

PUBLIC INVESTMENT IN SMALL-SCALE MANUFACTURING

SECTORS OF PAKISTAN

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ABSTRACT

This research study attempted to empirically analyze the role of Small-Scale Manufacturing Sector of Pakistan using time series data for the period of 1981-2014. The Augmented Dicky-Fuller unit root test, Johansen Co-integration and Vector Error Correction Model (Restricted VAR) as analytical Techniques. The results of the study shows that Total government revenue (TGR) , Domestic Credit Available to Small-Scale Manufacturing Sector Capital (DCsm) , Stock in Small-Scale Manufacturing Sector (Km), Foreign borrowing/foreign loans (Fb) , lagged Public Investment in Small-Scale Manufacturing Sector ($I_{sm,t-1}$) and Dummy variable for the political stability and favorable condition (Dps) has positive and significant impact, while Index of Price of Capital (Ipk) and Weighted Rate of Interest (rw) has significant negative impact on the Public Investment in Small-Scale Manufacturing (Igm) Sector of Pakistan. The study recommends that government should need to take into consideration not only the conditions in domestic economy but also of the international economy and finally the assets redistribution.

KEYWORDS: Public Investment, Small-Scale Manufacturing Sector, Augmented Dicky-Fuller, Johansen Co-Integration and Vector Error Correction Model