The impact of foreign direct investment on the growth of emerging economies: a case studies of Turkey and Pakistan 1980-2015

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Abstract
This paper investigates the impact of foreign direct investment on the growth of emerging economies of Turkey and Pakistan. Decreasing the gap between domestic savings, investment, bringing the latest technology and management, know-how from developed countries and foreign direct investment (FDI) plays important role in achieving rapid economic growth in developing counties. This study highlights the relation between economic growth and foreign direct investment (FDI) in emerging economies of Turkey and Pakistan. The research focuses on the inflow of FDI and the economics of Turkey and Pakistan to find out the role of inflow of FDI over the economic growth. It shows that the inflow of FDI has a significant effect on economic growth using gross domestic product (GDP) from period 2000 to 2015. When the relationship between FDI and economics growth was estimated using gross domestic product; it has been found that there exists a strong positive relation between them. The results stand robust in the causality test and regression analysis.

Keywords: *foreign direct investment, emerging economies, Pakistan economy, Turkish economy.*

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Yabancı sermayenin yükselen ekonomilerin büyümesi üzerindeki etkisi: Türkiye ve Pakistan'da bir olgu sunumu 1980-2015

Özet

Bu araştırmada, yükselen ekonomilerde Türkiye ve Pakistan'da doğrudan yabancı yatırımların, bu ülkelerin ekonomilerinin büyümesine olan katkısı incelenmektedir. Son yıllarda, Çin, Brezilya, Rusta, Hindistan, Türkiye gibi yükselen ekonomilerdeki hızlı büyüme, beraberinde bu hızlı büyüme içersinde, yabancılar tarafindan yapılan doğrudan yatırımların etkisini gündeme getirmiştir. Özellikle de, Bhagwati'nin 1978 yılında kullandığı model kullanılarak, Pakistan gibi gelişmekte olan bir ülke için iyi bir model oluşturup olamayacağı incelenmiştir. 1980-2015 arasındaki verilere dayalı yapılan çalışmada, her iki ülkede de, hem Türkiye hem de Pakistan da, doğrudan yatırım ile ekonomik büyüme arasında doğrudan bir ilişki bulunmuştur.

Anahtar kelimeler: *doğrudan yabancı yatırım, yükselen ekonomiler, Pakistan ekonomisi, Türkiye ekonomisi*

Introduction

The world turned into a global village, financial integration among countries has become easy subsequent in the increase of the capital flows between countries. In the world economy, a prospect for the economic circumstances and overall economic recital of a country depends on multiple factors including political stability, graphical conditions, industrial technology but the most significant factor is foreign direct investment (FDI). The interacting countries can liberalize the agreements unilaterally that can bring benefits to both sides and can be more beneficial and easily adopted. Small countries can form a coalition to avoid the powerful country's negotiation terms.

A country capitalizing to the others receives equal benefits as host country receives. The non-monetary are by product of investment including monetary as well. Non-monetary benefits cash in with technology enhancement, employment, supplies, taxation and improve skill level of citizens. Some developing countries like Pakistan are open to foreign direct investment to entail large profits. However, unlike India and China, Pakistan was not successful in gaining significant and consistent inflow of FDI. Moreover the inadequate inflows, received by the country, are not used in the right way to improve economic performance (Ataullah, Ali, and Hang Le. 2006). In this paper, the conclusion of FDI between Pakistan and one of the emerging economies Turkey will be analysed.

Foreign direct investment

Foreign direct investment (FDI) is a source of bringing the valuable technology, knowledge, human capital and developing a connection of the mass state, which can help to improve the economy. Whether the foreign direct investment enhances the economy or not is still under a debate amongst many researchers. Although many there is still no unanimous agreement amongst many famous scholars the less development countries (LDCs) have been aggressively looking for since the FDI inflows early 1980s based of the knowledge that FDI does convey many profits in the country, including the technology advancement, improves skills of managerial and access into international market (Yang, 2007).

The main goal of any investment is to earn profit.Thus accumulation of different type of assets hope for the earning return in future. In this contest, investment is an important tool for the growth of the economy either by foreign direct investment or portfolio investment (Khan and Khattak, 2009). When foreign companies enter in any country's market ad introducing their products liberally in the market the domestic companies facing lots of challenges in quality, price and technology. Consumers move towards the better and cheaper product by technology and price so it can be said that this is compulsory for domestic companies for survival that they added new technology in products. On other side it can be said that the technology of production and product will improve through FDI. In the economic terminology, “spill over” theory states extremely optimistic effect of FDI on the growth of the economy of a country (Alfaro, 2003).

Foreign direct investment is a kind of real kind investment in which for the long term benefits other foreign companies investing in another country and form the administrative structure of that investment then control it (Aqeel and Bilquees, 2004). The Capital owner follows the rules and the obligations in the host country (Kolstad and Villanger, 2008). Usually, foreign direct investment are made by major international companies through mergers and acquisitions or by building a new facility (Kurtishi, 2013).

