



**REPORT: FACTORS AFFECTING FOREIGN DIRECT
INVESTMENT IN MALAYSIA**

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Table of Contents

LETTER OF SUBMISSION	i
DECLARATION OF ORIGINAL WORK	ii
ACKNOWLEDGEMENT	iii
LIST OF FIGURES	vii
ABSTRACT	viii
CHAPTER ONE: INTRODUCTION	1
1.0 Background	1
1.1 Problem Statement.....	4
1.2 Research Question.....	5
1.3 Research Objectives	6
1.4 Scope of the study.....	7
1.5 Significance of the study.....	8
1.6 Limitation of the study	9
1.7 Operational definitions	10
1.8 Organization of report	12
1.8.1 Chapter two	12
1.8.2 Chapter three	12
1.8.3 Chapter four	12
1.8.4 Chapter five	12
CHAPTER TWO: LITERATURE REVIEW	13
2.0 Introduction.....	13
2.1 Foreign Direct Investment.....	13
2.2 Exchange Rate with Foreign Direct Investment.....	15
2.3 Gross Domestic Product with Foreign Direct Investment.....	17
2.5 Inflation with foreign direct investment.....	21
2.6 Conclusion	22
CHAPTER THREE: RESEARCH METHODOLOGY	23
3.0 Introduction.....	23
3.1 Research Design	23
3.1.1 CONCEPTUAL FRAMEWORK.....	23
3.1.2 ESTIMATION MODEL FRAMEWORK	24
3.2 METHOD OF DATA COLLECTION.....	25

3.3 THEORETICAL FRAMEWORK	26
3.4 EXPECTED SIGN	27
3.5 Hypothesis	29
3.6 Data Analysis and administration.....	30
3.6.1 Descriptive Statistics.....	30
3.6.2 Correlation.....	30
3.6.3 Ordinary Least Square (OLS) Regression Model	30
3.6.4 Coefficient of Determination (R^2)	30
3.6.5 T – Statistics.....	31
3.6.6 F – Statistics.....	31
3.7 Conclusion	31
CHAPTER FOUR: FINDINGS	32
4.0 Introduction.....	32
4.1 Descriptive Statistic.....	32
4.1.1 Skewness	34
4.1.2 Kurtosis	34
4.1.3. Jarque-Bera	35
4.2 Pearson Correlation	36
4.2.1 Multicollinearity test.....	37
4.3 Regression Model.....	38
4.4 Coefficient of Determination – R-Squared (R^2).....	39
4.5 T-STATISTIC (T-STAT).....	40
4.6 F – Statistics (F- Stat)	41
4.7 Durbin Watson (D.W).....	42
4.8 Analysis and Discussion.....	43
4.9 Conclusion	44
CHAPTER FIVE: CONCLUSION AND RECOMMENDATION	45
5.0 Introduction.....	45
5.1 Conclusion.....	46
5.2 Recommendation for Future Researcher	47
5.3 Conclusion.....	47
REFERENCES.....	48
APPENDIX.....	50

ABSTRACT

Foreign direct investment is recognized as a powerful engine for economic growth. FDI inward not only serves the long-term financial interest of foreign investor, but it can also play a significant role in the growth dynamics of a host country. The decreasing on Foreign Direct Investment in year 2017 is the reason of this research conducted. The purpose of this study is to investigate the effect of foreign direct investment and macroeconomic variables on Malaysia from years 1974 to 2017. Ordinary Least Square (OLS) method has been used to apply on the data to examine the effects of the exchange rate (EXR), gross domestic product (GDP), export (EPT) and inflation (INF) on foreign direct investment activity in Malaysia. Hypothesis of this study state that exchange rate has negative significant relationship on foreign direct investment while gross domestic product, export and inflation have positive significant relationship on foreign direct investment. The findings indicated that exchange rate and export have negative significant relationship effect to foreign direct investment. Besides, gross domestic product and inflation have positive significant relationship on foreign direct investment. The future researcher can add more variable such as firm size, export and tax break in order to measure foreign direct investment. FDI is an important activity to increase the revenue of the country. Thus this study is crucial to determine the factors that affecting foreign direct investment in Malaysia.