



UNIVERSITI TEKNOLOGI MARA

**DETERMINANTS OF FOREIGN DIRECT INVESTMENT
IN MALAYSIA**

**FAZLI BIN AHMAD
(2015166105)**

**BACHELOR OF BUSINESS ADMINISTRATION (HONS)
(INVESTMENT MANAGEMENT) FACULTY OF BUSINESS
MANAGEMENT UNIVERSITI TEKNOLOGI MARA JOHOR
BRANCH SEGAMAT, JOHOR**

December 2017

AUTHOR'S DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA Johor. 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, regulating the conduct of my study and research.

Name of Student : Fazli Bin Ahmad

Student I.D. No. : 2015166105

Programme : Bachelor of Business Administration (Hons)
Investment Management

Faculty : Business Management

Thesis : The Determinants of Foreign Direct Investment in
Malaysia

Signature of Student : 

Date : 04 December 2017

LETTER OF SUBMISSION

December 2017

Dr. Roslina binti Mohamad Shafi
Faculty of Business Management
Universiti Teknologi MARA,
Johor Branch, Segamat Campus,
85000 Segamat
Johor Darul Takzim

Dear Mrs,

SUBMISSION OF PROJECT PAPER

Attached is the project paper titled "DETERMINANTS OF FOREIGN DIRECT INVESTMENT IN MALAYSIA" to fulfill the requirement as needed by the Faculty of Business Management, Universiti Teknologi MARA.

Thank you

Your Sincerely,



.....
FAZLI BIN AHMAD

Bachelor of Business Administration (Hons)
Investment Management

ABSTRACT

Foreign Direct Investment (FDI) shows important roles in boosting the economy of a country and development where foreign country set up their company bases into selected country to gain profit by taking the advantages of other factor such as low interest, trade openness where the investment from outside easily enter the market, or looking at the stability of the economy of the country. FDI promotes economy development through the injection of capital to the country and helps country faces capital shortage. As the country development have increase, it will indirectly improve the rate of unemployment where it helps to give out a job opportunity for the residents. In addition, FDI also helps in improving worker skill as the skilled worker from abroad with advance work skill will share their technology, idea, information and equipment. Malaysia economy have shown the economy growth performance are great from the past few decades depends on the FDI. FDI generates economic growth by increasing capital injection from outsources for development, promotion of export growth and creation of employment in Malaysia. Data from World Bank has shown a fluctuation of FDI inflow in Malaysia that started on 1996 to 2010 due to the Financial Crisis that give great impact to many country including Malaysia. High volatility of the FDI inflow of Malaysia have open up opportunities for the researchers to do research study on what factor that contribute to the changes of FDI. Researcher have come out with a regression to study the relationship between independent variables (economic growth, exchange rate, inflation rate and interest rate) and dependent variable (Malaysia FDI inflow) by using annual data from year 1980 to 2015. The empirical result from the study show that the independent variables of economic growth, interest rate and exchange rate is positively significant. In contrast, the independent of inflation is positively insignificant.

TABLE OF CONTENT

	Page
AUTHOR'S DECLARATION	ii
ABSTRACT	iv
ACKNOWLEDGEMENT	v
TABLE OF CONTENT	vi
LIST OF TABLES	ix
LIST OF SYMBOLS	x
LIST OF ABBREVIATIONS	xi
CHAPTER ONE INTRODUCTION	12
1.1 Introduction	12
1.2 Research Background	13
1.3 Problem Statement	15
1.4 Research Questions	16
1.5 Research Objectives	16
1.6 Significance of the Study	17
1.7 Scope of the Study	17
1.8 Limitation of the Study	18
1.9 Summary	18
CHAPTER TWO LITERATURE REVIEW	19
2.1 Introduction	19
2.2 Literature Review on The Determinants of Foreign Direct Investment	19
2.3 Literature Review on Dependent Variable	20
2.4 Literature Review on Independent Variable	21
2.4.1 Economic Growth	21
2.4.2 Inflation Rate	21
2.4.3 Interest Rate	22
2.4.4 Exchange rate	22