New development hypothesis, thus, gives intense support to the theory that FDI could be a powerful consider advancing development. The abuse of this potential, in any case, requires a favourable financial atmosphere. Without such an atmosphere FDI might be counterproductive; it might impede as opposed to advance development, it might serve to improve the private rate of come back to venture by outside firms while applying little effect on social rates of return in the beneficiary economy. As a result of the considerable number of wasteful aspects it produces, an Import Substitution arrangement is probably not going to give a financial atmosphere helpful for the effective operations of remote firms (Bhagwati, 1985).

But an Import substitution policy, which restricts competition from both domestic and foreign sources, is unlikely to promote such investments; rather it is likely to promote X-inefficiency. Interestingly, for reasons expressed prior, the export promotion strategy with its accentuation on nonpartisan ship of approach, the free play of market strengths and rivalry gives a perfect atmosphere to the misuse of the capability of FDI to advance development. The nonattendance of simulated arrangement forced boundaries to exchange advances the proficient portion of both transported in and local assets and the opposition it induces gives an intense boost to interest in innovation and human abilities.

In addition to studies by Bhagwati (1960), Grossman and Helpman (1990) added to growth theory. Grossman and Helpman (1990) argued the monetary development determines the long run rate of development and which economies will become the speediest by using it. Also, what sorts of arrangements can governments use to quicken propels in expectations for everyday comforts. These inquiries were fundamental for the individuals who considers in the 1960s, and remain so in the late restoration of enthusiasm for long run monetary execution. Despite the fact that, this verbal confrontation has given rich bits of knowledge into the relationship amongst FDI and development there is next to no experimental examination of the issue. Late improvements in development hypothesis, styles endogenous development hypothesis, give such a reasonable structure to investigating the effect FDI on development.

While the relationship amongst fares and development, grounded in endogenous development in creating nations with regards to new development hypothesis. An intriguing theory proposed by Jagdish Bhagwati which joins exchange system to both the extent of FDI individual creating nations can pull in and its viability development, captures the essence of the issue (Bhagwati, 1973). Bhagwati's hypothesis is wide ranging and its precise enunciation of the link.

Table 1. The world foreign direct flows 1970-2013 / million USD (World Bank,2017).

Country Name	1970	1980	1990	2000	2010	2011	2012	2013
China	-	-	3,487	38,399	243,703	280,072	241,214	290,928
United States	1,260	16,930	48,490	321,274	259,344	257,410	232,001	287,162
Brazil	-	1,911	989	32,779	53,345	71,539	76,111	80,843
Russian Federation	-	-	-	2	43,167	55,083	50,588	69,219
Germany		342	3,004	210	86,053	97,481	54,660	59,015
Australia	898	1,869	8,111	13,618	35,211	65,555	57,617	54,554
United Kingdom	1,488	10,123	33,503	122	66,735	27,011	46,751	35,015
Turkey		0.18	0.684	0.982	9	16	13	12,4
United Arab Emirates	7,780	97	115,820	506	5,500	7,679	9,6012	10,487
Argentina	89	678	1,836	10,418	7,84	10,720	15,324	8,917
Saudi Arabia	7	4	2	1	29,232	16,308	12,182	8,865
Japan	-	280	1,777	8	7,440	(851)	546,963	7,412
Pakistan	23	63	245	308	2,022	1,326	859	1,333

The China, Russia, Brazil, South Africa and India (BRICS)'s outflow of Foreign Direct Investment increase from 2 percent to 9 percent in 2009. After having increased during the years 2011-13 the EU Member States' direct investments in BRIC declined sharply in 2014 and were at their lowest level during the period 2010-14. Nevertheless the BRIC countries' percentage of total EU outflows increased to 52%, thus the fall was not as significant as for other countries outside the EU. This is because most the developing countries eased the limit on the Foreign Direct Investment (FDI) and more vigorously obtainable tax incentives and other aids subsidies to encourage the foreign stocks into the country.

In last three decades, all of the BRICS have made the connection with the other countries easier by opening their economies significantly. There is a considerable reduction of trade barriers and tariffs on non-agricultural products. This policy increased the growth of the business in their emerging economies (OECD, 2017). Political risks, microeconomic variables and business conditions are directly linked to the FDI inflow for an emerging country. Political risk has a greater role out of these three factors. Liberalization plays a vital role in outward flows of FDI especially for emerging countries like BRICS (Buckley, 2007).

By 2005, about 33% of the supply of world wide FDI have gone to creating nations like Brazil, Argentina and Chile. There is sensitive issue of environmental impact in case of Latin America FDI in Russia has been low despite its large amount of natural gas resources. The Russian economy depends on the stability of the country which related to its political situation and the oil prices in the market because of Russian oil resources. International financing also played an important role in the rapid growth in the emerging economies (Klinz, 2011).

The world's quickest developing economy is China which center in both representatives and the scholarly world (Lau, 2008). In the first place of the vital drivers of China's development is remote direct venture (FDI) into the nation. The biggest bit of China-related research is centred on FDI in China. The relationship between outside direct speculation inflows and work utilizing worldwide business procedure centred (McDonald, 2003) through overview that writing to recognize the components impacting the advancement of backups that may influence business development in host areas.

