

**Foreign Direct Investment and its Causal  
Relationship with Economic Growth, Human  
Resource Development, Economic  
Competitiveness and Corruption:  
SAARC Countries**

Submitted to

School of Business and Economics

in Partial Fulfillment of the Requirements

for the Degree of

MS FINANCE

By

**Mohyuddin Tahir Mahmood (12003096022)**

**MS Finance**

**Spring-2015**

School of Business and Economics

University of Management and Technology

**Declaration**

I Mohyuddin Tahir Mahmood ID#:- 12003096022 Session: Spring-2015, hereby certify that this thesis is being submitted in partial fulfillment of the requirements for the MS Degree in Finance.

This thesis is my original work, and the data/material presented herein has not been used for the acquisition of any other degree from any institution. The Similarity Index is below permissible limit.

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Researcher Signature \_\_\_\_\_

Date\_\_\_\_\_

Researcher (Name) Mohyuddin Tahir Mahmood

# **Dedication**

**Dedicated to my beloved parents, family and respected teachers who offered me unconditional love and support throughout my life.**

**Acknowledgment**

All admiration to Almighty Allah Who educated me and helped me to complete this study effectively and efficiently.

I found no words whenever I thought to say a few words of thanks to my respected teacher and supervisor Dr. Sarwar Azher. Whatever I had done well in this study is because of his affection, courage, supervision and guidance. Moreover, I would like to appreciate the support and encouragement provided by my colleagues while performing this task.

I am really thankful and salute to my parents, wife and the whole family for the support they provided me throughout my life.

Last but not least I pay my thanks to all my well-wishers who extended altruistic prayers during the journey of my life.

## **Abstract**

This research indicated the foreign direct investment inward in SAARC region and then studied the causal relationship of FDI inward with the three different indexes (i.e human development index, competitive index and corruption index) and also investigated the impact of FDI inward on economic growth. The main focus of this thesis is SAARC member states. Panel data was used as sample data that consists of observations from a number of countries in time series manner. Five countries (Pakistan, Nepal, Sri-Lanka, India and Bangladesh) from South Asian Association for Regional Cooperation covering period of 1995-2012 were selected. Fixed effect and random effect models were used for data analyses to draw conclusions. Economic competitiveness had strong negative relationship with foreign direct investment. Corruption showed negative strong relationship with foreign direct investment. Human resource development has a positive relationship with foreign direct investment inward. Foreign direct investment inward has a negative effect on the economic growth but the coefficient value  $7.75E-11$  shows this effect is so minor that it can be considered as no effect.

## Table of Contents

No.	Title	Page
<b>1</b>	<b>INTRODUCTION</b>	<b>1</b>
1.1	Background of the Study	1
1.2	Economic Growth	4
1.3	Human Resource Development	5
1.3.1	Human Development Index Components	5
1.4	Economic Competitiveness	5
1.4.1	Basic Requirement of Economic Competitiveness	6
1.4.2	Efficiency Enhances Factors of Economic Competitiveness	6
1.4.3	Innovation and Sophistication Factors of Economic Competitiveness	6
1.5	Corruption	6
1.5.1	What does Corruption Measure	7
1.6	Foreign Direct Investment	8
1.7	Inflation	8
1.8	Level of Human Capital	8
1.9	Well Developed Infrastructure	9
1.10	Interest	9
1.11	Total Income Per Person	10
<b>2</b>	<b>LITERATURE REVIEW</b>	<b>11</b>
2.1	The Importance of FDI for Developing Countries	12
2.2	Differentiation of FDI Flows	15
2.2.1	Differentiation of FDI With the Reference to Objectives	16
2.2.1.1	Natural Resource Searching FDI	16
2.2.1.2	Market Searching FDI	16
2.2.1.3	Efficiency Searching FDI	17
2.2.1.4	Strategic Asset Searching FDI	17
2.2.2	Differentiation along the Entry Modes of FDI	17

2.2.3	Sector Wise Composition of FDI	18
2.3	Twofold Impact of FDI on Economic Growth	19
2.3.1	The Direct Impact of FDI on Economic Growth	19
2.3.2	Capital Accumulation, Technology Advances and Long-term Growth	20
<b>3</b>	<b>RESEARCH METHODOLOGY</b>	<b>36</b>
3.1	Hypothesis	37
3.2	Conceptual Models	38
3.3	Mathematical Models	39
3.3.1	First Set of Mathematical Model	39
3.3.2	Second Set of Mathematical Model	39
3.4	Population and Sampling	40
3.4.1	South Asian Association for Regional Cooperation(SAARC)	41
3.4.2	Pakistan in SAARC	41
3.5	Experimental Procedure	42
<b>4</b>	<b>RESULTS &amp; DISCUSSIONS</b>	<b>47</b>
4.1	Results	47
4.2	Findings	63
<b>5</b>	<b>CONCLUSIONS AND RECOMMENDATIONS</b>	<b>67</b>
5.1	Conclusions	67
5.2	Limitations	69
5.2.1	Future Directions	69
5.2.2	Managerial Implication	70
References		71
Appendices		76

## List of Tables

3.5.1	Proxies and Major Studies Signs	45
3.5.2	Data and Source	46
4.1	Descriptive Statistics	47
4.2	Pearson Correlation	49
4.3	Test for Multicollinearity	50
4.4	Test for Equality of Means	50
4.5	Test for Equality of Median of FDI	51
4.6	Test for Equality of Variance of FDI	51
4.7	Panel Least Square	52
4.8	Redundant Cross Section Effect	53
4.9	Cross Sections Fixed Effect Test	54
4.10	Redundant Time Fixed Effect	56
4.11	Descriptive Statistics	56
4.12	Correlation	57
4.13	Test of Multicollinearity	58
4.14	Test of Equality of Means of EG	58
4.15	Test of Equality of Medians of EG	59
4.16	Test of Equality of Variance of EG	59
4.17	Panel Least Square Regression	60
4.18	Redundant Fixed Effect Test	61
4.19	Crossed Section Fixed Effect Equation	61
4.20	Redundant Fixed Effect Test for Time Fixed	62
4.21	Time fixed Effect Equation	63
<b>List of Figures</b>		
3.2.1	Conceptual Model 1	38
3.2.2	Conceptual Model 2	38
3.5.1	Fixed Effects Model or Random Effects Model?	43
4.1	Normality of Model of Ordinary Least Square	53

4.2	Cross Effects of Countries	55
4.3	Normality of Model of Ordinary Least Square	60
4.4	Cross Effects of Countries	62

## List of Notations

1	<b>FDI</b>	Foreign Direct Investment
2	<b>EG</b>	Economic Growth
3	<b>Corr</b>	Corruption
4	<b>HRD</b>	Human Resource Development
5	<b>EC</b>	Economic Competitiveness
6	<b>TIPP</b>	Total Income per person
7	<b>IR</b>	Interest Rate
8	<b>LHC</b>	Level of Human Capital
9	<b>WDI</b>	Well Developed Infrastructure
10	<b>INF</b>	Inflation