 19981) systematize a method which is recognized as (ADF) Augmented Dickey-Fuller technique. The present study follows the ADF technique to examine the stationary of the variables.

Stationary data provide authentic results and non-stationary data will provide unacceptable results. The ADF is applied to ensure the stationary of the data to acquire authentic and

dependable findings. For Stationary purposes, if data is on Intercept and Level or at the Level and Trend & Intercept. In these circumstances, the data is integrated at zero, 1(0). If the data is at First Difference and Interceptor at First Difference and Trend and Intercept, then data is integrated at order one, 1(1).

In the present study, all variables are amalgamated at order one, 1(1). Because all data is stationary at the first difference and intercept. So, we can apply the Auto-Regressive Distributed Lag (ARDL) approach.

4.2. Unit Root Test

The existing work investigation applied the Augmented Dickey-Fuller (ADF) unit root technique, to get rid of the untrue findings of the regression, and choose an acceptable econometric method. Table 3 below explains the results of the Augmented Dickey-Fuller (ADF) technique.

Table 2

Results of Augmented Dickey-Fuller (ADF) Test for Unit Root

Variables	At Level		At 1st Difference		Conclusion
	Intercept	Trend & Intercept	Intercept	Trend & Intercept	
GDP	-------	---------	-4.549766 (0.0006)	--------	I(1)
EX	-------	---------	-5.968869 (0.0000)	--------	I(1)
ER	-------	--------	-3.610019 (0.0094)	--------	I(0)
CI	-------	---------	-5.249977 (0.0001)	--------	I(1)
LFPR	-------	---------	-6.589895 (0.0000)	-------	I(1)
INF	-2.958095 (0.0477)	-------	-------	-------	1(0)
ES	-3.659373 (0.0081)	-------	-------	-------	1(0)

Sources: Author's own calculation by using E-views 9

In Table 2, the results of the Augmented Dickey-Fuller (ADF) technique are disclosed. These results show every variable is not stationary at the same stage. The results show that GDP, ER, EX, CI, and LFPR are stationary at the first difference and intercept. The other variable INF and ES is stationary on the level and intercept. As claimed by the ADF technique, we can simply culminate that the time series is not stationary at the equivalent sequence.

4.3. Auto Regressive Distributive Lag (ARDL) Approach

Auto-Regressive Distributed Lag (ARDL) technique was undertaken by Pesaran and Shin to establish the affiliation between variables in the long-run. This modern technique has a benefit in excess of the preceding approach of Johanson, it can be enforced on an occasion while the entire variables are integrated at mutually order I(0) and I(1). ARDL results are given below in Table 3

Table 3

Long Run Relationship

Regressors	Coefficient	Standard Error	T-Statistic	Prob.
EX	3.444224	0.807034	4.267754	0.0011
ER	-0.375946	0.152635	-2.463044	0.0299
CI	6.002097	0.469834	12.774943	0.0000
LFPR	1.861210	0.325323	5.721111	0.0001
INF	0.230405	0.248473	0.927285	0.3721
ES	0.9608060	3.712199	2.588239	0.0237
C	-139.247093	26.121472	-5.330750	0.0002

Sources: Author's own calculation by using E-views 9

4.4. Empirical Results and Interpretation

In Table 3, the value of co-efficient of export (EX) shows a positive and statistically appreciable association between Gross Domestic Product (GDP) and Export (EX). Empirical findings show, in the long – run, if there is a one percent increase in export it will (3.444224) percentage addition in G D P extension. My study support findings of Ahmed et al 2018, Hassan et al 2018 & Shaikh et al 2017 have the positive and remarkable effect of export on the financial escalation of Pakistan.

The value of the co-efficient of Exchange Rate (ER) is showing the negative and statistically insignificant relationship with the dependent variable GDP. If a percentage increase in Rate of Exchange it will conduct (-0.375946) percentage increment in economic growth. My study supports the result of Ghani et al (2016) that there is a pragmatic and efficacious link with economic growth.

