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### Review article

## Importance of FDI on the growth of Pakistan and Azerbaijan

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#### ABSTRACT

In this paper, we have found out the impact of foreign direct investment on the development of Pakistan and Azerbaijan. We have utilized the secondary data for accord results. Our results showed that ratio of foreign direct investment is high in few countries and also low due to terrorism. In 1992, the inflow of foreign direct investment is high at the same year inflows in Azerbaijan were at the poor rate. In the year 2009, the inflows in Pakistan were 245.45 US dollars while in Azerbaijan the inflows were nothing. Our paper is trying to explore that most revenue area in business are education and information technology. On the other side, our paper is also trying to show that foreign direct investment is backbone of the economy. Therefore, we suggested that Pakistan and Azerbaijan should remove such factors which have an impact on the foreign direct investment.

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### 1. Introduction

Most of the scholars had scribed about the foreign direct investment contribution for the progress of the country. In simple words, foreign direct is a very nice way of investment. It is known as the best way of investment for under developing country. Any country can increase and decrease his poverty by utilization the source of foreign direct investment. It is also source to improve the managerial skills. Most of the surveys have proved that only a few countries are taking benefit from the policy of foreign direct investment. Most of the surveys have proved that shortage of foreign direct investment is the reason of poor productivity. According to different surveys

have proved that Pakistan is facing the problem of lack of foreign investment in our country due to terrorism and natural resources. According to economic survey (2012-2013) Pakistan is facing the problem of decline of productivity. Foreign direct investment is acting as the dilemma between saving and investment. Our study is trying to show that our country has not proper source to fulfill this gap.

## 2. Pakistan foreign direct investment



Main item of inflow investment in Pakistan

	2000	2005	2008	2009	2010	2011	2012	2013
<b>Agriculture</b>	21.3	17.9	18.1	18.1	17.2	18.1	18.7	18.9
<b>Manufacture</b>	16.5	16.8	15.6	14.7	13.7	13.4	14	14.6
<b>Electricity, Gas, Water</b>	6	6.8	7	8.6	9	9.2	9.3	9
<b>Architecture</b>	6.4	3.6	4.6	3.6	3.7	3.1	2.8	2.7
<b>Service</b>	24.5	28.1	26.5	29.8	29.2	31.3	29.8	29.5
<b>Finance</b>	0.8	1.4	1.1	1.3	1.3	1.4	1.6	1.4
<b>Others</b>	24.5	25.4	27.1	23.9	25.9	23.5	23.8	23.9

## 3. Problem statement

In this paper, we have explored the reason of decreasing the low foreign direct investment from last few decades. Gross domestic is a tool for analysis the growth of foreign direct investment in Pakistan. This paper, has clearly shown that due to inconsistent policies the foreign direct investment is poor in Pakistan. From 2006-2007 the inflows of foreign direct investment were declined due to terrorism fact.

### 3.1. Objectives

- 1) The Reason of decreasing foreign direct investment in Pakistan and Azerbaijan
- 2) How can government should control such types of threats to the economy of the country
- 3) What are the impacts of political stability in the development of Pakistan?

## 4. Literature review

Rabia and Khakan, (2016) observed the impact of foreign direct investment on the stock exchange of Pakistan and Armenia. For this purpose they had collected the data from 1986 to 2006 and run the regression and analyzed

the results that due to terrorism the foreign direct going to declining position. They had suggested that for the improvement in the foreign direct investment, there is need for proper setting for the progress of the economy.

Dunning (1994), observed the impact of foreign direct investment on the stock exchange of India. For this purpose they had collected the data from 1980 to 2007 and applied the VECM model and analyzed the results that due to terrorism the foreign direct going to declining position. They had suggested that for the improvement in the foreign direct investment, there is need for proper setting for the progress of the economy.

Penrose (1958) observed the impact of foreign direct investment on the stock exchange of USA. For this purpose they had collected the data from 1989 to 2006 and applied the VAR and analyzed the results that due to terrorism the foreign direct going to declining position. They had suggested that for the improvement in the foreign direct investment, there is need for proper setting for the progress of the economy. Penrose (1958) observed the impact of foreign direct investment on the stock exchange of France. For this purpose they had collected the data from 1996 to 2009 and applied the unit root test and analyzed the results that due to terrorism the foreign direct going to declining position. They had suggested that for the improvement in the foreign direct investment, there is need for proper setting for the progress of the economy.

