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Factors effecting foreign direct investment of Pakistan

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Abstract
Foreign Direct Investment (FDI) plays a crucial role in speeding up the development and economic growth of a country. In developing countries rely on FDI to promote their economy as they face capital shortage for their development process. The strong growth performances experienced by Pakistan economy greatly depends on the FDI. The purpose of this study is to evaluate the factors affecting Foreign Direct Investment in Pakistan from 2005 to 2015. For this study the regression model is used to measure the effects of factors on FDI. This study considers the social, economic, and infrastructure factors in which different other factors are considered e.g. trade, exchange rate, GDP, Per capita income (economic factors), health & education (social factors), roads, railway, telephone, internet (infrastructure factors).The results show that there is a significant and positive effect of social and economic factors on FDI. On the other hand, there is an insignificant and positive relation between infrastructure and FDI from the period of 2005-2015. The study concluded that government should focus on the enhancement of growth rate and promote political stability in the economy to bring more FDI inflow in the country

Key words: Foreign direct investment, Exchange rates, PSX-100 index, oil prices and exports

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Chapter: 1

1 Introduction:

Foreign direct investment is one of the economic concepts that are seen as the determinants of economic development of the countries in the context of the market economy. That is why it is widely considered in a variety of economic studies. A great part of the researches is based on the examination of FDI as a key determinant of economic growth and technological development, due to the fact that "the very essence of economic development is the rapid and efficient transfer and adoption of "best practice" across borders".

The great role of Foreign Direct Investment in countries' welfare incents to frequent studying of the factors which stimulate/restrain the attraction of FDI into countries' economies in order to explain the location of FDI across the world. The most investigations concentrate on economic determinants of FDI flows, while other groups of factors are often ignored or reduced to simple mentioning. When the researches investigate non-economic factors, the lists of factors, the approaches and the results are so different that appears the question of the relevance of factors and credibility of the results. The exploration of economic factors is necessary, because of the evident linkage of FDI with economic phenomena, though it must not lead to the diminution of other factors' importance.

Usually, in this field researches present a narrow image of the factors that incent FDI. Only a limited number of non-economic determinants are mentioned, among them some factors predominate, while the others seem to be avoided. Very rarely a study may be encountered proposing a large set of factors. That is why we intended to collect a large variety of factors that are supposed to influence cross border investments. For a more comprehensible presentation, we systematized this variety of factors into eleven categories (Awan, Ahmad et al. 2014).

Yong, Ong et al. (2012)Improving infrastructures by creating urban construction plans that will limit the random house build in towns or near business center, this will be done by the supportive Tanzania land Act 1990. Furthermore, The TIC under the government of Tanzania will have to make sure they preserving the large area for the FDI instead of just the promotion and incentives; this will also help to reduce the eviction of local citizen in their legal resident area.

The characteristics of FDI, its rapid growth and pivotal role in the process of globalization in recent years, its intimate relationship with trade, and its historical antecedents have all attracted the attention of economists, political scientists, economic historians and in recent years management specialists and anthropologists.

1.1Macroeconomic FDI theories

Li and Park (2006) describes the macroeconomic view as seeing FDI as a particular form of the flow of capital across national borders, from home countries to host countries, measured in balance-of-payments statistics. These flows give rise to a particular form of stocks of capital in host countries, namely the value of home country investment in entities, typically corporations, controlled by a home-country owner, or in which a home-country owner holds a certain share of voting rights.

Li and Park (2006)further explain that the variables of interest are the flow of financial capital, the value of the stock of capital that is accumulated by the investing firms, and the flows of income from the investments. Macro-level determinants that impact on a host country's ability to attract FDI include market size, economic growth rate, GDP, infrastructure, natural resources, institutional factors such as the political stability of the country, amongst others. The various theories are discussed below.

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1.1.1Capital Market Theory

This theory, also sometimes referred to as the "currency area theory", is considered one of the earliest theories which explained FDI. Foreign investment in general arose as a result of capital market imperfections. FDI specifically was the result of differences between source and host country currencies(Herzer 2012).

