



An Analysis on Financial Development of Baluchistan, Province of Pakistan in Context of China Pakistan Economic Corridor (C.P.E.C)

Waseem Sadiq

Ph.D. Scholar at Preston University Karachi

Prof. Dr. Ghulam Murtaza Maitlo

Dean Business Administration Preston University Karachi

Abstract

This research study was based on investigating the influence of CPEC's parameters on the financial development of Baluchistan province. The type of study was descriptive, exploratory, qualitative, and quantitative. In this study: a regression model was constructed for the investigation; descriptive statistics, graphical analysis, and multivariate regression techniques were used to determine the impact of Law & Order Conditions, Mass Transit Development, Urbanization, Industrial development, Agricultural development on the financial development of the province in light of CPEC. While the targeted sample were the educated respondents of the various regions of Baluchistan province; and the convenient sampling method has used the results found to show that there is a positive and significant role of urbanization and law and order conditions in the determination of financial development in the province. It was also found that the marginal impact of law and order condition is relatively more significant as compare to urbanization. Also, Mass transit development, industrial development, and agricultural development have no significant relationship with financial development. Furthermore, in this study only accessible districts of Baluchistan province i.e. Gwadar, Kech, Panjgur, Kuhzdar, Lasbela, and Quetta were considered due to time and resource limitation.

Keywords: Law & order conditions, mass transit development, urbanization industrial development, agricultural development, and financial development in baluchistan

Introduction

Background of the Study

Baluchistan is the largest province of Pakistan almost covering 44 percent geographically of the country while accounted for only 5 percent of the total population of the country (Esteban, 2016). The province is enriched with valuable natural resources with

The material presented by the authors does not necessarily represent the viewpoint of editor(s) and the management of the Khadim Ali Shah Bukhari Institute of Technology (KASBIT) as well as the authors' institute.

© KBJ is published by the Khadim Ali Shah Bukhari Institute of Technology (KASBIT) 84-B, S.M.C.H.S, off Sharah-e-Faisal, Karachi-74400, Pakistan.



KASBIT Business Journal, 13(1), 73-91, September 2020

around 1100 km of the coastal belt. The province has a diversified portfolio of minerals, hydrocarbons, seafood, plains, upland, and desert with a significant range of fauna and flora. The recent interest of international players has increased the importance of the geographic region of Pakistan with regional importance to Pakistan (Khan & Ullah, 2017). “China Pakistan Economic Corridor”- CPEC is evidence of long term friendship between “China and Pakistan”. It is a collection of around 75 infrastructure projects in areas of energy, infrastructure, mass transit, economic zone, and social sector that worth around “US 62 billion dollars” (Esteban, 2016).

Also, the construction of the economic zone is another input to the economic development of Baluchistan. The operational scale of CPEC has started with the transportation of cargoes from China to Gwadar via Gwadar port toward Africa and West Asia in 2016 (Ali, Rasheed, Muhammad & Yousaf, 2018). Loan disbursed by the agricultural development bank of Pakistan has although increased from PKR 48.64 million in 2010-11 to PKR 73.41 million in 2015-16 (Butt & Hashmi, 2019). It has been observed with fluctuations over the period with a growth of 18.66% in 2011-12 along with negative growth of 61.13 in 2013-14 but has been found with a recovery of 33.14 percent growth rate in 2015-16 (Shah, Valasai, Memon, Laghari, Jalbani, & Strait, 2018). It depicts the vulnerable and non-reliable status of the financial segment of Baluchistan. The financial sector has found a significant role in the development scope of Baluchistan (Ahmed, 2017).

Problem Statement

CPEC is a multidimensional project that aims to develop the infrastructure of Pakistan not only to facilitate neighbor country China to have a route for trade with Central Asia and Europe but also provide opportunities for Pakistan to strengthen its communication sector, energy sector, road, and rail network and also promote business activities within the country to contribute in the economic development of the country (Afzal & Naseem, 2018). It is a collection of around 75 infrastructure projects in areas of energy, infrastructure, mass transit, economic zone, and social sector that worth around the US 62 billion dollars (Ahmed, 2019). CPEC has generally accepted a catalyst to the prospective economic progress of Pakistan to develop infrastructure base and strengthen the economy through the development of a network of transportation i.e. land and rail network, completion of energy projects to meet the country’s requirement (Butt & Hashmi, 2019).

“To determine the impact of CPEC’s parameters on the financial development of Baluchistan province in Pakistan”

Aim of the Research Study

The study is based on exploring the specific role of CPEC’s factors i.e. law and order condition, urbanization, mass transit, agricultural development, and industrial development on the financial development of Baluchistan to determine the alignment of different projects of CPEC in its role in providing a base of financial development of the province. Also, this identifies areas that are pre-requisites for financial sectors that are obsoleted within CPEC along with their importance in the financial development of the province. Furthermore, this study also critically assesses the health of different projects as projected. Also, the general perception of local people has made part of this study to



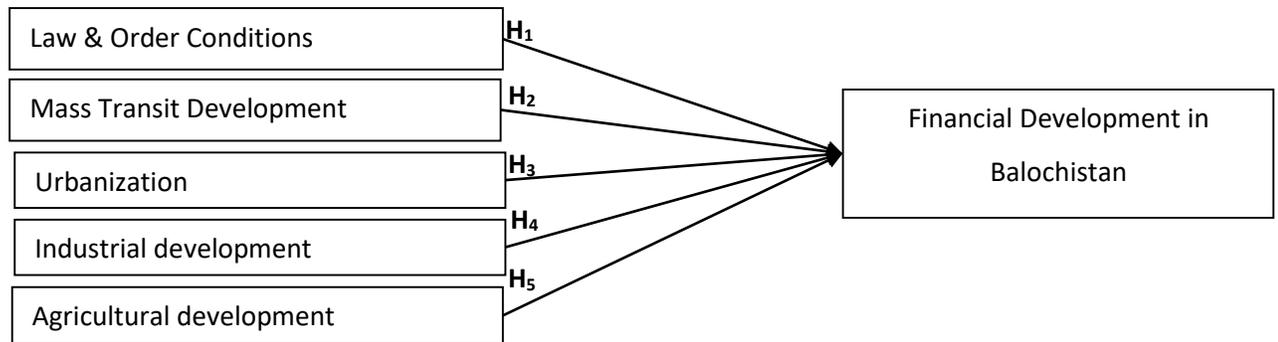
determine their experience and trust in CPEC in the financial sector development of the country.

