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Impact of Foreign Direct Investment, Imports, Exports of Goods and Services on Economic Growth of Pakistan

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Abstract
The economic growth of any country plays a significant role in the progress of the country. The role of the foreign direct investment is very significant towards the progression of the economy of Pakistan. This study examines the impact of imports, exports, and foreign direct investment on GDP of Pakistan. Data was obtained from site of State Bank of Pakistan, Federal Bureau of Statistics, and International Financial Statistics for last 23 years. E-views was used for data analysis. The results clearly show that the success for the increase in the GDP or economic growth these three factors, which are FDI, imports and exports, plays significant role.

Keywords:
FDI, imports of services and goods, exports of export of services and goods, GDP

I. Introduction

The acting part of FDI plays a vigorous role in the progress of the economy. Today, Pakistan's economy needs a huge amounts of funds for developing various sectors like energy, telecom sector, banking sector, transportation and infrastructure sector, health and education sector and many other related sector that are directly interlinked with the economic growth (Aizenman & Noy, 2006); Since independence 1947, Pakistan has traveled a long way making strides in various directions. The economic progress is concerned according to many researcher think as a mixture of success and failure. Thus, it can be said that the current situation of Pakistan is a developing country as compared to other countries. The developing country needs foreign direct investment to improve the internal structure of the economy (Asiedu, 2002). The internal structure covers many important sectors like energy, agriculture, industry and many other sectors, which are the main base of any economy. The rate of GDP share of Pakistan sector is increasing day by day, which is also creating number of problems regarding the establishment of the economy. The distribution share of sector in GDP calculated in terms of percentage, according to the research data year 2010 to 2013, Pakistan spends 20% on services sectors, 18% on trade, transportation and communication sectors are 11%, gas, electricity construction mining sectors are 7%, manufacturing are 20%. These services sectors include defense, public, administrations, education; health etc. transportation sectors include communication, storage etc., banking activity, finance make 6% aspect of the overall economy (Hanson, 2009). The increase in the economic development rate of Pakistan is the main element of the gross domestic product which is increasing, in real terms has increased around about eleven times. On the other hand, the growth of national income has not increased up to the requirements. The main variable used in this research study is the foreign direct investments simply defines as the investments or funds that come or approve in the form of loans from aboard country for the developing of the sectors which really need the investments (Hanson, 2009); This is the main responsibility of the current government to use the investment in the right directions and properly monitor the flow of money circular. Many researchers think that foreign direct investments are utilized on the right direction. It creates new opportunities of business activity in the economy. With the passage of time, the economy of Pakistan is transformed into established economy (Shabbir, Mahmood, & Niazi, 1992).

All the major transactions are in terms of million from the year of 2009 to 2011 having a percentage of GDP effect the economy of Pakistan. Pakistan major imports are petroleum, machinery, transport equipment, chemical, dyes, steel, iron, products, tea chemicals and many other products of goods and services which are not easily available in Pakistan. All the major transactions are in terms of million from the year of 2009 to 2011 having a percentage of GDP effect the economy of Pakistan. Pakistan major imports are petroleum, machinery, transport equipment, chemical, dyes, steel, iron, products, tea chemicals and many other products of goods and services which are not easily available in Pakistan (Sahoo, Nataraj, & Dash, 2014); Product life cycle of the firms are undertaking the policy of the foreign direct investment at an exceptional phases in all phases of development process of the products and services offers to their consumers in the local market. It is observed that in the 20th century the majority of the new product development life cycle changes day by day or with the passage of time and development. These products needs diversification with the integration of the advanced technology such as televisions, computers, cars, information technology software's and many other instruments that are interrelated with personal use of the consumers (Baldwin & Robert-Nicoud, 2014); In the early stages, the development of the products and services are the main demands for the new and innovative products is relatively insensitive to the placement, price and sales promotions firms are relatively high price (Woo, 2014); Firms are trying to improve the quality of the products based on the feedback of the consumers. The economic development and planning process are considered as the economic real national incomes that are increasing over a long time period. The importation and exportation of goods and services take a vigorous role in the progress of the economic development of Pakistan. It is observed that both factors imports and exports help the economy to grow in the local and international market as well. Now due to energy crises the ratios of exports are very less as compared to imports. The rate of population of Pakistan is increasing day by day, which means a high increase of the demands and needs. The importation and exportation of goods and services play a dynamic role in the progress of the economy of Pakistan. It is observed that both factors imports and exports help the economy to grow in the local and international market as well. Now due to energy crises the ratios of exports are very less as compared to imports. The rate of population of Pakistan is increasing day by day, which means a high increase of the demands and needs. To meet the needs, demands and requirements of the consumer's government of Pakistan is focused on imports brands to run the business activity in the local economy. The major exports of Pakistan are the agriculture products, industrial goods, hosiery products, garments, cloth, fabrics and many other items which are excess in Pakistan (Shabbir, Mahmood, & Niazi, 1992);

