The Impact of Political Instability on Economic Growth in Pakistan

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Abstract
This research examines the key goals relationship between political instability and economic development, and how does political instability affect GDP and growth in the country? To this end, we have selected four variables for calculating their effect on Gross Domestic Product (GDP), such as political uncertainty, inflation rate, unemployment and public debt. We have used time - series data of 10 years (from 2010 to 2019). to draw the findings and analyze them through SPSS software. We have applied the techniques of Multiple Regression, ANOVA, Pearson and Correlation for data analysis. Our result shows that debt and index growth rates are closely, correlated, while unemployment and inflation are negatively correlated. We must therefore accept our first and third hypothesis while denying, the second hypothesis, which indicates that GDP has a positive association with unemployment.
Keywords: Gross Domestic Product; Inflation Rate; Political Instability; Public Debt; Unemployment.

1. Introduction

Political stability is a fundamental concept in ensuring economic growth. Many researcher have been completed their studies on political stability and economic growth. Political stability is necessary in Pakistan in order to produce a high tax-to-GDP ratio. The majority of them have shown a positive relationship between them. This study investigates the main objectives relationship between political instability and economic growth, as well as how political instability affects the country's GDP and growth. To that purpose, we have chosen four variables to calculate their effect on GDP: political instability, inflation rate, unemployment, and public debt.

Political unrest, therefore, has been explained in three different conducts. The initial move is the tendency of the administration or the supervision to modify. The next and second move is to keep an eye on the occurrence of political unrest or hostility in the community, such as murder. The last and third one move is to keep the focus on fiscal development because it is affected by instability (Javed and Mamoon 2017). Moreover, it has been mentioned that state uncertainty, the inefficiency of a political party, and low political culture have generated political uncertainties. It has become the reason for slowing down developing regions' economies or leading the countries towards instability. Political instability has emerged as a significant issue for some specific countries. Especially, third-world countries are more vulnerable due to this issue(Memon and Memon 2011).

The political climate of the country has become unpredictable due to political uncertainty. It will / may reduce the level of investment, political instability, thereby affecting the GDP of the country. This situation creates unstable economic conditions, generating higher risks, and transforms into low investment.

It has been observed throughout the entire period that political instability has lead to higher inflation levels. In contrast, the altitude of public debt in the country has reduced its growth cycle and the pace of economic growth. Inflation is one of the key sources of uncertainty in politics.

The high rate of inflation leaves the nation uncertain about potential investments. The circumstances have led to conservative investment strategies, which culminated in political instability as a result. Inflation has numerous consequences for the political situation. By limiting exports, it has reduced the country's production. Inflation is making exports more costly for a country, especially in the case of Pakistan. It has affected the tax system, too (Sallahuddin and Awan 2017).

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The relationship between development and escalation in the economy contrary relies on the fiscal situation. The high inflation rate correlates with incoherent growth costs, which may contribute to the inability to foresee the investment projects' anticipated results. Does it illustrate how to construct decisions on daily investments? That will ultimately lead to a decline in spending and economic growth. Inflation also makes export prices high and thereby influences the balance of payments of the economy. Furthermore, inflation, along with the tax system, will weaken the decision to lend. Under inflationary impact, companies may need to assign more property to companies(Sultan and Shah 2014).

Unemployment is a big problem for politicians in developing as well as developed countries. The financial crisis of 2007 has caused heavy losses, and around 34 million people had lost their jobs worldwide. Following that, unemployment increased from 73.5 million in 2007 to 77.7 million in 2010, and mainly the adultery people had affected. It has been reported in the global recession (ILO, 2011). Therefore, the extent of unemployment and poverty reduction services has been severely affected since 2010. However, the unemployment rate declined(Cheema, A R 2014).

