

➤ Thesis Title: **“Impact of Energy Investment on Economic Growth”**

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ABSTRACT

Energy is the device of economic growth, as many production and consumption procedures include energy as an elementary input. It leads to economic growth and development in terms of higher per capita income. It is widely believed that economic growth and energy usage are mutually dependent. The aim of this study is to explore the impact of energy investment on the economic growth. For this purpose energy is introduced as factor input in the growth model (Mankiw et al. 1992) along with physical capital, labor and human capital and some other policy variables. The annual time series data are collected from period of 1970 to 2012 for Pakistan. Autoregressive Distributed Lag (ARDL) approach is used to investigate the relationship between economic growth (Gross domestic product per capita) and independent variables (share of investment in energy, share of investment in physical capital, share of investment in human capital and growth rate of labor, technology and depreciation rate, inflation rate, foreign direct investment, external debt and trade openness). The results of this study reveal that energy investment has positive and significant impact on economic growth in the long run. Physical capital and human capital both are found to be insignificant in the long run but having negative impact on economic growth. Trade openness has a positive and significant impact on economic growth both in short run and long run. Growth rate of labour has a negative insignificant impact on economic growth. Trade openness and external debt are found to be negative with significant impact on economic growth. Inflation is found to be negatively associated with economic growth of Pakistan. The study has important policy implication that government should encourage the investment activities in energy sector to meet the rising energy demand which in turn leads to stimulate economic growth. This economic growth then generates the employment opportunities in the country.