Currently, Pakistan is facing number of problems, which has directly weakened its economic stability and growth rate. This is mainly because of the political instability, high rate of bombers attacks, lack of political leader's interest, and lastly low production due to expense load shedding which is directly impacting the exports of Pakistan. The main problem is that due to low export rate which has directly affected the economic growth of Pakistan. Similarly, the low production has also resulted in the high import rates for which the consumers of Pakistan have to purchase products at high rate.

This research examines the impact of FDI, imports and exports on the GDP growth in Pakistan for the period 1990 to 2012. It examines the performance of the GDP growth and determines the historical trends of the FDI, imports and exports in Pakistan.

II. Literature Review

The impact of the economic growth is considered as the science which many times, studies the current and past economic condition of life of the general public or people of Pakistan. Most of the researchers suggested that the wealth of nations in simple term discussed as the word of "wealth". The term "wealth" of the people is divided into four main components like the production of wealth, exchanging of wealth, distribution of wealth, and consumption power of the wealth. All of this wealth is directly interlinked with the economic progress of any country. The wealth of the economy simply means that the goods and services that are produced in the economy and generate revenue for the good will of people. It is a matter of observations and expectation regarding the goods and services wealth. This wealth takes place in our day to day life activities to fulfill the demand of the consumers (Lane & Milesi-Ferretti, 2007); first one is the production of the wealth that simply means that the production of services and goods produced with in the country i-e land, capital, natural resources and many other components related to production factors. Secondly, is the exchange of wealth mean that the entrepreneurs activities that usually produce more goods and services than their own expectation and requirement. The main policy of the government of Pakistan is the surplus exchanged in the local market with the surplus goods or services produced by others. The third factor is the distribution of wealth which is mainly the exchange of wealth in the community or country whatever falls in the lot of individuals or societies. Forth main factor is the consumption of wealth that is the ultimate objective of the production, exchange and distribution is the consumption of wealth. The process of methods from where the people get maximum share from the national products use it to satisfy their wants (Lane & Milesi-Ferretti, 2007);

The trade sector of Pakistan is creating a strong relationship in most of the countries of all around the world. There are large numbers of various commodities which are exported and on the other hand large number of imports of goods and products are imported each year to fulfill the consumers' requirement from all around the globe. Many researchers suggested that some of the general features related to the permanent deficit in the foreign exchange mode of payments i-e exports are earning that meet less than 71 % of import bills in 2010 to 2011, export position of earning are less than 66% of total exports. The current position of Pakistan is not so much stable in regard of machinery parts and industry raw material are considered as the major items in our imports of goods. This simply indicated that the Pakistan rating the industry working under developed in the year 2009 to 2012, their shares of imports are 75% (Alfaro, Chanda, Ozcan, & Sayek, 2004). It is also seen that the upward trend in both the exports and imports of goods are evaluated in terms of volume of both the imports and exports of goods have growing fast to run the economic circle of Pakistan. Pakistan also exports labor, large number of Pakistani working abroad from where they generate huge amount of foreign exchange. The trade policies of Pakistan are promoting the trade direction all around the world. However, Pakistan economic policy is to concentrate more countries like west Europe, USA, Middle East and many other countries (Yang, 2006). Some of the most important exports and imports items are determined such as cotton garments, cloth, rice dominate in exports. Eight goods account for 80%

of total imports; these are oil, machinery, chemical transportation parts, equipment, iron, tea and many other items which are not easily available in Pakistan (Gould, 1994).

