

## THE DESTRUCTION OF GROSS DOMESTIC PRODUCT AND FOREIGN DIRECT INVESTMENT IN PAKISTAN: A CASE OF ECONOMIC DOWNFALL

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### ABSTRACT

*Terrorism is one of the most disastrous problems being faced by Pakistan from decades. It has been continuously hollowing country's social and economic structure with great intensity and frequency. Poor law and order situation of Pakistan is hanging like a sword on its social and economic growth. Investors are afraid to invest in country due to unpredictable and horrible conditions disturbing economy at many fronts. GDP of Pakistan suffers the most from this chronic problem. The lucrative market of Pakistan is also depriving from the deserved foreign investment that comes in the form of Foreign Direct investment (FDI) inflow due to poor law and order situation and political instability prevailing in the country. The purpose of this study is to examine the impact of terrorism on GDP and FDI of Pakistan. The methodology adopted for study includes both descriptive and statistical procedures to check out the relationship in which we incorporated the data of last decade to get reliable results. The study will be significant to realize the negative and destructive impacts of the terrorism on country's economy thus it will lead the government to cope with it on more serious nodes.*

**Keywords:** Terrorism, Gross Domestic Product, Foreign Direct Investment and Economic Growth

### INTRODUCTION

It is an amazing fact that most of the studies regarding terrorism and its effects have been conducted in developed countries like Greece, Turkey, Spain and US while the most serious consequences have been faced by the developing countries in which Pakistan is probably leading the headlines all over the world due to the disastrous death roll and number of attacks (Clarke 2008, Enders and Sandler 2011). However, the incident of 9/11 had attracted the attention of the whole world and their media towards Pakistan which was also due to the war against terror. NATO forces have been deployed in the region between Pakistan and Afghanistan to cope with these militants who are against the peace of the world (Jones 2007, Johnson and Mason 2008, Rubin and Rashid 2008). But increasing number of trolls supported the fact discovered by many empirical studies that terrorists migrated towards softer targets when they find it difficult to hit their original target due to certain issues and Pakistan was quite vulnerable for those militants. Resultantly Pakistan has been affectedly terrorism in many aspects and GDP is no exception to them.

### PROBLEM STATEMENT

GDP and FDI are vital indicators of economy which normally deal with the macroeconomic issues of the country (Janicki and Wunnava 2004, Dicken 2007). GDP of Pakistan is already

at a low pace due to poor industrial and agricultural planning (Shafique and Mahmood 2008) and it is further hammered by the terrorism as a major chunk of government budget is spent on coping with this issue rather than on productive elements. Moreover uncertainty in the environment due to poor law and order situation and continuous strikes are destroying the local businesses which is ultimately harming the GDP of Pakistan. Pakistan which was once considered as one of the most lucrative market for foreign investors is now losing the confidence of investors due to poor security circumstances which were further intensified by the deaths of Chinese and American personals along with the murders of very high profile faces of Pakistan consequently FDI has been reduced which blocks private investment in the country. So it is emerging the need to study the setbacks arising due to terrorism on GDP and FDI.

### **RATIONALE OF THE STUDY**

Despite thousands of deaths caused by terrorist attacks, rare studies have been conducted in Pakistan to dig the cost of terrorism in terms of economic loss. Most of the studies which were undertaken in the regard of terrorism, discussed it as a social problem rather than an economical one (Robb 2007, Hoffman 2013). Some studies of International Monetary Fund (IMF) and other world forums have been conducted in this regard but most of them based on the crude data and information which was not beneficial in this regard. The studies have been done in other cultures and countries as well but those can't be replicated and implied in Pakistan because the nature and reasons of terrorism vary culture to culture (Victoroff 2005, Freilich and Guerette 2006). Moreover each case has its own dynamics and roots so it is very irrational to generalize cross culture studies wholly in the other culture's domain (Howes 2005). Thus it is need of time to study terrorism in terms of economic destabilizer so this study is aimed to check the impact of terrorism on GDP and FDI of the Pakistan's economy.

### **JUSTIFICATION OF THE STUDY**

There are many reasons to study this relationship especially in Pakistan as the most important one is the long history of the terrorism in Pakistan so it can be seen in contrast of economic growth with a better perspective. Secondly, terrorism and its implications are more explicit and worse in developing countries than the developed countries and Pakistan also falls in this domain (Faye, McArthur et al. 2004, Burgoon 2006). Moreover Pakistan's economy is more vulnerable to external shocks and threats as depicted by the 12 IMF programs (Akram 2011). Last but not the least reason lies in the fact that the studies in this regard are still to be done in Pakistan and other developing countries.

