

The impact of FDI and domestic investment on economic development, a comparative analysis form Pakistan and China

By

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DEDICATION

This work is dedicated to my parents, who have always loved me unconditionally and whose good examples have taught me to work hard for the things that I aspire to achieve.

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I am thankful to Allah, who has bestowed me with the ability to conduct this research and gave me strength in the toughest phase of my academic life. I express my sincere gratitude to my learned supervisor Dr. Ali Saeed (Bahria University Islamabad) for his esteemed supervision, encouragement and guidance for this thesis. He has extended all the possible help during this research work and endorsed me to take econometrics lectures voluntarily which enabled me to grasp all the relevant concepts and techniques. I am also thankful to all those who help me for collection of data, and helped me to reach my objectives of study. I also thankful to my parents, for their support, prayers, affection and cooperation, can never be paid back. I am also very grateful to my friends, for helping me to improve mistakes of this report.

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ABSTRACT

The literature is consisting the impact of foreign direct investment and domestic investment on economic development of host country. We take the case of two countries, Pakistan and China during the period of 1990-2014. Foreign direct investment and domestic investment, addition with nine other variables including tax, trade, real rate of interest and infrastructure, secondary education, political stability infrastructure have been included in the study, to regress upon gross domestic products of this country. The methodology to test the impact of these variables on Pakistan & China economy, has been limited only least squares method. Empirical results revealed that foreign direct investment, domestic investment, tax, trade, and social economical factors, like secondary education, infrastructure, government's final consumptions, and electricity consumptions have significant impact on gross domestic products in both economies. The country specific factors, political stability, and control of corruption have insignificant impact. The variables tax and real rate of interest are also negatively and significantly related to gross domestic products in both countries. Only In Pakistan the relation of electricity consumption has negative impact of gross domestic products, this may be due to shortage of electricity supply to industries, commercial even to domestic users. To achieve economic development in Pakistan authorities need to maintain political and economic stability, Control of corruption, encourage domestic investments, and make policies to attract foreign investors. Equal attentions should be given to formulate suitable monetary and fiscal policies.

List of Abbreviations:

GDP	Gross Domestic products
FDI	Foreign direct investment
DI	Domestic Investment
INFR	Infrastructure
SE	Secondary Education
ELEC	Electricity consumptions
RIR	Real rate of interest
GFC	Government Final Consumptions
PS	Political Stability
CORR	Control of Corruption

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