

IMPACT OF FOREIGN DEBT ON GDP OF PAKISTAN

By

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


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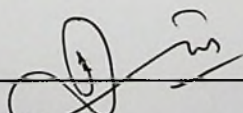
APPROVAL FOR EXAMINATION

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ABSTRACT

PURPOSE: Foreign debt could be helpful for a country when it uses to a reasonable levels to generate funds and make investments so they can contribute positively in order to grow an economy of Pakistan, but if a country borrows beyond the limits then it may reduce growth. So, country uses debt management strategies to deal with indebtedness. The purpose of this thesis is to find the empirical effects of foreign debt on GDP of Pakistan. Pakistan was facing serious crisis due to various economic problems. In order to deal with those problems, various strategies and programs have been launched. Pakistan used its debt in making investments in different sectors that boosted the growth of a country like agriculture sector, infrastructure sector and industrial sector. To determine the relationship between foreign debt and GDP, the historical data of 15 years, from 2001 to 2015, has been taken from World Bank data source.

METHODOLOGY: The study uses two methodologies for empirical investigation; descriptive statistic and ordinary least square method.

FINDINGS: The result shows positive relationship between foreign debt and GDP of Pakistan. Foreign Debt increased by 1%, GDP has increased by 4.55% in the study period. Pakistan has recorded many achievements during the period of 15 years but there is a need to make more policies to deal with the unexpected future crisis.

Key words: Gross Domestic Product (GDP), foreign debt (FD), economic growth.

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