

RELATIONSHIP BETWEEN SAVINGS, TRADE FACILITATION, GOVERNANCE, AND INVESTMENT IN PAKISTAN

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ABSTRACT

Saving and investment are highly debated issues in the literature of economics. There are several determinants of investment, where saving is considered one of the most imperative contributing factors to investment in Pakistan. It is argued that Good quality of governance, trade facilitation, and a higher level of national saving increases investment in the country. To test the argument, the current study analyzes the association between, national savings, trade facilitation, good governance, foreign savings, and investments in the case of Pakistan's economy. To examine the relationship, the authors use OLS and to specify it better finally, the authors have employed the Auto Regressive Distributive lag (ARDL) method. The results of the study show, that Pakistan's total investment responds positively to the growth in national savings and foreign savings. The paper found that there exists a substantial relationship concerning trade facilitation and investment in Pakistan and the study accomplishes that in order to increase investment in Pakistan, trade facilitation and managing monetary policy can play an important role and the government should focus on trade facilitation and quality of governance to ensure the growth of investment in Pakistan, which has the potential to develop opportunities of employment in Pakistan.

Keywords: Investment, Saving, trade facilitation, and Monetary policy.

INTRODUCTION

According to the world bank figure, domestic savings as a fraction of GDP in Pakistan was 6.3 percent which increased to 17.4 percent in FY 1991, however, it never remained upheld consistently. National savings decline to 13.2 percent in FY 1997 but again it raised to 17.4 in FY 2004. Since then saving as a proportion of GDP is diminishing and in 2021 it has declined to 6.3 seconds lowest in the history of Pakistan, after 5.3 percent in FY 2018. Saving is defined as, such part of income, that is not disbursed on the existing needs for consumption and payment of other liabilities. Saving has been viewed as a key factor in economic growth. A further explanation is available in the Harrod and Domar model (1939). The precarious importance of saving in capital accrual and financial expansion is also recognized in “Two-Gap and Classical Growth Models”. Saving played an extraordinary role in the progress of settled and emerging countries. National savings entail three major components. First is the corporate sector savings, the second is household sector savings, and the government savings.

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In developing countries, the largest portion of the total saving is associated with the household economy. It has been observed that a large portion of national savings is coming from the household sector. Barr (2012) explains income as an opportunity to save or consume and it is normally articulated in financial terms. Income is typically in the form of remunerations, take-home pay, rentals, returns, interest payments, and paychecks. In other words, it includes the amassing of the financial and non-financial ability of consumption for an individual, household, or organization.

On the other hand, investment refers to allocating resources, with the anticipation of procreating a profit on that investment. In the context of international trade, investment can take many forms, closely associated with trade-related services. Country spending on removing sludge from trade-related permission through automation can increase the level of investment in the country. It is also associated with the facilitation of trade, which encourages investors to invest in the country. (Siraj, Khan and Naqvi 2022) stated countries that have easy-to-do business setups and trade-related facilitation policies have experienced consecutive economic growth. The paper established that trade facilitation is positively associated with trade volume. How is connected to investment? Trade facilitation refers to the measures and processes that aim to streamline and simplify international trade transactions. This can include improving customs procedures, reducing red tape and bureaucracy, enhancing trade infrastructure, and implementing electronic systems to improve the efficiency and speed of trade transactions. Trade facilitation and investment are closely related because efficient and effective trade facilitation measures can help to attract investment, both domestic and foreign, by creating a more favorable business environment. For example, by reducing the time and cost of importing and exporting goods, trade facilitation measures can make it easier and more profitable for businesses to engage in international trade, which can in turn attract more investment.

In addition, investment can also help to improve trade facilitation by providing funding for infrastructure projects or technology upgrades that can enhance the efficiency of trade transactions. For example, investment in modern ports, roads, and customs facilities can help to reduce the time and cost of trade transactions, making it easier and more attractive for businesses to engage in international trade. It is quite plausible to think about how trade facilitation will have an impact on investment. Does trade facilitation encourage investment in Pakistan? And what is the relationship between good governance and investment in Pakistan? Effective governance is essential for creating an environment that is conducive to investment. When a country has a stable political system, a transparent legal framework, and efficient administrative systems, it creates a favorable business environment that encourages investment. Good governance also ensures that investors are protected from corruption, political interference, and other forms of instability that can undermine their investments. Investment, in turn, plays a critical role in promoting economic growth and development. It provides the capital necessary to finance the development of infrastructure, technology, and other productive assets. Investment can also stimulate job creation, promote innovation, and improve living standards. As per our knowledge, these important theoretical questions are not answered with empirical evidence in the context of Pakistan. This study is unique because, for the very first time, it explores the relationship between saving, good governance, trade facilitation, and investment in Pakistan. It is of significant worth, to understanding the theoretical aspects of investment, trade, governance, and saving with the support of data and empirical evidence. The study presents an introduction in section one, followed by a comprehensive review of the literature in section two. The third section describes the theoretical aspects of the objective and section four enlightens about the data and methods adopted followed by the results in section five. And finally, section six is allocated to conclude the study and suggest a few policy-oriented actions.