### **OBJECTIVES OF THE STUDY**

The objectives of this study revolve around the terrorism and its impact on GDP and FDI inflow. The study will see the disastrous effects of the terrorism on economy of Pakistan. Study will also encompass the harms done to GDP and FDI due to the prevailing terrorism. Moreover this study will suggest recommendations to keep the economy safe from the terrorism.

### **SIGNIFICANCE OF THE STUDY**

This study will be significant not only for Pakistan but for all the developing countries through making them aware from the possible threats and impacts of terrorism on the economy of the country. Study will persuade the government and other respective authorities to take some concrete steps against the terrorism to provide people with a breathing space.

## **LITERATURE REVIEW**

FDI normally happens with an intent of company to exploit the imperfection of the market in the form of high profits by pursuing ownership advantages(Cui and Jiang 2009, Udoka, Tapang et al. 2012). Many other empirical studies also revealed that imperfect market become the major reason of FDI inflow(Alfaro, Chanda et al. 2004, Xiao 2004, Froot 2008). Studies also hinted on some of the shortfalls of FDI in the form of confronting high risk which ended up in higher bargaining costs. The main purpose of FDI is to exploit the external opportunities to the best extent.

Lot of debate is there about the matter that why companies engage in FDI and what motivate them to become internationalize. One answer can be deduced from the electric theory of FDI which stated that there should be three kinds of advantages which a company must possess for FDI named as ownership advantages, location advantages and internalization advantages commonly known as OLI framework of FDI(Görg and Greenaway 2004, Crespo and Fontoura 2007). Ownership advantages are more relevant to the firm like product diversification, patents and trademarks while location advantages are normally seen from the perspective of the host company like resources, infrastructure, cost structure, transport and all other aligned facilities to the business. FDI normally occurs when both ownership and location advantages indicated towards the profitability(Alfaro, Chanda et al. 2004, Crespo and Fontoura 2007, Cui and Jiang 2009). But these advantages should be matched with company's internal capabilities which fall in the domain of internalization benefits.

FDI is a relative long term investment due to its nature and quantity(Akinlo 2004, Janicki and Wunnava 2004, Lall and Narula 2004). Investor himself never like the fact that he withdraws his investment in shorter because it will not give such anticipated profits. Terrorism forces investors or MNC's to withdraw their investment and take a safe passage as the environment turns out to be more uncertain(Enders and Sandler 2011).

Studies have been conducted to analyze the grave impacts of terrorism on economy as some studies reveal that it as political instability which is harmful for FDI in many ways(Li and Liu 2005, Büthe and Milner 2008). Terrorism destroys infrastructure, resources and even the human capital which curtail the growth by restricting and eradicating every good thing from the system. Empirical studies done in foreign countries are evident in this regard as Basque Country suffered a 10% loss in GDP due to the terrorist activities(Frey, Luechinger et al. 2007, De Mesquita 2008). At the same node, Spain also suffered from same dilemma as its FDI inflows reduced 13.5% from 1975-1991(Abadie and Gardeazabal 2008). Greece's FDI also faced a blow as it reduced by 11.9%(Bogov and Krstevska 2013). Even the economy like US confronted with the consequences of 9/11 in the form 0.06% reduction in total productive assets(Kinyanjui 2014). Some more alarming results guided that one standard deviation increase in terrorist activities can reduce the GDP by 0.2% along with a study which claimed that terrorist attacks reduced per capita income by 5% in Israeli economy.

A study done on Indian farmers has revealed that terrorism leaves severe impacts in long term but not in short term as mostly it affects such investment or ventures which have been established by keeping relative a long period of time in the mind frame. One major effect of terrorism on farmers was the increased borrowing cost that was hiked due to the uncertainty in the business environment(Foster and Magdoff 2009). Some other studies also have been done on developing countries which are showing that many of them are suffering due to the terrorism. Terrorist activities which targeted the host countries induced a horrible level of uncertainty in its business environment which discourage the foreign investment in the host

country. As far as US is concerned, it faced one of the most drastic decline in gross fixed capital formation which had been reduced from 15.8% to 1.5% from 2000 to 2003 respectively (Devlin, Estevadeordal et al. 2006). The story did not end here as FDI outflows had also been hiked 0.3% in the same era which was quite dangerous for such a developed economy. Terrorism normally results in increasing business cost as due to the poor law and order situation, increased expense has been incurred on security of the firm which makes the transaction cost higher than the usual (Lutz and Lutz 2006, Frey, Luechinger et al. 2007, Gordon, Moore et al. 2007, Abadie and Gardeazabal 2008). Moreover the investment which has been shifted from the system also leaves many of the ventures empty handed resulting in the harm for the firm.

