

The underlying study intends to show the impact of workers' remittances on the short and long run economic growth of Pakistan. Workers' remittance inflow characterizes a mechanism for capital transfer from developed countries to under developed countries, and workers' remittance inflow is considered the second-largest external funding source, behind Foreign Direct Investment (FDI) for developing countries like Pakistan.

In this study, in order to scrutinize the deeper dynamics of workers' remittances on economic growth mechanism of Pakistan, along this line, the study looks into the following areas: (I) to examine the direct long & short term relationship between workers' remittances and real economic growth, (II) to estimate the long and short run impact of worker's remittances with some addition of policy variables (inflation, exchange rate, trade openness, secondary school enrollment , unemployment rate) on real economic growth of Pakistan. By using the ARDL approach for the period 1973-2010.

The findings suggest that there is strong positive long run as well as the short run relationship exists between workers' remittance inflow and real economic growth. Therefore, the government should realize effective macro-economic policies along with momentous improvements in the structure and functioning systems of governance for stabilizing economic growth along their determinants and given the important role of remittance, the key challenge for the government is to provide incentives to attract more remittances sent through official channels and ensure their productive use