

Propitious Factors of Foreign Direct Investment in Pakistan: The Shifting Geography of Inclusive Businesses

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Received on: 05-02-2022

Accepted on: 07-03-2022

Abstract

The article is consisting of the study on productive prospects of Foreign Direct Investment (FDI) obtainable in Pakistan that assist investors to find the supportive factors while starting their business. As it is examined that foreign investors yet did not identified hidden potential of investment hence, the study present evidence of FDI opportunities available in Pakistan. The core elements of investment were examined that somewhat investor prefer before capitalizing in any economy for instance, accessibility of cheap labor, convenience of economical land to establish any industry or commercial units, tranquil availability of raw material, facility of transportation, banking and communication. The secondary data collected from eminent sources mainly from research articles, periodicals and other sources like world bank reports, Pakistan Board of Investment, Labor Statistics Pakistan, Economic Resources Analysis. The main parameters of this study were; at what level the resources and opportunities are available in Pakistan that facilitate FDI, and how Pakistan has edge than other countries in providing ideal opportunities to foreign investors. It is concluded that mainly Pakistan comprises of idyllic openings, resources, and amenities that every investor want in form of an inexpensive labor force, qualified human resource whose number is in millions, presence of various types of economical raw material in custom of minerals, raw agriculture commodities, ideal climate, all forms of transport and logistic capability like road, rail, air, and sea on low rates, permission of owning property and business with availability of enormous empty and cheap land country wide, tranquil banking and internet services and massive consumer market. So, the Pakistan offer unsurpassed environment for foreign investor that is not identified by many companies yet it has sound edge to many countries in term of providing friendly environment to foreign investment.

Keywords: FDI in Pakistan, Global Investment Opportunities in Pakistan, Prospects of Potential Markets to Pakistan, Economical Labor in Pakistan.

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1. Introduction

The FDI play a vital role in the growth of any economy, hence every government encourage overseas traders within their country. So in same way the government of Pakistan has always been eager to uplift the economy of the country and encourages foreign investments. In this study it would be explored that what kind of attractions Pakistan has got for foreign investment. According to the World Bank (2019) the foreign investment in Pakistan was \$2.22B, that was escalated and slightly upward comparatively to 2018 that was a 28.63% respectively it was \$1.72B, and \$2.51B, a 3.11% decline from 2016. There is major need to discuss on this matter due to various important factors of investments available in Pakistan so it could be an ideal place for foreign traders due to benefits it offer to investors. In this study it would be explored that how Pakistan could benefit to foreign investors that in essence they cannot get easily in many other countries such as cheap labor, potential consumer market, and qualified human resource.

Since 2018 the government of Pakistan promising to reform tax collection, increase foreign trade and investment, providing easy visa facilities to foreigners and combating corruption (CSI-Pittsburg 2018). Since, 2019-20 Pakistan has been successful in reducing its current account shortfall while inflation has been under 10 percent for the entire reporting period. The World Bank placed Pakistan on 108 out of 190 countries in the ranking of World Bank that hold positive environment of business which is an encouraging sign towards better position of investment for foreigners. Pre-COVID, the IMF had predicted Pakistan's GDP growth would be 2.4 percent in FY 2020 (IMF report 2020). However, Pakistan's economy contracted by 0.5 percent in FY 2020, which ended June 30, 2020. Parallel Pakistan Board of Investment rated that during last few years' foreign direct investment is increased in the country. The article written in a context that Pakistan offer great benefit to the investors that comparatively other countries may rarely offers such as low wage rate, availability of most type of raw material for manufacturing in medicine, garments, automobile, communication equipment, cosmetics, food industry, handicrafts, construction material, transportation, availability in huge quantity of skilled labor force, reasonable tax rate, huge consumer market comprises of approximately 220 million, nearby potential markets such as UAE, and Central States, demand of investments, permission to foreigners to start and own the

property and business in Pakistan, very friendly and hospitable people of Pakistan who always provide

Year	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2022
China	341	1,048	763.	1,311.9	130.8	844	758	360.3
UK	169.6	151.7	215.	304	185	117	143	40
USA	224	15.7	45.7	162	88.1	97	155	169
Hong Kong	136.2	187.0	123	184	171.0	190	157	124
Switzerland	(6.5)	59.5	101	78.5	21.2	62	73.5	68.1
U.A.E.	235.3	114.6	120.	(4.)	103	(44)	102.1	73.1

Table# 01: Key Indicators of FDI

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Source: Pakistan Investment Board 2022.

