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Assessing the Role of Private Investment and Globalization in Economic Growth of Pakistan: A Foreign Direct Investment Perspective

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Abstract

Globalization has brought a variety of changes in the economic paradigm through Foreign Direct Investment (FDI). Private investment, the pivot of todays' investment portfolio, is ruining and building the economies at the same time. This study is aiming to check the impact of private investment and globalization on economic growth of Pakistan. The methodology is based on qualitative descriptive analysis in which historical figures regarding different indicators are taken to explore the aimed relationships. The results have signaled that private investment is life line for Pakistan's economy and globalization is also not harming the country's growth too. This study is significant as it has evoked many unchecked empirical relationships regarding globalization and FDI.

Key words: Globalization, Private Investment, Economic Growth, Foreign Direct Investment and Pakistan's Economy

Introduction

For the economy of developing countries, investment is the best way to solve their issues. These countries face problems of poor infrastructure, high rate of unemployment and modest lifestyle of their people which can be solved by making an investment on them in the form of physical and intellectual capital (Gillani, Rehman, & Gill, 2009). The investment is of three types called as foreign direct, private and

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public investment. The overseas direct investment is the investment of the other countries in our country, but there must be an advantage behind the investment. The private investment is very important for the development of the economy because it helps in the movement of money from one place to another in the form of new small ventures, capital goods and many other things (Chhibber, Dailami, & Shafik, 2013; Khalique, Bontis, Abdul Nassir bin Shaari, & Hassan Md. Isa, 2015). The public investment is the investment made by the government authorities for the betterment of the citizens of a country in the form of construction of bridges, roads, dams or any other infrastructure which can be used by the general public in the future and make their life easy. Pakistan is an attractive market for investors because it is industrial and agricultural country as well. Pakistan's economy is facing a lot of problems from the several years and they are not easy to resolve. There are many industries in Pakistan that are the backbone of our country, but due to the unstable environment of Pakistan, move their capital and further investment to other countries outside the Pakistan(Shabir, Parveen, & Iram, 2010). Investment in Pakistan is also done in the three forms called public, private and foreign direct investment. The public investment is mostly done by the central and the federal government, local or provincial government and public corporate sector. But the private investment is more important for the welfare of the economy like increase in the number of entrepreneurs, partnership business and informal business(Ahmed, Asad, & Hussain, 2013). These are the kind of private investment which motivates other people towards it for the betterment of the economy. It all depends on the government that how they make monetary policies in the country to promote private investment by maintaining low and moderate interest rates to motivate and encourage people towards loans and other monetary functions which help them in starting and maintaining private businesses (Costantini, Demetriades, James, & Lee, 2013; Hussain & Anjum, 2014).

There are many issues in the private investment which are following:

- Political instability
- Fluctuations in tax rates
- Shortage of electricity
- Lack of government support
- Inflation
- Gap between the savings and expenditures

All the above mentioned issues are a big problem and a hurdle in the private investment. A lot of money is found and revolves in a few hands and not properly circulate in the country.

The globalization is common nowadays and allows businesses to expand all over the world outside the boundaries of the home country by adopting proper rules and regulations of business. Investors always prefer such places for the investment which is less risky for them in the future and also double their money (Faridi & Chaudhry, 2013; Haines, 2013). It increases the options for buyers but also increases the competition among different companies for a single product or service because of globalization. Major companies in Pakistan move their capital to the other countries which they consider less risky for their business and growth. The capital is coming in Pakistan from the other countries due to the export products production in Pakistan in the form of FDI, which makes the situation balance in the form of export and import (Lee & Hong, 2012; Sahoo & Dash, 2012).

Investors of Pakistan are moving their businesses to the other countries to take the advantage and also to avoid any kind of risk. Globalization helps the country's to shift their business in the other country with more ease but more investment and the movement of capital in the other countries badly destroy the economy of Pakistan. Past studies proved that the one best way to improve the economy of Pakistan is to get more and more private investments in the country (Klasra, 2011). Less number of researchers tries to convince the businesses to move towards the other countries. If the whole capital stays in Pakistan then it can help the country in many ways. The literature supports the private investments in Pakistan and very few suggest making an investment in the other countries in the form of FDI. Akram-Lodhi and Kay (2012) evoked that the globalization is the best way for countries to improve their economy by maintaining a balance between the exports and imports. But they also explained some negative outcomes of the globalization on the economy of the country.

Previous studies also suggested finding out the effect of globalization in the investment of emerging markets. According to Faridi and Chaudhry (2013), it is necessary to study the globalization and the investment opportunities side by side to get the more appropriate portfolio. Sam explained the barriers that force the companies to move their business and capital in the other countries but in return the economy faces a lot of problems. The researchers also suggested the countries to focus on the FDI in and FDI out to stabilize the country's economy (Al-Sadig, 2013).

