



Research Article

Impact of financial development, tourism and unemployment on economic growth of Pakistan

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Keywords

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Economic Growth;
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Tourism;
Unemployment;
Philips Curve;
Solow Growth Model;
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ABSTRACT

This study explores the role of financial development in promoting economic growth in Pakistan. It highlights the importance of a well-developed financial sector in capital allocation and investment, which can lead to economic expansion. Unemployment, a key factor in economic decline, can hinder productivity and lead to a decline in overall growth. Tourism, on the other hand, can diversify the economy by providing additional revenue and strengthening the balance of payments. The study also examines the relationship between unemployment, economic growth, and various theories, such as Phillip's curve, Solow growth model, and endogenous growth theory. The research provides valuable insights into the country's economic dynamic and informs policy decisions, resource allocation, and job creation. However, the study has limitations due to incomplete and outdated data.

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1. INTRODUCTION

This study investigates the impact of financial development, tourism, and unemployment on Pakistan's economic growth, focusing on the tourism industry. It aims to understand how these factors contribute to Pakistan's economic success. The Definite objectives can classify as Investigate impact of tourism, unemployment and financial development on economic growth of Pakistan. Economic growth is defined as increase in goods and services with increase in per head population over period. It is commonly measured in terms of aggregated market value of additional goods and services produced in terms of GDP of the country. Economic growth falls under 4 categories expansion, peak, contraction, and trough (Chappelow, 2021). Even though Pakistan have experienced economic growth in past few years, but the growth rate is nothing in compared to other developing counties. Such as stats of world banks shows that Pakistan GDP was 3.9% in 2019 which was lower in



comparison to average growth rate of south Asia which was 4.4% (Ur Rahman and Abu Bakar, 2019). Pandemic 2019 jolts the economic growth of country and growth rate contracted by 0.5% in 2020. So, in comparison to other developing countries Pakistan is continuously striving for its GDP such as in 2019 India growth rate is 4.2%, China 6.1% and Bangladesh with 8.2 % (Lalon, R.M., 2020). However, Pakistan's growth rate is influenced by global economic policies, government support, and technological advancements. Over the past decade, the country has implemented economic reforms to attract foreign investments, reduce costs, and introduce economic zones. Tourism, a social, cultural, and economic phenomenon, significantly impacts economic growth. (Ahluwalia, 2018)

Tourism significantly contributes to economic growth, particularly in developed countries with a well-developed tourism network. It creates jobs in various sectors, generates foreign exchange earnings, and facilitates infrastructure development, including airports, roads, and public transport systems. Tourism also offers opportunities for small business growth, particularly in rural areas. However, it also has negative environmental impacts, which can be addressed through sustainable tourism practices and understanding the impact of tourism on society.

Tourism, often referred to as the "goose that lay golden eggs," is a rapidly growing industry in the late 20th century, generating 292 million jobs and increasing GDP by 10.2% in 2016. Policymakers are keen on its impact. Pakistan has been facing a persistent unemployment problem, with a rate of above 5% in recent years. The youth unemployment rate is the most trending, with 15–24-year-olds having a nearly 30% rate. Factors contributing to unemployment include lack of skills and education. The government has taken steps to reduce unemployment and improve economic growth, including providing loans, increasing education, and implementing fiscal and monetary policies. (Ahmad and Azim, 2010).

The financial sector in Pakistan involves the exchange of money and financial assets, with institutions like banks, credit unions, and insurance companies providing services like capital flow and investment. Recent reforms have increased competition and efficiency in the banking sector, facilitated by electronic trading systems and improved regulation. Micro finance is also gaining popularity, providing financial services and supporting small-scale startups.

Pakistan is considered one of the 8 growing economic policies due to its strong structural reforms. It has experienced mixed trends over the years, with various factors influencing its course. The stats shows that GDP and annual growth rate have averaged from 1952 to 2022 on 4.84 percent (Vidyarthi, H., 2015) The highest recorded statistical values were 10.22 back in 1954 and lowest value recorded was -1.80 in 1952. The bar graph presented below is statistical representation of this tenure (Pakistan bureau of statistics, 2022).

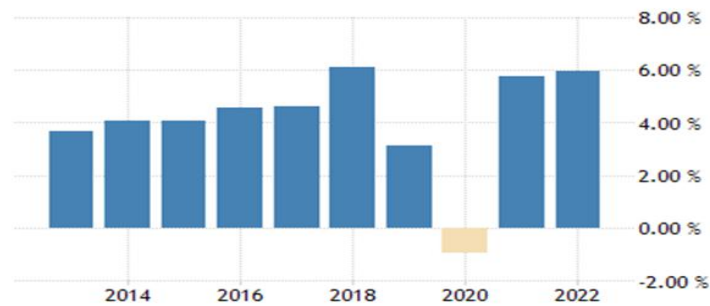


Fig. 1. GDP and annual growth rate

(Pakistan bureau of statistics, 2022)

1.1. PAKISTAN'S ECONOMIC EVOLUTION

- 1960s: High economic growth due to strong agricultural sector.
- 1970s: Political instability and nationalization policies led to private investment shortage and GDP decline.
- 1980s: Economic growth improved with General Zia ul Haq's military tenure and liberalization, privatization, and deregulation.
- 1990s: High inflation and political unrest marked by corruption, challenging economic reform implementation.
- 2000s: Moderate improvement with infrastructure development, foreign environment expansion, and business culture focus.
- 2010s: GDP decline due to energy shortages and political instability.

1.2. TOURISM TRENDS TIMELINE

Tourism Industry in Pakistan: 1960s to 1970s popular tourist destination with European and Southeast Asian tourists and Natural beauty of areas like Swat, Gilgit Baltistan, and Kashmir attracted.

- Political instability, terrorism, and violence in the 1980s to 1990s impacted tourism industry.
- 2000s saw infrastructure and development projects in northern areas, boosting foreign visits.
- 'Visit Pakistan' campaign launched in 2019 boosted tourism, with positive international media word of mouth.
- Covid-19 impacts impacted tourism, but government promoted economic-friendly infrastructure development.
- Pakistan's Unemployment Trends:
- 1960s to 1970s; Low unemployment due to expanding industrial base and diverse job opportunities.
- Rise in unemployment from 1980s to 1990s due to economic instability and political turmoil.
- Employment remained a significant issue in 2000s, with slow economic growth and informal sector as major job sources.
- 2010s saw increased unemployment, but economy showed improvement.

- Covid-19 in 2020s exacerbated unemployment due to business closures, lockdowns, and disruptions.

