T.C.
ISTANBUL AYDIN UNIVERSITY
INSTITUTE OF SOCIAL SCIENCES

IMPACT OF FOREIGN DIRECT INVESTMENT ON THE GROWTH OF EMERGING ECONOMICS (TURKEY AND PAKISTAN)

M.S. THESIS

Ali Bux BALOCH
(Y1312.130035)

Department of Business
Business Management Program

Thesis Adviser: Assoc. Prof. Dr. Zelha ALTINKAYA

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İSTANBUL AYDIN ÜNİVERSİTESİ
SOSYAL BİLİMLER ENSTİTÜSÜ MÜDÜRLÜĞÜ

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Not: Öğrencinin Tez savunmasında **Başarılı** olması halinde bu form **imzalanacaktır**. Aksi halde geçersizdir.

This Thesis is dedicated to Madam Associate Prof. Dr. Zelha ALTINKAYA,
My Parents, Family and friends all those who showered their love, affection and
support for contributing in the completion of this report.

DECLARATION

The study outlined in this dissertation was undertaken in the Institute of Business Administration, Istanbul Aydin University, Istanbul, Turkey and supervised by Assoc. Prof. Dr. Zelha ALTINKAYA. It is hereby stated that this thesis is my own work and is the result of work done during the period of registration. To the best my knowledge, it contains no published material written by another one. Any use made within this thesis of the work of other authors in any form is properly acknowledged at the point of use. This thesis contains work, which has not previously been submitted for a degree at any other institution.

Alı Bux BALOCH

FOREWORD

First of all, I am feeling very grateful and thank my teacher and supervisor, Associate Prof. Dr. Zelha ALTINKAYA for their valuable guidance and knowledge, time and support throughout the period of this research and course work without their support and guidance this work wouldn’t be possible. Here I would like to thank all the teachers and colleagues at the Institute of Graduate Studies, Master of Business Administration (MBA), Istanbul Aydin University who helped me by providing their valuable suggestions.
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Thank you!

January 2017 **Ali Bux BALOCH**

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ABREVIATIONS

BRIC	Brazil, Russia, India and China
BRICS	Brazil, Russia, India and China, South Africa
BITs	Birla Institute of Technology and Science
E.U.	European Union
E. P.	Export Promoting
F.D.I.	Foreign Direct Investment
G.D.P.	Gross Domestic Product
I. S.	Import Substituting
I.F.S	International Foundation for Science
I.M.F.	International Monetary Fund
L.D.C.	Less Developed Countries
M.N.C.	Multinational corporation
M.N.E.	Multinational enterprises
O.E.C.D.	Organization for Economic Co-operation and Development
O.F.D.I.	Optical frequency domain imaging
P.T.A.	Pakistan Telecommunication Authority
S.E. E.	State-owned economic enterprise
U.K.	United Kingdom

U.N.C.T.A.D.	United Nations Conference on Trade and Development -
U.S.A.	United States of America

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YABANCI DOĞRUDAN YATIRIMIN BÜYÜME ÜZERİNE ETKİLERİ EKONOMİ GELİŞMELERİ (TÜRKİYE VE PAKİSTAN)

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 tarafından yapılan doğrudan yatırımların etkisini gündeme getirmiştir. Özellikle de, Bhagwati (1978) yılında kullandığı model kullanılarak, Pakistan gibi gelişmekte olan bir ülke için iyi bir model oluşturup olamayacağı incelenmiştir. 1980-2015 arasında ki 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,büyüme, yükselen ekonomi, Pakistan ekonomisi, Türkiye ekonomisi*

IMPACT OF FOREIGN DIRECT INVESTMENT ON THE GROWTH OF EMERGING ECONOMICS (TURKEY AND PAKISTAN)

ABSTRACT

Diminishing the hole between residential reserve funds, speculation, bringing the most recent innovation and administration, know-how from created nations and foreign direct investment (FDI) assumes critical part in accomplishing fast financial development in creating regions. 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 need desired results stand robust in the causality test and regression analysis.

Keywords: *foreign direct investment, developing economies, growth, emerging economies, Pakistan Economy, Turkish Economy.*

1. INTRODUCTION

The World turned into a global village, financial integration among countries has become easy resulting in the increase of the capital flows between countries. This caused the increased competition among different markets and different countries of the world. International economy had an important role to accelerate the current economic recovery and growth of economic development in developing countries. In the world economy, a prospect for the economic conditions and overall economic performance of a country depend on multiple factors in which political and geographical conditions, industrial technology, manpower and weather are involved but the most significant factor is foreign direct investment (FDI).

A Country investing to the other also receive benefits in the form of profit while the host country also receives many advantages in form of technology, employment, supplies, taxation also dealing with foreign companies make trained people who are able to work in international markets. Some developing countries, like Pakistan, open nervously their doors to foreign direct investment to carry large profits. However, it was unlike India and China, but Pakistan isn't successful in gaining significant and consistent inflow of foreign direct investment. Moreover, the meagre inflows received by the country, are not used in the right way to improve economic performance (Ataullah et al., 2006).

Foreign direct investment inflows have low status and become the economic improvements go far enough to change the character and nature of foreign direct investment. The nature of foreign direct investment and the structural arrangement of as much for economic growth are the matters that will studies in his thesis. The structure and nature of foreign direct investment was scarcely seen in previous studies on the foreign direct investment development connection in Pakistan.

In this thesis, the conclusion of foreign direct investment on one of the developing country in South Asia, Pakistan and one of the emerging economies Turkey will be analysed.

1.1 Foreign Direct Investment (FDI)

Foreign direct investment (FDI) is a source of bringing the valuable technology, knowledge, labour 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 et al., 2007).

FDI is fundamental to the growth of sub-Saharan African countries as maximum of these countries cannot produce the capital they want for economic growth. FDI could assist as a foundation of further investment for sub-Saharan African countries (Olayemi, 2015). In the U.K., the attraction of FDI inflows has become a central part of government policy to contribution in the procedure of regional development strategies to attract and retain FDI flows has also become an significant plank of regional development policy in the rest of Europe. The foreign policy for other nation will develop according to the point of economic, relationship on the diplomacy (Ünay,2010).

The econometric evidence recommends strong interdependence in international foreign manufacture system. Third country subsidiaries exert a significant effect on international business development choice, in both downstream and upstream production (Chen, 2010).

The China, Russia, Brazil, South Africa and India (BRICS)'s outflow of Foreign Direct Investment increase from 2 percent to 9 percent in 2009, in the developing countries (IMF, 2010). 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. Never the less 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 of 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 (Aitken, 1999).

1.2 Significance of Study

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, 2009). 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 (Singh and W. Jun, 1995) studied the liberalization factor on the Russian markets from 1993 to 2000. Liberalization plays a vital role in outward flows of FDI especially for emerging countries like BRICS. Not only the trade liberalization but also the whole range of state sectors (Buckley et. al, 2007). By 2005, about 33% of the supply of worldwide 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. 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. 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 et al, 2011). 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.

1.3 Need for the Study

The past research paid more attention on the growth of the emerging economies. For instance, in the earlier effort OECD centre estimated that the emerging economies generally called the BRICS, will represent 65% of the world economy. Drawing on the above arguments the present study will provide logical reasons behind the role of FDI on the growth of emerging economies like Turkey and Pakistan. In addition, it enables other developing countries in the world to consider successful policies for their economic improvements.

1.4 Scope of Study

The current thesis is to examine the importance of international finance to the emerging economies. This research focuses on Pakistan's and Turkey's economy and these impacts of the Foreign Direct Investment is inflow on the growth form 1980-2015. The research will mainly include literature review and test of contribution of foreign direct investment to Pakistan's economy and Turkish economy. In literature review, studies supported form secondary resources like Books, journals articles, thesis, web pages, conference papers, reports, DVD or Video lectures notes, Internet sources etc. will be used.

1.5 Problem Statement and Objectives

To research the title part of outside direct venture over the financial development of up surging economies such as Pakistan and Turkey.

The following are the objectives of the proposed study:

- To check the importance of international finance to the emerging economies like Turkey.
- To study how the Foreign Direct Investment has resulted in the emerging economies.

- To investigate the special effects of the Foreign Direct Investment on the economy of Turkey.
- To find out the relationship between the economic growth and Foreign Direct Investment.

1.6 Hypothesis & the Model

Here, in this proposition, the model utilized by Bhagwati (1978) to quantify Bhagwati (1978) speculated that the volume and viability of approaching outside Direct Investment will contrast as indicated by whether a nation is taking after the fare advancing export promoting (E.P.) or the import substituting import substituting (I.S.) methodology. Bhagwati (1988) particularly, characterize, an EP methodology is exchange impartial or predisposition free.

Bhagwati defines that all factors are important for FDI flow and efficiency. EP strategy attracts higher volume of FDI to promote utilization, therefore it could be called IS strategy. The important feature of EUP strategy is its neutrality and EP is not helpful to provide any artificial incentives to FDI (Bhagwati, 1985).

Ho = There is no role and significance of FDI in the growth of the Pakistan and Turkey.

H1 = There is role and significance of FDI emerging countries like Pakistan andTurkey

$$Y= g\ (L.,K.,F.,X.,t)$$

Y= GDP in real terms

L= labour input

K=capital stock (domestic)

F= foreign capital (stock)

X= exports

T= a time trend, capturing technical progress.

The lower case letters will represent the rate of growth of individual variables and the parameters

$$Y = g\ (K.,\ FDI.\ X)$$

The term ‘g’ expresses that Y (GDP) is a function (more precisely, a production function)

$$Y = I+K+FDI+X$$

Taking after Bhagwati's theory, the coefficient of the FDI to GDP proportion in the development condition positive and numerically more noteworthy for the fare situated nations than for those nations which seek after an import substituting exchange arrangement. Due to the overflow impacts and externalities connected with human capital and the higher rate of specialized advancement connected with outside direct speculation it appears to be sensible to expect that the model asses the connections between the FDI and the monetary development of the rising economies of Turkey and Pakistan. The discovering study will decide the sort and relationship to confirm an immediate relationship, reverse relationship or potentially no relationship exists between the four factors.

Bhagwati (1978) has used five different variables. Proposed hypothesis used only four variables given below:

$$Y = g\ (,K.,F.,X.,t)$$

Y= GDP in real terms

F= Foreign Direct Investment

K=capital stock (domestic)

F= foreign capital (stock)

X= exports

T= a time trend, capturing technical progress.

This research will follow the relationship of GDP with the FDI, Capital stock, export and Time trend.

1.7 Thesis Outlines

The rest of this thesis is divided into eight parts, chapter 1 gives the introduction, and chapter 2 describes the Foreign Direct Investment (FDI) and Growth in developing countries. Chapter 3 discusses the theories on Foreign Direct Investments. Chapter 4 describes the Economic Growth and Foreign Direct Investment. Chapter 5 gives the literature review. Emerging economies and FDI policies. A case study of Turkey and Pakistan FDI growths is presented in chapter 6 & 7. Chapter 8 concludes the thesis with conclusion of the contributions of this research and a recommendation of the future directions for the work undertaken.

2. FOREIGN DIRECT INVESTMENT AND GROWTH

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 the 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 et al, 2007).

The writing on development hypothesis arranged into three general gatherings: the early post-Keynesian development models which underlined the part of reserve funds and interest in advancing development, the neo-traditional models which underscored specialized advance and the later new development models which accentuate the part of research & development, human capital aggregation and externalities (Romer-Lucas type models, 1987)

The concern of new growth theories is with endogenising the growth rate of GDP, which in turn requires the rate of investment to be endogenised; for ultimately it is factor accumulation which accounts for growth. But for factor accumulation to grow, the return to the capital stock in the aggregate should not diminish although returns to single acts -of investment may diminish.

In other words, the social rate of return to investment must exceed the private rate of return. Such a discrepancy between the private and social rates of return occurs because individual acts of private investment add to the stock of knowledge and hence the productivity of the capital stock. In addition, there are various sorts of knowledge spill-over effects and externalities which contribute to growth in the aggregate. In addition, there are various sorts of knowledge spill-over effects and externalities which contribute to growth in the aggregate. Here, investment in knowledge or R & D is assumed to be subject to diminishing returns, but the utilisation of such knowledge in production activity results in increasing returns. Also, while the product which embodies new knowledge can be protected through patents, the knowledge itself which generates the product cannot be thus protected (Kaya, 2009).

New growth theory also emphasises learning by doing and in the presence of these growth promoting ingredients, the input of capital may not also experience diminishing returns. In sum, externalities, human capital and learning by doing form the main springs of endogenous growth theory. FDI & growth, persuasive reasons to link R & D, investments in human capital and scale economies to the rate of economic growth. Many of the growth promoting factors identified by new growth theory can be initiated and nurtured to promote growth through FDI. FDI has long been recognised as a major source of technology and know-how to developing countries (Karadeniz, 1995).