One major reason to do this study is to analyze the problems faced by the industries in Pakistan. The textile sector is the most important sector of Pakistan and a very important tool for the economy of the country(Humayon, Ramzan, & Ahmad). But it is continuously in trouble because of the shortage of electricity and gas and various textile companies shifted in Bangladesh where they are taking advantage of their policies related to the trade. The basic reason for doing this research is to answer the arising issues in Pakistan.

There are some research questions which is going to address in this study after the above mentioned discussion which are following:

- What is the role of private investment in the economic growth of Pakistan?
- Is Private investment increasing or not in Pakistan from the past ten years?
- Are investors shifting their business away from Pakistan just to be globalized?
- Is the globalization becoming a major cause of the shrinking of private investment in Pakistan?
- What is the role of FDI in the economy of Pakistan?
- Is there any balance between the FDI in and FDI out of the country?

To answer all the above mentioned questions, the study has following objectives:

- To find out the role and importance of private investment in the GDP of Pakistan
- To examine the importance of private investment relative to public investment
- To determine the trend of private investment in Pakistan for the betterment of the economy.
- To determine the effect of globalization on the Pakistan's economy.
- The comparison of FDI in and FDI out of the last ten years in Pakistan.

This research is done from the practical, theoretical and economic point of view because of the serious condition of the economy of Pakistan. Practically it is significant because it gives an idea to the government authorities of the damages that occurred because of the shrinkage of private investment in Pakistan due to poor policies and unstable conditions. Our study will highlight all the reasons that become a reason for the companies to move their business in other countries which result in the shortage of capital in our own country. It will also help the authorities to develop and make monetary policies in such a way that motivates people to make private investments by taking loans easily. We will also focus on the FDI in and FDI out of the country and how we can make the balance between them for the betterment of the economy. The study also presents the unique aspect of globalization that it removes the capital from the deserved countries and lower their economy. We present the literature in the attractive way that it will be private investment with the globalization, which was not done in the past.

The Scope of this research will focus on a lot of micro and macro-economic factors of Pakistan’s economy that affects the economy in many ways. These factors are present in the appropriate way. The collected data is reliable and collected from the reliable sources which are unbiased like the World Bank, international monetary fund (IMF), state bank of Pakistan (SBP) and also from various other authentic resources. The collected data is of the GDP, a portfolio of investment, FDI in and FDI out, polices of loans, structure of public investment and many other indicators that will help us in our research.

Literature Review

Historical View of Investment in Pakistan

The GDP rate is increasing continuously from the past 40 years and also fluctuating after the 70’s. In 60’s, the GDP rate was highest in the whole Pakistan’s history because of the friendly policies of monetary settled by the Ayub Khan, who was a great leader in the Pakistan’s history and a lot of private investments were made at this time. But in the time of Zulfiqar Ali Bhutto, he made a lot of monetary policies which were not good for the many industries and the downfall started and they moved their businesses to other countries to take the advantage of their trade policies (Han & Wang, 2013; Mahmood, 1997). Khan in 2002 explained that the more public investments were made in the country after the 90’s rather than the private investments. Zia-ul- Haq also motivated people to make private investments and in his time people doubled their private investments in the country and the economy got higher. 90’s was the toughest time for the economy of the country because of continuous change in the government and their related monetary and other policies (Akhter, Mumtaz, & Nizam, 2015; Anwar, Rafique, & Joiya, 2012; Sahoo & Dash, 2012). Many other external factors were also the major reason for the decrease in private investment like cotton crop diseases and international bans because of wars and clashes. The infrastructure of Pakistan was not so good as compared to other developing countries which are the basic cause of the many countries to shift their capital to the other countries. These reasons show the lack of private and public investment in the country to promote the new and existing businesses. After the poor time of the 90’s, things getting settled in the FY 2002-03 and the Pakistan’s private and public investment to GDP share was only 16.9%. In 2007-2008, this ratio was increased and reached to the 21.6% but in the 2012, the private investment increases a lot because of some major projects in the country and it reached the 15.7%. The most investment did by the government as the public investment for the welfare of the country is infrastructure and it also increases the private investment in the country (Herzer & Grimm, 2012; Sajid & SARFRAZ, 2008).

Private Investment & Encouraging Factors

The investment in the private sector is always the backbone and the basic necessity of developing countries. It is encouraged by the investment in the public sector by improving the infrastructure of the country (Sohail & Hussain, 2009; Zaman, Shah, Mushtaq Khan, & Ahmad, 2012). In order to become a developed country, the domestic investment by the local investors and also the investment in the FDI are the major things for every country. After the 2012, the trend of private investment in Pakistan increased a lot because of the increase in public investment in the form of infrastructure. The private investments were made in every sector of Pakistan including agriculture, education, manufacturing and textile which help in the betterment of the economy (Han & Wang, 2013; Hye, 2012; Sarkar, 2012). Researchers explained that although Pakistan has a lot of unfavorable conditions for the business but still an excellent and attractive market for the investors to make an investment in it in the form of capital or goods. Some problems faced by the investors are following;

- Political instability
- Less Indigenous
- Shortage of electricity
- Increase in tax rates
- Poor Laws, policies and procedures
- Capital movement
- Lack of Governmental Support

Although Pakistan has all the above mentioned issues and problems but it is still an attractive market for investors. In the previous years, a lot of policies are made by the government which promotes the public and private investments like flexible monetary policies, grater FDI, and increase in investment base and improvement in the laws (Gillani et al., 2009; Zaman, Shah, et al., 2012).

