

*Full Length Research Paper*

# **Economic determinants of foreign direct investment (FDI) in commodity producing sector: A case study of Pakistan**

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**This study examines the major economic determinants of FDI inflows in commodity-producing sector of Pakistan, by using time series data (quarterly) covering the period of 1996Q<sub>1</sub>-2008Q<sub>4</sub>. Augmented Dickey Fuller (ADF) test has been used to check the stationarity of the data. In this study, Co-integration and Error Correction Model (ECM) are used for estimation. Results reveal that Gross Domestic Product (GDP), Real growth Rate of GDP in Commodity-Producing Sector (GRP), Gross Fixed Capital Formation (GFCF), Foreign Exchange Reserves (FOREX), Degree of Trade Openness (RTO) and Per Capita income (PC) are key determinants of FDI inflows in commodity-producing sector of Pakistan. This study explores that all these variables are found statistically significant with positive signs. It seems that these variables have significant impact on FDI inflows into Pakistan in commodity-producing sector.**

**Key words:** FDI, commodity-producing sector, trade openness, GFCF, real growth rate, per capita income, Pakistan.

## **INTRODUCTION**

FDI is essential component of efficient International Economic system to speed up economic growth and development. However, benefits from FDI do not arise spontaneously rather depends on national and international investment policies of the different regions. Although FDI has great attraction for both home and host countries, but it also arises some costs to these regions. The benefits, which a host country perceives, depend on the co-operation of government of host countries. There are number of facets to explain "why foreign investors make investment abroad". Firstly, FDI mobilizes the capital from capital rich countries to capital scarce countries, and both the countries derive benefit from this capital flow; Secondly, FDI enables the foreign investors to take the ownership advantage in the foreign firms and place them in oligopolistic position; Thirdly, foreign

investors tend to invest abroad in order to access to availability of cheap raw material and labor force to minimize production cost. Fourth facet is, FDI plays very important role in strengthening the currencies of home and investing countries. Fifth facet is, political stability in host country or political instability in home country, encourages the foreign investors to invest their capital abroad. In fact, FDI is considered as a life blood of developing economies because it brings in needed capital, transfer of technology, managerial skills, and employment and also enhances productivity of home country. On the other hand, foreign investors can access the global markets and enjoy highest return from their investment. Following are some benefits of FDI from home and host economies point of view:

Pakistan has remarkably attractive climate for foreign investment, especially in agriculture, IT and telecommunication, power and Services sectors. Mostly commodity-producing sector has more attraction for foreign investment in Pakistan because GOP has offered 100% equity investment in this sector except few specific sectors such

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as arms and ammunitions, high explosive items, radioactive substances, and security and currency printing. Recently, Pakistan has relaxed its investment policy and opened up almost all the sectors of the economy for foreign investment, particularly FDI. Government of Pakistan (GOP) is offering tax exemptions and many other incentives to foreign investors enabling them achieve 100% ownership for investment in many sectors. In new investment policy, GOP has provided "equal Investment Opportunities" for home and host countries. GOP has also entered an agreement with 39 countries, particularly with developed countries to evade "Double Taxation" on income generated through various sources in Pakistan.

Pakistan has received \$5409.8 Million of total FDI during FY 2007 to 2008, which is 5.27% higher than FY2006 to 2007 and 53.64 % higher than FY 2005 to 2006. During FY 2007 to 2008, FDI in commodity-producing sector was accounted for \$903.5 million, which was just 16.70% of the total FDI inflows in Pakistan, while during FY 2006 to 2007, FDI inflows in this sector was 33% of the total. Table 1 indicates that since 2004, foreign investors have shown their interest in Services sector and invested huge amount in this sector, especially telecommunication sector (Table 1). Main purpose of this research paper is to examine the economic determinants of FDI in Commodity-Producing Sector of Pakistan.

## LITERATURE REVIEW

Vast studies have been conducted by eminent researchers to point out the importance of FDI. Therefore, the review of few important studies is thus explained. Yousaf et al. (2008) carried out research by annual time series data for the period of 1973 to 2004. GDP deflator, real GDP, volume of exports and imports, unit value of exports and unit value of imports and FDI as a percentage of GDP are used as important factors for influencing FDI. D1 is used as dummy variable, 1 for military rule and 0 for democracy. They found that short and long run positive association exists between real demand of import in the case of import model and FDI, whereas, in the case of export model, they concluded that short run negative relationship exists between FDI and real exports, but positive in long run. Demirhan and Masca (2008) used the cross-sectional data of 38 developing countries for the period of 2000 to 2004 to examine the determinants of FDI in developing countries. They used econometric model and found that per capita income, growth rate, existence of main telephone lines, and trade openness have significant positive impact on FDI inflows. Similarly, inflation rate and tax rate also significantly attract FDI, with negative sign. On the other hand, they analyzed that risk and labor cost is insignificant to FDI inflows in developing countries.