Haider, Gul et al. (2017)weaker currencies have a higher FDI-attraction ability and are better able to take advantage of differences in the market capitalization rate, compared to stronger country currencies. Further adds that source country MNCs based in hard currency areas can borrow at a lower interest rate than host country firms because portfolio investors overlook the foreign aspect of source country MNCs.

Ueng, Lee et al. (2016) this gives source country firms the borrowing advantage because they can access cheaper sources of capital for their overseas affiliates and subsidiaries than what local firms would access the same funds for. While this capital market theory holds true in the case of developed countries such as the United States, United Kingdom and Canada, it was challenged by later scholars on the basis of ignoring basic currency risk management fundamentals.

A major criticism of Aliber's theory was, when he highlighted that the theory does not apply in the case of less developed countries with highly imperfect or non-existent capital markets, and those with heavily regulated foreign exchange rates.

Aziz and Makkawi (2012)allude to the fact that Aliber's theory does not explain investment between two developed countries with similar strength currencies, nor how developing country MNCs with weaker currencies are able to invest in developed countries with much stronger currencies. This they exemplified using the case of Chinese firms with sizeable investments in USA and the UK.

1.1.2Location-based approach to FDI theories

Although FDI location is influenced by firm behavior (a microeconomic element) insofar as the motives of its location, that is whether it is resource seeking, market-seeking, efficiency-seeking or strategic asset seeking; the overarching decision is in fact taken on the basis of economic geography, which is a macroeconomic decision as it takes cognizance of country-level characteristics. According to them, the theory explained the success of FDI among countries based on the national wealth of a country, such as its natural resources endowment, availability of labor, local market size, infrastructure and Government policy regarding these national resources(Guimaraes, Figueiredo et al. 2000).

1.2Microeconomic FDI theories

Mudambi and Mudambi (2002)also states that the microeconomic view examines FDI motivations from the investor's perspective, which would be similar to take a firm level or industry-level perspective in making a decision. This micro-view thus examines the consequences to the investor, and to home and host countries, of the operations of the multinationals or of the affiliates created by these investments, rather than the size of the flows or the value of the investment stocks or investment position.

1.2.1Theories of FDI based on perfect competition

The early works of FDI theory can be traced in the work by MacDougall (1958) who established his model based on the assumptions of perfectly competitive market. Assuming a two-country model

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and prices of capital being equal to its marginal productivity, MacDougall and Kemp both stated that when there was free movement of capital from an investing country to a host country, the marginal productivity of capital tended to be equalized between the two countries. They found that after investment, the output of the investing country fell without any decrease in the national income of the country. This is because in the long term the investing country gets higher income from its investment abroad.

1.3 Traditional theory

1.3.1Capital arbitrage theory

The theory states that direct investment flows from countries where profitability is low to countries where profitability is high. It means therefore that capital is mobile both nationally and internationally. But sometimes implication is that countries with abundant capital should export and countries with less capital should import. If there was a link between the long-term interest rate and return on capital, portfolio investment and FDI should be moving in the same direction. International trade theory-the country will specialize in production of, and export those commodities which make intensive use of the country's relatively abundant factor(Li and Fabuš 2019).

1.4 Research Objectives:

The main objectives of this study are:

- To examine the relationship between FDI & exchange rate.
- To examine the relationship between FDI & PSX-100 index.
- To examine the relationship between FDI & oil prices.
- To examine the relationship between FDI & exports.

2. Literature

2.1Review of Previous Empirical Works

In this part, researches in the area of determinants of FDI inflow, both investor country and host country analysis, are reviewed. Global and country-specific factors are equally important in determining capital flow to developing countries. Most researches on country-specific (host country), determinant factors of FDI addresses natural resource availability, political stability, infrastructure development, labor market condition, market accession, Intellectual Property Right (IPR) protection, corruption, exchange rate and volatility of exchange rate, interest rate, regulatory framework of the country on repatriation of capital and remittance of profit as main factors affecting FDI inflow(Botrić and Škuflić 2006).