Indeed, it is the ability of FDI to transfer not only production know-how but also managerial skills that distinguishes it from all other forms of investment, including portfolio capital and aid. Externalities, or spill-over effects, have also been recognised as a major benefit accruing to host countries from FDI. It is widely recognised that technical progress accounts for a relatively low proportion of the growth experienced by developing countries in general. This is because most of these countries are endowed with a relatively low volume of human capital. Because of disparities in the initial endowments of human capital between the developed and developing countries, the latter are constrained from undertaking investments in R & D which would result in the generation of new knowledge, with its attendant spill- over effects (Kemmener,1999).

This in reality is one of the clarifications accommodated the watched exchange designs between the created and creating nations, with the previous sending out expertise concentrated merchandise and the last trading less ability escalated products. This hole in aptitudes can be crossed over through FDI. The information made in created nations with their generally high blessings of human capital can be exchanged to creating nations through FDI. As a matter of fact, the learning exchanged to creating nations is probably going to be the safeguard of the remote substance undertaking the venture. In any case, information and innovation could overflow from the outside firms to the residential firms through the preparation of work and indigenous administration and through connections between remote firms and nearby providers of parts. What's more, nearby firms can learn by watching (Yang et al, 2007).

In addition, the very nearness of remote possessed firms in the economy, with their unrivalled enrichments of innovation, may constrain privately claimed firms to put resources into learning if just to stay informed concerning the opposition. Thusly, expanded rivalry from privately claimed firms through their interests in development may force remote firms to get unrivalled quality innovation and know-how. In aggregate, imported abilities upgrade the minor profitability of the capital stock in the host nations and in this way advance development (Wang and Blomstrom, I992).

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 IS arrangement is probably not going to give a financial atmosphere helpful for the effective operations of remote firms Bhagwati, 1985).

But an IS 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 EP 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.

It additionally gives an atmosphere to specialization and the era of economies of scale. In this setting the refinement between those components which lift the economy starting with one level of development then onto the next and those which create development, or change the incline of the generation conceivable outcomes wilderness is pertinent. Arguments that removal of trade barriers in developing countries merely produces a one-off level effect without altering the slope of the production possibilities frontier. There is, however, no basis in theory for this assertion. Even in the traditional model of growth, a change in efficiency which permanently reduces the capital-output ratio will, with the savings rate fixed, increase the growth rate of the economy. Trade liberalisation is likely to promote efficiency in immoral ways than one (Bhagwati, 1994).

It is likely to promote allocative efficiency by reorienting factors of production in favour of sectors in which the economy possesses a comparative advantage in trade. It is likely to promote technological efficiency by allowing for a choice of techniques of production which reflects the factor endowments of the economy. It could also promote technological efficiency by eliminating protection induced X-inefficiency. In other words, trade liberalisation can facilitate neutral technical change of the sort identified in his seminal article (Bhagwati, 1973).

One facet of such technical change is learning by doing. But as Bhagwati (I988) notes, it would be foolish to assume learning automatically follows from doing, rather learning is a function of doing within an appropriate environment. And a liberal trade regime as opposed to a protectionist regime is likely to provide an appropriate environment for learning by doing. But as Bhagwati (1988) notes, it would be foolish to assume learning automatically follows from doing, rather learning is a function of doing within an appropriate environment. And a liberal trade regime as opposed to a protectionist regime is likely to provide an appropriate environment for learning.

Mere infusion of human capital and new technology into a distortion ridden economy may neither lift the economy to a higher plane nor alter the slope of the production function. As the former examination has clarified, there are two measurements to Bhagwati's theory; the first concern is the measure of FDI pulled in by EP instead of IS nations, while the second concerns the development upgrading impacts of FDI in EP with respect to IS administrations (Weber, 2000).

There is accord in the insightful writing on the maintained FDI streams to creating nations. Many trust that a developing acknowledgment of the requirement for FDI has been at the foundation of this pattern. A few contemplations lie behind this acknowledgment the antagonistic effect of private getting; favourable position of FDI in giving both capital and innovation and changes in the worldwide monetary circumstance, innovation and organization –government relations. Others indicate the changing saw part of FDI in giving both capital and innovation, and changes in the worldwide financial matters circumstance, innovation and organization government relations (Khan et al, 2007).

Others indicate the changing saw part of FDI and the stamped advancement of strategies toward it in creating nations. Many creating nations think that it’s invaluable to depend more on FD inferable from its conceivable long haul useful effect on a nation's improvement. The new demeanour toward FDI has been significantly more observable in creating nations with a communist introduction, for example, China (Amirahmadi & Wu,1994)

The part of remote direct interest in the development procedure has for long been a theme of extraordinary level headed discussion. 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, incompletely, in light of the absence of a reasonable outline and compact testable speculation. 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. Jagdish Bhagwati's theory 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.

Grossman and Helpman (1990) investigated one channel through which the exchange administration possibly can impact development over the long haul. The model endogenous mechanical advance that outcomes from the benefit augmenting conduct of far located business visionaries. These business people put resources into innovative work keeping in mind the end goal to catch restraining infrastructure rents from imaginative items. The profitability of their workers in the exploration lab relies on upon the general conditions of logical, designing and mechanical know how in the nation. Grossman and Helpman (1990) contended when information enters people in general area, it turns out to be promptly and quickly accessible to scientists and business visionaries around the world. At the end of the day, worldwide overflows were taken to be programmed and quick, in symmetry with the treatment of nearby overflows. Be that as it may, this writing overlooks the system by which these overflows happen. Grossman and Helpman (1990) investigated every business communication paying little heed to the kind of products included and the conditions under which they occur.

The expansion in FDI streams to creating nations was more unmistakable after the 1960s. They ascended from a normal of under US $2 billion for each annum in the mid-1960s to a normal of around $8 billion for every annum in the vicinity of 1974 and 1982. IN 1973, FDI streams to creating nations were $4.4 billion for every annum and by 1982 they came to $19.8 billion for every annum. This level remained and by 1982 they came to $19.8 billion for every annum. This level stayed pretty much stable at a normal of $17 billion for every annum until 1992, when FDI streams achieved a pinnacle of $30.1 billion for each annum. The subjective jump in the 1980s lies in the transform from a one-digit figure to a twofold digit greatness in FDI streams to creating nations. However, this pattern of FDI streams to creating nations appears to be less noteworthy when seen with regards to the worldwide FDI streams. Both created and creating nations experienced expanded FDI streams in the 1980s, however the share of creating nations on the planet aggregate of FDI streams has in actuality declined (Penrose, 2011).

The share of FDI in private capital streams to creating nations increased fundamentally after 1982 rather than the period from 1973 to 1982, when private acquiring made up a bigger share. The extension of private getting quickened after the oil stun of 1979. (Grossman, & Helpman, 1990). And others demonstrated that this same melancholy expectation gets by in a rendition of the model with an all the more completely explained hypothesis of investment funds. On the off chance that family unit spare to spread their utilization ideally, then be they extensive (Grossman and Helpman, 1990)

Grossman, et al (1990) investigated one channel through which the exchange administration conceivably can impact development over the long haul. The model endogenous innovative advance that outcomes from the benefit amplifying conduct of far located business people. These business people put resources into innovative work with a specific end goal to catch restraining infrastructure rents from imaginative items. The efficiency of their representatives in the examination lab relies on upon the general conditions of logical, designing and modern know how in the nation.

How capital Reaches to the New Areas

FDI is fundamental to the growth of sub-Saharan African countries as maximum of these countries cannot produce the capital they want for economic growth. FDI could assist as a foundation of further investment for sub-Saharan African countries (Olayemi, 2015). In the U.K., the attraction of FDI inflows has become a central part of government policy to contribution in the procedure of regional development strategies to attract and retain FDI flows has also become a significant plank of regional development policy in the rest of Europe.

The World Bank characterizes foreign direct speculation as value streams in the economy. It is the total of value capital, reinvestment of income and other capital. Coordinate venture is a class of cross fringe speculation connected with an occupant in one economy having control or a critical level of impact on the administration of an undertaking that is inhabitant in the economy. Responsibility for percent or a greater amount of the normal shares of voting stock is the model for deciding the presence of an immediate speculation relationship (World Bank, 2016).

Foreign Direct Investment alludes to direct speculation value streams in the reporting economy. It is the aggregate of value capital, reinvestment of profit, and other capital. Coordinate venture is a class of cross-outskirt speculation connected with an inhabitant in one economy having control or a critical level of impact on the administration of an undertaking that is occupant in another economy. Responsibility for percent or a greater amount of the standard shares of voting stock is the foundation for deciding the presence of an immediate speculation relationship.

On that stage this is very important for an economist or policy maker to understand FDI's long term and short term benefits for the growth of economy of a country. This s very difficult or almost impossible to plan and set mechanism for FDI without understanding and setting of long term and short term goals of FDI (Dut et al, 2008).

The starring role of FDI productions and in the financial growth progression of equally developed. Developing states has been a matter of key discussion for exactly ages at the present time (Olayemi, 2015). On other hand, for making an effective economic policy and economic growth of a country, the relation between GDP, exports and FDI in a country is important (Weber, 2000).

This thesis focuses on influence of Foreign Direct Investment on the Turkish economy. In addition, this study analyses the different stages of the economic development of these countries.

Foreign direct investment rises as the key foundation of outer financial flows to developing countries where major part of the investments in these countries (Tim et al 2008). The foreign direct investment that goes to these countries continues to remain small in the global distribution of foreign direct investment or even decreasing. The starring role of FDI is generally acknowledged as a growth helping issue in developing countries (Khan et al. 2007).

Augmented international of U.S. economy has directed to an increasing consciousness of the position of data on world-wide trade and stock. Like other third world countries the role of private sector is very important in Pakistan as well as increase in taxation faces lots of political pressure and that’s too default. This thesis provides impact of fiscal policy on FDI and foreign aid in Pakistan. The comparison of economical funds gradually received and spent by Pakistan are much less than what spend by the foreign countries such as America (Iqbal, 2011).

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 is foreign direct investment (FDI). Whether the FDI enhances the economy or not is still debatable for the economic researchers. But here is still no unanimous agreement amongst many famous scholars. The less development countries (LDCs) have been aggressively looking for the FDI inflows since early 1980s. Because FDI gives many profits in the country like technology advancement, improving skills of managerial and access into international market (Yang et al. 2007).

The term hypothesis of remote speculations does not mean a congeries of unconfirmed theories to put resources into outside nations, however certain fundamental standards to an uncommon field of financial movement; the use of expansive monetary laws (Kemmerer,1909).

Home speculations and the fundamental standards of FDI are basically the same. Money related benefit is the main that drives the hardware. Salary yield, wellbeing of chief, and attractiveness are important criteria by which the integrity of an outside speculation is judged. These qualities must be paid by the financial specialist. To wish high rate of salary, security and attractiveness, the financial specialist must pay for one of them and yield the staying two or one of them. There are distinctive states of interest and supply for the constituting qualities in home and remote markets. Now and again one is specifically request like wellbeing in times of business vulnerability, and now and again other. The market cost of every quality concerning alternate, relies on upon the compel of interest and supply in the specific market.

International political rivalry is a big factor that plays a vital role in studying FI. Mostly people don’t count national territorial aggression factor as a large proportion of FI. Egypt, Korea, China and Latin America, are the examples of investments by the motive of territorial aggrandizement on the part of the nation or nations. Recently there are steps of short ones from private investments, for example, the railroad building in weak countries by the nationals of strong countries. Private investors are sometimes the tools of the aggrandizing government. The governments mostly use private investments, which have been made by its nationals from purely economic motives.

Technology shows a vital role in growing the development of the economy. In the framework, economic development depends on the technology that uses in the industry. If the domestic technology do not meet the competition of rest of the world all the framework and planning eventually collapse so that is very important that the technology used in the Country’s industry must be compatible with the technology of rest of the world (Shahbaz et al, 2013).

Foreign direct investment supports cutting-edge the growing of the economy of the state through the development of competitive markets with more advanced and changed international companies and also offers the opportunity to learn and experience new technologies in an international environment in be able to recognize the employees and internationally (Celasun, 1994). FDI has little inherent advantages and the risks and knowledge sharing, transfer of technology and expertise. These facts show that FDI is a main source of private capital for the development of the economy, particularly countries that can meet the hospitable environment needed for the most recent foreign investment (Singh et al. 1995).

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 & Rahman, 2012).

The factors which are stimulate and maintain economic growth (Kogid, 2010) are determinant factors studied of Malaysia from the year 1970 to 2007 foreign direct investment of the consumption expenditure, government expenditure, export, and exchange rate, The study analysis and the causality relationship between economic growth and the determinant factors.

The world's quickest developing economy is China which centered 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 centered on FDI in China. The relationship between outside direct speculation inflows and work utilizing worldwide business procedure centered (McDonald Frank, 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.