The examination shows that extra applied and work is required to elucidate our comprehension of how the operational, hierarchical, and broadening qualities of backup's impact of business (Altinkaya and Aslan, 2015), (Singh and Jun, 1995) studied the liberalization factor on the Russian markets from 1993 to 2000. He did a survey to the companies who invested in Russia and found that most of the investors invested in Russia because of its size of market and entering Russian markets. To understand the fundamental role of the international financing, the present study will look at the role in the growth of the developing countries like Turkey. Main focus of the study will be on the growth of Turkish economy and Pakistan economy and the Foreign Direct Investment of Turkey and Pakistan respectively.

The currencies in which the investments are made and the monetary units is the second difference between domestic and FDIs are normally made in the domestic standard of value and monetary unit like, gold, dollar, silver, peso, fiduciary paper according to the country standards. The strategy to improve international integration through trade and capital account liberalization was one of the key Brazilian economic reforms of the 1990s. To improve the GDP growth rate, such policy was seen as a way to boost economic efficiency and competitiveness. While FIs are often made in different standard of value and monetary unit like contrary to domestic ones. But this is not the only difference, because during peace time mostly countries are on gold standards or having the same monetary unit. The new trend of FIs is towards the less developed countries in Latin America and Asia where there is no gold standard or monetary unit established.

Difference is the third difference between local and foreign investments. For example language is the barrier in understanding the capital contracts and annoying condition of cheaper market to the dearer market. After that there come taxation laws, system of government, social customs and political conditions. It makes situation unpredictable if the investment is made in local monetary unit.

Foreigners need to understand all the barriers while investing or flowing capital in foreign fields. If the investment is too attractive that can return the investment in long term or overcomes these barriers then it should be preferred by the investors. Because this capital will move out of the homeland and becomes an investment abroad (Kemmerer, 1916).

Foreign direct investment of the Turkey

Turkey is situated in a strategic location and shares its borders with two European and six Asian Countries, it is a developing country. Since 1980 Turkey gears an external oriented trade policy. Turkey, starting from 1980 left import replacement policy and opened its market by slowly lowering its customs tariffs. As part of Custom

Union, Turkey's trade policies are according to the line with Common Profit Policy of the European Union.

More recently, in the new world order that ensued after the collapse of the USSR, Turkish foreign policy has shifted from a uni-dimensional policy to a multi-dimensional one (Aybar, 2016).Worldwide patterns and rising patterns (Czinkota, 2009) will have medium and long haul consequences for the Turkish economy like on each other nation in molding what's to come. In this segment, essential unequivocal worldwide patterns are considered in the extent of Turkey's cooperation with the World (Ozturk and Acaravci, 2010). Turkey gained incredible ground over the previous decade adjusting monetary and political security. While Turkey took just USD 15.5 billion FDI until the end of 2001-2002, the aggregate FDI inflows to Turkey in the most recent ten years accomplished to USD 130.5 billion, that is more than 8.6 crease of the sum got before 2001-2002. As indicated by the 2013-14 United States World Investment Report Conference of Trade and Development (UNCTAD), Turkey climbed 2 puts in 2012-13 coming to the 24th among the most alluring nations for FDI, positioned the fourteenth among the creating nations and the first inside the West Asia district. In table 2, the major macro economic indicators have been given.

Table 2. Economic indicators of Turkish economy 1995-2015 (World Bank, 2017)

Year	Growth %	GDP	Inflation	Savings percent of GDP	Growth of Export	Foreign Direct Investment Billion dollars	Unemployment
1995	7.88	317	88.1	21.72	7.98	0.89	7.6
2000	6.77	386.6	54.9	17.9	15.98	0.98	6.5
2005	8.4	483	10.1	15.59	7.89	10.03	10.6
2010	9.16	565.1	8.6	13.19	3.41	9.1	11.9
2015	3.97	624.5	7.4	13.82	10	12.80	8.9

Turkey is currently an economy that welcomes FDI as well as expands its outward ventures (Ozturk and Acaravci, 2010). A relationship was found by the accessible information from 1980 to 2012 by vector auto relapse show. It presumes that there is no long run relationship between outside direct speculation and financial development in Turkey (Aga, 2014). However, Erdal and Tatoglu found that there is direct relationship among the span of local market, openness of the economy to outside exchange, foundation of the host nation, appeal of the household market, outer and interior financial soundness (Altinkaya and Aslan, 2015)

Turkish investor's outward investments of USD 2.4 billion in 2012 achieved to USD 4.22 billion with an impressive growth rate of 79% in 2013. The FDI global trends showed a downturn following the global economic crisis in 2009. After showing recovery signs in 2011 and 2012 FDI flows again fell worldwide by 19% to Foreign Direct Investments in Turkey 2013.

In the year 2012 FDI inflow in Turkey is approximately 12.4 billion dollars but in 2012 FDI in Turkey decrease by 23% as compare to 2011. As the strategic investment and private equity funds FDI inflows in Turkey to be increased by 15 to 20 billion dollars in 2013 and this amount to be increase further if the privatization trained will be successfully implemented, but of course with global bidder interest and also when other developments in the credit ratings and the investments in the country are seen.

