

Performance of Trade: Targeting to Export

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Abstract

The study of this article implements the relation of exports with the growth of economy. Results of our study exposed that the political condition may uplift exports of Pakistan due to which Pakistan's economy may grow to the advanced one. Energy availability is being critical for the exports of Pakistan and inadequacy of electricity power water and gas are hindrance in the production of exports items. Technology may enlarge the growth of export to great extent and through advance technology preferences of products may expand. Experiential results may demonstrate that the investment positively impacts on export because heavy investment by the foreigners may raise the growth of Pakistan's economy. Thus, this research study recommends that strong trade policies will help enhance the growth of economy through exports and it may also help the country to generate its revenues.

Keywords: Trade, Export, Technology, Energy, Political Condition, Economy.

Objective

To identify the reasons behind the fluctuations in export of Pakistan and to investigate the barriers coming in the ways of exporter. To analyze the impact of energy and technology on export. And to find out the effective measures used to improve the performance of export in economy of Pakistan.

Introduction

Trade works as a backbone of any country as well as for Pakistan. Trade is not only business or target to increase economic growth of country through import and export, it also a way of introducing our goods and services in international market with the ultimate purpose to provide better life of Pakistan's people. Pakistan has trade agreements with many nations and international organizations. It is a part of South Asia trade agreement and the member of World Trade Organization (WTO).

Unfortunately, Pakistan has been facing trade deficit since 10 to 15 years, which not changed yet. Pakistan trade deficit PKR 279.6 billion in August of 2016 compared to PKR 201.7 billion in 2015, its exports fell 7.3% while imports raised 16.5%, hence the reaction comes unfavorable balance of payment which is recorded as -29446 million in June of 2016. Foreign Direct Investment is averaged 26923.93 USD Million from 2010 to 2015 in Pakistan. Recently business climate of Pakistan has been much better but a report is issued by State Bank of Pakistan says, "The foreign direct investment has dropped by 58 percent in previous year 2015." Azam and Naeem (2009) found that Pakistan got better improvement in economy growth during 1971 to 2005. Pakistan exports various items to countries which are out of south Asia. For example; textile are exported to China, Bangladesh, Hongkong. Vegetable and fruit items are exported to Japan, Sri Lanka, united Arab emirate. Sports and goods are exported to Germany, USA, France, Hongkong, Dubai and Taiwan; hence it has been facing tough competition in the international market by its competitors like; India, Japan, Taiwan are giving tough time in sport goods because they focus on semi –automotive and cheap labors by which they can produce cheap goods.

Pakistan is continuously doing struggle to boost up its development in export. Because our export is going towards the declining phase. This report discusses that: Why trade is in deficit continuously? What kinds of the obstructions are behind it? Why Pakistan is failed to achieve export target?

Literature Review:

Exports are considered to be the important device of economic evolution, which simplifies the economic progress. The export act of a country is determined by many aspects: GDP, the values of exportable, the rates of challenging goods in export market and the exchange rate etc.

HumailaHashin says “The number of strikes, protest, disturbs law and order situation, kidnapping, robbery, numerous change of government are all considered as political volatility. The impact of political instability was pessimistic on all aspects of economic growth.”

Zeeshan Anwar explains that “Pakistan is facing regularly political instability since 1990 and this is one of the key reasons for decline in exports. Disturb law and order situation always disturb production performance, create hurdles for transportation setup and eventually for human resource. Local and overseas investors are cautious to make investments in Pakistan due to its instable political environment.”

UsmanRafiq says “Pakistan's exports are being overlooked by low-technology manufacturers, which consider most of the total exports.”

Hamna Ahmed explains that The working of average technology exports was failing with their growth rate and lowering the global growth rate and Pakistan's growth rate of total exports. The weak growth rate of globally trading is the cause of the deficiency of low-technology exports.

Imran Hunjra says “The local and Foreign Direct Investment when properly utilized creates new and diversified opportunities for economic growth and development. The investment withdrawal and low investment problems came up due to political instability, bomb attacks, lack of political leader's interest, load shedding & low production which are directly affecting exports of Pakistan. These are the main reasons behind decreased investment, which in turn hindered the exports and economic growth of Pakistan ultimately.”