Some other determinants of poor financial performance emerge from the fact that due to the terrorism, government has to increase taxes to plan for the remedial actions thus it become a burden on MNC's and other domestic businesses (Wilson and Wilson 2006, Rose 2007). More portion of the budget allocated to the law enforcement agencies leaving company's in a poor position to get credit on easy terms due to the diverted attention. Studies have also been conducted to find out the relationship between FDI and political instability and some of them find them negatively correlated which indicate that the increase in political instability will decrease the FDI (Li and Liu 2005; Asiedu 2006; Frimpong and Oteng-Abayie 2006). Literature has also confirmed the negative association of private investment with the terrorism as investors loses their confidence to invest their money in vulnerable market (Abadie and Gardeazabal 2008). But at the same time studies also found terrorism insignificant in terms of political stability.

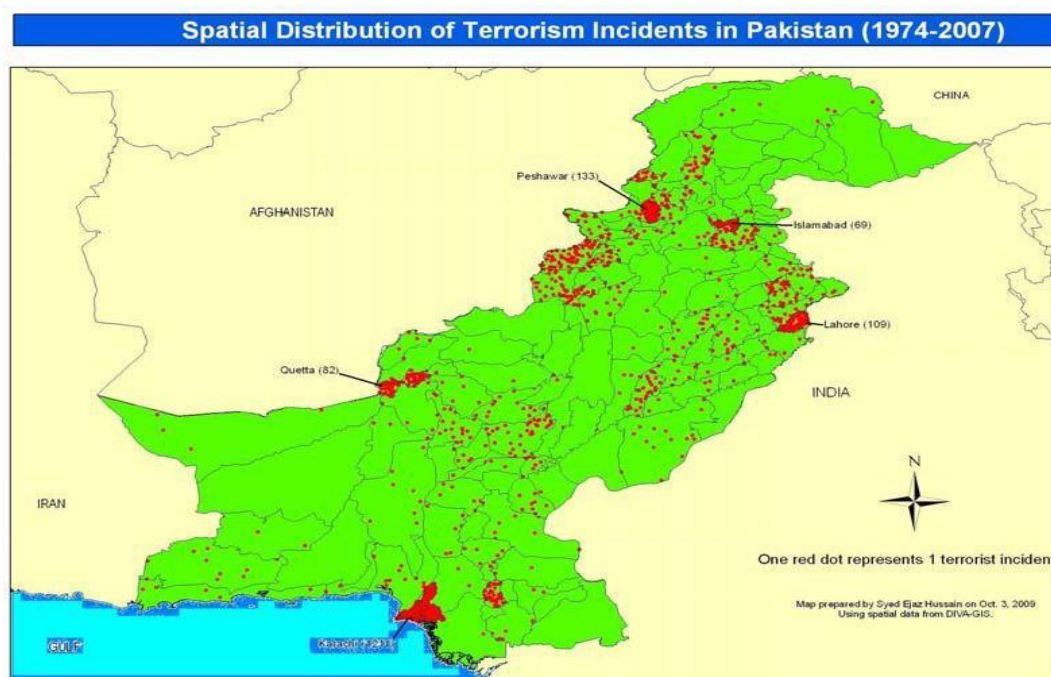
Past research studies have indicated that all the investors did not response the terrorist activities in a same way (Chen and Siems 2004; Enders and Sandler 2004) as some studies suggested a negative relationship between FDI and terrorism (Li and Schaub 2004, Abadie and Gardeazabal 2008) while some also found it insignificant in this regard. Such responses can also be altered when we move across various sectors. This also depends upon the ability of the investor to absorb and confront the risk factor. Terrorism also affects the trade of the host country with its business partners and friends as uncertainty leads towards less bilateral trade relationships (Frey, Luechinger et al. 2007, Sandler and Enders 2008). In addition, cost of trade also got increased due to the harder scrutiny on borders resulted in more prices. These circumstances force investors to import or export in distant countries resulted in less profits or loss is also something predictable. A study on 200 countries revealed that trade has been reduced up to 4% if the terrorism increased 100% (Enders and Sandler 2004).

