DETERMINANTS OF FOREIGN DIRECT INVESTMENT

FLOWS IN MALAYSIA

MUHAMMAD SYAMSUL KAMAL
2012249812

ABDUL RAHIM BIN MOHD YUSOF
2012848358

BACHELOR OF BUSINESS ADMINISTRATION
(HONS) FINANCE

FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
MELAKA

JUNE 2015
DECLARATION OF ORIGINAL WORK

BACHELOR OF BUSINESS ADMINISTRATION
(HONS) FINANCE
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
MELAKA

“DECLARATION OF ORIGINAL WORK”
We, Muhammad Syamsul Kamal, (I/C Number: 900702 – 08 – 6085)
Abdul Rahim Bin Mohd Yusof, (I/C Number: 900424 – 08 – 6033)

Hereby, declare that,

- This work has not previously been accepted in substance for any degree, locally or overseas and is not being concurrently submitted for this degree or any other degrees.

- This project paper is the result of my independent work and investigation, except where otherwise stated.

- All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

Signature: ___________________________ Date:________________________
LETTER OF SUBMISSION

2nd July 2015

Puan Wan Musyirah Binti Wan Ismail
Department of Finance
Faculty of Business and Management
UiTM Kampus Bandaraya Melaka
110 Off Jalan Hang Tuah
75300 Melaka.

Dear Madam,

SUBMISSION OF FULL RESEARCH PAPER

Attached is the research paper titled “Determinants of Foreign Direct Investment Flow in Malaysia” to fulfill the requirement as needed by the Faculty of Business Management, UniversitiTeknologi MARA.

Thank you.

Yours sincerely

........................................
Bachelor of Business Administration (Hons) Finance
ABSTRACT

This paper aims at examining the significant relationship between Malaysian FDI and macroeconomic variables. This study will focus on the Malaysian FDI value that will affected by macroeconomic variables. The sample of this research comprises of macroeconomic variables for 30 years. Methodology used for this study is by using Multiple Linear Regression Analysis. The sample selected using DataStream, World Bank database and journal. The dependent variable will be the Malaysian FDI, while the independent variables are Exchange rate, Inflation rate, Export goods & services, economic growth and China’s FDI. The results of this research paper would provide us with an indicative view and could form an important basis for investors and policy makers in their investment strategies and policy decisions respectively.
# TABLE CONTENTS

DECLARATION OF ORIGINAL WORK................................................................................. 1
LETTER OF SUBMISSION ............................................................................................... 2
ACKNOWLEDGEMENT .................................................................................................. 3
ABSTRACT .................................................................................................................... 4
TABLE CONTENTS ........................................................................................................ 5

1.0 CHAPTER 1: INTRODUCTION ............................................................................... 8
   1.1 INTRODUCTION ................................................................................................. 8
   1.2 RESEARCH BACKGROUND ............................................................................. 9
   1.3 PROBLEM STATEMENT .................................................................................... 10
   1.4 RESEARCH QUESTION ..................................................................................... 12
   1.5 RESEARCH OBJECTIVE .................................................................................. 13
   1.6 SCOPE OF STUDY ........................................................................................... 13
   1.7 SIGNIFICANT OF STUDY ................................................................................ 14
   1.8 DEFINITION OF TERM ................................................................................... 14
      1.8.1 Malaysia FDI .............................................................................................. 14
      1.8.2 Exchange rate ........................................................................................... 15
      1.8.3 Economic growth ..................................................................................... 15
      1.8.4 Inflation rate ............................................................................................. 16
      1.8.5 Export of good and services ..................................................................... 16
      1.8.6 China FDI .................................................................................................. 16
   1.9 SUMMARY .......................................................................................................... 17

2.0 CHAPTER 2: LITERATURE REVIEW ..................................................................... 18
   2.1 INTRODUCTION ................................................................................................. 18
   2.2 OVERVIEW OF FOREIGN DIRECT INVESTMENT IN MALAYSIA ....................... 18
   2.3 OVERVIEW OF ECONOMIC FACTOR ............................................................... 18
      2.3.1 EXCHANGE RATE ...................................................................................... 19
      2.3.2 INFLATION RATE ...................................................................................... 19
      2.3.3 ECONOMIC GROWTH .............................................................................. 19
      2.3.4 EXPORT OF GOOD AND SERVICES ......................................................... 20
      2.3.5 CHINA FDI ................................................................................................ 20
      2.3.6 RELATIONSHIP BETWEEN EXCHANGE RATE AND MALAYSIA’S FDI .... 20
      2.3.7 RELATIONSHIP BETWEEN INFLATION RATE AND MALAYSIA’S FDI ....... 21
      2.3.8 RELATIONSHIP BETWEEN ECONOMIC GROWTH AND MALAYSIA’S FDI .. 21