Surge et al. (2008) conducted a study on 'Determinants of FDI inflows into Rwanda' by using time series data covering the period of 1971 to 2003. They concluded that growth rate and trade openness are found statistically significant with positive sign, which attracts foreign investors. Similarly, exchange rate is also found statistically significant with negative sign, whereas, inflation rate was found statistically insignificant, but with negative sign in this study. Kolstad and Villanger (2008) carried out study to investigate the determinants of Foreign Direct Investment in Service industry, using 57 countries industries FDI data for the period of 1989 to 2000. Results indicate that market size is significant to service FDI, but trade openness is statistically insignificant to FDI inflows. This study also indicates that FDI in manufacturing sector and FDI in finance and transport sectors are strongly associated.

Khondoker (2007) conducted a study to identify the factors, which determine the FDI inflows to developing countries and also to investigate the correlation between FDI and economic growth. This study used panel data of 60 low-income countries for the period of 2003, 2004 and 2005. Results indicate that developing countries can attract more FDI if they have high GDP and growth rate, investment friendly policies and well established communication system.

Moosa and Cardack (2006) examined "The Determinants of FDI". They used cross-sectional data in this study and applied extreme bound analysis of 136 countries for the period of 1998 to 2000. The variables used in this study were real GDP, growth rate of GDP (CGD), export as a percentage of GDP (EXP), telephone lines (TEL), commercial energy use (ENG), domestic gross fixed capital formation (DIG), students in tertiary education as a percentage of total population (TER) and country risk (CRK). They explored that countries having large economies, high degree of trade openness and low country risk can attract ore FDI. They also found that real GDP, growth rate, energy consumption, domestic gross fixed capital formation etc. insignificantly boost up FDI inflows. Shah and Ahmed (2004) conducted a research by using time series data for the period of 1961 to 2000. They found that long term association have been existing between FDI flows and factors including political stability, market size, capital cost, transport and communication expenditures in Pakistan.

Campos and Kinoshita (2003) study's used 25 transition economies for the period of 1990 to 1998. They concluded that in these countries, FDI is affected by market size, economy clusters, low labor cost and availability of natural resources. Results also reveal that sound institutions, trade openness and low degree of restrictions to FDI inflows are highly significant. Holland et al. (2000) pointed out that market size and growth prospective are the important determinants of FDI.

Yamori (1998); Moshiran (1997) findings show that market size is significant to finance FDI with positive sign.

**Table 1.** FDI inflows into Pakistan (\$ Million).

Year	Commodity-producing sector	Services sector	Others	Total FDI
1998	\$398.20	\$139.60	\$63.50	\$601.30
1999	265.1	176	31.2	472.3
2000	281.7	147.9	40.3	469.9
2001	378.5	97.2	13.9	484.7
2002	386.9	411.1	32.4	798
2003	385.6	563.8	35.6	949.4
2004	515.6	1008.4	100.9	1524
2005	880.3	2139.9	413.3	3433.5
2006	1001.1	3031.3	1107.2	5139.6
2007	903.5	3741.8	764.5	5409.8
2008	1110.2	1846.3	763.4	3719.9

Source: Board of investment (2010).

They used GNP/capita and wealth as a proxy for market size. Similarly, Miller and Parkhe (1998) study also support the results of Yamori study, but in the banking sector. They found that countries having large bank deposits can attract massive FDI. Yamori (1998) also pointed out in his study that negative relationship exists between market growth and finance FDI. However, Yamori and Moshiran also found in their study that FDI in manufacturing sector and FDI in services sector are positively associated.

