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Human Capital and Economic Growth in Pakistan
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Abstract: This study used human capital and economic growth in Pakistan economy. Income per capita, health and education are the important part for measuring development success in human capital. Housing, education and health play an important role in economic growth. Income per capital alone cannot boost the economic growth and income is not sufficient indicator for human capital and economic growth. Services are very important for economic growth. The role of human capital and technology is very important part for economic growth and power of economic growth. Any country which is unable to develop skills, knowledge, and training to their people is unable to achieve economic growth and development. In this study gross fixed capital (GFC), saving, Inflation, Human capital (HC) Labor force (LF) and foreign direct investment (FDI) used as a variables. The data is collected from 1974-2014 time periods. This study is based on time series analysis. In which education is a necessary tool for economic growth. Education enhances the productivity and efficiency of the individuals. In this study ARDL ADF, unit root techniques are used to analyze this study.

Keyword: Human capital, ARDL, Gross Fixed Capital, Saving and Inflation

INTRODUCTION

Economic growth means to produce goods and services from one time period to another time period to an increase in the ability of economy condition. Inflation has much importance in economic growth. Economic growth is a change in production and output in positive side of economy. Any activity which boosted the individual productivity called human capital. An investment in human capital produce labor force and this labor force shows skills which promote economic growth.

Human capital and profitable development are related to each solitary other’s. The development in human capital could achieve sustainable economic growth in the country. Sustainable development means that the achievement of basic need in present without comparing the next generation expectations on basic needs. Sustainable development is very similar with human development and ability of the people. Personal social, spiritual, progress is called development. People lives remains saved from the political, economic and social planning. The social political and economic changes are very helpful for the economic growth.

Development procedures used for the natural resources to promote human needs and people lives. Development process relates to the skills, education and with health. In the 1990’s education appears as a prominent and important part of life. Education relates to the formal and informal education. In which formal education is on curriculum based. Informal education is such type of education in which no teachers and no curriculum are required for children, parents are educate and trains their children how to remain and treat with others.

In the human capital education plays an important role. Education, skills, attitude aptitude is a type of components which uplift human capital and are a sources of an augment into financial expansion. Formal education is very necessary designed for the development in human wealth and money-making growth. Education determines the financial development. Pakistan is rich in natural resources but has lack of education and trained manpower. Due to the lack of manpower Pakistan economic growth could not increase at satisfactory level. Education is a part of human capital and expenditure on education are called person development formation. Education can breaks the unemployment level in the country. Educational facilities can present many opportunities for employment. Education can change the outlook of individuals, it it change the attitude of people and thinking which easily can become good citizen through the education. Education produced a new incentives and innovation which influence the increasing process in positive side. Education change the narrow minded and produce person power for industrialization. Person capital is an input in the financial achievement. Person capital is a source of production.

Historical Scheme of Resource Allocation:
Money-making enlargement has many aspects.
Long term structural policies will encourage productivity and promote better management. It promotes competitive market. The government role is very important for provision of water, power and national public merchandise, such as honesty, securities our growth experience in the last four decades is in dilapidated.

This diagram shows the human development and economic growth circle. In this diagram human development progress relates to the capabilities of labor, choice of technology resource of development local adaption and innovation. This innovation relates to the foreign and domestic saving, investment and composition of export and output. This output moves to economic growth and from economic growth could easily minimized poverty and an increase in the household income. Human development could attain through all the components which are related to each others. Pakistan is far from development in human capital that can enhance economic growth. Our growth policy is based on public sector; public sector has much importance in economic growth as compared to government sectors.

Supper performance of any country is related to the trade expansion, export arbitrary, unfamiliarstraightasset (FDI), and from financial growth. This diagram shows expansion of three countries trade. The first line represents the south Asia, second line represents the India and last line represents the Pakistan trade. It is a comparison of trade impact on the economy. There is a need to provide strong guidance to the ministry department for the plane recommendation and Implication. Person capital has significant role in the financial development. Knowledge has the central position in the development process. Individual development promotes the exports of the developing countries and it enhanced the quality of labor force and it encourages the enlargement of the countries. Pakistan remains poor in physical condition and knowledge but according to recent measurement Pakistan literacy rate remain satisfactory.
This trend line shows the trend of variables which are dependent and independent. Human capital is dependent variable and Inflation, Gross fixed capital, Inflation, Labor force and saving are independent variables used in this paper. This data is given from 2004 to 2014.

