

The Impact Of Inwards FDI On Domestic Management Practices In Pakistan

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Abstract

Pakistan has been center of interest to various developed nations for investment purposes due to its geostrategic status . During the previous decade, world has observed a significant increment in inward Foreign Direct Investment (FDI) in Pakistan, which has benefited its infrastructure, economy, energy and environment greatly. Besides all that, domestic management practices have been affected immensely, however, received less attention compared to other sectors. Inadequate attention towards domestic management practices have hurdled inward FDI to entertain the management sector optimally. This study has attempted to dive deep in to the literature to inquire about the impacts of inward FDI on Domestic Management Practices. The results prevail that there is a rapid need of handling management practices astutely so that inward FDI could be utilized to the profoundly.

Key Words: Impact of Foreign Direct Investment, Domestic management practices in Pakistan

1. Introduction

China's foreign policy in South Asia is based on five principles of coexistence: mutual trust, noninterference in domestic affairs, respect for the sovereignty of independent states, confidence, and understanding. International relations are always based on national interests, and China's economic interests are the most important in South Asia. China maintains strong relations with all of the region's minor and large countries in order to gain economic and geopolitical advantages (Rasheed, 2018). Because China is a permanent member of the United Nations Security Council (UNSC) and strives for global peace and stability, China supports global social, economic, and

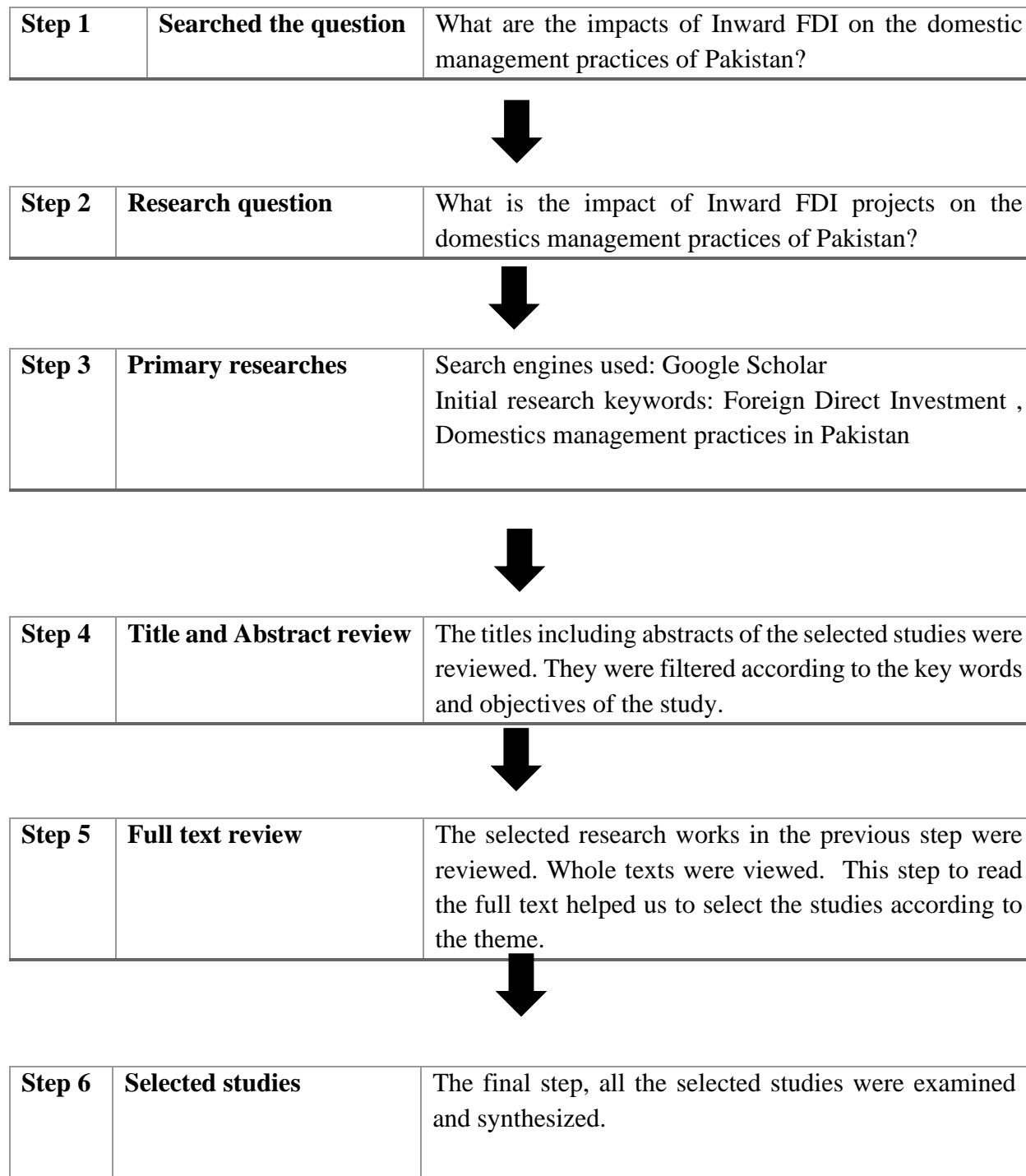
political changes. According to Baruah (2018) China is a major assistance donor in South Asia, particularly in Pakistan, Bangladesh, the Maldives, Nepal, and Sri Lanka. In this region, Pakistan is China's most powerful partner. From the beginning, relations between Pakistan and China have remained stable. There are numerous causes for Pakistan and China's good and close friendship. Both countries are in close proximity to one another. They don't have any disagreements. Both countries have diplomatically worked with one another. Their friendship is built on the principles of sovereign equality, fraternity, and mutual cooperation. Despite its big power status, China has displayed no hegemonic ambitions and has never interfered in Pakistan's internal affairs. Their strategic alliance has always been dependable (Shabbir, Wakil, & Rasool, 2021; Mohsin et al., 2020; Naseem et al., 2019; Naiwen et al., 2021).

