

## Effect of Terrorism on the International Business in Pakistan

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### Abstract

In this paper, we have explored the impact of terrorism on the international business in Pakistan. For this purpose we have taken the data from 1998 to 2008 and applied the random sampling method and Pearsons product moment. Our results are showing that there is association between terrorism and international business in Pakistan. Terrorism has impact not only stock exchange of Pakistan while, it has impact on the other sectors like education, banking sector, finance sectors, foreign direct investment sectors also. Therefore Government of Pakistan should have taken notice such types of terrorism activities. These terrorism activities have impact on the economy of country; due to this reason the economy of Pakistan is going to decline position.

**Keywords:** Terrorism; International business; Random sampling method; Pearson's product moment

### Introduction

In simple words, Terrorism is known as the way to make the people of all over world frighten. Terrorists are those people, who are reason of the terrorism. Nowadays, it is the common problem of across the world. In the current senserio, Pakistan has come in those countries, which are facing this issue at very high level. Day by day the ratio of terrorism is increasing at very huge level such as the boom blast, target killing are daily routine. Many Terrorist are killing no of innocent people in the name of religion. All the people in Pakistan are getting fed up due to this terrorism activities. In our country, not a single person is safe. Pakistan is one of those countries, which were established on the name of Islam but due to terrorism most of the innocent people are killing here. Our current Government cannot protect the lives of innocent people. Karachi and Baluchistan have come at the top due to terrorism activates. Our all the securities agencies, police, army and rangers could not control such types of horrible attacks. This is the main reason that foreign investors have left investing in Pakistan. Pakistan is not doing any international trade with other countries. The prime objective of this paper is to analysis the impact of terrorism on the international business in Pakistan. Hence, it is not wrong saying that terrorism has very worst impact on the development of the economy. Terrorism is such a phenomena that running polices are not being properly viewed and new policies are not being organized. People of Pakistan are moving towards decaling position because terrorism has influenced on the education sector, foreign direct investment and international business. People of Pakistan want to live peaceful but from many years, they are facing horrible condition. In Pakistan terrorism has seen at the peak. Most of the studies have proved that terrorism means human impose disaster. According to William Terrorism means systematic threat towards development of the economy. Due to terrorism actives all the international business faces the loss. Here, there is interesting question to ask that impact of terrorism on the internal and external sector of all the developing and emerging countries. Most of the scholars have proved that direct effect have on the business consequences and indirect effect has on the government rules and regulations. Numerous results have proved that terrorism effects on the high profit ratio business. From the last few years the terrorism attack effect the progress of Pakistan. Our paper is trying to show that terrorism impact on the progress as well as economic condition of Pakistan. The economic position of Pakistan is totally going to destroy due to terrorism attacks.

### Terrorism Activities in Israel

Fatalities from Terrorism in Israel by year, 1948-2014 is shown in Figure 1.

### Objectives

- 1) Impact of terrorism on the development of the economy.
- 2) Impact of terrorism on the international business in Pakistan.
- 3) Impact of terrorism on the industry sector of Pakistan.

### Problem statement

Impact of terrorism on the international business in Pakistan

### Theoretical framework

Theoretical framework is shown in Figure 2.

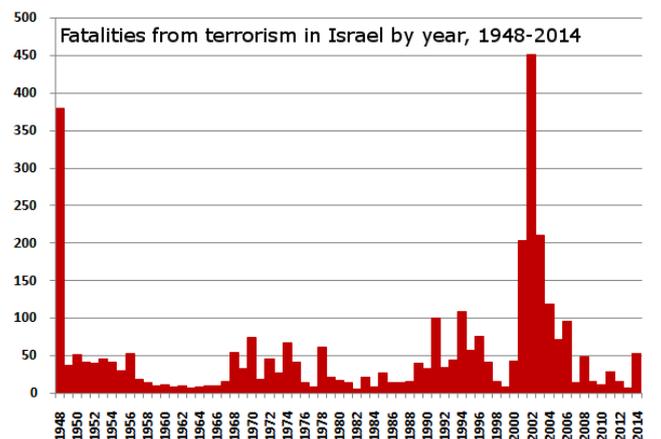


Figure 1: Fatalities from Terrorism in Israel by year, 1948-2014.

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Received November 22, 2016; Accepted December 14, 2016; Published January 02, 2017

Citation: Najaf R (2017) Effect of Terrorism on the International Business in Pakistan. J Account Mark 6: 210. doi:10.4172/2168-9601.1000210

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## Literature Review

Aurangzeb and Dilawer observed that impact of terrorism on the stock market of Nigeria, for this purpose, they had taken the data from 1998 to 2008 and applied the GARCH model; their results are showing that there is negative association between terrorism and performance of Nigeria stock exchange. They suggested that there is need of adequate polices to control such types of activities [1].

Alam, analyzed that impact of terrorism on the stock market of India, for this purpose, they had taken the data from 1995 to 2005 and applied the VAR model; their results are showing that there is negative association between terrorism and performance of India stock exchange. They suggested that there is need of adequate polices to control such types of activities [2].

Chesney et al. examined that impact of terrorism on the stock market of USA, for this purpose, they had taken the data from 1991 to 2001 and applied the OLS model; their results are showing that there is negative association between terrorism and performance of USA stock exchange. They suggested that there is need of adequate polices to control such types of activities [3].