Always warm welcome to visitors. Hence, this article is written in a context to provide evidence that Pakistan is an ideal economy for foreigners that aspect is hidden from most of the investors.

2. Economical Labor Force

The Labor force, in Pakistan was reported at 72334841 in 2021, (Pakistan Labor Force Survey 2021) according to the World Bank development gauges. Pakistan - Labor force, total - actual values, historical data, forecasts and projections were sourced from the World Bank on February of 2022 Pakistan is a country where the population of youth is in huge numbers comparatively to many other countries hence such number of youth became a vibrant source of labor force or man power in Pakistan. The labor force provides great opportunity to foreign investors to hire them on low rates whom they can utilize in diverse sectors. The availability of labor in Pakistan is in every city and town so the investor can

touch any corner of the Pakistan for starting any business. There are many other advantages to foreign investors in Pakistan like in many cases labor does not demand for much facilities like sick pay, bonus, regular rise in salaries, paid holidays or insurance because due to the population of large number of man power there is often unemployed youth available so in many cases they only need job. By nature, the people of Pakistan are hardworking and cordial hence foreign investor could get high regard and safety of their assets. Up to now there is rarely any case reported that highlight the loss assets or belongings of foreign investors hence economical labor and enormous population of human resource is competitive advantage to Pakistan comparatively many The size of the Labour force in 2017-18 was 65.5 million as shown in Table 1.2. It has increased annually by about 1 million since 2012-13. Earlier, the annual increase was larger at 1.6 million between 2007-08 and 2012-13 other countries in region.

3. Opportunity of Manufacturing Diverse Goods

The Pakistan is land of natural resources, minerals, ideal climates (in a year), rich in agriculture, livestock dairy breeds, herbs, and wood production. Hence, diverse sort of manufacturing industries can be established in Pakistan such as food industry, garments industries, construction industry, automobile manufacturing industry, communication equipment manufacturing industry, pharmaceutical manufacturing industry, tourism industry, government contracts in construction and other public works, transport business, airline industry, handicrafts industry, dairy industry, real state, hotel industry, human resource development and so on. This picture is hidden from world that Pakistan has variety of raw material on very low cost and cheap rates. That is not easily available in any other country comparatively to Pakistan. The growing population of Pakistan enable to foreign investors to invest in corner of the country. In these days due to heavy network of colleges and universities almost in each city enable to foreign investor to find qualified human resource. Besides government allow foreigners to purchase land and business and became owner of it. Hence, this generous act of government still opens the ways and give them security of their precious assets (Sigma 2022). The other feature is that Pakistani people are very friendly.

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4. Communication and Internet Facility