Friendly Tax Rate Policy & Private Investment

It is important for every country to make such kind of monetary policies which help in predicting the private investment and motivate the people to make investments in the country for the welfare of citizens. The monetary policy should set the interest rates in such a way that always attracts the investors by making new investments and utilizing loans (Costantini et al., 2013). There is a strong relationship between private investment and the interest rate. Their relationship is inverse, the increase in interest rate will always decrease the private investments and the decrease in interest rates will always increase the private investments. In Pakistan, there is a trend that people save their money in the banks to get large profits on it and avoid loans. Because of loans they have to payback a huge amount of interest. In order to avoid this situation and to allow the movement of money in the whole country from rich to poor, the government has to minimize the interest rate which further promotes the loans and fewer saving in the banks (Haines, 2013; Herzer & Grimm, 2012; Tiwari & Mutascu, 2011). A lot of studies have been done on the inverse relationship of the interest rate and private investments in developing countries Few authors said that the low interest rate in the developing country is more important for the private investments. Researchers have also explained that decrease in the private investments is due to the increase in interest rates.

Foreign Direct Investment as a Construct of Private Investment

FDI is linked to the economic growth of the country and an important contributor in the private investment. FDI is in two forms, either in FDI inflow or FDI outflow. For the developing states, FDI outflow is a big problem because it shifts the capital from the home country to the other country. It is also a major issue in Pakistan that many textile companies shifted their business to the Bangladesh, but the FDI inflows always provide benefits to the economy of Pakistan (Afzal, Farooq, Ahmad, Begum, & Quddus, 2010; Sahoo & Dash, 2012). According to authors, there is a strong relationship between FDI and economic growth in a developing country FDI also provides those better skills, knowledge, technology and ideas which most developing countries don’t possess. In order to find out the benefits of the FDI, the time series study has been conducted in this research which shows the effect of FDI on economic growth of a Pakistan (Faridi & Chaudhry, 2013; Mahmood, 1997).

Previous research provides some important guidelines related to the FDI in stabilizing the economy. Literature explained that FDI has a positive effect on economic growth, but it can make better by providing opportunities to the investors and industries. FDI is not only important for the capital inflow and outflow, but also for the skills, capability and economic performance (Shahbaz & Rahman, 2012; Zaman, Khan, & Ahmad, 2012; Zaman, Shah, et al., 2012). The government should provide such kind of environment in industries that they will produce more goods which result in more FDI outflow. Government should focus on the ratio of the FDI inflow and outflow for the betterment of the economy.

A lot of co-integration techniques are utilized to find out the FDI inflows and their determinants. They also said that the home country's unstable conditions are the basic reason for the increase in FDI outflows. Such countries have to improve their infrastructure and communication channels to better provide the facilities for the businesses in home country. The government should make a lot of efforts to ensure that the capital should stay in the home country and revolve in the different hands for the betterment of the economy (Gillani et al., 2009; Sahoo & Dash, 2012; Sohail & Hussain, 2009). The efforts should be made to reduce the FDI outflow by designing the tax structure and policies in such a way that people will motivate to make more private investments in the country.

Globalization as Concept

Globalization & Economic Growth

The literature is available on the concept of globalization, but the globalization cannot be presented with the FDI inflows and outflows, which are so much important for the betterment of the economy. Globalization started thousands years ago and people shift from one country to another for the sake of business (Docquier & Rapoport, 2012). They sell their commodities in the other countries to get a fair price in return. The globalization was started from the Roman and Greek empires. Asia and Europe are connected with each other by the Silk Road and this road was constructed by the Mongols. This road allows the trade of goods from one country to another and in return economies of countries got established. The trade of goods has increased more than 7.5 times since 2004, said the WTO (Raju, Balasubramaniam, & Srinivasan, 2015). A lot of definitions of globalization are provided by authors like technological, economic and social link between a lot of countries and some people considers it as an agreement of mutual benefits for the betterment of both countries' economy. The globalization is not just a trade of goods between two countries; it is a trade of skills, capital, technology and knowledge.

Generator of Global Markets

The barriers and hurdles between the countries removed due to globalization and now the whole world Is just like a big single market where all countries interact with each other and do business with each other. The removal of these barriers helps the sellers and buyers to come and proceed with the business without any hurdle and difficulty.