The researcher focused on the foreign direct investment that is denoted by FDI plays a very important role in the development and progress of the economy of Pakistan. FDI is considered as the direct investments that are based into two main aspects such as first one is the production and other one is the business activities performed in a country. All of these activities are performed on the major support or help by an individual, company or firm of another country. Foreign direct investment (FDI) is a type of investments that are meeting the condition of business portfolio which are the passive investments towards the securities, stocks and bonds of another country. It is also observed that the foreign direct investment FDI includes in the "mergers and acquisitions of companies by sharing their share and ownership according to the terms and conditions of the contract, FDI also building up the new facilities for the individuals, community and society, reinvesting income and profits that are earned from overseas functional operations activities and intra company loans as well" (Shabbir, Mahmood, & Niazi, 1992);

It is concluded that the enlargement of foreign direct investment in South Asian countries was in connection with the contribution to activity by home investors, giving proves that the relationship between FDI and gross domestic product was not in favor until the year 1980. In those times, early 80s, the connection was largely in favor and gives power in upcoming years in the late eighties into the nineties (Agarwal, 2000); Economists do a study on the Foreign Direct Investment and development of stock market examine that foreign direct investment in had a positive impact on the economic development and the stock market development. The research contained data of market capitalization as a proportion of the Local GDP and Dollar exchange and the net FDI influx of the quarters between the years 1991 to 2006. With the use of analysis of co-integration and the Vector Error Correction Model., the study examine that the relationship between FDI and the stock market will be helpful in the long run for the country (Adam & Tweneboah, 2009); researcher examined the nonlinear relationship between the level of inflation and growth of economy rate for the period 1970-2005 in Malaysian economy and found great effect from Inflation to local output (Munir et al, 2009); Using yearly Data and new threshold autoregressive (TAR) models suggested by (Hansen, 2000); they find an inflation starting point of existing value for Malaysia and concluded that the inflation rate and economic growth is nonlinear relationship. The calculating starting point regression model suggests 3.89 % as the structural break point of inflation due to which inflation upset growth rate of GDP. With this below the level of starting point, there is significant good relationship between inflation rate and growth (Muabrik, 2005 and Khan & Senhadji, 2001); Economist found a good result of foreign direct investment inflows on rates of growth for countries of Latin American. He used a panel data covering 1975-95 for 71 countries which are developing. The study examine that the effect of foreign direct investment was not significantly change from zero for the total sample and for other areas (Pradhan, 2001); Researcher conducted research on foreign direct investment and economic growth by adding the role of local financial part, he conclude financial area information is expected to increase the relationship between foreign direct investment and performance of economy, in addition it also show the absorptive level of ability of a receiver country in taking the advantage inflows of FDI. The study finding concluded that Pakistan will essentially get the benefits of inflows of the FDI, if the development process of the local financial sector has given direction of various level of development (Khan, 2007);

Another research conducted by a researcher and he examined that on the effect of FDI and CPI on the GDP member nations of SAARC. The study examined that the usual model of these countries have a positive impact between Foreign Direct Investment and GDP while negative impact between Consumer Price Index and GDP (Abbas, 2011); An effort made to see that FDI can helps in increasing economic development. The study practiced the regression analysis. The study based on observation analyzed that FDI did not play an important role in the development of the economy. The study examine that FDI depends greatly on the starting GDP and human capital (Wu & Chiang, 2008); A researcher conducted the research and see the causal relationship between foreign direct investment, exports and output with the help of Granger non-causality method over the time of 1972 to 2001 in Pakistan. They found that there was a good effect from FDI to local output. The researcher conducted a research on economic growth relationship with the export and import of the country of Japan, and figure out which one considered to as a main stimulus for economic growth of the country, they found that import have a major role toward the growth of the economy, and the researcher found out the if the country cut of their tariff on imported item and open there market, then this will create more competition inside the country and the level of quality of product will improve, they pointed that this is a factor that developing economy overlook (Ahmed, 2003); The researcher focused that whether an import created faster growth inside the economy or not, and he found the significant relationship among them that import fasten the growth rate by stimulating local producer to behave more competitively, in this research the researcher recommend that open the country created a more potential for technology advancement, innovation in product and break monopoly (Lawrence, 2000). Ali and Chani (2013) investigate the disaggregated import demand function for Pakistan. They conclude that the imports of Pakistan are highly sensitive to income and prices in Pakistan.