China has invested huge sums of capital in Pakistan. Taking the advantage of the situation, Pakistan has been aiming for high and long-term economic growth utilizing the incoming FDI from China. Although Pakistan has made significant headway in restoring economic stability, there is still much more work to be done to put the country on a stable developmental footing harnessing the inflow of investment. To this end, policymakers are developing various development initiatives to exploit the FDI by China in various sectors. Admittedly, the long-term Sino-Pakistan iron-friendship has brought about myriads of benefits to Pakistan. Amid such situation, researcher and academic professionals have abundantly focused the economic impacts of FDI by China in Pakistan however the impact of FDI by China on management practices in Pakistan is yet unrecognized. As per Khan, Lee, & Bae (2018) FDI supports management capacity between different enterprises. This paper has considered the impact of FDI by China on Management practices in Pakistan.

2. Methodology

The foundation for academic investigations is laid by literature reviews, which aid in reaching a logical conclusion and steps for gathering standard data. Such as Xiao and Watson (2017) describe SLRs helps with the identification, screening, eligibility, and inclusion of the data. A systematic review aims to collect, analyze, and synthesize the empirical evidence that is already available while also meeting the established criteria. Figure 1 depicts the essential processes in the data collection process. This analysis looked at academic publications published between 2016 and 2020, a five-year span. However, due to extremely limited body on our selected topic, we could only come up with 5 research articles. The data has been retrieved through Google Scholar.

Given is the flow diagram of the data collection method for systematic literature review.



This study is remarkable in several aspects, as it follows the format of systematic review papers. To begin with, only peer-reviewed academic articles were examined in this investigation. Any other doubtful material, such as judging work, media outlets, or skewed viewpoints, have been avoided at all costs. Next, this research is limited to research papers that have been published in English. The selection method does not reflect our opinion on any of the research projects.

Overall, the study's inclusion and exclusion criteria are straightforward and accurate. Organizational reports and publications, as well as internet information and data, were carefully avoided. It does not, however, imply that all other works are of lower quality.

This paper used a systematic literature review to conduct a thematic analysis (TA). TA is a frequently used and "accessible, adaptable" method of qualitative data analysis. The acquisition of conducting TA gives the qualitative researcher with a foundation in the fundamental abilities needed to engage with other qualitative data gathering methodologies (Braun and Clarke, 2012; Naseem et al., 2021; Rafiq et al., 2019). In this study following criteria has been applied to conduct the thematic analysis.