Table 2.1: The World Foreign Direct Flows / Billion USD

Country Name	1970	1980	1990	2000	2010	2011	2012	2013
United Arab	7,780	97	115,820	506	5,500	7,679	9,6012	10,487

Emirates								
Argentina	89	678	1,836	10,418	7,84	10,720	15,324	8,917
Australia	898	1,869	8,111	13,618	35,211	65,555	57,617	54,554
Brazil	-	1,911	989	32,779	53,345	71,539	76,111	80,843
China	-	-	3,487	38,399	243,703	280,072	241,214	290,928
Germany		342,426	3,004	210	86,053	97,481	54,660	59,015
Finland	18	27,949	812	9	12,226	(6,008)	4,937	4,983
United Kingdom	1,488	10,123	33,503	122	66,735	27,011	46,751	35,015
Hungary	-	-	554	2	(20,934	10,506	10,619	3,847
Japan	-	280	1,777	8	7,440	(851)	546,963	7,412
Russian Federation	-	-	-	2	43,167	55,083	50,588	69,219
Saudi Arabia	7	(3,912)	2	(1,882)	29,232	16,308	12,182	8,865
Sweden	108	0.2	2	23,882	2,287	7,990	4,351	422
Switzerland	-	26,451	30	91	136	93	89	29
United States	1,260	16,930	48,490	321,274	259,344	257,410	232,001	287,162
Pakistan	23	63	245	308	2,022	1,326	859	1,333

Turkey		18,000,0 00	684	982	9,09 9	16,1 76	13,28 2	12,4 57

Source: World Bank, Foreign Direct Investment Flows Statistics, http://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD/countries?display=default

That's a normal observation that 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 FID on the growth of the economy of a country (Alfaro et al. 2003).

According to study made by Yuan (2002), it is observed that FDI statistics collected from 69 developing countries, foreign direct investment is not only main engine of growth but also an important tool of transferral of machinery among the industrial countries and developing countries (Yuan, 2000). Xu(2000) and Keller (2009) proved that technology can easily by transferred as well as it can spill over in domestic industry via FDI and international technology spread east both the income and the distribution globally (Xu,2000), (Keller, 2009).

Foreign Direct Investment influence the host economy technology spillovers from foreign to domestic firms in emerging economies are considered to be the most important channel FDI in creating innovation exchanges and positive overflows to household (Regional Factors) firms has roused strategy producers to start approaches for pulling in FDI. The outcomes in demonstrate that higher monetary improvement is connected with expanded FDI, reliable with the discoveries (Sönmez, Alper, 2012).

FDI also works more effective if the host state has smallest sum of human funds. That analysis shows the relation between FDI, human capital and economic growth of a states and economic growth increase more effectively by FDI as compare to domestic investment (Borensztein, 1998).In the studies of World Bank and Aitken's, the role of commercial banks in economic development via FDI also analysed for their economic growth (World Bank, 1997). They concluded that FID plays main starring role for economic growth, tax enhancement and obtaining foreign capital (Aitken et al. 1999).

Turkey is the 26th largest recipient of Foreign Direct Investment at home $208, 6 million, Thailand 27th, Japan is 28th and Pakistan is 65th ($31,250 millionth study conducted by Kumar (2007), the total capital inflows to developing economies have grown by a great amount from $104 billion in 1980 to $472 billion in 2005. Furthermore, a report published by United Nation in conference for Trade & Development (Tekin, 2006). The developing and the emerging economies attracted more than 50% of the world's FDI more than the developed economies for the first time in history.

In Pakistan case, domestic savings account for 11.2% of the GDPA decrease by 5.1% compared to 2006. The gap between domestic savings and wanted level of asset can be completed by the transfer of funds from outside the country; Foreign Direct Investment is the main sources (Zaidi et al. 2004).

This is the time to focus on more serious to Turkey because of two events. 1st is that Turkey is the applicant member of European Union and 2nd is that Turkey has 4 billion dollars agreement to IMF that two matters eventually change the Turkey's investment environment. This is an important part of this thesis to analyses FDI changes in Turkey after these events of 1999. In addition, compare Turkey with other countries by analysing statistical data of FDI. (Borensztein, 1998).

The Turkey was not effective in attracting Foreign Direct Investment from the world, more than half percent of Foreign Direct Investment in Turkey come from Netherlands and France of European Union (EU) countries, their ties will increases the share In the future (Hayriye, & Atik, 2005). Furthermore Russia also attracting other nation's FDI (Ögütçü, M. 2002).

Turkey and Pakistan provide many facilities to the foreign investors. Turkey is the home of 78 million people so it has a big domestic market. It is gateway to Europe and near to Middle East and Africa. During 1980s and 1990s, in Turkey, lower labour cost, lots of natural resources, stable political conditions etc. so, were so good and attractive for foreign investors to move toward Turkey (Borensztein, 1998).

During 1980 commencement constituted a spinning point in the economic era of Turkey. At that time the government has decided to shift the economy from an inward to an outward and relaxed environment. They initiated a series of reforms to mainly by liberalizing foreign trade (Alıcı et al, 2003).

Jain (Jain et al, 2014) in "Enhancing India-Pakistan Economic Cooperation India and Pakistan" suggest that both countries are should increase their cooperation in economic front and to enhance trade and investment flows that change the economy of south Asia region. FDI regime of both is liberalized and remains to be done on both sides to facilitate and enhance investment flows.

Stable channels of communication and funds transfer can provide safe and fast ways to transfer money in form of profit and dividend to move out of the country. In addition by law foreign investors in Turkey have the same rights as Turkish investors. By that chapter, understand this contradiction over first classifying the important location factors of persuading MNCs' choice to invest in one country in predilection to another, and second use this analysis to calculate Turkey's competitive location position. It is aimed to highlight the key complications to Foreign Direct Investment in Turkey (Celasun, 1994).

In his thesis, the impact of FDI in Pakistan and Turkey has been analysed. Secondly, here, how European Union effect on Turkish economy is analysed in comparison to the economy of Pakistan and location of the foreign investment in these countries.

Kim (2003) proposed about the innovation sets exchanges, cerise paribus, rely on upon the properties of FDI suppliers, particularly as they identify with the level of mechanical progression and the behavioural parts of the innovation exchange. Japan and the U.S. are two critical wellsprings of FDI where multinational organizations domiciled in the two countries display unmistakable variety in these properties.

If the manufacturing formerly done in the United States is substituted by goods imports of the same product, then it would not be hard to measure the growth in those imports and estimate the impact on employees or wages in that U.S. industry. But this simple example makes many expectations that may not hold in practice (Feenstra et al., 2010).

The view is the association between economic developments empirically the inflow of direct foreign investments in an organized system (Romer, 1993). These studies on International Finance and emerging economies by focusing on Pakistan by Turkey as key emerging economies.

The reason for the discussion is because according to the Economist (May 10, 2011), Turkey has become the largest economy of the world's largest economy among the developing countries counters. In terms of the dollar, GDP is the largest 16th, and just less than France. In terms of purchasing power parity, then adjusted for prices between economies, which is second only to the US with a share of 11.8% of world GDP. In the last year of officials figure of 8.0% was the most active major economy in the world. (Khilji, 1997).

3. FOREIGN DIRECT INVESTMENT AND EMERGING ECONOMIES

Emerging economies are the economies in the world, rapid economic growth through continuous innovation and limited or partial Industrialization (Khanna et al., 2013). According to a new publication, the Agency shall for Economic Cooperation and Development (Gurria, 2010). The provinces that experienced rapid growth in their economies account for sixty-five (65%) of the world economies in 2030. The countries that fast growth in their economies are Brazil, Russia, India and China (BRIC economies or) (O'Neill et al. 2011). But a report published by the Price Waterhouse Cooperation (2006), three countries were included in the list of emerging economies Mexico, Indonesia and Turkey form a group called "Economy of Seven" of the "E-7" are. In addition, the report by Price Waterhouse Cooperation (2010), indicated that the E7 countries, with the G7 (UK, USA, France, Japan, Italy, Germany and Canada) in terms of 2020 GDP will overtake and of the combination of E7 GDP is about 30% higher than the G7 total in 2030.

There is a unanimous agreement amongst the governments of different countries that the Foreign Direct Investment is essential for the economic growth and for the reduction in poverty. On the other hand, Kiely (1998) argues for and against the multinational cooperation and the investment they bring in the country. In the researched he states that the oppositions talk against the foreign capital as it brings dependence to the country whereas the favourers speaks for the foreign investment as they bring capital and technology, developed skills in the country with increased income in the country (Tsai et al., 2000).

The hopeful connection amongst FDI and monetary development of a nation indicates both for creating and minimum created nations. Among the major FDI recipient economies, the Chinese experience merits unique say. Through a blunder change display relapse investigation and watched that in China, as opposed to swarming out household speculation, FDI backups the same by helping with conquering lack of gainful capital (Chakraborty & Mukherjee, 2012), (Chakraborty, 2008).

The per capital growth rate of output was measured as the growth of real GDP per capita in constant dollars using data from the World Development Indicators of the World Bank (WDI, 2001).

The primary data of UNCTAD shows that the foreign direct investment in 2012 is likely to fall by 18% to 2011 and a value of approximately $ 1,300 billons. Macroeconomic vulnerability, Euro Crisis, fiscal gap in the US, and the political environment uncertainties due to the government changes are some of the causes of these declining. Foreign direct investment from various international companies (MNCs) has grown rapidly in recent years, first and emerging states have a growing amount of the retired: $ 334 billion in 2005 or more than 36% of all investments Foreign Direct Investment flows (UNCTAD, 2006).

Internal political uncertainty and organisations have therefore been the concentration of some previous study; global issues much less. Bilateral single one savings contracts have stuck and only current attracted attention. That's why it is emphasized on world-wide influences and principally on trade (Shah & Ahmed, 2002).

Therefore, investing in the foreign market helps to improve the overall economic structure of the developed and the developing countries. The foreign Direct Investment can be father divided into two parts: inward (Inflow) of foreign direct investment and outward (Outflow) of the Foreign Direct Investment. Inward is when the foreign investment is invested in home-grown incomes and the country receives streams of capital inflows into the country form the host country. Whereas, the outflow of foreign direct investment is when the country invests outside one's own country to get foreign currency, improvement in technology etc. The factors that enhances the economic growth is low tax rate, low interest rate, outflow of foreign direct investment is when a country directly investment abroad or not in one's own country. In an open economy a firm can derive profits from domestic and foreign sales, but it faces variable and destination-septic fixed costs of exporting (Helpman, 2014).

The relationship amongst fares and monetary improvement, stranded in endogenous developing hypothesis, has been the subject of a measure of new papers the interrelation among business arrangement, FDI and development is yet to be examined. Such an investigation is opportune in perspective of the few-discovered energy for FDI with respect to most creating nations(Balasubramanyam et al., 1996).

As the concept of the emerging economies is becoming popular the starring role of the FDI in the financial improvement is also becoming common the both, the developing economics as well as the developed economies (Alfaro, et al., 2006). According to the World Bank-2007, International inflows of the Foreign Direct Investment touched a highest of 1.1 trillion in 2006 and there has been a continue increase in the Foreign Direct Investment inflow on the development states.

Now an uncluttered economy a strong can develop incomes from local and overseas trades, but it Expressions adjustable and destination-specie sent charges of transferring. As a result, a firm trades only if operating earnings in a purpose market are large enough to concealment the fixed cost of trading. In symmetry some organisations continue in the industry, helping only the local Market, while other forms sell at home-grown and overseas (Helpman, 2014).

Declaration of the United Nation conference on the Trade & Development (UNCTAD) world External Investment arrivals rose in the year 2010 to $1.24 trillion, they were 5% higher than the previous year (UNCTAD, 2011). This moderate growth was mainly due to the result of higher investment flows to developing countries. Foreign Direct Investment inflows stock rose by 7% in 2012, reaching to 19 trillion. Foreign Investment delivers more capital inflow to the host country, more employment chances and more progressive technologies to the country of investment (Forbes, 2004)

Two key modifications were comprehensive to the UN information. One was to make adjustments or accompaniments to information for 35 of the states between 1984 and 2000, by approaching values for trade where either the partner or the product establishment had been concealed by the reporting country. Another modification was to alteration to Hong Kong suppers' part of transfers by China through Hong Kong. These were marinated by some importers, such as the United States, as introductions from China even though part of the value was additional in Hong Kong. In addition to these modifications, U.S. imports stated by the U.S. Census Bureau were substituted for U.S. significances conveyed in the UN data (Feenstra et al., 2010).

The study by Keshava (2006), (Vijaya kumar, 2009) is about experimental research indicating that the relationship between Foreign Direct Investment and growth is mixed. In his report, he stated that the belief behind the result is because of the more modern technologies. These technologies can be put to use after a required work of the human force has been acquired. At the same time, it can be criticized that the products of the MNEs may often be too capital intensive to the receipt segment with its own areas of advantages that making it unique in its own areas. FDI of this kind results in a large amount of capital-intensive production process, resulting in less possibility of the growth of the overall employment in the country.

There are numerous theories have been developed to clarify international investments of multinational enterprises. There are very little effort has been made addressed the strength and weaknesses of each theory in explaining the form (Salih,1998).

This dissertation narrowed down and focuses on the FID that will cover the aspect of the international finance and Turkey from the list of the emerging economies. Therefore, my research will answer to the following question:

1(a): Does the FDI show any role on the economic growth of the emerging countries?