Foundation of International Institutions

Globalization is the basic reason that a lot of organizations are established in many countries which help the other countries to push for the betterment of the economy of the world. There are numerous organizations like IMF, WTO and UN (united nation) that are working for the economy of the world and make policies for the businesses worldwide (Krasner, 2012; Shaheen, Ali, Kauser, & Bashir, 2013). The more than 150 countries are the member of WTO which helps these countries in stabilizing their economy and help in trade. IMF is controlling the monetary affairs of all the countries by providing loans and suggestions. Pakistan is also a member of IMF and taking loans and suggestions it to develop its economy. United Nation does not just focus on trade but also help in developing the peaceful business relationships among all the countries which will help in the trade and business growth (Mahutga & Smith, 2011).

Changes in World Trade Picture

The leader in the business world is America and they export their products before the introduction of the globalization. Nevertheless, now there are many other countries which are doing businesses at the level of America like Germany, japan, china. Now China is one major threat for the America due to globalization (Barnett, Held, & Henderson, 2013). A lot of Pakistan's products like rice, garments and footballs are popular because of the globalization. The role of various countries in the world's trade is mentioned below:

Figure 1: World Trade

Countries	Share of World Output 1963	Share of World Output 2004	Share of World Trade 2004
United States	40.3%	20.9%	10.4%
Germany	9.7	4.3	9.5
France	6.3	3.1	4.8
United Kingdom	6.5	3.1	4.7
Japan	5.5	6.9	5.7
Italy	3.4	2.9	3.8
Canada	3.0	3.5	3.4
China	N.A	13.2	5.9

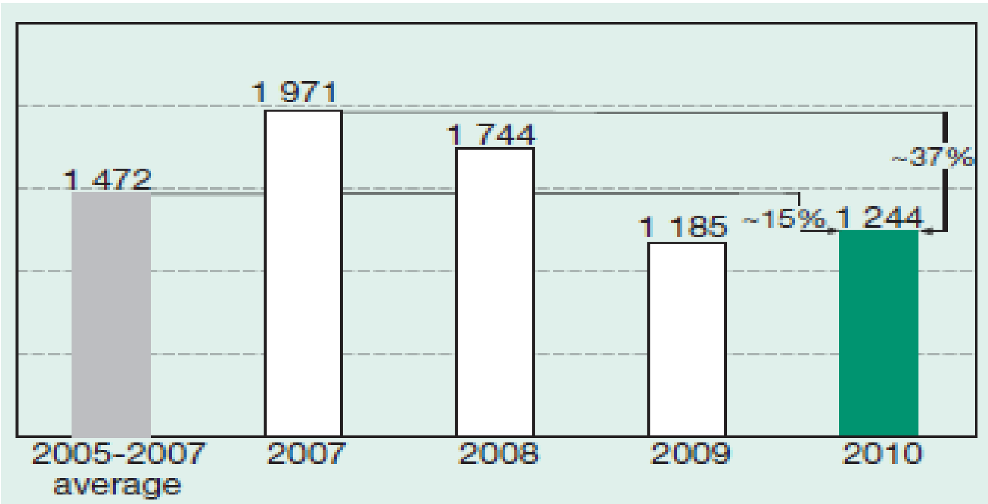
Source: WTO (2013)

The above mentioned figure is contrasting the output of major business countries in the world from the dimension of share of world output in comparison of 1963 and 2004. China has been found one of the most prominent nations in this regard who have achieved a figure of 13.2%.

Changes in FDI

In economics**,** FDI is now considered as a biggest source of investment in different forums like capital, Skills**,** Commodities. Subsidiaries companies are financed by government to give “subsidy”. It is in the form of direct investments. FDI never includes the foreign investments into stock markets Sometimes subsidiaries companies try to manage their affairs at their own risk. In recent years, there is little bit decline in the contribution of the FDI towards the economy of the Pakistan (Afzal et al., 2010; Akram-Lodhi & Kay, 2012). Following is the model of FDI contribution in Pakistan.

Figure 2: FDI



Source: UNCTAD, based on annex table I.1 and the FDI/TNC database (www.unctad.org/fdistatistics).

The above mentioned figure is showing that the level of FDI was at its peak in 2007 while its amount has significantly decreased in the next few years. Currently, in the reign of current government of Pakistan Muslim League (N), the FDI has boomed again due to China’s trust on the respective government.

