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MANAGING EFFECTS OF FOREX RATE, DISCOUNT RATE & GDP ON EXPORT PERFORMANCE OF PAKISTAN

Zulfiqar Ali
Ph.D. Economics Scholar, Greenwich University Karachi, Pakistan
gu9337@greenwich.edu.pk
Prof. Dr. Musarrat Shamshir
Greenwich University, Karachi Pakistan.
Dr.musarrat.adnan@greenwich.edu.pk

ABSTRACT

This study examines the effects of shifts in variables of macroeconomics like GDP, the Discount rate, & the Forex rate on Pakistan's export performance. It has been commonly accepted that the Earth has turned into worldwide community because none of the nation can satisfy their wants for merchandises & services. Because of lack of raw materials, these nations are compelled to export merchandises & services that would enable them to earn a sizable amount of foreign exchange, which they then use to pay for goods and services they import that are extremely expensive to produce domestically. Importing is essential to international trade as They make it possible for countries to purchase raw materials from other nations, turn them into finished goods, and then export those goods for a healthy profit. The government must keep its importing & exporting in an appropriate equilibrium in order to keep its balance of payments positive. Only supplies should be brought into our country owing to the fact importing extravagance merchandises would involve reimbursing huge amounts of Forex for merchandises as well as services from overseas. Descriptive statistics and diagnostic tests, comprising the Unit root test, ARDL tests, Bound test, Multicollinearity, Heteroscedasticity, Correlation, & Autocorrelation, have been executed utilizing the figures of independent variables, such as Gross Domestic Product, discount rate,& Forex rate, besides reliant variables, exporting spread over a period from 1978 to 2023. Cointegration has been implemented by us using the Bounds analysis method, which was created inside the ARDL framework, to examine the likelihood of a long-term balance link among exporting, GDP, discount rate, as well as Forex rate. The results provide convincing evidence that the GDP, discount rate, & Forex rate all considerably effect how our nation's export performance are affected immediately & over time.

Keywords: *Importing Exporting, GDP, Discount Rate, Forex rate,*

1.0 Background

In addition to the foreign exchange rate, it was noted and verified that the discount rate also affects exports. (National Commssion on Tariff, 2015). No country can meet its own domestic demand for goods, services, nutrition, etc., so it must engage in international trade, which includes both importing and exporting those goods and services. Exporting is plentiful way of generating value for merchandises & services in the form of Forex, used for paying bills for merchandises & services purchased from overseas. (Cartney, 2015). Global trade is the interchange of goods among two countries; it is the most common form of international business transactions and was a major factor in the creation of the world's history. (Cartney, 2015)

1.1 Introduction

Exporting is preferred over domestic production and manufacturing for a diversity of causes, comprising labour charges, the scarcity of raw materials, technology, and skills. Our nation's economy faces challenges such as slow economic growth, power outages, poor law and order, terrorist attacks, and a sharp decline in revenue to cover government spending between 2005 and 2015, which led to a decline in exports. An exporter must be knowledgeable about importers, customers, and the country of importers. They must also be familiar with credit banks and the trade cycle. Exporters need to be well-versed in trade jargon and transaction risk. The exporter should continue to have a positive reputation and a good relationship with the local bank. (Cartney, 2015).

Two hundred nations have been classified as emerging states, while thirty are classified as industrialized nations. Industrialized nations have stable political systems, developed economies, and easily convertible currencies. Their people have a higher standard of living per capita and are less vulnerable to political and economic threats. These nations anticipate expanding their markets. They offer funding for investments. Emerging nations face challenges such as currency non-convertibility, political system uncertainty, and a low standard of living per capita due to their more recent economic systems. (Cartney, 2015)

Due to a lack of investment capital, they are more vulnerable to political and economic risks and are reliant on foreign investment. The market determines the exchange rates of developed nations. They use local currencies when creating invoices. In these nations, intercompany shipments are made under open A/C terms. A general sense of low risk prevails, and insurance is created. The banker has easy terms of payment and credit limits (Anwar, 2017).

Emerging nations prepare their invoices in US dollars and have a fixed exchange rate. These nations' exporters sell directly to buyers and collect payments through open letters of credit. The country's creditworthiness is crucial, and there are strict payment terms and country-specific restrictions (Anwar, 2017)

With exports of rice, cotton yarn, cotton, fruits, cloth, carpets, and leather goods, Pakistan's agriculture sector leads the country's economy. Our needs are diverse and limitless, which is why international trade has emerged. No nation can meet all of these demands. It caused nations to become reliant on foreign trade. States' problems should be resolved in order to improve international trade and make effective use of global resources. The world's nations are not self-sufficient enough to manufacture all necessary goods and services locally.Nonetheless, it can be settled by international trade. There are numerous other justifications for engaging in international trade besides this one. Various theories regarding international trade have been established by trade economists (Anwar, 2017)

Statement of Problem:

Although there have been fluctuations in both local borrowing rates and foreign exchange conversion rates, Pakistan's export performance has not been particularly noteworthy. Further analysis of the pertinent literature demonstrates the urgent need for study on the effect of discount rate & Forex rate management of our nation's export performance.

Purpose of Study

To examine the statistics on Pakistan's exporting performance, including the Forex rate, Gross Domestic Product at constant prices, & discount rate). To determine whether changes in the Forex rate, GDP, & percentage of discount have a significant impact on Pakistan's export volume. To offer suggestions for improving Pakistan's export performance.

1.7 Span of Study

Our study looked at the impact of interest rates and foreign exchange conversion values, which is why our nation's exports have not increased. The scope of this research study is limited to data from our nation alone, as there is no comparison of data from other South Asian countries. We will review the literature that is currently available, analyze time series data of our country's interest rate and Forex rate, and also look at Pakistan's export figures. After the results of various tests using analytical tools are finalized, we will look at corrective measures to improve our country's export performance.

1.8. Significance of Study

It is significant for the reasons listed below.
It will improve students' academic knowledge and give them an educational perspective, especially for those studying finance and economics.
It will serve as a link between practical and theoretical aspects.
It might be useful when formulating policies.
It might contribute to improving the current export policy.
It might open up new avenues for investigation.
This study has been conducted on the most significant issues facing our nation, and it will open the way for further research to be conducted in the future.
It may be published in research journals and cited in research papers. Analytical tools will be used to observe and prove new facts.

1.9 Limitations

The following are the constraints that were noted during the thesis's preparation:

- A shortage of time was noted for the thesis's preparation and compilation.
  Made use of the library's and the internet's limited resources for citations and references.
- Additionally, it was challenging to find research papers online.
- Attending classes on the weekends and working a full-time job.
- Power outages during the sweltering summer months.
- Prolonged computer typing.
- The inability to download research paper and article soft files because of author restrictions.
- To download research papers, articles, etc., payments in US dollars are required.

