

# Critical Success Factors for Economic Development & Growth in Developing Countries: A Case Study of Pakistan

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## Abstract

Multiple economic indicators and tools are intensively discussed in the academic literature. In the current piece of art, the factors like FDI, Gross Domestic Productivity (GDP), Human development, literacy rate, youth and unemployment have been primarily analyzed to define the current economic situation in the country. Specifically the indicator of 'Foreign Direct Investment' (FDI) has been focused to define the economic growth of Pakistan. For the research secondary source of data has been gathered for the time duration of last 5 years. Findings show that, factors such as FDI, GDP and Human development are of significant importance for the economic growth and development of Pakistan, while the factors like literacy rate, youth and unemployment are relatively less important. The paper is of great importance. This study can play a vital role in compelling the government authorities to focus their intention towards the economic and growth indicators of high importance. The study can also be an effectual case for other countries facing alike economic situation.

**Keywords:** Economic development and growth, FDI, GDP, Human development, literacy rate, youth and Unemployment

## Introduction

Globalization is one of the important issues for world economies at present (Burns, 2014), it is defined as the rising incorporation of economies, societies, and civilization (Hirst, Thompson, & Bromley, 2015). It includes, and goes afar, the simpler internationalization defined as associations between and within nations (Ghemawat, 2013). Globalization is a streamlining process which functions across units and has impact on all aspects of man, from capital flows, through political cooperation, to the flow of ideas (Chen, Lee, & Yang, 2012). Globalization disintegrates countrywide boundaries, associates national economies, cultures, technologies and governance and accomplishes composite affairs of interactive linkage (Gurgul & Lach, 2014). Technology development in transportation, information processing and communication is the existent motivation for Globalization (Buhalis & Law, 2008).

Globalization constructs diversity of connections that surpass the nations resulting in the contemporary global system (Berry, 2008). It describes a route by which events, actions, and decisions occurring in any corner of the globe have considerable impact on individuals and communities in other parts across the globe (Mir, Hassan, & Qadri, 2014). Globalization poses rise, or the emergent scale of association and succession of trade, investment, finance, migration, culture, etc (Beck, 2015). The rising scope and strength of association may be allied to the global

connections and processes, as the progress of the global transport and communication rises the propagation of ideas, goods, information, capital and human resources (Mačerinskas & Pipinytė, 2003).

In developed countries, which have to a great extent gotten their macroeconomic approaches right, it is small scale change that holds the way to turning around unemployment issues and making an interpretation of economic growth into rising ways of life (Blanchard, Jaumotte, & Loungani, 2014). In developing nations, if change endeavors keep on concentrating on IMF-style macroeconomic modification, we will confront a proceeded progression of dissatisfaction (Gros & Mayer, 2010). Just by handling the particular requirements to profitability and the various strategies that limit the neighborhood competition will creating nations accomplish economical enhancements in efficiency (Morris, 2011).

Youth in developing nations wind up amidst quick social and economic change. As archived in the recent National Academy of Sciences report on moves to adulthood in developing nations (Furstenberg Jr, 2010). Youth face together new ultimatum and scope provides by social and economic globalization (Stromquist & Monkman, 2014). Keeping in mind the current circumstance of youth in developing nations it is essential to know the quick demographic changes that created the traditionally exceptional quantities of young people all around the world today (Alves, Cavenaghi, & Martine, 2013). These demographic changes potentially have crucial intimation on the labour market opportunities, access to public assets, and access to family assets for youth (Gonzales, 2011).

The economy of Pakistan has been confronting financial, social and political changes in the recent precedent bringing about immense economic and substance losses (Jensen, 2012). To pinpoint a few, the energy disaster is on the top. Not just the profitability and effectiveness of the industries have endured a great deal, yet it has likewise added to the agony of human life (Jensen, 2012). In such a powerless circumstance it is no big surprise that unemployment may crawl up to an insurmountable level (Akram, Khan, Khan, & Tufail).

The major and largest part of the economy is industrial sector. 13% of aggregate employment relies on it which contributes 18.5% of GDP (White, 2015). In manufacturing the assimilation on employment at about 13% has remained quite steady (Park & Shin, 2012). Another core reason of unemployment in Pakistan is the economic despondency of the world joined with the threat of America, has diminished exchange and industrial activity in Pakistan (Shahbaz, Hye, Tiwari, & Leitão, 2013). It has not just ruined Pakistan's image in the global arena additionally multiplied our consumptions on Armed powers. Pakistan is not attracting new investments in addition these elements have endangered global investment (Akram et al.).

### **Objective of the Study**

The main Objectives of this study are to,

- Describe current scenario of economic development in Pakistan on the factual basis.
- Identify the possible impact of highly skilled youth over the economics and FDI of the country.
- Understand the existing public policies to encourage highly skilled youth in Pakistan.
- Suggest possible improvements to encourage highly skilled youth more efficiently for the economic development of the country.

The objectives of the study also include drawing possible suggestions and recommendations to make improvements in the existing and upcoming policies for the economic development and growth of the country (Pakistan) by effectively utilizing the national highly skilled human resources of the country (Pakistan).