According to the World Bank (2001), the FDI is an investment made to attain an on-going management role, through investment of at least ten percent of common stock in the business other than the business where the investor is residing. The role of the FDI has been explained by Forbes (2004). Forbes defines that the foreign direct investment increases growth through many networks for example providing new capital for investments, encouraging competition in the host country, generating jobs, increasing salary, introducing new technologies, creating techniques and skills, opening host country entry to foreign market and raising the quality of the productivity (Bobrow, 1982).

Foreign and local companies, production cycle, both foreign and local production firms' combine unskilled and skilled labour, a composite intermediate good. The middle well is composed of a continuum of horizontal distinguished goods. Unskilled and skilled both workers are not traded and available in fixed numbers of L and H correspondingly. Competition in the labour market determine that unskilled and skilled wages you and, s, equal to their respective marginal products. To capture the position of proximity between workers and users of inputs, it is assumed that all kinds of middle goods are not traded (Aga, 2014).

This is a common supposition used to transport or local content necessities.17 would be created to capture the same results as the basis in place of the extreme supposition of the non-negotiability can assure that inputs had important transport costs, something for which there is sufficient evidence. 18 One could assume that there are a number of intermediate goods, which are negotiable and others that are non-negotiable. In that case, our qualitative results would prevail, while measureable effuse smaller size (Alfaro et al. 2006).

What is the indication on FDI? Refer to mostly rectangle micro econometric consequences, Viewers have newly lean towards to full that there is no indication for significant FDI spill overs over the last limited years, there has been every of educations, and some playwrights have maintained ending indication for FDI spill overs (Arslan et al, 2013).

3.1 The Ownership Location Internalization (OLI) Framework

According the John Dunning the "OLI" or "eclectic" attitude to the education of FDI was developed (Dunning, 1977). But nevertheless provides a useful framework for many categorization current logical and empirical study FID. "OLI" means property, location and Internalization three potential benefit that the decision of a company to become a multinational, may underlie. This is presently standard in ordinary universal Business framework, however was not so in the 70s, when by John Dunning was generally observed by a Heckscher-Ohlin focal point as a worldwide development of physical capital looking for higher returns (Mundell, 1956).

3.1.1 Ownership

The existence of multinational companies are explain by the advantages of ownership. The “O’ represent the Ownership advantage that explain the intangible assets of firm possess transferred by either by low cost or higher income. Corporations must possess certain characteristics to be able to enter to foreign market successfully. Monopoly power would arise due to ownership of natural limited resources, patents, trademarks; technology or knowledge. Knowledge covers all forms of innovation. The most progressive treatment along these lines can be found in the current work on heterogeneous firms by (Helpman Melitz & Yeaple, 2004). A prospective company must pay a sunk cost to determine productivity, and when it is revealed.

3.1.2. The “L” Advantage from Location

The bases of location theory focus on location advantage like to the distance to raw materials sources, transport network, labor and market enhances FDI flow (Arbache, J. (2004). The basic advantages accruing from location in a particular market are divided into three categories as stated:

1. Quantitative and qualitative advantage on cost of factors of production, transportation or telecommunications, market size.
2. Political advantages offered by government policies affecting FDI flows

3. Social advantages: covers distance between the home and home countries, cultural diversity, attitude towards strangers etc.

As the economic environment capacity for both local and international community open up to the globe, large corporations are the coordinating economic relations much better than national economies.

3.1.3 "I" from Internalization

In economics, globalization is the procedure of increase involvement of a company in markets, though there is normally not accepted meaning of internationalization (Eder, M. 2001) The deepening multi-dimensional globalization process offers important growth and development opportunities to countries, and brings risks and threats at the same time. There are theories that attempt to explain why international activities. His idea that multinational companies (MNCs) owe their presence to market imperfections was first suggested by Hymer, Kindleberger and Caves (1998). The market limits they had attention were structural inadequacies in the markets for finished goods. Hymer says that market imperfection are structural, due to structural irregularities of perfect competition in the finished goods market due to the exclusive and permanent control of the patented technology, privileged access to inputs, economies of scale, control of distribution, and product differentiation, but in their absence markets are perfectly efficient.

Internalization, the third part of Dunning's taxonomy (Dunning J. H., 1981) is often seen as the most important; in the words of Ethier (1986), one of the first presentation of this approach to FDI was Ethier (1986). Internalization provides advantage to firm to be more profitable by carrying out transactions within the firm rather than external markets. The higher the cross-border market Internalization benefits is the more the firm will aspire to engage in foreign production. OLI parameters may be different from company to company and reflect the economic, political, social characteristics of the host country.

The objectives and strategies of the firms will depend on the challenges and opportunities offered by different types of countries (Penrose, 2011). The acquisition can be much more irresistible if the organization being purchased likewise is an extreme contender holding a huge piece of the overall industry in an oligopoly market sort (Penrose, 2011). A traditional organic growth argument depends on excessive management capacity, whereas a merger already includes the management capacity necessary to handle the acquired resources (Penrose, 2011).

The remaining companies that can be bought gets smaller. *Acquiring many small firms instead of one large firm requires more management capacity, and hence acquisitions will ultimately no longer be an effective growth method* (Penrose, 2011). Furthermore, the emergence of international companies is not the international differences in factor prices, unlike other models of vertical FDI needed. Another approach end organizing internalisation decision, but also relying on incomplete contracts, taken by Antras and Helpman (2004). Internalization (the owner contracts with the supplier, who is an employee), while the less effective organizations must have market trading (the supplier remains a separate legal entity.

3.2. Monopolistic advantage theory

The monopolistic advantage theory is a method in global market that clarify why organization can compete on external institutions against native competitors and is often connected with the seminal influence of Hymer. Before Hymer's argument, the global activities of multinational corporations: A finding on foreign direct asset theories do not adequately clarify why companies engaged in foreign activities. Hymer (1970) began his research by examining the reasons behind foreign venture by US corporations in other states. Neoclassical theories leading at the time, the foreign direct investment put as drive of capital cross borders based on perceived benefits of interest rates in other marketplaces, there was no need to distinct them from any other form of investment. (Ietto-Guilles,2012).

4. EMERGING ECONOMIES AND FOREIGN DIRECT INVESTMENT POLICY

The emerging economies gained a key position amongst the major advanced economies since 2008 financial crises. Emerging economies are developing economies in the world that are experiencing a rapid growth in their economy than the rest of the developing countries increasing the changes to become one of the major developed economy in the world in future.

Emerging economies on the move have come progressively to consider FDI to be a wellspring of monetary improvement and modernisation, salary development and business. Nations have changed their FDI administrations and sought after different strategies to draw in speculation. They have tended to the issue of how best to seek after household approaches to augment the advantages of remote nearness in the residential economy.

In the 2016 release of its World Development Indicators, the World Bank has settled on a major decision: It's no longer recognizing "created" nations and "creating" ones in the presentation of its information. The change denote a development in contemplating the geographic dissemination of neediness and thriving. In any case, it sounds less radical when you consider that no one has ever concurred on a definition for these terms in any case.

The International Monetary Fund says its own qualification amongst cutting edge and developing business sector economies "is not in light of strict criteria, financial or something else." The United Nations doesn't have an official meaning of a creating nation, in spite of slapping the name on 159 countries. What's more, the World Bank itself had already just lumped nations in the last 66% of gross national pay (GNI) into the class, however even that relatively strict cut-off wasn't exceptionally helpful.

Part of the story is the accomplishment of advancement endeavors in the most recent a very long while. Consider this outline plots nations on a hub of newborn child mortality and ripeness in 1960 and 2013. In 1960, there are two clear gatherings—one with low mortality and fruitfulness, one with much higher. By 2013, the nations have focalized into a much more tightly gathering.

Rising economies have assumed an inexorably essential part on the worldwide field since the start of this century. Specifically, their moderately speedier improvement since the ejection of the worldwide budgetary emergency in 2008 has drawn across the board consideration from the world. Despite the fact that there has been much discourse in regards to rising economies since the 1990s, there have been few all around acknowledged meanings of the expression "developing economies" and many individuals can't help contradicting each other on which nations ought to be viewed as rising economies.

The paper by Wilson & Purushothaman, (2006) asked whether the "BRICs nations" is a practical expository classification. The four don't share household political organizations, global objectives, or monetary structures and difficulties. On the off chance that the classification in any case gives knowledge, it must be on the grounds that this arrangement of nations holds comparable ramifications for the bigger framework—the universal political economy—inside which it is implanted.

Definition of "Emerging Economies"

G20 pioneers' summit is likewise critical for the way that its individuals, aside from eight noteworthy created nations and the EU, incorporate 11 creating economies. They are Argentina, Brazil, China, India, Indonesia, Korea, Mexico, Russia, Saudi Arabia, South Africa and Turkey. The common division of created and creating economy individuals in the G20 gives us a straightforward and off-the-peg paradigm to characterize "developing economies.

Investments, at the market of a creating nation with high development desires, are typically described by an abnormal state of hazard and probability of an exceptional yield. Developing markets are greatly unstable, yet they offer the possibility to partake in the early phases of a nation's financial development. A segment inside global stocks made up of creating nations, for example, Kenya and China, where monetary and political conditions might be more unpredictable.

Great development prospects seem alluring, however may reflect pie in the sky thinking since just a modest bunch of creating nations have developed at reliably higher rates than cutting edge economies.Similarly, high rates of return are welcome yet the confirmation is that rates of profit for developing business sector securities have, all things considered, been very little superior to those acquired by putting resources into U.S. treasuries.5 Of more noteworthy pertinence is the abnormal state of hazard and their portrayal as ascertained by World Bank Atlas strategy, World Bank (2002).

At 2002 World Bank measurements demonstrate that outside of the East Asia and Pacific area, no local gathering has developed at a deliberately higher rate than "cutting edge," or high wage, economies in the most recent two decades.

Reason that normal come back to private interest in developing markets in the course of recent decades has been no higher than the hazard free rate. The high (proceeded) - 4 - to a great degree unstable. Practically any gathering of creating nations faces higher unpredictability than cutting edge industrialized economies. At last, the nonappearance of a past filled with outside speculation and their move to market economies addresses the dynamic way of developing markets, i.e., to the likelihood that they may move on from their current financial conditions to more prominent institutional and approach development as equivalent members in the worldwide market economy.

Foreign Direct Investment in each nation assumes different critical parts in a nation improvement. While contributing in capital reserve funds and creation limit of the host nation, Technology and administration aptitudes additionally created FDI. Foreign Direct Investment desired affects adjust of installments and serves as a capable instrument for strategy in financial reconciliation (Celasun, 1994).

Four cases are made identifying with the portrayal of developing markets and their policymaking forms. To start with, the key elements of developing markets—bolstered both by mainstream observation and by information—are their high level of unpredictability and their transitional character, with moves happening in financial, political, social and demographic measurements. Second, and the focal topic of the paper, is the ramifications of the instability and move for an especially intense exchange off amongst duty and adaptability in policymaking. Responsibility to a course of arrangement is alluring to draw in gainful venture, yet may not be valid; adaptability is expected to react to unforeseen improvements, however is subject to manhandle (Khanna, 2013).

Third, a more extensive claim is that while the dedication adaptability wording is a valuable one, unbending duty with no adaptability is for all intents and purposes infeasible have contended and, in the meantime, adaptability itself is suitable just when there exists a more extensive hidden responsibility to taught conduct through foundations that cut off the limits of tact. Subsequently, the real move in developing markets is from exchange particular duties to institutional responsibilities (Bernanke et al, 1999).

At long last, the lessons for policymakers are that slick answers for issues will just infrequently be conceivable and endeavors will be required on numerous integral and interlocking fronts. All things considered, idleness in the approach change prepare, while now and then hindering, regularly mirrors the intricacy of corresponding endeavors that are the building squares of institutional development.

Advanced level of savings and investment is very important factor to increase investment in a country. However, in developing countries the level of local or country’s savings below the ideal level due to a low income per capital (Khan, 2007).

To the level of investment of foreign capital, trade liberalization and the time to raise required investments. This can be realized by a relaxation of the controls and offering economic and commercial incentives such as tax breaks and tariffs discounts(Zaidi, et al., 2004), (Saqib, 2013).. In addition, host countries should make and implement an active policy of liberalization to overcome from the trade deficit and investment in export-oriented companies. In order to ensure that Foreign Direct Investment stimulates local economic activity, the host country must make mandatory policy for the external investor (Atique et al, 2005).

Foreign companies directly produce in the country instead of a license of the technology. The industrial organization study suggests that organization engaged in direct foreign investments not because different changes in the cost of capital, but the cause of some assets include foreign worthwhile local control. As a lower cost of investment were the only benefit of an external firm had more than local firm, it still remains mysterious why should a foreign investor facing problems of running a firm in a different political, legal and cultural conditions instead of just making investment would endure. Show that investing companies often do not invest all capital with that country when they take control of an external company; Instead, they tend to invest in a particular part of their investment in the domestic market (Khan & Khattak, 2009).

Decision of an investor to acquire an external company or make a production instead of just exporting the goods or engaging in other forms of contracts and arrangements with firms consists of two different issues ownership of an asset and the First produce location can be a firm possess some ownership advantage- a firm particular asset such as a patent, process and process or ownership of organization know-how, making it possible to outdo the local firm (Sandra & Magalhaes,2012).

