

Co2 Emissions and Economic Growth of Saarc Countries: Evidence from a Panel Var Analysis

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Abstract

The empirical literature on the environmental Kuznets curve (EKC) purports to describe how a nation's environmental quality will evolve when it makes the transition from initial stage of development to later stage of development. The popular generalization is that pollution will first increase and then, if income becomes sufficiently high, decline. This paper examined the causality in both static and dynamic framework between CO2 emissions and economic growth of SAARC countries over the period 1972- 2010 using Panel VAR approach. The paper presents the facts obtained on the basis of data used and tests conducted - panel unit root test, panel co-integration, panel VAR and Impulse response functions (IRFs) and Variance Decomposition (VDs). IRFs and VDs analysis indicates that CO2 emissions, GDP have positive impact on each other. The result from the application of VAR analysis suggest that CO2 emissions does not cause economic growth and economic growth does not cause CO2 emissions. This means that result found contradicts the Environmental Kuznets Curve hypothesis. Therefore, the governments of SAARC region should emphasis on various environmental regulation policies to control emissions.

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