LITERATURE REVIEW

Abbas, Qaiser. , (2000) examined the Role of personas sets and financial enlargement in Pakistan along with India. These lessons used cross sectional data of these countries. The variables used in this study were Gross Domestic Product (GDP), schooling enrolment rate, employment, physical capital and human capital. OLS technique used to analyze this study. The explicit effect on human capital was not settled. In this study proxy variables used for schooling enrolment in which employment have activist contact on the financial growth of Pakistan. GDP was the major part of gross domestic investment for physical capital. This reading shows the force of schooling on financial growth. This concludes that growth would be negatively related to initial stock of capital.

Khan and Sasaki (2001) examined the Role of public capital in Pakistan economy. The variables applied in this paper were production flexibility of aggregate level, total communal capital, infrastructure and services. Time series data applied for this paper from (1964 to1997). The average of every input in economic growth was evaluated in this paper. This paper measured the regional disparity of income. Input had a positive effect on output but in most cases it was not positive. This paper suggested the unsatisfactory results. This paper shows the personal capital, community capital ratio and reservoir glory had importance for financial growth. Public sector investment and public capital could increase the elasticity of capital. On the national economy the public contribution in the economic growth was estimated at low level.

Mamuneas et al. (2002) examined the economic development and returns to human capital. Time series data used in this study. Total fertility rate (TFR) rate of return, human capital and semi parametric estimation used as variables. Human capital had negative effect on output. This study used semi parametric methodology which was not collecting the output elasticity of human capital. This paper concludes that there was a wide dispersion of estimation in this study. This paper estimated the production flexibility and communalgo back to individualassets set daughter different stage of improvement.

Khan, Muhsin. , (2005) examined the human capital and economic growth in Pakistan .The variable used in this reading were investment to GDP, initial income, rate of inflation, quality of institution, school enrolment, life expectancy, institutional quality and average of secondary schooling. Cross section data used (1979 to 2004).This paper examined the maintenance of the economic growth of Pakistan. Macroeconomic stability had a strong relationship between income and education. Higher level of health and education could attain both economic growth and person as sets. Schooling and physical condition independently effected the financial enlargement within positive sense but unfortunately the government spending on health and education was not satisfactory. Education and health independently effected the economic growth in positive sense. This result confirms that if countries invest more in human capital than they could achieve better economic growth. This shows that Pakistan could attain economic growth by the investment in its human capital.

Abbas and Pecks (2007) examined the human capital and economic growth in Pakistan. This papers second-hand the time series data commencing 1960-2003. This study used the ADF and unit root techniques. Macroeconomic stability had a strong relationship between income and education. The variables were related schooling enrolment, percentage of age, literacy rate and GDP. This estimation concludes the constant return to labor, substantial and being assets. This resulted in the refutation of the neo-classical growth model.

Mahmood and Chaudhary (2009) examined the application of endogenous growth model to the economy of Pakistan. This paper had time series data from 1972-2005. This study used ADF and unit root techniques. Distant express asset (FDI), household saving, working labor energy, money formation, individual wealth index and balance of deal were variables. Foreign direct investment (FDI) would effect on the labor efficiency, human capital and technological changes. Current literature technique was very reliable which openly and ultimately sound effects the financial growth. Monetary growth would increase through the increase in distant shortest asset (FDI), household saving, human principal index, engaged labor power and equilibrium of deal. This learning searches the factors which honestly and obliquely precious the monetary growth. Unknown straight asset and house hold discount had a lengthy loppe effect on financial growth. This concludes with the aim of venture in person capital could be proved a beneficial for human capital in Pakistan.