### Literature Review

Pakistan being a developing country needs and is procuring for a firm and continual stream of inward FDI and dynamic exports for maintainable advancement and economic development (Ozawa, 2015). FDI is a link between the global markets and national market and helps to raise the capacities of the host country through investments that assist in exchange of innovation and providing employment opportunities (Osabutey, Williams, & Debrah, 2014). The role of FDI in today's worldwide surroundings can't be ignored as FDI is likewise productive for economic development, building overseas reserves and assisting local measures to upgrade their capacities that eventually lead them to investigate export opportunities and set up exchange linkages globally (Saumendra & Kusumuru, 2013).

The most widely accepted definition of FDI is known as "the IMF/OECD (Organization for economic cooperation & development) benchmark definition" since it was given by a joint workforce of these two global associations with the goal of giving standards to national statistical workplaces for aggregating FDI statistics. The essence of the definition is that FDI is a global endeavor in which a financial specialist dwelling in the home economy gets a long-lasting "impact" in the administration of a partner firm in the host economy (Contessi & Weinberger, 2009). As indicated by the definition, the presence of such long haul impact ought to be accepted when voting shares or rights controlled by the multinational firm no lesser than 10% of aggregate voting shares of privileges of the overseas firm (Ebenezer, 2015).

Diverse economic variables promote inward FDI, including interest credits, tax reductions, grants, sponsorships, and the elimination of confinements and constraints (Raquib & Alom, 2015). Variables which degrade FDI development are disparity performance and restrictions related with ownership patterns (Contractor, Lahiri, Elango, & Kundu, 2014).

Diverse sorting of FDI also exist, Vertical Foreign Direct Investment occurs when some shares of an overseas enterprise are claimed by a multinational organization, which provides contribution for it or uses the products of international organizations (Paliwoda & Thomas, 2013). Horizontal direct investments take place when a global corporation accomplishes a relative business operation in various countries (Johanson & Mattsson, 2015). By connecting the barrier between domestic reserves and investments and delivering the current technology and supervision knowledge from advanced countries, FDI can lead to the fast economic development of the developing economies (KALYONCU, Tuluca, & Yaprak, 2015). A transitional economy frequently observes outward to discover the contingency for fast development (Lewis, 2013).

However numerous empirical studies have been conducted concerning the factors determining FDI (Büthe & Milner, 2008). Nearly all studies use manifold theories or hypotheses so as to research the exact empirical linkage amongst FDI and various economic, social and political variables (Krieger & Meierrieks, 2011). But the key literature incorporates the research by Dunning (1993), which introduced the Ownership-Location-Internalization (OLI) pattern to clarify FDI Global Enterprises and Dunning's location advantage theory. Dunning's area favorable position hypothesis presents a framework distinguishing crucial variables which impact FDI utilizing the three core categories; economic, social, cultural factors, and political condition. Generally Dunning (1993) presumes that overseas nations which grab the investment from multinational organizations have huge and developing market, high GDP, low cost of production and political constancy (Azam & Lukman, 2010).

Recently couple of decades noticed the modification in the flow of FDI from developed to developing economies like Pakistan (Cardoso, 1982). Fundamental advantage of the FDI is that it provides opportunities to promote economic development (Reiter & Steensma, 2010). Today FDI represents more than 60% of the private capital flows to the developing nations (Gourinchas &

Jeanne, 2013). FDI patterns to Pakistan have seen diverse trends in the course of the recent two decades. In 90's it got little FDI due to being in debt (Ghemawat, 2013). Even after liberalization and motivators for the shareholder to attract FDI effectiveness was monotonous (Zakaria, Naqvi, & Fida, 2014). But the situation altered after 1999 and the FDI was 322 million in 2000-2001 (Hakro & Ghumro, 2007) that is raised up to 2677.9 million in 2015-2016 (Lavingia, 2016)