Objectives of the Study

The research objectives of the study are as follow:

- To determine the scope of CPEC in the current economic perspective of Pakistan focusing on Baluchistan Province
- To investigate different projects that are enclosed within CPEC
- To determine the relevance of the different project in CPEC mission to the financial development of Baluchistan Province
- To determine the feasibility of the different project in CPEC mission to the financial development of Baluchistan Province
- To determine the current participation of govt. of Pakistan to ensure deliverance of CPEC to the financial development of Baluchistan province.
-

Theoretical Framework



Hypothesis

H₁: There is a significant impact of law and order conditions of financial development in Baluchistan in Pakistan.

H₂: There is a significant impact of mass transit development on financial development in Baluchistan in Pakistan.

H₃: There is a significant impact of urbanization on financial development in Baluchistan in Pakistan.

H₄: There is a significant impact of the industrial development of financial development in Baluchistan in Pakistan.

H₅: There is a significant impact of agricultural development on financial development in Baluchistan in Pakistan.

Research methodology

The quantitative research approach was used. Primary data was collected through a questionnaire as a research instrument. The questionnaire was based on a five-point Likert scale. Some primary data were collected through close-ended interviews of the finance department in Balochistan province along with an online emailing technique. The



KASBIT Business Journal, 13(1), 73-91, September 2020

questionnaire was developed and distributed to in-service groups of Secretariat, students, teachers, politicians of Balochistan. Secondary data were collected through libraries, research journals, dissertations, and electronic resources to more strengthen the study.

Research Question

The research questions of the current research studies are as follow:

What is the scope of CPEC in the current economic perspective of Pakistan focusing on Baluchistan Province?

What are the different projects that are enclosed within CPEC?

What is the relevance of the different projects in the CPEC mission to the financial development of Baluchistan Province?

What is the feasibility of the different projects in the CPEC mission to the financial development of Baluchistan Province?

What is the current participation of govt? of Pakistan to ensure deliverance of CPEC to the financial development of Baluchistan province?

Significance of Research Study

The research study benefits the students of business to understand the role of mega plans i.e. CPEC in the determination of development of developing countries i.e. financial and economic along with its resultants outcomes from a different perspective. This also helps to understand the conflict of interest along with its compatibility with the current geopolitical and socio-economic posture of Baluchistan province. Also, this study provides valuable inputs to policymakers and intellectuals to understand the scope of CPEC in financial development along with their contribution as an important stakeholder. Besides, it helps regulatory bodies to take initiatives and design new opportunities to contribute valuable inputs in ensuring the contribution of CPEC in the success factor of financial development in Baluchistan.

Literature Review

Conceptual Review

Developing countries are usually confronted with investment funds and knowledge to lift their economic and financial development with the efficient allocation of the resource not only but most importantly its contribution in ensuring long term outcomes on financial health (Khan, Mughal, Ahmed & Cai, 2017). Foreign investment has been determined as an essential input to fill the gap between investment and savings in macroeconomics to ensure GDP growth not only but also the economic and financial development process (Javaid, 2016).

Financial Development in Pakistan

Pakistan has reported with significant progression in financial practices over the last decade with the advancement of practices (Shah & Faiz, 2015). Financial development is an integral part of the macroeconomic development process with policy implications. The financial sector has also observed financial reforms from the regulatory body with a significant level of economic expansion in terms of economic growth and advantages (Siddique, Ansar, Naeem & Yaqoob, 2017).



Law & Order Conditions

Law and order condition has been described as a condition the reflects country's legal framework that has to be followed specifically with the implication of arm forces i.e. police force with a secondary layer of legal structure (Khan, Lee & Bae, 2018). Law and order condition has found as an essential ingredient to determine the effectiveness of financial practices in a country with its implications on the financial performance of the financial sector (Akbar & Akbar, 2015).

Mass Transit Development

Mass transit development has been observed with infrastructure development in the form of constructing the roads, energy projects, seaports, and airports. It brings with it a better opportunity for the business sector for the development of opportunities. It results in a better quality of urban life (Khatun & Ahamad, 2015). It also brings up with effective environmental and economic performance in a country with sectorial development It also results in better allocation of resources with its destination toward economic prosperity along with the facilitation of mass mobility in support of business activity (Shah, Ahmad & Ahmed, 2016).

Urbanization

Term urbanization has been defined as the movement of population from less developed segments i.e. rural areas toward developed areas i.e. urban areas in a country (Cavenaile et al., 2014). It has been recognized as a sign of development and progression. It has been observed with the formulation of cities with all necessary facilities of life along with better access to all facilities of life (Shah, Bakar & Azam, 2016).

Industrial Development

The industrial development process has been determined as a contribution of four different factors including business activities, technological progression, government entities, labor sector, and successful industrial project with the development of the different sectors (Bakhsh, Rose, Ali, Ahmad & Shahbaz, 2017). It has been observed with its ultimate impact on the economic development of the country. The industrial development process has been observed with a large level of production with a reasonable level of prices (Shah, Bakar & Azam, 2016).

Agricultural Development

The agricultural development process has been described as a process to promote agricultural activities with the employment of agricultural technologies. It results in better employment of agricultural resources (Akbar & Akbar, 2015). Furthermore, it has also been observed with better allocation of agricultural resources. It has also found with better use of farming inputs and enabling enriched production with better yield (Abdullah, Shah, Ali & Siraj, 2015)

Theoretical Reflections

Financial development has been observed with the better acquisition of information with the enforcement of contracts and effective transaction practices to build up with better incentives toward the emergence of customized financial contracts, promotion of financial market practices, and better integration of financial intermediaries (Malik, 2015).