The value of the co-efficient of Capital Investment (CI) shows a useful and remarkable relationship with the dependent variable LGDP. If there is a one percent increase in capital investment it will bring (6.002097) percentage increase in economic growth. My study also supports the findings of Wilfred and Omolade (2013) that show the positive effect of Resources Investment on the G D P widening of Nigeria.

The value of co-efficient of Labour Force Participation Rate (LFPR) is also shown the positive and portentous relationship with the dependent variable GDP. The results show that, if there is a one percent increase in the labor force it will bring (1.861210) percent increase in economic growth. This study hardly supports the findings of Rahman (2018) that shows the positive and significant impact of Labour Force Participation Rate (LFPR) on economic growth.

The value of the coefficient of Inflation is a positive impact and insignificant relationship with the dependent variable GDP. The results show that, if there is a one percent increase in inflation it will bring (0.230405) percent increase in economic growth. My study hardly supports the findings of Shahzad, H, and Shahnawz, M (2011), find that there is also a

positive relationship with the economic development of Pakistan. A high inflation rate leads people to invest more in physical capital. Ayyoub, M, Imran, Sharif, C and Fatima, F (2011) is also finding a positive relationship with the economic enlargement of Pakistan. An increase in general price level hurts economic growth.

The value of the coefficient of education spending is encouraging and appreciable with the effect the G D P broadening. The judgments show that, if there is a one percent increase in education spending it will bring (0.9608060) percent increase in economic growth. The present study hardly supports the findings of Abdullah et al (2015) finds the efficacious and appreciable contact on the economic growth of skidpan.

All the values of the coefficient exhibit significant results that show a positive impact on the economic escalation of Pakistan except ER and INF.

The empirical result shows that export has a constructive effect on economic flourishing in Pakistan. Export and other variables like Capital Investment, Labour Force Participation Rate, and Education Spending also have positive and significant but Inflation and Exchange Rate put an insignificant impact on the economic growth of Pakistan. Inside the section, we describe Descriptive Scrutiny, Matrix of Correlation, and Time Series Data Evaluation too. Stability inspection too appears important of the interpretation.

4.5. Bound Test (F – Statistics)

After the equation of ARDL, we are differentiating among calculated and organized F-Statistics. Pesaran et al in (2001) organized the graph for calculated F-statistics. They construct duo decisive bound value: higher value and lower value. If calculated F-statistics expected to be overload of higher value, probably show the existence long-run association or existing of co-integration in changeable variable. Conversely, if deliberated F-statistics are less than the definite lower value, it proves the nonexistence of long–run affiliation while the expected F-statistics inside the higher and lower bound will recommend an undetermined outcome.

Table 4

Bound Test

Equation	F-Statistics	Upper Bound Critical Value	Conclusion
GDP/EX,ER,CI,LFPR,NF,ES	12.00616	3.61 (95%)	Co-integration Exist

4.6. Error Correction Model (ECM)

Expression E C M (-1) illustrate the velocity of change of the predictable form which is statically significant and it has a negative sign. In addition, the co-efficient value of ECM (-1) explains that approximately 57 percent mistake will resolve from short – run to long – run balance for every year.