2. Literature Review

2.1 Global Literature Review of Empirical studies

The value of investment goods purchased from abroad and unfinished materials required to support local manufacturing declined as a result of the decades-long maintenance of a static and inflated exchange rate after independence in order to support domestic manufacturing. Our country's central bank intervened to level the exchange rate in 1982, changing it from "Mixed and Overvalued" to "Managed float," which resulted in a decline in the value of local currency relative to foreign and US dollars. In relation to the US dollar, it lost value over the next 20 years, going from 10 to 60 rupees. The Marshall-Lerner condition and the difference between actual and normal depreciation are the two requirements to achieve the desired

positive effect of increasing sales of goods to foreign countries and decreasing purchases of merchandise from foreign countries as a result of this ongoing decline in local currency. (Eikens, 8th edition).

By (i) limiting imports to continuously keep consumers' low-cost goods out of the market and (ii) providing financial assistance to increase sales of goods abroad by balancing the competitive price of an overrated foreign exchange rate, the balance of trade was successfully maintained. In order to prevent a large influx of consumer goods that would be detrimental to local manufacturing and lead to an unstable trade imbalance, the relaxation of import restrictions in the final months of 1980 required an immediate devaluation. If the total foreign flexibility of demand for buying goods from overseas and the local money flexibility of demand for selling goods to overseas are greater than one, then applying Marshall-Lerner depreciation will restore the trade balance. A decline in the value of the local currency will lower the cost of exports in overseas markets, increasing demand for them. At the same time, it will raise the cost of imports, lowering demand for them. They came to the conclusion that in order to increase the volume of international trade, the value of exports should be offset by more exports, and the higher import prices should be offset by fewer imports.(Eikens, 8th edition).

The study's conclusions suggest that rather than focusing on how export markets act, more effort should be put into influencing S.M.E.'s managers' attitudes about the nature of export markets (Arsalan Ahed N. A., 2013). More is absolutely necessary. SME development stakeholders should pay attention to how to create an environment that is favourable to SME trade, especially in light of taxation, simplified financing, and the application process for such grants. Procedure accessibility, straightforward export process, and easy travel and transportation for exported goods (PMonga, 2016).The study found that actual exports, actual foreign revenue, actual effective exchange rates, and normal exchange rate volatility are all co-integrated. Furthermore, the long-term balance is changing at a very rapid rate. As a result, the long-term stability of foreign currency may have an impact on the performance of overseas sales. According to the results, Vietnam's actual foreign income has a negative impact on the amount of goods it exports both in the short and long term. Additionally, a short-term increase in the value of the local currency may make Vietnamese goods sold overseas less competitive in the global market, while a long-term devaluation of the Vietnamese currency will have a positive effect and increase exports. The findings offer some important policy recommendations. The best way to successfully sell goods overseas is for

the Central Bank of Vietnam to maintain a stable exchange rate between the US dollar and the Vietnamese dong. It should also announce middle and cross rates with eight stable foreign currencies. To reduce exchange rate volatility, the government should make sure that policies are put in place to remove barriers to Vietnamese exports. The evaluation of the aforementioned funds in the bin may be based on stabilising the normal effective exchange rate with these eight funds. A few factors that could lessen export effectiveness are product quality, cost, brand value, and skill content. The Vietnamese foreign money derivatives market is not well-established, and there are latent threats in global business. As a result, enterprises need a suitable global trade policy that includes a long-term concept of threat analysis, investigation, and prediction, along with the use of elastic methods for risk-avoiding strategies like futures, options, swaps, and contracts. Additionally, exporters who want to promote their international trade should not rely solely on the depreciation of local currency; instead, they should implement a long-term strategy to build their brand, explaining their comparative advantage and improved market accessibility (Thuy, 2019).

Selling goods overseas can be made more profitable by lowering local currency against foreign currency by announcing a stable exchange rate between the US and VND as well as middle and cross rates with eight stable foreign currencies. To reduce exchange rate volatility, the government should make sure that policies are put in place to remove barriers to Vietnamese exports. The evaluation of the aforementioned funds in the bin may be based on stabilizing the normal effective exchange rate with these eight funds. A few factors that could lessen export effectiveness are product quality, cost, brand value, and skill content. The Vietnamese foreign money derivatives market is not well-established, and there are latent threats in global business. As a result, enterprises need a suitable global trade policy that includes a long-term concept of threat analysis, investigation, and prediction, along with the use of elastic methods for risk-avoiding strategies like futures, options, swaps, and contracts. Additionally, exporters who want to promote their international trade should not rely solely on the depreciation of local currency; instead, they should implement a long-term strategy to build their brand, explaining their comparative advantage and improved market accessibility.(Gustavo Adler, 2015).

Analysis of the relationship between foreign direct investment and global trade using two GARCH measures of foreign exchange rate instability shows that both cases have a significant and negative impact. It suggests that foreign trade and foreign direct investment may suffer from high

exchange volatility. Additional empirical research also showed that, since both global trade and foreign direct investment are indicators of international trade, financial freedom has a significant impact on both (Lenfen, 2018).

Pakistan ought to adopt an export-oriented growth policy and focus on implementing strategies for the conversion of foreign currency, with the explicit aim of achieving a zero balance in the merchandise and services account. The current excessive valuation in the foreign exchange rate requires correction, alongside the implementation of supportive policies for exports and the elimination of biases against exports resulting from the appreciation effects of remittances. From an export perspective, a rectification of the Real Exchange Rate by approximately 33% is necessary. Therefore, to achieve a competitive exchange rate in the medium term, our country may aim for a gradual reduction of the Real Exchange Rate by 6% annually over the next five years. They have also put forth recommendations to enhance Pakistan's export sector. Evidence exists that promoting financial strategies has expedited export-oriented growth in the region. To ensure meticulous implementation of an export-oriented expansion strategy, we must focus on the following aspect to pursue a foreign exchange rate strategy aimed at achieving a zero balance in the account of merchandise and services. We must rectify the current overvaluation of foreign exchange and address the adverse export bias resulting from the increasing influx of foreign currency. The suitability of trade policy for expansion and development was examined in the pertinent prose. During the 1950s and 1960s, most developing nations adopted policies aimed at substituting imports with domestically produced goods.This policy pertains to their financial advancement. Beginning in the mid-1970s, many developing nations implemented substantial changes to their export promotion policies. (Thuy, 2019)

Concern over our nation's poor export performance in recent years has led to some recommendations for actions to boost exports. As the primary ongoing barrier to our nation's development, this paper highlights our country's policy barriers to exporting and importing with India as well as transference barriers to importing and exporting through China. The study's evidence suggests that, in addition to significant policy barriers to trade between Pakistan and India, surface transference barriers to import and export with China are substantial and correlate with high tariffs. Despite efforts to ease import and export restrictions between India and Pakistan, no appreciable increase has been seen thus far. In order to significantly

reduce trade restrictions, Pakistan-India relations must be expanded. (Maraco, 2017).

