



DETERMINANTS OF PRIVATE INVESTMENT IN PAKISTAN: TRENDING THE PAST THREE DECADES

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ABSTRACT

This current research was started with two questions; first, what factors have been responsible for the determination of private investment in Pakistan over the last thirty years? Second, how these determinants have been changing their role and significance in determining private investment during the study period. The data was analyzed through a multiple regression model by dividing the whole data set into three subsets representing three decades assessing the decade wise impact of each variable on private investment in Pakistan. The results of the first two decades (i.e. 1981-1999) show that interest rates, CPI and debt external outstanding positively affected private investment whereas public investment, GDP, FDI and credit availability had negative effect on private investment. In the 3rd decade (i.e. 2000-2010) CPI, debt external outstanding, GDP, FDI and public investment effected private investment positively whereas credit availability and interest rate had a negative effect on it. The results clearly indicate weak institutional set up and policies along with the need to improve policies and regulations relating to private investment.

KEY WORDS: Gross Domestic Product (GDP), Foreign Direct Investment (FDI), Consumer Price Index (CPI), Debt External Outstanding, Credit Availability, Interest,