Kumar and Liu analyzed that impact of terrorism on the stock market of UK, for this purpose, they had taken the data from 1999 to 2010 and applied the GARCH model; their results are showing that there is negative association between terrorism and performance of UK stock exchange. They suggested that there is need of adequate polices to control such types of activities [4].

Khan and Ahmed observed that impact of terrorism on the stock market of France, for this purpose, they had taken the data from 1990 to 2010 and applied the VAR model; their results are showing that there is negative association between terrorism and performance of France stock exchange. They suggested that there is need of adequate polices to control such types of activities [5].

Nguyen and Enomoto observed that impact of terrorism on the stock market of Nigeria, for this purpose, they had taken the data from 1998 to 2008 and applied the model; their results are showing that there is negative association between terrorism and performance of Nigeria

stock exchange. They suggested that there is need of adequate polices to control such types of activities [6].

Qaiser et al. examined that impact of terrorism on the stock market of Ghana, for this purpose, they had taken the data from 1997 to 2007 and applied the multiregression equation; their results are showing that there is negative association between terrorism and performance of Ghana stock exchange. They suggested that there is need of adequate polices to control such types of activities [7].

Suleman analyzed that impact of terrorism on the stock market of Pakistan, for this purpose, they had taken the data from 1997 to 2007 and applied the linear regression equation; their results are showing that there is negative association between terrorism and performance of Pakistan stock exchange. They suggested that there is need of adequate polices to control such types of activities [8].

Berrebi and Klor viewed that impact of terrorism on the stock market of Tanzania, for this purpose, they had taken the data from 1989 to 2008 and applied the ECM; their results are showing that there is negative association between terrorism and performance of Tanzania stock exchange. They suggested that there is need of adequate polices to control such types of activities [9].

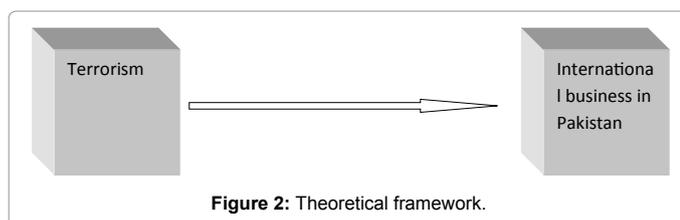
Bollerslver observed that impact of terrorism on the stock market of Saudi Arabia, for this purpose, they had taken the data from 1989 to 2008 and applied the ECM; their results are showing that there is negative association between terrorism and performance of Saudi Arabia stock exchange. They suggested that there is need of adequate polices to control such types of activities [10].

Rabia najaf and Khakannajaf examined that impact of terrorism on the stock market of Asian countries, for this purpose, they had taken the data from 1989 to 2008 and applied the VECM; their results are showing that there is negative association between terrorism and performance of Asian countries stock exchange. They suggested that there is need of adequate polices to control such types of activities [11-13].

## Methodology

### Interpretation of the results

In this paper, we have utilized both primary and secondary data, for the purpose of primary data, we did face to face interview of different businessmen of Pakistan. We have utilized the 3 liker scale. There are found the overall reliability 0.83%. In this paper, we utilized parametric analysis. Our results are showing that there in negative association between BOP and terrorism. The value of F-cal is showing that there is negative association between terrorism and foreign investors'. Our results are also showing that there is very worst impact on the financial market (Tables 1-7).



Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.458	0.212	0.105	0.38623	0.114

Table 1: Regression table.

	Type	Sum of Squares	df	Mean Square	F	Sig.
Regression	32.232	2	38.212	48.674	0.000 <sup>a</sup>	
1	Residual	81.825	101	0.726		
Total	121.056	101				

<sup>a</sup>Predictors: (Constant), Terrorism. Dependent Variable: BOP & TERR.

Table 2: Regression table.

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	12.997	2	9.298	10.253	0
Within Groups	132.367	128	0.258		
Total	122.365				

Table 3: Regression table.

Model	R	R Square	Adjusted R square	Std. Error of the Estimate	R Square change	F change	df1	df2	Sig. F change	Durbin-Watson
1	0.129 <sup>a</sup>	0.18	0.173	2.14924	0.181	41.258	2	104	0	0.231

<sup>a</sup> Predictors: (Constant), Terro.

Table 4: Regression table.

Model	R	R Square	Adjusted R square	Std. Error of the estimate	Durbin-watson
1	0.171 <sup>a</sup>	0.1566	0.128	0.28606	0.525

<sup>a</sup> Predictors: (Constant), Terro.

Table 5: Regression table.

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	33.885	2	19.941	25.741	0
Within Groups	81.881	103	0.771		
Total	121.762	101			

Table 6: Regression table.

Model	Type Std. Error	Standardized Coefficients (Beta)	T	Sig.
1				
(Constant)	1.232	0.197		
Terro	0.287	0.168		
-	5.166	0		
0.271	7.109	0		

Table 7: Regression table.

### Suggestions

Government should focus on the terrorism sector because:

- 1) Terrorism is effecting on the capital market development.
- 2) Terrorism is main reason of financial crisis.
- 3) Terrorism has influenced on the education as well as industries sector.

### Recommendations

- 1) In Pakistan, there is basic need to improve the human capital.
- 2) There is need of peaceful environment for the foreign investors.
- 3) There is need of make strict rules against the terrorism activities.

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