

Importance of FDI on the Growth of Pakistan and Armenia

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Abstract

The main objective of this paper is to find out the impact of impact of foreign direct investment on the economic growth of Pakistan and Armenia. For this purpose, we have used the secondary data .our study is showing that the foreign direct investment level is increasing in some countries and decreasing in some countries due to terrorism. In 1992, the level of foreign direct investment in Pakistan were 258.44 US \$ at the same time there were foreign direct investment were low in Armenia. In the year of 2007, the level of foreign direct investment were 4374 \$US\$ and at the same year the inflows of foreign direct investment in Armenia were 299US\$. Our paper is trying to show that education, power sector and telecom are known as the most profitable sector .the basic aim of this paper is that to show that foreign direct investment has the crucial role for the development of welfare of society.

Keywords: Armenia; Telecom; Welfare; Society

Introduction

According to different scholars foreign direct investment is another name of saving. Foreign direct investment is the way of invest money in another country. Foreign direct investment has the crucial role for the improvement of the way of investment. Like foreign investment Gross domestic product is also way of saving. Foreign direct investment is also way of increase and decrease the level of saving. Foreign direct investment is the source of increase the balance of payment and capital of all the developing and under developing countries. Foreign direct investment is also way to improve the economy of the country. Portfolio direct investment is also another way of investment. Foreign direct investment is the best financial phenomena and it is known as the important source of the income in all over the world. The data of World Bank represents that in 2011 the foreign direct investment were \$431. According to different researchers the level of foreign direct investment were 415 US. Foreign direct investment is also known as the world largest source of the external financial flows.

Positive impact on the economy

Our paper is trying to expose that foreign direct investment contribute to the consumption, investment and saving and it has crucial role for the economic condition of the country. There is a bundle of huge evidences, which is showing that foreign direct investment is act as the backbone of all the developing and under developing countries.

Problem statement

We are trying to find out that reason of decrease the foreign direct investment in Pakistan. This paper is also showing that foreign direct investment is also sound way for the enhancement of the capital and other some sources. From the last few decades, foreign direct investment was decline due to terrorism activates (Table 1).

Year	Greenfield Investment	Privatization proceeds	Total FDI	Private Investment	Portfolio
2002-03	353	122	482	-50	
2003-04	621	171	792	26	
2004-05	750	192	942	-23	
2005-06	1,161.00	364	1,524.00	152	
2006-07	1,981.00	1,542.00	3,521.00	353	
2007-08	4,873.20	262.4	5,132.60	1,823.00	
2008-09	5,275.60	131.2	5,401.80	19.6	
2009-10	3,717.90	0	3,712.90	-510.2	
2010-11	2,152.80	0	2,152.80	587.6	
2011-12	1,571.60	0	1,731.40	344.6	
2012-13 (Dec.)	531.4	0	385.5	-147.3	
Total	22,896.40	2,805.65	25,823.20	2,607.30	

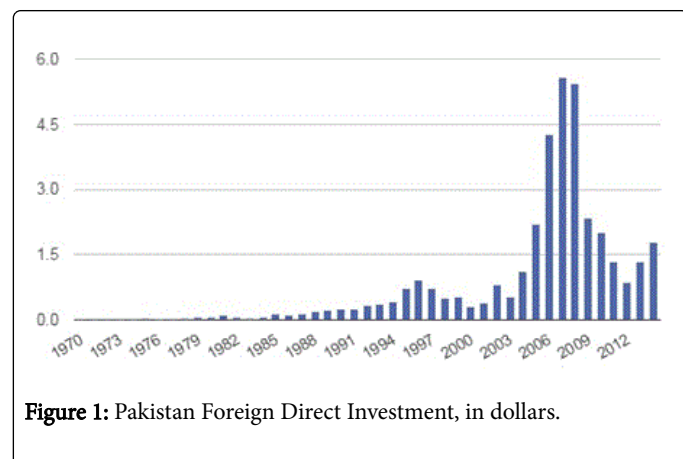
Note: Pakistan's Fiscal Year runs from 1st July till 30th June.
Source: Board of Investment Pakistan [6].

Table 1: Foreign Investment inflows in Pakistan (\$Million).

The case of Pakistan and Armenia

From the last 20 decades, it is seen that the economy of Pakistan is going to decline. The nation of Pakistan is known as the most hardworking people. In Pakistan and Armenia the level of foreign direct investment is not more. Due to lack of resources and other reason the people of Armenia cannot afford safe and sound business. In Pakistan due to terrorism activities the foreign direct investment is very low. For instance the storage of electricity and political instability

are the main reason of unfortunate investment level in Pakistan. On the other side, Armenia has transitional commercial trade and trying to attract the foreign direct investment (Figure 1).



Literature review

In this paper Agarwal had analyzed the impact of foreign direct investment on the economy of Pakistan .For this purpose ,they had collected the data from 1982 to 2002 and applied the VECM model .the result were using that there is positive impact on the stock exchange. In this paper, they had suggested that there is need of proper planning to enhance the economy of the country [1].

In this paper, Dunning had analyzed the impact of foreign direct investment on the economy of India. For this purpose, they had collected the data from 1985 to 2006 and applied the VAR model .The results were using that there is positive impact on the stock exchange. In this paper, they had suggested that there is need of proper planning to enhance the economy of the country [2].