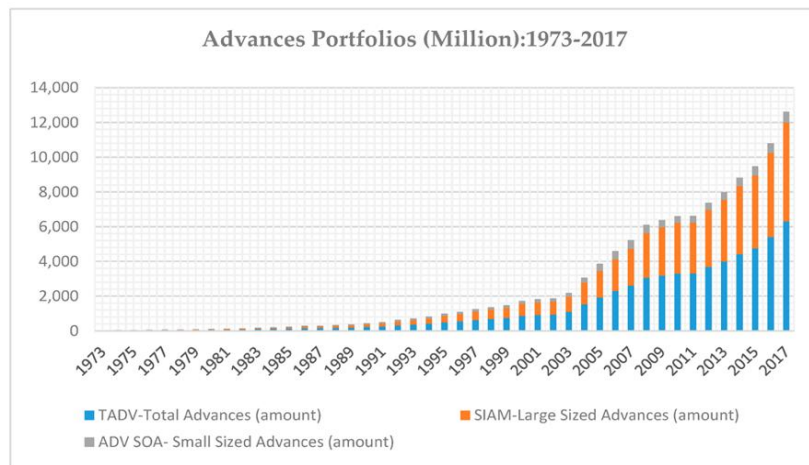


Fig. 2. Total advances of banking sector

The above-mentioned chart represents total advances of banking sector of Pakistan and their distribution (Adil and Jalil, 2020).

1.3. FINANCIAL DEVELOPMENT IN PAKISTAN:

1960s to 1970s; Underdeveloped finance sector with public sector dominance.

- State Bank of Pakistan established in 1948.
- 1980s to 1990s saw liberalization and promotion of private sector.
- 2000s saw financial inclusion and regulatory framework evolution.
- 2010s saw diversification, increased private sector participation, and launch of new products and services.
- 2020s saw Covid-19 impact, introducing deferral schemes and financial relief packages.

1.4. PROBLEM STATEMENT

Tourism plays a crucial role in Pakistan's economic growth, contributing to its GDP of 15.5%, followed by Mexico, Spain, and Italy. Despite facing challenges like poor law and order, racial and religious violence, and targeted tourists, the government has taken steps to address these issues. The country's rich natural resources, infrastructure, and accessibility have been a major challenge. However, well-developed highways have made tourism more accessible. Government negligence in building hotels and resorts has also contributed to the growth of tourism. Pakistan has long lost potential for tourism, but it has the potential to develop strong economic bonds with other countries. (Ghani, 2022).

The statistics make it evident that tourism has significant impact on the economies, so the first objective of research is to investigate the impact of tourism on economic growth of Pakistan. Pakistan faces high unemployment due to scarcity of resources and a fast-growing population, with a 2.2% annual rate. Factors contributing to this include early

marriage culture, illiteracy, and a desire for a stable future. The education system is faulty, with no colleges or schools preparing students for real-world situations. The pandemic has led to wage cuts and a lack of effective law implementation, causing people to avoid investing or creating businesses. The second objective is to study the impact of tourism on Pakistan's financial development. (Javed, 2021)

Economic growth in Pakistan has led to increased financial services, allowing more people to invest and indulge in financial institutions. However, Pakistan's financial development has not kept up with the pace of industrialization due to factors like political instability, red tape, lack of trained manpower, and trapped resources. This study aims to explore the impact of financial development on economic growth, focusing on the pace of development compared to previous years.

1.5. RESEARCH VARIABLES AND IMPACTS

The purpose of this thesis will be to determine how proper strategic planning in terms of improving financial development, strengthening tourism industry and lowering unemployment rates will lead to economic growth. Pakistan's economic growth is significantly influenced by financial development, tourism, and unemployment. A well-developed financial system facilitates productive investments, capital raising, and efficient resource utilization. Tourism attracts foreign exchange and investment, reducing regional disparities and enhancing local communities. Addressing unemployment is crucial for sustainable growth, as it contributes to higher aggregate demand and efficient resource allocation. Providing job opportunities and skill development can also shape economic wellbeing.

This present study integrates financial development, tourism, and unemployment into Pakistan's economic growth, providing new insights and empirical evidence. It aims to uncover unique patterns, dependencies, and policy implications, offering valuable implications for policymakers and stakeholders

2. LITERATURE REVIEW

Economic growth refers to the continuous increase in a country's output of goods and services, typically measured in GDP, influenced by factors like productivity, population growth, technological advancements, and resource allocation. (Reserve Bank of Australia, 2023)

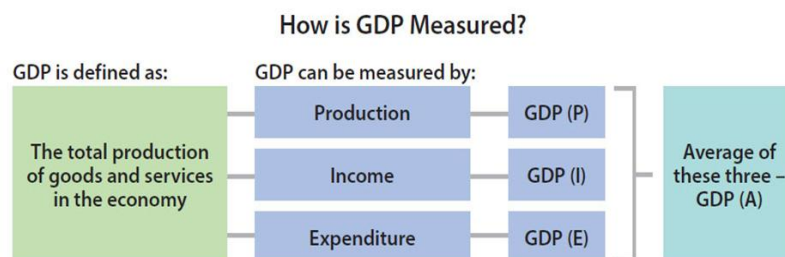


Fig. 3. (Reserve Bank of Australia, 2023b)

2.1. ECONOMIC GROWTH OF PAKISTAN

Economic growth refers to the increase in wealth over time in goods and services. It is influenced by various factors and distribution, such as income distribution, which results in progressive taxation and social safety nets. Economic growth is generally referred to as the standard of living in a country, and it leads to better quality of life. The Monetarist theory suggests a negative correlation between inflation and economic growth, but it is not always the case. The Solow growth model, based on aggregate production, diminishing marginal return on capital, savings and investments, steady state equilibrium, technological progress, and closed economy, is used to determine the fundamentals of economic growth. Endogenous growth models, such as Saint-Paul's, focus on the driving factors of growth within the ecosystem. (Saint-Paul, 19922)

Economic growth benefits a nation by increasing profitability, but if it isn't distributed equally among segments, it can lead to disparity and inequality. Income inequality can lead to a wider gap between the rich and poor, and regional distribution can also affect economic growth. Sustainable economic growth focuses on using resources efficiently, leading to cleaner technologies and increased resource productivity. Economic growth is a complex process, often hindered by constraints such as limited access to capital, inadequate infrastructure, and political instability (Stiglitz, 2016).

Tourism economics examines the economic impact and sustainability of the tourism industry, focusing on employment generation, tax revenue, and income distribution. The multiplier effect refers to the economic activity generated by tourist's spending money in the local economy. (Zelenka, 2009) Destination management aims for sustainable growth of tourist destinations, benefiting both the industry and local communities. Key aspects for sustainable tourism include strategic planning, market research, and promoting cultural heritage. Digital transformation and mobile apps have revolutionized the tourism industry, making it easier for travelers to plan trips and make online payments. Tourism policy and governance are essential for sustainable development, involving stakeholder engagement and government support. Tourism creates social impacts based on development level, economic opportunities, and cultural exchange, benefiting both tourists and host communities (Sharma, 2018).