REVIEW OF LITERATURE

This section is about the review of literature on the topic in chronological order keeping it thematic for easy comprehension.

Saving and Investment

There has been a prolonged discussion on the nexus between saving and investment in journal articles, books, and conferences, especially in the domain of social sciences and economics. The study of Kaya

(1980), studied the domestic saving-investment relationship in Turkey. The study states that there exists a statistical rapport between national saving-investment. This relationship may not hold true under impeccable capital movement. Many empirical studies found that, mostly in open economies, the relationship between saving and investment is significant.

In addition, the study by Baxter, et al (1993), very importantly mentioned that the countries with a high level of investment, have a greater degree of resource agility in the long run. Likewise, about such a relationship between saving and investment, Taylor, A. M. (1996) studied that Financial historians have been worried about the development of intercontinental wealth marketplaces over the long run, facing significant levels of challenges to standardize and monitor. Burney and Khan (1992), evaluated the impact of household income and saving behavior in Pakistan. The research concluded that household occupation and savings are statistically linked. In addition to the literature, Kazmi (1993), established that rate of inflation, and government saving regularly show an undesirable correspondence with private savings.

In addition, the paper published in 1995 by Hussain (1995), concluded that the proportion of working members of the population, income growth, and financial dependency are certainly concomitant with saving conduct. Similarly, Husain (1996), explored the determinants of private savings and established that an increase in the long-run private savings will probably involve additional monetary expansion.

Agarwal (2000) conducted a causality analysis between the saving rate and GNP growth rate of South Asian countries. The progression rate of real GDP, Money Supply, Lagged Dependent variables, Age dependency ratio, Foreign Savings, and Private Savings are positively associated with the investment. In addition to the literature, Hasnain (2006), estimated that inflation is adversely persuading public savings in the long run as well as in the short run. This implies that inflation control will increase the marginal propensity to save in many sectors of the economy

Nasir and Khalid (2004) studied Pakistan's investment and saving rates and recommended effective policies to boost domestic savings for sustainable economic growth without relying on foreign resources. The study highlighted the importance of restructuring the financial market, transfer of remittances, and creating opportunities for Pakistanis abroad. It also emphasized that domestic savings were crucial for investment and that further exploration of micro-foundations was necessary.

Furthermore, Bashir et al (2022) found a fragile correspondence between savings and investment in Pakistan in their study on the savings-investment relationship. They suggested that insufficient capital mobility contained by the country can divert the domestic stockholders from the global markets to finance investment projects. Additionally, inflation has stimulated investment activities and helped close the breach between domestic savings and investment but still, the question remains valid, when additional factors are involved. Employing the progressive battery of time series econometric techniques, (Munir, et al 2010) examined the impact of investment, savings, and real interest rates on bank deposits, and bank credit to the private sector in Pakistan from 1973 to 2007. The study used the ARDL Bounds Testing Approach and found that private investment and real interest rates have a statistically significant impact on bank deposits and bank credit to the private sector. The findings are this study is regular with the results of Mckinnon-Shaw (1973).

Furthermore, the paper by (Bibi, Khan, and Bibi 2013) found no long-run relationship between domestic saving and investment in Pakistan but interestingly, this study identified capital mobility as a possible reason for increasing the level of investment. The study accepted the hypothesis of perfect capital mobility based on data for the period of 1980-2009. Capital mobility was also observed to have a negative relationship with investment in the economy, implying that when trade is open, capital has a higher tendency to flow out of the economy, if the country has several other taxing factors for capital and investments. It shows that there is never a standard set of variables to gauge the relationship between saving and its influencing factors but theoretically sound combination of indicators will keep the model clean and correctly specified to explain the variation in the dependent variable. On the other side, the study also identified macroeconomic steadiness, inflation, accessibility to domestic credit, variation in the exchange rate, and savings as crucial factors, majorly influencing the investment environment. It was

concluded that pursuing sound macroeconomic policies and stability could enhance both saving and investment.