Tourism is also an important determinant of an economy which is severely affected by rise in terrorist activities. Terrorism fear grips tourists and results in reduced earning of a country. Empirical studies found this phenomenon more often in Western Europe. A profound example of Turkey's tourism has been quoted by the literature which have curtailed the tourism spending up to \$700 million in 2006 (Bjorvatn and Selvik 2008). In Pakistan, terrorism is implying a very disastrous impact on FDI and other economic factors which are resulted in poor growth of the country. The variability of the effect with respect to the industry or disciplines has not been considered by the studies in Pakistan as most of them indicated a negative correlation between FDI and terrorism. The history of terrorism in Pakistan has been evolved at various stages as it all begun in the reign of Gen. Zia-ul-Haq (Jaffrelot 2004) who hanged the former prime minister Zulfiqar Ali Bhutto and in the effect a terrorist organization named as Al-Zulfiqar took place. To cope with such resistance in the home town of the former prime minister, Zia-ul-Haq founded a militant political party named as Muhajir Qaumi Movement (MQM) which was composed of the Indian immigrants.

That action has solely raised the terrorism up to 40% in the region and most of them revolved around MQM. To gain some personal benefits, Gen. Zia also enforced some extraordinary strict Islamic laws in the country by giving and dedicating rights to Sunni jurisprudence. Such religious extremism resulted in the angry religious sect who stood up against such enforcements and was mobilized due to the Iranian revolution which was responded by Gen. Zia in the form of creating another counter religious organization named as Sipah-e-Sahaba to protect his own front and face(Ahmad 2004). The SSP birthed many militant and terrorist groups which can be analyzed through a fact that about 30% of the total terrorism in Pakistan found its roots back there in SSP which also entailed the famous 9/11 attacks.

Studies in Pakistan have shown that the GDP can be saved from the terrorism by diversifying the portfolio both geographically and demographically as it might disturb the channels of tourism but unfortunately such circumstances are not the part of Pakistan's economy (Azhar, 2003). Literature has been shown that the terrorist attacks from 1978-2001 has been confined in a similar area so their effects can be mitigated by transferring the resources from that area to the less violent area.

The following graph depicts the more violent areas in the regard of terrorism which included four provincial capitals and industrial or business hubs of Pakistan making the intentions of terrorists clear in disturbing Pakistan's economy. The tribal areas of Pakistan have their own problems regarding law and order but more of the terrorist attacks have emerged from that place (Abadie et al, 2008).



Terrorism has also been imposed externally which emerged from the Soviet Invasion into Afghanistan in 1979 that turned out to be the major mobilization of terrorist groups. US funded militants to stand against the Soviet Union but after the departure of Soviet Union all those militants stood up against Pakistan and US. Following figure is showing the classification of terrorism in Pakistan in three distinct phases(Haqqani 2004). First phase was Ethnic Terrorism which was resulted due to the clash of Sunni and Shia groups. Second phase entailed Sectarian Terrorism which was the output of the fight against Soviet Union and the

final and present phase is Religious Terrorism in which the militants groups trying to harm Pakistan and US.