Stage 1	Examining the data	The data from the systematic literature review was extracted and improved before being used in the theme analysis.
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Stage 2	Creating themes	Themes were created after examining the data.
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Stage 3	Reviewing the theme	To assure the relevance, it was significant to review the themes one by one. Therefore, the themes were studied one by one.
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Stage 4	Defining and naming themes	The themes were named.
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Stage 5	Presenting and discussing the results.	The final step was to present and discuss the results.
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3. Results and Discussion

Following are the results and discussion of the study.

3.1 Results of Systematic Literature Review

Author	Type	Findings and conclusion
Hussain (2017).	Research article	FDI brings technology, new knowledge, highly skilled management and investments to local firms which confer a competitive advantage and economies of scale thus increasing their productivity.
Arshad, Qasim, Thaheem, & Gabriel (2017).	Research article	Management in construction industry in Pakistan is down at the heels. The major causes are “Poor supervision, Lack of management, Lack of waste reduction plan, Absence of site waste manager”.
Korai et al. (2020)	Research article	Despite acceleration of enormous projects by China as part of their FDI in Pakistan (China Pakistan Economic Corridor), domestic waste management is yet a hefty menace to confront with.
Bakhsh, Rose, Ali, Ahmad & Shahbaz, (2017).	Research article	In the industrial sector, FDI is positively related to economic growth which is positively related to pollution. When Pollution crosses a certain limit it diminishes economic growth. In Pakistan, there isn't a proper handling for waste management. Hence, FDI(inward) has negative impact in Waste management in Pakistan.
Ahmed et al., (2017).	Research article	Under the FDI (inward) Human Resource management has been greatly ignored.

3.2 Thematic Analysis

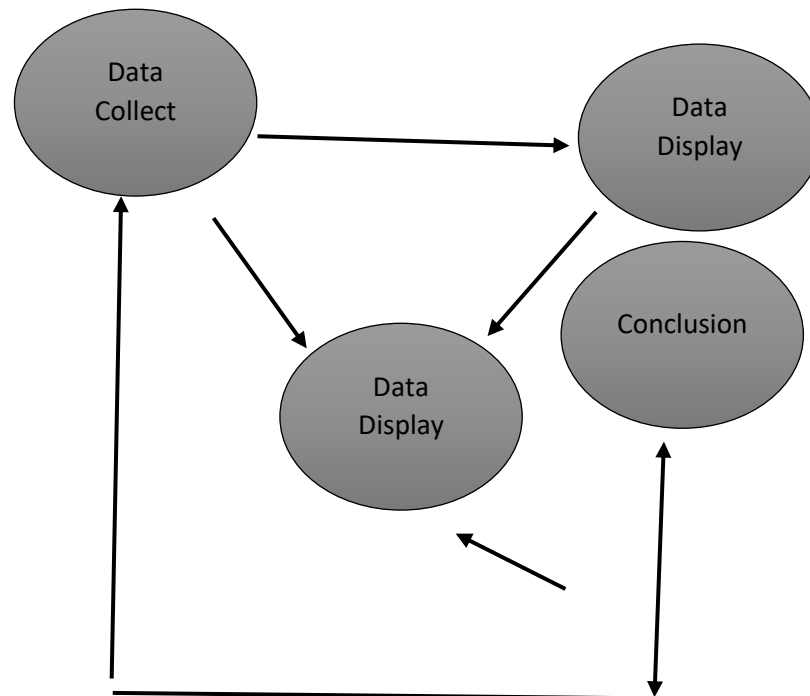
In most cases, qualitative data interpretation is necessary. This suggests that the evidence will be subjected to a variety of interpretations. This is related to the regular collection of significant amounts of qualitative data. Furthermore, there is no distinction established between data collection and analysis (Nowell et al., 2017).

A type of qualitative research is thematic analysis. It's used to examine categories and find themes (patterns) in data gathered from a study. It presents the data in great detail and employs insights to solve a wide range of issues. Thematic Analysis is regarded to be the most effective strategy for

any study that seeks to reveal information via interpretations. It provides a conceptual framework for data analysis. It allows the researcher to connect a study of the recurrence of a topic to a study of the full material. This will increase the overall importance of the study by increasing accuracy and complexity. As per Alhojailan (2012) Qualitative research needs an in-depth understanding of and gathering of a wide range of components and data. Thematic analysis enables you to have a deeper knowledge of the possibilities of any problem.