2.2 Pakistan Literature Review of Empirical Studies

It has been noted that our nation's economy is diversified, with the manufacturing sector contributing 20.9%, the services sector contributing 57.7%, and the agriculture sector accounting for 21% of the GDP. Because we rely more on buying goods and services from overseas, our trade account has been in debit for a long time and remains in that position today. Our US dollar balances have also been impacted by this circumstance. (Rashid Amjad, 2012)

They used a panel of contributory variables in a large state-and-period model to study how foreign direct investment (FDI) affected the foreign exchange rate. There was compelling evidence that interference significantly affects the currency conversion rate's position. Finally, it was suggested that FDI is a useful strategy tool when dealing with rise and devaluation gravities. It was shown that both positive and negative interferences were equally effective. In general, these results demonstrated that foreign direct investment (FDI) is a successful strategy tool for national income supervision. Its benefits should be evaluated primarily on the basis of its relative costs and profits in comparison to other appliances, rather than its effectiveness. (Rashid Amjad, 2012).

From the perspective of businesses, official rigidity, market restrictions, physical arrangement flaws, and the lack of a general commerce environment are the main obstacles to export competitiveness. Such limitations must be removed in order to establish a trade-friendly environment for manufacturers' exporters. Additionally, energy load shedding shortages are a major obstacle to manufactured exports and should be addressed. (Rashid Amjad, 2012)

They examined our nation's performance over the past three decades and came to the conclusion that, when compared to other states in the region, it has remained incredibly pathetic. They attribute this to a higher degree of product focus and a lower level of superiority in goods. They have suggested a plan for the environment to increase the effectiveness of exports and ideas for the creation of a policy framework, primarily a useful exchange rate policy, to raise the sector's yield. (Rashid Amjad, 2012).

The findings showed that while all variables are significant at 5% B, long-term lending, remittances, and capital flows are weakly exogenous (implying that the opposite effect of the real exchange rate on these variables may be ruled out). The negative indicators for all forms of capital movement are consistent with the theory of Dutch disease. Overall, it was determined

that the theory's hypothesis is correct and that remittances and capital flow have contributed to a drop in global competitiveness. The currency rate has continued to be overvalued, primarily from 1972 to 2009. (Rahim, 2010)
According to the export promotion plan, increased exports result in better resource allocation, economies of scale, and manufacturing effectiveness through advancements in technology, capital creation, service opportunities, and ultimately economic development. Economic development continued to be the main topic of discussion. But the results were not entirely consistent. Additionally, the findings of recent investigations pertaining to our nation are equally varied. This study re-examined the relationship between exports and economic development. M/s Toda and Yamamoto (1995)] used a VAR model using the multivariate Granger connection approach to examine the relationship between our nation's exports and actual output from the 1960s to 2003.(Shah N. , 2004)
Low GDP, ongoing power crises, high trade costs, a lack of product and market diversity, subpar technology and a lack of research and development, noncompliance with quality standards, safety and security, the war on terror, unskilled labour, and low foreign direct investment are the reasons behind the deteriorating exports. (Sajad, Boosting Pakistan Export:What needs to be done , 2017)
The study's conclusions show that, after adjusting for the effects of GDP and the Consumer Price Index, there is a negative correlation between interest rates and currency conversion rates over the long term and none at all in the near term. Due to high inflation, the value of our country's domestic currency will devalue against the US dollar if interest rates rise. At the same time, the value of the Pakistani rupee will appreciate, which will lower the conversion rate of our currency against the US dollar.
(Ali, How does interest rate affects exchange rate of Pakistan Evidence of ARDL bound Testing Approach, 2016)This study, which using the two-step Least Square Method, found that export demand decreases as the real effective foreign exchange rate rises. The nominal exchange rate and Pakistan's export price variable were found to have an insignificant association. The study also clarified the positive and significant relationship between Pakistan's export consumption and its worldwide income. In addition to the positive correlation between export supply and local demand as indicated by GDP, there was no significant link between foreign direct investment and export supply, however there was a negative coefficient. There is a strong positive association between our nation's exports and the variable gross capital formation and net countrywide investment.

(Gul, 2014). Our investigation's conclusion is succinct since the independent factors have a strong relationship with the dependent variables. In general, hypothetical results have an effect. The currency exchange rate and the state's economic component are strongly correlated. It illustrates how a change in the exchange rate will also have a negative correlation when it is brought about for financial motives. Interest rates, GDP, the current account, and the rate of steady price increases are all significantly correlated with the exchange rate and are generally significant. With a relationship coefficient of R=92.6% and a coefficient of determination of R2=85.7%, the aforementioned factors have an impact on the exchange rate. P-value is.011. As a result, prototypical is often significant. The result is that there is a strong correlation between our two categories of data. (Razi, 2012)

Regression analysis of monthly foreign exchange rate, export, import, and trade balance records has demonstrated that there is no significant effect of foreign exchange rate fluctuations on import, export, and trade balances from October 2002 to July 2015. However, there are other factors that primarily affect export performance. The findings of the regression analysis are consistent with previous research on the effects of fluctuations in foreign exchange rates. (National Commssion on Tariff, 2015).

Using data from 1975 to 2011, the study examined the effects of capital stock, exchange rates, FDI, and inflation on financial development. The relationship between the independent variables of capital stock, FDI, and exchange rate and the dependent variable of economic growth was examined using multiple regression. Results showed that prices have gone up. Exchange rates and foreign direct investment have a significant impact on economic growth, whereas capital stock has less of an impact. Since FDI is regarded as a major contributor to the nation's economic development, it has a positive correlation with GDP. It is necessary to create a peaceful environment in the nation in order to attract investment. Price increases that are reasonable are essential for progress, but going beyond a certain threshold can hinder it.

The nominal exchange rate has a negative correlation with Pakistan's economic development. The model's strength is suggested by its lack of Heteroscedasticity, autocorrelation, and functional deficiencies. Furthermore, the crucial boundaries are occupied by CUSUM and CUSUMQ. It suggests the underlying stability of our model. There are serious risks and crises threatening our nation. Since the trade balance is the most important factor, we ought to export completed items. It is important to observe models of imbalanced development, promote manufacturing-

oriented agricultural output, and resolve challenges in the textile sector that generate substantial foreign exchange and demand special state-level attention for the quality of exported goods. (Arsalan Ahed N. A., 2013).
Over the past ten years, Pakistan's trade with its neighboring countries has rapidly expanded; these nations are the largest market for our goods. These international sales are noteworthy not just because of the overall cost but also because they contain new exportable goods including jewelry to the United Arab Emirates, chromium ores to China, cement and metal manufacture to Afghanistan, and crops and vegetables. We can assume that Pakistan's export prospects will continue to expand given the development projections of most of the neighboring states. It is now Pakistan's responsibility to put in place favourable and alluring laws and regulations to encourage Chinese investment in sectors that manufacture export goods. The United Arab Emirates ought to devise plans to capitalize on this opportunity. This will require a shift in the perspectives of strategy makers, who must adopt a "economy first" approach. Such a shift, when coupled with a plan, might lead to long-term growth over the following ten or more years. Exports could be significantly increased by strategies that focus each state on a small number of areas that are most likely to provide immediate benefits. This could hasten ongoing development for the upcoming age or more. Obtaining market access for our exports and attracting Chinese investment for enterprises producing exportable goods are two strategies related to China. The UAE has to be established as a global hub to boost international trade and investment. Afghanistan's trade with its neighbors will need to change, and the necessary infrastructure for overland trade and oil purchases must be built, and foreign gas. If properly implemented, these techniques will result in a significant increase in the export growth rate propensity, which might raise the GDP growth rate by two to three percent. As a result, it would make export and import payment restrictions easier to understand and help end the "stop-go" progress cycle that has hampered our nation since the 1990s (Hayat, 2012).
Main exporting of Pakistan comprised of apparel and yarn fabrics, are important for the country's economic growth and agriculture. Pakistan's total GDP and GDP in terms of imports are indirectly correlated. Petroleum and petroleum products, edible oil, chemicals, fertilizer, capital goods, industrial raw materials, and consumer goods are among the items that Pakistan imports. More than half of our nation's manpower comes from the agricultural sector, which is also the main source of labour. The aforementioned sector is in charge of marketing semi-processed and processed items, such as cotton yarn, fabric, rugs, and leather products, as