#### RESEARCH METHODOLOGY AND SOURCES OF DATA

Here, we have examined various case studies, which were carried out by eminent researchers. This study includes the impact of six important variables like gross domestic product at market price, real GDP growth rate in commodity-producing sector, gross fixed capital formation, foreign exchange reserves, degree of trade openness, and per capita income. The following model has been formulated to estimate the results:

$$\text{LFDIP} = \beta_0 + \beta_1 \text{LGDPMP} + \beta_2 \text{LGRP} + \beta_3 \text{LGFCF} + \beta_4 \text{LFOREX} + \beta_5 \text{LTO} + \beta_6 \text{LPC} + \mu_t$$

Where, LFDIP = Foreign Direct Investment in Commodity Producing Sector, LGDPMP = Gross Domestic Product at Current Market price, LGRP = Real GDP growth rate in commodity producing sector (in %age), LGFCF = Gross Fixed Capital Formation, LFOREX = Foreign Exchange Reserves, LTO = Trade Openness, LPC = Per Capita Income,  $\mu_t$  = error term,

It is hypothesized that

$$\begin{aligned} \partial \text{LFDIP} / \partial \beta_1 \text{LGDPMP} > 0 & \quad \partial \text{LFDIP} / \partial \beta_4 \text{LFOREX} > 0 \\ \partial \text{LFDIP} / \partial \beta_2 \text{LGRP} > 0 & \quad \partial \text{LFDIP} / \partial \beta_5 \text{LPC} > 0 \\ \partial \text{LFDIP} / \partial \beta_3 \text{LGFCF} > 0 & \quad \partial \text{LFDIP} / \partial \beta_6 \text{LTO} > 0 \end{aligned}$$

#### Specification of variables

FDI in Commodity Producing Sector (FDIP) is used as dependent variable. This sector includes agriculture, power, manufacturing, Oil and Gas, Food and Beverages, construction, textile etc. We have

constructed FDI (Commodity Producing Sector) in Pak rupee because Data were given in US\$. Data for FDI in commodity producing sector has been collected from various issues of Economic Survey of Pakistan, web site of the Board of Investment of Pakistan (BOI), and various issues of statistical bulletins of State Bank of Pakistan (Table 2).

(i) Gross Domestic Product at market price, real GDP growth rate in commodity producing sector in %age (GRP), Gross Fixed Capital Formation (GFCF), Foreign exchange reserves (FOREX), Trade Openness (TO), and Per Capita Income (PC) are used as independent variables.

(ii) GDPMP measures the sum of market price of all final goods and services produced by Pakistan at current market prices during each year. Data of this variable have been constructed from various issues of Economic Surveys of Pakistan.

(iii) GRP measures the growth performance of the commodity producing sector in Pakistan. Data of GRP have been taken from various issues of Economic Surveys of Pakistan.

(iv) GFCF is another important variable, which is used in this study as independent variable. Data are taken from Handbook of Statistics 2005 and various issues of Economic Surveys of Pakistan.

(v) FOREX is used to measure the liquid foreign exchange reserves position of Pakistan in order to evaluate the stability in the exchange market and government's macroeconomic policies. Data for FOREX rate has been taken in Pak rupees and collected from Statistical yearbook 2005, SBP, various issues of Economic Surveys of Pakistan.

(vi) TO is used to measure the degree of trade openness in Pakistan. The Data are taken in Pak rupee. TO is taken as a sum of exports and imports of Pakistan in each year. Data for trade openness have been taken from various issues of Economic Surveys of Pakistan, statistical yearbook 2005, and web site of economy watch.

(vii) PC is used to measure the per capita income in each year in Pakistan. We have taken PC because it most closely represents the standard of living from Pakistan's point of view. Data for PC has been taken from various issues of Economic Surveys of Pakistan.

Time series dataset (quarterly) have been used in 1996 to 2008 in order to examine the major determinants of Foreign Direct Investment (FDI) in commodity-producing sector of Pakistan. Data have been gathered from World Development Indicators (WDI), World Investment Reports (WIR), various issues of Economic Surveys of Pakistan (1999 to 2000, 2001 to 2002, 2003 to 2004, 2005 to 2006,