Behbudhe et al. (2010) examined the human capital and economic growth in the petroleum exporting countries. This paper related to the panel data from 1970-2004. OLS technique was used to analyze data. Growth of real GDP, log of initial GDP, Openness in current price, government share of RGDPL unit, investment of share of RGDPL, percentage of secondary school and literacy rate were the variables of the paper. This paper suggested the effect of
natural resources on economic growth. Two methods were used panel and cross section for economic and human capital with the relation of natural resources. Panel data had a negative relation with economic growth but natural resources abundance was useful for economic growth. This concludes that both methods were successful but pooled least square was not showed the individual effect on economic growth. This paper showed that abundant of natural resources had a negative relationship between economic growth and human capital because country pays not much attention on the resources which would be available.

Peykarjou et al. (2011) examined studying the relationship between health and economic growth in OIC member states. This learning use the point succession data 160-2005 Iran. ADF technique was used. Living expectation rate, death rate, physical condition expenses, productiveness rate and GDP were the variables. This paper suggested the pessimistic association among productiveness rate and profitable growth. The important constituent of human being assets on fiscal growth was health and hygiene. Income was considering the most essential factor which concerned with health. Health improves the enitynenlargementability and provides fiscal safety to individual and family. Surrounding environment based on physical and mental health. There was a activist connection among strength and instruction. Saving would increase with the long life which relates to the good health of individuals. GDP and life expectancy rate had a activist consequence on the monetary development. This paper showed autocorrelation in the model through the DW method.

Ali et al. (2012) examined the human capital formation and economic growth in Pakistan. Annual time series data used 1972-73 to 2010-11. Log of gross household product, learning enrolment, cranium calculate ratio, log of nasty set capital arrangement, log of child death rate, asset growth rate and CPI price increases were the variables. Schooling enrolment physical condition and substantial capital were essential to enhance the financial growth in Pakistan. schooling enrolment index, vulgar set assets arrangement and Ginni coefficient had impose a activist impression on gross house hold manufactured goods but cranium add up ratio, child death rate, CPI price rises and investment growth had harmful effect on monetary enlargement of Pakistan. The development of human resource was important for economic growth. Better education and health was very important to achieve economic growth. Granger causality and OLS techniques were used. This study shows the affiliation among person capital arrangement and monetary growth. This revision showed the extended run link among financial growth learning enrolment, CPI price rises, venture growth, HRC, and set assets arrangement.

Ahmad and wajid (2013) examined the matters for economic growth in Pakistan. Creative and non-creative expenditure, distortionary and non-distortionary taxation, work force and person assets were the variables. This paper use time series data 1979-2009. ARDL technique was applied in 1999 as a methodology to explain economic growth and fiscal policy. ADF technique was used to test stationary of data. In the extensive lope and small open on productive spending and non-distortionary taxation had neutral effect on economic growth. The change in government expenditure excise plus modify in failure guide a strong result on growth level as productive expenditure can enhance the economic growth. In this paper schooling and physical situation had a smaller effect on financial enlargement as compared to productive expenditure. This paper shows the positive relation of budget deficit to economic growth. The fiscal policy had a long run effect on economic growth. 31 year of data suggested that all productive and non productive showed neutral effect on the economic growth. Productive expenditure was a positive of the paper.

Sulaiman et al. (2015) examined the human capital, technology and economic growth. This revision used annual time sequence data 1973-2010. ARDL, unit root and ADF techniques imposed on data. ARDL was imposed to explain the extensive run relation with the enlargement and its impose, how types of effect appear on the person capital, technology in the long lope and the short lope. Time sequence data used 1975-2010. The two estimated model concludes person capital in form of tertiary school enrolment had had optimistic effective on financial growth. The great quality of human capital could be determined the economic growth and through the technology diffusion could attain higher productivity. The focus of the study was on resources, ecological finances, power economics, forest finances and progress money matters. The School enrolment such as secondary and primary and tertiary school enrolment were the variables. The result of the study showed that the improvement in educational sector could improve the economic growth.

Hanif and Arshed (2016) examined the relationship between school education and economic growth. OLS technique was applied in this study. Economic growth, education, inflation rate, physical capital and labor force were the variables. Panel data used 1960-3013. This paper suggested that higher education had greater impact on financial growth as compare to the major and inferior education.