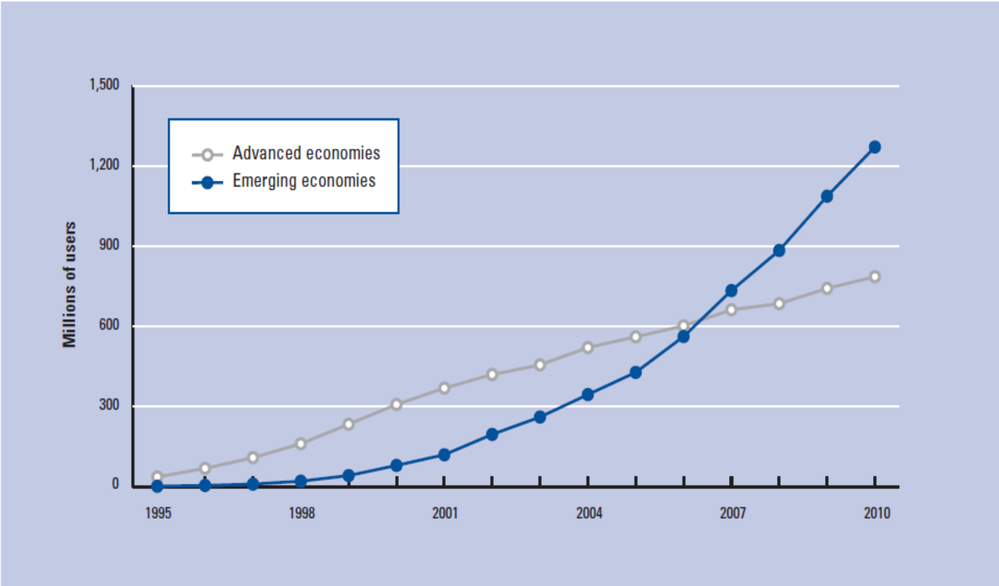
Corporation Changes due to Globalization

Global rivalry has increased in a present day due to Globalization which is not just changing the companies operation but also affect their basic structures. Multinational companies are raising at a wider level (Klasra, 2011). In past decades, American was driving the whole rules to play the games but now there shares and power getting reduced or lower due to the explorer of new blasting guns in the market. The share of United States in 1973 was very high it’s about 48.5 percent and gradually, it moves toward decline and in 2002 it was exactly 28 percent. Honda, Hardies, McDonalds etc. are working as multinational companies in the Pakistan in diverse sectors (Mehmood, 2012; Shaheen et al., 2013).

Advancement in Technology

Globalization has increases the concept of technology up to tremendous extent. The rapid increase in technology in internal services made the universe a global village. Communication system in Pakistan is improved up to greater extent. Now Pakistan launched android cell phone, mini laptops, and palmtops technologies. Many advanced countries are using the technologies on a wider scope. In past few decades researchers imposed that technology is drastically increased (Raza, Iqbal, Ahmed, Ahmed, & Ahmed, 2012). The advanced economic fact has been clarified in below mention graph.

Figure 3: Technology Advancement



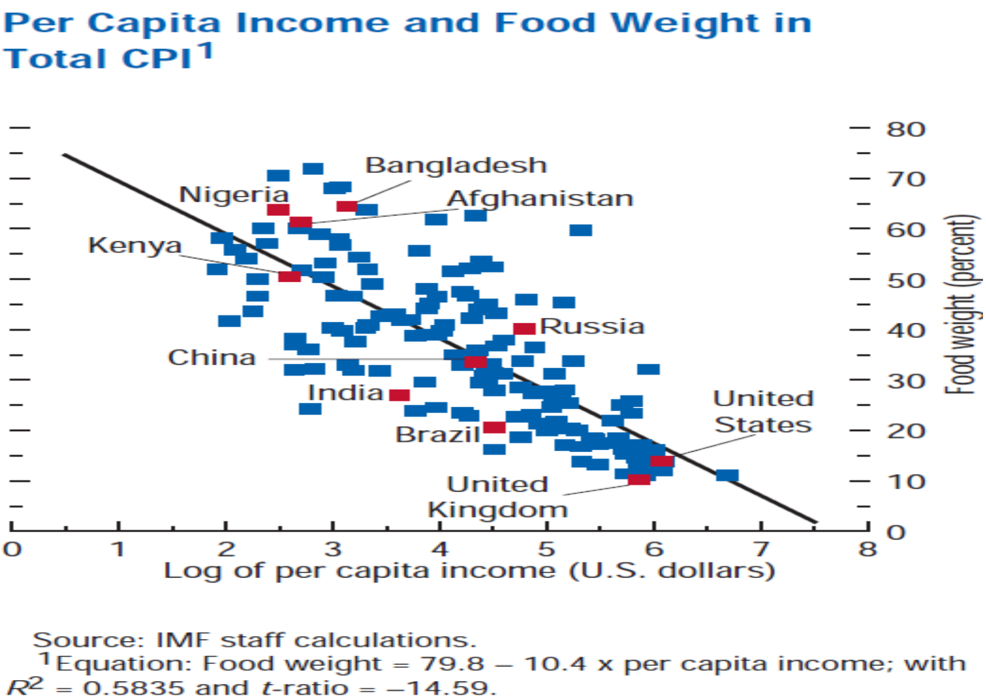
Sources: ITU, 2010; authors' calculations.