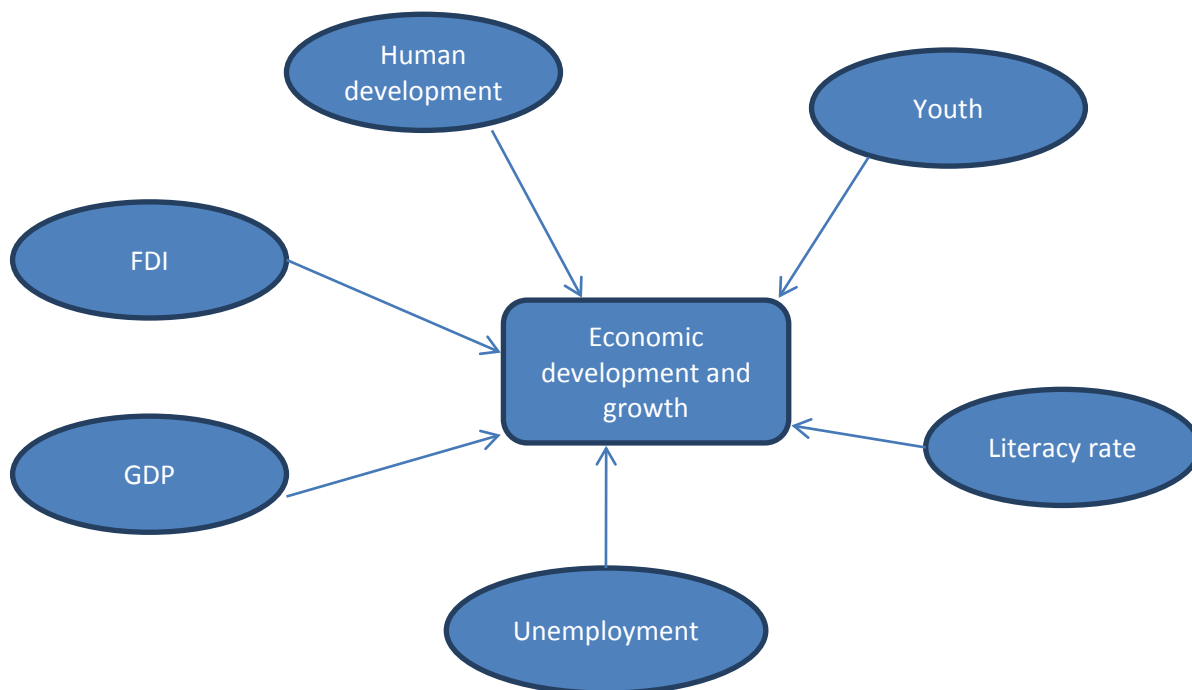
Pakistan is a major economic power in Asia (Davis, 2001). However the political volatility in the nation poses a serious risk to its economic development as well as on the investment in the country (Von Braun & Meinzen-Dick, 2009). Throughout the years the nation has confronted military regulations, assassinations of the pioneers and the inspiring law and order circumstance (Pande, 2011). As indicated by the institute of peace and conflict, Pakistan economic development is linked with the political steadiness in the state at the national level (M. U. Rehman, Rehman, & Ilyas).

From the earlier FDI is a crucial drive to small and medium level business advancement in the national entrepreneurship growth in the country (Amroune, Hafsi, Bernard, & Plaisent, 2014). In such manner, FDI encourages access to markets, expertise and technology in particular (Kedia, Gaffney, & Clampit, 2012). However the motivation of Multinational Corporations to open their worldwide worth chains to nearby firms has not actually transformed into significant SMEs development (Becattini, Bellandi, & De Propriis, 2014). Furthermore, market and access to skills are essential to the survival and development of SME's in developing countries (Islam, Khan, Obaidullah, & Alam, 2011). Access to expertise permits SMEs to carry out profitable investments competently and to attain the most recent technologies, hence guaranteeing their competitiveness and that of the whole country (McCann & Ortega-Argilés, 2014). As concluded by (Dutse, 2008), that these most recent technologies can be achieved through the overflow impacts of FDI. This is because FDI is one of the significant approaches to metamorphose new scientific information and associated technological innovations (Subair & Salihu, 2011).

FDI could link into a country's development strategy (M. Yamin & Sinkovics, 2009). Once a government's development policy and objectives are characterized, it can determine whether FDI is a productive method for accomplishing this (Žilinskè, 2010). Subsequently, based on the prerequisite (existence of local capacities; endowments of manufacture components, such as labor, natural resources and capital; small or large economy, and so forth) and ideologies concerning to the level of state intervention, FDI strategies can be associated to a wider development policy (te Velde, 2003). A country needs to make sure that utilizing FDI is more effective than seeking after an alternate strategy without utilizing FDI or with FDI to a lesser degree (Meyer, Estrin, Bhaumik, & Peng, 2009). But once you choose to permit FDI, there is a host of strategies by which you can maximize advantages and minimize costs (Moosa, 2016).

There are various FDI strategies suggesting diverse degrees of interventionist policies (Luiz & Ruplal, 2013). A host state needs to address two market downfalls associated to FDI (Chiao, Lo, & Yu, 2010). First, policies need to address data collapse in the investment procedure (Weber & Rohrer, 2012). Generally, all uneven investment, overseas or local, experiences insecurity (Razin & Sadka, 2012). But, foreign investors are normally at deprivation concerning data on the host nation and they like to hold up until different speculators have experienced the grounds (Duanmu, 2012). To promote the investment procedure, host governments might need to interfere by offering grants or incentives, for example, facts, to potential overseas investors (Lee, 2015). Second, strategies need to address the variation in curiosity between mobile foreign investors and the host economy (Hirst et al., 2015). A nation can intercede in the market for skills and technologies, where market downfalls are mostly alike and gear the progress of technologies and skills more towards the provisions of multinationals (te Velde, 2003).

### Conceptual Framework



### Hypotheses

As per the literature review already conducted, there is a relationship among the different economic indicators which have more or less impact on the economic development & growth.

H1: FDI is positively associated with economic development & growth of the country.

H2: GDP is positively associated with economic development & growth of the country.

H3: Human development is positively associated with economic development & growth of the country.

H4: Literacy rate is positively associated with economic development and growth of the country.

H5: Youth is positively associated with economic development and growth of the country.

H6: Unemployment is negatively associated with economic development and growth of the country.