Interest Rate, savings, and Investment

There are tons of studies published showing a connection relating to saving, interest rates, and investment. For instance, the study by Chaudhry (2009), determined that actual GDP and actual Interest rates are deeply connected with savings. This study established that the variation in saving is explained by GDP and investment. Chaudhry (2010), established a long-run regime consumption have an optimistic impact on national savings, and conversely, public loans have a negative influence on savings in the long run. The study by Bibi (2012), proved the existence of perfect mobility of capital and the saving increase. Capital mobility is tested to be the element, contributing to domestic investment. It indicates that capital movement creates opportunities to invest and increase the income of the common masses in terms of employment generation.

Similarly, Chaudhry, et al (2014) conclude that deposit rate and government expenditures are positively associated with national saving in both the long run and short run. The aggregate money supply is adversely linked to national savings and is highly significant, which further implies that money supply is associated with interest rates and lower interest will discourage depositors to keep money in the banks. Another implication of money supply is the increasing rate of inflation and which shows a positive relationship with national savings in the short run because the need for money will increase the demand for money in hand.

Likewise, Ogbokor, and Musilika (2014), have studied the relationship between saving and investment in Namibia. The study found that there does not exist any significant relationship between potential savings and investment in Namibia.

In addition to the literature, Zamiluret et al, (2018), considered that domestic savings illustrate negative relation with economic growth in Pakistan due to a reduction in investment level. The latest paper by, Iqbal (2018), worked on the promotion of human development in the context of sustainable efforts from stat and it is also associated with saving. The study by Khan, et al (2018), concluded that Tax has an insignificant role in saving while age dependency, GDP, and broad money have a significant relationship with savings. The study of Latif Hinaet et al (2019), analysis that the relationship between Investment and Interest rate is negative, while the relationship between saving and interest rate is positive. It shows that an increase in interest rate encourages savings due to higher returns on bank deposits in the long run.

Trade Facilitation and Investment

Saccone, et al (2022) examined the role of public investment multipliers by functions of government and analyzed public investment in infrastructure for international trade in small open economies with transport costs for importing or exporting goods. It found that better infrastructure can lower transport costs, but national governments favored producers' interests and made non-cooperative investment decisions. This led to exporting countries investing more in infrastructure than importing countries and an inefficient outcome. The study recommended international cooperation among governments. It also examined bilateral trade and trade resulting from offshoring.

Naujoks, D. (2022) proposed new ideas regarding diaspora direct investment, which is being incentivized across the world. Ibrahim and Ajide (2022) examined whether trade facilitation is a deterrent or stimulus for foreign direct investment (FDI) attraction in Africa. The study used panel data analysis with fixed effects models and the difference-GMM approach. The researchers selected five key components of cross-border trading as surrogates for trade facilitation in a sample of 26 African countries from 2004 to 2014. The study found a negative and statistically significant relationship between trade facilitation and FDI. Therefore, the study concludes that trade facilitation is a key deterrent to FDI in Africa. Additionally, the study recognized the critical impacts of macroeconomic indicators such as infrastructural development, GDP, inflation, and trade openness.

Monetary Policy and Investment

Monetary policy is composed of tools that the central bank utilizes to control the money supply available for banks businesses and individuals in the economy to stabilize the economic indicators, which are

associated with the control of money supply, including inflation. In Pakistan, limited studies have correctly analyzed this nexus. Globally, there are many studies that highlight the importance of monetary policy for attracting investment through returns and rate of interest on rental capital.

For instance, (Desalegn, et al 2022) studied the effect of monetary policy and private investment on green finance in Hungary using quarterly secondary time series data from 2013 to 2020. The study suggested that credit institutions need to adopt progressive approaches to align their strategy with sustainable development goals. This implies that credit institutes have not synchronized their process to achieve sustainable development goals.

Furthermore, the study by (Ahmad, et al 2022) analyzed data from 450 nonfinancial firms listed on the Pakistan Stock Exchange and found that monetary policy has negative effects on firm investment decisions, but financial sector development and firm age can reduce these effects. The study recommends that authorities provide other facilities during tight monetary policy and improve financial sector development to minimize negative effects on firm growth and employment.