Some of the important factors regarding the firm decisions investments overseas such as trade barriers, imperfect labor market, intangible assets, vertical integration, products life cycle and shareholders diversification services. These factors are interconnected with the imports, exports and economic growth of the country. The trade barriers are considered as the "international markets" for the goods and services that are often and working under the Government act. This government act imposes various traffics, quotas and many other related operations to improve the imports and exports of the country, all of these goods and services are hindering free from the inflow and outflow of these products are across national boundaries. Imperfect labor market is also based on the labor services charges in the country that have underpriced relative related issue to its productivity. So, most of the foreign countries are trying to freely move the labor across national boundaries towards the seeking of higher salaries and wages. These market factors are contributions in the labor market which is most imperfect leading to persistent wage differentials among countries. Firms act as the immigrations barriers that allow the mobility of the employees within and outside the organization. Now days, MNC are developing new policies and procedures for implementation of the FDI in less developed countries such as Mexico, India, Pakistan, and other southeast countries as most of the labor's service charges, are underpriced relative to their level of productivity (Liu & Diamond, 2005);

2.1. The model and Hypotheses Statements

$$Y = \beta o + \beta 1\ X1 + \beta 2\ X2 + \beta 3\ X3 + \varepsilon$$

$$GDP = \beta o + \beta 1\ (FDI) + \beta 2\ (IMP) + \beta 3\ (EXP) + \varepsilon$$

Where
GDP = Economic Growth
FDI = Foreign Direct Investment
IMP = Imports
EXP = Export and
ε = Error term

H1: There is a positive and significant relationship between the foreign direct investment and economic growth".
H2: There is a positive and significant relationship between the imports of goods and services on economic growth".
H3: There is a positive and significant relationship between the exports of goods and services on economic growth".

III Methodology

The data were obtained from the site of State Bank of Pakistan, Federal Bureau of Statistics, and form International Financial Statistics last 20 years data have been taken. E-views software has been used for analyzing the data. Main variables are considered as the foreign direct investment, imports of services and goods, exports of services and goods and GDP. The type of research study is casual and the data is time series where the researcher tests the hypotheses due to strength, consistency and validity of the variables.

Different techniques were used to analyze the data. Descriptive statistics is used to provide the summary about the observations and samples. It also describes the utmost features of the collected of data. It shows the standard deviation, median, mean, measured for both dependent and independent variables.ADF is important for time series data for examining the stationary of the data. It was proposed by Dickey and Fuller (1981). Time series data contain unit roots dominated by stochastic trends. ADF null hypothesis is a time series non- stationary. Unit root test is used for testing of null hypothesis. The more negative it is, the stronger the hypothesis will be rejected that at some level of confidence there is a unit roots. Co integration is used to check the integration between two or more variables. Engle and Granger (1987) suggested method of two steps for looking the equilibrium relationship of variables for long period having same level of integration. But there is a draw back in this method that it only determines the possibility of one co-integration vector for that Johansen and Juselius introduced the Johansen co-integration to eliminate the drawback. Engle and Granger (1987) suggested the granger causality test. It is used to find the causality it tells that whether the one variable is useful in forecasting other variables or not. It also tells the relationship between dependent and independent variables.