**Table 2.** Sector-wise FDI inflows into Pakistan (\$million).

Sector	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	Jul-Feb 10
Oil and Gas	80.7	268.2	186.8	202.4	193.8	312.7	545.1	634.8	775	398.7
Financial Business	-34.9	3.6	207.4	242.1	269.4	329.2	930.3	1,864.90	707.4	86.5
Textiles	4.6	18.5	26.1	35.4	39.3	47	59.4	30.1	36.9	15.6
Trade	13.2	34.2	39.1	35.6	52.1	118	172.1	175.9	166.6	48.9
Construction	12.5	12.8	17.6	32	42.7	89.5	157.1	89	93.4	72.1
Power	39.9	36.4	32.8	-14.2	73.4	320.6	193.4	70.3	130.6	115.8
Chemical	20.3	10.6	86.1	15.3	51	62.9	46.1	79.3	74.3	77.2
Transport	45.2	21.4	87.4	8.8	10.6	18.4	30.2	74.2	93.2	76.4
Communication (IT and Telecom)	NA	12.8	24.3	221.9	517.6	1,937.7	1,898.7	1,626.8	879.1	111.3
Others	140.9	66.2	90.4	170.1	274	285	1,107.20	764.5	763.4	316.8
Total	322.4	484.7	798	949.4	1,523.9	3,521.0	5,139.6	5,409.8	3,719.90	1,319

Source: Board of investment of Pakistan (2010).

**Table 3.** Descriptive statistics (Sample period: 1996Q1 to 2008Q4).

Variable(s)	LFDIP	LGDPMP	LGRP	LGFCF	LFOREX	LTO	LPC
Maximum	10.6024	15.0769	2.2925	13.3201	13.7048	14.1408	10.4574
Minimum	8.3180	13.2892	-2.3026	11.4252	10.0738	12.1858	9.6369
Mean	9.0255	14.0820	1.0128	12.1767	12.0141	12.8089	10.1587
Std. deviation	0.65486	0.51025	1.2055	0.62517	1.0528	0.52303	0.26529
Coef. of variation	0.072557	0.036234	1.1903	0.051342	0.087631	0.040833	0.02611

**Table 4.** Estimated correlations between FDI and other variables.

Variable	LFDIP	LGDPMP	LGRP	LFOREX	LTO	LGFCF	LPC
LFDIP	1.0000						
LGDPMP	0.88153	1.0000					
LGRP	0.33409	0.40247	1.0000				
LGFCF	0.16293	-0.13407	0.13346	1.0000			
LFOREX	0.94773	0.96810	0.35139	0.33803	1.0000		
LTO	0.92695	0.96665	0.29745	-0.014194	0.9744	1.0000	
LPC	0.71603	0.93100	0.37802	-0.30993	0.8517	0.88234	1.0000

2006 to 2007, 2007 to 2008 and 2008 to 2009), Board of Investment (BOI), Statistical Year Book 2005, Various issues of Statistical Bulletin of State Bank of Pakistan and International Financial Statistics (IFS). For the analysis of data we used Software Micro Fit #4.0 (Interactive Econometric Analysis). Since this study is based on time series data on Pakistan, we have used ADF test to check the stationarity of the data. The standard techniques to estimate such data are Co-integration approach and Error Correction Model.

## REGRESSION RESULTS AND ANALYSIS

To investigate the key economic determinants of FDI in commodity-producing sector of Pakistan, time series data (quarterly) have been used, covering the period for 1996

to 2008. Various summary statistics, correlation among variables, results of ADF test, and regression results are given in Tables 3 to 6. The analysis of major determinants of FDI in Commodity-Producing Sector of Pakistan using time series data for the period 1996 to 2008 (on quarterly basis) is evaluated. The main purpose of this evaluation is to formulate the model in order to investigate the affect of aforesaid variables on the FDI in Commodity-Producing sector of Pakistan (Figure 1). The variables selected, which influence FDI inflows in Commodity-Producing sector of Pakistan are: Gross Domestic Product at Market Price (GDMPMP), Real Growth rate in Commodity-Producing Sector (GRP), Gross Fixed Capital Formation (GFCF), Foreign exchange Reserves

**Table 5.** Results of ADF test.

Variable	Level/difference	Without trend	With trend	Conclusion
LFDIP	Level	0.71063	-1.2489	I(1)
	First difference	-6.9390	-7.2828	
LGDMP	Level	0.57382	-1.8118	I(1)
	First difference	-6.4908	-6.5277	
LGRP	Level	-2.4169	-2.6211	I(1)
	First difference	-7.3613	-7.3115	
LGFCF	Level	0.25292	-2.2985	I(1)
	First Difference	-7.2519	-7.2989	
LFOREX	Level	-1.8763	-2.0107	I(1)
	First difference	-6.2862	-6.3848	
LTO	Level	3.0578	0.27365	I(1)
	First difference	-4.5686	-5.5008	
LPC	Level	-2.0337	-1.2485	I(1)
	First difference	-6.8778	-7.3206	

95% critical value for ADF Statistics for all variables: -2.9241 (without trend) and -3.5066 (with trend).