Döttling and Ratnovski (2023) found that the rise of intangible assets weakened the investment channel of monetary policy. Firms with more intangible assets had less responsive stock prices and investment to monetary policy, and intangible investment was less responsive compared to tangible investment. The authors suggested that other means, such as fiscal policies and structural reforms, may be better for encouraging intangible investment. The paper of (Ferrando et al 2020) studied monetary policy transmission using firm-level investment observations and identified that monetary policy shocks have a serious impact on young firms that were more sensitive to monetary policy shocks. It implies serious attention to the money supply in the context of small firms, especially young firms' sustainability. The study by Hussain et al (2023) analyzed found that pure monetary policy shocks led to outflows from emerging markets to monetary policy transmission channel. The literature has helped us to identify factors that can inform policymakers and other stakeholders in the context of conducting unique research in terms of a theoretical outlook with a set of explanatory variables.

DATA AND METHODOLOGY

Data

This paper uses secondary data, a time series data for the period of (1990-2021). Data is taken from multiple sources, i.e., the Economic Survey of Pakistan (ESP), the State Bank of Pakistan (SBP), the Statistical Year Book of Pakistan (SYBP), and World Development Indicators (WDI).

Theoretical Framework

Savings refer to the money you set aside for future use, such as for emergencies, major purchases, or retirement plan when life is free of jobs but not needs and requirements of resources. An individual can save money in various forms, such as in a savings account, a certificate of deposit (CD), or a money market account. It can be saved as any type of asset but mostly it is considered as asset that has stable or appreciating market value. Conventional Savings generally offer lower returns compared to investments, but they are generally considered to be less risky. Theoretically, savings can lead investment plans. Investment, on the other hand, refers to the purchase of assets or securities with the goal of generating income or capital gains. Examples of investments include stocks, bonds, mutual funds, real estate, and commodities. Investments generally offer higher returns compared to savings, but they also come with a higher level of risk. It's important to create a balance between savings and investment to insure stability in the economy. However, savings can provide a safety net for unexpected expenses, investing can help grow your wealth over time.

In literature, different experts (economists) have presented different theories of saving and investment. But it is more of our interest to understand the association between saving and investment in Pakistan. For which the saving and investment identity is not enough to unfold the economics behind the investment in the economy. There are many important factors that play an important role in determining the investment level in the economy. These important influencing factors include governance, trade facilitation, saving by type, and monetary policy. The empirical results will unfold the theoretical validation and it would be handy to express the theoretical association between the investment level and

its influencing factors, such as savings, exchange rate, governance, and trade facilitation in the case of Pakistan.

Econometric Model Specification

This study tests the stationarity of the data through Unit root and results revealed that not all the variables are stationary at zero or one but mix level of interaction exists between the given set of variables. The study decided to use such an econometric model which can accommodate the mixed level of integration. Pesaran et al (1996) suggested the use of the ARDL approach to capture the statistical relationship between the such type of mix integration order variables. In time series analysis it is very important to understand the dynamics of time while considering the relationship between variables that are sensitive and responsive over the time period. The study uses the following form of equation to examine the association between saving and investment in Pakistan. But due to omitted variable biases the model results do not stand valid. After including the additional important variables to the equation as control variables, researchers observed that the assumption OLS does not hold true in this case. The authors decided to apply several tests to understand the characteristics of data and applied ARDL bound test approach as shown in equation 2 of this study.

$$\ln INV = \beta_0 t + \beta_1 \Delta \ln(INV)t + \beta_2 \Delta \ln(NSAV)t + \beta_3 \ln \Delta(FSAV)t + \varepsilon t \dots \text{Eq: 1}$$

According to Pesaran, M. H., Shin, Y., & Smith, R. J. (2001) if the data has mixed order of integration, let's say all the variable except one is not stationary at one level and one variable is stationary on the second difference, the time series of more than 30 observations shall use Auto Regressive Distributive Lag approach, which shows short run as well as long run relationship between variables of the study.

Narayan, P. K. (2005) also employed ARDL in such type of case and following the approach of Latif, et al. (2015) and Khan et al (2022). The following ARDL bound test is formulated to investigate the short-run and long-run association between Investment and its influencing factors.

$$\Delta \ln INV = \beta_0 t + \sum \beta_1 \Delta \ln(INV)t - 1 + \sum \beta_2 \Delta \ln(NSAV)t - 1 + \sum \beta_3 \ln \Delta(FSAV)t - 1 + \lambda_1 \ln(INV)t - 1 + \lambda_2 \ln(NSAV)t - 1 + \lambda_3 \ln(FSAV)t - 1 + \varepsilon t \dots \text{Eq: 2}$$

The study has reported some specific results to ensure that the objectives of the study are achieved.