The other way of looking at these factors is on different categories such as resource base, macroeconomic factors, regulatory framework, political factors, infrastructure condition and global factors. Another point of worth noting is that this classification of factors is from broader perspective and overlaps may exist among categories. Let's see the main factors identified so far.

2.2 Macroeconomic factors

Adam and Filippaios (2007) a wide array of researches has signified the importance of macroeconomic conditions as factors affecting inflow of FDI to a country. Economic growth and economic competitiveness have been identified as determining factor for the inflow FDI to developing countries including Africa. Examination of the determinants of inward foreign direct

investment to the United States from seven industrial countries over the period 1979-1991Korea's FDI from USA find strong evidence that relative wealth significantly affects inward foreign direct investment. Another study on Thailand finds real income is a significant factor determining the inflow of FDI.

Despite these evidences, other International Journal of Business and Management www.ccsenet.org/ijbm 106 studies like on African FDI from USA, finds less robust evidence on the role of GDP per capita on FDI inflow but GDP growth was found to have significant impact. This factor is highly related to the market accession potential of a nation. Almost all researches on the effect of market size as a determinate factor of FDI concludes market size as a significant factor for FDI inflow.

Anyanwu (2012)Case studies and panel data analysis on developing countries all found out that it is a critical consideration for FDI. Econometric analysis of US FDI also showed market size as a determining factor for FDI flow. Contrasting finding in Ghana confirms most foreign investors do not consider the size of the market in making a decision to invest or otherwise in Ghana. Exchange rate as determining factor of FDI is rigorously studied by different researchers. These studies considered exchange rate from different angles and finding are varied.

A case study on Ghana on the volatility of real exchange rate showed that the volatility of the real exchange rate has a negative influence on FDI inflow. Empirical investigation of firm level data on the US FDI to Korea proves that FDI inflows have significant association with real exchange rate and expected exchange rate changes. Other studies too show significant relationship between the two variables. Contrary findings on the relationship between the two economic variables are also documented. Studies like state there is no statistically significant relationship between the level of the exchange rate and foreign investment(De Sousa and Lochard 2011).

Another macroeconomic factor is trade openness. Measure of openness of the economy in Australia has been identified as a significant factor for the inflow of FDI. A study, shows openness to trade promotes FDI to Sub-Saharan and Non-Sub-Saharan African countries. Openness can also be viewed from economic treaties and integration between and among countries. A study on developing countries gives evidence that a higher number of bilateral investment treaties, which could have effect on trade openness, raise the FDI that flows to a developing country(Sun, Tong et al. 2002).

In Canada and the North American Free Trade Agreement region in general have shown free trade agreement has significant effect for both inward and outward FDI. The process of association and negotiation with European Union for Central and Eastern European countries and Western Balkan countries was also proved to have significant effect on inflow of FDI to the region. Economic freedom is another factor that can be seen with openness.

Kandogan (2012) in developing countries foreign direct investment is found to vary positively with increases in certain components of economic freedom. Inflation rate is also a macroeconomic factor of consideration as it may tell a story about economic stability of a country. According to a study on Africa inflation rate has a negative effect on FDI inflows, but less robust. Another study on the dynamic response of FDI to inflation rate in Thailand also show insignificant effect of the later, while a study on Pakistan shows significant relationship.

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2.3 Political factors

The effect of political stability on the inflow of FDI is ambiguous. On a rigorous essay entitled "Foreign Direct Investment and the Interstate Military Conflict" showed that FDI flow and military conflict are inversely related. Researches on Africa and Ghana identify that political stability as a statistically significant factor affecting the inflow of FDI. Study on US manufacturing direct investment in Latin America shows that political factors do affect FDI decisions(Clausing and Dorobantu 2005).

Some other researchers have come up with contrary finding to those stated above. A study on foreign direct investments by US marketing activities showed that political instability does not discourage such investments. This shows us that further research on the area is required to establish a concrete theory.