In 2012, 12.4 billion dollars of FDI inflows to Turkey; 9.3, billion dollars represents the net capital inflow, 416 million dollars. Otherwise capital inflows, and $ 2.6billion is the real estate purchase and sale of non-residents in Turkey. In this paper has to build up adapted truths of the Turkish macroeconomic changes utilizing 30 year information from 1969-1999. They adopted a conventional from the earlier meaning of business cycles as recurrent co-developments of economic factors, for stance open, private and development ventures, exchange adjust, work efficiency, compensation and monetary records with the repetitive part of real gross domestic product.

The most important part of the Turkish economic growth is foreign direct investment. Then, after more than fifteen years of economic growth, Turkeys has become one of the most important economic centres for cross-border trade. Because the result of the ease of commercial active government policy. This is the reason why foreign direct investment in Turkey has grown rapidly. Since 1978, particularly in the 1990s from early 1980 to late 1990, contracted FDI inflows to Turkey dress form approximately $ 1.5 billion per year to more than US $ 40 billion per year in 1999. In the same period Turkey was actually used FDI will grow from approximately US $ 0.5 billion more than US $ 40 billion per year, Turkey has the world's growing FDI recipient among developing countries since early 1990.

The level of FDI has been around 183 billion USD in 1999 to developing countries. The final point of 117 billion USD has been the 5 newly industrializing countries in the Far East. Turkey attracted only 817 million USD in that year. FDI increased to 1.3 billion USD in 2001. Tatoglu (2000) say that did a co-integration analysis of the location factors that affect the FDI inflows. Because Turkey has advantage of many location factors to attract FDI. Also indicates the location factor of Turkey with respect to the multinational firms by using conditional logit model.

In recent years, foreign direct investment to Turkey accounts for a quarter to a third of the total foreign capital inflow to developing count. Numerous outcomes (Dumludag, 2010) bring up about connection between the nature of foundations and FDI in creating nations, where institutional factors, for example, low level of debasement, government soundness, requirement of agreement law, working of legal framework, straightforward, legitimate and administrative system political and monetary steadiness, protected innovation rights, proficiency of equity and prudential gauges have noteworthy effect on FDI in Turkish economy relationship with different nations.

Celasun (1994) and Tatoglu (2000) are among the first who review the research papers about FDI in Turkey this is the reason by Turkey not reach the level of central European countries in capacity of FDI (Tatoglu, 2000). In another research paper the Turkey's performance is very poor as respect of FDI (Loewendahl and Henry, 2000). The main purpose of our research to identify the reasons behind the small level of FDI in Turkey and afford important recommendations to improve it or making the high level FDI in Turkey and Pakistan.

Loewendahl and Henry (2000) analysed the Turkey's performance in attracting foreign direct investment (FDI). He identified the key location factors for Turkey for FDI. They say that fare situated firms don't profit by these overflows rather than firms creating for the most part for the local market. Be that as it may, when remote proprietorship is characterized by the minority or larger part of capital is kept by the outside accomplice, flat overflows appear to begin from outside firms with greater part or full remote possession while no such impact is connected with minority-claimed outside firms. Utility costs, shaky trade rates, high swelling rate and political flimsiness are primary figures Turkish assembling firms for FDI (Kaya, 2009).

There are some studies are cried out to investigate whether Turkish manufacturing firms continue their work where country's unfavourable business environment influence the internationalization of firms via FDI or not and then the study provides ways to motivates the emerging economy-based firms (Kaya, 2009).

Established economic division, introductions and foreign direct investment (FDI the role of all above mentioned things are very important in the growth of a country (Shahbaz and Rahman, 2012). The relations between Pakistan and Turkey are rooted deeply through historical, brotherly, and religious share common vision on nearly all international and regional affairs. The relations between two friendly countries have also intensified as a part of so called "turning to east" policy in Ankara and in Islamabad .

Foreign direct investment of the Pakistan

In 2014 GDP of Pakistan expended by 4.14 percent from 2013. From 1952 to 2014 GDP growth of Pakistan increased by average of 4.92 percent. In 1954 GDP rate of Pakistan touches its peak 10.22 percent and record low rate of -1.80 percent in 1952 (Pakistan Bureau of Statistics). When it is reviewed the economic condition of Pakistan which is the 6^{th} largest country in the world by population. 26^{th} largest economy in term of Purchasing Power Parity (PPP) and 41th largest as nominal GDP and has per capita of 4,993 dollars annually which has 133th rank in the world.

As it is known that macroeconomic development is an important factor of FDI but it is seen that in recent years Pakistan lost that factor of FDI. The economy of Pakistan grew with the rate of 2.9% annually from past five years. Investment in energy sector is the major growth and if separate that sector from whole of the economy the remaining growth is 2% only. GDP growth has continued shooting at a level that is less than half of Pakistan on potential long-term trend of 6.5 percent per year.

Although according to the report of the World Bank year 2013 the rate of the foreign investment in Pakistan is higher than Russia, Brazil, Indonesia because the large domestic market of Pakistan and the investor friendly economic policy of Pakistan attractive for the foreign investors.