well as cereals, yarn, and fruitlets. Eight percent of total export revenue comes from the sale of rice and cotton overseas (Hussain A. R., 2016).
Given the results, we consider that relying on a reduction in RER to boost the export-import balance could exacerbate the situation and become serious because of our nation's high export volume and reliance on imports. Reducing our reliance on foreign-sourced commodities could be achieved by devising a plan to replace the items we currently buy. In order to restore reputation in international markets, efforts should be made to maintain the superiority of the products offered to other nations. In this study, the simple bivariate model was used. In light of observations, the results do not defy logic. However, as more data becomes available and globalization affects our nation's financial system, more relevant trade Variables might effectively convey the main nuances. Another problem is managerial instability, which is a major obstacle to understanding market behavior.

Figure 1: Conceptual Framework

3. Research Methodology

3.1 Research Design.

It refers to the entire approach taken to do research [1], which outlines a clear and rational method to address a specific research topic or questions through data gathering, interpretation, analysis, and discussion. (Claybaugh, 2020). For this study, the quantitative research method has been used. This method is centered on hypothesis testing and is examined using statistical and mathematical analysis. It is primarily represented by numbers, tables, and graphs.

3.2 Population & Sampling Techniques

Data of exports, foreign exchange rate, GDP & discount rate spread over span commencing from 1978 to 2023 on yearly basis is used in this study. We have used Simple random type of sampling techniques. Time Series

secondary Data pertaining to dependent & independent variables from websites of SBP, World Bank & Bureau of Statistics. Our Sample comprises data of import, export, foreign exchange rate, GDP & interest rate w.e.f 1978 to 2023.

Instruments selection

Variables:

Type of variable	Definition	Formula	Source of the data	Justification
Dependent	Exports: -Exports are defined as Goods & services sold by one country from another country	US $	Websites of SBP, World Bank & Bureau of statistics	Significant role in foreign trade and relevant to study.
Independent variables	Foreign exchange rate "It is defined as the conversion rate of foreign into domestic currency	US$ to Pak rupees	Websites of SBP, World Bank & Bureau of statistics	Significant role in foreign trade and it has link with imports.
Independent variables	Discount rate It is monetary policy rate fixed by SBP on periodical basis.	% percent	Websites of SBP, World Bank & Bureau of statistics	Significant role in foreign trade and it has link imports.
Independent variables	Gross Domestic Product Total goods and services produced by a country in fiscal year.	US $	Websites of SBP, World Bank & Bureau of statistics	Significant role in foreign trade and it has link with imports.

3.3 Research Questions

Do changes Foreign Exchange Rate has any significant impact on volume of exports performance of Pakistan.

Do changes in GDP has any significant impact on volume of exports performance of Pakistan

Do changes in Interest rate has any significant impact on volume of exports performance of Pakistan

3.4 Research Hypotheses

Null Hypothesis No1:

Ho = if there is change in foreign exchange rate then there is no change in export performance of Pakistan.

Alternate Hypothesis No 1

HA = if there is changes in exchange rate then there is change in exports performance of Pakistan.

Null Hypothesis No.2

Ho = if there is change in GDP then there is no change in export performance of Pakistan.

Alternate Hypothesis No.2

HA = if there is change in GDP then there is change in export performance of Pakistan.

Null Hypothesis No.3

Ho = if there is change in Interest Rate then there is no change in export performance of Pakistan.

Alternate Hypothesis No.3

HA = if there is change in Interest Rate then there is change in export performance of Pakistan.

3.7. Model Specification

Equation

$$Exp_t = \beta_o + \beta_1 \Delta IR_t + \beta_2 GDP_t + \beta_3 EXR_t + e_t \quad \ldots\ldots (1)$$

Where

β_o = coefficient of variable

EXP_t = changes in export performance

IR_t = change in Interest Rate

GDP_t = change in GDP

EXR_t = change in Exchange Rates

et = error term.

$$EXP_t = \beta o + \sum_{i=1}^{p} \beta 1 \Delta IR_{t-i} + \sum_{i=1}^{p} \beta 2 GDP_{t-I} + \sum \beta 3 EXR_{t-1} + \gamma 1 EXP_{t-1} + \gamma 2 IR_{t-1} + \gamma 3 GDP_{t-1} + \gamma 4 EXR_{t-1} + U_t \quad \ldots\ldots\ldots\ldots\ldots\ldots (2)$$

βo = constant term

βi = coefficients

γ_i = coefficient for long run relationship

Software
E views software is used

Descriptive statistics
Table 3.1: Descriptive Statistics.

	PEXP	PEXR	PGDP	PIR
Mean	0.172672	0.060862	0.052366	0.103298
Median	0.021834	0.045138	0.048982	0.100000
Maximum	5.646460	0.196714	0.151239	0.170000
Minimum	-0.150496	-0.035580	0.003607	0.057500
Std. Dev.	0.833719	0.062203	0.024451	0.023305
Skewness	6.348146	0.408381	1.297469	0.726790
Kurtosis	42.21241	1.935000	7.101191	3.529293
Jarque-Bera	3256.051	3.452541	45.14415	4.586676
Probability	0.000000	0.177947	0.000000	0.100929
Sum	7.942898	2.799665	2.408819	4.751700
Sum Sq. Dev.	31.27895	0.174117	0.026904	0.024441

Table 3.2Correlation Analysis

Covariance Analysis: Ordinary				
Date: 12/31/24 Time: 19:46				
Sample: 1978 2023				
Included observations: 46				
Correlation				
Probability	PEXP	PEXR	PGDP	PIR
PEXP	1.000000			

PEXR	0.070839	1.000000		
	0.6399	-----		
PGDP	-0.079316	-0.199997	1.000000	
	0.6003	0.1827	-----	
PIR	0.091554	0.394405	-0.353913	1.000000
	0.5451	0.0067	0.0158	-----

Results of Correlation Analysis at Table 5.2 show that the PIR (% of Interest Rate), PEXR (% of Exchange Rate) and PGDP (% of GDP) have positive (highlighted) as well as significant correlation among them.

