Analyzing the Empirical Link between Islamic Finance and Growth of Real Output: A Time Series Application to Pakistan

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Abstract : There is a growing trend among development economists regarding the importance of financial sector for economic development and growth activities. The development thus introduced, helps to promote welfare effects and poverty alleviation. This study is an attempt to find the nature of link between Islamic banking financing and development of output growth for Pakistan. Time series data set has been utilized for a time period ranging from 1990 to 2010. Following the Phillip Perron (PP) and Augmented Dicky Fuller (ADF) test of unit root this study applied Ordinary Least Squares (OLS) method of estimation and found encouraging results in favor of promoting the Islamic banking practices in Pakistan.