In the first years after independence, Pakistan received more FDI than its larger neighbours. Due to inconsistent investment, the flow of foreign direct investment remained insignificant until 1991, but increased gradually after liberalization, and showed a rising trend. FDI inflows peaked at US $ 5, 6 billon in 2007. Shows that since 2008, the inflow of foreign direct investment fell sharply and amounted to only US $ 0.8 billion in 2012.According to the trend line in the figure it is seen that there is a large amount of the increase in Pakistan GDP of the year 2000-2013. According to Pakistan Econmic Suryey report 2014, the economy increase year by year is estimated at 10% for the last thirty year. At the table 3, the major economic indicators are given.

Table 3. Economic indicators of Pakistan 1995-2015 / billions USD $ (World Bank, 2017).

Year	Growth %	GDP constant dollars	Inflation	Saving percent of GDP	Export Growth Rate %	Foreign Direct Investment billion Dolars	Unemployment Rate%
1995	4.96	73.1	12.3	20.81	-3.08	0.72	5
2000	4.26	85.8	4.4	20.35	16.02	0.31	7.2
2005	7.67	109.5	9.1	25.57	9.59	2.2	7.1
2010	1.61	129.5	13.9	21.55	15.71	2.02	5.1
2015	4.72	114.7	7.4	21.52	.97	1.33	5.1

There are International Trade is importing and exporting of the goods and services among the countries. Political polices in Asia usually result in increased the cost of labor which lead to increase the manufacturing costs and thus increasing the price of final product or service. If policy is to reduce the cost of labor the resulting the consumer will pay less. Imports and exports are accounted for in a country's current account in the balance of payments.

Historically the land of Pakistan is well known for foreign investment. During the era of Great Britain and then since 1970 there are too many foreign companies worked in Pakistan but in 1970s the government of Zulfiqar Ali Bhutto starting nationalization in Pakistan and eventually FDI in Pakistan start declining. The more profitable areas which have been identified for FDI in both the countries are working in information technology, telecom, energy sector and the education sector (23 Pak-Turk schools are operating, promote Turkish language and culture), textile, infrastructure building sectors, motorways (Lahore-Karachi motorway), engineering, (Metro Bus project in

Lahore), airports, Diamer-Bhasha and Bunji Dams, agriculture, tourism, bridges, seaport, cement sectors, manufacturing, and the power sector. Speculations are a vital condition for capital develop and to amplify that inside sparing and venture rates are connected, higher inward sparing rates will infer higher speculation (Guisinger,1991).

However, in an open economy, where capital is exceedingly portable, inner sparing and venture might be absolutely uncorrelated. Examined the relations amongst funds and venture and reported that a powerless connection is found between both the factors (Shahbaz and Rahman, 2012). This infers capital adaptability is deficient inside the nation and inward financial specialists have financed contributing improvements from universal markets to close hole between nearby reserve funds and venture.

Research methodology and analysis

Research model

This study is about the importance of international finance to the emerging economies. Emerging economies are developing economies in the world that are experiencing a rapid growth and that will become one of the most developed countries of the world in future. According to a report published in January 2014, the emerging economies gained a foothold in major advanced economies. In the literature, Aga (2014) is one who analysed the effect of FDI on economic growth in Turkey on the data over the period 1980-2012. By using the Vector Auto regression model, they concluded that there is no long run relationship between FDI and economic growth In Turkey. The research mainly focuses on the economic growth of Turkey.

Table 4. Foreign direct investment of the Turkey, Year 1980-2015 (World Bank,2017).

Years	FDI(US$)	Gross fixed capital formation $	Exports of goods and services $	GDP (US$)
1980	18,000,000	10,937,952,077	3,550,856,151	68,789,289,566
1981	95,000,000	10,749,062,660	5,851,518,176	71,040,020,140
1982	55,000,000	9,757,432,960	7,657,810,068	64,546,332,581
1983	46,000,000	9,100,183,183	7,693,263,017	61,678,280,115
1984	113,000,000	8,635,867,787	9,362,386,822	59,989,909,458
1985	99,000,000	10,262,020,027	10,663,948,826	67,234,948,265
1986	125,000,000	12,977,272,390	10,081,244,162	75,728,009,963
1987	115,000,000	21,572,266,878	13,582,253,229	87,172,789,528
1988	354,000,000	23,719,689,247	16,947,657,046	90,852,814,005
1989	663,000,000	24,431,959,579	17,360,346,518	107,143,348,667
1990	684,000,000	34,459,373,467	20,138,041,278	150,676,291,094
1991	810,000,000	35,540,952,381	20,765,547,619	150,027,833,333
1992	844,000,000	36,439,913,043	22,805,811,594	158,459,130,435
1993	636,000,000	45,987,863,636	24,636,054,545	180,169,736,364
1994	608,000,000	31,965,739,865	27,918,206,081	130,690,172,297
1995	885,000,000	40,397,925,764	33,713,478,166	169,485,941,048
1996	722,000,000	45,533,211,302	39,094,658,477	181,475,555,283