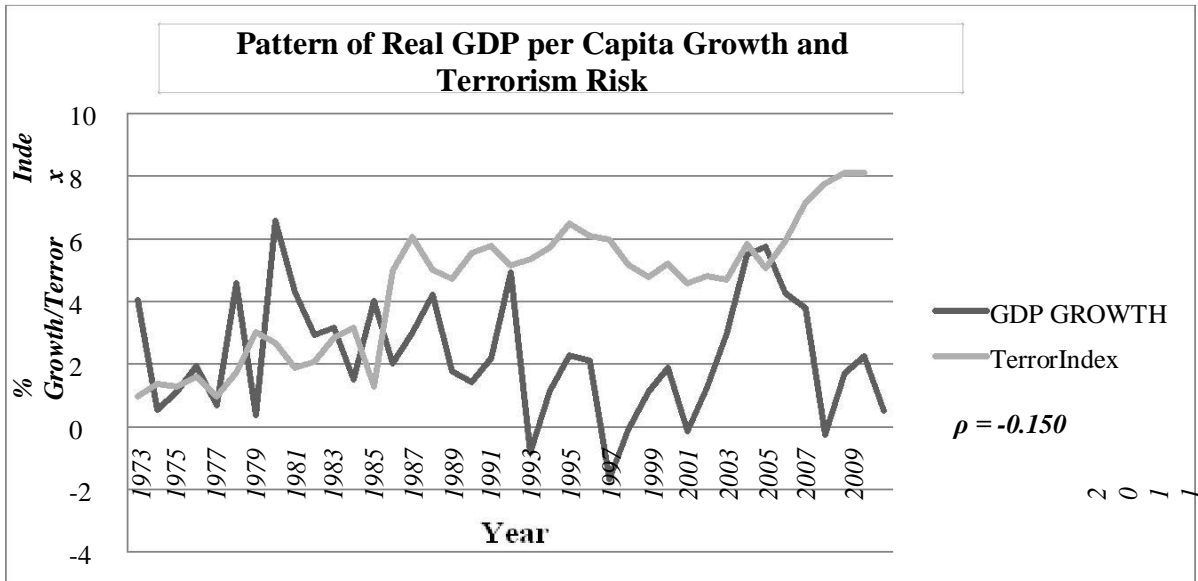


Figure 3. Terrorism Index and real GDP per capita growth in constant 2000 dollars<sup>11</sup> [Source WDI, GTD and own computations].

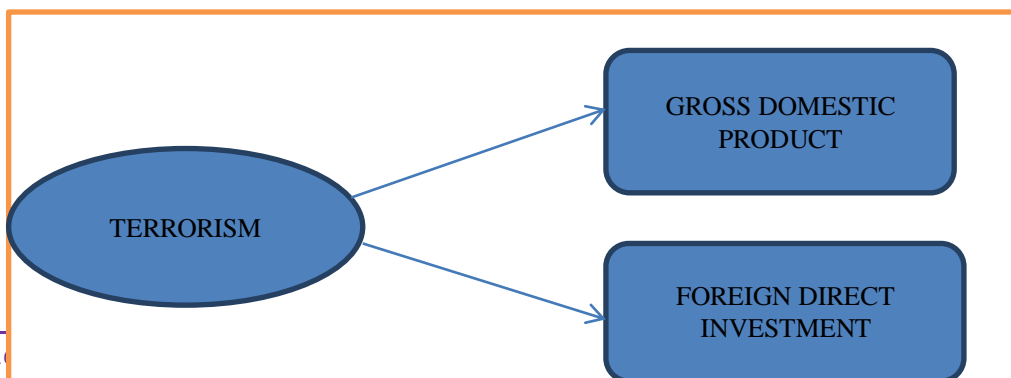
The negative association between terrorism and GDP can be seen through the interlinked phenomenon of increasing terrorist attacks and reducing of GDP growth in the economy. Terrorism index obtained from the US yearly report on terrorism printed under the foreign department of the government proved very vital in this connection as it not just measures the number of deaths and number of attacks but also pay heed to the other components like geographical region, nature and motivation too. The following figure reveals that a negative association was there in between GDP growth and terrorism activities as in the era when rate of terrorism was hiking the GDP growth rate was relatively low except the 2001 when there was a drastic improvement in growth figures due to the liberalization and privatization business reforms done by Gen. Musharraf. This improvement was amazing as it happened after 9/11 which was a big mark on Pakistan. However literature is quite witness on the negative association of GDP and terrorism and has hinted it at many occasions.

**Hypothesis**

From the extensive literature review researchers propose following hypothesis aligned research questions and objectives;

- H1.** Terrorism has a significant negative impact on GDP of the Pakistan
- H2.** Terrorism has a significant negative association with FDI.

**Model**



## METHODOLOGY

In this study we have three variables of interest named as terrorism, GDP and FDI. The former one was independent variable while the latter two were dependent variables. The objectives of this research were to see the impacts of terrorism on GDP and FDI to see its setback on economic growth. The hypothesis has been tested from two approaches; statistical approach and descriptive approach. For statistical approach, data has been collected from 2001-2010 about GDP growth rate, FDI in billions and number of terrorist attacks and has been analyzed from critical perspective. Statistical tests consisted of correlation and regression have been applied on the available data to present it into a meaningful form. The decision will be made on the basis of the value of regression test if it becomes significant then we can conclude that terrorism has an impact on economic growth.

Data has been collected from many reliable secondary resources like IMF, World Bank, UN and Ministry of Finance to get a vivid picture of the realities. Dyadic tests have portrayed the information in a quite meaningful way. Dyadic test is concerned for seeing a thing from statistical and descriptive aspect at a same time to get a better look.

## RESULTS AND DISCUSSION

### Statistical Analysis

Following statistical equations have been fabricated for the statistical analysis;

$$\text{GDP} = f(\text{TA}, \epsilon)$$

$$\text{GDP} = \beta_0 + \beta_1 (\text{TA}) + \epsilon$$

Where,

TA= Number of terrorist attacks

GDP= Gross Domestic Product

$\epsilon$ = error

$$\text{FDI inflow} = f(\text{TA}, \epsilon)$$

$$\text{FDI inflow} = \beta_0 + \beta_1 (\text{TA}) + \epsilon$$

Where,

TA= Number of terrorist attacks

FDI inflow= Foreign

$\epsilon$ = error

Now correlation and regression tests will be applied for the data obtained from many reliable and authentic sources of last ten years to transpose the relationship among our desired variables.

