

**GROWTH OF FDI IN MALAYSIA (1980 – 2006):  
STUDY ON LOCATION SPECIFIC ADVANTAGE**

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## ABSTRACT

Foreign Direct Investment (FDI) is playing a major role in promoting the growth of economy especially those countries that fall in the transition economics category. Malaysia is one of the countries which injected its economics performance mostly by attracting FDI to invest in the country. This paper suggests several important factors that attract FDI to our local country. However, due to too many factors that influence the FDI, this paper will focus more on 'Location Specific Advantages' that heavily rely on Eclectic Paradigm Theory (Dunning 1977, 1993).

This paper was done in order to identify the most important factors and the least one so it helps to enhance the allocation of resources in order to attract the FDI. A country especially Malaysia should know which variable that most important and vice versa so that it can allocate its resources effectively. It is so critical since every country in this world has limited resources and has to manage it according to the priority. A multiple regression analysis has been used to obtain the economic result of this study. A comprehensive model is tested for economic variables data from 1980 to 2006. Several independent variables had been chosen in this paper and it includes exchange rate, unemployment rate, illiteracy rate, GDP and number of professional engineers. After running the regression analysis, exchange rate seems to be the only significant predictor whiles other were considered insignificant.