1997	805,000,000	50,153,865,701	46,664,617,512	189,834,649,111
1998	940,000,000	61,552,163,406	57,459,512,850	269,287,100,882
1999	783,000,000	47,300,783,190	48,551,401,624	249,751,469,675
2000	982,000,000	54,361,209,213	53,574,401,791	266,567,532,790
2001	3,352,000,000	31,244,958,388	53,785,580,940	196,005,289,736
2002	1,082,000,000	38,881,173,700	58,638,960,324	232,534,560,443
2003	1,702,000,000	51,546,719,968	69,674,957,692	303,005,303,085
2004	2,785,000,000	79,773,110,488	92,361,269,028	392,166,275,623
2005	10,031,000,000	101,574,229,681	105,557,060,881	482,979,839,089
2006	20,185,000,000	118,337,201,820	120,354,555,478	530,900,094,645
2007	22,047,000,000	138,612,568,885	144,466,001,996	647,155,131,629
2008	19,851,000,000	145,289,538,225	174,608,489,435	730,337,495,198
2009	8,585,000,000	103,689,053,548	143,292,027,742	614,553,921,935
2010	9,099,000,000	138,285,576,258	155,074,465,664	731,168,051,637
2011	16,182,000,000	169,052,654,328	185,760,025,075	774,754,155,821
2012	13,284,000,000	159,867,018,374	207,440,370,824	788,863,301,225
2013	12,384,000,000	167,339,057,674	211,044,675,911	823,242,587,457
2014	12,523,000,000	160,770,980,123	222,743,026,731	798,797,266,164
2015	16,899,000,000	145,810,159,926	200,827,658,088	718,221,078,309

This research verifies Bhagwati's theory, the coefficient of the FDI to GDP proportion in the development condition FDI plays an important role for the development of economy. This analyses the question of how International finance has helped developing economies to become emerging economies? The research will verify the equation Bhagwati (1978), will consider that there is a direct relation between DGP and FDI. Thus it is considered that the following line equation of regression.

Y = g (K., FDI.X)
Y= I+C+FDI+X

Dependent variable = Economic Growth (GDP)
Independent Variable = FDI (Foreign Direct Investment)
Independent Variable = Capital stock (Gross Capital formation)
Independent variable = Export (Goods and Services)

Looking at the through effects of the diverse types of Foreign Direct Investment on economic growth the study will use Ordinary Least Square Method (OLS) from the year 1980-2013 of Turkey. The GDP estimation of Turkey speaks to 1.29 percent of the worldwide economy. Gross domestic product in Turkey normal $ 208.28 billion from 1960 to 2014, achieving an unequaled high of $ 823.24 billion in 2013 and a record low of $ 8.02 billion in 1961 (World Bank, 2017).

There are two main issues (i) Turkish import information in our data set are the aggregate non-appearance of information for 1984 the bigger imports as originating from anonymous sources. (ii) For 1984, information on aggregate import to Turkey by real accomplice were expressed in the International Trade Statistics Yearbook (ITSY) of the United Nations Statistics Division / Department of Economic and Social Affairs (United Nations, 1990). For accomplices with expressed fares to Turkey that were more than 80% of imports announced by Turkey, trade conveyances were utilized to evaluate the comparing import information. For whatever remains of accomplices with expressed import adds up to, the sums were added to the information set and allotted among SITC 4-digit subcategories by the dissemination of Turkish imports from every nation in the nearest accessible year.

The main determents of the economic growth are the domestic savings, the use of technology and investments in the country. The absence of investment and savings and unawareness of use of the technology are indicates that the environment of the country is not suitable for foreign investment in the country. The main significances of the financial derivatives is their net influence to the country hosting income. FDI's influence on the economy of the host country can be analysed by two channels. The first is the contribution of FDI to the sector of intermediate goods, which is defined as growth effect and the increasing specialization input producers this way. The second is the appearance of effect as a result of the R & D activities.

According to the World Bank in 1997, FDI in Pakistan was 0.72% of GDP. To find foreign direct investment are the take-home departures of investment to the sustainable management of interest (10 percent or more of voting stock) in a creativity in another economy than that of the saver. It is the sum of equity capital, reinvestment of profit, other long-term investment and short-term investment as shown in the balance of payments. Foreign direct investment (FDI) influxes are drying up in Pakistan in recent years. After striking an all-time peak of $ 5,400 million in 2007-08, net FDI fell to a low of $ 824 million in FY12, before improving moderately. The net inflow from July to August in the present year, however, still presents a bleak picture. Net FDI slanted to a paltry $ 87 million, from $ 138m in the same year in 2013.

The low rate of GDP, political precariousness and vitality emergencies are a couple of conceivable explanations behind the low level of outside direct interest in Pakistan (Jaffri 2012). In any case, as far as pulling in remote speculations, Pakistan performed very much contrasted with comparable economies, for example, Iran and Peru and there is space for an inversion of this fall, given the enormous business openings, consolidated with the political will of the new government.

Table 5. FDI Inflow trend of Pakistan, year 1980-2015 (World Bank, 2017).

