

The relationship between Foreign Direct Investment and Sectorial Economic Growth in Pakistan

Abstract

Purpose/ Aim of the study: This research work is carried out with the objective to examine the relationship between Foreign Direct Investment and sectorial growth in Pakistan. The study identified three sectors, namely: agriculture, service, and industrial growth.

Method/ Design of the study: Exploratory and cross sectional research design is employed in the study. Time series data of all three sectors growth and Foreign Direct Investment inflow is collected from year 1980 to 2017. Furthermore, unit root test, co-integration, and granger causality is used to analyze the relationship between variables.

Findings/ Results: Findings of the study revealed that there exist significant and positive bi-directional short run relationship between Foreign Direct Investment and sectorial growth of agriculture and services in Pakistan. However, there is uni-directional causality of Foreign Direct Investment to industrial growth.

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