



THE DETERMINANTS OF FOREIGN DIRECT INVESTMENT (FDI) IN MALAYSIA

SITI SARAH BINTI ARIFFIN

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ABSTRACT

This study investigates the determinants of Foreign Direct Investment (FDI) in Malaysia. There are several factors that influence the Foreign Direct Investment (FDI) in Malaysia. It may be affected by internal or external factors. The analysis of this study has mainly focused on the empirical test of the effect of Exchange Rates (EXR), Inflation Rates (INF), Trade Openness (TO), Gross Domestic Product (GDP) and Infrastructure (INFRA) variables on the condition of the Foreign Direct Investment (FDI) in Malaysia. The method that has been used in this study is Ordinary Least Square (OLS) and using yearly data that has been taken from 1980 until 2016. By using annually data and Ordinary Least Square regression, the results show a negative relationship between Exchange Rates (EXR) and Gross Domestic Product (GDP) with Foreign Direct Investment (FDI). In contrast, the results for Inflation Rates (INF), Trade Openness (TO), and Infrastructure (INFRA) show a strong significant relationship with the Foreign Direct Investment (FDI) in Malaysia. It indicates that, when the Exchange Rates (EXR) and Gross Domestic Product (GDP) decrease, the Foreign Direct Investment (FDI) will increase while when the Inflation Rates (INF), Trade Openness (TO), and Infrastructure (INFRA) increase, it shows that increasing in Foreign Direct Investment (FDI). From the result it is shown that, Trade Openness (TO) is the most significant thing in order to stabilize the Foreign Direct Investment (FDI) in Malaysia. Based on the finding, some action can be taken to be able to increase the Foreign Direct Investment (FDI) in Malaysia.