Table 5

ECM Results

Regressor	Coefficient	St. Error	T-Statistic	Prob.
D(GDP (-1))	-0.504013	0.173038	-2.912731	0.0130
D(GDP (-2))	-0.87167	0.230169	-0.378710	0.7115
D(GDP (-3))	0.406690	0.166271	2.445948	0.0308
D(EX)	1.977315	0.276413	7.153470	0.0000
D(EX (-1))	0.901581	0.430260	2.095435	0.0580
D(EX (-2))	-0.356974	0.395761	-0.901994	0.3848
D(EX (-3))	-1.193457	0.523629	-2.279203	0.0417
D(ER)	-0.184063	0.228168	-0.806698	0.4355
D(ER (-1))	-0.653032	0.421455	-1.549468	0.1472
D(ER (-2))	-1.269391	0.490259	-2.589229	0.0237
D(ER (-3))	1.193801	0.255142	4.678966	0.0005
D(CI)	3.228764	0.358484	9.006723	0.0000
D(CI (-1))	0.033837	0.548931	0.061641	0.9519
D(CI (-2))	1.939017	0.682690	3.840259	0.0149
D(CI (-3))	-1.911464	0.456655	-4.185791	0.0013
D(LFPR)	0.583766	0.224194	2.603841	0.0231
D(INF)	-0.125660	0.113329	-1.108799	0.2892
D(INF)	0.009697	0.088806	0.109188	0.9149
D(INF)	-0.184270	0.070622	-2.609240	0.0228
D(ES)	1.358885	1.255403	1.082429	0.3003
D(ES(-1))	0.015196	1.385480	0.010968	0.9914
D(ES(-2))	-3.910083	2.146300	-1.821778	0.0935
D(ES(-3))	-2.241609	1.882105	-1.191011	0.2567
ECM (-1)	-0.572946	0.074320	-7.709211	0.0000
R – Squared: 0.999961			**R – Bar Squared:** 0.999865	
S.E. of Regression: 1.033884			**F – Stat:** 10370.93	
Schwarz Bayesian Criterion: 4.339792			**Akaike Info Criterion:** 3.070090	
Durbin – Watson Stat: 2.076826			**Probability (F – Stat):** 0.000000	

Sources: Author's own calculation by using E-views 9

5. Conclusion and Policy Advice

The intent of the work is to investigate the export effect on the economic enlargement in Pakistan. Different economic indicators like GDP, Export, Exchange Rate, Capital Investment, and Labor Force Participation Rate have been used in this study. To see the effect of export on the economic expansion of Pakistan scrutinized work used annual Time Sequence data from 1972 till 2018.

The present study reviews literatures which are related to the export performance of Pakistan and other developing countries. Through the previous literature reviews, the study investigated the optimistic and appreciable affiliation with financial development. The study also throws light on three major theories that shows the impact of export on economic growth. These theories are; Classical Theory of International Trade, Endogenous Growth Theory, Hecksher – Ohlin Theorem of Worldwide Trade.

Firstly, we find the result of descriptive statistics. Secondly, the present study analyzes correlation results which show that dependent and independent variables are correlated with each other. In the present work, to ascertain the extended period affiliation among Gross Domestic Product, other macroeconomic variables like Export, Exchange Rate, Capital Investment, and Labor Force Participation Rate, ARDL (Autoregressive Distributed Lag) technique is applied. Earlier, the ADF unit root technique applied for the justification of the stationary of information.

The Consequence of the ADF technique show, every variable is appreciable at the level and at the first difference. The present work implements the ARDL approach to detect interrelation among dependent plus independent variables in the short-run as well in the long – run. The results of the ARDL model shows, export, exchange velocity, capital investment, and labor force participation rate put encouraging also impressive effect on the financial expansion of Pakistan in the long – run.

It is extremely essential to advocate several efficient strategies, subsequent to evaluate the findings of work. It is recommended on the basis of this research paper that Export play a very dominant role in financial development in Pakistan. The Government of Pakistan should take strict measures to control imports and encourage exports. Import is greater than export in Pakistan, which is highly affected the economic development of Pakistan. The Government of Pakistan should encourage export and discourage imports. For this purpose government should make export-oriented policies. The Government should create export-related schemes to promote export. The Government of Pakistan should establish Export Processing Zones (EPZ). The purpose of these zones is to encourage exports. Pakistan is facing many economic problems and threats. Balance of trade is one of them. Policymakers should keep a close eye on the problem of an increase in the exchange rate. Enhancement in the balance of trade, devaluation of exchange velocity is cooperative of Pakistan.

Pakistan is a labor abundant country. The government and policymakers should invest in human capital through spending on education, health care, and other institutions such as engineering, finance, medicine, and technology to create more skills. Unemployment is a major issue of Pakistan, policymakers, and the government of Pakistan should keep a close eye on this issue, and provide employment to unemployed peoples. This will increase the country's economic growth. Capital investment is also very important in promoting export. Policymakers should make policies in favor of investors to attract more investors. Investment played a very important role to increase the export of the country. Pakistan is facing the problem of trade deficit from 1955 to up till now. A trade deficit means differences in exports and imports. Government and policymakers should encourage export and discourage imports.

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