2.2. NEW MODELS OF TOURISM COVID 19

Tourism, a crucial sector contributing to 10% of global GDP and generating 320 million jobs annually, was greatly impacted by the pandemic. Countries like Greece, Spain, France, Maldives, and India faced prolonged crises, leading to the development of policies to mitigate the impact of plummeting tourism. Banks halted loan repayments, making the sector highly vulnerable. Countries like Australia and Japan worked to create new balances, such as blue lanes, travel bubbles, and relaxed visa requirements for tourism (Behsudi, 2020).

2.3. FACTORS LIMITING TOURISM IN PAKISTAN

Pakistan's tourism potential is hindered by lack of resources and government commitment, leading to underutilization. Poorly maintained infrastructure, particularly in northern areas, limits tourist accessibility. Additionally, quality accommodations decrease comfort and convenience, making the country less attractive. Tourists are not willing to compromise safety and security for adventure, and Pakistan suffers from inadequate emergency services and limited medical facilities, particularly in northern areas (Sultan, 2022).

2.4. RECOMMENDATIONS

Pakistan's government and tourism authorities should invest in improving infrastructure, accommodations, and services to attract tourists, generate jobs, and boost economic growth. The country should focus on improving its marketing strategies to create a positive image. Employment is crucial for maintaining economic growth and stability by encouraging consumer spending and stimulating demand and supply of consumer goods. It plays a multifaceted role in society through economic prosperity and individual wellbeing, with gender equality, environmental sustainability, and market dynamism being important factors.

Employment trends are affected by various factors, including economic, technological, demographic, and societal factors. Recent trends include automation and the gig economy, which create more job opportunities in the technological field (Davis and West, 1984). Employment policies promote equitable treatment of employees, creating a healthy productive working environment. Equal employment opportunity policies ensure fair treatment without discrimination and eliminate differences caused by gender, age, religion, etc (Habba, 2023).

Financial development has a positive relationship with economic growth, with a country must grow 4% every year to reduce unemployment issues by 1%. However, empirical evidence suggests that trade financial development stimulates economic growth through the development of size and efficiency of financial markets. Financial intermediaries speed up the process of efficient capital distribution by constantly updating internal cooperation. King and Levine (1993) found a positive correlation between liquidity of stock markets and economic growth, indicating that early-stage economic development leads to economic growth. In conclusion, Pakistan's government and tourism authorities should invest in improving infrastructure, accommodations, and services to attract tourists, generate jobs, and boost economic growth.

3. METHODOLOGY INTRODUCTION

This section discusses the research paper's methodology, including qualitative, quantitative, and mixed approaches. The qualitative data analysis, based on focus groups and observations, provides detailed information and descriptive results. This section is considered a "blueprint" of the research project, covering structural analysis and concluding nature of the problem and questions (McCombes & George, 2022).

3.1. SECONDARY RESEARCH

Secondary analysis involves collecting data from existing sources, including internal and external sources, to identify trends and patterns. Key steps include defining the research topic, exploring data sources, searching and collecting data, monitoring results, and analyzing further.

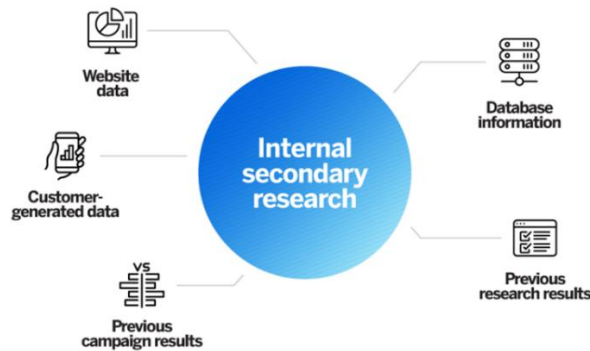


Fig. 4. (Qualtrics, 2021)

3.2. SOURCES OF INTERNAL DATA

- Based on sales history and business conversion
- Customer generated data
- Historic campaign results
- Previous campaign results

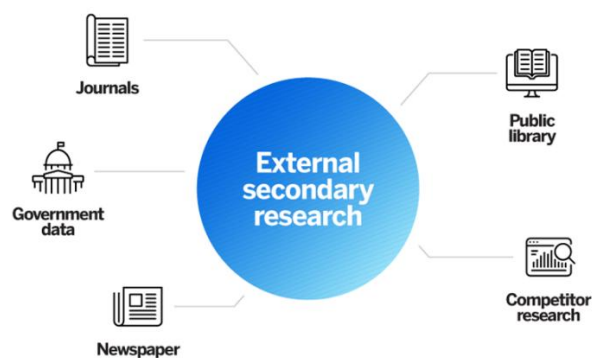


Fig. 5. (Qualtrics, 2021)

3.3. SOURCES OF EXTERNAL DATA

- Government and non-government agencies
- Trade body stats
- Material from textbook
- Research journals
- Coverage from media stories

3.4. DATA SELECTION, COLLECTION AND ANALYSIS

The research uses a chronicle structure with a qualitative research method, focusing on major events and themes. Thematic literature review is used to address specific issues. Secondary data, collected through surveys, experiments, questionnaires, and personal interviews, is used in the narrative structure. The hypothesis is based on generic statements using the deductive method, followed by detailed exploration of a new research strategy. A descriptive approach is used to design and formulate the impact of financial development, tourism, and unemployment on Pakistan's economic growth.