### Methodology

This study is based on the descriptive research methodology including both the quantitative and qualitative techniques which has been conducted to define the economic growth in Pakistan. The research strategy used is the case study of Pakistan, based on the secondary source of data from different sources such as academic research, print media and press release, government publications, social media networks (SNS) and NGO's surveys. during the study, the time horizon is longitudinal and the content is focused from the secondary source of data for the time duration of last 5 years, and the hypotheses of the various authors are challenged regarding the different economic indicators which have the more or less impact on the economic development and growth of the developing countries like Pakistan. Different economic indicators including FDI, GDP, human development, literacy rate, youth and unemployment are analyzed to identify their impact on the economic development and growth of the Pakistan.

### **Analysis and Findings**

Pakistan is a developing nation, consistently switching over from agriculture economy to the expanding of industry and services share in the GDP (Knox & Pinch, 2014). Pakistan consumes a noteworthy part of its budget to meet the national security challenges and interest on its advances (Anderson, 2014). So a smaller portion is left for investment on the development of Infrastructure to promote economic development and social sectors empowerment to address fundamental needs of people such as health, education and social services etc (Hussain & Farooq, 2016). Pakistan is facing severe developmental issues (Sterling & Huckle, 2014). There are numerous challenge which are liable to limit its future development unless severe measures are executed (Khor, 2011). Energy scarcity is a main barrier to raise production (Awan & Khan, 2014). Pakistan is a collaborator of current global war to eliminate terrorism (O'Connell, 2010). Consequently, political tendency of the nearby countries have formed security and terrorism associated dangers for the development workers, nearby individuals, and overseas investors(Hussain & Farooq, 2016). This circumstance is confining investment and emphasizing unemployment situation of the country. The scarcity on the trade balances is additional to the financial stress(Ministry of Education, 2015).

Global economic development has highlighted some persistent signs of progress with a rise in developed economies and some development in developing nations like Pakistan (Nakhleh, 2015). GDP growth of Pakistan was 4.24 percent in 2014-15. The growth impetus is wide as economic development has been promoted by agriculture, industry as well as services sector. The agriculture sector consisting four sub-sectors; crops, livestock, fisheries and forestry represented its share in GDP as 20.9% and 43.5%in employment, having firm backward and forward linkages (Farooq & Wasti, 2015). The industrial sector, being the main source of revenues generated by taxes for the government and the most important source of jobs for labour force, accounted 20.30 percent in GDP (F. D. Pakistan, 2016). Industrial sector proceeded development and attained growth at 3.62% as compared to the last year's growth of 4.45 percent(Farooq & Wasti, 2015). The services sector contributed 58.8 percent of GDP in 2014-15 (Economic Adviser's Wing, 2015). It has six sub-sections namely; transportation, Storage and Communication, Wholesale and Retail Trade, Finance and Insurance; Housing Services (Ownership of Dwellings), General Government Services (Public Administration and Defense) and Other Private Services (Social Services) (F. D. Pakistan, 2016). The Services sector exceeded growth rate at 4.95%againstthe growth rate of 4.37 percent last year(BAHRAIN, 2015). The performance of services sector is good as all the sectors promoted development; the contribution of Finance and Insurance was 6.1 percent, General Government Services at 9.4 percent, 4.0 percent of Housing Services, 5.9 percent of Other Private Services, 4.2 percent of Transport, Storage and Communication and 3.4 percent of Wholesale and Retail Trade (Farooq & Wasti, 2015).Consumption, investment and export are the main drivers of economic development. Pakistan like other developing nations is consumption based society which has high utilization tendency(Stockhammer, 2012).

The GDP growth in 2013-14 was 4.14 percent (Irshad & Xin, 2015). The contribution of agriculture sector was 21.0%in GDP and 43.7% in employment. The contribution of industrial sector in GDP was 20.8 percent(Scheil-Adlung, 2015). The services sector accounted58.1 percent. The growth rate of Services sector accounted 4.3 percent against the growth rate of 4.9 percent last year(M. F. U. Khan, 2014).

GDP growth in 2012-13 was 3.6 percent against the previous fiscal year 2012 which was 4.4 percent (Ahmad, Muhammad, Noman, & Lakhan, 2014). Commodity Producing Sector based on agriculture and industry, accounted 42.3 percent in GDP. It performed better and attained growth rate of 3.4 percent as compared to last year's growth rate of 3.1 percent(Kanwar, Mujtaba Taskeen, Huo, Chan, & Dou, 2012). The share of agriculture sector remained 21.4 percent in GDP. Its

execution remained low due to adverse climate, resulting in decreased cotton and rice production. The agriculture sector accounted a growth of 3.3 percent against 3.5 percent last year (E. A. s. W. Pakistan, 2013). Industrial sector contributed 20.9 percent in GDP. The Services Sector emerged to be the main driver of economic development, contributed 57.7 percent in GDP (E. A. s. W. Pakistan, 2013).