RESULT DISCUSSION

Descriptive Statistics

The table shown appendix A1 indicates that for total investment, minimum value is 0.53 total investment growth to gross domestic product growth in percentage Dollar and maximum value is 33.5 Dollar, the mean value of total investment is 5.14325, while the standard deviation value is 6.36983, which shows that over variable is reliable. For the national saving, we have forty observations, which minimum value is 8.44 number and maximum value is 171.5 number, the mean value of national saving is 22.77525, while the standard deviation value is 25.81827, which shows that variable is reliable. For the foreign saving, we have forty observations, which minimum value is -4.41 number and maximum value is 78.5 number, the mean value of foreign saving is 5.83625, while the stander deviation value is 12.46871, which shows that the variable is reliable.

OLS Results

The econometric results are being presented in the following section. Our results are in line with economic theory, because economic theory says that with the increase in saving, the government and people get more funds for investment. More money for investment, it is clear and evident from the results that saving is positive significant with investment. If national saving increases by one percent on average, then investment increases by at the rate of coefficient that is 0.15. So the regression results show that there is a positive relationship between saving and investment in the Pakistan economy.

It shows that if one unit changes in the national saving, so total investment will be changed by the rate of 0.015 units. This result is on the basis of the OLS technique. The role of the independent variable, national saving is statistically significant with the dependent variable total investment. It shows that if one unit changes in the foreign saving, so total investment will be changed by the rate of 0.355 units. This

result is on the basis of the OLS technique. The role of the independent variable, foreign saving is statistically significant with the dependent variable total investment.

The model summary of this analysis shows that our model is well fit because the value of R square is 48 percent and the model also shows simultaneous significance, which has assessed from F-statistic (F statistic = 17.36 and F-significance = (0.0000). R-square shows the goodness of fit of the model ($R^2 = 0.484$). It shows that how much variation in the dependent variable is due to the selected explanatory variables of the model. The value of adjusted R^2 (0.456) is also high. The regression estimates indicate that the model is good fitted because the value of R-square is 48 percent (R-square = 0.48). Adjusted R square is used to adjust R square with the degree of freedom, when its value comes very high then it is divided by the degree of freedom. The value of adjusted R square is 46 percent (Adjusted R square = 0.46).

Table 4.1 Statistical Test

Total investment	coefficients	Standard error	T	P>{t}	{95% confidence interval}	
National saving	.015	.069	0.22	0.827	.126	.156
Foreign saving	.326	.144	2.26	0.030	.0331	.619
Constant	2.889	1.163	2.48	0.018	.531	5.247

We can conclude that the model is regressed as the ratio of Total investment growth to GDP (growth) as a dependent variable and the ratio of National saving growth to GDP (growth), the ratio of foreign saving growth to GDP (growth) as the independent variable. The first explanatory variable is National saving growth (NS), its coefficient value ($\beta_1 = 0.015$), which is statistically significant the T-statistic is (0.22) and the probability of insignificance is equal to (0.827). This results shows that national saving is positively related to total investment. The value of β_1 shows that a 1 unit change in national savings will lead to 0.015 unit changes in total investment to GDP. Our second explanatory variable is foreign saving (FS), its coefficient value ($\beta_2 = 0.326$), which is statistically significant the T-statistic is (2.26) and the probability of significance is equal to (0.030). These results show that foreign saving is positively related to total investment. The value of β_2 shows that one unit change in foreign savings will lead to 0.326 unit changes in total investment. The model has missed some important variables like trade facilitation, which affect the investment growth in the economy and it has also missed the exchange rate which determines the rate of investment and option to invest in a country or not. The following ARDL model has included it and we can see that our findings have a more comprehensive view for the readers.

Table no 4.2 ARDL Results for relationship between investment and other macro indicators.

Dependent Variable: Total Investment

Method: ARDL

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
INV(-1)	0.187233	0.096529	1.939656	0.0674
INV(-2)	0.149432	0.060931	2.452480	0.0240
N-Savings	0.128294	0.169799	0.755565	0.4592
N-Savings (-1)	0.364599	0.192275	1.896237	0.0732
F-Savings	0.011743	0.194090	0.060503	0.9524
F-Savings(-1)	-8.413275	2.601701	-3.233760	0.0044
Exchange rate	-0.019566	0.010590	-1.847604	0.0803
Exchange rate (-1)	-0.117822	0.044073	-2.673339	0.0150
Exchange rate (-2)	0.136728	0.042393	3.225268	0.0045
Governance	0.804455	0.092875	8.661737	0.0000
Governance(-1)	0.000650	0.000339	1.914767	0.0707
Inflation	-0.070327	0.128736	-0.546294	0.5912
Inflation(-1)	-0.219464	0.095801	-2.290830	0.0336