The above mentioned figure is supporting the claim that emerging economies are growing more rapidly than the advanced economies as the emerging economies are finding their survival in the lap of technology and science. Almost 1300 Million users were there of technology in emerging economies by 2010 in contrast of almost 800 Million users in advanced economies.

Improved Standards of Living:

Different theoretical frame work proved that globalization is not just moving the liquid capital, but it also a carry an extensive benefits too. People getting more opportunities to expand due to globalization at broader level we can say inflation is getting lower due to competitive prices in market which can improve the living style of people (Ali, 2014; Gursoy, Sekreter, & Kalyoncu, 2013; Mehmood, 2012). Poverty is damaging the economy of under developing countries. Under developed countries like India are also availing that opportunity that helps the lower class to groom their self to middle class. Similarly, Pakistan also considered as a developing country adopt that change but unfortunately that change is bounded to only developed places but it takes time to go to rural areas (Shaheen et al., 2013). Some people go to abroad to avail the better chance to earn money. Following figure the living standard on the bases of per capita income and along with food weight and measurement of different countries.

Figure 4: Standard of Living



The above mentioned figure is representing the standard of living on horizontal axis. USA is among the toppers of the list while Nigeria is at the rock bottom of the respective ranking.

Enhanced Base for Employment

The multinational firms have increases the opportunities of employment which leads to better living standard. The people of respective countries are utilizing two ways to get employed. The one is they work in their hometown and get employed on the basis of their skills. And other one is, they can go to developed countries and serve their skills (Krasner, 2012; Raju et al., 2015; Shahbaz, 2013). Various researches imposed that these two cases are depending upon the growth of economy. Private Investment constantly rotates with the employment opportunities. The below mentioned figure indicate the enhancement of employment rate.

Figure 5: Unemployment

Unemployment in the World

	Total	Male	Female
	million	Million	Million
1995	157.3	92.7	64.7
2000	177.2	104.7	72.5
2002	191.4	113	78.5
2005	191.8	112.9	78.9

The above mentioned figure is showing the unemployment rate in the last few decades from the world's perspective. Unemployment has been found increasing in twentieth century and the same trend is possessed by the Pakistan's economy too.

Cultural Effects of Globalization

It is a result of globalization that the people of different cultures have gathered under a same tree which has some common traditions and norms. Communication and tourism play a vital role in intermixing of different cultures and people get a reason to stay gathered under a same umbrella like in Pakistan we can see the intermixing of different cultures in the form of food, clothes, and languages and in business model (Barnett et al., 2013; Docquier & Rapoport, 2012). Where cultural have positive effects on globalization, there is also some negative and undeniable effects. It enhanced the difference between rich and the poor which creates many problems. And if the cultural of any country is not strong the economy would be affected surely.

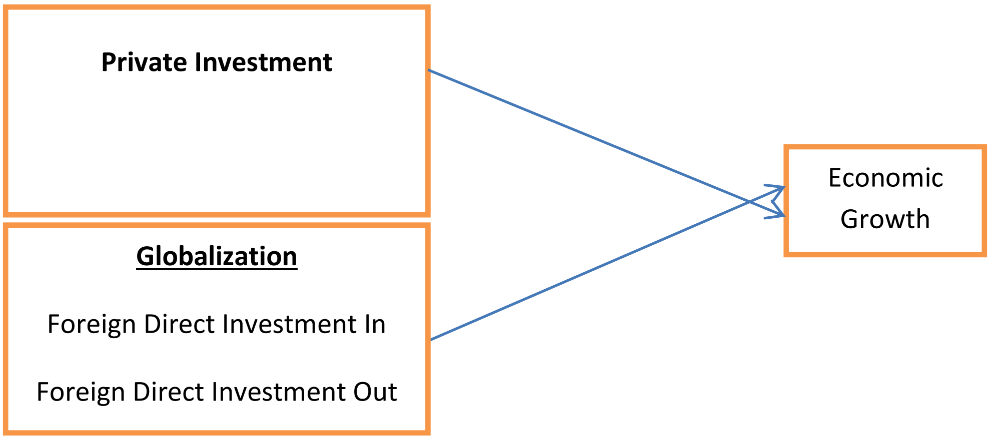
Negative Side of Globalization & Private Investment

Where Globalizations have so many benefits it also has so many corns as well. A matter of concern is the advancement of technology emerge a high level of environmental issues in different forms like pollution. There is also some people which if of view that globalization has increased the activities in child labor and slavery. Moreover some ridiculous events also occur during the shifting of capital from country to country. Shrinkage of GDP harms the country's overall economic growth. This is a frightening situation for the inhabitants of the country**.**

The below mentioned hypotheses are going to be proposed in this regard**;**

- Economic growth of Pakistan is considerable effected by the private investments
- Economic growth of Pakistan has badly affected by the globalization.