Stationarity Testing

Table 3. 3 Unit Root Test

Null Hypothesis: PEXP has a unit root				
Exogenous: Constant				
Lag Length: 0 (Automatic - based on SIC, max lag=9)				
			t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic			-6.529261	0.0000
Test critical values:	1% level		-3.584743	
	5% level		-2.928142	
	10% level		-2.602225	
*MacKinnon (1996) one-sided p-values.				

Outcomes of above Table 3.3 reflects that the null hypothesis of unit root is rejected series is stationary because PEXP probability value is less than < 5 %.

Table 3.4 Unit Root Test

Null Hypothesis: PEXR has a unit root				
Exogenous: Constant				
Lag Length: 0 (Automatic - based on SIC, max lag=9)				
			t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic			-5.030755	0.0001
Test critical values:	1% level		-3.584743	
	5% level		-2.928142	
	10% level		-2.602225	
*MacKinnon (1996) one-sided p-values.				

Out comes at Table 3.4 reflects that the null hypothesis of unit root is rejected as series is stationarity owing to the reason probability value pertaining to PEXR is less than < 5 %.

Table 3.5 Unit Root Test

Null Hypothesis: PGDP has a unit root				
Exogenous: Constant				
Lag Length: 0 (Automatic - based on SIC, max lag=9)				
			t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic			-5.473518	0.0000
Test critical values:	1% level		-3.584743	
	5% level		-2.928142	
	10% level		-2.602225	
*MacKinnon (1996) one-sided p-values.				

Outcome at Table 3.5 reflects that the Null hypothesis of unit root is rejected owing to p value of the variable PGDP is less than < 5 %.

Table 3.6 Unit Root Test

Null Hypothesis: PIR has a unit root				
Exogenous: Constant				
Lag Length: 0 (Automatic - based on SIC, max lag=9)				
			t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic			-2.410760	0.1446
Test critical values:	1% level		-3.584743	
	5% level		-2.928142	
	10% level		-2.602225	
*MacKinnon (1996) one-sided p-values.				

The results of the Unit Root Tests at Table 3.6 show that the null hypothesis of Unit Root is not rejected due to the fact that p value of variable PIR is > 5%, so series is non-stationary at level. It has been checked at 1st difference.

Table 3.7 Unit Root Test

Null Hypothesis: D(PIR) has a unit root				
Exogenous: Constant				
Lag Length: 0 (Automatic - based on SIC, max lag=9)				
			t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic			-6.707028	0.0000
Test critical values:	1% level		-3.588509	
	5% level		-2.929734	
	10% level		-2.603064	
*MacKinnon (1996) one-sided p-values.				

Unit Root Test at Table 3.7 reflects that the series is stationary at first difference because probability value of difference (PIR) is < 5%, hence Null Hypothesis is rejected\

Diagnostic Tests

Heteroscedasticity

Table 3. 8 Heteroscedasticity

Heteroscedasticity Test: Breusch-Pagan-Godfrey			
F-statistic	0.220616	Prob. F(3,42)	0.8815
Obs*R-squared	0.713635	Prob. Chi-Square(3)	0.8700
Scaled explained SS	11.92570	Prob. Chi-Square(3)	0.0076

From the results of Heteroscedasticity test at Table 3.8 it has been observed that there exists no problem of Heteroscedasticity , due to the fact that Prob value is >5%.

Table 3. 9 Auto-correlation:

Breusch-Godfrey Serial Correlation LM Test:			
F-statistic	0.024490	Prob. F(2,40)	0.9758
Obs*R-squared	0.056257	Prob. Chi-Square(2)	0.9723

From the results of Autocorrelation Test at Table 3.9 it has been observed that problem of Autocorrelation did not exist, because p-value is >5%.

Multicollinaerity: (VIF)

Table 3.10 Vector Inflation Factor

Variance Inflation Factors			
Date: 12/31/24 Time: 20:01			
Sample: 1978 2023			
Included observations: 46			
	Coefficient	Un-centered	Centered
Variable	Variance	VIF	VIF
PEXR	5.028801	2.354734	1.190090

PGDP	31.41769	6.535275	1.148866
PIR	39.31625	27.53539	1.306080
C	0.599636	37.49039	NA

From the results of Vector Inflation Factor at Table 3.10 it has been observed that there is no problem of Multicollinaerity, because Centered VIF (Variance Inflation Factor) values are less than 10 (O'Brien, 2007) & (Gujrati)

ARDL (Auto Regressive Distribution Lag)

It has been observed that in case the statistics is non-stationary and becomes static with diverse level of variance for dissimilar factors .ARDL assists to produce superlative Model. We have used ARDL Model with OLS regression Model. Pesaran (2001) offered ARDL method with a definite end goal to combine 1(0) and 1(I) factors in identical approximation so if your features are static 1(0) at that stage OLS is suitable and if all are non-stationary, Autoregressive dispersed slack (interval) model where the indigent variable is its very own component past interval reverence and in addition present and past approximation of further descriptive variables

Table 3.11Dependent Variable: PEXP

Method: ARDL				
Date: 12/31/24 Time: 18:08				
Sample (adjusted): 1978 2023				
Included observations: 46 after adjustments				
Maximum dependent lags: 4 (Automatic selection)				
Model selection method: Akaike info criterion (AIC)				
Dynamic regressors (4 lags, automatic): PEXR PGDP DPIR				
Fixed regressors: C				
Number of models evaluated: 500				
Selected Model: ARDL(1, 4, 3, 4)				
Variable	Coefficient	Std. Error	t-Statistic	Prob.*
PEXP(-1)	0.071239	0.193015	0.369086	0.7152
PEXR	1.713594	2.364338	0.724767	0.4753
PEXR(-1)	1.297794	2.414951	0.537400	0.5957
PEXR(-2)	0.838956	2.544286	0.329741	0.7443
PEXR(-3)	5.708539	2.652700	2.151973	0.0412
PEXR(-4)	-4.761011	2.668953	-1.783850	0.0866
PGDP	-10.29860	6.576734	-1.565914	0.1299
PGDP(-1)	6.386322	6.259765	1.020218	0.3174
PGDP(-2)	5.125687	5.333957	0.960954	0.3458
PGDP(-3)	-13.96557	5.864232	-2.381484	0.0252
DPIR	-10.69637	8.777814	-1.218569	0.2344
DPIR(-1)	23.06078	8.715961	2.645810	0.0139

DPIR(-2)	-18.26339	9.129491	-2.000483	0.0564
DPIR(-3)	-35.15476	10.11163	-3.476665	0.0019
DPIR(-4)	17.64073	11.12920	1.585086	0.1255
C	0.518150	0.709032	0.730785	0.4717
R-squared	0.582134	Mean dependent var		0.198483
Adjusted R-squared	0.331414	S.D. dependent var		0.879816
S.E. of regression	0.719400	Akaike info criterion		2.464993
Sum squared resid	12.93841	Schwarz criterion		3.133704
Log likelihood	-34.53236	Hannan-Quinn criter.		2.708501
F-statistic	2.321853	Durbin-Watson stat		2.121527
Prob(F-statistic)	0.030240			

From results of Auto Regressive Distribution Lag at Table 3.12 it has been observed that ARDL model that specifies the relationship between PEXP (dependent variable) and PGDP, PEXR & PIR independent regressor variables, the existence of long run cointegration link for the variables is scrutinized by calculating the F test statistic in ARDL. R square value is 0.582134 or 58 % which reflects its power of explanation.