KASBIT Business Journal, 13(1), 73-91, September 2020

Furthermore, financial intermediaries are also observed with the effective acquisition of information, betterment enforcement of rights and responsibilities, enforcement of legal obligations along with controlling of transaction cost of financial transactions in conjunction with policies and procedures with implications of regulatory requirements (Shah & Faiz, 2015).

Literature Gaps

Balochistan has reported as one of the backward provinces in Pakistan along with a poverty level of more than 80 percent that is ridiculous and worrying hence observed with activities and protest among people (Malik, 2015). It has been used and wrongly presented by both external and internal players in the form of terrorism and invaded forcefully but with the invasion of foreign investment in the form of CPEC observed with a positive sign for the province with better opportunities for future prosperity (Shah & Faiz, 2015).

CPEC & Financial Development of Balochistan

The operational scale of CPEC has started with the transportation of cargoes from China to Gwadar via Gwadar port toward Africa and West Asia in 2016. CPEC has generally accepted a catalyst to the prospective economic progress of Pakistan to develop infrastructure base and strengthen the economy through the development of a network of transportation i.e. land and rail network, completion of energy projects to meet the country's requirement. Also, the construction of the economic zone is another input to the economic development of Baluchistan. CPEC is evidence of the long term friendship between "China and Pakistan". It is a collection of around 75 infrastructure projects in areas of energy, infrastructure, mass transit, economic zone, and social sector that worth around the US 62 billion dollars.

Conceptual Framework

Law order condition has been observed with a positive role indeterminate of the soundness of economic conditions and confidence level of the business community along with business operations hence observed with its implication on business success (Rehman, 2016). It has also been observed with its implication on business feasibility along with exploration of future investment projection along with significant positioning of the financial sector to facilitate this gap hence observed with a positive correlation of positive law and order conditions with financial development (Khatun & Ahamad, 2015).

Research Methodology

Sample Selection

This study has proceeded with the selection of a sample from the population of Baluchistan that is around 5.94 percent of Pakistan with a population size of approximately 1.77 million while the geographic coverage of the country is compared to the rest of the province of the country. This reveals that the population density of the country is very low hence it is not possible to easily access different parts of the province. Furthermore, the urbanization rate is also very low in the province with high poverty and development level as compare to the rest of the provinces these all factors have significantly contributed to the selection of sampling method that is a convenience sampling technique keeping in



KASBIT Business Journal, 13(1), 73-91, September 2020

consideration surrounding factors as discussed above. Similarly, the time constraint associated with the current investigation also reflects the selection of criteria and makes the data collection process flexible to support the data collection process. Furthermore, it is also supportive to work with data collection in light of limited financial and human resources hence convenience sampling has also found supportive to address these constraints.

Data Analysis Technique

This study has been adopted with descriptive statistical investigation analysis along with multivariate regression analysis. Descriptive statistical analysis has been observed with the expression of mode, median, and standard deviation of responses collected along with graphical representation. This helps to understand the behavior of the data set. Before all these primary collected responses are applied with a reliability test to determine the authenticity and genuineness of collected primary responses. In this context, Cronbach's alpha was applied to the collected information. The standard value for this test was 0.6. The value of primary information was found greater than this, it has found the fulfillment of requirement and proceeded with the application of further statistical techniques otherwise improved with further responses collection. Also, the regression model has applied using statistical software proves the influence of the independent variable on the dependent variable with their marginal impact along with the interpretation of statistical behavior. Furthermore, hypotheses are tested at a five percent level of significance to accept or reject the hypotheses.

Correlation Analysis

The correlation analysis of different questions to respondents is also investigated. The correlation of question "Road construction in Balochistan has significantly reduced travel time" is found correlated with the questions "Energy projects in Balochistan positively addressing energy demand for the province" on ten percent "with a significance value of 0.069" and having "value of Pearson correlation of 0.139". This reveals a weak association. The correlation of question "Road construction in Balochistan has significantly reduced travel time" is found not correlated with the questions "Gwadar Port has increased trade opportunities for the province" at event ten percent "with a significance value of 0.200" and having "value of Pearson correlation of 0.098". The correlation of question "Road construction in Balochistan has significantly reduced travel time" is found not correlated with the questions "Pak China business integrations are gaining strength in the structural development of the province" at event 10 % "with a significance value of 0.272" and having "value of Pearson correlation of 0.084". The correlation of question "Road construction in Balochistan has significantly reduced travel time" is found not correlated with the questions "Chinese investors are gaining interest in exploring other potential segments of the province" at event 10 % "with a significance value of 0.231" and having "value of Pearson correlation of 0.092".

The correlation of question "Road construction in Balochistan has significantly reduced travel time" is found not correlated with the questions "Health sector in Balochistan is reporting with the construction of hospital and positive measures" at event 10 % "with a significance value of 0.146" and having "value of Pearson correlation of 0.111". The correlation of question "Road construction in Balochistan has significantly reduced travel



KASBIT Business Journal, 13(1), 73-91, September 2020

time” is found correlated with the questions “Education sector within the province has also reported with the opening of universities, schooling, and higher education facilities.” at 5 % “with a significance value of 0.012” and having “value of Pearson correlation of 0.190”. The correlation of question “Road construction in Balochistan has significantly reduced travel time” is found not correlated with the questions “Housing schemes in Balochistan getting popularity and investment from domestic/ foreign channel is inflowing” at even at 10 % “with a significance value of 0.129” and having “value of Pearson correlation of 0.116”. The correlation of question “Road construction in Balochistan has significantly reduced travel time” is found not correlated with the questions “Migration of people from rural toward urban areas within the province is increasing” at even at 10 % “with a significance value of 0.109” and having “value of Pearson correlation of 0.123”. The correlation of question “Road construction in Balochistan has significantly reduced travel time” is found not correlated with the questions “Private and small investors have also gained with increased interest within the province” at even at 10 % “with a significance value of 0.202” and having “value of Pearson correlation of 0.098”.