3.5. DEDUCTIVE APPROACH

Table 1. Deductive Approach

Article	Theme	Country	Site Link
1	Economic Growth	Global	Chappelow, J. (2021). Economic Growth. [online] Investopedia. Available at: https://www.investopedia.com/terms/e/economicgrowth.asp .
2	Economic Growth	Pakistan and Sirilanka	Abbas, Q. and Nasir, Z.M. (2001). Endogenous Growth and Human Capital: A Comparative Study of Pakistan and Sri Lanka [with Comments]. <i>The Pakistan Development Review</i> , [online] 40(4), pp.987–1007. Available at: https://www.jstor.org/stable/41260374 .
3	Tourism	Pakistan	Anwar-Ul-Haque Fakhar (2008). Title: Factors affecting tourism, tourism potential and strategies for development as an Industry in Pakistan. Thesis Study programme in Master of Business Administration in Marketing Management. [online] Available at: https://www.diva-portal.org/smash/get/diva2:303282/fulltext01#:~:text=The%20estimate+d%20results%20revile%20that
4	Tourism	Global	J. Degenhard (2023). Pakistan: international tourism receipts 2013-2028. [online] Statista. Available at: https://www.statista.com/forecasts/1153178/international-tourism-receipts-forecast-in-pakistan [Accessed 27 Oct. 2023].
5	Financial Development	Pakistan	Zeb, N., Qiang, F. and Rauf, S. (2013b). Role of Foreign Direct Investment in Economic Growth of Pakistan. <i>International Journal of Economics and Finance</i> , 6(1). doi: https://doi.org/10.5539/ijef.v6n1p32 .
6	Unemployment	India	Forbes India. (2023). Unemployment Rate In India (2008 To 2023): Current Rate, Historical Trends And More. [online] Available at: https://www.forbesindia.com/article/explainers/unemployment-rate-in-india/87441/1#:~:text=High%20inflation%20rates%20can%20erode [Accessed 24 Oct. 2023].
7	Financial Development	Pakistan	Governemnt of Pakistan Finance Division (2022). Ministry of Finance Government of Pakistan . [online] www.finance.gov.pk . Available at: https://www.finance.gov.pk/survey_2022.html .

The deductive approach involves developing a hypothesis based on existing theories and data, then analyzing and testing it. It involves creating a problem statement, forming a verifiable hypothesis, collecting data, analyzing and testing, and rejecting the null hypothesis (Streefkerk, 2019). Deductive research method elucidates causal relationships between concepts and variables, measures outcomes quantitatively, and is based on logic structure, making it easier to interpret and generalize findings (Dudovskiy, 2019).

3.6. EVALUATION REVIEW CRITERIA

Systematic review involves examining existing evidence using reliable objectives and research practices, utilizing authentic sources like books, research papers, and libraries, and identifying relevant papers, topics, and conclusions.

3.7. ETHICS AND BIASNESS

Systematized reviewers identify suitable knowledge theories aligned with research purpose and competence, observing subjectivity and reflexivity. Post empiricism, they focus on predicting educational processes through measurable constructs, minimizing internal and external validity.

3.8. PROS AND CONS OF THIS METHODOLOGY

This study combines multiple studies to reach broad theoretical conclusions, focusing on theory-to-evidence and data-to-theory. It uses a clear methodology and comprehensive research, with clear inclusion and exclusion criteria, and is reinforced by further research and references in the results.

4. RESULTS AND DISCUSSIONS

This chapter provides a systematic review of literature, analyzing conceptual frameworks, content, motivational theories, and theoretical analysis using descriptive statistics and regression analysis.

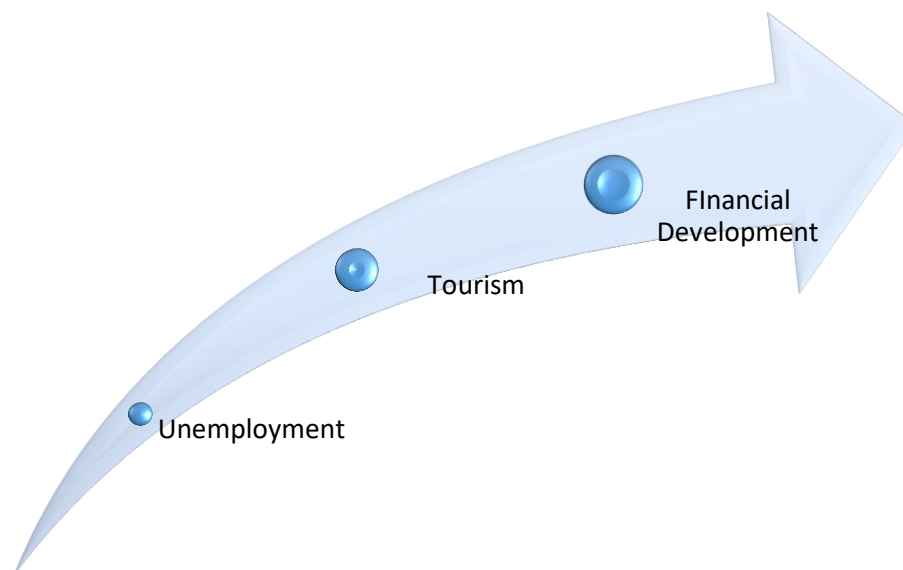


Fig. 6. Conceptual framework

Figure-7 examines the impact of financial development, tourism, and unemployment on Pakistan's economic growth, with economic growth as the dependent variable and tourism and employment as independent variables.

5. THEMATIC CODING

5.1. EMPLOYMENT AND ECONOMIC SECTOR RESULTS

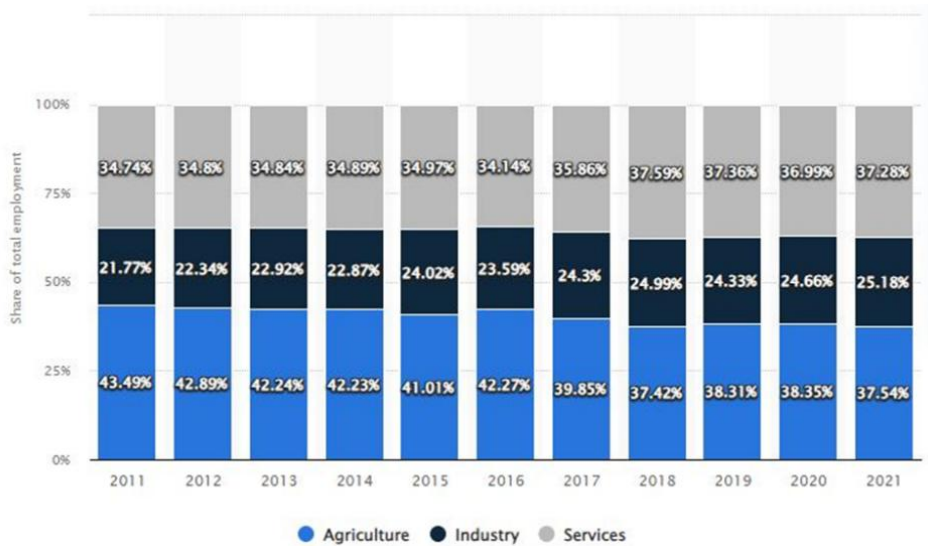


Fig. 7. Employment and economic sector (Statista,2018)

5.2. PAKISTAN AND DIFFERENT SECTORS OF ECONOMY

Pakistan's economy is primarily dominated by the agricultural sector, with 37.54% of the workforce in 2021. The industrial sector accounts for 1/4th, and the service sector makes up 37.28%. This suggests a positive link between a country's economy and employment, with Pakistan gradually improving living standards and infrastructure. (Statista, 2018)

5.3. UNEMPLOYMENT AND PAKISTAN

Pakistan's unemployment rate in 2022 was 6.42%, slightly higher than the previous year's 6.34%. This indicates economic troubles similar to Greece's high unemployment rate of 27.5% in 2008 due to the "Greece recession." The service sector, tourism, banking, and IT contribute to GDP, but rising unemployment leads to job losses in urban areas (Statista, 2018b).