### Correlational Test

For first model GDP is dependent variable while number of terrorist attack is independent variable and the correlation will be tested on it. Second model is also incorporated at this phase while testing correlation in which FDI inflow is dependent variable.

**Table 1. Correlations**

		<i>GDP</i>	<i>FDI Inflow</i>	<i>Number of Attacks</i>
<b>GDP</b>	Pearson Correlation	1	.134	-.556
	Sig. (2-tailed)		.732	.120
	N	9	9	9
<b>FDI Inflow</b>	Pearson Correlation	.134	1	-.735*
	Sig. (2-tailed)	.732		.024
	N	9	9	9
<b>Number of Attacks</b>	Pearson Correlation	-.556	-.735*	1
	Sig. (2-tailed)	.120	.024	
	N	9	9	9

\*. Correlation is significant at the 0.05 level (2-tailed).

The above mentioned table of Pearson correlation is showing that both FDI inflow and GDP are negatively correlated with terrorist attacks. FDI inflow is more negatively associated with terrorist attacks than the GDP as it is showing the value of -0.735 while for GDP, this value is -0.556.

**Regression Test**

At this phase regression test will be applied on both models to assess the quantity of effect existed in the model.

$$GDP = \beta_0 + \beta_1 (TA) + \epsilon$$

**Table 2. Variables Entered/Removed<sup>a</sup>**

<i>Model</i>	<i>Variables Entered</i>	<i>Variables Removed</i>	<i>Method</i>
1	Number of Attacks <sup>b</sup>		. Enter

a. Dependent Variable: GDP

b. All requested variables entered.

**Table 3. Model Summary**

<i>Model</i>	<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>	<i>Std. Error of the Estimate</i>
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1	.556 <sup>a</sup>	.309	.211	1.9031035
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**a. Predictors: (Constant), Number of Attacks**

The above mentioned table is showing that the value of adjusted R square is 0.211 which is predicting that 21% of change will come in GDP due to the terrorist attack.

**Table 4. ANOVA<sup>a</sup>**

<i>Model</i>		<i>Sum of Squares</i>	<i>df</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig.</i>
	Regression	11.349	1	11.349	3.133	.020 <sup>b</sup>
1	Residual	25.353	7	3.622		
	Total	36.701	8			

a. Dependent Variable: GDP

b. Predictors: (Constant), Number of Attacks

The above mentioned ANOVA table is highlighting the fact that the relationship is significant enough between number of terrorist attacks and GDP growth as the value for significance is lesser than 0.05.

<i>Model</i>		<i>Unstandardized Coefficients</i>		<i>Standardized Coefficients</i>	<i>t</i>	<i>Sig.</i>
		<i>B</i>	<i>Std. Error</i>	<i>Beta</i>		
	(Constant)	6.071	1.239		4.901	.002
1	Number of Attacks	-.009	.005	-.556	-1.770	.120

a. Dependent Variable: GDP

The table is showing the value of beta table that is equal to -0.556 which highlights that 100% of terrorist attacks can reduce the GDP growth rate up to 55%. But the value is not significant as the significance value is greater than 0.05.

$$FDI\ inflow = \beta_0 + \beta_1 (TA) + \epsilon$$

**Table 5. Variables Entered/Removed<sup>a</sup>**

<i>Model</i>	<i>Variables Entered</i>	<i>Variables Removed</i>	<i>Method</i>
1	Number of Attacks <sup>b</sup>		. Enter

a. Dependent Variable: FDI Inflow

b. All requested variables entered.

**Table 6. Model Summary**

<i>Model</i>	<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>	<i>Std. Error of the Estimate</i>
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1	.735 <sup>a</sup>	.540	.474	.9170446
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a. Predictors: (Constant), Number of Attacks

Value of adjusted R square is equal to .474 which is illustrating that 47% change can come in FDI inflow due to the terrorism.

**Table 7. ANOVA<sup>a</sup>**

<i>Model</i>		<i>Sum of Squares</i>	<i>df</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig.</i>
	Regression	6.903	1	6.903	8.209	.024 <sup>b</sup>
1	Residual	5.887	7	.841		
	Total	12.790	8			

a. Dependent Variable: FDI Inflow

b. Predictors: (Constant), Number of Attacks

The above mentioned table is transposing the value of significance less than 0.05 which proves that the relationship between terrorism and FDI inflow is significant.

