UNIVERSITI TEKNOLOGI MARA

FACTORS AFFECTING FOREIGN DIRECT INVESTMENT INFLOWS IN MALAYSIA

NAJWAN HAFIZ BIN AZHAN
2020964405

Final Year Project submitted in fulfillment
of the requirements for degree of
Bachelor of Business Administration (Hons)
Investment Management

Faculty of Business and Management

FEBRUARY 2022

ABSTRACT

A developing country's foreign direct investment performance is crucial to determine the performance of the economy for a country like Malaysia. This research provides further insight on how dependent variable can be determined by independent variable which is gross domestic product per capita, inflation rate, exchange rate and real interest rate can affect the foreign direct investment inflows in Malaysia. The data used for this research is yearly data from 1990 to 2019 and has been analysed using descriptive analysis, correlation test, normality test and regression analysis. The result obtained from the variables are expected to have positive relationship with dependent variable except for exchange rate and interest rate which has negative relationship with foreign direct investment inflows. The results are expected such as mentioned due to gross domestic product per capita is a variable that explains the size of the market in the country which businesses has increased gross value of products within a year. The interest rate shows that accumulation of growth shows that the country is at good production level which would attract foreign investors. Exchange rate is expected to affect FDI inflows negatively due to depreciating currency in the host country means a lower to invest for foreign investors. Meanwhile real interest rate is expected to affect FDI negatively as a higher real interest rate shows that the country is at a high inflation rate, and it might indicate the lower purchasing power of the host country.

ACKNOWLEDGEMENT

TABLE OF CONTENT

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter discusses about the background of study, problem statement, research objectives and research questions and research hypothesis. This chapter will also include scope of study, limitations of study, definition of terms and summary.

The study is regarding factors affecting foreign direct investment (FDI) Inflows in Malaysia. By identifying the signs of problem, analysing conditions, defining problems are the initial process of problem solving. A researcher must state their research objectives and research questions to understand the goal of the research. This will be the result that the researcher will attempt to accomplish. The objectives are descriptions of expected results a researcher or researchers set out to obtain and researchers will employ their methods of research to answer research questions. Researchers must also identify the type of research that needs to be done either quantitative or qualitative. Through this identification, then only researchers will decide the unit of analysis and related variables. In this case, Malaysia is selected for the research to study the effect of gross domestic product per capita (GDPPC), inflation rate (IN), exchange rate (ER) and interest rate (IR).