Unemployment takes place when there is limited employment or no jobs available for workers. It causes poverty, and poverty has become a crucial issue for the entire world. It is a common concern for developed and undeveloped countries. Whenever, external rigidity has been imposed on the labor market, according to neoclassical economics. This reason paves the way to the unemployment in the economy and poverty results that leads a sluggish economic growth. (Imran Hunjra, Ali Raza, and Usman Asif 2013)

Additionally, It has been described in the theory, Keynesian economics; suggests that unemployment is due to business failure and weak demand for goods and services. An official report of the IMF in 2008 that explains, "The ratio of the unemployed has accounted on an annual basis and the percentage-ratio of the demography which cannot find a job. The International Labor Organization in 2001 described unemployment as one of the following situations: unemployment, or need jobs, and start to search for it in the last four weeks, or are unemployed at or over the age of 16, but can join the job within the next two weeks. Individuals who refuse or do not want to work low-paid jobs such as full-time students, seniors, and children, are not included in unemployment. Involuntary unemployment applies to workers' dismissal because of economic recession, industrial downturn, dissolution of businesses, or reorganization of organizations(Arslan and Zaman 2014).The part of overall debt particularly contained in government revenue has counted as public debt. Public debt is a state debt calculation. This includes debts denominated in foreign currencies. It includes domestic debt and international debt. Each of those debts has its advantages and disadvantages, and the expenses of borrowing have to balance against different risks to guarantee sufficient as well as keeping the time frame in mind, that these funds are gainful. Pakistan's debt dynamics have experienced significant changes over the last few years.

The reason is simple, why does public debt accumulate? A clear answer is that the economic imbalances and weak balance of payments cause the debts. The composition of public debt has undergone substantial changes due to the failure to raise adequate funds from foreign sources. Reliability on the domestic debt is on the rise. The critical component of the internal debts themselves has changed from the domination of debt derived without any particular fund to enhance dependency on short-term floating debt, which has resulted in a decline in public debt maturities (Pakistan survey 2015 2016).

This paper has attempted to accumulate the relationship between political weakness and economic progress and the causes of political instability and how do inflation, unemployment, and public debt affect the country's GDP? Most of the studies have investigated that there is an indirect impact of political instability, inflation, foreign borrowings, and unemployment on economic growth. However, contrary to the previous discussions, this research emphasis on political instability's influence is on all the other aspects of the economy, and all these factors are directly impacting economic growth.

1.1 Main objectives

I. To analyze the influence of public debt on GDP in Pakistan.

II. To find out the impact of unemployment on GDP in Pakistan.

III. To find out the relationship between inflation and Gross Domestic Product in Pakistan.

IV. To investigate the role of inflation and unemployment in the economic growth of Pakistan.

2. Literature Review

The previous researches on economic growth have shown that uncertain government systems impede growth, although secure political structures serve as a stimulus for growth. Such research indicates that political turmoil sometimes contributes to low economic development(Younis et al. 2008). This study explored all economic and political considerations for predicting the causes of this. Unstable economic growth and reduced the rate of investment in Pakistan. The research identified non-economic variables such as money laundering, political instability, periodic policy transition, energy crises, and political confrontation between party leaders and organizations have been the key source of poor economic results and decreased spending. There are socio-economic aspects that have generated instability and made the system unstable(Haji Suleman Ali, Shujahat Haider Hashmi 2013).

Pakistan has struggled to achieve political stability due to constitutional disputes, lack of a stable democratic system, economic problems, and lack of social development. Even after 63 years, the nation has not been able to get rid of itself of colonial, tribal, and sectarian segregation. Another factor that has vitiated Pakistan's democracy is the plan brutality. For almost all the parties and their drivers, the patience needed for a democratic structure is highly lacking. Our economy is the most significant explanation for political instability. We have a high inflation rate, severe income inequality, deficit funding, and a persistent low mechanism and literacy spending (Political instability | Pakistan Today n.d.).

An uncertain political climate has the potential to reduce private investment and therefore, development. Inefficient economy, contrary, could derive the governmental crisis and political disturbance suggests that the rate of inflation is, to some degree, beneficial for the economy as it creates opportunities for manufacturing by recruiting more workers to manufacture more products. They have taken three countries in South Asia, Bangladesh, Pakistan, and India; his essay shows which describes escalation as healthy and beneficial for the growth of the economy. The author has assumed that the increase rate in a country is up to the scale; subsequently, that would increase that country's economic growth, it is also beneficial for a country's economy and its prosperity. The government will make revenue from revenue through inflation and meet its rising expenses in this way. (Awan 2012).