This is one reason why the experts to and evidence of horizontal spill overs because it means that an external firm will try to use this specific acquisition to prevent his advantage and leaks of its technology. Thus, the model that describes advantages of FDI as began from relationships and not from technology spill overs. However, it makes model for the ownership of intangible fixed assets and know-how through the MNE by allowing for a differential productivity heights than domestic firm (Alfaro, 2006).

Most of the experts have noted that the PTA, by increasing the size of the quasi-domestic market of each member in such a contract or agreement may also attract foreign direct investments, i.e. the countries that are not parties to the PTA, in a possible case of "investment diversion. In other words, international financial and economic institutions lead to increased control, as well as the collection and distribution of information on non-compliance of established arrangements that punishment facilitated by other external countries governments and private actors (Hakro & Ghumro, 2011).

A more valuable approach to take a gander at characterizing developing markets is to consider some of their key traits and see what help this gives us. The real one would be wage level – the World Bank utilizes Gross Domestic Product (GDP) per head as a measure to characterize nations as takes after.

Classification	**GDP per head USD**
Low	< 755
Lower Middle	755 < 2995
Upper Middle	2995 < 9265
High	>= 9265

The India and China both are fastest growing economies countries in the world it implications for the global living hood standards like poverty reduction and others poverty through successful economic growth (Eichengreen, 2010).

Study into the impact of foreign wealth on economic and financial growth has important idea for policy, Foreign Direct Investment has a good effect on economic and financial growth and other growth factors, and it weakens the argument for restricting foreign asset. However, it was found that Foreign Direct Investment does not exert a positive impact on economic and financial growth, then this would be a sedation of the rapid expansion of tax incentives and tax collection, infrastructure subsidies, import duty exemption and other measures that countries have taken to attract Foreign Direct Investment suggest. Although there is no single document will show these policy issues, these paper contributes to this debate (Khan, 1999), (Carkovic et al. 2002).

The complementarity amongst nearby and outside speculation, where it is not exceptionally vigorous to various arrangements. With the exception of the fundamental determination, the gauge coefficients are factually irrelevant. While general poorer attack of the altered venture relapses might be reason for the absence of vigour of the swarming - truth be told, this outcome demonstrates that the greater part of the effect of Foreign Direct Investment on development is likely determined of viability picks up instead of a by and large higher instigated levels of speculation(Borensztein et al. 1998).

Amongst various institutions in the developing country context, the state and MNCs have been studied lengthily for their contribution to scientific upgrading. For many of the industrial latecomer economies of the Asia-Pacific, the part of the state has been critical in identifying, hopeful, and developing competitive compensations in strategic industrial segments with a promise of broad export marketplaces, technological transfer, and skill development (Parthasarathy & Aoyama , 2006).

China is fast becoming a major contributor factor to global FDI, but the situation remains critical in shaping firm behaviour, and checked in the distribution of public fundament. Consequently China offers a suitable environment for investigating how institutional collaboration and resource-based factors to shape the international expansion (Breslin, 1999).

Wang used Information about companies 'OFDI was obtained from the Chinese Ministry of Commerce, whose database information systematically on all Chinese enterprises' OFDI 2006-2007, including the name of the parent companies, foreign subsidiaries, investment sites, and the total capital of the project invested capital by Chinese companies. So it allows us to explore the role of government involvement in the state of Chinese OFDI in a way not previously possible.2 after excluding thing from service companies and mining, the sample included 1231 industrial enterprises that invested in 1390 foreign projects (Wang, 2012).

When Wang reviewed the FDI of USA in 40 different countries in the era of 1966 to 1994, Wang (2012) found hat FDI in developing countries is more effective than the developing countries because of lack of trained people (Agosin, et al., 2005).

Grown rapidly FDI in developing countries all over the world (Adams, S. 2009) provides a review of the FDI economic growth literature for developing countries where they particularly highlights Sub-Saharan of Africa. Where they mentioned first, FDI contributes to economic development, secondly both benefits and costs and its impact of FDI (Michalet, 1997).

In view of household overview information from numerous African nations, couple of experiential studies have analysed the part of instalments in diminishing do not have The macroeconomic impacts of instalments, be that as it may, may have been disregarded for no less than two reasons. One hypothetical strand proposes that specialists' settlements are for the most part utilized for ingesting purposes and, thus, impacts affect innovative venture that would goad long-run monetary development as it were, instalments are generally seen as compensatory exchanges between relatives who lost master labourers because of relocation with restricted or no noticeable effect of the national economy (Fayissa & Nsiah, 2010).

Ahmed et al (2012) ponder optional information going from 2003 to 2011and watch the impacts of different variables like brutality, stock trade execution and conversion scale on FDI inflow into Pakistan with relapse and relationship are utilized as expository apparatuses for the experimental estimation. The brutality in the nation and its real city Karachi Stock Exchange (KSE) 100 Index are measurably critical components with a positive sign. The outcomes demonstrated that the FDI inflow to Pakistan was alluring level, the legislature ought to guarantee the presence of a tranquil situation, proficient capital markets and a steady swapping scale in the nation.

The study by Arslan et al.(2013) studies the foreign direct investment's impact of inflation, capital stock and exchange rate on the economic growth of Pakistan from yearly data from 1975–to-2011. There are multiples regression technique are used for analyzing the relationship between economic growth and inflation FDI, capital stock and exchange rate. Same kind study done by Niazi et al (2011) with use of data from 2001-2010 of Pakistan to know about *"Does an Inflation and Growth of a country affect its Foreign Direct Investment?"*

The study by Akram et al., 2011 investigates the factors of total debt, gross domestic investment and inflation that determine and enhance economic growth South Asian Association for Regional Cooperation (SAARC) countries of year from 1971 to 2009. In it the FDI and inflation are found having inverse relationship with economic growth while gross domestic investment and total debt are found positively associated with economic growth. This is clearly mentioned in classical growth model that FDI can increase income level alone and not effective in long run growth and technology (Kwan, et al., 1999), (Zhang, 2001). Its only be achieve that when the labour force adopted that technology effectively and implementing that technology in domestic industry. In addition it can be said that learning process is also an important thing for long term growth of the economy of a country (Solow et al. 1956).

The investigation from the period 1997-2006 impact of Indonesia foreign direct investment (FDI) on economic growth. In the level of aggregation, FDI is observed by Khaliq (Khaliq, 2007) a positive effect on economic growth. Though, when accounting for the different average growth performance crossways sectors, the beneficial impact of FDI is no longer superficial. FDI have focuses all areas of investment regarding social, cultural, natural etc. for future failure that will not causes for investments (Lawrence, S.2009).

The results of econometric study, there have estimated that the model which have described in equation that use the 2xed - effects panel fact regression technique described, which was preferred considered for the estimation of the sector - specific effects a random effects specification since our data set consists of mainly the population of the manufacturing industries in Ireland. All speciation's check include time dummies for year specific effects. It defines a number of alternative speciation's or the presence of multinational positive effect on the incidence of native plants entry has had on Irish production (Giorga et al. 2001).

In the economic growth works, investigators have been interested in the rate at which countries close the gap among their current positions and their desired long-run growth path (Fayissa & Nsiah, 2010).

There are two assumptions who discussed the relation between exports and GDP one is export growth assumption while other is growth cased export growth assumption. (Makki, 2004). The link between growth and exports not necessarily positive it's maybe negative. This is because of demand of the products in domestic market. The result is ultimate decrease in exports that is the debate for those who consider FDI as the key of international trade (Liu, 2001).

There are other analyses say that trade can replace production factors including FDI. According to this study foreign companies first focus on trade not direct investment in the country because trade is more safe then investment or FDI then analyse the political, geographical, demographic and other conditions of the host country then establish subsidiary companies in the host country and then export from subsidiary.

Gross Foreign Direct Investment total validations the totality of the complete value of the influx and outflow confirmed in the balance of payments books. Our model study on the flow of the economy so, stress to the use of the net inflow degree. This is hard to paradigm correct and equal actions of economic services data broad cross unit states for the long time. Countless financial market series, spread have added over from the stock market to the size of affording in a country. These variables can be classified in two broad groupings: those unfolding to the investment segment and those involving to the typical marketplace (Alfaro et al. 2003).

As well it has been concluded that foreign direct investment improve the social welfare of the society by providing employment, which will increase the income per capita, and the reduction of poverty; improving the trade that accelerate the economic development of the countries. This text is planning a comparative analysis between the foreign direct investment in Turkey and Pakistan on the basis of the hypothesis.

The compensations of local firms that maturing of local technological know-how in part allowed the growth of start-ups that specify exclusively in R&D facilities. The CEO of Ittiam Systems, a Bangalore start-up which was freshly named the most preferred global supplier of DSP-based intelligent property by the global DSP Professionals Survey of 2004, observed real chances in R&D services. To him, R&D services are about providing clients with additional sets of `core competencies' (Parthasarathy & Aoyama , 2006).

The experience displays that a credible exchange rate fix offers import- tent compensations in the early stages of transition, but in my opinion, the fix should vanish in the medium term. They made this essential shift late, and under pressure from speculation, which increased the cost (Peter et al., 1999).

The Asian currency catastrophe that exploded in Thailand in July 1997 and has since blowout to other countries, mostly Indonesia, Republic of Korea and Malaysia, changed the implication of wise management of foreign capital movements in developing countries where national financial markets are not however completely established. (Yun-Hwan et al. 1999).

FDI can have a main impact on the organization skills, and so the performance of the companies involved. The main channels through which financial derivatives can increase performance acquires its economy of scale and scope, better capacity utilization, potentially lower transaction costs, or for example the acquisition and rearrangement of new resources and opportunities (Breslin, 1999). In general, cross-border acquisition remains largely under explored compared with servants(Bertrand et al. 2012). Efficiency of pressures, these firms focus on the business potential of foreign investment projects, and favour market-oriented OFDI with a shorter payback cycle (Wang et al. 2012).

It is proved, and also very likely that the degree of FDI and the effectiveness of financial markets rise with higher growth rates. This would lead to an exaggeration of the effects of these two variables and their effect on the growth, because it makes use of the normal values of these estimation numbers of the variables, therefore, it needs to make tools for both (Tekin, 2006). For the financial markets, variables that are not subject to opposite causality, such as the laws of the country about credit, explores the laws who are in favour of investing persons, imposing these laws, and the extent of attention of ownership of shares in companies in different countries. They find that countries with different legal histories offer different kinds legal protection for their investors (Alfaro et al. 2003).

FDI is categorized as either a cross-border FDI (where the buyer is a overseas organization situated abroad), a financial derivatives with a local property buyer, a local domestic financial derivatives with a abroad-owned organization based in Finland, or an internal restructuring, in which the buyer is not any other company. Since Finland is a small, country, the growth of external ownership can have a thoughtful effect on employment in Finland than in the other large countries. The studies from Europe also show mixed results. Find the negative effects of M & As on employment in the UK on the basis of data on 277 listed companies. The adverse effects are mainly marked for hostile dealings. Find, using data from the UK electronics industry, the occurrence of foreign takeover reduces employment growth (Lehto et al. 2008), (Nachum, 2000).

Sensitivity analysis; Based on the description and data used for intra - industry effects of multinational corporations in original entry also estimated that some other specifications first analyse the general robustness of our outcomes. It is separated total example in the high - tech and low-tech areas on the basis of an OECD classification as used and distinctly estimated the observed model (Breslin, 1999).

There are two statistically important positive effects of MNC presence on native entry rate for both groups, the extent of the positive effect of the external presence appears to be higher for high-tech sectors than low - tech sectors. Secondly, it is an option that the indigenous admission rate replies to changes in the variables over several years rather than one year, including the indigenous delayed entry re as a descriptive variable explored (Giorga et al. 2001).

To shed more light on this important question, a sample of our companies to expand globally through cross -border FDI is targeting several potential benefits of cross - border FDI. First it will be possible to pre-merger market measure valve of foreign target companies and compare their underlying characteristics with those of the US benchmarks. This enables us to determine how much of the post-merger changes in the equity of the multinational acquirer may be directly followed the status value of the largest enterprise prior to the above event (Dos Santos et al. 2008).

Consequently, so two views on the creation of value in cross -border achievement resulting from the standing works. The first point of advancement of the role of the market impetration in the creation of value, while the second position under the influence of various stresses, and business deal specifically on value. Thus, the study adds to the existing literature on internalization theory by extending it to an emerging market like India (Kohli&Mann, 2012). International Capital flow farming countries, foreign assets promoted time. In reappearance, the international investors benefit was of portfolio growth, according to the traditional Keynesian and neoclassical theories, the policy should be countercyclical countries monetary policy is often a substitute for fiscal discipline, thus forcing the monetary policy, since the central bank must take (Biekpe & Nicholas, 2013).