GDP growth in 2011-12 was accounted 3.7 percent on the basis of the data of nine months against 3.0 percent (revised) last fiscal year 2011 (Faisal Sultan Qadri & Abdul Waheed, 2011). Agriculture sector couldn't achieve the target of 3.4 percent and thus accounted 3.13 percent (Low Pay Commission, 2013). Even though services sector accounted 4.02 percent against the 5.0 percent (target). The 3.7 percent on the basis of the data of nine months for the year 2011-12, back in 2008-09 as 1.7 percent and 3.0 percent of last year showed the development (Browne, DI BATTISTA, GEIGER, & GUTKNECHT, 2014). The growth of 3.7 percent indicates that the country has the potential to develop at higher rates in spite of facing various internal and external economic crises (M. F. U. Khan, 2014).

GDP growth of 2.4 percent for the year 2010-11 seems to be sound though lower than its potential, the immense flexibility was observed in the economy from its performance as was experienced many times while suffering from several disasters after the earthquake of 2005 (Wasti, 2011). With some acquittal and proceeding with endeavor, there is a motivation to trust that the nation will return to its potential development path (Farooq & Wasti, 2015).

The devastation of most important crops, mainly rice and cotton, caused an adverse growth of 4% in agriculture sector. The growth of industrial sector was unfavorable and negligible because of low yield in the products of textiles and petroleum (influenced by submersing of the refineries under flood water as well as the debt problem). Resultantly, the aggregate economic activities caught by the services sector was also influenced, with a growth of 4.1%, which was actually targeted to 5.4% (Wasti et al., 2014).

**Table 1: GDP of Pakistan for last Five Years**

Year	2010-11	2011-12	2012-13	2013-14	2014-15
GDP	2.4	3.7	3.6	4.14	4.24

Table 1 shows GDP of Pakistan for the 5 years that is from year 2010 to year 2015. We can see that GDP has shown a positive trend during this period and has increased from the 2.4 in 2010 to 4.24 in 2015.

FDI and its role are well discussed in literature. The economic growth and development of any country is influenced by FDI inflows, and FDI has a tendency to be directed towards those countries and sectors which benefit from the real and prospective comparative advantage (Fernández & Pablo-Martí, 2016). Pakistan has highlighted a stable FDI growth during the last few years, which may be accredited mainly to the political constancy and macroeconomic reforms brought by government (M. A. Khan, 2011). The sectors Oil and gas exploration, financial services and telecommunication have been the most attractive for the foreign (B. o. I. Pakistan, 2015). As the foreign investors were highly attracted by the deregulation policy associated with telecom sector which accounted to 55% of the FDI during the year 2005-2006 (M. A. Khan, 2011).

However, as the FDI recipients, the position of Pakistan is weak as compared to other countries of the world. Though the performance of Pakistan has been more better than before in the last few years as in 2005 it has received even more than twice the Inward FDI flows in comparison to that of 2000, though it is lower as compared to other countries of the world (Afza & Nazir, 2007).

**Table 2: Sector Wise FDI in Pakistan (\$ Million)**

Sectors	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16 (July-Jan)
Oil & Gas	512.2	629.4	559.6	502.0	246.1	187.7
Financial Business	310.1	64.4	314.2	192.8	256.4	(25.2)
Textiles	25.3	29.8	10.0	(0.2)	43.9	16.4
Trade	53.0	25.3	5.7	(3.2)	50.0	11.3
Construction	61.1	72.1	46.0	28.8	53.5	34.2
Power	155.8	(84.9)	28.4	71.4	201.7	334.2
Chemicals	30.5	96.3	71.6	94.9	55.3	23.0
Transport	104.6	18.7	44.1	2.7	6.2	30.0
Communication (IT & Telecom)	(34.1)	(312.6)	(385.7)	434.2	45.1	53.5
Others	416.3	282.2	765.5	375.2	(107.0)	(17.2)
Total including Pvt. Proceeds	1,634.8	820.7	1,456.4	1,698.6	851.2	647.9
Privatization Proceeds	0.0	0.0	0.0	0.0	0.0	0.0
FDI Excluding Pvt. Proceeds	1,634.8	820.7	1,456.4	1,698.6	851.2	647.9

Source: Board of Investment Pakistan, 2016

Table 2 shows sector wise FDI in Pakistan.

Note: Pakistan's Fiscal Year runs from 1st July till 30th June. The figures in brackets are in negative.

The major prerequisite that promotes FDI in Pakistan revolves around ten key essentials, namely political constancy, law and order, economic potency, economic policies of government, government bureaucracy, environment of local business, infrastructure, labor force quality, life quality, and the attitude of welcoming (Zeb, Salar, Awan, Zaman, & Shahbaz, 2014).

Pakistan is facing the challenges in attracting the FDI as it stands nowhere in attracting FDI as compared to other developing countries (Sauvant, 2015). Another significant issue confronting Pakistan is the huge FDI in power sector after the approval of power policy 1994. It resulted in extensive condemnation associated with the balance of payments and related implications. Consequently, this new policy caused overcapacity in power sector under the subsequent industrial stagnation (Bhutto, Bazmi, & Zahedi, 2013). Huge inflows of FDI resulted into an immense quantify of frequent cost of the foreign exchange to face preset and variable expenses of foreign currency (Bordo & Haubrich, 2010). Furthermore, it includes the issue of immense cash outflows by the IPPs for the repayment of debts, dividend payments and the payments of fuel (Salman & Siddiqui, 2011).