The political climate of a democratic country has a diversified range of issues, which directly or indirectly affect economic efficiency. All the determinants of development have importance for any economy. A country like Pakistan has uncountable government expenditures, and it results in an economic atmosphere. The said situation loses the confidence of participants of the economy. The elected government makes legislation or rules to implement for development. The change in an assembly enters into practice through an administration system that shifts ideological legislature and strengthens the economy.(Steffen Osterloh 2012).

In many countries, political unrest is unavoidable with the highest unemployment, and jobless people suffer socioeconomic inequity. Countries face problems including corruption and bribery. That's why it is necessary to prevent insecurity and crime in the regions. Stakeholders should focus on economic conditions, and mainly they should work for younger generations. State agents should accommodate more jobless people, officials should launch skills development programs, or educational opportunities can make an impact. People who earn employment could change the economic downturns. (Nkwelle 2020).

This study analyzes the performance of macroeconomic gauges across diverse states. The reading revealed a collective economic increase under an autocratic regime that rests better than a democratic government, this research mainly focuses on Pakistan. The author believes the dictatorial government in Pakistan works better than a democratic system. During the autocratic command, the standard Gross Domestic Product – GDP increase velocity always remains elevated(Irfan, Iqbal, and Khan 2008).

Contrary to the arguments of Irfan, Iqbal, and Khan has presented in their research, which is explained in the previous paragraph that autocracy supports economic development, but in newbie research, another perspective has examined that indicates the relationship between Pakistan's economic development and democracy and it neglects the autocracy over the democratic principles for the economic growth and the betterment of the country. Researchers bring to a close that democracy is crucial and necessary for the economy and country as its economic development by the use of annual data. This result indicates that if policies are continuously changing, it will impact steady economic development. The stabilization of government is essential for healthy GDP and economic growth. (Mahmood, Azid, and Siddiqui 2012).

This research paper looks at a group of countries where above-threshold inflation harms financial growth. they analyze the statistics of one hundred twenty-four regions and implementing a flat evolution regression panel. The study describes the expected inflation level doorstep for developed countries as 4.1 percent, whereas it is 19.1 percent for non-developed countries. Mostly, the study narrates that escalation has not a good impression on the country and its development when the developed economies are close to the threshold level. It is also found in the research that inflation-rate level cataract is 7.9% by choosing a decreased collection of under-developed countries (Ibarra and Trupkin 2011).

This article aims to examine the 1960-2007 VAR model connecting income, inflation, and economic development. The study shows that swelling in the money supply is causing growth to swell, and that change is causing inflation; however, enhancing the money supply does not necessarily raise inflation. (Tabi and Ondoa 2011).

This article articulates that debt overhang impact occurs as a country's debt level rises; there is a driving trend in potential duties system or sustainable tax-system that would last negative impact on utilization as well as on the expenditures of the country however the result will cause unsteady development (Jebran, et al. 2016). Authors have suggested in their research that national and international debt have a significant and negative impact on Gross Domestic Product – GDP. Researchers also have found that a harmful effect of international borrowings on Gross Domestic Product – GDP is greater than the unconstructive impact on internal borrowings. (Atique and Malik 2012)

Various causes can devalue the currency, and a country can face a financial crisis. Political turmoil is one of the reasons for instability in such situations. Such a situation can escalate uncertainty among competent people, and they can move for different career options. Even firms can shrink their investment in the existing region, and this can shift overseas. Contrary, political turmoil throughout the neighboring countries may still have a favorable effect on the host nation that generates an outflow of skilled migrants and investment.(Abu Murad and Alshyab 2019).The advantage of examining the complexities of public debt is that, for instance, this uncertainty will lead to enhanced variance in government spending and detrimental economic growth. (Sena Kimm Gnangnon 2021).

Also, policy situations and steadiness sustainability too influence the country's position of economy and growth. For example, economic growth is related to existing government policies, and how all the procedures, have been enforced by the government? (Barro 2013).Pakistan has been faced with fluctuations in growth rates since 1970 when economic growth deteriorated due to political uncertainty following the 1971 warfare. Pakistan harmed the war on the economy, and it assumed both fiscal and human capital loss during the battle of 1971. allover the latter half of the 1970s, due to sound and stable financial planning, Pakistan had overwhelmed a steady development until 1988 because of the Afghanistan warfare. The slowdown in Pakistan's economic growth rate has been experienced after the 1988s due only to political turmoil, incoherent and contradictory political as well as fiscal policies. As of 2000, there has also been growing growth in the domestic product and has been experienced by economic experts. (Husain 2009) .