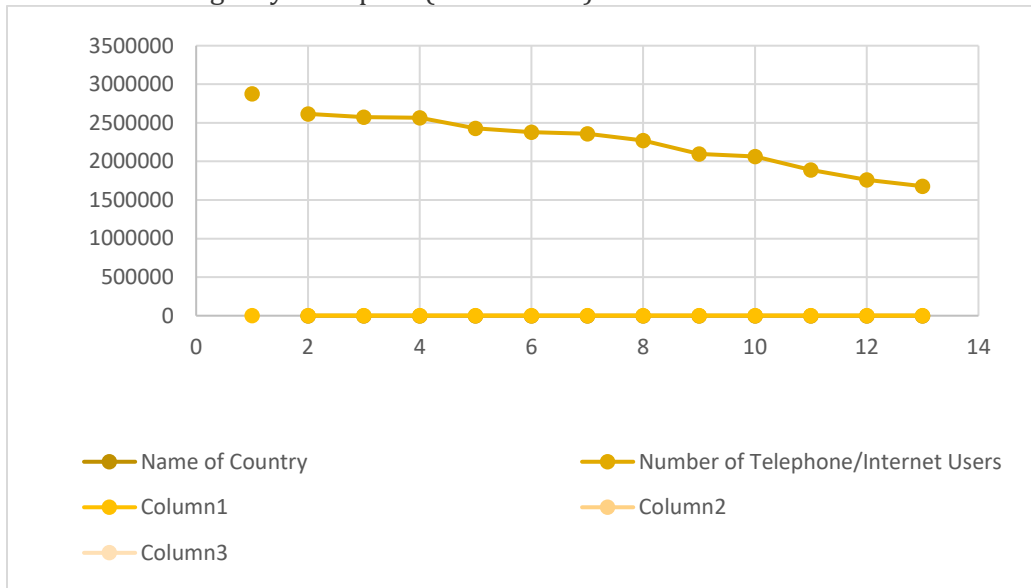
S #	Name of Country	#of User of year	#
1	Pakistan	2,876,794	2020
2	Kazakhstan	2,616,500	2020
3	Serbia	2,572,169	2020
4	Chile	2,567,938	2020
5	Sri Lanka	2,428,957	2020
6	United Arab Emirates	2,380,866	2020
7	Morocco	2,357,286	2020
8	Guatemala	2,272,467	2020
9	South Africa	2,098,802	2020

Table# -1: The Telephone Users in Pakistan

Source:

Center for Study of Intelligence, Pittsburgh, USA.

Pakistan has sound communication and internet connectivity on low rates, government provide telephone services also various famous private companies offer internet facility on very economical rates hence, Pakistan is connected with world through telephone and internet communication having very best speed (PTCL 20222).



Chart#01: Graphical Presentation of telephone users in Pakistan.

Source: Center for Study of Intelligence, Pittsburgh, USA.

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5. Transport Network

Pakistan is connected with world through Sea and air routes, the renowned transport and logistic companies operate in Pakistan and provide quality transportation facility. Apart from international transportation facilities Pakistan has viable transport network and services available inside the country; such as road transport and, train service. Recently Pakistan has initiated logistic supply with Iran and Turkey besides it has 162 million persons, has access to better transport facilities also in every day government of Pakistan initiate diverse transport services within the cities such as Orange line in Lahore and city bus service in Karachi. There is vast range of road network spread over in thousands of kilometers in the economy the series in kilometers and 153.5 yearly. Pakistan has a road network covering 259,200 kilometers including 172,830 KM of tall type roads and 86,375 KM of squat type roads. Total roads, which were 229,600 KM in 1996-97, augmented to 260,199 KM by 2007— an upsurge of 14 percent. The distance of the high typed road network increased by 3.3. Hence the magnitude of large roads has gone by 38 percent since 1995-97. The government of Pakistan is determined to bring still quality and high range of road network at large scale hence the study is available that illustrate how road have increased in Pakistan at all corners from 2000 to 2007 and 2018- onwards. Hence Pakistan has great facility of transport any kind of transport service like bus, logistic can easily reach in every corner of country.

