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**Beyond Finance: Impact of Islamic finance on Ecomic growth in Pakistan By**

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Abstract

Islamic finance, which may have been considered only in the context of a multitude of trading structures among economists, merits a fresh evaluation in how it dovetails with and supports national economic growth. This study examines the dynamic interaction between Islamic financing and economic growth of Pakistan by employing the unit root test, cointegration test and Granger Causality tests to see whether the Islamic financial system influences the economic growth. For the analysis, time series data of total Islamic financing and real GDP per capita, Islamic financial assets, and population to represent real economic sector were considered. It was found that a well-functioning Islamic financial system promotes economic growth. Whereas, there is evidence of a bidirectional relationship between Islamic asset financing and population. It implies that population reinforces Islamic finance, and population attracts Islamic financing.

Keywords: Ethical Finance; Economic growth; Islamic Finance; Econometric Analysis; Pakistan and Islamic finance

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