

The Effectiveness of Foreign Aid in Different Political Regimes of Pakistan

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Abstract : Foreign aid is one of the critical variables that promote economic growth. This paper is an attempt to examine the long-run relationship between foreign aid and economic growth for Pakistan over the period of 1972 to 2021. This study uses Johnson's co-integration technique to investigate the long-run relationship among the variables in the model. For short-run dynamics, we utilized the Error Correction Mechanism (ECM). The results strongly support the conventional view about aid-led growth. The analysis of the impact of aid on growth both at the micro and the macro levels generally gives different results. The result shows that in the short run inference of foreign aid under the nondemocratic form of government is significant negatively, while foreign aid does not affect economic growth in the case of democratic government.

Keywords : foreign aid, economic growth, political regimes, developing economy

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