**Table 6.** FDI in commodity-Producing sector (LFDIP) dependent variable regression results (1996Q1- 2008Q4).

Variables	Coefficient	t- Statistics (prob)
Constant term	2.7351	1.3221 (0.193)
L GDPMP	0.50249	1.3792 (0.175)
L GRP	0.061198	2.3440 (0.024)**
L GFCF	0.77058	3.7097 (0.001)*
L FOREX	0.035367	1.0071 (0.319)**
L TO	0.11679	4.1385 (0.000)*
L PC	1.0447	3.5023 (0.001)*
F-Stat. F(6,45)	131.6613	(0.000)*
R <sup>2</sup>	0.94611	
Adjusted R <sup>2</sup>	0.93892	
D.W	0.91142	
No of Observations	52	

\*\*\*, \*\*, \* indicates level of significance at 10, 5, and 1%, respectively.

(FOREX), Degree of trade Openness (TO), and per capita income (PC). Usually, time series data illustrates the non-stationarity and provide ambiguous results. First of all, we need to check the existence of unit root in order to eliminate the ambiguity in the results. Second step is to find out order of integration of all the datasets. So, Augmented-Dickey-Fuller (ADF) test used for unit roots to determine all the variables in model are integrated in the same order. ADF test shows that all variables have stationarity in the levels of 95% critical values with and

without values with and without trend. All variables are in first difference. Thus from the Unit Root test, we have concluded that all of the variables are integrated by order 1(1). We have used FDIP as a dependent variable in our study and used time series data covering the period of 1996 to 2008 (Quarterly) (Figures 2 and 3). Table 6 shows the regression results of our model.

Results show that Gross Fixed Capital Formation (GFCF), Degree of Trade openness (TO) and Per Capita Income are found highly significant at 1% level of significance

