



اُنُوْزِيسِيْتِي تِيْكَنُوْلُوْجِي مَارَا

UNIVERSITI TEKNOLOGI MARA
CAWANGAN KELANTAN

**A STUDY ON THE RELATIONSHIP BETWEEN MALAYSIA
OUTWARD FOREIGN DIRECT INVESTMENT AND U.S
DOLLAR, SINGAPORE DOLLAR AND U.K POUND
STERLING**

NIK DINI DAZIANI BT NIK DERAHMAN

2005653461

**BACHELOR OF BUSINESS ADMINISTRATION WITH
(HONS) FINANCE
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITY TECHNOLOGY MARA**

APRIL 2007

LETTER OF TRANSMITTAL

Bachelor of Business Administration (Hons) Finance

University Technology MARA (UiTM)

Kelantan Campus, 18500 Machang

KELANTAN DARUL NAIM

18 April 2007

The head of program

Bachelor of Business Administration (Hons) (Finance)

Faculty of Business Management

University Technology MARA (UiTM)

Kelantan Campus, 18500 Machang

KELANTAN DARUL NAIM

Dear Sir,

SUBMISSION OF PROJECT PAPER (FIN 660)

Attached is the project paper titled **"A STUDY ON THE RELATIONSHIP BETWEEN MALAYSIA OUTWARD FOREIGN DIRECT INVESTMENT AND THE U.S DOLLAR, SINGAPORE DOLLAR AND U.K POUND STERLING"** for your kind evaluation as required by the Faculty of Business Management, UiTM.

TABLE OF CONTENT	PAGE
-------------------------	-------------

DECLARATION OF ORIGINAL WORK	i
LETTER OF TRANSMITTAL	ii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENT	v
LIST OF TABLES	ix
LIST OF FIGURES	x
LIST OF ABBREVIATIONS	xi
ABSTRACT	xii
1 INTRODUCTION AND BACKGROUND OF THE STUDY	1
1.1 INTRODUCTION	1
1.1.1 Overview of Malaysia's Direct Investment Abroad	2
1.1.2 Overview of exchange rate in Malaysia	5
1.1.3 Background of the Study	8
1.2 PROBLEM STATEMENT	11
1.3 THE OBJECTIVE OF THE STUDY	15
1.4 SCOPE OF THE STUDY	15
1.5 DEVELOPMENT OF THEORETICAL FRAMEWORK	16
1.6 THE HYPOTHESIS OF THE STUDY	17
1.7 SIGNIFICANT OF THE STUDY	19
1.7.1 Investors	19
1.7.2 Researcher	19
1.8 LIMITATION OF THE STUDY	19
1.8.1 Time constraint	19
1.8.2 Reliability and Accuracy of the Data	20

ABSTRACT

The study focuses on the relationship between the exchange rate (MYR/USD, MYR/SGD and MYR/£) with the Malaysia outflow foreign direct investment. The main purposes of this study is to identify whether the independent variable, the exchange rate has a significant relationship with Malaysia outward foreign direct investment or not. The volatility of Malaysia outward foreign direct investment from 1991 to 2006 has shown an unstable pattern which inconsistently appreciated and sometimes depreciated. The secondary data collected for this study consists of Malaysia outward foreign direct investment starting from the 1st quarter of 1991 to the 3rd quarter of 2006. Meanwhile, the data for exchange rate is collected in monthly basis from year 1991 to 2006. However in order to standardize the data, it has been presented on quarterly basis. This study uses simple linear regression model to the data. Based on the analysis from simple linear regression, only MYR/USD and MYR/SGD have significant relationship which represents the Malaysia outward foreign direct investment. Meanwhile, UK/£ shows no significant relationship towards Malaysia outward foreign direct investment.

1 INTRODUCTION AND BACKGROUND OF THE STUDY

1.1 INTRODUCTION

FDI stands for Foreign Direct Investment is a component of a country's national financial account. FDI is the investment of foreign asset into domestic structure, equipment and organization. It does not include foreign investment into the stock market. FDI is thought to be more useful to a country than investment in the equity of its company because equity investments are potentially hot money which is durable and generally useful whether things go well or otherwise. FDI occurs when a firm invests directly in facilities to produce and market a product in a foreign country.

FDI occurs when a firm undertakes an investment in an overseas enterprise, in which the foreign investor has both a lasting investment and substantial control. FDI implies that the investor exerts a considerable degree of influence on the management of the overseas enterprise.

Outflows of FDI in the reporting economy comprise capital provided (either directly or through other related enterprises) by a company resident in the economy (foreign direct investor) to an enterprise resident in another country (FDI enterprise).

It is difficult to imagine Malaysia's economic development without the contribution of Foreign Direct Investment (FDI). Malaysia has been considered as one of the favorites of FDI in Asia. Since the 1990s, however, Malaysia has not only been able to maintain its inward FDI position, but has also emerged as a potent force as far as outward FDI is concerned, especially to other developing Asian economies. Malaysian Industrial Development Authority (MIDA) has been playing an important role in helping companies in their quests for partners or projects abroad.