Year	FDI (US$)	Gross fixed capital formation (US$)	Exports of goods and services (US$)	GDP (US$)
1980	63,632,993	4,176,262,727	2,958,199,993	23,689,697,680
1981	108,084,749	4,821,111,337	3,461,199,780	28,100,606,598
1982	63,833,092	5,173,364,769	3,055,880,731	30,725,972,231
1983	29,457,027	4,866,378,010	3,419,646,280	28,691,890,864
1984	55,510,170	5,135,055,206	3,448,628,397	31,151,825,047
1985	131,389,252	5,138,522,294	3,246,343,733	31,144,920,868
1986	105,730,332	5,430,874,238	3,796,228,356	31,899,072,714
1987	129,377,644	5,828,138,314	4,414,017,836	33,351,526,336
1988	186,491,557	6,338,136,990	5,227,069,416	38,472,741,069
1989	210,599,917	6,949,801,369	5,576,987,106	40,171,021,121
1990	245,262,963	6,921,703,628.72	6,216,942,714	40,010,425,585
1991	258,414,487	7,941,544,623.86	7,725,443,914	45,451,960,732
1992	336,479,857	9,087,548,677.39	8,442,727,144	48,635,176,853
1993	348,556,958	9,902,066,792.30	8,394,297,013	51,478,304,860
1994	421,024,638	9,325,811,695.33	8,449,775,780	51,894,781,282
1995	722,631,561	10,328,865,058.09	10,132,260,947	60,636,022,423
1996	921,976,183	11,003,183,667.13	10,703,064,802	63,320,122,807
1997	716,253,125	10,203,473,498.82	10,040,494,157	62,433,300,338
1998	506,000,000	9,356,585,924.42	10,252,214,044	62,191,955,814
1999	532,000,000	8,773,132,620.24	9,668,690,514	62,973,855,719
2000	308,000,000	11,740,227,108.00	9,940,178,787	73,952,374,970
2001	378,000,000	11,324,716,592.24	10,600,274,820	72,309,738,921
2002	826,000,000	11,048,603,442.68	11,007,713,543	72,306,820,396
2003	534,000,000	12,573,553,013.49	13,917,671,163	83,244,801,093
2004	1,118,000,000	14,675,125,933.65	15,350,078,166	97,977,766,198
2005	2,201,000,000	19,120,415,919.78	17,180,327,372	109,502,102,511

2006	4,273,000,000	24,339,655,109.04	19,400,851,368	137,264,061,106
2007	5,590,000,000	26,190,631,689.71	20,137,183,306	152,385,716,312
2008	5,438,000,000	29,943,641,930.40	21,059,563,685	170,077,814,106
2009	2,338,000,000	26,819,498,001.87	20,843,801,713	168,152,775,283
2010	2,022,000,000	25,199,858,714.08	23,978,785,633	177,406,854,515
2011	1,326,000,000	26,763,502,947.89	29,854,494,121	213,755,282,059
2012	859,000,000	30,273,219,634.70	27,848,623,704	224,646,134,571
2013	1,333,000,000	30,884,626,508.02	30,699,243,927	231,149,768,633
2014	1,867,000,000	32,573,280,193.40	29,880,308,937	243,382,758,001
2015	979,000,000	36,493,716,473.81	29,551,423,172	269,971,498,118

Results

- **Testing the Hypothesis**
- **Major Findings**

Condition: 1
If P < a then, Ho = Reject
Thus, since the confidence level is 95%; a = 1-0.95 and a = 0.05
In the data the P-Value = 0.00; Therefore, Ho = Reject

Condition: 2
If Sig F < a then, Ho = Reject and a = 0.05
In the data Sing F = 0.00; Therefore, Ho = Reject

Table 6. Summary Output

Regression Statistics	
Multiple R	0.996716021
R Square	0.993442827
Adjusted R Square	0.992828092
Standard Error	6134254297
Observations	36

ANOVA					
	Df	*SS*	*MS*	*F*	*Significance F*
Regression	3	1.82431E+23	6.08105E+22	1616.051	5.37785E-35
Residual	32	1.20413E+21	3.76291E+19		
Total	35	1.83636E+23			

	Coefficients	**Standard Error**	**t Stat**	**P-value**	**Lower 95%**	**Upper 95%**	**Lower 95.0%**	**Upper 95.0%**
Intercept	-13636132092	1858841423	-7.335823231	2.43E-08	-17422468166	-9849796018	-17422468166	-9849796018
FDI	-8.782008167	1.159678331	-7.572796639	1.26E-08	-11.14419563	-6.419820707	-11.14419563	-6.419820707
Gross fixed capital formation	6.319660508	0.585519141	10.79326031	3.39E-12	5.126997045	7.51232397	5.126997045	7.51232397
Exports of goods and services	1.997981421	0.581426917	3.436341458	0.001654	0.813653546	3.182309296	0.813653546	3.182309296

CORRELATIONS

	FDI	**Gross fixed capital formation**	**Exports of goods and services**	**GDP**
FDI, net inflows (BoP, current US$)	1			
PK Gross fixed capital formation (current US$)	0.673295673	1		
Exports of goods and services (current US$)	0.568237112	0.972713133	1	
PK GDP (current US$)	0.547972591	0.98345053	0.984569228	1

The equation of the regression line

GDP= 13636132092 + 6.319660508 (Gross fixed capital formation) + 8.782008167(FDI) + 1.997981421 (Exports)

GDP= 13636132092 + 6.319660508 + 8.782008167 + 1.997981421 (FDI) -13636132093 (Exports)

As shown in the paired sample. Correlation is positive.