**Table 8 . Coefficients<sup>a</sup>**

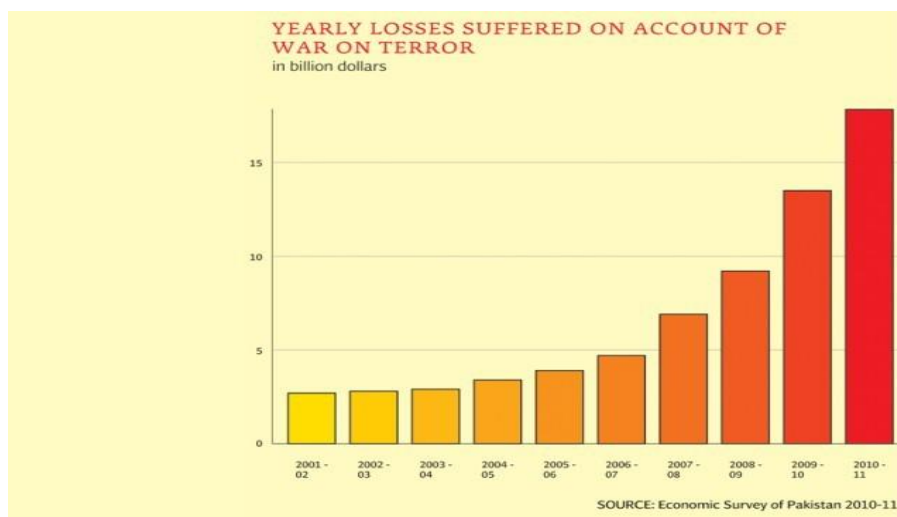
<i>Model</i>		<i>Unstandardized Coefficients</i>		<i>Standardized</i>	<i>t</i>	<i>Sig.</i>
		<i>B</i>	<i>Std. Error</i>	<i>Coefficients</i>		
				<i>Beta</i>		
	(Constant)	3.254	.597		5.452	.001
1	Number of Attacks	-.007	.002	-.735	-2.865	.024

a. Dependent Variable: FDI Inflow

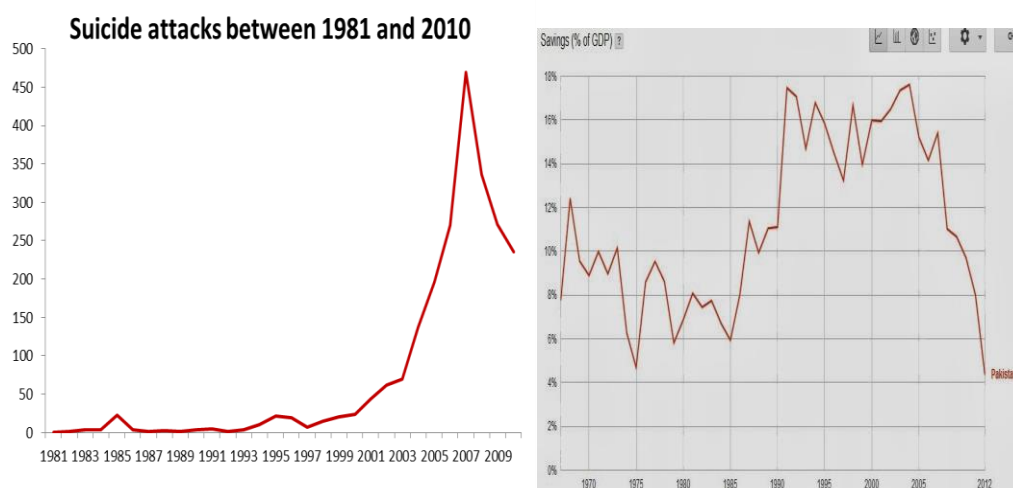
Table is showing the beta value which is equal to -0.735 that is evoking that the 100% terrorism can reduce FDI inflow up to 73% which is really a drastic and alarming situation. Relationship is significant as the value is lesser than 0.05.