THEORETICALAND CONCEPTUAL FRAMEWORK

Theoretical Framework:
The aim of the lessons is to define the value of individual development and level of growth. According to Schultz suppose we take some production function such as GDP development variable is a dependent. Three variables are independent employment, Y, physical capital K, and individual development known as H. 

$$GDP = α + α_1Y + α_2K + α_3H + ε$$

When individual development would increase then other variables would remain constant. In this theory individual development is very essential for economic development for any country. Individual development related to the schooling to university level. We collect the individual development which is important for the production of inputs. Labor inputs create job facilities which are the part of financial development. So according to economist with the help of improved individual development any country can achieve their growth and become prosperous country. According to classical financial policy is important for the
determination of economic development. Similarly Government policies had activist contact on the growth level. Classical point of view explains the production function effect on the financial policy and financial policy effects on economic growth. Through the enhancement in the direct and indirect taxes we can save their budget and can achieve economic development. Distortionary duty modifies the group of saving but non distortionary duty cannot modify decision about saving and investment. Indirect taxes have impartial outcome on production. The Government should established dams, roads, bridges, power houses, schools and hospitals. The Government should pay much attention on the developmental plan which could increase human capital. Through the better education we can increase in productivity. The expenditures on education proved very helpful for an increase in literacy rate. Human capital development will have the effect on removing economic backwardness. Through the human capital we can improve our economic growth. Through the human capital development we can increase employment opportunities. If government will promote and implements on their plans then human capital will be encouraged would be beneficial for the economic growth. Through the developed human capital we can enhance our economic growth that will be better for the social revolution. Social revolution will be accurse from the better human capital.

Conceptual Framework:

Elements of Human Capital:
- Knowledge.
- Physical fitness and food
- Safe drinking water.
- Availability of opportunities.

Physical Fitness and Food:

Health and physical fitness play a vital role in our economic growth. A good health can easily provide strength and capacity to work. With the help of good health we can increase in the productivity of the country. A country can be rich and prosperous with the help of physical fitness and from good mental level.

The diseases very harmful for the health which breaks the balance of life and reduce the man power capacity. The short term life expectancy will reduce the income level of a family. The short term life expectancy will create many problems in the life. There is a need to pay more attention on life safety.

The women health is very important for the development of country. Mostly women in the country have to bring up many children it is very dangerous for women health. So increased health facilities is very much important for good health. Good health is based on the prevention of diseases like small pox, tetanus, polio, measles, and serious problem. We should control on all these diseases which is very harmful for our physical and mental health.

The government should be responsible according to health facilities; the government should enhance the budget allocation for health services. This will increase the Productivity of farm labor. Cheaper medical facilities should be available for people. Free checkup and sincere Doctors are very important. Health insurance scheme should be introduced for limited income families. Government doctors must be available for poor’s and should be ban on the private services of government doctors. Proper diet is very important for physical and mental health of human beings. If the sufficient amount of flooding would be available for men, women and children’s, it will make a strong health and then they could perform better their duties. In the mid 1970,s more than 1million people almost half of the population was living in the diet deficient. One third of them were children under two year age. So inflationary tendency should be check. Low class children should be provided free of cost diet. In the poor countries like Pakistan are developing countries and mostly population are living in the rural areas and they drink polluted water which creates serious diseases like cholera, jaundice, diarrhea, tetanus and cancer etc. So 1.2 billion people in the world were living without safe drinking water during 1990,s and 1.7 billion people were without sanitation.

Polluted water creates many problems
- It creates diseases.
- It reduces efficiency.
- It effected the standard of health
- It will reduce the life expectancy.
- It will increase mortality rate.

Mostly people who are living in the backward areas they gets water from pools, pounds, wells and from canals which is very unhygienic. The rural population having reduce facilities regarding safe and clean drinking water. In the 1988 53% people have the facility of save drinking water. Person assets have be present recognized as a important factor of progress. The most important input of nation is education. We can reduce the burden of government deficit with the help of investment in education and infrastructure. The short term physical deficit and inflation creates a bad effect on economic growth. The higher probability of success can be achieved with the national education policies. Many developing countries start to invest satisfactory amount on education during 1990,s. This is the positive way of progress. Economic growth is concerned with three factors.
- Human capital
- Physical capital
- Financial capital

Physical capital relates to the natural resources. Financial capital is an investment in the human resources which is converting in to physical capital and physical capital is a use full instrument of person assets. Person assets clear as a information, skill, attitude and capacity of a nation population. Human capital, physical capital and financial capital are most effective and play an important position in the financial expansion. There is a activist relationship among school enrolment and financial growth.

