



UNIVERSITI TEKNOLOGI MARA

**THE DETERMINANTS OF
FOREIGN DIRECT INVESTMENTS:
THE CASE OF MALAYSIA,
INDONESIA, THAILAND,
PHILIPPINES, AND SINGAPORE**

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ABSTRACT

The purpose of the study is to identify the determinants of foreign direct investments in five selected countries which is Malaysia, Indonesia, Thailand, Philippines, and Singapore. The study were conducted to get a clearer picture of the variables that may have an impact to a country's FDI inflow. The data was collected from the year 2004 to 2015. This study used multiple linear regression model with panel data for over 12 years of data analysis. The variables used for this study are macroeconomics indicators that is market size (measured by GDP), macroeconomic stability (measured by inflation rate), infrastructure facility (measured by fixed telephones subscriptions), and trade openness for independent variables and foreign direct investment for dependent variable. The data collected has been analysed by using E-Views 8.0 and were tested for assumptions. Normality test, serial correlation test and heteroscedasticity test were conducted on the data. All independent variables are expected to be significantly correlated with the dependent variable. The findings shows that the market size, infrastructure stability and trade openness is significant to the dependent variable, FDI. Macroeconomic stability, however, is an insignificant variable to FDI inflows in the five selected country which are Malaysia, Indonesia, Thailand, Philippines, and Singapore.

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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

In this chapter, I will discuss the background of the study, the problem statements, the research questions, the research objectives, the significance of the study, and the summary for Chapter One. This study will focus on the determinants of Foreign Direct Investment (FDI) in selected countries which are Malaysia, Indonesia, Thailand, Philippines, and Singapore.

In the background of the study, we will discuss the dependent and independent variables used in conducting the study. The research question in this chapter will discuss the questions which relates to the theoretical framework of the study. Next are the research objectives. Research objectives help in focusing the aims of the study. We will also discuss the importance of the study to several parties such as the government, investors and for individuals in the significance of the study.

1.2 BACKGROUND OF THE STUDY

Foreign direct investment may be viewed as one of the main tools for encouraging a country's economic growth. FDI has been known as a key source of income, capital flows, business competition, innovations, job creations, technological transfer, which are an important process of economic development. In addition to private investment, FDI has largely contributed to the total investment in a country, which is the main engine to drive economic growth. Due to these reasons, it is important to investigate the factors that might influence the foreign investor's decision to invest in a country. Kok and Ersoy (2009) concluded that FDI is a key ingredient for successful economic growth in developing countries because the very essence of economic development is the rapid and efficient