Trade facilitation	0.635566	0.133249	4.769746	0.0001
Relative interest rate	-0.001501	0.000430	-3.493058	0.0024
Relative interest rate (-1)	0.000289	0.030509	1.530911	0.1204
C	0.638372	0.199484	3.200120	0.0047
R-squared	0.987165	Mean dependent var		1.402377
Adjusted R-squared	0.976356	S.D. dependent var		0.104508
S.E. of regression	0.016070	Akaike info criterion		-5.118391
Sum squared resid	0.004907	Schwarz criterion		-4.370618
Log likelihood	109.1310	Hannan-Quinn criter.		-4.857398
F-statistic	91.33182	Durbin-Watson stat		2.572342
Prob(F-statistic)	0.000000			

The results of the study indicate that savings are positively associated with investment in Pakistan. Current foreign savings are not statically significant to play a role in enhancing the investment level but the (first lag is negatively significant with investment in Pakistan. Trade facilitation is positive and statically significant to increase the investment level in the economy of Pakistan. The exchange is of 2021 and 2020 are negative but the exchange rate in 2019 lag second is positively and statistically significant to determine the investment in Pakistan. Recent growth in the exchange rate has restricted investors to important raw materials at high cost and thus reduces the incentive to invest in the economy. Trade facilitation is highly significant in the context of determining investment in Pakistan, as it encourages and builds the confidence of investors to invest in trade-related industries. Institutional quality taken as governance is significantly important to determine the investment in Pakistan. This implies that governance has to do with trade where trade governance comes into play and supports the trade if it is organized and less intensive on investors' pockets.

CONCLUSION AND RECOMMENDATION

Conclusion

There has been a never-ending debate on the relationship between national savings, investment, and trade facilitation. It is very plausible to think that inflation and relative interest rates also reallocate the investment level in the economy, that why all the relevant important variables are included in the equation. The paper explored the relationship between saving and investment in the presence of a control variable in the case of Pakistan. After performing the econometric analysis, the study found that national savings are positive but not statistically significant to determine the total investment in Pakistan. It is statistically not significant as per the results of ARDL because most of the savings are not converging towards investment in the short run. The study is convinced of the importance of trade facilitation. Trade facilitation can play an important role in increasing incentives to invest in Pakistan. The study concluded that according to regression analysis, national savings and foreign savings are positively related to investment over the period. It means that to increase investment, we must work hard on enhancing the saving in the country. The coefficient of national saving has a positive sign, which is evident that a higher level of national saving leads to a higher level of investment. Foreign savings is negative and insignificant to determining investment in Pakistan. On the basis of these results, we cannot establish that a higher level of foreign savings leads to a higher level of investment in Pakistan as it follows up higher interest rates for the country and leads to a burden on both the rich and poor communities. The study established that good governance and trade facilitation projects can uplift the level of investment in Pakistan.

Recommendation

The analysis recommends that saving and investment have on average perfect relations with each other. To enhance investment in Pakistan's economy, more and more investment would be required, which can be increased through facilitating trade, which encourages investors to invest in the economy. A Nation cannot be developed without financing from domestic and foreign sources. So the Government of Pakistan should give more attention to enhancing investment as well as saving and investment ought to be

financed through first national and then foreign sources. Trade facilitation will increase the confidence of investors in Pakistan and will lead to a higher level of investment in the economy.

Limitations of the Study

The study faces several limitations during its term. The first limitation is associated with theoretical and empirical presentation, which may vary across different countries, indicators, and time scales depending upon the data availability for any specific country and variable. The findings can be improved by improving the empirical approach.

Appendix A1: Descriptive statistics of important variables

Variable	Obs	Mean	Std. Dev.	Min	Max
Total investment	31	5.14325	6.36983	0.53	33.5
National saving	31	22.77525	25.81827	8.44	171.5
Foreign saving	31	5.83625	12.46871	-4.41	78.5

Appendix B1 ARDL Bounds Test

ARDL Bounds Test		
Null Hypothesis: No long-run relationships exist		
Test Statistic		
F-statistic	Value	k
Critical Value Bounds	4.774468	6
Significance	I0 Bound	I1 Bound
10%	2.12	3.23
5%	2.45	3.61
2.5%	2.75	3.99
1%	3.15	4.43

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