3.2.1 Model of Thematic Analysis

Miles and Huberman (1994) proposed a paradigm for the theme analysis process. This paradigm has three interconnected stages: data display, data display, and conclusion, as shown in the picture below.



1. Data Reduction

First, the vast volume of data must be classified and either minimised or redesigned. According to Miles and Huberman, the first of the three stages of qualitative data analysis is data reduction (1994). Data reduction is the process of selecting, focusing, reducing, abstracting, and modifying data from written field notes or transcriptions. The data must not only be condensed for manageability, but also transformed so that it can be comprehended in terms of the issues being addressed.

2. Data Display

Data presentation is the second element or level in Miles and Huberman's (1994) qualitative data analysis paradigm. Beyond data reduction, data presentation involves displaying "an organized, compact assembly of information that enables for conclusion making..." A display can be a long piece of text, a diagram, chart, or matrix that provides a more textually integrated way of organizing and thinking about data. Using data presentations, whether in word or diagrammatic form, the analyst can extrapolate enough from the data to begin to find systematic patterns and interrelationships.

3.3 Results of Thematic analysis

3.3.1 Themes

Foreign direct investment (FDI) has been highlighted as one of the key engines of economic growth, a potential source of employment, and a mechanism for the transfer of sophisticated technology to host countries (Sapkota and Bastola (2017), Demena and van Bergeijk (2019)). In recent years, the flow of FDI has grown even more significant than international commerce, since industrial investment growth has surpassed the movement of products across international borders (Chen and Moore, 2010).

According to the review literature, there are some positive as well as negative impacts. However, due to extremely limited body of literature on our research topic, we could only create few themes.

a) Inadequate Management practices in Pakistan

To begin with, there is a great deal of variance in management methods between organisations, just as there is in other nations. However, in comparison to the United States, Pakistan has a far lower adoption of organised management approaches. In Pakistan, the typical company uses 44 percent of overall structured management methods (52 percent of data-driven performance monitoring and 42 percent of incentives and objectives). In the United States, equivalent figures are 64 percent, 67 percent, and 62 percent, respectively.

In Pakistan, the dispersion of management scores is much greater. In Pakistan, the difference between the top and poorest 10% of management scores is 46 percent, compared to 38 percent in the US. This is consistent with prior results that productivity dispersion is significantly larger in developing economies (like India and Mexico) than in developed economies (like Germany and the United States). In emerging economies, firms that are poorly managed and have lower productivity appear to quit the market more slowly, which might be owing to less competition and stronger insider protection.

However, as per Hussain (2017) FDI has brought a new prospect for the improvement in domestic management practices in Pakistan. Introduction of new technology and practices help the management team to thrive for better performance. Yet there is dire need to handle the current situation as there are numerous projects are operational under FDI from various countries.

a) Risk of Poor waste management caused by excessive economic activities

One of the most commonly voiced concerns regarding foreign direct investment (FDI) is the potential for harmful environmental impacts. Higher emissions' potential environmental cost may outweigh the economic advantages associated with increased FDI influx. Although the research favours a negative view of FDI's impact on the environment, there is a chance that FDI can help to clean up the environment, particularly if it arrives with green technology and provides spillovers for domestic businesses.

Demena & Afesorbor (2020) mention that the impact of FDI on the environment might possibly have two outcomes. In the sense that it increased, the effect may be negative. Increased FDI inflows may result in higher environmental emissions. This is due to the rigour with which their environmental regulations are implemented. Finally, article distinguishes between the effects of FDI on various pollutants.

They did a meta-analysis to determine if FDI has a true environmental impact and to explain the wide range of results. This meta-analysis aids in determining if FDI has a genuine impact on environmental emissions. After correcting for variability in prior research, we estimate the combined effect size of FDI on the environment.