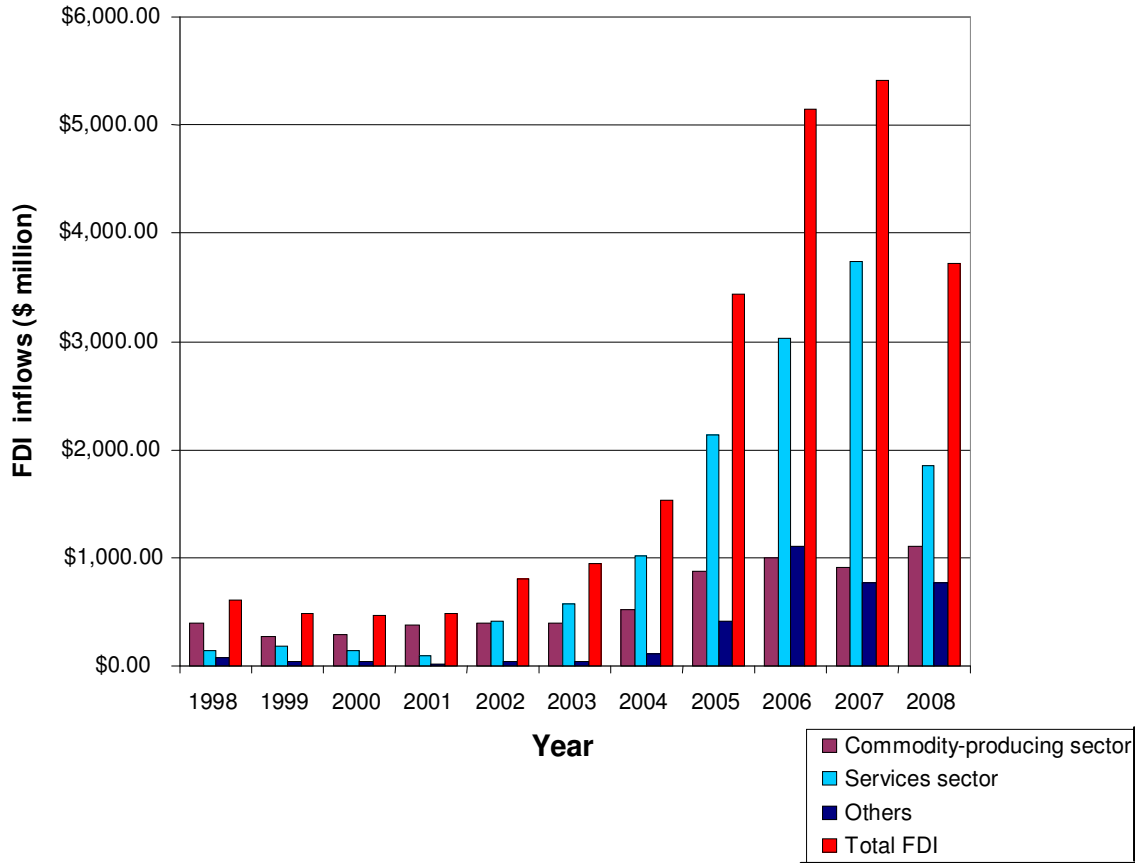


Figure 1. FDI inflows into commodity producing sector and services sector of Pakistan (\$ million).

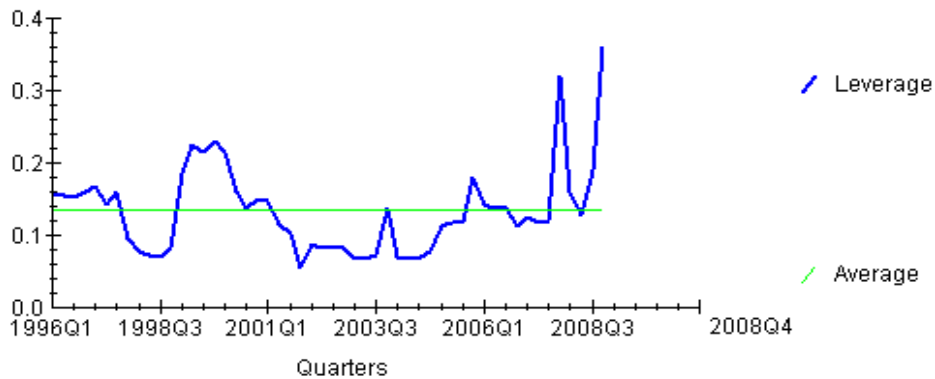
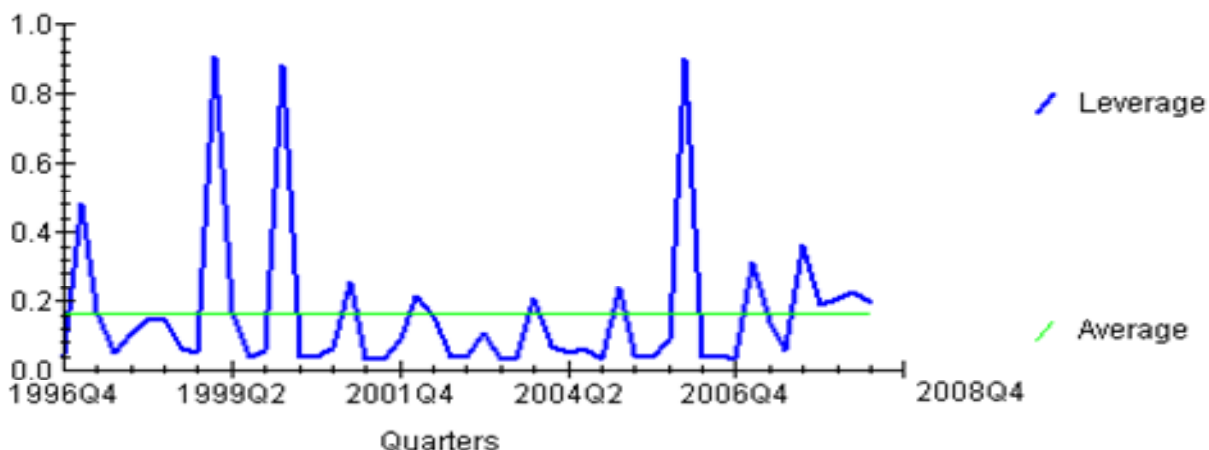


Figure 2. Plot of leverage measure of regression, FDIP as a dependent variable, and time series data covering the period of 1996 to 2008 (Quarterly).

with positive signs. This indicates that foreign investors will encourage making investment in Commodity-Producing sector of Pakistan due to high GDPMP and high degree of trade openness and investment-friendly policies. Similarly, Per Capita Income (PC) has, also, strong influence on FDI in Commodity Producing Sector of Pakistan. Per capita income reflects the standard of living of the people of host countries and their buying

power. Our results show that high standard of living and high buying power creates the wide market, which leads to attract foreign investment in this sector. So, our study shows that these variables represent the key factors in attracting FDI in Commodity-Producing sector of Pakistan.

