

UNIVERSITI TEKNOLOGI MARA

**MODELLING MALAYSIAN
OUTWARD FOREIGN DIRECT
INVESTMENT FROM THE
HOME AND HOST
COUNTRIES' PERSPECTIVES**

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Thesis submitted in fulfilment
of the requirements for the degree of
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AUTHOR'S DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Post Graduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

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ABSTRACT

Outward Foreign Direct Investment (OFDI) is one of the measures to indicate the performance and capability of developing countries firms in economic integration where border barriers are eliminated. Malaysia as a developing economy is undertaking OFDI due to the limitation of local resources and to search for new markets. Thus in relation to the contemporary economic development mainly globalisation and regionalism issue, in the context of Malaysia as one of the emerging developing countries, identifying the primary determinants contributed to OFDI of Malaysia is crucial for sustainable growth. This thesis studies the determinants of OFDI by Malaysian based Multinational Corporations, MNCs. It focuses on the trends, patterns and domestic factors that pushes off Malaysian firms to involve in OFDI using Dunning's Push Factors theory. Multiple regression analysis is performed on time series data beginning from 1981 to 2011. The study finds that income level, labour quality, currency value, trade openness, firm's capability and technology are the major pushing factors of Malaysia's OFDI. In addition, the studies also examine Malaysian OFDI in the developing countries perspective as suggested by Banga (2005) before proceeding to the long run dynamic Auto-Regressive Distributed Lag, ARDL model. The host countries' influence on Malaysian OFDI is also taken into consideration in order to make the study more comprehensive. This part of the study utilises panel data of 12 countries during the period of ten years spanning from the year 2000 to 2009. The study finds that the determinants that greatly influence the decision of Malaysia's MNCs to invest overseas are; cost of doing business, trade openness, good infrastructure, and labour quality. Malaysian firms are perceived as more interested in market, technology, and resources seeking rather than lower cost locations. Since OFDI is seen as an important source of improved national competitiveness, actions to attract OFDI have to be taken. Economic openness, income level, and firm's capability need to be upgraded as they are found to be among the vital pushing factors for Malaysian firms to invest abroad.

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