

“ATTRACTING FOREIGN DIRECT INVESTMENT IN AFGHANISTAN FOR EMPLOYMENT GENERATION”

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INTRODUCTION

Afghanistan is among the poorest countries on Earth. More than 53% of the populations live under the poverty line. The economy of Afghanistan receives large infusions of foreign aid, totaling billions of U.S dollars annually. The country's most valuable export is opium; education efforts have done little to reduce production of this illegal cash crop. Other export goods include wheat, cotton, wool, hand-woven rugs and precious stones. Afghanistan imports much of its food and energy. Agriculture employs 80% of the labor force, industry and services 10% each. The unemployment rate is 35-40%. However, the country's economy has grown since the days of the Taliban. International aid has created thousands of jobs in fields such as communications, but deeper problems persist in a Nation lacking in infrastructure and plagued by mismanagement. Since 2001, Congress has authorized more than \$39 billion in humanitarian and reconstruction aid for Afghanistan.

But hundreds of millions of dollars that would lead to new factories and dams have been eroded by power shortages, wasteful contractors, security dangers and corruption. What has emerged across the provinces and throughout Afghanistan is a cruel economic pecking order of an unfinished war. Afghan businessmen dealing in imports are thriving, their new marble and tinted-glass houses rise like jewels on rough streets. Those working with foreign governments and international organizations are also prospering. But the rest, the majority, barely survive and wait for jobs that pay more than peddling oranges or washing cars on the roads.

OBJECTIVE OF THE STUDY

- To find how foreign direct investment (FDI) is attracted.
- To find how we can generate job opportunity for people of Afghanistan.

- To know what are the challenges in attracting foreign direct investment (FDI) in Afghanistan.

HYPOTHESIS OF THE STUDY

H1 Foreign Direct Investment helps to create job opportunities despite challenges and bottlenecks.

Ho Foreign Direct Investment does not help to create job opportunities despite challenges and bottlenecks.

PROBLEM STATEMENT

Studying and investing how to attract Foreign Direct Investment in Afghanistan.

SIGNIFICANCE OF THE STUDY

Foreign Direct Investment plays an important role in the economic development of a country because FDI is direct foreign capital inflow in form of portfolio investment, foreign loans, collaborating, joint ventures and mergers. FDI generates job opportunities when there is a job opportunity there is more income per capita and more purchasing power which develops GDP of a country and develops the economy of our country Afghanistan. There are ways in which Afghan government can attract FDI in the future; the most important way is providing stable security and good systematic policy for registration of foreign investors.

LIMITATIONS

- Poor access to relevant data about foreign direct investment in Afghanistan.

- Unwillingness of respondents to part with information concerning themselves.

- Skeptical attitude of the respondents towards the researcher for fear of being Government agents.

RESEARCH METHODOLOGY

The descriptive research has used for the completion of this paper and the researcher has selected a sample size of 80 respondents from 150 respondents populations from government and non-governmental organization that include entrepreneurs, professors, professionals and students of university.

PRIMARY DATE

It is a set of questions with a choice of answers in a questionnaire and group interviews with professionals in the field which is used for the purpose of a survey, research and statistical studies with random sampling.

SECONDARY DATA

Secondary data were collected from national and international journals, websites, records, published information and reports.

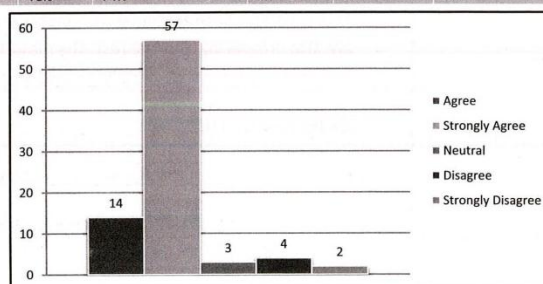
RESEARCH ANALYSIS

Analysis of Quantitative data (Questionnaire based)

QUESTION

To what extent do you agree that more Foreign Direct Investments develop economic growth of a country and create more jobs for citizens?

Options	Agree	Strongly Agree	Neutral	Disagree	Strongly Disagree	Total
Respondents	14	57	3	4	2	80
Percentage	18%	71%	4%	5%	3%	100%



COMMENTS

According to the above table and chart, there were 80 respondents who selected different options regarding the question asked from them, to what extent do you agree that more Foreign direct investments develop economic growth of a country and create more jobs for citizens? 2 respondents were strongly disagree, 4 were disagree, 3 were neutral, 14 were agree and 57 were strongly agree which makes the 71% of the whole participants in the survey and they were in this believe that FDI can develop economic growth and create job opportunities for individuals and professionals in different fields and those who deferring the reasons attributes to dynamic social changes and unstable political situation.