2.4 Regulatory framework of the country

Sanford Jr and Dong (2000) every country has its own legal system in place to keep order. In areas of business, particularly FDI, investors consider different dimensions of the potential business environment's legal framework before undertaking investment. Different researchers have drawn relationship between FDI inflow and the following elements of regulatory frameworks: poor governance and inhospitable regulatory environments several specific trade and FDI policies like, foreign ownership ceiling in sectors open for FDI, policy on repatriation of capital and remittance of profit government regulations and restrictions on equity International Journal of Business and Management holdings by foreigners all are found to have negative impact on FDI inflow.

Governments that implement reforms are not always more likely to attract FDI inflow. Corruption is another issue to be seen in relation to the legal system. Corruption has been implicated as hampering economic active and low transparency have negative effect on the inflow of FDI Intellectual Property Right (IPR) protection is also critical factor for importing and involve ty and economic development Most researchers found out that the presence of high corruption ent in high-tech areas. Ensuring property right in South Africa and developing countries were identified as one factor affecting FDI inflow(Liargovas and Skandalis 2012).

A large sample of host country study points out that IPR protection affects FDI inflow. As it has been the case for other determinant factors, opposing views are forwarded for this variable. Investigation of the interaction of industry characteristics and IPR on multinational firms' behavior, suggest that when IPRs are strong, firms in industries with high investment in research and development (R&D) are more likely to enter a market by licensing to an unaffiliated host firm resulting in lower FDI inflow. Hence the effect is dependent on the kind of investment under investigation(Bartels, Alladina et al. 2009).

2.5 Infrastructure condition

Different studies on FDI show FDI in Africa is dependent on the development of infrastructure. Other studies on developing countries emerging economies Western Balkan Countries and Southeast European Countries have shown the significant role of infrastructure development on attraction of FDI. In contrary to the above points, a study on US FDI flow to Africa found less robust evidence on the role of infrastructure on FDI(Biglaiser and Staats 2010).

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2.6 Global factors

Global and country-specific actors are equally important in determining the long-run movements in equity flows for both Asian and Latin American countries. One study on Canadian FDI inflow using US and UK GDP for world economic situation, as the two countries are major partners of the Canadian trade, showed statistically insignificant relationship(Liargovas and Skandalis 2012).

2.7 Others

Other factors having effect on inflow of FDI include return on investment (ROI), IMF agreement, debt service ratio, financial difficulties at banks, interest rate and so on. Cultural affinity is also another consideration. Studies on developing countries and Spanish multinationals identify a relationship between cultural elements and inflow of FDI. ROI is also identified as one microeconomic factor affecting the inflow of FDI.

South African FDI inflows are found to be sensitive to ROI. In the contrary, a study on developing countries reveals a higher ROI has a positive impact on FDI to non-sub-Saharan Africans but has no significant impact on the FDI of Sub-Saharan African, which are the majority in the continent. Countries that sign IMF agreement, citrus paribus are found to get lesser FDI than those did not sign with these varied outcomes of previous studies, further investigation of the issue with lager sample size and broader time frame is justifiable. Considering all these factors, the next part puts the theoretical framework for the relationship between the main determinant factors of FDI inflow to African countries and FDI n flow itself(Bartels, Alladina et al. 2009).

2.8Hypothesis

H01: There is no significant relationship between FDI & stock market 100 index.
H1: There is significant relationship between FDI & stock market 100 index.
H02: There is no significant relationship between FDI & export.
H2: There is significant relationship between FDI & export.
H03: There is no significant relationship between FDI &oil prices.
H3: There is significant relationship between FDI & oil prices.
H04: There is no significant relationship between FDI & exchange rates.
H4: There is significant relationship between FDI & exchange rates.

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3. Research Methodology

3.1 Introduction

In this chapter, on the basis of previous discussion, all obtained knowledge and practical implication has been applied to this chapter. To provide the prospective results, different writers have discussed the impact of foreign direct investment on performance of the firm.