Human development is a procedure of enhancing the choices of the individuals, which can be vast and vary over time (Wickens, Hollands, Banbury, & Parasuraman, 2015). For the individuals at all levels of development, there exist three fundamental factors to spend a long and healthy life namely, to obtain knowledge and live a standard life using available assets, and lack of these choices may cause inaccessibility of many other opportunities (A. E. Yamin, 2015). Human Development Index and "HDI" in short is a composite index which measures the average of fundamental three human development dimensions — long and healthy life, the knowledge and a civilized living standard (Glatzer, 2012). In HDI, the component indices for the life expectancy, literacy, enrollment in schools, and income are gathered into one index which can be utilized for comparing the human well-being level between countries and to examine the progress of the country (Elfatih Mohammed Nour Awadalla, 2015).



**Table 3: Human Development Index (HDI) of Pakistan from 2011-2015**

	2011	2012	2013	2014	2015
HDI Rank	145	146	146	146	147
HDI Value	0.504	0.515	0.537	0.538	0.538

Source: Human Development Reports by UNDP

Table 3 shows that Human Development in Pakistan has been in slow development for the last few years which is not enough as compared to other developing countries but definitely there has been a positive change, as HDI rank has increased from 145 to 147 and HDI value has increased from 0.504 to 0.538.

Small businesses are recognized by the states globally for their contribution in the economic firmness and growth, employment, fresh jobs, social consistency and the development (Knight & Cavusgil, 2004). The developing countries have small businesses more often (Rushton, Croucher, & Baker, 2014). Small and medium enterprises and “SMEs” in short are crucial for the country’s economic constancy, and act like a cushion to economic shocks. Although, in Pakistan recent SME data are not available, according to the government of Pakistan (2013), the gross domestic product (GDP) share of retail and wholesale businesses is 18.2 percent, with a growth rate of 2.5 percent yearly. Pakistan is an agriculture-based economy like other developing countries (Raheem, Hassan, & Shakoor, 2016). Trade is the second largest sector in terms of labor force employment, employs about 15 per cent of labor force. These statistics propose the vital importance of trade for economic development in Pakistan. Thus, the SME’s formation and existence is essential for the firmness of economy, employment size and quality and the nation’s socio-political structure (Frambach, Barkema, Nooteboom, & Wedel, 1998).

Youth is the main share of working age population of Pakistan (Gouleta, Witte, & Letiecq, 2015). This represents potential risks and benefits. Firstly, youth is more active, movable and flexible. Secondly, youth can be a big hazard to the society if not facilitated proper economic opportunities (Schaffmeister, 2015). Youth of Pakistan suffers from various challenges in approaching to work, early to start work, failure in entering the labour market and facing troubles in progress across their jobs. Entrepreneurs can create opportunities in ways others can’t (Hajkowicz et al., 2016). Entrepreneurs identify new opportunities and develop and grow ventures around such opportunities (Bruton, Khavul, Siegel, & Wright, 2015). Additionally, entrepreneurs add to the economy in distinctly different ways than traditional workers, thus making a strong, positive association among the economic growth of a country and an entrepreneurial activity (Delgado, Porter, & Stern, 2010). Greater emphasis on entrepreneurship will moreover encourage graduates to develop into “job-creators” rather than “job-seekers (Muir-Leresche, 2013). Youth varies in different perspectives of Urban, Rural areas, provincially and gender in education perspective. The gender differential is greatest in rural areas. Literacy rates of both the genders go down as the age increases. The younger girls of today are more educated as compared to that of previous generation, which confirms the progress in access to education. In spite of this, illiteracy exists to about 30 percent in the girls aged 15-19 in Pakistan.

**Table 4: Adult literacy in Pakistan (% population aged 15+ educated in Urban/Rural areas)**

	Male	Female	Total
Urban	80	64	72
Rural	60	30	45
Total	67	42	55

Source: PSLM 2010-11

Table 4, illustrates great variance in the Adult literacy rate of Pakistan in urban and rural areas as well as by gender as it is observed very low in females as compared to that of males and same is the case with rural areas when compared with urban.

**Table 5: Adult and youth literacy rates in Pakistan's provinces (%)**

	Adult literacy (15+) (%)		Youth literacy (15-24) (%)	
	Male	Female	Male	Female
Pakistan	42	67	59	79
Punjab	47	67	66.7	79.0
Sindh	43	71	46	69
KP	28	65	44.8	81.4
Balochistan	15	56	33	
FATA	6.7	35.8	12.4	48.2
AJK	47.3	73.2	76.5	87.5

Source: MICS and PSLM (2010-11) data; youth literacy rate is from the UNICEF website

Table 5 shows that the Adult and Youth literacy rates differ to much extent in all provinces of Pakistan. It is also different in males and females.

**Table 6: Youth variance in educational institutions by gender from 2010-2014 (%)**

	2011-12	2012-13	2013-14
Male	58	64	76
Female	42	36	24

Source: Pakistan Education Statistics by UNESCO

Table 6 illustrates an increasing tendency of Youth towards educational institutions for the last few years.

