Review of: "Contribution of Indirect Taxes on Goods to Economic Growth of Pakistan (1972-2022)"

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Potential competing interests: No potential competing interests to declare.

The purpose of this paper is to explore the empirical relationship between indirect taxes – specifically federal sales tax, federal excise duty, and customs duty – and the economic growth of Pakistan. Utilizing annual time series data spanning from 1972 to 2018, the study employs the Augmented Dickey-Fuller unit root tests to assess the stationarity of each variable. The Johansen Cointegration Test is then employed to identify cointegration among the variables, and the Vector Error Correction Model (VECM) is used to estimate both long-run and short-run relationships. The findings reveal two cointegrating equations, demonstrating that GDP Lag5, GDP Lag6, ST Lag1, ST Lag5, and FE Lag4 positively impact Pakistan's economic growth. Conversely, GDP Lag2, FE Lag6, and CD Lag7 exhibit a negative impact. Furthermore, the study indicates that deviations from long-run equilibrium are corrected at an adjustment speed of 33% and 18% for GDP and ST, respectively. The implications of these findings suggest that policies fostering economic growth, particularly those related to sales tax, should be prioritized over restrictive measures. Given the current contribution percentages of sales tax, federal excise duty, and customs duty to total indirect taxes, policymakers are advised to rationalize this collection structure to further stimulate economic growth. I give a positive review to this scientific paper.