

THE IMPACT OF FOREIGN DIRECT INVESTMENT ON ECONOMIC GROWTH OF PAKISTAN

By

INAM UL HAQ

19515

A thesis presented to the Department of Management Sciences, Bahria University
Karachi Campus, in partial fulfillment of the requirements
of the MBA degree



FALL, 2014

Bahria University Karachi Campus



MBA Thesis
2nd Half-semester Progress Report & Thesis Approval
Statement

Name of Student	INAM UL HAQ
Registration No.	19515
Thesis Title	Impact Of Foreign Direct Investment On Economic Growth of Pakistan

Supervisor-Student Meeting Record

No.	Date	Place of Meeting	Topic Discussed	Signature of Student
5	01-02-2015	Faculty 7	Discussed the data integration technique i.e. using minitab and results analysis	
6	08-02-2015	Faculty 7	Discussed the finding of data integration and discussion	
7	15-02-2015	Faculty 7	Discussed the whole thesis and plagiarism test	

APPROVAL FOR EXAMINATION

Candidate's Name: INAM UL HAQ Registration No. 19515

Thesis Title: IMPACT OF FOREIGN DIRECT INVESTMENT ON ECONOMIC GROWTH

I hereby certify that the above candidate's thesis has been completed to my satisfaction and, to my belief, its standard is appropriate for submission for examination. I have also conducted plagiarism test of this thesis using HEC prescribed software and found similarity index at 15% that is within the permissible limit set by the HEC for the MBA thesis. I have also found the thesis in a format recognized by the Department of Management Sciences.

Supervisor's Signature: Date: 23-02-2015

Name: M. AKBAR SHEED

HoD's Signature: _____ Date: _____

Abstract

Purpose- The purpose of the study is to analyze the relationship between Foreign direct investment (FDI) and economic growth (GDP) in Pakistan and to analyze the reason of declining FDI trends in Pakistan and also to find out why government putting efforts to get FDI inflow in Pakistan.

Methodology/sample- the study involve the use of secondary data from World Bank and state bank of Pakistan from the year 1960-2010. To analyze the data Minitab 17 is used and regression, correlation, descriptive statistics were used. Scatter plot was also drawn to check the relationship between two variables.

Findings- the analysis and comparative results clearly indicate that FDI play a key role to boost the economic growth of Pakistan. Besides economic growth It also put many positive externalities on the economy as compare to negative externalities. The reasons which describe the low FDI in Pakistan are lack of certain and one policy, corruption, lack of governance, energy crisis

Practical Implications- the results of the research might help the readers to understand the importance of Foreign direct investment for economic growth and what steps should be taken to get inflow of FDI in Pakistan. The understanding of decline in FDI can be develop and by improving FDI, high economic growth could be achieve, so human development also improve by the growth of economic condition.

Keywords: Foreign direct investment, economic growth, Human development.

Table of contents

Second half submission approval	ii
Declaration.....	iii
List of tables	iv
List of figures	v
List of abbreviations	vi
Plagiarism test	vii
Abstract	viii
Table of contents.....	ix
Chapter 1: Introduction.....	01
1.1-Problem background.....	01
1.1.1-problem statement.....	01
1.2-Research Target.....	01
1.3-Research Questions	02
1.4-Hypothesis	
1.5-Aim of study.....	02
1.6-Introduction of FDI and GDP.....	02
1.6.1-What is FDI?	02
1.6.2-Parts of FDI.....	03
1.7-What is GDP?	03

1.8-Significance of FDI.....	04
1.8.1-Positive externalities of FDI to Host country.....	05
1.8.2 -Negative impact of FDI to Host country	07
1.9-Significance of GDP for Country Development.....	07
1.10-Limitation of study.....	08
Chapter 2: Literature review.....	09
Chapter 3: Research methodology.....	13
3.1-Type of study.....	13
3.2- Data Type.....	15
3.3- Data Collection Method.....	15
3.4-Data Integration	15
Chapter 4: DATA GATHERING AND INTEGRATION.....	16
4.1-Data collection.....	16
4.2-Coefficient Of Correlation B/W FDI And GDP.....	18
4.2.1-Pearson's correlation analysis between FDI, GDP.....	18
4.3-Regression Analysis: GDP versus FDI	19
4.4-Regression Equation.....	20
4.5-Descriptive Statistics: FDI, GDP	20
Chapter 5: Discussion	21
5.1-Regression Analysis.....	21

5.1.1-Scatter plot.....	21
5.1.2-P-Value.....	21
5.1.3-Regression equation.....	22
5.1.4-Standard error.....	22
5.1.5-R-Square.....	22
5.2-History of investment policies in Pakistan	23
5.3-Government policies about FDI.....	23
5.3.1-Investment policies for manufacturing and industrial sector.....	24
5.3.2-Government policies about non manufacturing sector.....	24
5.3.3-Investment policy about service sector.....	24
5.3.4-Government policy about other sectors.....	24
5.4-Incentives for foreign investor.....	25
5.4.1-Exchange control.....	25
5.4.2-Royalty or technical fee via manufacturing sector.....	26
5.4.3-Royalty and technical fee via non manufacturing sector.....	26
5.4.4- agreement on avoidance of double taxation.....	26
5.5-Reasons for low and declining FDI in Pakistan.....	26
Chapter 6: Conclusion and Recommendations...	28
6.1-Conclusion	28
6.2-Recommendations.....	29
References.....	30