**Table 7: Variance in educational institutions by Location (Urban/Rural) from 2011-2014 (%)**

	2011-12	2012-13	2013-14
Urban	21	21	22
Rural	79	79	78

Source: Pakistan Education Statistics by UNESCO

The average literacy rate in Pakistan is only 55% (UNICEF 2015). Different survey estimates indicate adult literacy progress of about 1% per annum (SATHAR, ROYAN, & BONGAARTS, 2013).

**Table 8: Adult Literacy Rates from 2001-02 to 2012-13 by Province**

Province	2001-02	2005-06	2009-10	2012-13
Balochistan	26.9%	32.4%	43.4%	43.6%
KP	35.4%	39.5%	45.1%	49.1%
Punjab	48.7%	52.0%	56.0%	58.0%
Sindh	51.2%	53.1%	55.5%	58.2%
Pakistan	46.5	49.7%	54.0%	56.2%

Source: Labor Force Survey (2001-13)

Adult literacy rates vary in all provinces of Pakistan, Sindh and Punjab has the high literacy rates and the Balochistan has the lowest literacy rate as compared to other provinces.

**Table 9: Youth Literacy Rate from 2001-02 to 2012-13 by Province**

Province	2001-02	2005-06	2009-10	2012-13
Balochistan	39.8%	48.1%	60.6%	55.9%
KP	53.2%	55.4%	64.4%	67.2%
Punjab	66.6%	68.9%	73.2%	74.5%
Sindh	64.0%	65.3%	67.0%	69.9%
Pakistan	63.1%	65.2%	70.0%	71.6%

Source: Labor Force Survey (2001-13)

Table 9 shows the Youth literacy rate of all the Provinces of Pakistan, out of which Punjab shows the highest youth literacy rate and Balochistan shows the lowest.

**Table 10: Youth (15-24 year) Literacy Rates (%) by Gender**

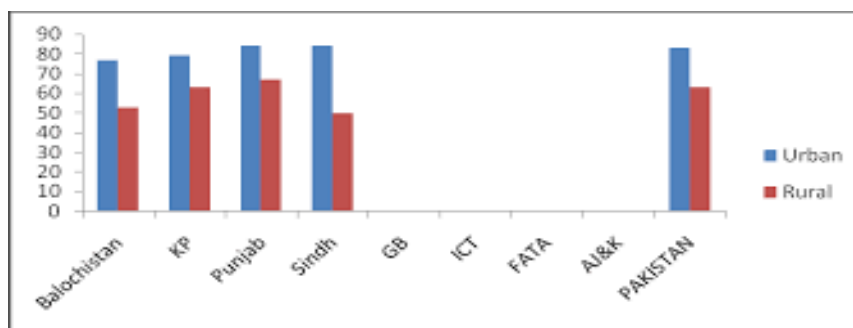
Gender	Balochistan	KP	Punjab	Sindh	GB	ICT	FATA	AJ&K	Pakistan
Male	76	84	78	77					79
Female	34	49	67	58					62
Both	60	66	73	68					70

Source: National Education Management Information System (NEMIS) Database 2011-12, AEPAM, MET, Islamabad

Note: Information not available for GB, ICT, FATA and AJ&K

Table 10 shows that the Youth literacy rates in Pakistan differ by gender, male show the higher literacy rate as compared to that of females.

There are broad discrepancies in youth literacy rates across urban-rural location. All provinces show high variation with urban rates being much higher than rural rates; but the highest gap is evident in Sindh, where youth literacy rate is 84% for urban and only 50% for rural areas.

**Figure 1: Youth Literacy Rate (%) of population aged 15-24 years by Urban-Rural Location**

Source: Pakistan EFA Review Report 2015

Figure 1 shows the Youth literacy rate in Urban and Rural areas of Pakistan, where Sindh and Punjab show the higher literacy rates in urban areas, KPK and Punjab show the high literacy rate in rural areas.

The Existing Plans to promote Literacy Rate in Pakistan varies in all the provinces as in Sindh the literacy promotion plan includes, inauguration of fundamental literacy as well as functional literacy centers and earnings as well as basic literacy centers, Private/ NGOs literacy Centers, inauguration of centers for Quranic Literacy, inauguration of non-formal fundamental education schools (UNESCO, 2016). While for Punjab the current plans include, literacy capacity building and department of non formal basic education, Establishing 300 centers of Adult literacy and 200 NFBE in brick kilns, learning centers in community, programs of Punjab Literacy &

Livelihood, Literacy Program, literacy enhancement campaign in the four districts of Punjab(A. Rehman, Jingdong, & Hussain, 2016). The existing plans for KPK mainly focus on adult literacy and in backward areas the non formal Basic education and in the whole province there are the centers for skill development and vocational education, community schools and Feeder Schools, schools for learning in communities. And for Balochistan plans include inauguration of fresh primary schools, Masjid /Maktabs, Introducing dual shift in the current schools, facilitating existing schools, focusing on the effectiveness of schools and improving education quality, literacy centers for adults, centers for skill development (UNESCO, 2016).