The correlation of question “Road construction in Balochistan has significantly reduced travel time” is found not correlated with the questions “Industrial projects within the provinces are in progress from both domestic and foreign investors” at even at 10 % “with a significance value of 0.302” and having “value of Pearson correlation of 0.079”. The correlation of question “Road construction in Balochistan has significantly reduced travel time” is found correlated with the questions “Special privileges to investors in the manufacturing sector has been contributing in its development within the province” at 10 % “with a significance value of 0.093” and having “value of Pearson correlation of 0.129”. The correlation of question “Road construction in Balochistan has significantly reduced travel time” is found correlated with the questions “Exhibitions and events are taking with positive trends to attract the attention of foreign investors toward industrial projects” at 10 % “with a significance value of 0.082” and having “value of Pearson correlation of 0.133”. The correlation of question “Road construction in Balochistan has significantly reduced travel time” is found correlated with the questions “Industrial migration has observed from other provinces of the country within Balochistan” at 10 % “with a significance value of 0.069” and having “value of Pearson correlation of 0.139”. The correlation of question “Road construction in Balochistan has significantly reduced travel time” is found correlated with the questions “Political actions are in favor of with property policy reforms toward manufacturing sector development” at 5 % “with a significance value of 0.009” and having “value of Pearson correlation of 0.199”.

The correlation of question “Road construction in Balochistan has significantly reduced travel time” is found correlated with the questions “water resource development programs within the province are moving successfully at 5 % “with a significance value of 0.000” and having “value of Pearson correlation of 0.263”. The correlation of question “Road construction in Balochistan has significantly reduced travel time” is found not correlated with the questions “Research and technological efforts within the province are accelerating in the agriculture sector” are moving successfully at 5 % “with a significance value of 0.668” and having “value of Pearson correlation of 0.033”. The correlation of question “Road construction in Balochistan has significantly reduced travel time” is found not correlated with the questions “Govt. the sector has found with relief programs for the



KASBIT Business Journal, 13(1), 73-91, September 2020

agriculture sector in Balochistan” at even 10 % “with a significance value of 0.714” and having “value of Pearson correlation of 0.028”.

The correlation of question “Road construction in Balochistan has significantly reduced travel time” is found not correlated with the questions “Farmers in Balochistan are provided with the program to upgrade their activities” at even 10 % “with a significance value of 0.360” and having “value of Pearson correlation of 0.070”. The correlation of question “Road construction in Balochistan has significantly reduced travel time” is found correlated with the questions “Security measures within the province are upgraded” at 5 % “with a significance value of 0.014” and having “value of Pearson correlation of 0.186”.

The correlation of question “Road construction in Balochistan has significantly reduced travel time” is found not correlated with the questions “Killing, snatching and other illegal activities within the province are improved” at even 10 % “with a significance value of 0.687” and having “value of Pearson correlation of 0.031”. The correlation of question “Road construction in Balochistan has significantly reduced travel time” is found not correlated with the questions “Strikes and other business disturbing activities within the province have declined” at even 10 % “with a significance value of 0.955” and having “value of Pearson correlation of 0.004”. The correlation of question “Road construction in Balochistan has significantly reduced travel time” is found not correlated with the questions “Trust of people both within and outside provinces on doing business in Balochistan has improved” at even 10 %” and having “value of Pearson correlation of 0.025”.

The correlation of question “Road construction in Balochistan has significantly reduced travel time” is found not correlated with the questions “Govt. has observed with serious measures to improve cross-province relations” at even 10 % “with a significance value of 0.125” and having “value of Pearson correlation of 0.117”. The correlation of question “Road construction in Balochistan has significantly reduced travel time” is found correlated with the questions “Banking industry of Pakistan started to expand their network in Balochistan” at 10 % “with a significance value of 0.067” and having “value of Pearson correlation of 0.140”. The correlation of question “Road construction in Balochistan has significantly reduced travel time” is found correlated with the questions “Banking industry of Pakistan has started with product offer and service for people in Balochistan” at 5 % “with a significance value of 0.025” and having “value of Pearson correlation of 0.171”. The correlation of question “Road construction in Balochistan has significantly reduced travel time” is found not correlated with the questions “Branchless banking practices, agent network, and mobile banking is increasing among people in Balochistan” at even 10 % “with a significance value of 0.146” and having “value of Pearson correlation of 0.111”. The correlation of question “Road construction in Balochistan has significantly reduced travel time” is found not correlated with the questions “State Bank of Pakistan has observed with recent financial inclusion measure supportively for the people of Balochistan” at even 10 % “with a significance value of 0.884” and having “value of Pearson correlation of 0.011”. The correlation of question “Road construction in Balochistan has significantly reduced travel time” is found correlated with the questions “Education toward banking functions in Balochistan are also gaining speed” at even 5 % “with a significance value of 0.000” and having “value of Pearson correlation of 0.297”.

The correlation of question “Energy projects in Balochistan positively addressing energy demand for the province” is found correlated with the questions “Gwadar Port has



KASBIT Business Journal, 13(1), 73-91, September 2020

increased trade opportunities for the province” at even 5 % “with a significance value of 0.000” and having “value of Pearson correlation of 0.420”. The correlation of question “Energy projects in Balochistan positively addressing energy demand for the province” is found correlated with the questions “Pak China business integrations are gaining strength in the structural development of the province” at even 5 % “with a significance value of 0.000” and having “value of Pearson correlation of 0.275”. The correlation of question “Energy projects in Balochistan positively addressing energy demand for the province” is found correlated with the questions “Chinese investors are gaining interest in exploring other potential segments of the province” at even 5 % “with a significance value of 0.000” and having “value of Pearson correlation of 0.224”.