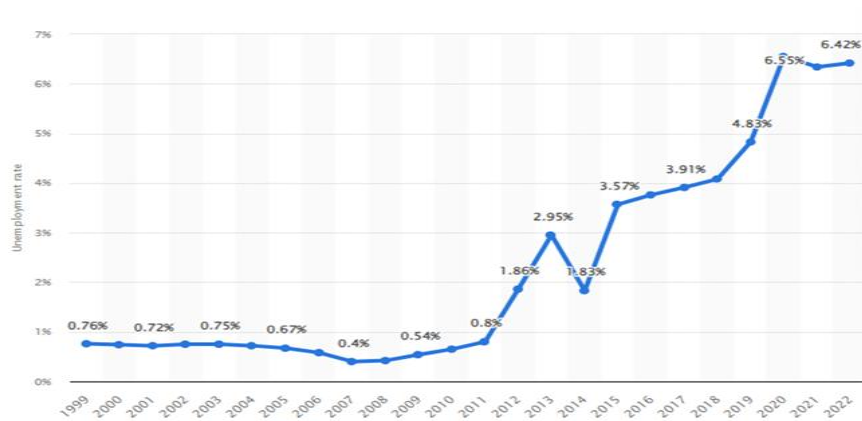


Fig. 8. (Statista,2018b)

5.4. UNEMPLOYMENT IN EMERGING COUNTRIES IN 2021

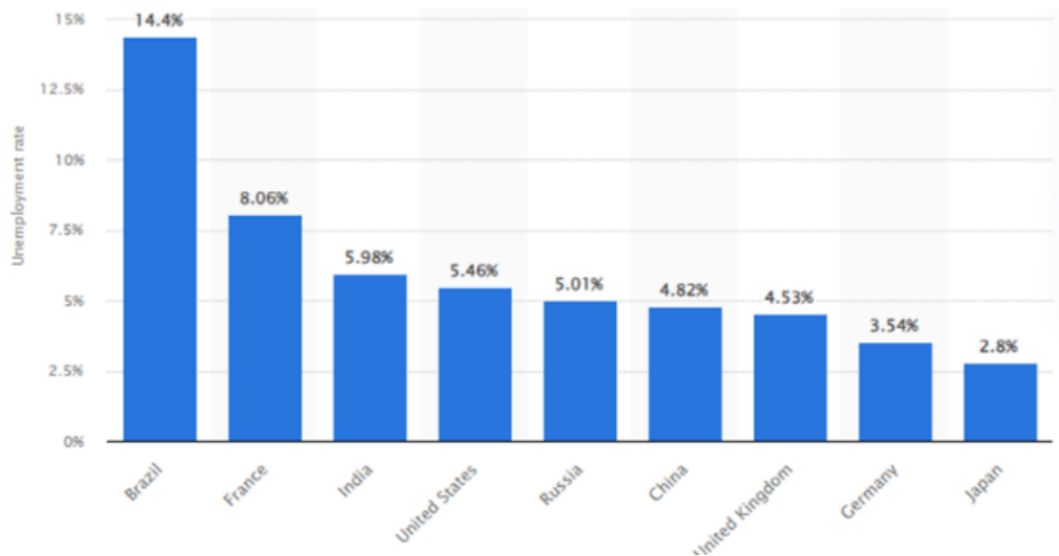


Fig. 9. (Forbes India,2023)

In 2021, India's unemployment rate is 5.98%, while Brazil and France have rates of 14.4% and 8.06% respectively. Brazil's collapse is due to interest rate increases, exchange rate shocks, and direct investments. France's rigid labor markets and low minimum wage contribute to high unemployment. (Forbes India, 2023)

5.5. TOURISM AND ECONOMIC GROWTH RESULTS

Tourism is a significant source of income and foreign exchange for developing economies, contributing to economic growth and foreign reserves, as evidenced by statistics on Pakistan's tourism industry.

Table 2. Tourism and Economic Growth

Projected Revenue in 2023	US\$3,008.00m
Revenue Growth	21.500%
Revenue estimated online by 2027	63%

Hotels market the number of users is expected to amount estimated by 2027 15,350.00k

Table 3. Travel and Tourism

Travel and Tourism	IN-SCOPE	OUT-OF-SCOPE
Cruises	<ul style="list-style-type: none"> Bookings directly via the website of the service provider, travel agencies, online travel agencies (OTAs) or telephone 	<ul style="list-style-type: none"> Buisness trips Other forms of trips (e.g. excursions, etc.)
Vacation Rentals		
Hotels		
Package Holidays		
Camping		

Pakistan's tourism industry, generating 4% of GDP in 2021, is predicted to grow by 8.76% in 2024-2028, reaching \$70.2 million, excluding domestic expenditures, despite the impact of COVID-19. (J. Degenhard, 2023)

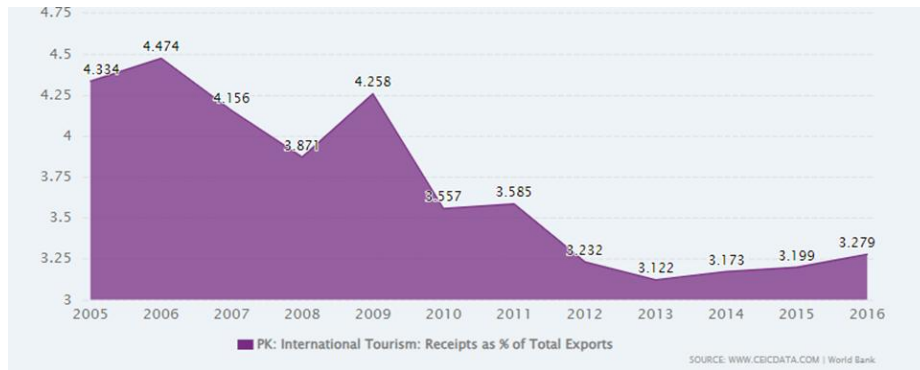


Fig. 10. Tourism receipts as % of total exports



Fig. 11. (World Bank Open Data, 2024)

The total export data in Pakistan increased to 3.279% in 2016, with an average of 4.296% from 1995 to 2016. The data, categorized by global databases like World Bank, WDI, and tourism statistics, includes prepayment details and classifications.