IV. Results and Discussion

Table 1: Descriptive Statistics

	G	F	I	E
Mean	5.39E+12	1.67E+11	1.29E+12	7.83E+11
Median	3.75E+12	2.74E+10	6.04E+11	5.34E+11
Maximum	2.06E+13	1.13E+12	4.01E+12	2.18E+12
Minimum	8.54E+11	4.85E+09	1.71E+11	1.37E+11
Std. Dev.	4.83E+12	3.05E+11	1.23E+12	6.36E+11
Skewness	1.607744	2.450530	1.048095	1.044107
Kurtosis	1.474736	1.807072	2.750818	2.941111
Probability	0.000375	0.000000	0.018291	0.01245
Jarque-Bera	19.32432	6.520461	7.799936	23.41776
Probability	0.000064	0.038380	0.020243	0.000008

The results of descriptive data show the descriptive statistics of the data. This table shows the summary of statistics variables of this study. We start from the dependent variable that is economic growth which is denoted by G. Mean of dependent variable are 5.39E+12 and median is 3.75E+12 which shows the middle value of the data. Maximum value of the data is 2.06E+13 and minimum value is 8.54E+11 which show the range of the data. Skewness of the data is 1.607 which is greater than 0 so it is right skewness having intense values at right side. Value of Kurtosis is 1.47 which is less than 3 which shows that it do not have leptokurtic distribution. Jarque-Bera value is not more and the value of P is less than 0.05 which shows that the scattering of data is normal. Now we see the first independent variable that is foreign direct investment which is denoted by F. Mean of the first independent variable is 1.67E+11 and median is 2.74E+10 which shows the middle value of the data. Maximum value of the data is 1.13E+12 and minimum value is 4.85E+09 which show the range of the data. Skewness of the data is 2.450530 which is greater than 0 so it is right skewness having extreme values at right side. Value of Kurtosis is 1.807072 which is less than 3 which shows that it do not have leptokurtic distribution. Jarque-Bera value is not more and the value of P is less than 0.05 which shows that the distribution of data is normal. Now we see the 2nd independent variable that is import which is denoted by I. Mean of the second independent variable is 1.29E+12 and median is 6.04E+11 which show the middle value of the data. Maximum value of the data is 4.01E+12 and minimum value is 1.71E+11 which show the range of the data. Skewness of the data is 1.048095 which is greater than 0 so it is right skewness having extreme values at right side. Value of Kurtosis is 2.750818 which is less than 3 which shows that it do not have leptokurtic distribution. Jarque-Bera value is not more and the value of P is less than 0.05 which shows that the distribution of data is normal.Now we see the third independent variable that is export which is denoted by E. Mean of the third independent variable is 7.83E+11 and median is 5.34E+11 which show the middle value of the data. Maximum value of the data is 2.18E+12 and minimum value is 1.37E+11 which show the range of the data. Skewness of the data is

1.044107 which is greater than 0 so it is right skewness having extreme values at right side. Value of Kurtosis is 2.941111 which is less than 3 which shows that it do not have leptokurtic distribution. Jarque-Bera value is not more and the value of P is less than 0.05 which shows that the distribution of data is normal.

Table 2: ADF (Augmented Dickey Fuller) Test or unit Root Test

Imports		t-Statistic	Prob.
Augmented Dickey-Fuller test statistic		-4.771116	0.0013
Test critical values:	1% level	-3.808546	
	5% level	-3.020686	
	10% level	-2.650413	
GDP			
Augmented Dickey-Fuller test statistic		-3.631255	0.0165
Test critical values:	1% level	-3.886751	
	5% level	-3.052169	
	10% level	-2.666593	
Exports			
Augmented Dickey-Fuller test statistic		-3.631255	0.0165
Test critical values:	1% level	-3.886751	
	5% level	-3.052169	
	10% level	-2.666593	
FDI			
Augmented Dickey-Fuller test statistic		-3.516586	0.0184
Test critical values:	1% level	-3.808546	
	5% level	-3.020686	
	10% level	-2.650413	

This test is applied to see that the data used in this research is stationary or non-stationary, and if it is non-stationary, where it becomes stationary. We check the unit root on all variables separately. We can see in this table that the probability is less than 0.05 so we can say that the data is stationary. Data become stationary when all critical ADF values are less negative than ADF calculated value.

