Abstract

Estimating a model of foreign direct investment has been one the central elements of FDI policy makers in Pakistan. This paper attempts to model, Determinants of Foreign Direct Investment Inflow in Pakistan: A Time Series Analysis with Auto Regressive Distributive Lag (ARDL) approach using the time series data for the period 1977 to 2010. However in a specification, FDI is found important with the elasticity of GDP growth rate 10% level of significance and infrastructure at 1% level of significance. These factors show do not show better performance in short-run dynamics like only infrastructure is elastic with FDI at 1% level of significance. Stability tests of the paper do not contain any serious structural change in the model as case of and CUSUM and CUSUMSQ statistics show the critical value lines lying inside the bounds, presenting the model is stable.

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