DATA & METHODOLOGY

Model Specification:

In this document we use the person assets and enlargement of the country. According to this paper economic growth not only creates impacts on economic growth but it also effect
on human capital. In this study output, labor and human capital introduced the technology in the model.

\[ HC = \alpha_0 + \alpha_1 \text{LF} + \alpha_2 \text{FDI} + \alpha_3 \text{GFCF} + \alpha_4 \text{INF} + \alpha_5 \text{SAV} \]

Output and labor is important for growth of the country. The dependency of any country on the enrolment ratio and on education proved a beneficial for it because through the literacy rate we can better perform their duties and can improve their trade with western countries which is the part of growth. In this paper we applied the null hypothesis testing of variables. We use the long run co integration between variables. Then apply bond test on the study when the value of F statistics would be greater than from other values then we accept it and include in the model specification. Similarly short run co integration is also use to check the relation of the dependent variables on the other explanatory variables. Co efficient mean what type of relationship exists between variables is positive or negative.

**Description of Variables:**
Here in detail we describe the variables of this study as,

Table 1 Nature and Source of Data:
This is time series data and collected from the world development indicator.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Source of data</th>
<th>Expected sign</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependent variables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HC</td>
<td>World development indicator</td>
<td>Positive</td>
</tr>
<tr>
<td><strong>Independent variables</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inflation</td>
<td>World development indicator</td>
<td>Positive</td>
</tr>
<tr>
<td>Saving</td>
<td>World development indicator</td>
<td>Negative</td>
</tr>
<tr>
<td>LF</td>
<td>World development indicator</td>
<td>Positive</td>
</tr>
<tr>
<td>GFC</td>
<td>World development indicator</td>
<td>Positive</td>
</tr>
<tr>
<td>FDI</td>
<td>World development indicator</td>
<td>Positive</td>
</tr>
</tbody>
</table>

**Labor Force:**
Labor force of any country has much importance for the development of that country. Labor force is known as the services of skilled people for the production of goods. Employed and unemployed people are included in the labor force. Employed opportunities and population growth rate are the component of labor force. Fully employed labor force enhanced the growth rate and could improve economic growth.

**Gross Fixed Capital Formation:**
Net capital formation is some type of judgment about growth of the country and it is presented by the legislature, house hold and it is known as new change in the assets. Fluctuations in the market present the business movement and ratio of improvement in the money market. Many countries are not includes their national income which is against for the growth of the country. The enhancement of net capital can enlarge our income and we get satisfactory result about net capital.

**Human capital (HC):**
Human capital used as a dependent variable in this study. Human capital is an important indicator of economic growth. The investment in human capital can enhance the productive capacity of the country. Human capital such like knowledge, skills of individuals can work more efficiently in any professions. So, human capital is a progress of the any country and skilled people enhanced the growth of the country which would be beneficial for the export of any country.

**Foreign Direct Investment (FDI):**
Foreign direct investment is known as an independent variable in this research. FDI is a successful indicator for any country. FDI is a section of development and with the help of FDI could be easily able to stand with the developed countries. FDI presents with the help of data from 1974 to 2014.

**Saving:**
Saving is known as important factor in the economics. Saving have strong association with growth rate of the country. Many economists is agree with the link of saving with domestic production. Many economists has emphasized that the decision about income is very important for saving. Government should introduced number of schemes for saving and should encourage to the country for saving. Saving is independent variable in this paper and has negative relation with HC.

**Inflation:**
The link among inflation and growth rate is extremely substantial ballet. Actual growth of GDP is important for inflation. When heavy output within economy will require for economic growth then many industries cannot increase their profit. Similarly large amount of Gross fixed capital is not better for any country and it will cause of inflation, and this inflation will move on the of accumulation market sides. The impacts of inflation in our economy remain satisfactory.

