



**OUTWARD FOREIGN DIRECT INVESTMENT,
FINANCIAL DEVELOPMENT AND ECONOMIC GROWTH :
MALAYSIA**

**NURUL FARAH IZZATI BINTI SULAIMAN
2017275608**

**BACHELOR OF BUSINESS ADMINISTRATION
WITH HONOURS (BUSINESS ECONOMICS)
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
KOTA KINABALU, SABAH**

DECEMBER 2019

DECLARATION OF ORIGINAL WORK



**BACHELOR OF BUSINESS ADMINISTRATION
WITH HONOURS (BUSINESS ECONOMICS)
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA (SABAH BRANCHES)**

‘DECLARATION OF ORIGINAL WORK’

I, Nurul Farah Izzati Binti Sulaiman, (I/C Number: 960427105054),

Hereby declare that:

- (i) This work has previously been accepted in substance for any degree, any locally or overseas, and is not being concurrently submitted for this degree or any other degrees.
- (ii) This project paper is the outcome of my own work and investigation, except where otherwise stated.
- (iii) All verbatim extracts have been distinguished by citation. Information provided in this study also has been acknowledged by the relevant and reliable sources.

I also grant permission for the library at Universiti Teknologi Mara (Cawangan Sabah) to make duplicate copies of my thesis as required

Signature : *farahizzati*

TABLE OF CONTENTS

ACKNOWLEDGEMENT	i
TABLE OF CONTENTS	ii
LIST OF TABLE	iv
LIST OF FIGURE	v
GLOSSARY	vi
ABSTRACT	vii
CHAPTER 1 : INTRODUCTION	
1.0 Background Of Study	1
1.1 Problem Statement	3
1.2 Research Question	4
1.3 Research Objective	4
1.4 Significance Of Study	5
1.5 Limitation	6
1.6 Organization Of The Study	7
CHAPTER 2 : THEORY AND LITERATURE REVIEW	
2.0 Introduction	9
2.1 Theory Associated with Study	9
2.2 Literature Review	11
2.2.1 FDI-Growth Relationship	11
2.2.2 Outward FDI	13
2.2.3 Financial Development	16
2.3 Summary Of The Chapter	18
CHAPTER 3 : DATA AND METHODOLOGY	
3.0 Introduction	19
3.1 Data	19
3.2 Conceptual Framework & Model Specification	20
3.3 Methodology	21
3.3.1 Unit Root Tests	21

LIST OF TABLES

Table 4.1 : The results for ADF and KPSS

Table 4.2 : Table of Lag Selection

Table 4.3 : Table of Multivariate Diagnostic Tests

Table 4.4 : The results of Cointegration Test

Table 4.5 : Long-Run Estimates

Table 4.6 : Granger Causality Test result

ABSTRACT

This paper aim to examine the relationship between economic growth, outward foreign direct investment and financial development in Malaysia. By using the data set range from 1980 to 2018, where the dependent variable is economic growth while the independent variables are outward FDI and FD. The results of long-run coefficient indicates there is a positive relationship between GDP and both of the independent variables (outward FDI and FD). Moreover, the main results obtained from vector error-correction model (VECM) suggest there is relationship between outward FDI and financial development in long-run and short run and have bi-directional causation between the variables.