The rate of unemployment in Pakistan has a tendency to be evaluated lower than accounted. Unemployment rate of 5.9 percent is fair than the last survey rate of 6.0 percent. Familiar configuration is observed in males (5.1%, 5.0%), females (8.7%, 9.0%) in urban areas (8.0%, 8.0%), and in rural areas (5.0%, 5.0%). The proportional age related rates of unemployment in the twenties (20-29), and early thirties (30-34) are high and, the unemployment rates in early teens (10-14), latter thirties and above (35+) are turning down. Gender rates make diverse changes down the age groups although the female rates are more synchronized in general rates as compared to that of males (See table below).

**Table 11: Unemployment Rate in Pakistan by gender from 2010-2015 (%)**

Pakistan	2013-14	2014-15
Rural		
Total	5.0	5.0
Male	4.4	4.3
Female	6.6	6.7
Urban		
Total	8.0	8.0
Male	6.4	6.2
Female	19.4	20.4

Source: Pakistan Labour Force Survey 2015

Table 11 demonstrates that Unemployment rate in Pakistan vary by gender, it is higher in females as compared to that of males.

**Table 12: Unemployment Rates in Rural/Urban from 2013-2015 (%)**

Year	Both Sexes	Male	Female
2009-10	5.6	4.4	9.5
2010-11	6.0	5.1	8.9
2012-13	6.2	5.4	9.0
2013-14	6.0	5.1	8.9
2014-15	5.9	5.0	9.0

Source: Annual Report of LFS 2014-15

Table 12 depicts that Unemployment rate is higher in females and lower in males in Urban as well as Rural areas of Pakistan.

Table 13 shows that Unemployment rate in Pakistan differs by age, it is higher in younger people and lower in older people.

The main reason is not pleasant and also unacceptable condition of law and order and due to this severe circumstance foreign direct investment is decreasing (Akram et al.). Agriculture is the second main source for the employment in Pakistan, but nowadays it is facing numerous challenges

like water shortage, climate changes and technological backwardness resulting in a decline in employment. Many other reasons are the result of energy crisis (Satti, Hassan, Mahmood, & Shahbaz, 2014).

**Table 13: Unemployment Rates by Age (%)**

Age Group	2013-14	2014-15
10 – 14	13.8	9.9
15 – 19	11.7	10.1
20 – 24	9.2	11.0
25 – 29	5.4	6.1
30 – 34	3.3	3.5
35 – 39	2.0	1.9
40 – 44	2.2	2.0
45 – 49	2.4	1.8
50 – 54	4.1	3.6
55 – 59	5.9	5.8
60 years and above	7.2	8.9

Source: Annual Report of LFS 2014-15

These encompass a noticeable decline in the productive capabilities of the industrial goods and services (Knox, Agnew, & McCarthy, 2014), the increasing rate of inflation, low investment and low saving, results in decrease of GDP of the industrial sector. The reasons which cause high unemployment in youth are diverse; low level of education, absence of skills, mismatch of structure, demographical differences among the urban and rural areas, experience, job discrimination in provincial quota, sector inequality etc (Qayyum & Siddiqui, 2007).

### Conclusion

Present research examines the role of FDI, GDP, Human development, Literacy rate, youth & Unemployment on the economic development and growth of the country. The results of the study confirm the significant influence of these variables. All hypotheses were found contributing towards the economic development and growth of Pakistan. Among these variables, Foreign Direct Investment (FDI) is the most effective variable to enhance the economic development and growth of the country as it is a bridge between the world markets and local market and works as a way to increase the capabilities of the host country through investments that help in transfer of technology and creation of employment opportunities. The role of FDI in today's global environment beneficial for economic growth, building foreign reserves and helping local procedures to enhance their capabilities that ultimately lead them to explore export opportunities and establish trade linkages with the world.

Economic growth is growing continuously in all countries of the world, and Pakistan has also showed continuous progress in economic growth and development. In this growth, GDP has played a vital role as the GDP growth is very important for the economic growth of any country. This continuous growth has brought the economic growth in Pakistan which ultimately led to the development of the country.

Human development of the economy in general and that of professionals specifically don't seem to be of much interest for the in the current literature; however, the competent professionals play very important role in the development of economy and competitiveness. Human development is the fundamental prerequisite for developing the economy based on knowledge, minimizing the

labour market skills discrepancy, and establishing a country's global competitiveness by stimulating the social and economic growth as people's well being.

Pakistan has hardly reached the Literacy rate of 56 percent which is very low as compared to other developing countries. And a vast gender literacy gap has been observed in males and females in all the provinces of Pakistan. Female literacy is very low in some areas where the tribal culture is adopted and the social mobility is also negligible just like in Balochistan. To cope with this situation, certain innovative strategies are highly recommended to facilitate and encourage the illiterate females in all parts of Pakistan. There are about 52 million illiterates estimated within the country with 62 percent females. Literacy rate is one of the key challenges to lead the country towards sustainable development because the unskilled and illiterate personnel can hardly take part in effective social and economical development.

The Youth unemployment rate differs provincially in Pakistan; it is high in some areas and low in some other areas. Unemployment also affects on economic growth of the developing countries to some extent because the individuals who are unemployed and doing nothing can also contribute in economic growth and development of the country if provided opportunities.

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