There are practices in different countries when inhabitants take decisions that are not favorable for the economy. People take decisions due to instability and try to offshore to secure their economic interest. They go logically for guarding their businesses and firms. That's why stability is a must to attract investors for not leaving the region. Instead, they should invest regionally for the development of the country. We, therefore, conclude that stability tends to mean a stable political atmosphere able to attract investors, both internal and external, from the rest of the globe. (Mădălina Radu 2015). Correspondingly, Qureshi et al., (2010) and Khan and Saqib (2011) have described steady and vital impacts on inflation in Pakistan from political instability (where political uncertainties are characterized as constant reshuffling in the elected regimes). (Qureshi, Ali, and Khan 2010). The relation between governmental borrowings and economic development may have influenced by low growth leading to high debt rates(Reinhart, Reinhart, and Rogoff 2012).

Over the last couple of decades, unemployment has been a persistent problem in Pakistan. Speedy population growth is one of the main factors behind unemployment. Pakistan is the world's sixth-most populous region. Population increases by a percentage of 1.93 per year and almost the same proportion occurs in the labor force system, and this significant population growth adds 3 million potential jobs annually to the labor force (Rais and Anwar 2012).

Investment rates are declining, economic growth is slowing, unemployment is increasing, and millions of Pakistanis are falling below the poverty line. (Seher,2016, T).

Unemployment is not a good sign socially and economically speaking for a country. That is blamed for violence, crime, political and social turmoil. It is therefore essential to discuss this problem in-depth and to understand the factors responsible for causing unemployment (Ahmed and Aqil 2014).

Pakistan is in a trap in a vicious circle of instability caused by a chaotic political climate. As a result, corporate activity suffers as a result of the instability. As a consequence, weak economic growth results from reduced levels of corporate spending. An uncertain economy, in particular, causes civil discontent and eventually contributes to political failure. That's why this never-ending loop has to fill up. (Farrukh Saleem 2021) In 2020 economic and political uncertainties would be interconnected. Economic uncertainties continue to pose a significant danger to the global economy. The novel coronavirus (Covid-19) epidemic could still threaten trade and supply chains. Political Risk Insurance (PRI), in additions to a sophisticated view of the political risks affecting a company, may help companies mitigate their vulnerability and appreciate their opportunities. (Marsh JLT 2020).

3 Research Methodology

There are several variables which measure the economic performance such as political instability, inflation rate unemployment index rate, and public debt that have their impact on the Gross Domestic Product (GDP) of Pakistan. The following methodology has been used to gain the motives of the research.

3.1 Econometric Model

The secondary data has been collected from the various databases of IMF, World Bank, Asian Development, Ministry of Finance, Government of Pakistan, and State Bank of Pakistan. The data obtained from the period of 10 years (from 2010 to 2019). Multiple regression analysis techniques were used to analyze the association among the parameters. For this purpose, an initial model was constructed to compute the potency of the association among dependent and independent variables.

GDP = f (CPI + debt rate+ unemployment)

$$\boldsymbol{Y = \beta 0 + \beta 1 X + \mu}$$

$$\boldsymbol{Y = \beta 0 + (x1 + x2 + x3) + \mu}$$

Here, Y represents the total percentage of the GDP of Pakistan. It is a dependent variable where $\beta 0$ symbolizes the constant of the coefficient of a regression model. Also, $\beta 1$ is the slope of the equation, whereas X shows the political instability, which different bases on two self-governing independent variables, e.g., $x1$ that shows the rate of inflation. In CPI and $x2$ that is demonstrate the rate of the government borrowings of the country, as an independent variable, $x3$ shows the rate of unemployment of the country and μ is an error a term, in general, dispersed regarding a mean of 0 and for the reason of calculation.

