**Title: Investment in Human Capital and its Impact on Economic Growth in Pakistan**

**Abstract**

The term human capital represents education, health, knowledge, on-job training and skill development of individuals that play strategic role in promoting the economic activities. In growth and development of any country, human capital plays an important role as it acts as an instrument to reduce the poverty level. The study in hand investigated the effect of spending on human capital on fiscal development in Pakistan. For this purpose, Time series data from 1985-2017 were used. The study has taken economic growth (GDP) as dependent variable while human capital spending in term of education and health, GFCF (gross fixed capital formation) and HC**exp** (household final consumption) expenditure are considered as explanatory variables. For checking the stationary of the data, the research used two unit root tests like PP (Phillips-Perron) and ADF (Augmented Dickey-Fuller). To check co-integration among the variables both in long-run and short-run time periods the auto regressive distribution lag approach has been used. The bound test for co-integration and long run estimates has been also applied which supported the results of ARDL model. To test the direction of relationship, the research used Granger causality test. The outcomes of study revealed that positive relationship exist among GDP and human capital investment in Pakistan. Household final consumption expenditure, education and gross fixed capital formation have important effect on GDP however health had positive but irrelevant influence on economic progress in Pakistan. The study mentions that Govt. should increase their expenditure in human capital which is important for economic progress of Pakistan.

**Key Words:** Human capital, Education, Pakistan, Economic growth, Health.