**ADF (Augmented Dickey-Fuller):**
Augmented Dickey- Fuller (ADF) is as ample conversion which is use to useful to eradicate the parameters. In this
data Time Series Data use and when there exist strange deterministic tendency then we purpose to ADF test to clear the determinants complexity for the enhancement in descent analysis. From the limitations of these tests we gain statistics methodology. According to Time Series Data the new inventions in these tests show the comparison of ADF with ADF t-test. These tests help us to check the non-stationary and also help to determining the drift whether it is stochastic or deterministic. The t-test also called ADF tests and these tests also known as Phillips tests. The ADF test also use to changing in economy models. The limits of these tests we gain statistics methodology. According to Time Series Data the analysis. From the limitations of these tests we gain uncertainty and then degree will determine without any observations. We have no idea about magnitude from these clarifications relevant to consideration departing methods to solve the problems with very simple way, Estimation theory classified into two parts; a. Parametric estimators:

\[
\Delta H_{C_t} = \alpha_0 + \alpha_4 \sum_{j=1}^{k} \Delta(HC)_{t-j} + \alpha_2 \sum_{j=1}^{k} \Delta(GFCF)_{t-j} + \alpha_3 \sum_{j=1}^{k} \Delta(LF)_{t-j} + \alpha_4 \sum_{j=1}^{k} \Delta(FDI)_{t-j} + \alpha_5 \sum_{j=1}^{k} \Delta(INF)_{t-j} \\
+ \alpha_6 \sum_{j=1}^{k} \Delta(SAV)_{t-j} + \delta_1(HC)_{t-j} + \delta_2(GFCF)_{t-j} + \delta_3(LF)_{t-j} + \delta_4(FDI)_{t-j} + \delta_5(INF)_{t-j}
\]

\[
Y_t = \alpha_0 + \sum_{j=1}^{k} \delta_1 jHC_{t-j} + \sum_{j=1}^{k} \alpha_1 jGFCF_{t-j} + \sum_{j=1}^{k} \alpha_2 jLF_{t-j} + \sum_{j=1}^{k} \alpha_3 jFDI_{t-j} + \sum_{j=1}^{k} \alpha_4 jSAV_{t-j} + \sum_{j=1}^{k} \alpha_5 jINF_{t-j} + \epsilon_t
\]

\[
\Delta Y_t = \alpha_0 + \sum_{j=1}^{k} \delta_1 j\Delta HC_{t-j} + \sum_{j=1}^{k} \alpha_1 j\Delta GFCF_{t-j} + \sum_{j=1}^{k} \alpha_2 j\Delta LF_{t-j} + \sum_{j=1}^{k} \alpha_3 j\Delta FDI_{t-j} + \sum_{j=1}^{k} \alpha_4 j\Delta SAV_{t-j}
+ \sum_{j=1}^{k} \alpha_5 j\Delta INF_{t-j} + \pi ECM_{t-j} + \mu_t
\]

CONCLUSION

From the above all discussion it is quite clear that we will use the ADF test first of all because we apply time series data which has the difficulty of non inactive. After that use Co integration analysis recommended by the result of unit root. This all will be discussed in the next analysis chapter.

b. Non –parameters:

\[
HC = \alpha_0 + \alpha_2 LF + \alpha_3 GFCF + \alpha_4 INF + \alpha_5 SAV
\]

This is the equation of our model; the equation may be formed with the help of dependent and independent variables.

Bound Test:

The economist of some countries adopts different models to deal with exchange rate from last 50 years. So these tests specify the facts of long run relationship among exchange rate, prices of different goods and notice rate etc. From this we can get clear information OR strong evidence about equality and non-equality theories. So worldwide level this is a big issue that how to handle exchange rate, how it can firm. There is no satisfied arguments about inflation that how it can show the significant level of the exchange rate. But with the course of time some profiles are missing to explain the exchange rate suitably, so economists of U.S country adopt Bound-Tests to determine the exchange rate. With the help of Bound- Tests the models content and the problems of exchange rate solve.

