

The main objective of the study is to reinvestigate the impact of external debt on economic growth and employment in different time horizon for Pakistan. The rapid structural shift provides rationale for the consideration of time varying growth and employment relationship of external debt. For this reason, study takes into account the assumption of non-constancy of parameter over the time to identify the most likely misleading constant relationship over the years. Study used auto regressive distributed lags technique to gauge the long run and short run relationships, while rolling window regressions are employed to answer about the instability of dynamic parameters. We also analyse causality inferences with the help of multivariate VARs system following Toda and Yomemto (1995) procedures. Further, we extended our work to investigate the time varying Granger (non)-causality for sub-samples and full-samples in order to capture any structural shift in causality inferences. Empirical findings confirm the parameter shift in both models and indicate that external debt dissuades economic growth and employment at different time horizons.