Amjadali explains The low savings has seriously troubled the economic growth of Pakistan. Low saving rate condensed the level of investible funds that prolonged possible growth of economy.

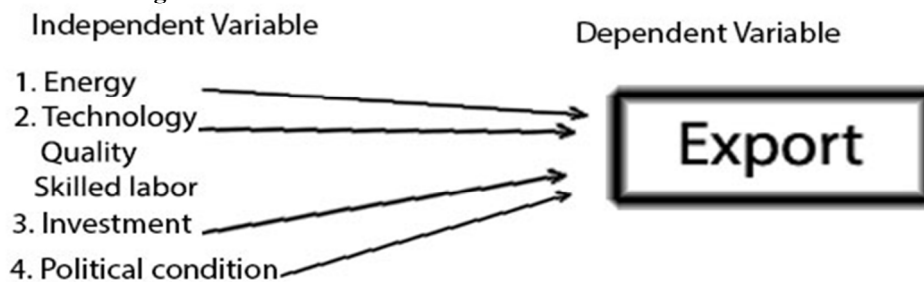
Muhammad Shahbaz explains Pakistan has been facing acute energy shortage which was started in 1985 and it has restricted to export growth. Today lack of electricity and gasoline has created hurdles in the way of every sector.

AliHaider says “The shortage of electricity and gas have created inefficiency in production's quality and quantity, affected transport expenses, cost of production per unit increased products prices which are not being demanded at international market. Producers are failed to achieve their targets and unable to compete export market.” So, in order to upgrade development of export Pakistan should have to plan supportive steps to knock out this energy crisis.

Theoretical Framework

Trade can play a very important role in the economy of Pakistan. Trade includes import and export. Pakistan is facing negative balance of payment as its import is higher than export. Pakistan export has turn down because of many reasons. As inconsistent political conditions of Pakistan, improper law and order situation, trade policy, security system, corruption, inflation and high taxes may damage Pakistan's export. The other reason is technology as Pakistan is still using old technology, blasting techniques, mining techniques, old method of harvesting, using low quality seeds etc. which damages not only quality of product but also reduce export. Pakistan has low investment problem, foreign investors feel insecure investing in Pakistan. Many businesses has shifted abroad due to terrorism, security, devaluation of currency etc. Energy crisis in Pakistan is at peak, many industries are shutdown because of low production and losses as they were not able to produce due to shortage of water, heat, and gas and also high cost of energy which directly affected export of Pakistan. And now Pakistan's export has declined in some of its major industries which are cotton, rice, wheat, leather and cement etc.

Schematic diagram



Significance:

Significance defines the work to the community by stimulating the edge of the research. The export of a country plays a substantial part in the economic growth and its help in expanding the country's production in the world market. As Pakistan is rich in natural resources it may earned great incentives from the international market by

exporting its product. Net exports add the capital to the country. Advancement of a country's providence is instantly related to exports. If exports rise to the higher percentage the country then would face no hurdles in its economy from being an advanced one. Even the rate of economic growth and the disbursement of revenues and capital are nearly associated with the exports.

This may enlarges the capacity of country's selling otherwise country may left behind in generating its capital and will only rely on local market. Once the country had exploded in its national market this is the time it should start working for the international market to make its money.

Scope

Total exports of Pakistan declined by 12.11% despite the power of the government to boost exports in 2015-16, the country's exports slides to \$20.802 billion during the last financial year (2015-16) from \$23.667 billion during the same period of the last year.

This study helps and facilitates many sectors of Pakistan's Economy to provide authenticity in order to provide recent information to; Government, Small & Medium Scale Businesses, Exporters, Industrialists, Tax Authorities, Pakistan Chamber of Commerce, Policy makers, Power Generation Companies, Transporters & Logistics, Promotion & Advertising Agencies.

The report will help increase foreign investment for the economic growth and development. It will help Government to find new ways to boost the exports in order to earn foreign exchange and increase GDP of the country.