ARDL Technique:

In econometric analysis about short run and long run relations focus on experimental and theoretical research. Variables show different stationary the analysis become more difficult to understand. Stationary concerned with long run co-efficient of variables. But traditional ARDL approach is not valid for this analysis. There are some small samples for concert of ARDL, AIC, ARDL-Sc. There are two steps for parameters estimation; 1st: (1) at the first difference level and 2nd: (0) at the best level.

The ARDL technique use to add the typical error of long run parameters. The ARDL model is written as,
This table shows the mean, median, std.dev, skewness, kurtosis and probability values of the variables of dependent and independent.

**Time Series Analysis:**

In the era progression examination first we will verify the inactive. We conduct the Augmented Dickey Fuller (ADF) test to check it. The answer of the ADF was shown in the board.

<table>
<thead>
<tr>
<th>Variables</th>
<th>ADF test</th>
<th>Conclusion</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level</td>
<td>1st difference</td>
<td></td>
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<tr>
<td>HC</td>
<td>Intercept</td>
<td>-4.8639</td>
<td>l(1)</td>
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<td></td>
<td>T&amp;I</td>
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<tr>
<td>FDI</td>
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<td>l(0)</td>
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<tr>
<td>LF</td>
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<td>GFCF</td>
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<td>l(1)</td>
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<td>T&amp;I</td>
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</tr>
<tr>
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</tbody>
</table>

Econometric investigation of long run relation is alert on the hypothetical and grand research in economics. The investigation becomes more difficult when the variables are diversity stationary. It is apprehensive with the long run relation between variables. But usual ARDL is not relevant. The ARDL-AIC, ARDL-SC have small sample concert. There are two ladder of assessment regressorsI (1), I(0) . ARDL computed the ordinary error of long run parameters.

<table>
<thead>
<tr>
<th>F-Statistics</th>
<th>5.3203</th>
</tr>
</thead>
<tbody>
<tr>
<td>Critical value</td>
<td>LCB</td>
</tr>
<tr>
<td>10%</td>
<td>2.09</td>
</tr>
<tr>
<td>5%</td>
<td>3.49</td>
</tr>
<tr>
<td>1%</td>
<td>2.17</td>
</tr>
</tbody>
</table>

The value of F-statistics 5.3203 is greater than the lower critical values and from upper critical values. Critical values on 10% are 2.09 in lower critical boundaries and 4 in upper critical boundaries. Critical values on 5% are 3.49 in lower critical boundaries and 3.59 in upper critical boundaries. Critical values on 1% are 2.17 in lower critical boundaries and 3.25 in upper critical boundaries.
Table 5: Estimation of Long Run Coefficients of form:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>std.error</th>
<th>t-statistics</th>
<th>prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPI</td>
<td>580.17046</td>
<td>43.1280</td>
<td>12.8024</td>
<td>0.000</td>
</tr>
<tr>
<td>GFC</td>
<td>3.4817</td>
<td>1.4242</td>
<td>2.4242</td>
<td>4.3674</td>
</tr>
<tr>
<td>FDI</td>
<td>6.8800</td>
<td>17.8800</td>
<td>2.9577</td>
<td>4.0059</td>
</tr>
<tr>
<td>INF</td>
<td>6.7103</td>
<td>4.2000</td>
<td>2.9577</td>
<td>4.0059</td>
</tr>
<tr>
<td>C</td>
<td>698.2829</td>
<td>186986</td>
<td>4.3674</td>
<td>4.0059</td>
</tr>
</tbody>
</table>

R-squared 0.9786 | SIC 10.6135 | Adj-R-squared 0.9756 | AIC 11.2722 | Probe (f-statistics) 0.0000 | Durbin Watson 2.0899

DGP is dependent variable and in long run the relation of LF, GFC, FDI, and inflation is positive. The relation of HC with saving is negative. The R-square value 0.9786 and probability value is 0.0000 and the value of Durbin Watson is 2.0899.