The level of instruction, wellbeing, innovative level of host-nation endeavours and deficient openness to exchange, feeble rivalry and insufficient administrative systems are the variables that keep down the full advantages of FDI in some creating nations (Kastrati, 2013). FDI is not similar to trade. The interacting countries can liberalize the agreements unilaterally that can bring benefits to both sides. Sometimes bilateral agreements can be more beneficial and easily adopted for the interacting countries. Small countries can form a coalition to avoid the powerful country's negotiation terms (WEF, 2013).

4.1. Foreign Direct Investment Emerging Country: Turkey

The full official name of turkey is Republic of Turkey. The country is situated in a very important location where Asia, Europe and Africa closest to each other, Turkey share 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. Association to the world trade organization such as WTO and the Customs Union. Turkey is bound to implement rules and regulations of WTO and is committed to go forward for trade liberalisation nearly all areas of trade. 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).

Table 4.1: Main Macro Economic Indicators of Turkish Economy

Year		GDP	Inflation	Savings	Growth	Foreign Direct Investment	Unemployment
	Growth %	constant dollars		percent of GDP	Exports	Billion dollars	Rate %
1993	7.65	308.3	66.1	21.45	7.69	0.64	9
1994	-4.67	293.9	106.3	22.1	15.18	0.61	8.6
1995	7.88	317	88.1	21.72	7.98	0.89	7.6
1996	7.38	340.4	80.3	18.91	21.96	0.72	6.6
1997	7.58	366.2	85.7	20.09	19.12	0.81	6.8
1998	2.31	374.7	84.6	24.07	12	0.94	6.9
1999	-3.37	362.1	64.9	19.66	-10.68	0.78	7.7
2000	6.77	386.6	54.9	17.9	15.98	0.98	6.5
2001	-5.7	364.6	54.4	17.93	3.94	3.35	8.4
2002	6.16	387	45	18.34	6.89	1.08	10.4
2003	5.27	407.4	25.3	15.07	6.86	1.7	10.5
2004	9.36	445.5	10.6	15.61	11.17	2.78	10.8
2005	8.4	483	10.1	15.59	7.89	10.03	10.6
2006	6.89	516.3	9.6	16.24	6.64	20.18	10.2
2007	4.67	540.4	8.8	15.15	7.26	22.05	10.3
2008	0.66	543.9	10.4	16.5	2.74	19.85	11
2009	-4.83	517.7	6.3	12.86	-5.04	8.58	14
2010	9.16	565.1	8.6	13.19	3.41	9.1	11.9
2011	8.77	614.7	6.5	14.11	7.88	16.18	9.8
2012	2.13	627.7	8.9	14.24	16.31	13.28	9.2
2013	4.19	654.1	7.5	13.16	-0.21	12.46	8.7
2014	3.02	634.2	8.2	13.25	-	12.56	9.1
2015	3.97	624.5	7.4	13.82	-	16.80	9.2

Source: The World Bank, http://www.theglobaleconomy.com/

Turkish economy is the largest in Eastern Europe and the World 18th largest economy. She is 6th largest trading partner of the European Union. However, FDI level in Turkey was found that FDI flow in Turkey touches $12 Billion at 2014.Turkey Investment This fraction is more attractive to the countries who have similar size economy like Mexico and Argentina but other side only quarter level of Foreign Direct Investment in Poland rendering the report about Turkey of World Bank, "there are no easy way for communication to the investors in capacity of FDI". There are some investment issues are highlighted in the paper about Russia which will helpful for other nation (Ahrend,2000).

The study (Bumin, M. et al,. 2007) about foreign investment in the Turkish Banking sector enhance in the macroeconomic pointers of the Turkish economy, the procedure of the European Union increase and positive assumptions about

Turkish economy additionally add to the outside interests in the saving investment. The reading the determinants of the expanding offer of remote banks in the Turkish keeping money segment are examined between the times of 2003 to 2006.

Table 4.2: Foreign Direct Investment to Turkey (Yearly Basis)

SD million	2010	2011	2012	2013	2014
FDI Total (Net)	9,099	16,176	13,282	12,457	12,53
Equity Investments (Net)	6,221	14,146	10,126	9,298	8,445
Inflows	6,256	16,137	10,759	9,866	8,699
Liquidation Outflows	35	1,991	633	568	254
Intra -company Loans*	384	17	520	110	-236
Real Estate (Net)	2,494	2,013	2,636	3,049	4,321

Source: Foreign Direct Investment Statistics, Investment Support and Promotion Agency of Turkey http://www.invest.gov.tr/en-US/investmentguide/investorsguide/Pages/FDIinTurkey.aspx

The extending multi-dimensional globalization prepare offers vital development and advancement chances to nations, and brings dangers and dangers in the meantime. The nations, which make measures against these dangers and dangers, make most extreme utilization of advancement and development prospects by using their possibilities and changing them into open doors for their economy and individuals, will effectively maintain the procedure of improvement and will be among the main nations later on (Celasun, 1994). 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 (Acaravci et al., 2010).

The study of global business by economists can be categorized into three areas of inquiry: (i) trade theory; (ii) empirical studies of trade; and (iii) trade policy.

(Celasun, 1994). Trade policy usually deals with domestic economy effects usually direct government interventions that usually change the environment which international transaction take place. İn trade theory, work is mostly undertaken within general equilibrium context, and on contrary trade policy is accomplished using partial equilibrium analysis. Trade polices deal with winners and losers caused by government interference (Erdilek, 2003).

Turkey also has become one of the biggest emerging donner economics together with Indian and Brazil. The Turkish Collaboration and Growth agency (knows by its Turkish acronym of TIKA) was launched by the government throughout the 1990s and has expanded its processes into Africa (Aybar, 2016).

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.

Turkey is currently an economy that welcomes FDI as well as expands its outward ventures (Acaravci et al., 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 (2002) 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.

Hisarcılılar et al. (2014) , concluded by observing the period from 2000 to 207 that FDI inflows cannot be expected in large amounts to the high-tech sectors without an education reform in Turkey. It can help to increase the skill level of the labour which means that FDI cannot contribute to the alleviation of the unemployment problem in Turkey. Later a semiparametric Generalized Partial Linear Models (GPLM) regression approach was used including 148 developing countries' panel data to check the appropriateness and effectiveness of financial crisis in the FDI regression model. It showed that there is decline in FDI during financial crisis. Over all it was 15% decline for the period of 1995 to 2007 World Bank data. While Turkey felt a 40% decline in FDI during financial crisis (Ucal, 2010).

Celasun (1994) and Tatoglu et al are the others 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 (Celasun, 1994) (Tatoglu et al, 2000). In another research paper the Turkey's performance is very poor as respect of FDI (Loewendahl et al, 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 (2000) analysed the Turkey's performance in attracting foreign direct investment (FDI). He identified the key location factors for Turkey for FDI. FDI and technology spillovers were studied by Sonmez and Pamukcu(2012) in the Turkish manufacturing industry. They found out 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).

Eder says that premature liberalization of Turkish economy created some fundamental problems like distributional conflicts. Serious outside trade limitations, noteworthy underutilization of limit in import subordinate ventures, issues in serving remote speculations and troubles in repatriating benefits demoralized the inflow of new outside capital, notwithstanding the advancement of national possession, chiefly by setting up the State Economic Enterprises (SEES), which for the most part made an antagonistic domain for outside speculators (Karadeniz, 1995). Some light on the strategies to attract foreign direct investments in the case of Turkey. Improving legal systems, labour regulations and transparent economy policy would gather more investment from abroad. Alici and Ucal (2003) did a causality analysis on Turkish FDI and exports. They summarized that following three main factors are the Turkish economy reforms;

i) Minimizing state intervention

ii) Establishing a free market economy

iii) Integrating the economy with the global economic system

The economic and risk factors of EU, French and Dutch FDI in Turkey by using panel data analysis from 1991 to 2003. It was found that Netherland, France and Germany have more than 50% share of FDI in Turkey. The components behind expanded remote banks interests in Turkey are the restoration of the division in the wake of embracing the managing an account segment rebuilding program and expanding the guidelines of control and supervision of the saving money part (Bumin, 2007). Dumludag(2010) investigated that how social monetary and political establishments clarify the low level of FDI streams into Turkey by offering a political economy approach.

A case study of British American Tobacco (BAT) shows that the investment of Bat was failed due to its wrong and misguided investment strategy to acquire TEKEL, a Turkish tobacco company (Lawrence, 2009). Turkey's Foreign Ministry should be rebuilt that ought to likewise be directed in such an approach to build the quantity of strategic specialists with an interdisciplinary core interest (Unay, 2010). By controlling the following factors; R&D intensity, labour flexibility, internet access, etc, foreign ownership does not matter for innovativeness (Taymaz and Lenger, 2003).

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 (Celasun, 1994).

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.

Regardless of the possibility that there are a considerable measure of papers that break down various emergency in time, there is a rare research with respect to the relationship between the late worldwide budgetary emergency and FDI. The enthusiasm of scientists, who drew nearer this subject, was to quantify the quality of monetary emergency regarding the FDI level. All the more particularly, the experimental study directed by (Ucal, et al., 2010) uncovered that the monetary emergency affected FDI. After recording an upturn in the year(s) before the emergency, the level of FDI diminished in the followings years.

There are study to analysis & examine the performance of foreign firms in Turkish manufacturing (Karadeniz, 1995). The technological choice and trade behavior of the FDI on Turkish manufacturing is to evaluate the economic effects after 1980. In the conclusion they suggested some suggestion for the Turkish economy.

Particularly the EU nations and worldwide concerns towards the macroeconomic approaches. Amid that time, creating states began to get bigger part of the worldwide FDI streams and they are presently more coordinate into them rising economy through the elements changes of FDI (Erdilek, 2003).

As an aftereffect of such sort of movements in speculation relations on global premise, venture openings have turned out to be more change today. In this day and age economy where effects of the worldwide variances are more obvious, nations are presently intensely contending with each other in order to build their shares in FDI streams that are now narrowing (Tatoglu, 2000).

4.2. Pakistan Economy and Foreign Direct Investment Policies

The full official name of Pakistan is Islamic Republic of Pakistan it is situated in south Asia share borders with China, India, Afghanistan and southern area touches with Arabian Sea, estimated population of Pakistan is 200 million, Pakistan has a very important position in the world because of obtained nuclear power, most of the population of Pakistan living in rural areas and their professions are agriculture and related to agriculture activities, the important imports of Pakistan are industrial equipment, petroleum, wheat and major exports are cotton, textile and rice.

Since the time of independence the trade policies of Pakistan vary time to time various political governments are change the economic policies but in shortly it can be said that Pakistan has a mix economic system and in the country trade and economic policies made by experts.

The primary finishes of the review (Shabbir, et al, 1992) and their pertinent strategy suggestions are being noted beneath: First It is found that both net remote private speculation (FPI) and dispense mentis of awards and outside advances (DISB) positively affects the rate of development of genuine GNP in Pakistan.

4.3 Turkey-Pakistan Economic Relations

International Trade is importing and exporting of the goods and services among the countries. This importing and exporting of goods and services gives rise to world economy. Political polices in Asia usually result in increased the cost of labour 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. International trade gives consumer and countries a chance to choose between wide range of goods and services. Imports and exports are accounted for in a country's current account in the balance of payments.

The relations between Pakistan and Turkey are rooted deeply through historical, brotherly, and religious share common vision on nearly all international and regional affairs. Turkey is currently contributing in Pakistan through different ways. Turkey has been seen a role model in Pakistan. The relations between two friendly countries have also intensified as a part of so called “turning to east” policy in Ankara and in Islamabad (Nishat & Aqeel, 1998).

The current revision focuses on the importance in Foreign Direct investment (FDI) of economic developments of Turkey and Pakistan, &a comparison of Foreign Direct investment in general Pakistan &Turkey. For inquiry in secondary data/information has been used, taken from Pakistan economics surveys and Turkey economics Survey over the period of 2000 to 2013. The reading accomplishes the inflow of FDI into Turkey and Pakistan are gradually increased (Yousaf & Ahmed, 2008).

Table 4.3: Major Economic Indicators of Pakistan / Billions USD $

Year	Growth %	GDP constant dollars	Inflation	Savings percent of GDP	Growth Exports	Foreign Direct Investment billion dollars	Unemployment Rate %
1993	1.76	67.1	10	19.9	1.32	0.35	4.3
1994	3.74	69.7	12.4	22.6	3.11	0.42	4.3
1995	4.96	73.1	12.3	20.81	-3.08	0.72	5
1996	4.85	76.7	10.4	18.38	1.99	0.92	5.3
1997	1.01	77.4	11.4	18.75	-6.54	0.72	5.8
1998	2.55	79.4	6.2	20.22	-5.73	0.51	5.7
1999	3.66	82.3	4.1	18.7	-2.85	0.53	6.1
2000	4.26	85.8	4.4	20.35	16.02	0.31	7.2
2001	1.98	87.5	3.1	22.17	12.18	0.38	7.4
2002	3.22	90.3	3.3	26.08	9.96	0.82	7.8
2003	4.85	94.7	2.9	27.95	28.38	0.53	7.7
2004	7.37	101.7	7.4	27.5	-1.53	1.12	7.4
2005	7.67	109.5	9.1	25.57	9.59	2.2	7.1
2006	6.18	116.3	7.9	21.71	9.9	4.27	6.1
2007	4.83	121.9	7.6	21.21	1.51	5.59	5.1
2008	1.7	124	20.3	16.89	-4.55	5.44	5
2009	2.83	127.5	13.6	20.3	-3.36	2.34	5.2
2010	1.61	129.5	13.9	21.55	15.71	2.02	5.1
2011	2.75	133.1	11.9	21.29	2.37	1.33	5.1
2012	3.51	137.7	9.7	20.5	-15	0.86	5.1
2013	4.37	143.8	7.7	21.03	13.61	1.33	5.1
2014	4.67	111.2	8.2	22.36	12.63	1.86	5.1
2015	4.72	114.7	7.4	21.52	11.52	.97	5.1

Source: The World Bank**,** http://www.theglobaleconomy.com/

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 & 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. Correspondingly, Tang and Lean (2011) additionally showed high worldwide capital versatility in Mal.