Table 3: Granger Causality Tests

Null Hypothesis:	Obs	F-Statistic	Prob.
FDI does not Granger Cause GDP	20	5.26120	0.0186
Export does not Granger Cause GDP	20	4.65890	0.0267
Import does not Granger Cause GDP	20	7.40728	0.0058

The above result shows that the p-value is less than 0.05 so in this case we will not accept the null hypothesis and the opposite hypothesis, which is that there is a positive, and a significant relationship between FDI and GDP of Pakistan is accepted. Therefore, we can say that. There is a positive and substantial relationship between the FDI and economic growth of Pakistan. The result further explains the causality among the export and GDP and their relation is statistically proved significant because p-value is less than 0.05. However, the second hypothesis is proved that there is a significant relationship between the exports of goods and services and economic growth of Pakistan. In the response of import and economic growth, it is also validated that there is a positive and a significant relationship between imports and GDP of Pakistan.

Adam & Tweneboah (2009) economists do a study on the Foreign Direct Investment and development of stock market examine that foreign direct investment in had a positive impact on the economic development and the stock market development. The research contained market capitalization data as a whole part of the Local GDP and Dollar exchange and the net FDI inward of the quarters between the years 1991 to 2006. With the use of analysis of co-integration and the VEC Model., the study examine that the relationship between FDI and the stock market will be helpful in the long run for the country. Munir et al. (2009) examine the nonlinear relationship between the level of inflation and growth of economy rate for the period 1970-2005 in Malaysian economy and found great effect from Inflation to local output. Muabrik (2005) and Khan & Senhadji (2001) Using yearly Data and using new threshold autoregressive (TAR) models suggested by Hansen (2000) they find an increase in prices starting point of present value for Malaysia and concluded that the inflation rate and economic growth is nonlinear relationship. The calculating starting point regression model suggests 3.89 % as the structural break point of increase in prices due to which inflation upset growth rate of GDP. With this below the level of starting point, there is substantial good relationship between inflation rate and growth.

Table 4: Co-integration

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.945857	111.7337	40.17493	0.0000
At most 1 *	0.715796	50.49524	24.27596	0.0000
At most 2 *	0.576854	24.07595	12.32090	0.0004
At most 3 *	0.249065	6.015173	4.129906	0.0169

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.945857	61.23851	24.15921	0.0000
At most 1 *	0.715796	26.41929	17.79730	0.0020
At most 2 *	0.576854	18.06078	11.22480	0.0027
At most 3 *	0.249065	6.015173	4.129906	0.0169

Pradhan (2001) found a good result of foreign direct investment inflows on rates of growth for countries of Latin American. He used a panel data covering 1975-95 for 71 countries which are developing. The study examine that the effect of foreign direct investment was not significantly change from zero for the total sample and for other areas. Khan (2007) conducted research on foreign direct investment and economic growth by adding the role of local financial part, he conclude financial area information is expected to increase the relationship between foreign direct investment and performance of economy, in addition it also show the absorptive level of ability of a receiver country in taking the advantage inflows of FDI. The study finding concluded that Pakistan would essentially get the benefits of inflows of the FDI, if the development process of the local financial sector has given direction of various level of development. Abbas (2011) conducted a research and examine that on the effect of CPI and FDI on the GDP member nations of SAARC. The study examined that the usual model of these countries have a positive impact between Foreign Direct Investment and GDP while negative impact between CPI and GDP. Wu & Chiang (2008) effort to see that FDI can helps in increasing economic development. The study practices the regression analysis. The study based on observation analyze that FDI did not play an important role in the development of the economy. The study examine that FDI depends greatly on the starting GDP and human capital. Ahmed, (2003) conducted the research and sees the causal relationship between foreign direct investment, exports and output with the help of Granger non-causality method over the time of 1972 to 2001 in Pakistan. They found that there was a good effect from FDI to local output. With the help of data analysis, the results clearly show that the success or for the increase in the GDP or economic growth these three factors which are FDI, imports and exports plays an important role. The economic growth tools which are FDI, imports and exports play an important role in the success of the development of GDP. The other factors thrived in the present study are also an important player for the achievement of the success, as signified by the results of different tests. Thus, these factors may then be accepted as the important factors influencing the achievement of Pakistani GDP development.