**Descriptive Analysis**

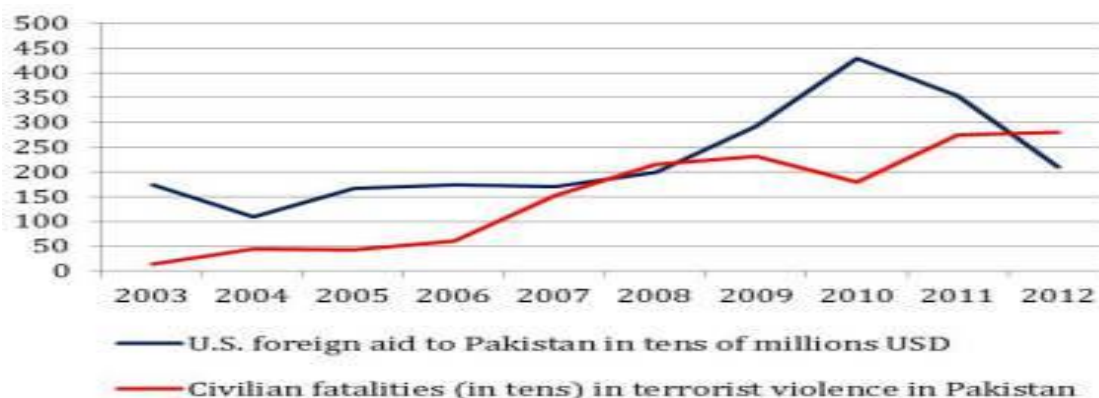
Descriptive analysis can be done through analyzing the following charts and graphs in relation with our hypothesis. The data has been obtained from reliable and integral resources to present trustworthy information.



The above mentioned Bar-Chart is showing the economic loss which is born by the Pakistan in order to enforce peace in the country. The graph is showing the progressive trend which became horrible in 2010 when Pakistan suffered a loss of \$19 Billion while fighting with the Al-Qaeda and other terrorist groups. That is showing the negative impact on the GDP of Pakistan due to these drastic losses.



The above mentioned two graphs are showing the comparison between GDP growth and terrorism. A serious look can give the picture that in the years when terrorism is hiking, GDP growth rate is falling respectively. As we can see in the years 2007 and 2008, where this inverse relationships is more clear and effective.



The above mentioned line graph is depicting that as the terrorist attacks are increasing, the aid coming from America is decreasing and the same can be predicted for FDI inflows from other countries.

## DISCUSSION

The statistical and descriptive analysis has made the picture quite vivid in alignment of the hypothesis as both of them are accepted in this research study. First hypothesis was about the impact of terrorism on GDP which is accepted by both statistical and descriptive analysis as correlation and regression values supported this phenomenon. But the significance in regression was not supported so it will be rejected. For the second hypothesis, in which the impact of terrorism was found significant on FDI inflow so H2 also has been accepted in this regard as values of Pearson correlation and regression were supported the argument too.

## CONCLUSION

Terrorism is emerging as one of the most dreadful problem in Pakistan as it is not hurting socially but also on the economic grounds. Thousands of lives have been taken by this evil in recent years in Pakistan. But its impacts have not ceased there as they also progressed towards hurting the economic system of Pakistan too. Most of the attacks have been done on the provincial capitals as well as on the industrial hubs. In addition, a handsome amount of budget has been spent on enforcing peace in the country which is depriving many other deserved sectors from the investment. The resulting less investment is turning out to be dangerous for GDP growth which is declining in this whole era. Moreover the FDI which was the strength of our economy is also not appreciating by the investors as lucrativeness of our market has been converted into uncertainty in which no one can play his cards in our favor.

## RECOMMENDATIONS

Terrorism is undoubtedly a severe problem which is being faced by all the countries on the globe. In Pakistan, its frequency and intensity is greater than the normal level. Our current study has shown a little less significant effect of terrorism on economic growth. However it is too close to emerg as a dangerous threat for the financial condition of the country. So the following actions are recommended on basis of this study;

1. Rapid actions should be taken to eradicate terrorism
2. Portfolio of investments should be diversified to keep it unaffected from the terrorism effect

3. Businesses should also be expanded in the ignored cities of the provinces so the threat can be minimized.
4. Finally the government should conduct a detailed analysis on terrorism and its resultant effects on economy and should also mention it in front of world community as a cost which Pakistan is bearing against terrorism.

### Limitations and Future Research

This study was conducted to analyze the impact of terrorism on FDI and GDP of Pakistan, however there were some limitations of this research. This research work focuses on investigating the impact of terrorism on economic growth and for this FDI and GDP was taken into account. Future research in this field can be conducted by using different aspects and methods to analyze economic growth. Sample size for this work is 10 years due to time and resource constraints, sample size can be increased for future research to have an overall impact of terrorism on economic growth. Moreover, data used in this study is time series in nature, longitudinal data is recommended to be used in future research as it may generate a complete view of effect of terrorism on economic growth of a country.

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