Theoretical Framework



Methodology and Data

The above expressive methodology was used in this research study in which we did a concise analysis on the performance of economic indicators of Pakistan and conclude different variables like private investments and FDI, Investment portfolio, Public vs. private investments, bank loan and interest rate.

This data has been composed from different reliable sources including IMF, Ministry of finance, micro economics and WTO. Correctness of data has been reliably ensured by the different resources. In view of the objective of study all the data has been accessed in different multiple ways.

Results & Findings

GDP

The major pointer to know about the country's economic performance is GDP which can measure the performance of any financial year. The GDP can be used as a tool to measure income of the country. Income which is earned by the inhabitants of any country can be calculated from a basic formula. It have very large amount of influence in the industrial sector. The success and failure of any economic policy can be calculated through GDP.

(Q*P) which has inverse relationship to each other. Growth has been unpredictable in recent years, when GDP was 213.69 billion of United States dollars and the higher growth in 2011-2012.At the end of the year, low productivity is found due to decrease in the investment and it effect the GDP of the country.

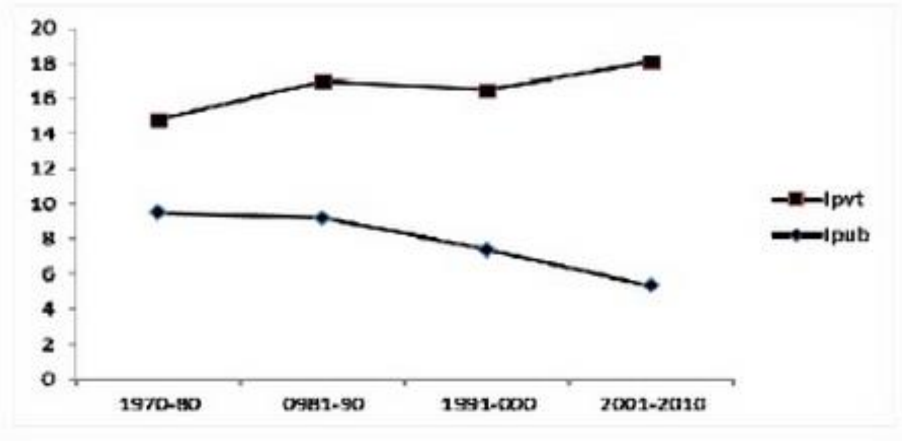
Figure 6: GDP

Source: IMF (2015)

Public vs. Private Investment

GDP is basically depending upon two types of investments which are public and private investment. In current years, Public investment is responsible for increasing the infrastructure of the country while, private investment is responsible for the enhancement of economic condition. Following figure depict the comparison between public and private investment. In this figure we can see 1980s is the year of higher private investment in comparison of public investment. In 2011-2012 the rate of private investment is also higher due to the growth of GDP which gradually increase and we can easily forecast, the expansion of GDP depends upon the greater privates investments.

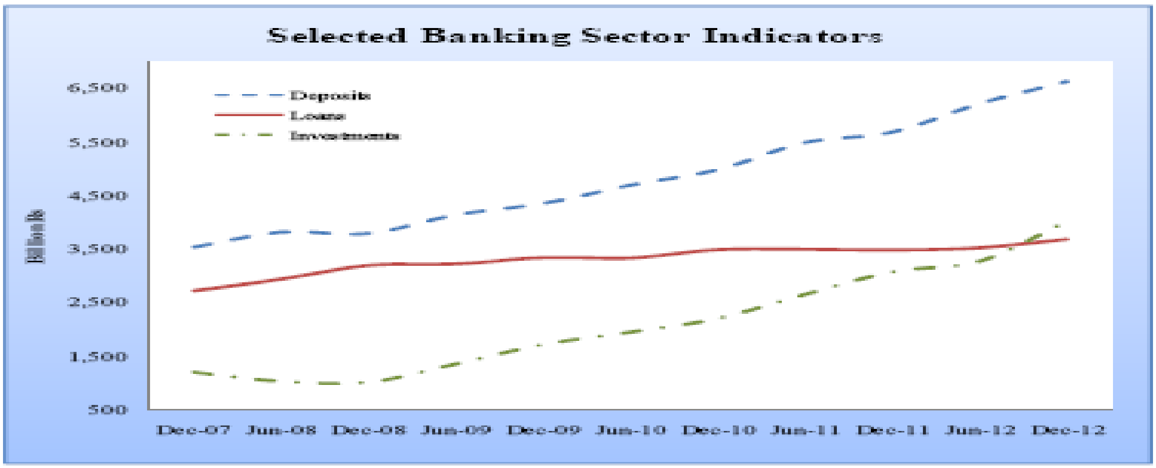
Figure 7: Public vs. Private investment



Lending & Borrowing Trend

Increment in investment based upon two vital factors the major one is borrow from bank and invest in the market. The rate of borrowing and investment has been equal in the financial year of 2011-2012 which is indicating that use of loans in productive investments that is higher than GDP of the country. At the same time, the rate of depositor increase which shows the exact economic condition of the Pakistan as money is moving in the same economy.

