

UNIVERSITI TEKNOLOGI MARA

**THE IMPACT OF FOREIGN DIRECT
INVESTMENT AND INTERNATIONAL TRADE
TOWARDS VOLATILITY OF OIL AND GAS
INDUSTRY**

**NOR FARHANA AMIRAH BINTI CHE OMAR
2015664012**

Final Year Project Paper submitted in fulfillment
of the requirements for the degree of
**Bachelor of Business Administration
(Finance)**

Faculty of Business and Management

June 2018

AUTHOR'S DECLARATION

I declare that the work in this final year project paper was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Undergraduate, Universiti Teknologi MARA, regulating the conduct of my study and research.


Name of Student : Nor Farhana Amirah binti Che Omar

Student I.D. No. : 2015664012

Programme : Bachelor of Business and Administration (Hons)
Finance.

Faculty : Business and Management

Thesis : The Impact of Foreign Direct Investment and
International Trade Towards Volatility of Oil and Gas
Industry

Signature of Student : 

Date : June 2018

ABSTRACT

The Malaysian government values foreign investment as a powerful force for the continued economic development of the country that is contributed by the oil and gas industry. The oil and gas industry is the top industry in Malaysia. Malaysia's growth in the oil and gas industry has been highly dependent on trade and the inflow of foreign direct investment (FDI). The current global crisis prompts Malaysia to review its policy on trade, something that is of importance since it is a small open economy. There is no doubt that Malaysia's growth in the price index of oil and gas industry in the last two decades has been driven by exports. The current crisis clearly draws attention to the fact that Malaysia depends on international trade, especially in terms of demand emanating from these countries. What is more, Malaysia's attractiveness as a location for FDI depends on the preferences of these developed economies from the price index of oil and gas industry. The effort of the strategy by the government can make the price index of oil and gas industry being more stable in the future. Numerous findings mentioned that the foreign direct investment and international trade contribute positive and significant relationship toward the price index of oil and gas industry. These relationship often been argued as it has been mentioned over time that foreign direct investment and international trade have contribute to the increasing of the price index of oil and gas industry. This research paper was carried out to observe the significant relationship or connection between foreign direct investment and international trade toward the volatility of price index of oil and gas industry. The main objectives of this paper are to identify the impact of foreign direct investment and international trade toward the volatility of price index of oil and gas industry. As the volatility of price index of oil and gas industry will be the dependent variable, the foreign direct investment and international trade are the independent variables. An ordinary least square method, regression model will be conducted to test the relation in a case of Malaysia data. It hopes that this research paper can contribute to the volatility of price index of oil and gas industry. The expected findings are there are positive relationship dependent and independent variables.

Keywords: Foreign Direct Investment, Real Import Volume Index, Real Export Volume Index

ACKNOWLEDGEMENT

Firstly, I wish to thank God for giving me the opportunity to embark on my Degree and for completing this long and challenging journey for my research successfully. My gratitude and thanks go to my advisor Madam Norhasniza Hasan Abdullah.

My appreciation goes to my friends and lecturers for helping me to complete this final year project. Special thanks to my family members who are always supporting me in form of money and advice to complete my project.

Finally, this thesis is dedicated to my loving parents for the vision and determination to educate me until this level. This piece of victory is dedicated to both of you. Alhamdulillah.

TABLE OF CONTENT

	Page
AUTHOR'S DECLARATION	iii
ABSTRACT	iv
ACKNOWLEDGEMENT	v
TABLE OF CONTENT	vi
LIST OF TABLES	ix
LIST OF FIGURES	x
LIST OF SYMBOLS	xi
LIST OF ABBREVIATIONS	xii
CHAPTER ONE: INTRODUCTION	1
1.1 Introduction	1
1.2 Background of Study	2
1.3 The Problem Statement	3
1.4 Research Question	4
1.5 Research Objective	4
1.6 Significant Of Study	4
1.7 Scope of Study	6
1.8 Limitations of the Study	6
1.9 Definition of Key Terms	6
1.10 Summary	7
CHAPTER TWO: LITERATURE REVIEW	8
2.1 Introduction	8
2.2 Literature Review	8
2.3 Price Index of Oil and Gas Industry	8
2.4 Foreign Direct Investment (FDI)	10
2.5 Real Import Volume Index	11