V. Conclusion

The role of the foreign direct investment is very significant towards the progression of the economy of Pakistan. Today the current condition of Pakistan economy is not so good, due to many reasons like political instability, high load shedding in our country affect the small and large scale businesses in our country. The rate of inflation is very high due to the current condition of the businesses are not stable in the local and international market. The government of Pakistan is trying to overcome this problem or tackle it with various tools and techniques like changing rules and regulations, strictly follows the policy laws and procedures of the country. Many researchers think that the foreign direct investment come from other developed countries which are not invested in the right place or sector which really need this investments. It is also observed that the Pakistan need foreign direct investments for more developed, growth and progression of the economy of Pakistan. The current condition of the economy of Pakistan is based on the various factors like education sector, health sector, exports of goods and services, transportation and develops infrastructure sector, telecommunication sector, information technology sectors and many other sectors that are positively associated with the economic growth of Pakistan.

All of these factors are also directly linked with the GDP and economic growth. This gross domestic product is evaluated with the main based of per capita income which plays an important role for the economy development of Pakistan. It is analyzed and identified that the rate of GDP per capita income of the economy of Pakistan is classified into two main variables. First one is the way of living standards of low class, middle class and lead class people of Pakistan and the second one is the current economic condition of Pakistan. Both of these main variables are positively associated with each other and have a very strong impact on the both the domestic and external debt. External and internal debt is also interlinked with the exports and imports of the goods and services, both of these are used for made various different modes of payments. The base of the economy of Pakistan is directly associated with the growth of GDP per capita income that are evaluated with the support of the individual which is increases slowly. The observation of many researchers are that this is the right time for the economy of Pakistan need more foreign direct investment especially in small and mega projects that directly associated with the economic growth impact on the reduction of the unemployment, overcome the energy crises, create new business opportunities and generate more income or revenue for economic development of Pakistan.

Another important factor is about the income of household of the individual and its expenditures that are considered as the lack of consistently series of the research data, which creates the inequality in the distribution of the income that, are evaluated with the help of past data. The averages of middle class people are living in Pakistan are 65% and having the 45% of national income as well. According to the past research data the economist of Pakistan must concentrate on the exports and imports of goods and services that are based on the few items which are dominate both in the exports and imports. Pakistan exports are dominated in the area of cotton garments, cloth and rice that are considered as the eight goods account for 80% of the total export. These are oil, machinery, chemical transportation parts and material, information technology equipment's, oil, iron and many other needed items are used by the population of Pakistan. It is observed that the report of World Bank or State Bank of Pakistan it is seen that as % of GDP year 2010 to 2012 total exports are 13%, imports are 20% and trade deficit are 9% which are not considered as the good sign for the growth and economic condition of Pakistan.

It is seen that the economy of Pakistan causes of disequilibrium regarding the balance of payments that has always been deficit except for two years. The major's problems are divided into two main aspects. First one is about the limited export capacity, and the other one is the unrestricted import needs. The limited export capacity of the goods and services are exportable surplus of goods, products, brands and services for few exports items that are available in terms of quantity produced can meet only the local demand or to fulfilled the requirements and demand of local consumers. And the other one is the quality of goods and services that are inferior which cannot be completed in foreign market. According to the research data in the year 2010 to 2012, 75% of total foreign exchange was earned only on five major's items i-e cotton, rice, garments, sports products and carpets. The economy of Pakistan is consumption-oriented people. Most of its goods and services products are consumed locally. In addition, ratio of very little is left for export. Second major important factor is the unrestricted imports needs that are based on the developing and progression of the fast growing economy population need huge imports of goods. Imports oriented industries and the consumption habits. Most of the industries of Pakistan are running their network and system on the imported raw material. Best example is the Pakistan steel mill which is imported raw material from other countries. The economy of Pakistan is also utilize the services of foreign banks, airlines, shipping lines, internet and many other services that are considered as the invisible imports of goods. The people of Pakistan spending a lot of foreign exchange under one excuse such as education, health, business trips and many other services as well.

VI. References

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