UNIVERSITI TEKNOLOGI MARA

FOREIGN DIRECT INVESTMENT ANALYSIS: THE CASE OF MALAYSIA

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Abstract

Foreign direct investment is an important indicator for stimulating Malaysia's economic growth. Foreign direct investment is recognized as a medium for acquiring skills, knowledge and skills and internationalizing business while reducing debt. the study aimed to examine the determinants that attract foreign direct investments (FDIs) in Malaysia. Large capital inflows are encouraged across a variety of industries and opportunity kinds by the potential of fresh growth prospects and outsized earnings. This has resulted in competition among countries to develop flexible regulations and provide incentives to entice private investors to invest more and more. In light of the foregoing, the research paper examines the path of FDIs in Malaysia in terms of exchange rate, inflation rate, GDP growth, and labour rate, as well as how FDIs has been influenced. Various elements that have a key impact in recruiting FDIs into a specific state are also investigated. The attempts of governments to attract maximum FDI are also analysed in order to better grasp the real circumstance that moves the variable.

Keywords: FDI, GDP, Growth, Inflation Rate, Malaysia, Foreign Direct Investment.

ACKNOWLEDGEMENT

First and foremost, I would like to thank God and celebrate with Alhamdulillah because I am very pleased with every step taken for this research study. It is extremely challenging, but nothing is impossible with the assistance of others in our lives. As a result, I'd like to thank my advisor, Zahirah Hamid Ghul, for her guidance, knowledge, and constant advice. She imparted a wealth of knowledge on how to handle a research paper. Not to mention, I may could not have completed this research paper without the assistance and support of our family, classmates, and educators. Their assistance, whether by lending a hand or checking in on our progress with the work that we have completed, is a small but very appreciated gesture. Finally, I'd like to thank all of the researchers involved in this study for devoting all of their blood, sweat, and tears to the completion of their studies. As students, I find it educational and informative. As a result, I humbly hope that this research paper is useful to those interested in Foreign Direct Investment Analysis: The Case of Malaysia.

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INTRODUCTION

1.0 Introduction

As investors establish new businesses in other nations, Foreign Direct Investment (FDI) provides new employment and possibilities. This can lead to an increase in income and spending power for locals, resulting in an overall boost for the targeted economies. FDIs contribute to the host country's economic development in two ways. FDIs include increasing domestic capital and improving efficiency through the transfer of new technology, marketing and management skills, innovation, and best practises. Foreign direct investments (FDI) are large investments made by a firm in a foreign company. The investment might include purchasing a material supply, increasing a company's territory, or establishing an international presence (OECD , 2002).

The fruits of FDI are not distributed uniformly and automatically across nations, industries, and local populations. National policies and the international investment architecture are important in attracting FDI to a wider number of developing nations and realising the full development advantages of FDI. The issues largely affect host nations, which must create a clear, wide, and effective enabling policy environment for investment, as well as the people and institutional capacity to administer it (OECD , 2002).

Foreign Direct Investment (FDI) is a phenomenon that occurs when a company expands its operations outside of its home country. Two types of FDI have been identified: horizontal FDI and vertical FDI. When a company buys an independent company in another country, it is known as a conglomerate. Platform FDI involves entering a foreign country and entering a new sector or market (Corporate Finance Institute, 2015 to 2021 CFI Education Inc.).