

Chapter Five: Summary of Findings, Conclusion and Recommendation

5.1 Introduction

This study was conducted to analyse the elements that are impacting the Foreign Direct Investment FDI in Pakistan. In this regard, literature review was conducted in order to identify the FDI dependence on the macro-economic factors if controlled by the Federal and Provincial Government of Pakistan through policies and legislation to attract the foreign direct investment in the country. The chapter concludes on how macro-economic indicators like corruption, Interest rate, FOREX rate and GDP impact the foreign direct investment in Pakistan. In the end recommendations are also given for the Government of Pakistan to formulate policies that can appeal the foreign investors to invest in Pakistan as current FDI situation in Pakistan is not good because of the corruption, inflation and weak infrastructure are main obstacles to the foreign direct investment in the country.

5.2 Findings

The findings of the study are indicated by using correlations and cointegrating regression analysis of dependent variable foreign direct investment and independent variable i.e. corruption, FOREX rate, interest rate and GDP. The correlation results between dependent variable foreign direct investment FDI and corruption is -0.50 which means there is moderate negative correlation between the variable means both variables will behave in opposite direction; change in independent variable corruption will impact negatively to the foreign direct investment FDI. The correlation result between foreign direct investment and FOREX is -0.72 which indicate strong negative correlation between the variables which means a little change in FOREX will significantly negatively impact on the foreign direct investment FDI. The correlation between dependent variable foreign direct investment FDI and gross domestic product GDP is -0.57 which is negatively moderate relationship between the variables. The correlation between FDI and interest rate is -0.39 is moderately negative which means change in independent variable interest rate will negatively impact the foreign direct investment. The correlation between one dependent variable foreign direct investment and four independent variables corruption, FOREX,

GDP and interest rate is negative which indicates that change in any of the independent variable will negatively impact to the foreign direct investment FDI.

The regression analysis findings between foreign direct investment FDI and corruption, FOREX, GDP and interest rate independent variables are suggested on the basis of 14 observations and fully modified least square method. The regression analysis finding between corruption IV and foreign direct investment FDI DV shows probability value is 0.042 which means there is significant relationship and hypothesis is accepted. The reason behind this result is last democratic governments in Pakistan since 2008 were engaged in high corruption but there was also increase in foreign direct investment FDI. In the regression analysis between FOREX IV and FDI DV probability value is 0.0012 which is less than 0.05 means there is significant relationship between the variables and hypothesis is acceptable. The probability value between interest rate IV and FDI DV in regression analysis is 0.49 which is less than 0.05 which means significant relationship between the variables and hypothesis is acceptable. While probability value between GDP IV and FDI DV under regression analysis is 0.68 greater than 0.05 which means there is insignificant relationship between the variables and hypothesis is rejected.

5.3 Conclusion

In this research, different factors like corruption, FOREX and interest rate were emphasized in which significant relationship was observed through regression analysis on the foreign direct investment FDI in Pakistan. This research is supplementary to the other researches that presented a significant impact of corruption, FOREX and interest rate on foreign direct investment FDI inflows. This study also serves a purpose to recommend the government of Pakistan in order to formulate new policies and procedure to attract the foreign direct investment in the country. In the period from 2005 to 2018, the percentage of foreign direct investment in Pakistan has remained low and could not meet the target due to high inflation and weak political system. The government of Pakistan should control these factors that are identified as barriers in the foreign direct investment as it is main element for economic growth and stability of the country. Therefore, on the basis of statistical tests on collected secondary data, it is concluded that the research has achieved the significant objectives of the study.

5.4 Recommendations

The recommendations are given by the researcher on the basis of results generated in this study. After analysing factors in details, following recommendations are provided for the government of Pakistan;

- According to this research, corruption has significant impact on the foreign direct investment so government of Pakistan should control the corruption in order to invest on the infrastructure of the country which is key element for increasing the foreign direct investment in the country. Hence, for reducing the corruption in the country, government should depoliticize the institutions and give them free hand to frame anti-corruption laws and execute these laws to achieve the purpose.
- On the basis of findings of this study, FOREX has significant impacted on the foreign direct investment so government of Pakistan should control the inflation in the country that devalues the money value in the country which leads lower stability of Pak rupee against other currencies. So foreign investors invest in other countries with the intention to earn return and take back to the native countries. In this regard, foreigners face problems in money exchange and get lower foreign exchanges against the local money. Stability in FOREX rates will attract the foreign investors to invest in Pakistan.
- The researcher of this study has found the significant impact of the interest rate on the foreign direct investment so government of Pakistan should fix encouraging interest rates for boosting the foreign investment. The interest rates provide motivations for the investors and encourage or discourage the capital creation in the country which is the primary source for enhancing the production in the country.

5.5 Future Implications

This study was focused on limited variables to identify the impact and data was collected since 2005 to 2018 last 18 years that represents a limited scope of the study. The study can be enhanced further in order to generate more valid results by increasing the size of the data and increasing the number of variables. Additionally, this study encourages the future scholars to shed light on the foreign direct investment by comparing the FDI in Pakistan to other country.