6. Huge Consumer Market

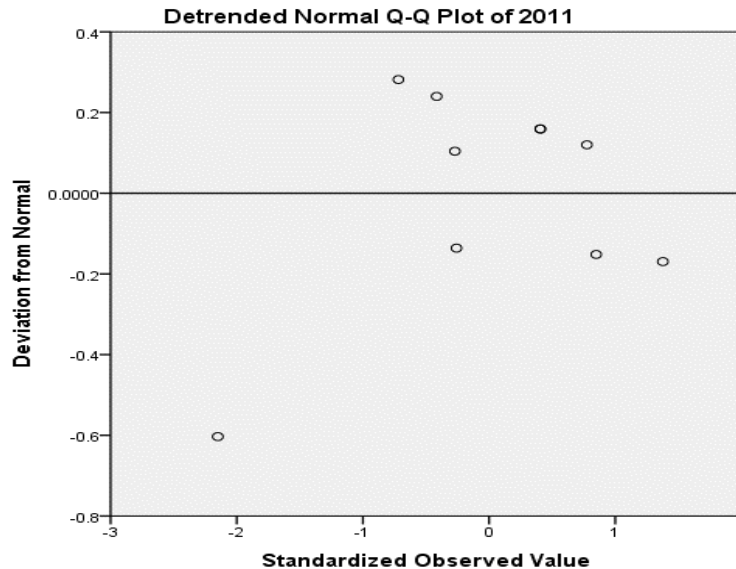
The World Economic Forum forecasts that Pakistan will rise to become the world's 7th largest consumer market in coming years. About 60.1 million Pakistanis will join the consumer class (consumers spending more than \$12 per day) to raise the country's consumer market rank from 16 to 6 in the next 10 years. Pakistan has potential consumer market that comprises of about 220 million as well as Pakistani companies can easily reach out to international markets like UAE, Europe and so on.

7. Result and Discussion

As according to business aspect Pakistan is located on very ideal geographic location hence it touches to potential global markets like UAE, Europe, Central Asia and so on through by air, by sea, also recently Pakistan has started train service with Iran and Turkey. Besides Consumer Spending in Pakistan averaged 7136602 PKR Million from 2000 until 2020, reaching an all-time high of 11242534 PKR Million in 2021 and a record low of 2884021 PKR Million in 2001 (Trading Economics 2022). Pakistan has enormous consumer market as its population is about 220 million that make huge phenomenon of consumerism and offer any investor to manufacture and supply diverse products, goods and services in Pakistan. Pakistan imports about \$32,000 million goods and services from foreign countries so there is broad scope of manufacturing in Pakistan. Through this study it is found that Pakistan.

Chart 2: Foreign Investment in Pakistan 2015-22.

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Source: Chart Generated from data.

Is unopened treasure for foreign investors as there is wide scope and opportunities available in diverse sector the above chart shows from the data available in table#01 that highlight the year wise foreign investment in Pakistan and the chart highlight the cumulative figure of investment in Pakistan that is in essence spread only in one side means only China's is a country that invest in Pakistan where as other countries investment is quite in low rate. Hence the chart plot shows few dots are high where is rest of dots are scattered. Through the study it is examined that Pakistan is an ideal place for investment due to various factors Pakistan like availability of economical labor force in mammoth number, raw material, and utilities like electricity and gas supply for industry. Pakistan has a road network covering 259,201 kilometers including 172,830 KM of tall type roads and 86,375 KM of squat type roads. Total roads, which were 229,900 KM in 2006, augmented to 260,199 KM by 200 an upsurge of 14 percent. The distance of the high typed road network increased by 3.4. Hence the magnitude of large roads has gone by 38 percent since 1995-97. The Pakistan has best banking facility, communication network that connect it to world on very economical way. This create difference for investor that at one place the facilities they get they are hardly available in any other country. The transport intricate comprises of rail, road, air and sea forms so any of investor in Pakistan can easily supply its goods or services inside and outside of the country easily and on low rates. Hence it proves

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Pakistan is a land that has great opportunities for foreign investors.

8. Conclusion

As Pakistan is located on very ideal location hence it touches to potential global markets like UAE and Europe through sea, also Pakistan has availability of economical labor force in mammoth number, raw material, and utilities like electricity and gas supply for industry. The Pakistan has best banking system, communication network that connect it to world on very economical way. This create difference for investor that at one place the facilities they get they are hardly available in any other country. The transport intricate comprises of rail, road, air and sea forms so any of investor in Pakistan can easily supply its goods or services inside and outside of the country easily and on low rates.

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