5.6. FINANCIAL DEVELOPMENT AND ECONOMIC GROWTH

The financial sector drives economic growth through capital accumulation and technological advancement, promoting long-term economic prosperity. Well-developed financial systems can be divided into four dimensions and two major sectors, illustrating the basic structure of a country's financial system.

Table 4. Financial Institution and Financial Market

Variables	Financial institutions	Financial markets
Depth	<ul style="list-style-type: none"> The Contribution of Private Sector Credit to GDP Assets of Financial Institutions in Relation to GDP M2 to GDP ratios Contributions to the GDP The financial sector's contribution to the overall gross domestic product 	<ul style="list-style-type: none"> Ratio of outstanding domestic private debt instruments and stock market capitalization to gross domestic product Ratio of privately held debt securities to total GDP GDP in relation to public debt securities. Ratio of international debt securities to gross domestic product The Value of the Stock Market in Relation to GDP
Access	<ul style="list-style-type: none"> The number of branches per one hundred thousand adults in commercial banks Percentage of respondents in the user survey who have a bank account Percentage of companies overall that have a line of credit 	<ul style="list-style-type: none"> Percentage of total market capitalization that is held by businesses that are not among the top 10 biggest The percentage of total value that is exchanged by firms that are not among the top 10 traded corporations

Variables	Financial institutions	Financial markets
Efficiency	<ul style="list-style-type: none"> Percentage of small businesses that have access to a line of credit 	<ul style="list-style-type: none"> The rates on three month and ten year government bonds Ratio of domestic debt securities to the overall amount of debt securities
	<ul style="list-style-type: none"> The difference between deposits and loans represents the net interest margin. The ratio of non-interest revenue to total income -The percentage of total assets that are spent on administrative expenses Profitability, measured in terms of return on assets and return on equity 	<ul style="list-style-type: none"> Price synchronization on the stock market as a ratio of turnover Turnover ratio for the stock market The influence on prices -The exchange of confidential information Costs associated with liquidity and transactions The bid-ask spread for government bonds was used as an example. The buying and selling of bonds (both public and private) on the securities exchange The effectiveness of the settlement The volatility of stock price indexes, expressed as standard deviations relative to their averages, and sovereign bond indexes The skewness of the index (stock price, sovereign bond) The susceptibility of profits to be manipulated The price-to-earnings ratio The duration The ratio of short-term bonds to total bonds (domestic and international)
Stability	<ul style="list-style-type: none"> Z-score Ratios of adequate capitalization and quality assets The quality of Asset ratios Relative levels of liquidity Others (including the net position of the foreign exchange rate to capital, etc.) 	

5.7. FISCAL DEVELOPMENT

Fiscal policy is crucial for macroeconomic stabilization during challenging situations like COVID-19. However, Pakistan experienced a fiscal shrink in 2021 due to increased international commodity prices, Ukraine-Russian issues, and inflationary pressure. This has led to a reduction in economic activity and employment, particularly for businesses and vulnerable households.

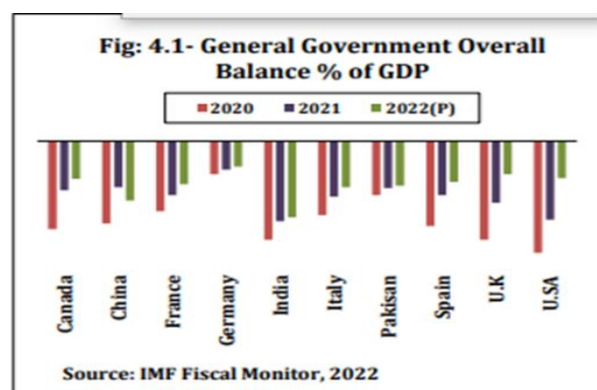


Fig. 12. Government balance overall GDP% (IMF fiscal monitor,2022)

5.8. FISCAL PERFORMANCE

The figure clearly shows that in 2021 the fiscal deficit was reduced to 6.1% of GDP, down from 7.1% recorded in preceding year and second year market as the result of effective

consolidation. Primary balance calculation was restricted to deficit of Rs 653.6 billion during against the deficit of Rs 756.6 billion. Total revenue receipts grow at rate of 10.1% in comparison to increase of 28% in FY2020.

Table 5. Expenditure and revenue (Government of Pakistan finance division, 2022)

YEAR	Over All Fiscal Daficit	Expenditure			Revenue		
		Total	Current	Development	Total Rev	Tax	Non-Tax
FY2008	7.300	21.400	17.500	4.000	14.100	9.900	4.200
FY2009	5.200	19.200	15.500	3.500	14.000	9.100	4.900
FY2010	6.200	20.200	16.000	4.400	14.000	9.900	4.100
FY2011	6.500	18.900	15.900	2.800	12.300	9.300	3.000
FY2012	8.800	21.600	17.300	3.900	12.800	10.200	2.600
FY2013	8.200	21.500	16.400	5.100	13.300	9.800	3.500
FY2014	5.500	20.000	15.900	4.900	14.500	10.200	4.300
FY2015	5.300	19.600	16.100	4.200	14.300	11.000	3.300
YEAR	OVER ALL FISCAL DAFICIT	Expenditure			Revenue		
		Total	Current	Development ¹	Total Rev	Tax ²	Non-Tax ¹
FY2016	4.100	17.700	14.300	4.000	13.600	10.400	3.200
FY 2017	5.200	19.100	14.600	4.700	13.900	10.400	3.500
FY2018	5.800	19.100	14.900	4.100	13.300	10.800	2.500
FY2019	7.900	19.100	16.200	2.800	11.200	9.700	1.500
FY2020	7.100	20.300	17.900	2.500	13.200	9.300	3.900
FY2021	6.100	18.500	16.300	2.400	12.400	9.400	2.900
FY 2022	6.300	22.600	19.200	3.500	16.300	12.000	4.300

5.9. ANALYSIS AND REVIEW OF PUBLIC EXPENDITURES OF PAKISTAN

Pakistan faces challenges in effectively allocating resources due to limited access, necessitating an economy that can meet revenue shortfalls and create space for priority sectors. However, the 2021 growth rate has slowed by 6.8% compared to 15.6% in 2020. (Government of Pakistan Finance Division, 2022)

