**Abstract**

**Education plays a vital role in human capital formation. It raises the productivity and efficiency of individuals and thus produces skilled manpower that is capable of leading the economy towards the path of sustainable economic development. The objective of this study is to empirically investigate the impact of education expenditures on economic growth of Pakistan over a period of 1972 to 2010, using bonds testing approach. The empirical results show that education expenditures have a positive and significant impact on economic growth in the long run. The elasticities of the model suggest that if there is a one percent increase in education expenditures, it increases up to 0.039 percent in output in the long run.**