Real Growth Rate (GRP) is also found statistically significant at 5% level of significance with positive sign,



**Figure 3.** Plot of leverage measure of regression, FDIP as a dependent variable and time series data covering the period of 1996 to 2008 (Quarterly).

**Table 7.** ECM results.

Variables	Coefficient	t- Statistics (prob)
Constant term	-0.072501	-1.7420 (0.089)** *
DL GDPMP	1.1895	1.9215 (0.061)***
DL GRP	0.13038	3.5450 (0.001)*
DL GFCF	0.55917	2.2939 (0.027)**
DL FOREX	0.16598	2.9136 (0.006)**
DL TO	0.73575	2.0012 (0.052)**
DL PC	1.7468	1.8698 (0.069)***
r(-1)	0.56127	2.6485 (0.002)**
R <sup>2</sup>	0.69107	
Adjusted R <sup>2</sup>	0.59192	
F-stat (7,42)	5.7347	(0.000)*
DW-Statistic	2.0400	
No of observations	52	

\*\*\*, \*\*, \* indicates level of significance at 10, 5, and 1%, respectively.

which reflects that high growth rate in this sector will result in boosting up of the profitability of the foreign investors in Pakistan. On the other hand, our study also found that GDPMP and FOREX are statistically insignificant at 10% level of significance with positive sign. It indicates that such factors do not influence FDI in Commodity-Producing sector in Pakistan as such. Results also reveal that  $R^2 > D.W$ , so, it indicates spurious results.

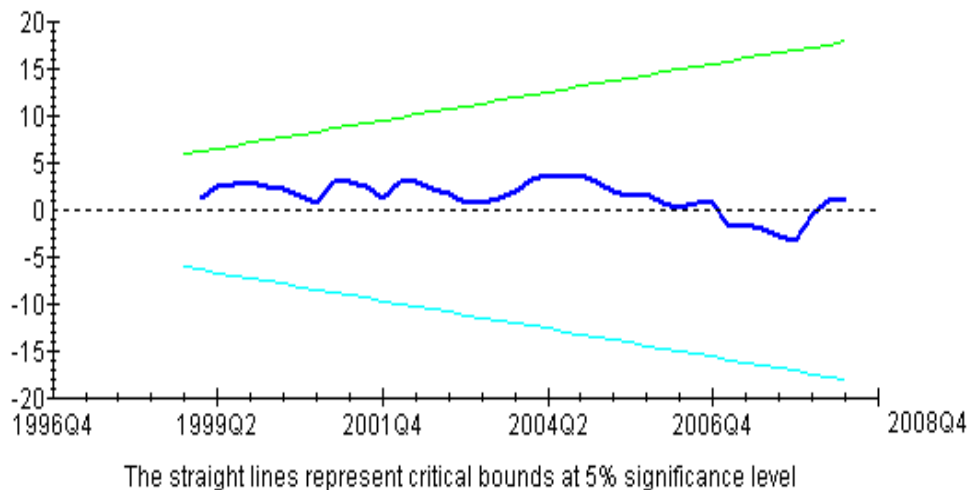
#### Estimation of error correction model (ECM)

An Error Correction Model (ECM) has been applied to find out the short run dynamics of this model. Now our model is estimated in the following equation:

