



**DETERMINANT OF FOREIGN DIRECT
INVESTMENT (FDI) INFLOW IN MALAYSIA:
MACROECONOMIC DIMENSIONS**

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ABSTRACT

The aim of this paper is to test the hypothesis that the inward foreign direct investment (FDI) position of countries may be considered as a function of country specific characteristics, such as income, exchange rate, technology, human capital and openness of the economy. The objective of this study is try to trace what are exactly the determinant or notably what are the main possible determinant that can affect FDI in Malaysia using time series data for foreign direct investment inflow and macroeconomics variables from the year 1985 to year 2005. The impact of Macroeconomics tend to be significantly influent the FDI inflow during the year 1985 until 2005. Another objective is to determine relationship between FDI inflow in Malaysia and macroeconomics variables.

This research was using multiple linear regression method. The model indicates that market openness is proved the most important determinant of FDI inflow in Malaysia. Overall, the results verify that the FDI inflow position of countries is influenced by macroeconomic variables and that the same types of endowments have different significance for different countries.