Table 6. Public Expenditures of Pakistan

Year	Total expenditure	Current expenditure	Markup payments	Defence	*Development expenditure	Non-Interest Non-defense exp	Fiscal deficit	Revenue deficit/ surplus	Primary balance
Fy2008	21.400	17.400	4.600	2.600	4.200	14.200	7.300	-3.300	-2.700
Fy2009	19.200	15.500	4.800	2.500	3.400	11.800	5.200	-1.400	-0.300
Fy2010	20.200	16.000	4.300	2.500	4.100	13.400	6.200	-2.100	-1.900
Fy2011	18.900	15.900	3.800	2.500	2.800	12.600	6.500	-3.500	-2.700
Fy2012	21.600	17.300	4.400	2.500	3.900	14.600	8.800	-4.500	-4.300
Fy2013	21.500	16.400	4.400	2.400	3.500	14.700	8.200	-3.000	-3.800
Fy2014	20.000	15.900	4.600	2.500	4.500	12.900	5.500	-1.500	-1.000
Fy2015	19.600	16.100	4.800	2.500	4.100	12.300	5.300	-1.800	-0.600
Fy2016	17.700	14.300	3.900	2.300	4.000	11.500	4.100	-0.800	-0.300
Fy2017	19.100	14.600	3.800	2.500	4.800	12.800	5.200	-0.700	-1.400
Fy2018	19.100	14.900	3.800	2.600	4.000	12.700	5.800	-1.600	-1.900
Fy2019	19.100	16.200	4.800	2.600	2.700	11.700	7.900	-5.000	-3.100
Fy2020	20.300	17.900	5.500	2.600	2.400	12.200	7.100	-4.800	-1.600
Fy2021	18.500	16.300	4.900	2.400	2.200	11.200	6.100	-3.900	-1.200

Year	Total expenditure	Current expenditure	Markup payments	Defence	*Development expenditure	Non-Interest Non-defence exp	Fiscal deficit	Revenue deficit/ surplus	Primary balance
Fy2022	22.600	19.200	5.700	2.500	3.600	14.400	6.300	-2.900	-0.700
B.E									

5.10. FACTORS AFFECTING LONG-TERM FINANCIAL DEVELOPMENT OF COUNTRIES

This section analyzes factors contributing to long-term financial system development, comparing it to other countries. Data shows a 14% decline in market IPO shares, mainly due to market concentration. From 2010 to 2011, three pillars moved to a median value of 20%, with the largest decline in 2007-2008 and 2011 in Europe and Latin America.

Table 7. Factors Affecting Long-Term Financial Development of Countries

Country/ Economy	2012 Rank	2011 Rank	2012 score (1-7)	Change in score
Hong Kong SAR	1	1	5.310	+0.150
United states	2	2	5.270	+0.120
United kingdom	3	3	5.210	+0.210
Singapore	4	4	5.100	+0.140
Australia	5	5	5.010	+0.080
Canada	6	6	5.000	+0.140
Japan	7	8	4.900	+0.190
Switzerland	8	9	4.780	+0.150
Netherlands	9	7	4.730	+0.020
Sweden	10	11	4.710	+0.200

Table 8. Descriptive statistics

Variables	Observation	Mean	Standard Deviation	Min	Max
Log GDP	28	0.581	0.212	0.006	0.878
Log Employment	28	2.007	2.066	0.400	6.550
Log tourism	28	5.152	1.857	0.000	6.065
Log financial development	28	1.684	0.530	1.542	1.770

The technique summarizes key features of a data set, including central tendency, variability, and distribution. Data from 28 observations over 28 years is collected. The mean log Gdp is 0.581, with a minimum of 0.006 and a maximum of 0.878. Descriptive statistics show values for log employment, log tourism, and financial development.

Table 9. Pearson correlation coefficients

Variable	lnGDP	lnEMP	lnTOUR	lnFD
lnGDP	1.000			
lnEMP	0.678*	1.000		
lnTOUR	0.756*	0.834*	1.000	
lnFD	0.215	0.295	0.561*	1.000

significance at the 0.1 level

This table presents the Pearson correlation coefficients among variables with their significance levels. The variables are given as; Gross Domestic Product (GDP), Employment (EMP), tourism (TOUR), financial development (FD), for Pakistan * represents the value statistically significant at 5 % level.

This table is pairwise correlation of different variables such as Log GDP in comparison with itself generate value of 1. Whereas log employment in relation to log GDP generate value of 0.678*. Whereas when it is compared to itself it generate the value of 1. Log tourism is when compared to GDP it generates the value of 0.756*, log tourism with employment have a negative correlation with a value of 0.834 and tourism with its own generate value of 1. Log financial development with GDP have value of 0.215 and employment 0.295, log tourism 0.561* and with its own its 1.

$$GDP_i = \beta_0 + \beta_1 EMP_i + \beta_2 ETOUR_i + \beta_3 FDI + \varepsilon$$

5.11. LINEAR REGRESSION

Table 10. Regression Analysis

logdp	coef	St. Err	t-value	p-value	95% conf	Interval	sig
employment	11.172	3.894	2.87	0.024	1.963	20.381	**
logtourism	2.572	0.689	3.73	0.007	0.944	4.201	***
Logfd	3.393	1.198	4.33	0.043	1.226	2.441	*
Constant	20.223	6.199	3.26	0.014	34.883	5.564	**
Mean dependent var		0.581			SD dependent var	0.244	
R-squared		0.678			Number of obs	28	
F-test		4.912			Prob>F	0.038	
Akaie crit (AIC)		-5.308			Bayesian crit (BIC)	-3.716	

*** $p < 0.01$, ** $p < 0.05$, * $p < 0$.

The above table shows that shows that the coefficient of employment is 11.172 and this variable is positively significant, coefficient of tourism is 2.572 and it is positively impacted on economic growth and the p value shows that this relationship is significant, the coefficient of financial development is 3.393 is also positive and significant. The above model shows significant result as the $P > F$.

6. DISCUSSION AND CONCLUSION

This chapter discusses the research objectives, contributions, implications, and future suggestions of a study. It covers statistical data, empirical development, limitations, and recommendations. The final section summarizes key findings, outlines implementation, and considers future aspects for future study recommendations.

6.1. KEY FINDINGS

This study examines key determinants like tourism, financial development, and unemployment that impact Pakistan's economic growth. It analyzes these factors and concludes with an evaluation of research objectives and key findings. The first objective examines the dynamic relationship between tourism and economic growth in Pakistan, revealing that flourishing tourism, particularly in northern areas, contributes to the country's GDP and employment. The tourism sector generates jobs through hospitality and transportation, contributes to GDP through domestic and international tourist spending, and serves as a source of foreign direct investment (FDI), helping to create a balance of payments within the country.