Cantwell (1989), observed the impact of foreign direct investment on the stock exchange of Asian countries. For this purpose they had collected the data from 1995 to 2005 and applied the VECM and analyzed the results that due to terrorism the foreign direct going to declining position. They had suggested that for the improvement in the foreign direct investment, there is need for proper setting for the progress of the economy.

Jacqueline (2003), observed the impact of foreign direct investment on the stock exchange of Canada. For this purpose they had collected the data from 1997 to 2007 and applied the VECM and analyzed the results that due to terrorism the foreign direct going to declining position. They had suggested that for the improvement in the foreign direct investment, there is need for proper setting for the progress of the economy.

Borensztein, De Gregorio and Lee (1998), observed the impact of foreign direct investment on the stock exchange of Malaysia. For this purpose they had collected the data from 1990 to 2007 and applied the granger causality and analyzed the results that due to terrorism the foreign direct going to declining position. They had suggested that for the improvement in the foreign direct investment, there is need for proper setting for the progress of the economy.

Findly (1978), observed the impact of foreign direct investment on the stock exchange of Albania. For this purpose they had collected the data from 1995 to 2005 and applied the VAR and analyzed the results that due to terrorism the foreign direct going to declining position. They had suggested that for the improvement in the foreign direct investment, there is need for proper setting for the progress of the economy.

Jocelyn and Saggi (1998), observed the impact of foreign direct investment on the stock exchange of Algeria. For this purpose they had collected the data from 1989 to 2009 and applied the causality model and analyzed the results that due to terrorism the foreign direct going to declining position. They had suggested that for the improvement in the foreign direct investment, there is need for proper setting for the progress of the economy.

Wang and Blomstrom (1992), observed the impact of foreign direct investment on the stock exchange of American Samoa. For this purpose they had collected the data from 1991 to 2001 and applied the multi regression analysis and analyzed the results that due to terrorism the foreign direct going to declining position. They had suggested that for the improvement in the foreign direct investment, there is need for proper setting for the progress of the economy.

## **5. Methodology**

We have collected the secondary data for getting the proper results, for this purpose we have taken the data from 1993 to 2002. The main source of collection of data is World Bank and we applied the tabulations method.

## **6. Results**

According to economic growth theory for getting the high growth there is need of capital at high level. Our all the empirical results are showing that foreign direct investment is acting as the backbone of the economy. It is parameter to measure the gap between two things 1) saving and another is investment. At the start 2009, the inflows of Azerbaijan were 299 us dollars. Our study is trying to show that foreign direct investment has the main role for the development of the all developing and under developing countries.

Years	Azerbaijan	Afghanistan	Armenia	Kazakhstan	Kyrgyzstan	Pakistan	Tajikistan	Turkmenistan	Uzbekistan
1993	-0.29	19.68	0.00007	0.00006	0.00004	258.44	0.00003	0.00009	0.00001
1994	0.39	2.48	0.00007	400.09	0.00007	336.52	5.00	0.00009	1.00
1995	-0.08	8.00	0.07	1279.49	12.00	348.62	5.00	79.00	12.00
1996	0.08	0.99	29.00	659.76	39.13	421.022	15.00	103.00	19.00
1997	0.19	25.39	349.0	964.28	99.01	722.65	25.00	232.00	-19.00
1998	0.69	17.69	629.4	1136.99	49.71	921.95	15.00	109.06	18.00
1999	-1.41	51.99	1111.6	1321.29	89.09	716.25	19.00	101.86	262.00
2000	-0.09	236.9	1029.4	1151.49	103.8	505.00	29.00	64.00	949.00
2001	6.09	135.9	514.43	1471.69	48.49	535.00	23.00	122.00	929.00
2002	0.19	124.9	123.96	1282.59	-2.49	305.00	23.00	121.00	76.00
2003	0.68	87.89	221.58	2834.00	9.00	385.00	8.49	175.00	88.00
2004	0.57	149.8	1397.49	2589.85	4.86	825.00	37.09	900.00	64.00
2005	57.9	155.8	3289.00	2069.46	46700	535.00	32.69	900.00	78.00
2006	318	218.9	3559.00	4159.3	179.90	115.80	274.00	949.00	1.26
2007	419.00	257	-	1979.8	45.50	2205.00	546.2	-	45.9
2008	-	249	1678	6149.0	183.00	4275.00	333.2	-	163.0

Source: World Development Indicator (2008), the World Bank Group.

## 7. Conclusion

Foreign direct investment is the most beneficial way to get the tangible and intangible assets. Our study is trying to explore that in both countries paucity of capital is a major reason to decline the foreign direct investment of the country. We suggested that government should focus adequate policies for the enhancing the capital through foreign investment.

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