HYPOTHESIS TESTING

- $0.71 + 0.18 = 0.89$ which is P and the remaining 0.11% is q.
- One Sample Z test proportion.
- A study of 30 respondents revealed that 60% of respondents are agree to (Foreign Direct Investment helps to create job opportunities despite challenges and bottlenecks).
- Hence, 60% was taken test value
 - Ho: $P \leq 0.60$ (a)
 - H1: $P > 0.60$ (b)
- A) Proportion of respondents agree to (Foreign Direct Investment creates job opportunities) is smaller or equal to 60%.
- B) Proportion of respondents agree to (Foreign Direct Investment creates job opportunities) is greater to 60%.
- Statistical test one sample Z test proportion.
- Observe proportion, a sample of 80 respondents revealed that 89% of respondents are agree that foreign direct investment creates more job opportunities.
- Hence, observe proportion was taken 0.89.

$$Z = \frac{P_o - P_a}{\sqrt{\frac{P \times q}{n}}}$$

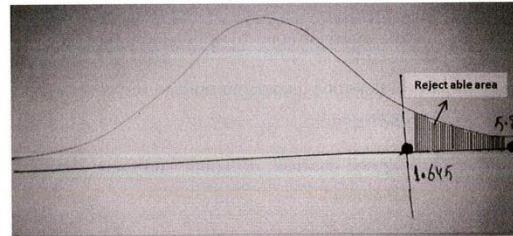
$$Z_1 = \frac{0.89 - 0.60}{\sqrt{\frac{0.60 \times 0.40}{80}}}$$

$$Z = \frac{0.29}{\sqrt{\frac{0.24}{80}}}$$

$$Z = \frac{0.29}{0.05}$$

$$Z_1 = \underline{\underline{5.8}}$$

Critical value observed @ 5% level of significance for one tailed test Z value is 1.645



Since, the computed value (5.8) is more than the critical value (1.645) the Null Hypothesis is rejected. Hence, it is concluded that the proportion of respondents agree to (Foreign Direct Investment creates more job opportunities is more than 60%)

FINDINGS

The Afghan government does not have monetary capacity and revenue sources, on one hand and on other hand Afghanistan is a back warded and war divested country so it can not generate enough revenue national income and economic recovery, therefore Ministry of Finance plays a very important role handling financial issues and investments both national and international investments, so it doesn't have good economy and domestic investments

factories therefore it needs to look forward to the Foreign investments and aids. The aid from donors is not a live time mechanism and government needs to be fiscally sustainable in the long term. In order to achieve this goal the government needs to focus and invest on revenue generation projects as well as the extraction of mining and mineral resources through FDI invite foreign investors to invest in Afghanistan resources because domestically we are not at that position like extract our mining so there should be long term contract with foreign investors. Also, Afghan Government should focus on the following factors too :

- Take or make budget policy and systematic programs that no corruption can entry in government departments.
- Stabilize the country in term of security in order to attract foreign investors to invest in Afghanistan.
- Strengthens public financial management because when foreign investors see the transparencies of the financial system they obviously want invest in Afghanistan.
- The research found that foreign direct investment creates more job opportunities is more than 60%.
- Develop strong leadership skills in the government of Afghanistan.
- Strengthen political, economic and social stability in Afghanistan.
- Working on increasing better loyalty amongst common nations.
- Strengthen strong trust between government and people.
- Strengthen strong unbiased justice within the framework of law and order.
- Decision makers are having less integrity, loyalty towards national goal, and common citizens of Afghanistan.

QUESTION 03

What is the impact of FDI" Foreign Direct Investment" in the economic development of our country?

ANSWER

These are the main points and ideas of the group which researcher has interviewed.

Foreign Direct Investment is an important vehicle for the transfer of technology, contributing relatively more to growth than domestic investment. However, the higher productivity of FDI holds only when the host country has a minimum threshold stock of human capital. In addition, FDI has effect of increasing total investment in the economy more than one for one, which suggests the predominance of complementarily effects with domestic firms.

THE EFFECTS ARE

- A) Increase GDP.
- A) Creates job opportunities.
- B) The rate of unemployment goes down.
- C) More industries and more companies are established by FDI.
- D) International capital inflows.
- E) Increasing per capita income and thus, increasing purchasing power of common citizens of Afghanistan.

CONCLUSION

In the conclusion of the research paper at first the government of Afghanistan must pave the way for all kinds of legal activities which we can called it business means that the government must omit all barrier or obstacle which are faced by the businessmen in exploring the avenues; which are lucrative for attracting Foreign Direct Investment, we have to squarely think about social, legal, economic, political and technological parameters. Attracting Foreign Direct Investment in Afghanistan is having a main and major problem that is fear phobia, a feeling of insecurity amongst the foreign investors. This can be curbed down by creating TRUST. Trust is depending up sensitivity to the concerned issue, truest is faith and the only magic word which will ensure stability, satisfaction, and happiness amongst the potential foreign investors.

Afghanistan is having plenty of natural resources, the young generations of Afghanistan are ambitious and hardworking,

and they are able to read the situation also want growth and development. Slowly, and gradually the education learning ability competency building capability multiplying skill acquisition their ability to tackle problems and take right decision in enhancing. Afghans are skilled craftsmen, their finished products have immense potential all over the world, and government should take steps to promote the export. It is having lot of historical places, appropriate steps to promote tours and tourism will catalyze to attract Foreign Direct Investment. Political stability, integrity to the national freedom, loyalty to the cause of up liftmen of common citizen, stubborn and strong as well as selfless leadership sensual reform, winning trust, attitude, sociality openness, trans Parma , economic appropriate administration expeditious unbiased justice within the framework of law and order and newer technology will yield positive and unquestionable result.

Since, the computed value (5.8) is more than the critical value (1.645) the Null Hypothesis is rejected. Hence, it is concluded that the proportion of respondents agree to (Foreign Direct Investment creates more job opportunities is more than 60%).

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