Four intervals of dependent variable Export and four lags of independent variables were generated automatically and interpretation of these lags is as under

Variable	Coefficient	Prob.*	Results
PEXP(-1)	0.071239	0.7152	Insignificant > 0.05
PEXR	1.713594	0.4753	Insignificant > 0.05
PEXR(-1)	1.297794	0.5957	Insignificant > 0.05
PEXR(-2)	0.838956	0.7443	Insignificant > 0.05
PEXR(-3)	5.708539	0.0412	Significant as p value is < 0.05
PEXR(-4)	-4.761011	0.0866	Insignificant > 0.05
PGDP	-10.29860	0.1299	Insignificant > 0.05
PGDP(-1)	6.386322	0.3174	Insignificant > 0.05
PGDP(-2)	5.125687	0.3458	Insignificant > 0.05
PGDP(-3)	-13.96557	0.0252	Significant as p value is < 0.05
DPIR	-10.69637	0.2344	Insignificant > 0.05
DPIR(-1)	23.06078	0.0139	Significant as p value is < 0.05
DPIR(-2)	-18.26339	0.0564	Insignificant > 0.05
DPIR(-3)	-35.15476	0.0019	Significant as p value is < 0.05
DPIR(-4)	17.64073	0.1255	Insignificant > 0.05

Highlighted value of p values in above table are significant while non-highlighted p values in above table are insignificant.

Results of coefficients reflects that in case there is 1 % change in Exchange rate there is 1.29 % +ve change in export, hence a direct relationship at lag 1 ;while at lag 2 there +0.83 % , and + 5.7 % at lag 3 while at lag 4 it – ve 4.76 %.

Further results of coefficient reflects that in case there is 1 % change in GDP there is +ve change of 6.38 % at lag 1 , +ve 5.12 % change at lag 2 and – ve change of 13.96 % at lag 3.

Results of coefficients also reflects that in case there is 1 % change in difference of Interest Rate there is +ve change of 23.06 % at lag 1, –ve change of 18.26 % at lag 2, –ve change of 35.15 at lag 3 and +ve change of 17.64 % at lag 4.

Cointegration & long run

Null Hypothesis Ho γ1 + γ2+γ3+γ4 +o

Alternate Hypothesis HA = At least one is not zero

Table 3.12 Cointegration & Long Run

ARDL Cointegrating And Long Run Form				
Dependent Variable: PEXP				
Selected Model: ARDL(1, 4, 3, 4)				
Date: 12/31/24 Time: 18:09				
Sample: 1978 2023				
Included observations: 46				
Cointegrating Form				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(PEXR)	1.713594	2.364338	0.724767	0.4753
D(PEXR(-1))	-0.838956	2.544286	-0.329741	0.7443
D(PEXR(-2))	-5.708539	2.652700	-2.151973	0.0412
D(PEXR(-3))	4.761011	2.668953	1.783850	0.0866
D(PGDP)	-10.298599	6.576734	-1.565914	0.1299
D(PGDP(-1))	-5.125687	5.333957	-0.960954	0.3458
D(PGDP(-2))	13.965575	5.864232	2.381484	0.0252
D(DPIR)	-10.696369	8.777814	-1.218569	0.2344
D(DPIR(-1))	18.263394	9.129491	2.000483	0.0564
D(DPIR(-2))	35.154756	10.111632	3.476665	0.0019
D(DPIR(-3))	-17.640732	11.129196	-1.585086	0.1255
Coint Eq(-1)	-0.928761	0.193015	-4.811850	0.0001
Cointeq = PEXP - (5.1659*PEXR -13.7303*PGDP -25.2089*DPIR + 0.5579)				
Long Run Coefficients				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
PEXR	5.165885	4.274592	1.208510	0.2382
PGDP	-13.730301	11.001526	-1.248036	0.2236
DPIR	-25.208870	23.225233	-1.085409	0.2881

C	0.557894	0.732096	0.762051	0.4532

We have noticed in the minor table that Prob. lists the p -values related with individually separate sequences. As the p –value for PEXR is 0.2382, P value for PGDP is 0.2236 and p value for DIR is 0.2881, we will discard the null hypothesis at all important levels. In specific, as the assessment was carried out under first variances, we determine no unit roots in first variances exits because each of the sequence must be either I (0) (0) or I (1) (1).

Bound Test

Table 3.13 Bound Test

ARDL Bounds Test				
Date: 12/31/23 Time: 18:10				
Sample: 1978 2023				
Included observations: 46				
Null Hypothesis: No long-run relationships exist				
Test Statistic	Value	k		
F-statistic	6.560925	3		
Critical Value Bounds				
Significance	I0 Bound	I1 Bound		
10%	2.72	3.77		
5%	3.23	4.35		
2.5%	3.69	4.89		
1%	4.29	5.61		
Test Equation:				
Dependent Variable: D(PEXP)				
Method: Least Squares				
Date: 12/31/23 Time: 18:10				
Sample: 1978 2023				
Included observations: 46				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(PEXR)	1.713594	2.364338	0.724767	0.4753

D(PEXR(-1))	-1.786483	3.422064	-0.522048	0.6062
D(PEXR(-2))	-0.947528	2.997028	-0.316156	0.7545
D(PEXR(-3))	4.761011	2.668953	1.783850	0.0866
D(PGDP)	-10.29860	6.576734	-1.565914	0.1299
D(PGDP(-1))	8.839888	7.764131	1.138555	0.2657
D(PGDP(-2))	13.96557	5.864232	2.381484	0.0252
D(DPIR)	-10.69637	8.777814	-1.218569	0.2344
D(DPIR(-1))	35.77742	16.48352	2.170497	0.0397
D(DPIR(-2))	17.51402	16.86561	1.038446	0.3090
D(DPIR(-3))	-17.64073	11.12920	-1.585086	0.1255
C	0.518150	0.709032	0.730785	0.4717
PEXR(-1)	4.797871	3.982945	1.204604	0.2396
PGDP(-1)	-12.75216	10.99586	-1.159724	0.2571
DPIR(-1)	-23.41301	23.60601	-0.991824	0.3308
PEXP(-1)	-0.928761	0.193015	-4.811850	0.0001
R-squared	0.791241	Mean dependent var		0.000105
Adjusted R-squared	0.665986	S.D. dependent var		1.244767
S.E. of regression	0.719400	Akaike info criterion		2.464993
Sum squared resid	12.93841	Schwarz criterion		3.133704
Log likelihood	-34.53236	Hannan-Quinn criter.		2.708501
F-statistic	6.317027	Durbin-Watson stat		2.121527
Prob(F-statistic)	0.000030			

There are two extra tables of long run coefficient estimations shown as the F Bounds Test and t -Bounds Test respectively. These slabs respectively show the t- and f statistics together with their related I(0) (lower) and I(1) (upper) critical value bounds for the Null hypotheses of no levels link among the dependent variable and the regressors in the CEC model. Results at above Table shows that F Statistics is 6.317027 which means that there is cointegration. This implies that the null hypothesis that no long-run

relationships exist among the variables in equation is rejected. " (Belloumi, p. 2014).Since the F statistic surpasses the superior bound of the critical value band the insignificant supposition of no long run link among the variables is rejected. The outcome of test recommends that there is long-run link among PEXP (% of Export), PEXR (% of Exchange Rate. PGDP, (% of GDP & PIR (% of Interest Rate).