3.2 Distribution of Data of economic growth factors between the different years

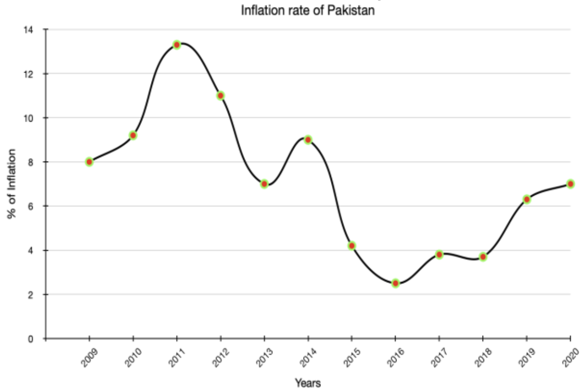

Figure 1. **Fluctuations in the rate of inflation over the past ten years.**

In the given figure 1 above, the data indicates that the inflation experienced variations in the first half-decade, which decreased from 13.66 in 2011 to 2.86 in 2016, which remained unfavorable for economic growth and destabilized the economy. Ahead, the statistics narrate that the growth rate rose progressively and continued to slowly from that year (2016) to 6.74 in 2019.

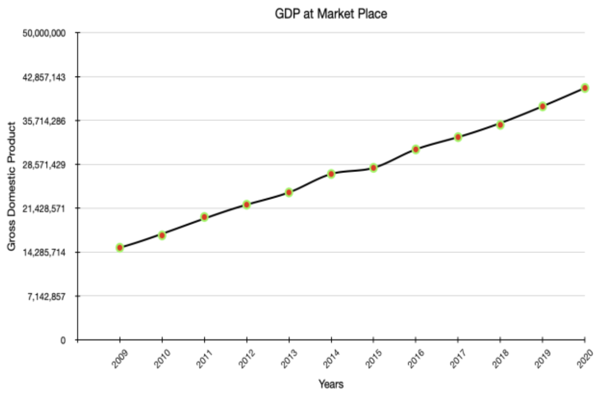

Figure 2. **Increasing the rate of gross domestic product over the past ten years**

Figure 2 above indicates how gross domestic product rose from 2008 to 2020. It is between 15,000,000 and 20,000,000 at the starting point, and the growth line is increasing every year. At its endpoint, the graph reveals the growth is touching the threshold to 40,000

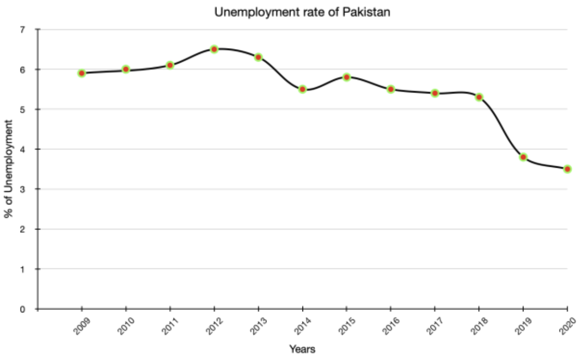

Figure 3. **Fluctuations in the percentage of unemployment over the past ten years**

The third statistic, which corresponds to the unemployment rate, where the number of jobs rose and decreased, has harmed economic development. The figures on this line show that the number was at point 6 in 2010 and rose until 2012. The employment rate improved significantly for a few years and then began to fall from that year to 2018, and the improvement was only marginal, but the line declined drastically in 2019 and 2020 and hit close to 3 resulted in further unemployment.

3.3 Hypothesis Development

The Generation of the hypothesis is the best way to estimate and test the correlation of different variables. Most of the researchers noted a negative and inverse association between political instability and economic development and decreasing Gross Domestic Product – GDP rate should lead to an increasing unemployment rate based on these statements. We have developed the following hypothesis:

Null or Alternative Hypothesis:

H_1: There is an association is present between GDP and other independent variables.

H_o: There is no association is present between GDP and other independent variables.

H_2: There is a positive relationship between GDP and unemployment in Pakistan.

H_o: There is no positive relationship between GDP and unemployment in Pakistan.

H_3: There is a significant relationship between GDP and inflation in Pakistan.

H_o: There is no significant relationship between GDP and inflation in Pakistan.

H_4: There is a positive relationship between unemployment GDP and PSX 100 index growth rate.

H_o: There is no negative relationship between GDP and PSX 100 growth rate in Pakistan.