Limitations

As commerce students, we wanted to find out the reason why trade of Pakistan is continuously deficit. Although our research is based on primary data. We studied research articles, paper work, news articles related to the topic. Nevertheless we faced number of problems during this research. While collecting the actual facts about the trade police, foreign policies in which government factors are involved. On the other way, we collected data and information by ourselves for which we visited in different industries which are concerned directly or indirectly to exports of Pakistan this was tough for us as women and because of unexpected law & order condition in Karachi.

Methodology

In this study, primary data from observation and questionnaire were collected. Questionnaire were filled through Trade Development Authority of Pakistan, Chamber of Commerce, Stock Exchange, and Banks.

The following variables have been used:

- Political condition
- Investment
- Energy
- Technology

This study has the following hypothesis:

H₀: There is no relationship between energy and export.

H_A: there is positive relationship between energy and export.

H₀: There is no relationship between technology and export.

H_A: there is positive relationship between technology and export.

H₀: There is no relationship between investment and export.

H_A: there is positive relationship between investment and export.

H₀: There is no relationship between political condition and export.

H_A: there is positive relationship between political condition and export.

Results

Objective of the research is achieved by applying regression coefficient and correlation.

Result discussion of energy and export

After applying regression on first variable Energy, the result is that H₀ is accepted because sig. value is greater than α . (0.363 > 0.05).

Beta coefficient equation

$$Y = a + b_1x_1 - b_2x_2 - b_3x_3$$

$$Y = 1.585 + 0.205x_1 - 0.002x_2 - 0.082x_3$$

Export has a positive relation with energy. Export has a negative relation with weather condition. Export has a negative relation with resources. and by applying correlation we found that: Export has (24.5%) weak relationship with energy. Export has (8%) weak relationship with weather condition. Export has (38%) moderate

relationship with resources.

Result discussion of technology and export

After applying regression, the result is that H_0 is accepted because sig. value is greater than α .
(0.536 > 0.05)

Beta coefficient equation:

$$Y = a + b_1x_1 - b_2x_2 + b_3x_3 - b_4x_4 + b_5x_5 - b_6x_6 + b_7x_7$$

$$Y = 1.015 + 0.067x_1 - 0.007x_2 + 0.232x_3 - 0.067x_4 + 0.165x_5 - 0.049x_6 + 0.170x_7$$

Export has a positive relation with technology. Export has a negative relation with skilled labor. Export has a positive relation with quality of product. Export has a negative relation with cost of finished goods. Export has a positive relation with demand. Export has a negative relation with competitors. Export has a positive relation with promotion advertisement.

By applying correlation we found that:

Export has (7.3%) weak relation with technology. Export has (5%) weak relation with skilled labor. Export has (23.3%) weak relation with quality of product. Export has (5.7%) weak relation with cost of finished goods. Export has (21.3%) weak relation with demand. Export has (31%) moderate relation with competitors. Export has (21.4%) weak relation with promotion & advertisement. Competitors have (40.1%) moderate relation with promotion & advertisement.

Result discussion of investment and export

After applying regression, the result is that H_0 is accepted because sig. value is greater than α .
(0.607 > 0.05)

Beta coefficient equation

$$Y = a - b_1x_1 + b_2x_2$$

$$Y = 1.676 - 0.031x_1 + 0.104x_2$$

Export has a negative relation with investment. Export has a positive relation with foreign policies.

By applying correlation we found that:

Export has (1 %) weak relationship with investment. Export has (14.2 %) weak relationship with foreign policies.

Result discussion of political condition and export

After applying regression, the result is that H_0 is rejected because sig. value is less than α .
(0.011 < 0.05).

Beta coefficient equation

$$Y = a + b_1x_1 + b_2x_2 - b_3x_3 + b_4x_4 - b_5x_5 - b_6x_6 - b_7x_7 - b_8x_8 + b_9x_9 + b_{10}x_{10} - b_{11}x_{11}$$

$$Y = 0.851 + 0.479x_1 + 0.371x_2 - 0.015x_3 + 0.300x_4 - 0.177x_5 - 0.348x_6 - 0.071x_7 - 0.182x_8 + 0.244x_9 + 0.142x_{10} - 0.087x_{11}$$

Export has a positive relation with political condition. Export has a positive relation with security system. Export has a negative relation with taxation system. Export has a positive relation with interest rate. Export has a negative relation with exchange rate. Export has a negative relation with custom duty. Export has a negative relation with currency devaluation. Export has a negative relation with inflation. Export has a positive relation with import. Export has a positive relation with policies of trade and commerce. Export has a negative relation with infrastructure.

