

Education is the key to the socio-economic development of an economy. It plays a very important role to enhance the capabilities of individuals and to speed up the economic growth of a country. The positive outcomes of education include eradication of poverty and inequality, improvement in health conditions of individuals, enhancement in social status and overall strengthening of a society. Education also provides essential elements for policy framework. Pakistan is a developing country which needs special attention towards education policies in order to enhance and continue the economic growth.

The study aims to investigate impact of higher education on Gross Domestic Product of Pakistan from 1981 to 2013 using econometric approach Johansen Cointegration (1995), Granger causality approach in Vector Autoregressive framework and Unit root test. The main emphasis was on to know the impact of Higher Education Commission since its inception. It examines whether higher education effect GDP in Pakistan. The econometric analysis reveals that there is a long run relationship between higher education and GDP, which provide evidence that these variables are necessary for each other. The empirical results of causality test specify that there exists a unidirectional causality running from economic growth to higher education and no other direction of causality found between these variables.