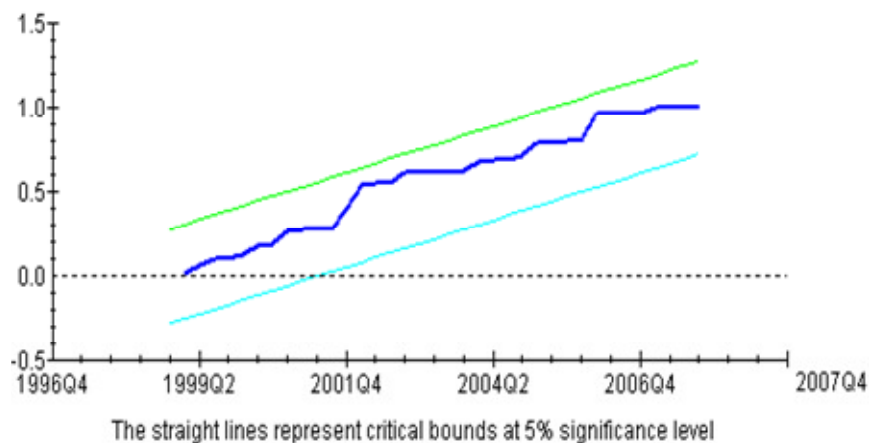
$$\Delta LFDIP = \beta_0 + \beta_1 \Delta LGDPMP + \beta_2 \Delta LGRP + \beta_3 \Delta LGFCF + \beta_4 \Delta LFOREX + \beta_5 \Delta LTO + \beta_6 \Delta LPC + \beta_7 r(-1)$$

Where, r (-1) represents error correcting term.

The results of ECM of FDI in Commodity-Producing Sector of Pakistan are given in Table 7. After applying ECM, all variables are found statistically significant with required signs.  $R^2$  and adjusted  $R^2$  were 0.69107 and 0.59192, respectively and D.W was improved up to 2.0400, which indicates no serial correlation. R (Residual) is also found statistically significant at the level of 1% with positive sign and speed of adjust is almost 56%. Tests for structural stability based on Brown et al. (1975: cited in Pesaran and Pesaran, 1997) suggests that at 5% level of confidence, there is insufficient evidence to reject the



**Figure 4a.** Plot of cumulative sum of recursive residuals.



**Figure 4b.** Plot of cumulative sum of squares of recursive residuals.

null hypothesis, that model is well specified (Figure 4a and b). This indicates that FDI in Commodity-Producing sector is highly influenced by the aforesaid determinants in this sector of Pakistan.

## Conclusion

FDI is considered as a most important feature of the globalization. Over the last few decades, there is fast growth in FDI inflows into developed and developing economies. FDI plays very important role in the economic development of developing countries including Pakistan because these economies can gain access to those resources, which are not available to them. Pakistan is an ideal destination for foreign investment among its neighboring countries, particularly in commodity-producing sector. There is also a great potential in Pakistan for investment in the power and energy sector, oil and

gas, and chemical and fertilizer sector as well, because Pakistan has initiated very conducive and attractive environment for foreign investment as well as investment-friendly policies in almost all areas of these sectors.

This research paper empirically examines key economic determinants of foreign Direct Investment in Commodity-Producing Sector in Pakistan covering the period of 1996Q1 to 2008Q4. This study focuses on how different variables impact on FDI inflows in the aforesaid sector of Pakistan. To investigate the impact of independent variables on FDI inflows in commodity-producing sector in Pakistan, Co-integration and Error Correction Model (ECM) have been used. FDI inflows in commodity-producing sector in Pakistan is taken as a dependents variables, whereas, gross domestic product at market price, real GDP growth rate in commodity-producing sector, gross fixed capital formation, foreign exchange reserves, degree of trade openness, and per capita income are taken as independent variables. This study



study explores that all the variables are found statistically significant with positive signs.

Our study also indicates that GDPMP, GRP, GFCF, RFOREX, RTO, and PC are the major determinants of FDI in Commodity-Producing Sector in Pakistan. Study reveals that GDPMP (1.1895) and PC (1.7468) are statistically significant at 10% level of significance with positive signs, whereas, GFCF (0.55917), FOREX (0.16598) and TO (0.73575) are statistically significant at 5% level of significance with expected signs. Result indicates that increase in GDPMP leads to an increase in the attraction of FDI to Pakistan. It also reflects that the size of the economy is growing, which needs to have more opportunity for foreign investors to invest in Pakistan with the expectations of generating higher return. This study also found that high degree of trade openness will also attract massive FDI inflows in commodity-producing sector in Pakistan. Similarly, increase in foreign exchange reserves reflect the macroeconomic stability and sound exchange rate, which will help in building confidence of foreign investors to invest in Pakistan. Finally, GRP (0.13038) is also highly significant at 1% level with positive sign, which indicates that growth rate in commodity producing sectors and FDI inflows into Pakistan are positively correlated, that is, with the increase in growth rate in this sector, Pakistan can attract huge amount of FDI inflows.

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