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INVESTIGATING THE DYNAMIC RELATIONSHIP BETWEEN GOVERNMENT AGRICULTURAL EXPENDITURE AND AGRICULTURAL GROWTH IN AFGHANISTAN: A VECM ANALYSIS

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ABSTRACT

Purpose:*This paper aims to study the effect of government agricultural expenditure on agricultural growth in Afghanistan using time series data from 2002 to 2020.*

Design/methodology/approach:*Empirical analysis is carried out with thetime series econometric techniques andvector error correction model (VECM).*

Findings:*The results show that agricultural expenditure had a positive and significant effect on agricultural gross domestic product, while the exchange rate had a positive but insignificant impact on agricultural gross domestic product in the short run. However, both agriculturalexpenditure and the exchange rate had a negative impact on the agricultural gross domestic product in the long run. And also, the result of the Granger causality test revealed that agricultural expenditure and exchange rate together do not cause the agricultural GDP even though agricultural expenditure and exchange rate exclusively do not cause agricultural GDP.*

Research limitations/implications:*No positive relationship between agricultural expenditure, exchange rate, and economic growth in the long run has been established. However, this issue has been brought to the attention of researchers for further investigation.*

Practical implications:*The government of Afghanistan and donor organizations invest in projects that have a long-run influence on the agricultural sector and maintain accountability in the use of funding.*

Originality/value: *The results presented in the paper are original. Some insights about the impact of agricultural expenditure on agricultural growth have been highlighted.*

KEYWORDS: *Government Expenditure, Agricultural Growth, ADF, Johansen Cointegration Test, ECM, Afghanistan.*

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