Ramsey's Reset Test

Table 3.14 Ramsey RESET Test

Equation: UNTITLED			
Specification: PEXP PEXP(-1) PEXR PEXR(-1) PEXR(-2) PEXR(-3) PEXR(			
-4) PGDP PGDP(-1) PGDP(-2) PGDP(-3) DPIR DPIR(-1) DPIR(-2)			
DPIR(-3) DPIR(-4) C			
Omitted Variables: Powers of fitted values from 2 to 5			
	Value	df	Probability
F-statistic	165.1189	(4, 21)	0.0000
F-test summary:			
	Sum of Sq.	df	Mean Squares
Test SSR	12.53971	4	3.134927
Restricted SSR	12.93841	25	0.517536
Unrestricted SSR	0.398703	21	0.018986

In above test at Table 3.14 we have observed that Prob value of F statistic is 0.000 hence Null Hypothesis is rejected

Conclusion

It is concluded through results of econometric tests, and review of literature that significant impact of changes in GDP, Interest rate (Discount rate), foreign exchange rate on the performance of export of Pakistan is present.

Achievements of Research Objectives

In this study we have achieved our objectives regarding analysis of data pertaining to export performance of Pakistan, Exchange Rate, GDP at constant price and interest rate (Discount rate) and observed that variations in Forex Rate, GDP and Interest (Discount rate) have substantial effects on the volume of exports of Pakistan; and submission of recommendations to boost performance of exports made by Pakistan.

SUMMARY OF STUDY GAP

Sr. #	AUTHOR/ JOURNAL	YEAR	TITLE	VARIABLES	COUNTRY	AREA	STUDY GAP
01	Arsalan Ahed, Najjd Ahed & Sharafat Ali.	2013	Exchange Rate & Economic Growth in Pakistan	Economic growth (dependent variable) Inflation, FDI, nominal exchange rate and Gross fixed capital formation (GFCF) are use as independent	Pakistan	Exchange Rate	Time period gap Data of 1975 to 2011 analyzed
02	Vinh Nguyen Thi Thuy * and Duong Trinh Thi Thuy	2019.	The impact of foreign exchange volatility in export in Vietnam. A bound testing Approach	Exchange rate volatility variable to the traditional Export demand function comprising consumers' income (or GDP) and Relative price	Vietnam	Exchange Rate	Country of research is Vietnam Time period gap Data of 2000 to 2014 analyzed
03	Rashid Lateef & Lenfen	2018	The effects of Foreign Exchange Rate vitality on International Trade & F.D.I in developing countries	Trade FDI Exchange volatility Inflation GDP Eco Freedom Index Interest rate &	China	Foreign Exchange Rate	Country of research is China Time period gap Data

			.One belt One road	industrial Growth			of 1995 to 2016
04	Ehsan Chowdhury, Antonio Maraco, Ijaz Nabi,	2017	Pakistan's International Trade Potential for expansion towards East & West	trade cost variables	Pakistan	Import & Export	Time period gap Data of 2004 to 2013
05	Dr. Naved Hamid; Mahreen Mahmud; Hamna Ahmed; Talal-ur-Rahim	2010	A strategy for reversing Pakistan dismal export performance.	Balance of payments Export & Exchange rate	Pakistan'	Export performance of Pakistan	Time period gap Data of 1990 to 2008 analyzed
06	NASIM SHAH SHIRAZI and TURKHAN ALI ABDUL MANAP*	2004	Export and Economic Growth Nexus. The case of Pakistan.	Exports, Imports and the GDP	Pakistan	Exports, Imports and the GDP	Data for the year 1960 to 2003 analyzed
07	Gul	2014.	Determinants of Pakistan Export Performance	Exchange rate, Nominal exchange rate,, gross capital formation, local production, FDI and Pakistan export price	Pakistan	Export of Pakistan	1990 to 2010
08	Rashid Amjad*, Ejaz Ghani**,	2012.	Barrier level to export of Pakistan	Trade ,Export	Pakistan	Export of Pakistan	2000 to 2009

	Musleh ud Din*** and Tariq Mahmood		At firm level.				
09	Hayat,	2012	The opportunities of trade with China & other neighbors	Export	Pakistan	Export GDP	1990 to 2010
10	National Commission on Tariff,	2015.	Study on impact of exchange rate on Pakistan's export.	Export, Exchange Rate	Pakistan	Export of Pakistan	2010 to 2015
11	Waqas Sajad	2017	Boosting Pakistan's Export What needs to be done	Export, Foreign Exchange rate	Pakistan	Export of Pakistan	July 2016 to March 2017.

We have made this study on the basis of above stated gap of time period and variables

Discussion on Literature and Theories of Trade

Numerous commercial philosophies practice essential financial issues to elucidate why states carry out commerce and how their forms developed and grown. David Ricardo's in his theory stated that technical variances among nations decide proportional benefit.

Heckscher-Ohlin in his theory stated that manpower, investment capital, water, oil, gas and minerals formulate forms of trade, or a capital rich nation will trade the capital-intensive merchandises, and the manpower rich state will trade manpower -intensive merchandises.

New trade theory forecasts that nations with bigger markets – as an outcome of development in grants and earnings – will formulate a trade superiority in those merchandises spent in comparatively better measures in the home-based market place. It identified expenses of trade as a main obstacle to entrance into trade. However some debated that the excellence

of a nation's civil and financial organizations can be a vital foundation of proportional benefit.