The correlation of question “Energy projects in Balochistan positively addressing energy demand for the province” is found correlated with the questions “Health sector in Balochistan is reporting with the construction of hospital and positive measures” at even 5 % “with a significance value of 0.004” and having “value of Pearson correlation of 0.220”. The correlation of question “Energy projects in Balochistan positively addressing energy demand for the province” is found not correlated with the questions “Education sector within the province has also reported with the opening of universities, schooling, and higher education facilities” at even 10 % “with a significance value of 0.120” and having “value of Pearson correlation of 0.119”. The correlation of question “Energy projects in Balochistan positively addressing energy demand for the province” is found not correlated with the questions “Housing schemes in Balochistan getting popularity and investment from domestic/ foreign channel is inflowing” at even 10 % “with a significance value of 0.168” and having “value of Pearson correlation of 0.106”. The correlation of question “Energy projects in Balochistan positively addressing energy demand for the province” is found not correlated with the questions “Migration of people from rural toward urban areas within the province is increasing” at even 10 % “with a significance value of 0.252” and having “value of Pearson correlation of 0.088”. The correlation of question “Energy projects in Balochistan positively addressing energy demand for the province” is found not correlated with the questions “Private and small investors have also gained with increased interest within the province” at even 10 % “with a significance value of 0.000” and having “value of Pearson correlation of 0.280”. The correlation of question “Energy projects in Balochistan positively addressing energy demand for the province” is found correlated with the questions “Industrial projects within the provinces are in progress from both domestic and foreign investors” at 5 % “with a significance value of 0.000” and having “value of Pearson correlation of 0.311”. The correlation of question “Energy projects in Balochistan positively addressing energy demand for the province” is found correlated with the questions “Special privileges to investors in the manufacturing sector has been contributing in its development within the province” at 5 % “with a significance value of 0.003” and having “value of Pearson correlation of 0.225”.

The correlation of question “Energy projects in Balochistan positively addressing energy demand for the province” is found not correlated with the questions “Exhibitions and events are taking with positive trends to attract the attention of foreign investors toward industrial projects” at 5 % “with a significance value of 0.834” and having “value of Pearson correlation of 0.016”. The correlation of question “Energy projects in Balochistan positively addressing energy demand for the province” is found correlated with the questions “Industrial migration has observed from other provinces of the country within



KASBIT Business Journal, 13(1), 73-91, September 2020

Balochistan” at 5 % “with a significance value of 0.000” and having “value of Pearson correlation of 0.301”. The correlation of question “Energy projects in Balochistan positively addressing energy demand for the province” is found correlated with the questions “Political actions are in favor of with property policy reforms toward manufacturing sector development” at 5 % “with a significance value of 0.002” and having “value of Pearson correlation of 0.237”. The correlation of question “Energy projects in Balochistan positively addressing energy demand for the province” is found correlated with the questions “water resource development programs within the province are moving successfully” at 5 % “with a significance value of 0.001” and having “value of Pearson correlation of 0.248”.

The correlation of question “Energy projects in Balochistan positively addressing energy demand for the province” is found not correlated with the questions “research and technological efforts within the province are accelerating in the agriculture sector” at 5 % “with a significance value of 0.185” and having “value of Pearson correlation of 0.101”. The correlation of question “Energy projects in Balochistan positively addressing energy demand for the province” is found correlated with the questions “govt. sector has found with relief programs for the agriculture sector in Balochistan” at 5 % “with a significance value of 0.008” and having “value of Pearson correlation of 0.201”. The correlation of question “Energy projects in Balochistan positively addressing energy demand for the province” is found correlated with the questions “agriculture sector in Balochistan are provided with access to funds to promote business” at 5 % “with a significance value of 0.000” and having “value of Pearson correlation of 0.295”.

The correlation of question “Energy projects in Balochistan positively addressing energy demand for the province” is found correlated with the questions “farmers in Balochistan are provided with the program to upgrade their activities.” at 5 % “with a significance value of 0.003” and having “value of Pearson correlation of 0.223”. The correlation of question “Energy projects in Balochistan positively addressing energy demand for the province” is found not correlated with the questions “Security measures within the province are upgraded” at even 10 % “with a significance value of 0.633” and having “value of Pearson correlation of 0.037”. The correlation of question “Energy projects in Balochistan positively addressing energy demand for the province” is found correlated with the questions “Killing, snatching and other illegal activities within the province are improved” at 10 % “with a significance value of 0.075” and having “value of Pearson correlation of 0.136”.

The correlation of question “Energy projects in Balochistan positively addressing energy demand for the province” is found not correlated with the questions “Strikes and other business disturbing activities within the province have declined” at 10 % “with a significance value of 0.856” and having “value of Pearson correlation of 0.014”. The correlation of question “Energy projects in Balochistan positively addressing energy demand for the province” is found not correlated with the questions “Trust of people both within and outside provinces on doing business in Balochistan has improved” at 10 % “with a significance value of 0.201” and having “value of Pearson correlation of 0.098”. The correlation of question “Energy projects in Balochistan positively addressing energy demand for the province” is found correlated with the questions “govt. has observed with serious measures to improve cross-province relations” at 5 % “with a significance value of 0.028” and having “value of Pearson correlation of 0.168”. The correlation of question



KASBIT Business Journal, 13(1), 73-91, September 2020

“Energy projects in Balochistan positively addressing energy demand for the province” is found not correlated with the questions “Banking industry of Pakistan started to expand their network in Balochistan” at even 10 % “with a significance value of 0.950” and having “value of Pearson correlation of 0.005”.

The correlation of question “Energy projects in Balochistan positively addressing energy demand for the province” is found not correlated with the questions “Banking industry of Pakistan has started with product offer and service for people in Balochistan” at even 10 % “with a significance value of 0.161” and having “value of Pearson correlation of 0.107”. The correlation of question “Energy projects in Balochistan positively addressing energy demand for the province” is found not correlated with the questions “Branchless banking practices, agent network, and mobile banking, is increasing among people in Balochistan” at even 10 % “with a significance value of 0.709” and having “value of Pearson correlation of 0.029”. The correlation of question “Energy projects in Balochistan positively addressing energy demand for the province” is found not correlated with the questions “State Bank of Pakistan has observed with recent financial inclusion measure supportively for the people of Balochistan” at even 10 % “with a significance value of 0.161” and having “value of Pearson correlation of 0.107”. The correlation of question “Energy projects in Balochistan positively addressing energy demand for the province” is found not correlated with the questions “Education toward banking functions in Balochistan are also gaining speed” at even 10 % “with a significance value of 0.309” and having “value of Pearson correlation of 0.078”.

