

UNIVERSITI TEKNOLOGI MARA

**DETERMINANTS OF FOREIGN
DIRECT INVESTMENT IN BRAZIL**

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2014326637**

**BBA (Hons) Business Administration
Finance**

December 2017

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Thesis submitted in fulfillment
of the requirements for the degree of
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(Finance)**

Faculty of Business Administration

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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, Johor Branch, Segamat Campus. 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 Undergraduate, Universiti Teknologi MARA, Johor Branch, Segamat Campus regulating the conduct of my study and research.


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ABSTRACT

Foreign direct investment (FDI) has become a necessity for any developing country across the globe due to its main function as a vital element for a nation civilization and development. Hence, an endless and reliable inflow of FDI is crucial to ensure the prosperity of the country. This study focuses on FDI specifically in Brazil by using a time series data since the year 1994 until 2015. The aim of this research is to evaluate how strong one factor that are believed to cause the change in Brazil's FDI. It is vital to select appropriate determinants as FDI is one of the measures for economic growth. This research will test the hypothesis and the regression line. Specifically, the independent variables gathered are Current Account Balance (% of GDP), Net Trade in Goods and Services (BoP, current US\$), Employment, total (% of total labor force), Exports of Goods and Services (current US\$) and Adjusted Net National Income (annual % growth). Current account is important because it acts as an indicator about an economy's health. So, it is very important to maintain the country's current account because foreign investors will hunt for a country that will give them benefits and profits in return. National income also have a similar function like the current account which is to gauge the health of a country's economy. But national income or GDP represent the total dollar value of all goods and services produced over a specific time period. Next, for many developing countries, progression from low income to middle income and upper middle income country status rests heavily on successful trade in regional and global markets. As for the employment factor, foreign investors will rely heavily on the local producers to run their business, therefore in order to sustain the country's FDI, the government must have a proper regulations set to these investors so that both can enjoy equal advantages. Export is another key factor of a successful FDI because as we know, not all countries have the resources and skills required to produce certain goods and services. So to take advantage of it, the country itself must focus on its 'natural gifts' in order to attract MNC from all around the world. In accomplishing the research objectives, four methods were used. They were Multicollinearity test, correlation test: Breusch-Godfrey serial correlation LM, Heteroscedasticity test: white and normality test: Jarque Bera and the multiple linear regression models.

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