Utmost states engage in global trade owing to reason of having extra manufacture. Excess merchandises or some unexploited resources can be exported, e.g. a state producing excess wheat in a year but had no extra warehouses, hence exported this at lesser price in global marketplace (Madura, 2015) Pakistan should also adopt this theory for export of sugar and wheat. Study revealed Co-integrational link exists among actual export, actual foreign revenue, actual effective exchange rate and normal exchange rate instability. (Thuy, 2019). Findings revealed that important impact of financial freedom on export, FDI as measures of global trade. Pakistan should implement an export-based policy of growth, Adopt policy for conversion of value of foreign exchange for directing for a zero balance on merchandise and services account. Needs rectifying present excess valuation in foreign exchange rate, and encouraging policy for exports Promote exports sector of Pakistan. Encouraging financial strategies have accelerated export-based expansion in region. (Lenfen, 2018). In recent times, there was great concern regarding meager performance of our exports and measures proposed to stimulate exports. Long term's obstacles to Pakistan's export expansion with neighbors India China. High policy barriers to Pakistan-India trade .Transportation barriers to Pakistan-China trade. (Maraco, 2017). Results disclosed that all variables are significant at capital flows, and remittances ,Capital flow's all categories has –ve sign according to Dutch Disease Theory. . Exchange rate has remained over valued mostly in period of 1972 to 2009 (Rahim, 2010) There is –ve link between interest rate and exchange rate in long run No link in short run, after controlling impact .Increase in interest rate of our country decreases Exchange rate against US $ due to high value inflation value of Pak rupee will devalue against US dollar. Decrease in exchange rate against Dollar due to appreciation of Pak rupee. Results shows that export demand decreases with increase in real effective foreign exchange rate. (Gul, 2014). Study observed the impact of following financial development from 19975 to 2011.Findings revealed that inflation. FDI, exchange rate significantly affect Economic Growth. (Arsalan Ahed, 2013). They concluded that it remained extremely pitiable if compared to other states of region which is due to elevated level of product focus and less superiority of goods level. Proposed planed atmosphere for export competitiveness. Proposes measures for providing a policy framework, supportive exchange rate policy, to boost the performance of the sector. (Rashid Amjad, 2012). Pakistan should adopt appropriate, attracting Sino investment for export

oriented industries. Change in policy makers' perspectives, Need to adopt an "economy first" approach. To accelerate export Policies should focus country wise n few areas, likely to provide greatest immediate benefits. (Hayat, 2012)

The outcome of our study can be briefed as the independent variables strongly related with dependent variable. Hypothetically the outcome is inclusively significant. Exchange rate and economic factor of our country have strong link. It displays that when economic factors change exchange rate will also have –ve link with exchange rate. Interest rate, inflation rate, current account and GDP are strongly related with exchange rate and overall significant. (National Commission on Tariff, 2015).The reasons for the dilapidated exports are low GDP, continual power crisis, high charges of conducting commerce, nonexistence of merchandise and market divergence, inferior technology and lack of research &development, non-compliance of quality standards, keeping the peace, war against terrorism, un-skilled labour, and low foreign direct investment.(Sajad, 2017)

Solution to Research Questions

We have observed that increase or decrease in Exchange rate has substantial effect on size of exports performance of Pakistan; It has also been observed that increase or decrease in GDP has substantial effect on size of exports performance of Pakistan; and

Increase or decrease in Interest rate also has substantial effect on size of exports performance of Pakistan

Results of Data Analysis

It has been observed that our data has no problems of Multicollinaerity, Heteroscedasticity, Unit Root and Autocorrelation, data has cointegration and long relationship and all Null Hypothesis in respect of above stated test have been rejected and changes or increase in independent variables % of GDP,% of Interest rate (discount rate) & % of foreign exchange rate have significant impact of performance of export of Pakistan.

Discussion on causes of fall in export

Through study of literature review we have come to know that the causes of decrease in export may be attributed to the following reasons.

Poor Market Analysis may leads to fall in volume of export.

Poor understanding of competitive conditions existing in importer country may also has adverse impact on performance of export.

Poorly executed promotional campaign may cause decrease in export.

Failure to customize product offering may be one of the reason for fall in export.

Non- availability of problems securing financing may effects export quantity.
(Companies, 2000)

Recommendations

Role of Govt in Export

Political

- In order to ensure increase in export government should provide protecting to jobs and industries.
- In order to promote export Government should ensure peaceful conditions within the country, proper maintenance of law and order situation and maintains national security.

Economic policies

Govt should take steps to develop and provide protection to infant industry by granting tax free holidays, and other facilities.

Such strategies may be implemented by the Govt intended to encourage trades of high value added/refined merchandises;

To make efforts for enhancing market place entrance for our trades;

Previously discussed free/special trade pacts may be reconsidered and as Pakistan is fronting trade shortfall with partner states; and

Rationality among Asset, Manufacturing and Trade strategies may be formulated, so that our country may accomplish anticipated objective of growing exports.

There are four features of manufacturing that effect financial progress within a state namely accessibility of water, oil, gas & minerals. (Essential Question)

Investment in personnel

Investment in Investment Merchandises

Private enterprise. (A Businessperson is somebody with a concept for manufacturing of goods or provision of service and takes the threats to produce it. They are substantial as they have new concepts and they can use manpower, investment, and said resources to bring their ideas to life and to the marketplace. (Essential Question)The existence or nonexistence of these features decide Gross Domestic Product (GDP) of state for a period.

Thus Govt should pay special attention to ensure

Proper availability of natural resources such as natural gas, oil, water, minerals, plants etc.

Investment in capital goods means investment in tools, equipment, factories, technology, computers, timber, machinery, etc.

Investment in Human Capital means enhancing all abilities, capacities, learning, and capabilities that manpower have , and the value that they

bring to the marketplace; and encourage entrepreneurship because they are the people who take risk, run business, produce exportable goods and create jobs and play a meaningful role in reducing unemployment.. (Presentation on Economic Factors of Economic Growth) Free enterprise inspires individuals to take risks, and in doing so, generate improved things, goods, equipment, etc. The more businesspersons a state has, the greater the state 's GDP (Essential Question).

Strategic Trade Policy.

Our country desperately needs a Strategic Trade Policy and its proper implementation

(Companies, 2000) Pakistan is a labour abundant country hence we should export labour in shape of manpower. Pakistan like China should adopt Further Factors Endowment Theory in respect of Man power and earn foreign exchange in shape of remittances.

Management of Interest Rate & Foreign Exchange Rate

It is recommended on the basis of this research that there should be proper management of bringing changes in Interest rate, foreign exchange rate and steps should be taken to increase GDP of our country

General recommendations

Awareness of exporters

We must need to take steps for bringing awareness among exporters about knowledge about importer or customer in foreign country. It is also necessary that exporter should have ample Knowledge of credit bank, country of importer and trade cycle. Exporter should be able to understand terminology of trade and have awareness of risks involved in transactions involved in the whole process of export. Exporter should understand export cycle and should maintain cordial relationship and work with your bank.

Future Research

Keeping in view the below quoted literature there are bright prospects of future research on this topic.A Number of factors other than exchange rate also have impact on export of state, such as:-

proportional benefit in manufacture of merchandise;

Abundance in manpower, investment, minerals, water, oil, gas.

Technical development and exploration.

Learning and expertise

Extraordinary dynamic productivity;

Amenability of excellence and criteria as per the provisions of agreements on SPS and TBT;

Cost-cutting of scale;

Civil stability;

peaceful environment , safety condition;
Intra-industry trade
Groundwork and transference charges
Amalgamation with the global world economy by manufacture chains;
Proportion of gross domestic product to commerce.
Price of doing trade
Market place Entrance
Foreign Direct Investment
Price rises
Saving rate
Rate of Investment
Average applied tariff rate, (National Commission on Tariff, 2015).

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