Regression Analysis

Concerning the regression level, the current investigation has been observed with a level of significance of 0.000 at a 5 % level of significance hence the model was accepted for further interpretation. Also, the value of F-statistics was greater than 5 i.e. 12.125 hence also support the acceptance level of the model further interpretation.

Table 1: Regression Model (ANOVA)

ANOVA ^a						
Model		Sum of Squares	d.f.	Mean Square	F	Sig.
1	Regression	21.195	5	4.239	12.125	0.000 ^b
	Residual	58.032	166	0.350		
	Total	79.227	171			
a. Dependent Variable: Section F: Financial Development in Baluchistan						
b. Predictors: (Constant), Section E: Law & Order Condition, Section C: Industrial development, Section B: Urbanization, Section D: Agricultural development, Section A: Infrastructure Development						

This regression model is also observed with an r square value of 0.517 that reveals that selected variables in the present model including law and order condition, industrial



KASBIT Business Journal, 13(1), 73-91, September 2020

development, urbanization, agricultural development, and infrastructure development reported with a collective influence on financial development around 51.7 percent that is moderate.

Table 2: Regression Model (Model Summary)

Model Summary				
Model	R	R Square	Adjusted R Square	Std. The error of the Estimate
1	,517 ^a	,268	,245	,59126
a. Predictors: (Constant), Section E: Law & Order Condition, Section C: Industrial development, Section B: Urbanization, Section D: Agricultural development, Section A: Infrastructure Development				

The coefficient matrix for the current investigation was observed with significant influence of urbanization and law and order condition in the determination of financial development in the province at 5 % “with a significance value of 0.008 and 0.001” respectively. In contrast, infrastructure development, agricultural development, and industrial development are not observed significant at 5 % “with a significance value of 0.235, 0.211 and 0.309” respectively.

Table 3: Regression Model (Coefficient Matrix)

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.572	0.292		1.962	0.051
	Mass Transit	0.105	0.088	0.098	1.192	0.235
	Urbanization	0.240	0.089	0.214	2.699	0.008
	Industrial development	0.113	0.090	0.101	1.255	0.211
	Agricultural development	0.084	0.082	0.080	1.021	0.309
	Law & Order Condition	0.264	0.076	0.250	3.472	0.001
a. Dependent Variable: Section F: Financial Development in Baluchistan						



KASBIT Business Journal, 13(1), 73-91, September 2020

The individual regression result shows that Mass Transit has a Beta value of 0.572 but the P-value is 0.051 which is higher than 0.005, thus it cannot be considered as significant and the Hypothesis is rejected; Urbanization has the value of Beta 0.240 and the P-value is 0.008 which is less than 0.005, thus it is considered as significant and the Hypothesis is accepted; Industrial Development has a value of Beta 0.113 but the P-value is 0.211 which is higher than 0.005, thus it cannot be considered as significant and the Hypothesis is rejected; Agricultural development has the value of Beta 0.084 but the P-value is 0.309 which is higher than 0.005, thus it cannot be considered as significant and the Hypothesis is rejected; at last, Law and order condition has a value of Beta 0.264 and the P-value is 0.001 which is less than 0.005, thus it is considered as significant and the Hypothesis is accepted. The individual regressed table shows that the situation of law and order has a slightly greater impact on financial development than that of urbanization.

Hypotheses Summary

The summary of hypotheses summary for the current investigation are as follow:

Table : Hypotheses Summary

Hypotheses	Sig. Value	Comments
H1: There is a significant impact of law and order conditions of financial development in Baluchistan in Pakistan.	0.001	Hypothesis accepted
H2: There is a significant impact of mass transit development on financial development in Baluchistan in Pakistan.	0.235	Hypothesis rejected
H3: There is a significant impact of urbanization on financial development in Baluchistan in Pakistan.	0.008	Hypothesis accepted
H4: There is a significant impact of the industrial development of financial development in Baluchistan in Pakistan.	0.211	Hypothesis rejected
H5: There is a significant impact of agricultural development on financial development in Baluchistan in Pakistan.	0.309	Hypothesis rejected

Discussion Conclusion & Recommendations

Discussion

This study revealed with acceptance of the model in explanation of the financial development of the country using variables such as infrastructure development, urbanization, industrial development, agricultural development, and law and order conditions in the determination of financial development. It has been observed through this investigation that there is a significant role of law and order condition and urbanization in the determination of the financial development of the country. It has been observed through the coefficient matrix there is a positive role of urbanization and law and order condition



KASBIT Business Journal, 13(1), 73-91, September 2020

in the determination of financial development. Law and order condition has observed relatively with more significant impact as compare to urbanization.

Similarly, the process of urbanization is getting appreciation in Baluchistan province with the economic and infrastructure development process in the response of CPEC although but required with a significant level of improvement. It is because water is the major issue for the country and is required with attention toward its improvement. Although the province has some seasonal rivers which are “Nihing River and Kech River” with a flow of 350 thousand cusecs and 700 thousand of cusec water in the season of rain but reported with no significant number or capacity of associated dams to ensure its storage to facilitate the population of the province. It has been reported that the construction of dams to the province is in the phase of development and the future significantly observes with its input in its progression toward urbanization.

Conclusion

This study was conducted to determine the impact of CPEC initiatives in the determination of financial development in the province. This study selected Baluchistan province for investigation for the current study through access accessible areas of the province including Gwadar, Kech, and Quetta specific discussion with an educated population with interaction with this mega collaboration of projects using a convenience sampling technique. Also, the regression model has been constructed for the investigation and selection of descriptive statistics, graphical analysis, and multivariate regression techniques in the determination of the impact of law and order condition, infrastructure development, agricultural development, and urbanization in the determination of financial development of the province in light of CPEC. It has been found that there is a positive and significant role of urbanization and law and order conditions in the determination of financial development in the province. It has also been found that the marginal impact of law and order condition is relatively more significant as compare to urbanization.