By applying correlation we found that:

Export has (39.8 %) moderate relation with political condition. Export has (21 %) weak relationship with security system. Export has (2.7 %) weak relation with taxation system. Export has (21%) weak relation with interest rate. Export has (7.8 %) weak relation with exchange rate. Export has (18 %) weak relation with custom duty. Export has (0 %) no relation with currency devaluation. Export has (6.8 %) weak relation with inflation. Export has (16.1%) weak relation with import. Export has (0 %) no relation with policies of Trade and Commerce. Export has (5 %) weak relation with infrastructure. Interest rate has (38.4 %) moderate relation with inflation. Export has (40.8 %) moderate relation with exchange rate. Export has (53.1 %) moderate relation with custom duty.

Conclusion

We have a goal for this report is to analyze the "Performance of trade; targeting to the export" under the period 2015 to 2016 by using Pearson co-integration test explains that the relation of energy is 24.5%, technology is 7.3%, investment 1% and political condition 39.8% with exports of Pakistan. We conclude that energy crisis,

technology and investment have no positive relationship with export of Pakistan. Energy crisis discourages export. Pakistan can increase export if focus and try to achieve US\$35 billion export target by 2018 which mention in strategic trade policy framework 2015 -18.

Recommendation

Export has been changing significantly over the period of study. To make constructive balance of payment Pakistan should:

- Increase exports.
- Must enter high quality market.
- Focus on worth accumulation.
- Technology up-gradation & Human Resource expansion.
- TDAP should keep a higher financial plan for investigation and development.

To overcome this and to deliver reliable and consistent estimates, there need effective past information, which is to be merged in the model. This research encourages the researchers to use this practice wherever it is relevant.

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Tables:

**Export ↔ Energy
 Variables Entered/Removed^a**

Model	Variables Entered	Variables Removed	Method
1	resources, weather condition, energy ^b		Enter

a. Dependent Variable: export

b. All requested variables entered.

ANOVA^a

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	1.461	3	.487	1.091	.363 ^b
Residual	20.539	46	.447		
Total	22.000	49			

a. Dependent Variable: export

b. Predictors: (Constant), resources, weather_condition, energy

**Export ↔ Technology
 Variables Entered/Removed^a**

Model	Variables Entered	Variables Removed	Method
1	promotion_and_advertisement, quality_of_product, technology, cost_of_finished_goods, demand, skilled_labour, competitors ^b		Enter

a. Dependent Variable: export

b. All requested variables entered.

ANOVA^a

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	2.792	7	.399	.872	.536 ^b
Residual	19.208	42	.457		
Total	22.000	49			

a. Dependent Variable: export

b. Predictors: (Constant), promotion_and_advertisement, quality_of_product, technology, cost_of_finished_goods, demand, skilled_labour, competitors

**Export ↔ Investment
 Variables Entered/Removed^a**

Model	Variables Entered	Variables Removed	Method
1	foreign_policies, investment ^b		Enter

a. Dependent Variable: export

b. All requested variables entered.

ANOVA^a

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	.463	2	.231	.505	.607 ^b
Residual	21.537	47	.458		
Total	22.000	49			

a. Dependent Variable: export

b. Predictors: (Constant), foreign_policies, investment

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.676	.288		5.820	.000
investment	-.031	.159	-.029	-.197	.845
foreign policies	.104	.103	.146	1.002	.321

a. Dependent Variable: export

Export ↔ Political Condition

ANOVA^a

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	9.704	11	.882	2.726	.011 ^b
Residual	12.296	38	.324		
Total	22.000	49			

a. Dependent Variable: export

b. Predictors: (Constant), infrastructure, exchange_rate, inflation, political_condition, taxation_system, policies_of_trade_commerce, import, security_system, currency_devaluation, custom_duty, interest_rate