3.4 Analytical techniques

All the collected data have been statistically analyzed to measure unbiased independent variables' impact on dependent variables. This study has been conducted to get the statistical data in SPSS software to get accurate outcomes by applying various tests that include.

1) ANOVA
2) Regression analysis
3) Pearson correlation
4) T-test

4. DATA ANALYSIS

4.1 Descriptive data statistics

The demographic statistics regarding real GDP, inflation rate, unemployment, public debt, and psx100 indexing growth rate are shown in table 1.

Table 1. **Descriptive statistics data of all the parameters**

Statistical Measure		Inflation rate of Pakistan	Gross domestic product at current market	Unemployment rate of Pakistan	Real % of GDP	Total Public Debt as % of GDP	PSX 100 index growth rate
N	Valid	10	10	10	10	10	10
	Missing	0	0	0	0	0	0
Mean		7.2950	2.9853E7	5.7400	3.9040	74.7700	18.6950
Std. Error of Mean		1.11905	2.15245E6	.25307	.34570	1.28729	7.08240
Median		7.0500	2.8626E7	5.9000	3.9450	72.8000	19.6000
Mode		2.86[a]	2.00E7	5.80[a]	1.90[a]	80.30	-20.05[a]
Std. Deviation		3.53875	6.80663E6	.80028	1.09319	4.07078	22.39651
Variance		12.523	4.633E13	.640	1.195	16.571	501.604
Kurtosis		-.768	-.513	7.064	.151	-1.352	-.390
Std. Error of Kurtosis		1.334	1.334	1.334	1.334	1.334	1.334
Range		10.80	21680183.00	2.90	3.63	11.70	72.25
Minimum		2.86	20046500.00	3.60	1.90	68.60	-20.05
Maximum		13.66	41726683.00	6.50	5.53	80.30	52.20
Sum		72.95	2.99E8	57.40	39.04	747.70	186.95

* Multiple modes exist. The smallest value is shown

Table#1 shows the statistical calculations of the mean mode median standard deviation variance minimum-maximum kurtosis and sum standard of error of mean and kurtosis.

Table 2 **The correlation data of independent and dependent variables**

Variables		Inflation rate	Unemployment Rate	Gross Domestic Product	% GDP	Total Public Debt	PSX 100
Inflation rate of Pakistan	Pearson Correlation	1	.265	-.711*	-.500	-.754*	.368
	Sig. (2-tailed)		.459	.021	.141	.012	.296
	N	10	10	10	10	10	10
Unemployment rate of Pakistan	Pearson Correlation	.265	1	-.800**	.442	-.647*	.665*
	Sig. (2-tailed)	.459		.005	.201	.043	.036
	N	10	10	10	10	10	10
Gross domestic product	Pearson Correlation	-.711*	-.800**	1	.046	.930**	-.701*
	Sig. (2-tailed)	.021	.005		.899	.000	.024
	N	10	10	10	10	10	10
Real % of GDP	Pearson Correlation	-.500	.442	.046	1	.250	.008
	Sig. (2-tailed)	.141	.201	.899		.485	.983
	N	10	10	10	10	10	10
Total Public Debt as % of GDP	Pearson Correlation	-.754*	-.647*	.930**	.250	1	-.703*
	Sig. (2-tailed)	.012	.043	.000	.485		.023
	N	10	10	10	10	10	10
PSX 100 index growth rate	Pearson Correlation	.368	.665*	-.701*	.008	-.703*	1
	Sig. (2-tailed)	.296	.036	.024	.983	.023	
	N	10	10	10	10	10	10

*. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).

A Pearson's correlation had run to determine the association among GDP with the entire independent variables and attempted to attain the association between variables. We found a positive correlation between the Inflation rate as well as the ratio of unemployment. A positive correlation has also been found between unemployment with GDP and PSX 100 index growth rate. In contrast, the PSX 100 index growth rate was negatively associated with total public debt and GDP. At the same time, real GDP showed a strong positive correlation with the total debt rate.

Table 3. **The coefficient of determination between the GDP dependent variable and other constant variables**

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df 1	df 2	Sig. F Change	
1	.845[a]	.714	.357	.87649	.714	2.000	5	4	.261	2.537

a. Predictors: (Constant), Total Public Debt as % of GDP, the Inflation rate of Pakistan, an Unemployment rate of Pakistan, Total Public Debt as % of GDP, Gross domestic product at current market.
b. Dependent Variable: Real % of GDP.