Different international and Pakistani writers used different research tools and techniques to study the relationship and interdependency of different dependent and independent variables.

Specifications regarding the environment of Pakistan, different methods were taken up to the mind.

There were lot of assumptions regarding different techniques, but analysis techniques it is founded that correlation and regression are the best techniques to find out the results in the scenario of south Asia region.

Many researchers used different analysis techniques to find out the answers of their research, specifications regarding the environment of Pakistan. Different methods were taken up to the mind, there were lot of assumptions regarding different techniques, but last stated method of was found best to apply on analysis process. On the basis of above discussion, this paper will use regression and correlation analysis to find out the answers of research questions and objective.

3.2 Research Design

This research work is designed in such a way that it helps to understand the relationship of foreign direct investment and oil prices, exports, exchange rate and PSX-100index. It will be a quantitative research based on secondary data. We will use statistical tools for research results. Statistical Tools will be correlation analysis and linear regression analysis on different variables. The study area of this research work is Pakistan where companies listed under stock exchange will be studied.

3.3 Secondary Source of Data

This paper uses the secondary source of data from annual reports of PSX. Secondary source of data means that the data which is already used for any other purpose. On the other hand, there is nothing regarding the data collection that has been collected from survey technique or questionnaire. The whole research based on the secondary source of data. Louganis (2006) used secondary source of data to analyses.

3.4 Sample Selection Criteria

Hamilton (2003) studied the non-financial sector listed in stock exchange are direct contributors towards the economy of the country, due to this reason these companies will give the clear picture of insurance sector's efficiency. Louganis (2016); Gasser and Goodwin (2014) and Darkness (1989) determined the macroeconomic variables and developed the model with annually data.

3.5 Sample and period of the study

The period of study is 20 years (From 2000 to 2019). Papapetrou (2001) used for the period 1974-2000, He used the firm performance measures in US stock market return data. Sandusky (2012) used data from annual report of 25 years and used annually data on stock market returns. Sandusky (1999) used oil prices for the period 1973-1998 and used annually data on S&P 500 index upon capital structure determinants.

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3.5.1 Variables of research

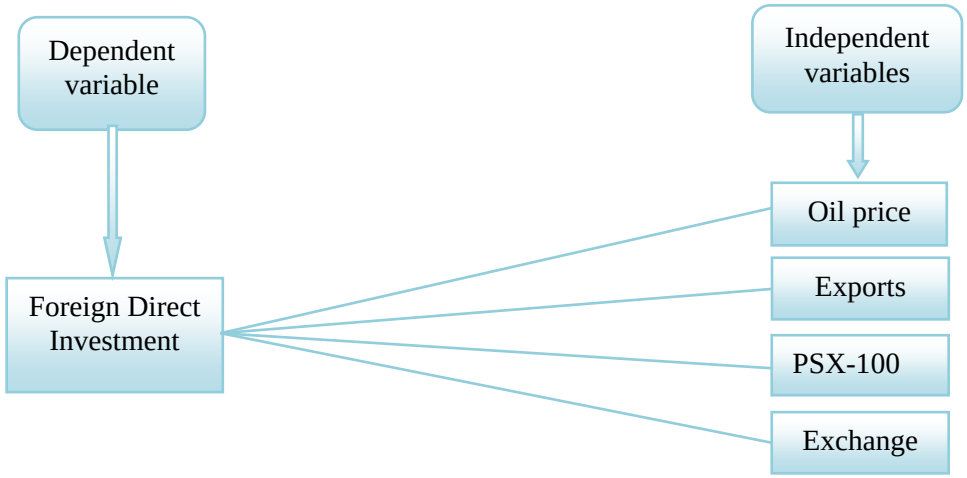
Dependent variables

- Foreign direct investment (FDI)

Independent variables

- Oil prices (OP)
- Exports (EXP)
- Exchange rate (ER)
- PSX-100 Index (PSX-100)

Research model



3.6 Research tools

Statistical Tools will be correlation analysis, linear regression analysis. Many researchers used different analysis techniques to find out the answers of their research, specifications regarding the environment of south Asia, different methods were taken up to the mind, there were lot of assumptions regarding different techniques.