Unemployment is linked to economic growth globally, including in Pakistan. Increasing unemployment leads to economic burden, inflation, and negative growth. To improve Pakistan's economy, job opportunities and entrepreneurship are needed. Government policies can help address unemployment by creating jobs and training initiatives. Global economic conditions, including international trade, financial markets, and trends, significantly influence Pakistan's unemployment rate through domestic employment levels. Pakistan faces challenges with decreasing foreign reserves and inflation due to devalued currency. Financial development is crucial for economic growth. By reducing dependence on IMF loans, converting 70% agriculture into a service sector, and improving tax collection, Pakistan can create jobs, services, and aid various sectors, ensuring sustained economic growth.

6.2. LIMITATIONS OF THEORIES AND MODELS

The Phillips curve model, used in this study, focuses on wages' impact on prices, overlooking rising costs and cost of living. It may not account for inflation predictions or adaptive behavior and may not consider supply shocks like natural disasters or price hikes (Hoover, 2019). Solow growth model have several limitations while assessing impact on economic growth such as it doesn't include long term growth per capita. It is often referred as one function model which never includes traditional GDP accounts and investments in different forms. (Barossi-Filho, Silva and Diniz, 2005). Furthermore, endogenous growth theory doesn't clearly distinguish between physical and human capital. (Onyimadu, 2015)

6.3. OVERCOMING LIMITATIONS

The Solow growth model represents a country's quarterly growth, requiring analysis during steady state when depreciation equals investment. To ensure authenticity, it must be analyzed against real-world data and incorporate realistic assumptions of key variables like saving rates and technological progress. Credibility and authenticity of data are determined by reputable sources like Pakistan Bureau of Statistics, Forbes, statistic, Household integrated Economic Surveys (HIES), and labor force surveys (Hoover, 2019b). Endogenous growth models, based on foundational growth, should be assessed alongside similar models like Romer and Lucas. To verify the model's authenticity, it is crucial to investigate the importance of innovation and knowledge spillovers through various policies promoting innovation and knowledge diffusion.

6.4. RESEARCH AND OBJECTIVE LIMITATIONS

The research faced several limitations, including time constraints, biased views, and difficulty in filtering accurate data. Financial development, a crucial variable, was affected by various factors like inflation, trade openness, market capitalization, investment, and interest rate. The main objective limitations were lack of accuracy and precision, and the lack of a conceptual framework, which limited the ability to provide a full picture. These limitations hindered the development of a more comprehensive understanding of the subject matter. (Lamaazi and Benamar, 2020)

6.5. VARIABLES' CONTROL IMPACT ON MEAN

Pakistan's financial development is influenced by factors such as inflation, trade openness, interest rates, and investment rates. Trade openness involves maintaining a balance of imports and exports, leading to increased foreign direct investment (FDI) and expansion of the financial sector. High interest rates, resulting from tightening monetary policies, increase the cost of borrowing and lending, impacting the liquidity and profitability of financial institutions. Attractive interest rates attract investments, boosting FDI and economic growth. (Shabbir et al., 2018)

Unemployment is a deep-rooted issue in Pakistan, with an undeveloped education system and limited job opportunities. Karachi, a trade hub, controls 70% of trade, leading to power-driven issues and unemployment. The growing population and limited job availability result in increased crime rates and undercover problems (Akhter, 2019). Pakistani tourism is also affected by poor accessibility, underdevelopment, and socio-economic problems. The country's tourism industry is dependent on the country's beauty, temples, and national parks, but insurgency and lack of facilities have led to its decline (Anwar-Ul-Haque Fakhar, 2008).

6.6. CONCLUSION

This research examines the impact of financial development, unemployment, and tourism on Pakistan's economic growth. It highlights the importance of a well-developed financial sector for investment, savings, and capital allocation. Unemployment is a critical factor, hindering economic growth. Addressing skill development and labor market reforms can sustain growth. Tourism is emerging as a catalyst for structural economic growth, creating jobs and boosting foreign exchange earnings. Pakistan is working towards developing robust economic prospects for the future.

6.7. RECOMMENDATION FOR FURTHER STUDY

The research paper suggests further study on macroeconomic policies to promote financial stability, reduce unemployment, and support tourism growth. It recommends detailed analysis of Pakistan's macroeconomic policies to identify areas for improvement. Regional disparities within Pakistan are also crucial for understanding key variables. Identifying and studying barriers to inclusive financial development is essential for policy development. Future research could focus on sustainable tourism, preserving cultural heritage and natural resources, and strengthening tourism.

6.8. THESIS CONTRIBUTION TO RESEARCH

Pakistan is facing challenges in financial development, economic growth, and tourism industry. To catch up with neighboring countries, Pakistan needs to address issues such as lack of infrastructure, political stability, and terrorism threats. Corruption, circular debt accumulation, increasing unemployment, and currency devaluation are contributing factors. However, there are positive signs that can help overcome these barriers. Pakistan

can capitalize on its rich heritage and preserved northern areas to increase its tourism industry and boost its economy.

China, which was behind Pakistan in the early 1970s and 1980s, has shown how small and medium-scale industries can be a financial powerhouse. By learning from China and Singapore, Pakistan can strengthen its secondary and tertiary sectors, increase job openings, combat unemployment, and reduce collected debt. This will not only lower unemployment but also boost the economy.

Pakistan's economy relies heavily on the primary sector, but shifting the economy to secondary and tertiary sectors can create job openings, lower unemployment, and increase GDP, collected tax, and infrastructure. However, the main hurdles to economic growth, financial development, tourism, and other industries are nepotism, bribery, and corruption. Addressing these issues is crucial for Pakistan to see progress and compete with its neighboring countries.

6.9. REFLECTION STATEMENT

Research has been influenced by various challenging situations, starting with a thought process focused on economic growth. Over time, the researcher observed different situations from various perspectives, developing and exploring the relationships between variables in different contexts. The research project's formulation involved a structural layout, learning, analyzing, interpreting, and understanding key findings. This process required patience and time. The world is constantly evolving, and learning is essential for active participation. As a writing student, the author aspires to research on how developing countries like Pakistan's economic growth is impacted by various variables. As a writing student, having a research paper is one of their wildest dreams.

Author Contributions:

Dr. Humara Ahmad (Research Supervisor): Initiated the research idea, identified the research gap, and provided extensive guidance throughout the thesis. Dr. Ahmad also played a key role in the analysis and interpretation of the findings.

Laiba Zahid: Responsible for drafting the thesis, compiling the research findings, and ensuring all sections of the document were coherently written and well-organized.

Asad Ali: Assisted in data collection, ensuring the acquisition of accurate and relevant data required for the research analysis.

Hamad Raza: Contributed to proofreading the thesis, enhancing its clarity, grammar, and overall presentation quality.

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