The Regression Method is a popular model used to predict the association between independent variables. Here GDP has used as a dependent variable while inflation rate, public debt growth index, and unemployment are the independent variable. The model analysis shown in table#3 discovered that there is a constructive association among the percentage of GDP other predictors which are represented as the value of R= 0.845 and a correlation coefficient R square was 0.714. These values depict the change in independent parameters significantly affects the GDP of the country so we are unable to reject the null hypothesis. Durbin-Watson statistics test value was found to be 2.537, which indicates the positive autocorrelation is present among the sample data, it is also known as serial correlation.

Table 4. **Analysis of variance among the variables**

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	7.683	5	1.537	2.000	.261[a]
2 Residual	3.073	4	.768	-	-
Total	10.756	9	2.305	2.000	.261[a]

a. Predictors: (Constant): Total Public Debt as % of GDP, Inflation rate of Pakistan, Unemployment rate of Pakistan, Total Public Debt as % of GDP, Gross domestic product at current market.
b. Dependent Variable: Real % of GDP: The ANOVA of regression .
As we all know, the null hypothesis of ANOVA was that both variables had a near positive relationship. The alternative theory was that the independent and dependent variables are unrelated or have a negative association. A low F value implies that the Null Hypothesis is more likely to be adopted when the alternative hypothesis is rejected, suggesting that the two variables are related. It has a low value of two. The significance indicates the degree of acceptance of the null hypothesis (1- Sig). As a result, the actual GDP growth rate is affected differently by the F- and Sig values of the two variables.

Table 5. **Coefficients[a]**

Model	**Unstandardized Coefficients**		**Standardized Coefficients**	**T**	**Sig.**	**95.0% Confidence Interval for B**		**Correlations**		
	B	**Std. Error**	**Beta**			**Lower Bound**	**Upper Bound**	**Zero-order**	**Partial**	**Part**
(Constant)	-15.053	15.718		-.958	.392	-58.693	28.587			
Inflation rate of Pakistan	-.082	.172	-.264	-.474	.660	-.560	.397	-.500	-.231	-.127
Gross domestic product at current market	-4.785E-10	.000	-.003	-.002	.998	.000	.000	.046	-.001	.000
Unemployment rate of Pakistan	1.342	.934	.982	1.437	.224	-1.251	3.935	.442	.584	.384
Total Public Debt as % of GDP	.160	.234	.597	.686	.531	-.489	.809	.250	.324	.183
Total Public Debt as % of GDP	-.006	.020	-.131	-.315	.768	-.063	.050	.008	-.156	-.084

When all other independent variables are kept constant in Table 5, unstandardized coefficients show how often the dependent variable differs from an independent variable. This decides if the population's unstandardized (or standardized) coefficients are equal to 0 (zero). If $p < .05$, you can conclude that the coefficients are statistically different from 0 (zero). The "t" and "Sig." columns contain the t-value and corresponding p-value, respectively. There is no important variable from the selected variables in our stepwise multiple linear regression analysis.

Table 6. **Residuals Statistics[a]**

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	2.2066	5.0574	3.9040	.92392	10
Residual	-.89168	.79952	.00000	.58432	10
Std. Predicted Value	-1.837	1.248	.000	1.000	10
Std. Residual	-1.017	.912	.000	.667	10

a. Dependent Variable: Real % of GDP

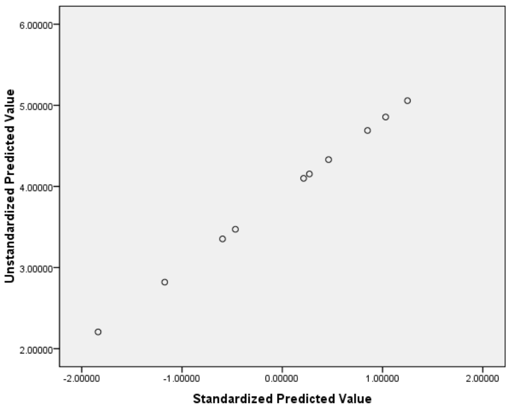

Figure 4. **Scatterplot graphical representation of unstandardized and standardized predictive values of parameters**