At the global and regional levels, environmental degradation caused by growing greenhouse gases and other pollutants is one of the most concerning challenges. The degradation of the environment has a direct influence on climate change, creating hazards to human life as temperatures rise. Air pollution causes a variety of respiratory issues as well as other ailments. The same period and likewise, the average temperature has also risen in Pakistan. The trends explain that the largest increase has occurred in the electricity and heat production sector i.e. from 20.2% in 1970 to 35% in 2010. It explains why energy generation is so reliant on oil. On the one hand, it is a costly technique of energy generation, raising production costs and making our products less competitive in foreign markets. On the other hand, it is responsible for rising CO₂ levels in the atmosphere, resulting in an upward trend in Pakistan's average temperature.

Given is the decade-wise composition of sector-wise CO₂ emissions from 1970 to 2019 in Pakistan is shown in table 1 below.

Table 1

CO₂ Emissions by Sector

Year	Transport	Manufacturing & Construction	Electricity and Heat Production	Residential and Commercial services	Other
1970-1979	24.3	37.4	20.2	23.9	5.3
1980-1989	27.3	31.1	22.2	17.3	2.0

1990-1999	26.8	27.1	32.2	12.6	1.2
2000-2009	26.3	28.5	33.3	11.3	0.5
2010-2019	29.2	23.1	35.0	12.3	0.3

Source (Ditta et al., 2021)

The constant release of carbon dioxide into the atmosphere has a negative impact on Pakistan's environmental quality (Santos-Paulino, 2012). As the average temperature rises, it has a negative impact on people's health, resulting in ailments such as cardiac arrest, cancer, and other chronic disorders. Furthermore, it is a cause of increasing sea levels, irregular rainfall patterns, and increased storm severity.

b) Poor attention towards Human Resource Management (HRM)

A number of economic corridors have evolved internationally as vehicles of regional collaboration and growth in recent times of economic expansion. In Pakistan, there is a lack of proper attention to the subject of human resource development, which has been neglected for decades. HRD is a notion in Pakistan that is anchored in the country's overall human development. HRD is still in its infancy and is generally seen as a component of national human development. HRD in Pakistan is described as a macro-level strategy for individual capacity-building to achieve national manpower planning goals, and as a micro-level training and development role of any human resource management department, according to current literature. The recent economic breakthrough between China and Pakistan has prompted Pakistan to develop a well-thought-out and effective HRD policy.

The present HRD landscape is a barrier for the project's execution since Pakistan suffers a number of important difficulties such as a lack of qualified workforce, brain drain, lack of entrepreneurship, lack of education among the general public, unemployment, and militancy. Economic globalisation and the growth of multinational corporate units within the country have worsened this problem. It demonstrates the necessity for a comprehensive national HRD policy.

Only if HRD is given adequate attention will OBOR as an economic corridor, sometimes known as a "knowledge corridor," have a long-term and sustainable influence on the economy (Atta-ur-Rahman, 2016).

The government of Pakistan, on the other hand, has vowed to focus on the growth of national HRD since the two nations' economic accord. This appears to be a reactionary attempt to meet the current need for CPEC-developed people resources. In this regard, Pakistan's planning commission has approved the construction of a state-of-the-art institution dubbed "University of the Twenty-First Century" at a cost of PKR9.780 billion.

The ministry also intends to complete the development of additional institutes around the nation, with a focus on Gwadar (Baluchistan). However, there is still an inadequacy of centres or institutes that might be regarded the primary breeding ground for the labour market and industry in the framework of HRD. Given Gwadar's strategic importance, the current situation is concerning,

since there are only a few institutes with insufficient capability to provide labour for the economic corridor.

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Conclusion

Domestic Management Practices are as important as social, economic and environmental practices for any nation. A sound management can impact the rest of the sectors affirmatively if given keen attention. However, haplessly, not much has been done to improve domestic management practices for last several decades despite increased inflow of FDI. Pakistan could have exploited inward FDI to strengthen management practices seeking bag of tricks from other countries which are investing in Pakistan. Further, FDI may also be seen of as one of the primary means of transferring sophisticated technology from developed to underdeveloped countries. FDI has a beneficial influence on local firms' productivity efficiency. Local businesses can increase their efficiency by learning from and interacting with overseas businesses. By creating a contagion effect, FDI accelerates technological advancement in the host nation, making it easier for local businesses to adopt modern management processes. However, in order to reap the benefits of FDI, Pakistan's government must work hard to ensure political and economic stability, as well as a liberalised environment.

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