According to the slope of the GDP is a positive slope (gradient). The figure shows that there is a tremendous increase in the GDP with the increase in the FDI and the GDP decrease with the decrease in the FDI.

GDP = 20019681722 + 2.599356482 (Gross fixed capital formation) + 0.023709989 (FDI) + 1.783280101 (Exports)
GDP = 20019681722 + 2.599356482 + 0.023709989 + 1.783280101 = 20019681727

As shown in the paired sample t test. Correlation is positive. According to the slope of the GDP is a positive slope (gradient). The figure shows that there is a tremendous increase in the GDP with the increase in the FDI and the GDP decrease with the decrease in the FDI.

The data shows that there is a positive relationship between the GDP and the FDI. That means when the FDI increases the GDP also increases. Apart from that, there is PK + 0.54 & TR + 0.67 correlation between that four variable indicating that the two phenomenon are highly correlated to each other.

Pakistan: The regression line found to have an equation GDP = -13636132092 + 6.319660508 (Gross fixed capital formation) + -8.782008167 (FDI) + 1.997981421 (Exports) or Y= I+K+FDI+X is the independent variable that is FDI in our case, that is the Y-intercept that is when all values held constant the value of Y of GDP is always indicating that when there is "0" Foreign Direct Investment the economy of the country is at deficit.

Turkey: The regression line found to have an equation GDP =20019681722 + 2.599356482 (Gross fixed capital formation) + 0.023709989 (FDI) + 1.783280101 (Exports) or Y= I+K+FDI+X is the independent variable that is FDI in our case, that is the Y-intercept that is when all values held constant the value of Y of GDP is always indicating that when there is "0" Foreign Direct Investment the economy of the country is at deficit. In order to find out that HO should be accepted or rejected the P ratio and the significant F is tested.

According to the P value, where P < a then, Ho = Reject, thus, since the confidence level is 95%; a = l-0.95 and a = 0.05

In the data the P-value = 0.00; therefore, Ho = reject
Similarly, in condition: 2
If sig F < a then, Ho = Reject
And a = 0.05, in the data sign F = 0.00: therefore Ho = Reject
The Null hypothesis is rejected and therefore, H1 is accepted.
Therefore, the role of foreign direct investment in Turkey and Pakistan is significant to the growth of economies.

Conclusion

As per organization of Economic cooperation and development (2002), that issue is still debatable that FDI leads economic growth that relationship maybe positive or negative or depend on the type of investment in host country, the policy of host country, the methodology and period of study. In this stage it concludes our thesis findings, shows the limitations of our study, lessons learn from the whole study and provided suggestions. This study focus on the relation between FDI and economic growth and how the FDI affected in the economic growth. The study took into account Pakistan and Turkey as the major player in the study to assess the objective of the research that was play on the Development. The methodology used, that shows and measures the impact of FDI on economic growth. It is based on the data of inflow of FDI and economic growth in between 1980 to 2015 regards Pakistan and Turkey and found a strong and positive relationship between economic growth and FDI. So it can be said that impact of FDI on economic growth cannot be ignorable.

When the current situations of both the countries Pakistan and Turkey are reviewed and find that there are many characteristics are similar in both countries. The foreign investors in both countries demanding the transparency of institutions and unstable economic conditions thus during 2010s foreign investors shows interest in Pakistan because of positive environment. It can be said that the infrastructure and labour is not the big problem then the influence of the government,

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Sayfa boyutu A4 kağıt boyutunda olmalı, sayfa yapısında sağdan ve soldan 2 cm; üstten 2.5 cm; alttan da 3 cm boşluk bırakılmış olmalıdır. Metin, sağ ve sola dayalı (justify), özet ve abstract tek aralık olarak, ana metin 1,5 aralıkla yazılmalı, paragraflar arasında bir satır boşluk bırakılmalıdır. Başlık, şekil adı, tablo adı gibi formatı belirtilmiş yazılar dışında kalan metin Times New Roman yazı karakterinde 12 punto ile yazılmalıdır.

3. Makale Başlığı

Makale başlığı metnin içeriğini yansıtmalı, 70 harfi geçmemeli ve gereksiz uzatmalardan kaçınılmalı; Times New Roman yazı karakterinde 20 punto ile ve sola yaslanmış şekilde yazılmalı ve sadece başlığın ilk harfi büyük olmalıdır. Başlık sayfanın üst sınırından 6 cm boşluk bırakıldıktan sonra yazılmalıdır.

4. Yazar Adı

Yazar adı sayfanın üst sınırından 10 cm aşağıda olmalıdır. Yazar adının ilk harfi ve soyadı büyük harf olmak üzere Times New Roman, 12 punto, sağa yaslanmış şekilde ve koyu (bold) olarak yazılmalıdır. Yazar adı birden çok olması durumunda, isimlerin herbirine üslü sayı şeklinde bir numara verilerek kurumları dipnotta belirtilecektir. Yazışmalara yapılacağı yazarın isminin yanına asteriks (*) işareti koyulacak ve kurumu, telefon numarası, elektronik posta adresi, yayının 1. Sayfasının altında dip not (footer) olarak alttan 2 cm yukarıda, bir çizgi çekilerek, 10 punto, Times New Roman ve italik formatıyla yazılmalıdır.