



THE FACTORS THAT AFFECT FOREIGN DIRECT INVESTMENT IN MALAYSIA

DZULFADZLY ZAKI B MD RUZI

2012852636

**Submitted in Partial Fulfilment
of the Requirement for the
Bachelor of Business Administration (Hons) Finance**

**Faculty of Business Management
Universiti Teknologi Mara
Segamat, Johor.**

SEPTEMBER 2014

Contents

LETTER OF SUBMISSION	i
ACKNOWLEDGEMENT	v
ABSTRACT.....	vi
CHAPTER 1 : INTRODUCTION	1
1.0 Introduction	1
1.1 Background Research	2
1.1.1 Foreign Direct Investment in Malaysia	Error! Bookmark not defined.
1.2 Problem Statements	3
1.3 Research Questions	4
1.3.1 Main Research Question	4
1.3.2 Specific Research Questions	4
1.4 Research Objective	5
1.4.1 Main Research Objective	5
1.4.2 Specific Research Objectives	5
1.5 Significance of The Study	6
1.6 Scope Of Study	6
1.7 Limitation of Study	7
1.7.1 Data reliability and period constraint	7
1.7.2 Difficult in getting data	7
1.7.3 Difficult in using e-views	7
1.8 Summary	8
CHAPTER 2 : LITERATURE REVIEW.....	9
2.1 Introduction	9
2.1.1 Foreign Direct Investment	9
2.1.2 Gross Domestic Product (GDP)	10
2.1.3 Money Supply	11
2.1.4 Government Expenditure / Infrastructure	12
2.1.5 Inflation Rate.....	14
2.1.6 Exchange Rate.....	15
2.1.7 Interest Rate	17
2.2 Conclusion	18

CHAPTER 3 : RESEARCH METHODOLOGY	19
3.1. Introduction	19
3.2. Sample and Data	19
3.2.1. Sampling Size	19
3.2.2. Data Collection.....	19
3.2.2.1. Secondary Data.....	19
3.2.3. Variables.....	20
3.2.3.1. Dependent Variable	20
3.2.3.2. Independent variables	20
3.3. Research Design	21
3.3.1. Purpose of Study	21
3.3.2. Types of Investigation	21
3.3.3. Study Setting.....	22
3.3.4. Unit of Analysis	22
3.3.5. Time Horizon	22
3.4. Research Framework	22
3.5. Test Consideration For Data Analysis.....	23
3.5.1. Test for Stationary : Unit Root Test	24
3.5.2. Normality Test	24
3.5.3. Autocorrelation - Serial Correlation Test	24
3.5.4. Heteroscedasticity Test – Variance of Error Term Test	25
3.5.5. Test on Functional Form.....	25
3.5.6. Multicollinearity Test	26
3.5.7. Multiple Linear Regression.....	26
3.5.7.1. T-test.....	27
3.5.7.2. Coefficient of Determination (R^2)	27
3.5.7.3. F-statistic.....	27
3.6. Hypothesis Statement	28
3.6.1. Main Hypothesis Statement	28
3.6.2. Specific Hypothesis Statement	28
3.7. Summary	30
CHAPTER 4 : DATA ANALYSIS.....	31

ACKNOWLEDGEMENT

I am very grateful to be able finishing my research succesfully. I would never have been able to finish research without the guidance from the lecturer, help from friends and support from our family. I am thankful to Allah for answering our prayers for giving us strength plod on despites our constitution wanting to give up and throw in the towel.

I would like to dedicate a special thank you to my lecturer, Puan Rohanizan Binti Md Lazan for guiding me in completing my research and very caring, patience and providing me with an excellent atmosphere during my research. Also not forgetting,thank you to my second examiner En. Syamsyul Bin Samsudin

Besides that, I would also like to thanks to my friends for their support, continuous encouragement and help through up and down in finishing my research period. Last but not least, special to my family member that continuously support and guidance me in finishing this research.

Thank you.

ABSTRACT

Foreign direct investment (FDI) means that do investment into production or business in the country by individual or company of another country. Besides that, the country can attract the investor from another country to do foreign direct investment by having a good economic growth. Therefore, in this study we try to determine the factors that affect foreign direct investment in Malaysia. The objective of this study is to measure the factors that affect foreign direct investment in Malaysia and to identify the most factor that can affect FDI.