



**BACHELOR OF BUSINESS ADMINISTRATION (HONS) FINANCE  
FACULTY OF BUSINESS MANAGEMENT  
UNIVERSITI TEKNOLOGI MARA  
SEGAMAT, JOHOR.**

**DECLARATION OF ORIGINAL WORK**

**ABDUL RAFIQ BIN ABDUL AZIZ**

**2013192583**

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**

26<sup>th</sup> DECEMBER 2016

MADAM RABIATUL ALAWIYAH BINTI ZAINAL ABIDIN  
Faculty of Business Management  
Universiti Teknologi MARA  
85009 SEGAMAT  
JOHOR DARUL TAKZIM

Dear Madam,

**SUBMISSION OF PROJECT PAPER**

Attached is the project paper titled “**THE IMPACT ECONOMIC GROWTH TOWARDS FOREIGN DIRECT INVESTMENT IN CHINA**” to fulfill the requirement as needed by the Faculty of Business Management, Universiti Teknologi MARA.

Thank you.

Yours sincerely,

.....

ABDUL RAFIQ BIN ABDUL AZIZ  
2013192583  
Bachelor of Business Administration (Hons) Finance

## ACKNOWLEDGEMENT

Assalamualaikum, Alhamdulillah i finally managed in completing my research assignment on Industrial Training Project Paper (FIN 672) for this semester. This research becomes a reality with the kind support and help of many individuals. I would like to extend my sincere thanks to all of them. Foremost, I want to offer this endeavour to our god almighty for the wisdom he bestowed upon me, the strength, peace of my mind and good health in order to finish the research.

I would like to express my gratitude towards my family for the encouragement which helped me in completion of this paper. My beloved and supportive family, who is always by my side when times i needed them most and helped me a lot in making this research.

I are highly indebted to Universiti Teknologi Mara Segamat for their guidance and constant supervision as well as for providing necessary information regarding this research and also for their support in completing this endeavour. I would like to express my special gratitude and thanks to my advisor, Madam Rabiatul Alawiyah Binti Zainal Abidin for imparting her knowledge and expertise in this research and for sharing her knowledge, support and provisions that benefited her much in the completion and success of this research. My thanks and appreciation also go to my classmates and people who have willingly helped me out with their abilities.

## **ABSTRACT**

This study aims to examine the relationship and impact between the economic growth and foreign direct investment (FDI) in China and also, to determine the determinant factors of foreign direct investment that influence the economic growth in China. This study will use time series analysis and multiple regression models. This study will be conducted by using the quarterly data on foreign direct investment and economic growth in China that covering the periods of 1995 until 2016 which is 22years. The data were collected from a particular database that is Data Stream and the information also is gathered from the previous journals and websites that are related with this study as a references. The researcher also used the EVIEWS (Econometric View) software from 8.0 version to examine and analysed the data in order to get the outcome of the research whether the variables is positively or negatively significant to each other. The dependent variable are FDI inwards which represent as foreign direct investment (FDI) while, the independent variable are selected macroeconomics variables which are the gross domestic product, import and exports that will represent as economic growth. The findings in this research shows that GDP have positive relationship with the FDI in China while imports and export have no significant relationship between FDI in China

# **CHAPTER 1**

## **INTRODUCTION**

### **1.1 BACKGROUND OF THE STUDY**

Foreign direct investment (FDI) is generally used as an economic development accelerator by developing countries with trustworthiness that FDI promotes economic growth of host countries. In 1978, China transformed its economy by implementing externally-oriented economic development strategies routing towards market liberalization, and the “open door” policy was introduced. One of the most essential parts of this policy is to encourage and attract inflows of FDI by offering various fiscal and financial incentives, such as tax allowances, import duty exemptions and financial subsidies, to the outside world. The basis behind these efforts is to develop the economy by utilizing foreign capital. Since December 1979 when FDI was permitted, China, from an almost closed economy, has become the major FDI host country amongst developing countries for 18 consecutive years and the second largest recipient world widely. By the end of 2008, China had signed 659,800 foreign direct investment project contracts, and had actually received \$899.06 billion of FDI. Moreover, FDI inflows as a percentage of GDP had increased from nearly 0% in 1979 to 2.49%