Recommendations

The research recommendations are based on the conclusion and findings of the study which is as follow

- Public sector bodies need to understand the importance of urbanization and law and order conditions in the determination of financial development of the province and input with necessary measures to improve these factors for better financial practices within the province.
- It is also necessary for banking firms to start with a cost-effective structure within the province to provide inhabitants of the province with financial access and input in their business activities with an increased level of financial interaction in the form of branchless banking practices.
- It is also good for the province with the injection of private-sector security bodies along with private and public sector collaboration to improve the security conditions of the province.
- It is also required to attract the private sector with the creation of employment opportunities to the province with employment opportunities to inhabitants to bring



happiness in their lives that ultimately input with a positive trend in lives and increasing scope of the financial sector.

References

- Abdullah, A., Shah, T., Asad Ali, A., & Waseem Siraj, W. (2015). The Effect of Foreign Direct Investment on Economic Growth of Pakistan. *American-Eurasian Journal of Agricultural & Environmental Sciences*, 15(11), 2130-2135.
- Abdul Hadi, A. R., Zafar, S., Iqbal, T., Zafar, Z., & Iqbal Hussain, H. (2018). Analyzing Sectorial Level Determinants of Inward Foreign Direct Investment (FDI) In ASEAN. *Polish Journal of Management Studies*, 17(2), 7-17
- Abdouli, M., & Hammami, S. (2017). Investigating the Causality Links between Environmental Quality, Foreign Direct Investment, and Economic Growth in MENA Countries. *International Business Review*, 26(2), 264-278.
- Abid, M., & Ashfaq, A. (2015). CPEC: Challenges and Opportunities for Pakistan. *Journal of Pakistan Vision*, 16(2), 142-169.
- Abidin, I. S. Z., Haseeb, M., Azam, M., & Islam, R. (2015). Foreign Direct Investment, Financial Development, International Trade, and Energy Consumption: Panel Data Evidence from Selected ASEAN Countries. *International Journal of Energy Economics and Policy*, 5(3), 841-850.
- Afzal, S., & Naseem, A. (2018). China Pakistan Economic Corridor (CPEC): Challenges and Prospects. *Pakistan Administrative Review*, 2(1), 209-222.
- Ahmad, R., & Hong, M. (2017). China-Pakistan Economic Corridor And its Social Implication For Pakistan: How Will CPEC Boost Pakistan's Infrastructures And Overcome The Challenges? *Arts and Social Sciences Journal*, 2, 147-154
- Ahmed, M. (2017). China Pakistan Economic Corridor: The Economic Implications for Baluchistan. *Regional Studies*, 35(2), 90-113.
- Ahmed, M. (2018). The Economics and Politics of China-Pakistan Economic Corridor and Baluchistan. *Regional Studies*, 36(4), 70-111.
- Ahmed, M., & Baloch, A. (2017). The Political Economy of Development: A Critical Assessment of Baluchistan, Pakistan. *International Journal of Academic Research in Business and Social Sciences*, 76, 1026-1045
- Ahmed, Z. S. (2019). Impact of the China-Pakistan Economic Corridor on Nation-Building in Pakistan. *Journal of Contemporary China*, 28(117), 400-414.
- Akbar, M., & Akbar, A. (2015). An Empirical Analysis of Foreign Direct Investment in Pakistan. *Studies in Business and Economics*, 10(1), 5-15.



KASBIT Business Journal, 13(1), 73-91, September 2020

- Alam, M. S., Raza, S. A., Shahbaz, M., & Abbas, Q. (2016). Accounting for Contribution of Trade Openness and Foreign Direct Investment in Life Expectancy: The Long-Run and Short-Run Analysis in Pakistan. *Social Indicators Research*, 129(3), 1155-1170.
- Alfaro, L., & Johnson, M. S. (2012). *Foreign Direct Investment and Growth*. The Evidence and Impact of Financial Globalization (Pp. 299-309).
- Ali, Y., Rasheed, Z., Muhammad, N., & Yousaf, S. (2018). Energy Optimization in the Wake of China Pakistan Economic Corridor (CPEC). *Journal of Control and Decision*, 5(2), 129-147.
- Ali, M., & Malik, I. R. (2017). Impact of Foreign Direct Investment on Economic Growth of Pakistan. *Foundation University Journal of Business & Economics*, 3(2), 1-35
- Bakhsh, K., Rose, S., Ali, M. F., Ahmad, N., & Shahbaz, M. (2017). Economic Growth, CO2 Emissions, Renewable Waste, and FDI Relation in Pakistan: New Evidences from 3SLS. *Journal of Environmental Management*, 196, 627-632.
- Baloch, M. H., Khowaja, I. A., & Lohana, K. (2019). Effect of China–Pakistan Economic Relations to the Economic Growth of Balochistan: A Case Study of Gwadar Port. *Grassroots*, 52(1), 43-62
- Bayar, Y., & Gavriletea, M. D. (2018). Foreign Direct Investment Inflows and Financial Development in Central and Eastern European Union Countries: A Panel Integration and Causality. *International Journal of Financial Studies*, 6(2), 1-13.
- Borensztein, E., De Gregorio, J., & Lee, J. W. (1998). How Does Foreign Direct Investment Affect Economic Growth? *Journal of International Economics*, 45(1), 115-135.
- Butt, S., & Hashmi, R. S. (2019). Economic Aspect of Conflict Transformation in Balochistan (2001-2008). *South Asian Studies* (1026-678x), 34(1).
- Choong, C. K., & Lim, K. P. (2009). Foreign Direct Investment, Financial Development, and Economic Growth: The Case of Malaysia. *Macroeconomics and Finance in Emerging Market Economies*, 2(1), 13-30.
- Durham, J. B. (2004). Absorptive Capacity and The Effects Of Foreign Direct Investment And Equity Foreign Portfolio Investment On Economic Growth. *European Economic Review*, 48(2), 285-306.
- Esteban, M. (2016). The China-Pakistan Corridor: A Transit, Economic, or Development Corridor. *Strategic Studies*, 36(2), 63-74.
- Hermes, N., & Lensink, R. (2003). Foreign Direct Investment, Financial Development, and Economic Growth. *The Journal of Development Studies*, 40(1), 142-163.