4.2 Graphical presentation

A scatter plot has two coordinates to find out the association among the independent and dependent variables. It is a popular method to predict the nature and to explain the correlation of numerical data values. The X coordinate has and it will go left or right. On the other hand, the Y coordinate has un-standardized predictive values, which go ups or downs. Here the scatter plot of the regression standardized residual signifies the increasing order pattern of the data set, which indicates the constructive association of X (independent variables) and Y that is a dependent variable called real GDP growth rate. The one is increasing; the second one is also growing in the same direction, which describes the positive relationship between them.

4.3 Results Discusion

The best way to estimate and test the correlation between different variables is to develop a hypothesis. we have tested 4 variables which inflation,GDP,unemployment,public debit. Our result showed the Hypothesis between different variables. we have tested our model by spss with different tested like ANOVA,Regression analysis, Pearson correlation-test etc.H1 showed that the relationship between GDP and other independence variable's H2 showed the positive relationship between GDP and unemployment rate in Pakistan .H3 showed the relationship between GDP and inflation rate in Pakistan,. H4 showed the positive correlation between unemployment GDP and PSX 100 index growth rate. The Regression Method is a popular model used to predict the association between independent variables. Here GDP has used as a dependent variable while inflation rate, public debt growth index, and unemployment are the independent variable. The model analysis shown in table 3 discovered that there is a constructive association among the percentage of GDP other predictors which are represented as the value of R= 0.845 and a correlation coefficient R square was 0.714. These values depict the change in independent parameters significantly affects the GDP of the country so we are unable to reject the null hypothesis. Durbin-Watson statistics test value was found to be 2.537, which indicates the positive autocorrelation is present among the sample data, it is also known as serial correlation.

From the above Result, we find that the Gross Domestic Product (GDP) growth of Pakistan is directly linked to the inflation rate. Statistical tools analysis showed the quantitative analysis of the dependent and independent variables. The overall findings concluded as real GDP has a relationship with other independent variables. There is a strong correlation between debt and index growth rate while negatively correlated with unemployment and inflation. Therefore, we have to accept our first and third hypotheses while we have to reject our second hypothesis, which depicts that GDP positively correlates with unemployment. The last assumption, which says inflation and unemployment, has a relationship, so; the statistical tools have confirmed that inflation and unemployment positively correlate.

5 Implications

Sustainable democracy and the continued transition of political power is only an option to sustain healthy economic growth in Pakistan since political inconsistencies deter investment in a country that lasts for public borrowing, causes inflation and unsteady growth.The efficient parliament may implement successful policies without any intervention from the autocratic government or unmerited power. Elected teams will draw investors, and this will lead to more investment in the region that would last for more jobs in the country, and all employees can contribute to GDP.In the long run, the democratic structure can stabilize the economic situation, once the political system has stabilized in the country, then prices will be passive, and thus policymakers can control inflation.

5 .1 Recommendations

Elected governments should adopt efficient and friendly tax collection strategies to reduce international borrowing. That's why Pakistan's policymakers need to preserve democracy by long-term economic policies that could produce optimum production for the country's development.

6 Conclusion and future work

It has been described as economic growth as a rise in real GDP, and there are numerous variables engaged in the fluctuations in overall GDP. The inflation rate is leading to a downturn in economic activity and a decline in GDP growth. More extensively, the essential aspect of this analysis is how does political instability disincentivizes economic development and, as a result, directly impacts the country's socio-economic and political climate? Political uncertainty limits economic growth, and this decline and stagnation of economic development scare domestic and international investors to bring their investment in such a frightful atmosphere. Political stability plays a significant role in maintaining the integration of democracy and establishing State authority. It is a precondition for economic growth, social stability and the legal system in a country. The continuity of the democratic system affects state and national building mechanisms directly. This study is based on 4 factors Which is inflation rate ,GDP of Pakistan ,unemployment rateand public debit rate in Pakistan.however our study is limited on 4 factors. Many future works can also be carried out using this model. Future works may involve the different variable for different time series.

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Conflict of Interest

The authors declares that there is no conflict of interest with any research study.

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