



**THE DETERMINANTS OF FOREIGN DIRECT INVESTMENT
INFLOWS IN MALAYSIA**

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**BACHELOR OF BUSINESS ADMINISTRATION
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DECEMBER 2017

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**Submitted in Partial Fulfillment of the
Requirement for the
Bachelor of Business Administration with Honours (Finance)**

**FACULTY OF BUSINESS MANAGEMENT
UNIVERSITY TECHNOLOGY MARA
SHAH ALAM**

DECEMBER 2017

DECLARATION OF ORIGINAL WORK



BACHELOR OF BUSINESS ADMINISTRATION WITH HONOURS (FINANCE) FACULTY OF BUSINESS MANAGEMENT UNIVERSITI TEKNOLOGI MARA “DECLARATION OF ORIGINAL WORK”

1. Amirul Hakim Bin Mohd Johari (931220-14-7465)

Hereby, declare that:

- This work has not previously been accepted in substance for any degree, locally or overseas, and is not being concurrently submitted for this degree or any other degrees.
- This project-paper is the result of my independent work and investigation, except where otherwise stated.
- All verbatim extracts have been distinguished by quotation marks and sources of my information has been specifically acknowledged.

Signature: _____

Date: _____

LETTER OF SUBMISSION

December 2017

Madam Azhana Bt Othman
Lecturer of Faculty of Business Management
Kampus Bandaraya Melaka
Universiti Teknologi MARA Melaka
110 Off Jalan Hang Tuah
75300 Melaka Bandaraya Bersejarah

Dear Sir/Madam,

SUBMISSION OF FINAL PROJECT PAPER

Attached is the project paper title “**FACTORS AFFECTING FOREIGN DIRECT INVESTMENT DECISION IN MALAYSIA**” to fulfil the requirement needed by the Faculty of Business Management, Universiti Teknologi MARA.

Thank You.

Yours Sincerely,

AMIRUL HAKIM BIN MOHD JOHARI

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ABSTRACT

This study examines the relationships that between foreign direct investment (FDI) and the determinants economic growth (GDP), exchange rate (ER) and inflation rate (IR) from the year of Q1 2010 to Q3 2017 which contains quarterly data. This data was analyzed by using Autoregressive Distributed Lag method in order to define the statistical relationship among the variables. Besides, this study was used Autoregressive Distributed Lag methods and proceed with Descriptive Analysis, Diagnostic Checking, long run and short run form and Unit Root tests. In Diagnostic Checking, some tests done to check the significant presents of autocorrelation, heteroscedasticity, the normality of data distribution and model specification. The result of this study shows that there is a significant relationship between the foreign direct investment (FDI) and the economic growth (GDP) and exchange rate (ER) while inflation rate (IR) did not have any relationship with the Foreign Direct Investment. As conclusion, for the studies shows that the GDP, ER and IR become the factors that affecting the FDI decision in Malaysia.

Keywords: foreign direct investment, economic growth, inflation rate, exchange rate, autoregressive distributed lag method