Table 6: Estimation of Short Run Coefficients of Model

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>std.error</th>
<th>t-statistics</th>
<th>prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>LF</td>
<td>337.9519</td>
<td>154.2202</td>
<td>2.1913</td>
<td>0.361</td>
</tr>
<tr>
<td>GFC</td>
<td>3.0094</td>
<td>0.8161</td>
<td>3.6874</td>
<td>0.0009</td>
</tr>
<tr>
<td>FDI</td>
<td>15.4669</td>
<td>-4.7861</td>
<td>12.9671</td>
<td>0.0900</td>
</tr>
<tr>
<td>INF</td>
<td>2.1101</td>
<td>1.4178</td>
<td>2.9577</td>
<td>0.0900</td>
</tr>
<tr>
<td>SAVING</td>
<td>-70.8196</td>
<td>19.4333</td>
<td>-3.8963</td>
<td>0.001</td>
</tr>
<tr>
<td>SAVING</td>
<td>-0.5730</td>
<td>0.1175</td>
<td>-4.8753</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

Source: Researcher’s work with Eview’s 9.5

The strength of short run and long run parameters have has been experienced through the cusum square permanence. The graph of cusum square shows 5% significant level. This model formation is suitably specified.

CONCLUSION AND POLICY IMPLICATION

Conclusion:
This study provides relationship among person capital and fiscal growth. There is a lengthy association among HC, saving, education, enrolment ratio, health, inflation, labor force and with distant straight investment. Education has optimistic force on financial growth. Investment enlargement rate has unhelpful effect on the economy of Pakistan. Capital investment is very small in Pakistan which reduces the ability of human capital. Pakistan investment on non productive expenditure is very high which is harmful for Pakistan economy. Physical capital can enhance the productivity innovation and shift it from quantity to quality. Education is associated with economic growth. This paper analyzed the fiscal policy and economic growth from 1979-2009. Productive expenditure effected positively to economic growth. Pakistan requirements are to enhance their creative spending. Non creative spending has negative effect on financial enlargement. This work also based on granger causality test. The main focus of the study is based on the classification of the economic growth of Pakistan. In this study we explore the foreign FDI, household saving, person capital index and employed labor force. Fiscal capital reserve and stability of deal use yearly data from 1974-2014. In this paper foreign direct investment and domestic saving have strong relationship with economic growth. Human capital is helpful to removing the fiscal deficit in economic growth.

Policy Implication:
The government of the any country acting a significant function for the expansion of the financial growth. Good governance can easily run their country. Government should take steps to increase productivity for sustainable growth.
Government should increase an investment. Government should improve human capital for economic growth. Pakistan is prosperous in natural resources but has no idea how to use it’s for economic growth and development. There is a need of government policies to enhance human abilities for the development of economic growth. Pakistan are rich in natural resources but has no implementations to gain benefit from it. Investment in natural resources is need of time.

Technology is limited in Pakistan mostly labor are used for any type of work which is very difficult for workers to continue their works and country cannot enhance their productivity through the labor capital. Government introduces new technology in the country than we can attain progress in limited resources. Through the use of technology we can attain maximum output within the use of minimum input. Many countries cannot attain development due to corruption, so corruption is the most important restriction in the progress of Pakistan. Government of Pakistan should distributed resources within the distribution of equal resources a country can gain success and can include in the list of development countries.

There is a need to adopt the high macroeconomic policies such as fair distribution of wealth and efficient allocation of resources. There is a need to change the cultural backwardness, mostly people not prefer to women job. Women are also part of country as men. A country cannot achieve their goals without inclusion of women services for development. Government should arrange programs to change culture concept. There is a need to provide jobs within high satisfaction and in complete security. There is an essential aspiration for of government to give better facilities for physical condition and learning.

There is a need to give attention to technology, training, skills of human capital. Government should make policies for developmental plans. Government should take steps to to increase enrolment ratio for the schooling of feminine. Schooling of feminine will expand the child physical condition. This will reduce the child death rate. Pakistan is an agrarian country but agri sector of Pakistan is not improved, so there is a need to improve agri sector. The population growth rate is very high in Pakistan and mostly people are uneducated and untrained. The government should take steps to improve agri sector and attract foreign direct investment. There is a need to improve the quality of infrastructure.

REFERENCES