3.6.1 Correlation Analysis

Correlation is a term that refers to the strength of a relationship between two variables. A strong or high correlation means that two or more variables have a strong relationship with each other while a weak or low correlation means that the variables are hardly related. Correlation coefficients can range from -1.00 to +1.00. The value of -1.00 represents a perfect negative correlation while a value of +1.00 represents a perfect positive correlation, a value of 0.00 means that there is no relationship between the variables being tested. The most widely used type of correlation coefficient is the Pearson r, which is also referred to as linear or product-moment correlation. This analysis assumes that the two variables being analyzed are measured on at least interval scales. The coefficient is calculated by taking the covariance of the two variables and dividing it by the product of their standard deviations.

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3.6.2 Regression

A statistical measure that attempts to determine the strength of the relationship between one dependent variable (usually denoted by Y) and a series of other changing variables (known as independent variables),

The two basic types of regression are linear regression and multiple regressions. Linear regression uses one independent variable to explain and/or predict the outcome of Y, while multiple regressions use two or more independent variables to predict the outcome. The general form of each type of regression is:

Linear Regression: $Y = a + bX + u$

$FDI = a + b1\ (OP) + b2\ (EXP) + b3\ (ER) + b4\ (PSX\text{-}100\ INDEX) + e$

In multiple regressions, the separate variables are differentiated by using subscripted numbers. Regression takes a group of random variables, thought to be predicting Y, and tries to find a mathematical relationship between them. This relationship is typically in the form of a straight line (linear regression) that best approximates all the individual data points. Regression is often used to determine how many specific factors such as the price of a commodity, interest rates, particular industries or sectors influence the price movement of an asset.

The standard for analysis will depend on 95% level of significance. In results of regression if a P values is less than α. It means, if the correlation among the variables will be more than 95 than relationship will be accepted otherwise rejected.

On the other hand, correlation analysis is also helpful to find out the results of the studies. Correlation analysis will clearly show the positivity or negativity of the relationship between the variable. Therefore, analyzing this situation there will be ease of understanding the result of analysis.

4. Data analysis

This part consists of analysis of research data, the main part of this research. Analysis used methods to find out relationship of variables, ultimately to reach research objectives.

Data analysis is the process of applying statistics or systematic logical techniques to describe and illustrate, summarize, communicate and evaluate statistical results of the research. According to different analytical processes provide a way to "draw statistical impulses, and to distinguish relationship and impact of variables.

While qualitative research can involve statistical processes in statistical analysis, sometimes the analysis becomes an ongoing iterative process where data is collected and analyzed almost simultaneously. In fact, researchers usually analyze patterns of observation through all phases of data collection. This research used quantitative approach of data analysis.

An important part of ensuring statistical consistency is an accurate and accurate analysis of research findings. Incorrect data analysis distorts scientific research, misleads ordinary readers and can have a negative impact on people's perceptions about research. The problem of consistency is very relevant for the analysis of non-statistical data.

4.1 Data Analysis for results of study

4.2.1 Regression analysis

Results are perfectly significant at 0.05 level of significance; constant values are significant that shows that model of regression is acceptable at all levels. P values of both independent variables (exports, oil prices, exchange rates and PSX-100 index) are also significant with dependent variable

(FDI) of selected sample of data from 2000 to 2019. Coefficients shows that results of significance are positive that means increase in value of independent variables will ultimately increase the value of foreign direct investment. Values of r square and adjusted R square is at acceptance level.

4.1.3 R-squared & Adjusted R Square

If the adjusted R Square value is much lower than the R Square value, it is an indication that our regression equation may be over-fitted to the sample, and of limited generalizing. The value of R Square and Adjusted R Square are 61% and 54% respectively, it means explained variations are more than 80%, it is not good to have the values of R square less than 40% This also tells that how much output variable's variance is explained by the input variable's variance. The adjusted R square explains the accuracy of regression equation.