Figure 8: Deposit, Loan, Investment



Interest Rates

As borrowing rate in the country is increasing similarly interest rate is also getting lower. The lower interest rate is a key element towards the better economy. This act is favor in half of the country and half of the country badly damaged due to this act. The following figure shows the interest rate which is about the 10 percent in comparison of previous financial years. Investment and interest rate are inversely proportional to each other.

Figure 9: Interest Rates

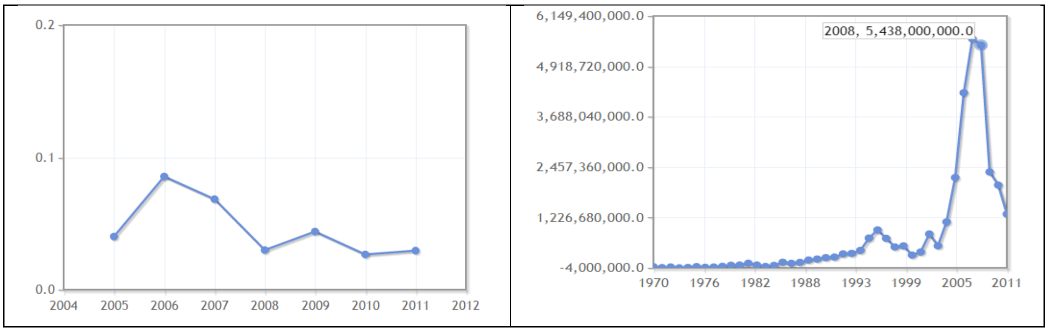
Money	Last	Previous	Average	Unit	Reference	Frequency	
Interest Rate	10.00	10.00	12.55	Percent	2014-09-20	Daily	
Interbank Rate	9.98	9.98	10.42	Percent	2014-10-15	Daily	
Money Supply M0	2772985.00	2773002.68	2056383.48	PKR Million	2014-10-31	Monthly	
Money Supply M1	7674386.00	7564593.00	5076190.70	PKR Million	2014-09-30	Monthly	
Money Supply M2	9797427.00	9665706.00	6777011.09	PKR Million	2014-09-30	Monthly	
Money Supply M3	12513731.00	12366983.58	8678148.56	PKR Million	2014-09-30	Monthly	

Foreign Direct Investment

Another economic pointer of globalization is FDI. It consists of two major parts which is FDI outflows and FDL inflows. FDI outflows refer to investment which is transferring to another economy. FDI inflows refer to such investments which come from some other economy. FDI inflow should be more than FDI outflows which is a sign of good economy. The following figures shows the condition of Pakistan in which FDI inflows decreased in 2011-2012.FDI out flows was looking a capital minor shift but it can be a harmful for economy in long term.

Figure 10: FDI outflow vs. FDI Inflow

FDI Outflow **FDI Inflow**



Discussion & Conclusion

The above mentioned discussion have been proved that private investment have a greater influence on the economy of any country and through these investments the GDP rate can be increased. In Pakistan, there is public investment which is not very much visible. The concepts of private investment have been increasing due to very reasonable interest rates are given to people which convert the people saving into investments (Krasner, 2012). Our second discussion has been rejected because the stability of FDI inflows and FDI outflows in the support of Pakistan. So the globalization is not directly affected the economic growth of Pakistan. There is minute problem exist in balanced outflows still the inflow are seen better days but in general a constructive nodes has been emerging from it.

Investment is the contour of developing and developed countries. Public and private investments are working for the economy not for any country. Globalization removes the limitation of trade and doing business with other country. Public investments have less influence on the country's economy. In the frame work of Pakistan, the private investment plays a vital role in the economic growth. GDP also considered and accepted this fact that the private investment can be made by two ways. When the rate of interest is less, then people want to invest the money in the way which leads them to profit and off course this act is in the favor of economy. In recent years, the amount of deposit is increase. FDI out flows and FDI inflows evolved due to globalizations. Pakistan has larger FDI inflows which are vital for economy. In case, Capital keep away from country, the condition of country which was miserable that would not be affected. In flows keep stable to influence country.

Limitations & Future Research Directions

This research predicates the possible aspects which can be used and it objective by still there are some short comings in the research process. This research only clarifies the private investment and its variations due to globalization while, ignoring the public investment. The new researchers use that method of data collection which supports their arguments. Advanced statistical tools are applied on data to make them more reliable and considerable. Scope of economic indicator should also be used to make your logics more reliable and enhanced.

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