In this paper, Penrose had analyzed the impact of foreign direct investment on the economy of China .For this purpose ,they had collected the data from 1987 to 2007 and applied the unit root model .the result were using that there is positive impact on the stock exchange. In this paper, they had suggested that there is need of proper planning to enhance the economy of the country [3].

In this paper, Cantwell had analyzed the impact of foreign direct investment on the economy of Japan .For this purpose, they had collected the data from 1989 to 2009 and applied the ERACH model.

The result were using that there is positive impact on the stock exchange. In this paper, they had suggested that there is need of proper planning to enhance the economy of the country [5].

In this paper, Jacqueline had analyzed the impact of foreign direct investment on the economy of France .For this purpose ,they had collected the data from 1980 to 1999 and applied the ECM model .the result were using that there is positive impact on the stock exchange. In this paper, they had suggested that there is need of proper planning to enhance the economy of the country [6].

In this paper, Borensztein, De Gregorio and Lee have analyzed the impact of foreign direct investment on the economy of Thailand .For this purpose ,they had collected the data from 1981 to 1991 and applied the unit root and cointegration model .the result were using that there is positive impact on the stock exchange. In this paper, they had suggested that there is need of proper planning to enhance the economy of the country [7].

In this paper, Findly had analyzed the impact of foreign direct investment on the economy of Australia .For this purpose ,they had collected the data from 1989 to 2009 and applied the ECM model .the result were using that there is positive impact on the stock exchange. In this paper, they had suggested that there is need of proper planning to enhance the economy of the country [8].

In this paper, Frank had analyzed the impact of foreign direct investment on the economy of UK .For this purpose ,they had collected the data from 1990 to 2006 and applied the VAR model .the result were using that there is positive impact on the stock exchange. In this paper, they had suggested that there is need of proper planning to enhance the economy of the country [9].

In this paper, Jocelyn and Saggi have analyzed the impact of foreign direct investment on the economy of USA .For this purpose ,they had collected the data from 1989 to 2009 and applied the Autogressive model .the result were using that there is positive impact on the stock exchange. In this paper, they had suggested that there is need of proper planning to enhance the economy of the country [10].

Methodology

Nature of the studying is exposing that we have collected the secondary data .in this paper we have collected the data from 1992 to 2001. All the data had been collected from the World Bank indicator. For this purpose we had used the tabulations method (Table 2) [11,12].

Years	Armenia	Afghanistan	Azerbaijan	Kazakhstan	Kyrgyzstan	Pakistan	Tajikistan	Turkmenistan	Uzbekistan
1992	-0.24	19.61	0.00008	0.00009	0.00009	258.49	0.00009	0.00003	0.00009
1993	0.32	2.43	0.00008	400.00	0.00008	336.58	9.00	0.00003	4.00
1994	-0.01	4.00	0.09	1279.41	19.00	348.69	9.00	73.00	42.00
1995	0.01	0.91	21.00	659.79	38.13	421.029	18.00	109.00	79.00
1996	0.12	25.31	345.0	964.29	96.01	722.61	29.00	239.00	-29.00
1997	0.63	17.67	621.4	1136.94	46.71	921.92	16.00	102.06	98.00
1998	-1.44	51.97	1111.9	1321.22	83.09	716.29	16.00	109.86	162.00
1999	-0.01	236.3	1029.8	1151.42	109.8	509.00	29.00	69.00	149.00

2000	6.02	135.6	514.41	1471.61	44.49	534.00	29.00	129.00	129.00
2001	0.12	124.6	123.95	1282.51	-2.44	302.00	29.00	128.00	79.00
2002	0.62	87.86	221.52	2839.00	9.00	389.00	8.43	179.00	89.00
2003	0.52	149.9	1397.44	2581.85	4.89	829.00	37.02	500.00	69.00
2004	57.2	155.9	3281.00	2061.46	46900	539.00	32.67	600.00	77.00
2005	311	218.3	3551.00	4151.3	179.90	119.80	279.00	249.00	1.16
2006	412.00	253	-	1977.8	49.50	2209.00	545.2	-	45.3
2007	-	241	1673	6141.0	189.00	4279.00	339.2	-	169.0

Table 2: World Development Indicator (2008), the World Bank Group.

Results

According to different researchers that foreign direct investment has crucial impact on the economy of all the countries. Foreign direct investment is the best way of financing for deprives countries. Foreign direct investment is the tool to measure the gap between saving and investment. Our study is trying to expose that inflow of foreign direct investments in major Asian countries. At the start of 2008 the inflows of Ameneria were 289 us dollar. Our study is trying to expose that UAE, and turkey are the main countries which has main role in the inflows of foreign direct investment. According to economic growth theory for high capital there is need of high growth.

Conclusion

Our study is trying to explain that paucity of capital is the main reason of decrease the inflows in Pakistan and Armenia. It is seen that for the development of economy foreign direct investment has crucial role. However, with the help of foreign direct investment economic development of all the poor country can be imporved.it is also the way to get the both tangible and intangible assets. In the central Asian countries the level of foreign direct investment is not more suitable. Our study is trying to suggest that there must be formulate different adequate policies for the improvement of foreign direct investment.

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