



**THE FACTORS THAT AFFECT
FOREIGN DIRECT INVESTMENT
IN MALAYSIA**

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ABSTRACT

Foreign Direct Investment (FDI) has contributed to the transformation of the Malaysian economy. From previous study, it had been identified that there were some factor that contribute to the FDI inflows into the country. However, the contribution of each of the factors vary by countries .The research objective are to identify the factor that affect Foreign Direct Investment in Malaysia.The independent variables for this research are inflation rate, exchanges rate and interest rate. While dependent variable is Foreign Direct Investment (FDI). The data are taken from Database in UiTM Library and Database. The data will be collected in Malaysia only. The time period for this research were from 1987 to 2014 which is for 28 years. The data will be collected based on secondary data. The data that will be used in the research is Time Series. In this research the data will be analyzed by using the Econometric View 7.0(E-Views). Based on the result obtained, it shows that FDI have significant positive relationship with inflation rate. However, FDI inflows were negatively related with exchange rate and interest rate.

Keyword : Foreign Direct Investment, interest rate, exchange rate, interest rate, time period, Malaysia

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CHAPTER 1: INTRODUCTION

1.1 Introduction

Foreign Direct Investment (FDI) is an investment made by a company or entity based in one country, into a company or entity based in another country. Multinational companies or venture capital firms are usually the undertaken firm. Foreign Direct Investment (FDI) in Malaysia at least have 10% of the total equity in a resident company by a non-resident investor. It also mean that the transaction in financial asset and liabilities resident companies and non-resident direct investors had taken place.

Nowadays, Malaysia has been one of the most successful Southeast Asian countries in attracting Foreign Direct Investment (FDI). Many policy instruments have been set up by the Malaysian government to improve the value of the present determinants and it is considering as a new strategies to attract FDI. The movement of FDI are come from financial institutions and non- transaction factors like foreign exchanges, price changes, and other changes during the reference period. Investment income of FDI consist of three part which is reinvested earnings, dividends, and interests. Interests are income on loans and debt securities. Dividends are distributed earnings allocated to shares and other forms of participation in the equity of incorporated private enterprises, public corporations, and cooperatives.