The main goal of any investment is to earn profit thus it can be said that any accumulation of different type of assets hope for the earning return in future called investment. In this contest it can be said that investment is very important tool for the growth of the economy. There are two type of foreign direct investment one is foreign direct investment and second is portfolio investment (Khan, et al., 2009).

Foreign Direct Investment is the 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, et al., 2004).

Foreign Direct Investment is the obligation of capital for the long term obligation of business activities in the host country (Kolstad et al. 2008). But some researcher arguing that FDI Effects the economics of the host countries (Kurtishi-Kastrati, 2013). Usually, foreign direct investment are made by major international Companies through mergers and acquisitions or by building a new facility (IMF, 2003). 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 (Aqeel, 2004)

Now after four decades economic planners of Pakistan realize importance of privatization but still not in the position to get maximum benefits of global trade and they are facing difficulties (Olayemi, 2015). Bogahawatte and Balamurali (2004) assessed the relations amongst FDI and monetary development in Sri Lanka for the time of 1977–2003 utilizing Johansen's full data most extreme probability strategy by considering the relations between genuine GDP, FDI, household venture and the openness of the exchange arrangement run the show.

5. IMPACT OF FOREIGN DIRECT INVESTMENT ON THE GROWTH OF EMERGING ECONOMIES: TURKEY AND PAKISTAN CASE

Emerging Economies Turkey and Pakistan There are two research approaches in a research methodology that are the inductive and deductive approach. Deductive works from a “general to specific” also called the “top to down” approach and the indicative approach that works from “specific to general” that also called down to bottom (Zikmund, 2003). In this report, I am focusing on the deductive approach illustration conclusions by applying rules and principles, moving logically from a general rule and principles to a specific solution” (Woolfolk, 2001). As the area of study is about the Chines FDI and its impact on the Chinese economy to present a result to make a general statement that Foreign Direct Investment plays a positive role in a countries economic growth. So my research is focusing on the deductive approach.

Foreign Direct Investment (Falki, N., 2009) as the outcomes indicate has not contributed much to the monetary development in Pakistan for the day and age 1980-2006, when contrasted with residential capital and work, along these lines it is basic for the administration to make an arrangement for pulling in Foreign Direct Investment in a manner that it ought to be more development upgrading than development hindering. More Greenfield venture ought to be empowered alongside interest in extensive scale fabricating that can enhance the fares of the Pakistan and in addition the most grounded contention for Foreign Direct Investment is that it fortifies fares for the host nation. For Foreign Direct Investment to be a huge patron to financial development, Pakistan would improve by concentrating on enhancing foundation, Human Resource, creating neighbourhood enterprise, making a stable macroeconomic structure and conditions helpful for beneficial ventures to accelerate the procedure of advancement

There are worked on the data from 1984-2001 to the determinants of Chinese outward direct venture (ODI) on the degree of unique clarifications should be settled inside the general hypothesis of the multinational firm(Buckley, P.J. et al 2007). The results shows that the Chinese ODI is too associated with high levels of political risk to cultural.

The method whether to apply qualitative or quantitative method in the research is debatable. Different research have different views about which methods is correct to be applied for the research investigation. The researcher's view the two methods as an entirely separate strategies. Some however argue that both of the approach should be used in the research study to get a more precise results of the research problem. Nevertheless, (Hughes, 1997). Warns that such techniques solutions reduced the reliability and validity of the research that are connected with choice of methods. In the end the researchers have found that particular, quantitative approaches have been seen as more scientific. More objective, more reliable, more reliable and a more accurate method.

This research is archival research as it is a secondary research based on the research of the past researches and is co-relational in nature. This project will utilize quantitative epistemological position that recognizes the importance of locating the research within a financial and economic context. Apart from this, the study is co-relational in nature that will find the relationship between four variables that is Foreign Direct Investment (FDI) and the economic growth.

The Four variable used in the research are the following

<u>FDI (Foreign Direct) Investment = Independent variable</u>

<u>Capital stock (Gross Capital formation) = Independent variable</u>

<u>Export of Good and Services = Independent variable</u>

<u>Economic Growth = Dependent variable.</u>

The research will try to evaluate the relationship between the two variables Foreign Direct Investment and economic growth. In the research I will try to analyse how the economic growth changes with the changes in the in the FDI. For the economic growth I will use the country’s Gross Domestic Product (GDP) as the economic growth indicator

5.1 Data Collection

Cooper and Schindler (Schindler, 2005)advised the business investigator against approaching the research with a precise data gathering technique in mind. Instead, first the researcher should recognize the character of the data and then make out those methods that will best suit in the finding of the data. Whereas, (Ghauri and Gronhaug, 2005). Largely agree to the advice by (Schindler, 2005). They nevertheless, say that the researcher must limit his selection of data collection methods, but to the collection methods, not to the type of data required.

Consent: The data that the research used and the information obtained from the different secondary researches (Journals, working papers, articles, internet etc.) were either available publically and the rest data that was collected, consent of the owner of the work was taken.

Creditability: The data collected for the study was made sure that it was taken from the reliable sources. Like the statistics of GDP and FDI inflows from 2000-2013 was taken from the World Bank which is a reliable resource. Similarly, credibility of the participant, trust worthiness was also identified. Like their report, relating to penitentiary report was also checked. Apart from that, the researcher’s responsibility was to protect their anonymity or confidentiality and not to disclose an information that can cause harm to them personally and professionally.

5.2. Research Model

This study is about the importance of international finance to the emerging economies. The term emerging economies nowadays is getting very popular.

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. The research mainly focuses on the economic growth of Turkey.

The research requires to gathering information related to the impact of the Foreign Direct Investment to the emerging economics. This research will give the research will give the reader empirical knowledge about the impact of the two variables and will give the answer the problem statement of my report: 1) How International finance has helped developing economies to become emerging economies?

Our research study will evaluate on the following variables;

Dependent variable = Economic Growth (GDP)

Independent Variable = FDI (Foreign Direct Investment)

Independent Variable = Capital stock (Gross Capital formation)

Independent variable = Export (Goods and Services)

The study will determine the type of relationship to verify a direct relationship, inverse relationship and or no relationship exists between the Four variables.

The proposed of the empirical examination is to form the linkage between the variable that are being considered. The report establishes a bond between the phenomenon FDI and its economic growth. Following researches by the pervious study of Borensztein et al. 1998 and Carkvic and Levine, 2002. 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 2000-2013 of Turkey.

There are research investigated done by Ahmed Abdulrahman Khder Aga on 2014 (Aga, 2014) on the techniques to analysis the effect of FDI on economic growth in Turkey on the data over the period 1980–2012. Through using the Vector Auto regression model methodology they concluded that there is no long run relationship between FDI and economic growth In Turkey.

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.

$$Y = g\ (K., FDI.\ X)$$

The term ‘g’ expresses that Y (GDP) is a function (more precisely, a production function)

$$Y = I + K + FDI + X$$

5.3 Growth of 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 6th largest country in the world by population. 26th 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.

The literature shows that there is positive relation between economic growth and gross domestic investment and gross domestic investment is depend on the efficiency and contribution of the government of the country. The proxy for this variable is the gross domestic savings as a percentage of GDP (Kowalski et al. 2000).

More organizations, in an expanding number of financial segments and nations, now contribute past the fringes of their nations of origin; in the meantime, the legislatures of getting nations are contending increasingly to draw in remote venture. These issues are addressed in the research conducted on Effects of Foreign Investment versus Domestic Investment on the Forestry Sector in Latin America (Borregaard, N., et al, 2008)

As imports certainly affect financial growth, the government of Pakistan should direct its policy to import liberal technology, more capital and middle products to enhance its manufacture base and expand exports. Pakistan may bear the rate of economic growth by introducing such advanced technology to upsurge national output, improve excellence of local products, reduce average production cost and enhance global market share by increasing exports. (Shahbaz & Rahman, 2012).

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 World Bank (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.

Gross domestic product development is a critical consider a nation for outside financial specialists to contribute. The relationship amongst GDP and outside direct speculation and the other way around is constantly one of the primary street from the accentuation received by the exploration in the monetary writing. The investigation of Martinez and Zarzoso, 2003 found that a high wage in the host nation proposes an abnormal state of creation, which the speculator certainty to draw in interest in the nation. The review by (Martinez and Lehmann, 2004) likewise demonstrate that the higher earnings allowed in the nations of origin and brought on a lot of the wellspring of the assets are put resources into abroad business.

Genuine GDP and its development considered the national wage development marker of the financial execution of the nation, which is reflected by the generation, utilization and supply of products and other monetary administrations in the nation. Gross domestic product slant additionally assigns the level of monetary advancement of the nation with respect to development and potential market chances for local speculators. The GDP development has dropped in Pakistan amid the last part of the period 2001-2011 (Qaiser et al. 2011).

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 Economics (2014), Pakistan, the rapid rise in the economy of the world and the annual increase year by year is estimated at 10% for the last thirty years.

5.4 Growth of Turkey

Turkey has the 17th largest GDP of the world and the 18th largest nominal GDP. Turkey is the member of OECD since 1961 and since 1995 it is a part of EU. The World Bank classifies Turkey as an upper middle income country as per land per capita.

According to a survey by Forbes magazine, Istanbul, the financial capital of Turkey, had a total of 37 billionaires in 2013, ranking fifth in the world. Turkey annual Gross Domestic Product (GDP) is positioned on the 127 in the world. In 2000, Turkey economy accounts for 7.2 percent of the world's total GDP in PPP terms and in 2010 the figure had risen to 13.3 percent. In 2020 is expected to increase to 20.7 per cent (Euro monitor International).

The Gross Domestic Product (GDP) in Turkey was worth $ 799.54 billion in 2014. 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. Gross domestic product in Turkey is accounted for by the (World Bank)

In this review (Sen Dogan, B. and Midilic, M., 2016), they have pointed out that the data in day by day money related information about the future condition of the Turkish economy. In the end they have mixed data sampling models are utilized without precedent for producing nowcasts and figures for quarterly Turkish GDP development in the examination. They take after the approach presented and utilize 204 every day money related information comprising of 4 noteworthy monetary information.

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 imports to Turkey by real accomplice were expressed in the International Trade Statistics Yearbook (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. (Feenstra Robert et al., 2005)

5.5 Pakistan and Foreign Direct Investment (FDI) Inflow Trend

According to the World Bank in 1997 FDI in Pakistan as a % of GDP is only 0.72 percent. 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 (John, 2005), 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 sharp decrease in foreign direct investment is start at a time of global FDI recovery of the developed economies. According to UNCTAD, total FDI in 2013 amounted to $ 1.45 trillion globally; the share of emerging countries was 54pc, or a total inflow of $ 778bn. Of these, Pakistan knew 0.17pc far-pull under its weight in terms of GDP in this short.

More worrying than the decline in inward foreign direct investment, the pickup in the outflow of foreign direct investment in the country. In fact, the decrease in total FDI in the recent past is as much due to higher outflows due to substantially lower inflows. The disturbing conclusion: not only is Pakistan fail to attract new foreign investment in the world, but it is not part of its existing FDI stock of about $ 29bn.Since investment decisions related to the socio-economic, political maintain and cultural factors in the host economy, these factors significantly affect the flow of foreign direct investment in developing countries.

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 et al. 2012). In any case, as far as pulling in remote speculations, Pakistan performed very much contrasted with comparable economies, for example, Iran and Peru (Hamdani, 2011) and there is space for an inversion of this fall, given the enormous business openings, consolidated with the political will of the new government.

5.6 Turkey and Foreign Direct Investment (FDI) Inflow Trend

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 (Metin-Ozcan, et al 2001) this paper has to build up adapted truths of the Turkish macroeconomic changes utilizing 30 year information from 1969-99. 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 2000 (Mercul, 2001). Erdal and Tatoglu (2002) 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. Daichmann et.al (2003) 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 countries.

5.7 The relationship between the growth & FDI of Pakistan

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.