Dependent Variable: FDI_INF
Method: Least Squares
Date: 02/27/21 Time: 14:49
Sample: 1 20
Included observations: 20

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6.266	0.592	10.570	0.000
ER	-2.619	1.105	-2.368	0.000
OP	1.171	0.453	2.580	0.000
PSX_100	1.066	0.316	3.367	0.003

R-squared	0.617	Mean dependent var	9.226
Adjusted R-squared	0.545	S.D. dependent var	0.336
S.E. of regression	0.226	Akaike info criterion	0.048
Sum squared resid	0.823	Schwarz criterion	0.247
Log likelihood	3.519	Hannan-Quinn criter.	0.086
F-statistic	8.603	Durbin-Watson stat	2.191
Prob(F-statistic)	0.001		

Regression results shows that results are significance 0.05, that means variable have positive relationship on the basis of positive coefficients of the regression output.

4.1.4 Correlation analysis

Correlation analysis shows that results of foreign direct investment (FDI) and all independent variable are significant, as strong strength of relationship exist between FDI and PSX-100 index with positive correlation value of 0.665, another moderate relationship exists between FDI and oil prices. Relationship between FDI and PSX-100 index is also perfectly significant with value of 0.66 as per results of correlation analysis.

	FDI_INF	EXP	ER	OP	PSX_100
FDI_INF	1.000	0.299	-0.557	0.543	0.665
EXP	0.299	1.000	0.825	0.384	0.825
ER	-0.557	0.825	1.000	0.749	0.913
OP	0.543	0.384	0.749	1.000	0.567
PSX_100	0.665	0.825	0.913	0.567	1.000

Correlation analysis shows significant results at level of significance 0.05 for all three relationships of results of the study.

5 Conclusion and Recommendations

5.1 Conclusion

Research has been conducted on the topic of factors effecting the foreign direct investment of Pakistan. Objectives of the research were settled on the basis of gap analysis conducted after studying detailed literature of the topic, objective targeted to find out the significance relationship between FDI, exports, Stock exchange 100 index, oil prices and exchange rates. Analysis has been applied on linear time series data of selected variables. Correlation results shows that results are positively significant between FDI and PSX-100 index; between exports and exchange rates and positive relationship between exports and PSX 100 index. Correlations results were significant at significance level of 0.05, but insignificant correlation has been observed between exports and FDI at significance level of 0.01, same relationship was significance at level of 0.05 due to significance values of 0.00 between dependent and independent variables.

Relationship is positive that means increase in value of PSX-100 index will increase the value of FDI of Pakistan. Results shows that there is positive relationship between FDI and PSX-100 index of the Pakistan that means increase in value of PSX-100 index will increase the value of FDI of the firms.

5.2 Hypothesis evaluations

H_{01}	There is no significance relationship between FDI&PSX-100 index.	Rejected
H_1	There is significance relationship between FDI & PSX-100 index.	Accepted
H_{02}	There is no significance relationship between FDI & exports.	Rejected
H_2	There is significance relationship between FDI & exports.	Accepted
H_{03}	There is no significance relationship between FDI & oil prices.	Rejected
H3	There is significance relationship between FDI & oil prices.	Accepted
H_{04}	There is no significance relationship between FDI & exchange rate.	Rejected
H_4	There is significance relationship between FDI& exchange rate.	Accepted

5.3 Recommendations

Study recommends that relationship between FDI and export could be further researched with expended sample size; sample size could be tested on other countries like India and Bangladesh.

Govt. need to focus on oil prices because increase in oil price causes increase in FDI, this means that

economically its wrong way development of Pakistan's economy.

Economically significant trend has been observed upon exchange rates here a strong recommendation for govt. to reduce exchange rate to increase FDI.

Govt. also need to increase its exports because increase in exports will increase FDI as per results of this study.

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