KASBIT Business Journal, 13(1), 73-91, September 2020

- Ibrahiem, D. M. (2015). Renewable Electricity Consumption, Foreign Direct Investment, and Economic Growth In Egypt: An ARDL Approach. *Procardia Economics and Finance, 30*, 313-323.
- Javaid, W. (2016). *Impact Of Foreign Direct Investment On Economic Growth Of Pakistan-An ARDL-ECM Approach*. Retrieved: <https://www.academia.edu/download/53250820/FULLTEXT01.pdf>
- Jawaid, S. T., Raza, S. A., Mustafa, K., & Karim, M. Z. A. (2016). Does Inward Foreign Direct Investment Lead Export Performance In Pakistan?. *Global Business Review, 17(6)*, 1296-1313.
- Khan, H. U., & Ullah, S. (2017). Balochistan; Ethno-Nationalism and Economic Underdevelopment. *Journal of the Research Society of Pakistan, 54(2)*, 67-77
- Khan, M., Lee, H. Y., & Bae, J. H. (2018). Inward Foreign Direct Investment: A Case Study of Pakistan. *Mediterranean Journal of Social Sciences, 9(5)*, 63.
- Khan, I., Mughal, M., Ahmed, J., & Cai, H. (2017). Home and Host Country Determinants of Financial Investment Flows to Pakistan. *Economics Bulletin, 37(1)*, 361-376.
- Khatun, F., & Ahamad, M. (2015). Foreign Direct Investment in the Energy and Power Sector in Bangladesh: Implications for Economic Growth. *Renewable and Sustainable Energy Reviews, 52*, 1369-1377.
- Komal, R., & Abbas, F. (2015). Linking Financial Development, Economic Growth, and Energy Consumption in Pakistan. *Renewable and Sustainable Energy Reviews, 44*, 211-220.
- Loungani, P., & Razin, A. (2001). How Beneficial Is Foreign Direct Investment For Developing Countries? *Finance and Development, 38(2)*, 6-9.
- Malik, K. (2015). Impact of Foreign Direct Investment on Economic Growth of Pakistan. *American Journal of Business and Management, 4(4)*, 190-202.
- Markey, D. S., & West, J. (2016). Behind China's Gambit in Pakistan. *Council on Foreign Relations, 5(1)*, 31
- Omran, M., & Bolbol, A. (2003). Foreign Direct Investment, Financial Development, and Economic Growth: Evidence from the Arab Countries. *Review of Middle East Economics and Finance, 1(3)*, 231-249.
- Qazi, W., Sharif, A., & Raza, S. A. (2017). Foreign Direct Investment and Higher Education Development in Pakistan: Evidence from Structural Break Testing. *International Journal of Education Economics and Development, 8(1)*, 1-21.



KASBIT Business Journal, 13(1), 73-91, September 2020

- Raza, S. A. (2015). Foreign Direct Investment, Workers' Remittances, and Private Saving In Pakistan: An ARDL Bound Testing Approach. *Journal of Business Economics and Management*, 16(6), 1216-1234.
- Rehman, N. U. (2016). FDI and Economic Growth: Empirical Evidence from Pakistan. *Journal of Economic and Administrative Sciences*, 32(1), 63-76.
- Shapiee, R., & Idrees, R. Q. (2017). China Pakistan Economic Corridor (CPEC); Most Valuable Dream For Pakistan Through Economic Integration In The Region But May Not Become True Without Upgradation Of Physical Infrastructure And Legal System. *Beijing L. Rev.*, 8, 481.
- Shah, S., Valasai, G., Memon, A., Laghari, A., Jalbani, N., & Strait, J. (2018). Techno-Economic Analysis of Solar Pv Electricity Supply To Rural Areas Of Balochistan, Pakistan. *Energies*, 11(7), 1777.
- Shah, M. H., & Faiz, M. (2015). Terrorism and Foreign Direct Investment: An Empirical Analysis of SAARC Countries. *City University Research Journal*, 5(2) 219-233
- Shah, S. H., Ahmad, M. H., & Ahmed, Q. M. (2016). The Nexus between Sectoral FDI and Institutional Quality: Empirical Evidence from Pakistan. *Applied Economics*, 48(17), 1591-1601.
- Shafique, S., & Hussain, Z. (2015). *The Impact of Foreign Direct Investment (FDI) On Economic Growth*. Retrieved: https://mpra.ub.uni-muenchen.de/66337/1/MPRA_paper_66337.pdf
- Shah, S., Valasai, G., Memon, A., Laghari, A., Jalbani, N., & Strait, J. (2018). Techno-economic analysis of solar PV electricity supply to rural areas of Baluchistan. *Pakistan. Energies*, 11(7), 1777.
- Siddique, H. M. A., Ansar, R., Naeem, M. M., & Yaqoob, S. (2017). Impact Of FDI On Economic Growth: Evidence From Pakistan. *Bulletin of Business and Economics*, 6(3), 111-116.
- Siddique, H. M. A., Ullah, K., & Haq, I. U. (2017). External Debt and Economic Growth Nexus in Pakistan. *International Journal of Economics and Empirical Research*, 5(2), 73-77.
- Tahir, M., Khan, I., & Shah, A. M. (2015). Foreign Remittances, Foreign Direct Investment, Foreign Imports, and Economic Growth in Pakistan: A Time Series Analysis. *Arab Economic and Business Journal*, 10(2), 82-89.