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	-136361320092	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

Y = g (K., FDI. X)

The term ‘g’ expresses that Y (GDP) is a function (more precisely, a production function)

Y= I+K+FDI+X

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

GDP = -13636132092 + 6.319660508 + -8.782008167 + 1.997981421 = -13636132093

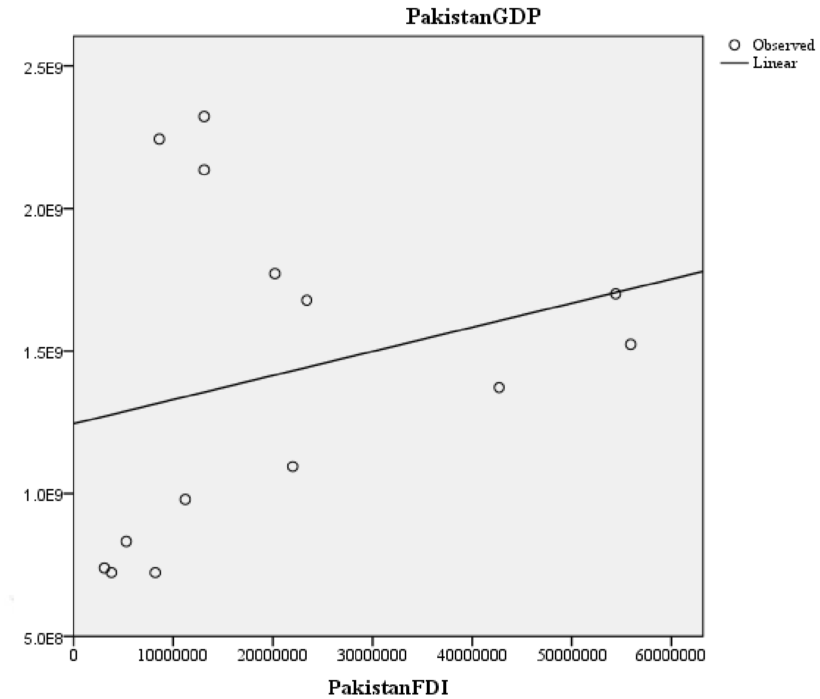

Figure 5.1: Pakistan GDP and FDI Observel liner

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.

Table 5.1: Pakistan and Foreign Direct Investment (FDI) Inflow Trend. / USD

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

5.8 The relationship between the Growth & FDI of Turkey

It is already explored significant relation between FDI and economic growth in the literature. Endogenous growth models are also used by experts. This model shows that economic growth is increase by the FDI, human resources and the efficiency of government. The expert found a positive relationship between FDI and economic growth. FDI and GDP have complementary relationship.

(Anwar and Nguyen,2010) find a direct and statistically significant impact of FDI on the real income of confirming the existence of the long-term balance between GDP and FDI in the case of an emerging country, Investments, on the other hand, be enlarged by FDI in an economy (Waterbury, 1992). It helps the effectiveness and continuity of growth. In addition, endogenous growth models in the study on the relations between the long-term economic growth and technological progress, express that FDI increases growth of the country through the transfer of technology.

Moreover, continued economic and political stability, the rights and the right tax regimes for external investment, reduced trade barriers and economic liberal of the country are important determinants of FDI inflows. So FDI and growth relationship in countries heavily depend on country-specific determinants of foreign direct investment, which attract arrivals of foreign direct investment and absorb support new knowledge transfer FDI-driven income suggest by adjusting a pooled data that FDI not only the growing direct effect but does have some indirect effects as well (Erdal, F. et al., 2002).

FDI inflows bring technology and human capital to the country and their impact on growth is important. The relation between the DS and economic growth is also being studied in shows the relationship between savings and economic growth. It is noted that this model proposes higher savings will eventually contribute to the growth of the economy of a country. Countries need to create policies to boost savings for rise income. State that higher level of investments caused capital accumulation and capital accumulation boosts GDP.

In their study, they use are achieved annually and Granger causality tests to see the relationship between savings and growth. Empirical results of their study on the economic growth, that means saving a causal relationship from growth.

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.995896692
R Square	0.991810221
Adjusted R Square	0.991042429
Standard Error	25328727433
Observations	36

ANOVA

	Df	*SS*	*MS*	*F*	*Significance F*
Regression	3	2.48618E+24	8.28728E+23	1291.769747	1.88435E-33
Residual	32	2.05294E+22	6.41544E+20		
Total	35	2.50671E+24			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	20019681722	8629461845	2.319922387	0.026880995	2442043153	37597320291	2442043153	37597320291
Foreign direct investment	0.023709989	1.396252031	0.016981167	0.986557078	-2.820362329	2.867782306	-2.820362329	2.867782306
Gross fixed capital formation	2.599356482	0.462140759	5.624599067	3.22665E-06	1.65800656	3.540706403	1.65800656	3.540706403
Exports of goods & services	1.783280101	0.31496794	5.661782921	2.89595E-06	1.141711403	2.424848799	1.141711403	2.424848799

Correlation

	FDI	*Gross fixed capital formation*	*Exports of goods and services*	*GDP*
T R Foreign direct investment, net inflows (BoP, current US$)	1			
TR Gross fixed capital formation (current US$)	0.89635953	1		
Exports of goods and services (current US$)	0.86785536	0.9811615	1	
TR GDP (current US$)	0.88353895	0.99169506	0.9906674	1

<u>The equation of the regression line</u>

Y = g (K., FDI. X)

The term ‘g’ expresses that Y (GDP) is a function (more precisely, a production function)

Y= I+K+FDI+X

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

GDP =20019681722 + 2.599356482 + 0.023709989 +1.783280101 = 20019681727

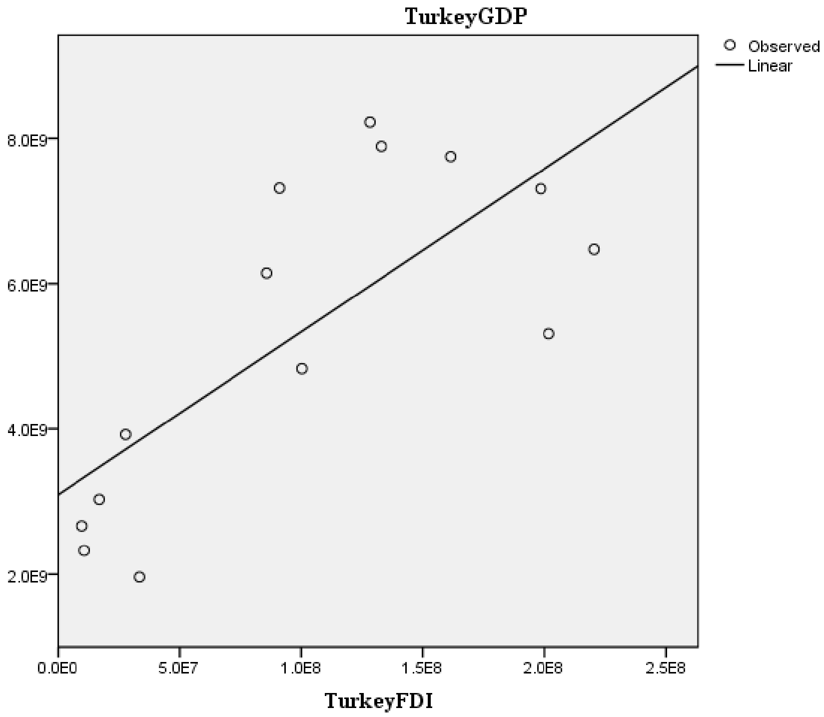

Figure 5.2: Turkey GDP and FDI Observel liner

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.

Table 5.2: Turkey and Foreign Direct Investment (FDI) Inflow Trend. / USD $

Years	FDI(US$)	Gross fixed capital formation (US$)	Exports of goods and services (US$)	GDP (US$)
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

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5.9 Results

The regression analysis is used because it helps to test on the relationship and significance of relationship of the tow phenomena the dependent variable and the independent variable (Alsina & Giuliano, 2007)

ANOVA test is the test of variance and is used to test the null hypothesis, whether to reject it or accept it. The null hypothesis for each factor states that varying that factor has no impact on the population (Alsina & Giuliano, 2007)

R (r) is the correlation coefficient. Cohen, J., Cohen P., West, S.G., & Aiken, I.S, (2002), the Pearson Product-moment correlation coefficient is a common measure of the correlation to measure the direct dependence of the independent and dependent variables of F, K,X and Y. It is very widely used in the measure of the strength of linear dependence between Four variables, giving a value somewhere between + 1 and – 1 inclusive. The correlation coefficient in the study calculated is (PK) .996716021, (TR) .995896692 that shows a significant positive relation between GDP and FDI.

R Square (r2) is the coefficient of determination. R2 is a statistic that givens some information about the goodness of fit of a model. In regression, the R2 coefficients of determination is a statistical measure of how well the regression line approximates the real data points. An R2 of 1.0 indicates that the regression line perfectly fits the data, in the study the value of adjusted R square is(PK) 99% (TR) 99% percent indicating that the line fits the data well, indicating that there is a fine relationship between Economic growth and FDI.

F-Test indicated that with the four unit increase in the independent variable FDI there is (PK) 1616.051, (TR) 1291.77 a unit increase in the GDP. This estimation finds that main objective of the research that with the increase in the FDI there is an increase in the GDP.

T-test as can be seen that the T-test of Investment is (PK 7) and, (TR 2.31). Taking 95% surety that Gross Domestic product is highly impacted by the Foreign Direct Investment as it is highly above the t-test parameter of 2, therefore, there us high is high chance of the depended variable to be effected.

P-Value: the test statistic is converted to a conditional probability called a P-value. The P-value is the test for the null hypothesis to find out that is accepted or not accepted. The question (Montgomery and Runger, 2011).

To find that null hypothesis is to accepted or rejected the following conditions are applied:

- When $p > 0.10$ then the observed changed is “not substantial”.
- When $p \leq 0.05$ then the observed difference is “substantial”.

- When p $\leq$ 0.01 then the observed difference is “highly substantial”.

5.10 Testing the Hypothesis

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

5.11 Major Findings

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.

The coefficient of the variation is (.PK 99% and (TR 99%) showing that there is not much dispersion in the fitted value and the actual value of the regression line, indicating that there is a good linear relationship between the four variables. Linear relationship is when the four variables are in proportion with one another (Baltagi, 2011).

In order to find out that H_O should be accepted or rejected the P ratio and the significant F is tested (Montgomery and Runger, 2011).

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 there is significant role of Foreign Direct Investment to the growth of emerging economies.

6. CONCLUSION AND RECOMMENDATIONS

6.1 Conclusion

As per OECD (2009), that issue is still researchable 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.

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 Pakistan and Turkey and found a strong and positive relationship between economic growth and FDI. So it can be said that FDI impacts on economic growth cannot be ignorable.

This study shows that there are much more steps remain to be done specially regarding mismanagement, bad governance, transparency of institutions and at the end inefficiency of government after removing the above mentioned issues Pakistan and Turkey.

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, bureaucracy.

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.

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.

6.2 Recommendations for further study

There is an important relation between host country economic growth and FDI and that relation further improve by several variables have not been on account in this study for the purpose of parsimony. The research study indicates that technology development is an important variable. Here it is identified another important variable and that is labour capital of host country that variable strongly influence the relationship between FDI and GDP. It is suggested that the study of these variables can help for making the better policy.

Our study suggests that Foreign Direct Investment plays very important role in economic growth. But, the level of development of the local financial markets is critical to this positive to realize securities, based on research this has not been established before. It also indicates that the link between Foreign Direct Investment and growth is causal, which leads foreign direct investment growth through the financial markets. The consequences of this research study suggest that the countries of the costs should consider of policies meant at enforcing foreign investment versus those who seek to recover local conditions. These two policy does not incompatible. The suitable domestic conditions attracts not only foreign companies but also attract host economies to maximize the benefits of external investment.

In addition to it, the data analysed was limited. This indicated that if the sample would have been increased the result discussion may have been better discussed. Moreover, the research is conducted to find out importance of international finance to the growth of emerging economies. However the thesis has a limited sample that limed to foreign direct investment Inflows and the sample amongst the emerging economies was Turkey as a main role player in the research. To full fill the objective of the investigation and make a general statement that there is a significant role of FDI on the growth of the emerging economies.

Conducting research on the importance of international Finance to emerging economies covers a vast area. To cover these areas in one research was beyond one's possibility, and enabled the researcher to think of other aspects to conduct research.

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EXPERIENCE

- Worked as Internal Auditor in Finance Department, in **AL-ABBAS CEMENT INDUSTRIES LTD**, **Karachı, Pakistan** from 01-08-2007 to 15-02-2013. Engaged in Examine Vouchers, Salaries, Journal ledger, Bank Statements, Taxation, Accountings & Financial records.
- Worked as Senior Accounts Officer in Finance Department, engaged in **Thatta Cement Company Limited, Thatta, Pakistan** from 02-08-2004 to 31-07-2007. Engaged, Payable & Sales Accounts, Store Accounts, and Production (MIS) to manage petty cash.

COMPUTER KNOWLEDGE & SKILLS

- Good working hands on Computerized based Financial Accounting & Sales Management System, MS Office; Window Xp, Oracle Finance, Internet and other computer applications.

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