

Abstract

Railways have been the oldest mode of the mass transit. Its role in transportation of human beings and physical goods is well documented. Considering its importance, this paper focus on the long term relationship between economic growth and railways growth in Pakistan. The data on relevant variables is borrowed from World Development Indicators (WDI). We expect 33 years (1980-2012) of data availability. Since the expected length of data is beyond 30 years, we intend to use long run analysis techniques such as co-integration. An additional feature of this paper is the use of structural breaks in the long run analysis. Structural breaks are a highly likely feature of the long run time series. Statistical tests are used to point out the structural breaks. In addition, the application of Fully Modified Ordinary Least Squares estimation technique shall also enable us to quantify the contribution of Railways in Pakistan's economic growth. Causality between the two variables is also investigated using Granger Causality tests. The results allow the policy makers in transport sector to formulate policies for Pakistan Railways with confidence.

Key Words: GDP, Railways Goods Transported, Time Series, Co-integration, Structural breaks, FMOLS, Granger Causality.