



**THE DETERMINANTS OF INWARDS FOREIGN DIRECT  
INVESTMENT (FDI) IN MALAYSIAN INVESTMENT  
ACTIVITIES**

**MOHAMAD HARRIS FITRI BIN MOHAMAD FADZIR**

**2013130367**

**BACHELOR OF BUSINESS ADMINISTRATION (HONS) (FINANCE)**

**FACULTY OF BUSINESS MANAGEMENT**

**UNIVERSITY TEKNOLOGI MARA**

**MALACCA CITY CAMPUS**

**DECEMBER 2015**

**DECLARATION OF ORIGINAL WORK**



**BACHELOR OF BUSINESS ADMINISTRATION**

**(HONS) FINANCE**

**FACULTY OF BUSINESS MANAGEMENT**

**UNIVERSITI TEKNOLOGI MARA**

**MELAKA**

**“DECLARATION OF ORIGINAL WORKS”**

I, MOHAMAD HARRIS FITRI BIN MOHAMAD FADZIR,

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 others degrees.
- This project paper is the result of my independent work and investigations, except where otherwise stated.
- All verbalism extract have been distinguished by quotation and sources of my information have been specifically acknowledge.

Signature: .....

Date: .....

## ACKNOWLEDGMENTS

*In the name of Allah, the Most Compassionate, the Most Merciful*

Praise be to Allah the Al-Mighty for giving me the strength and patience to complete this study within the period given.

I wish to express my sincere gratitude to my advisor, Dr. Halimahton Binti Borhan, for her continuous encouragement, invaluable suggestions, patient guidance and supporting me with kindness, sympathy and academic enthusiasm. Her forceful comments and meticulous directions were a constant source of inspiration to my research that immensely improved the quality of this project paper.

I also would like to take this opportunity to deliver my deepest indebtedness to my parents for their patience, support and guidance for this research.

Not forget, great appreciation go to the rest of my friends that help me from time to time during the research. The whole research really brought us together to appreciate the true value of friendship and respect of each other.

Great deals appreciated go to the contribution of my faculty - Faculty of Business Management (Finance). Apart from that, I hope that all the information and data that I have gathered here will increase the knowledge of anyone who will be accessing it regarding the study on the “The Determinants of Inwards Foreign Direct Investment (FDI) in Malaysian Investment Activities”. It would be a great honor to me if it is used as a reference or for any other good cause.

Finally, I would like to extend this appreciation to all that have directly and indirectly contributed invaluable assistance, cooperation and support in the completion of this research.

## TABLE OF CONTENTS

LIST OF CONTENTS	PAGE
Title Page	i
Declaration of Original Work	ii
Letter of Submission	iii
Acknowledgement	iv
Table of Contents	v - viii
Abstract	viii

## CHAPTER 1: INTRODUCTION

1.1. Background of study	1-3
1.2. Problem statement	4
1.3. Objectives	5
1.4. Research question	5
1.5. Significance of study	6
1.6. Scope of study	7
1.7. Definition of Terms	
1.7.1. Foreign Direct Investment (FDI)	7
1.7.2. Size of Domestic Market	7-8
1.7.3. Exchange Rate	8
1.7.4. Inflation Rate	8
1.7.5. Interest Rate	9

## CHAPTER 2: LITERATURE REVIEW

5.1.1. Size of Domestic Market	48-49
5.1.2. Exchange Rate	49-50
5.1.3. Inflation Rate	50
5.1.4. Interest Rate	50-51
5.2. Implication of study	51-52
5.3. Recommendation for Further Research	52-53

## **REFERENCES**

## **APPENDICES**

### **Abstract**

The aim of this study is to examine the determinants of Inwards Foreign Direct Investment (FDI) in Malaysian Investment Activities. The determinants are selected from macroeconomic factors that are considered to influence the inward FDI based on previous literature. The selected determinants are Size of Domestic Market, Exchange Rate, Inflation Rate and Interest Rate. Secondary data is collected for the variables ranging from the first quarter (Q1) 2005 to fourth quarter (Q4) 2015. Based on the Multiple Linear Regression Model used in the study, Size of Domestic Market proxy by the Gross Domestic Product is the main determinant that affects Inwards FDI in Malaysia due to its significant positive influence. It is believed that an increase in GDP will increase the FDI inflows into Malaysia investment. On the other hand, the remaining variables have stumbled across insignificance and is unable to explain the relationship towards Inwards FDI.