



A study on the relationship between FDI inflows and corruption:

Investigation in Muslim world

AHMAD SAID BIN MOHAMAD

2013778193

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

JUNE 2016

ACKNOWLEDGEMENT

*IN THE MOST NAME OF ALLAH S.W.T, THE MOST COMPASSIONATE AND THE MOST
MERCIFUL*

Alhamdulillah, all praise to ALLAH, the most merciful and the most benevolent for giving me the opportunities in completing this research paper on time in order to fulfill the graduation requirement of Bachelor of Business Administration (Hons.) Finance. It would be possible for me to spent time to complete this study without the grace and help of ALLAH S.W.T.

First of all, I want to thank and express my deepest appreciation to my research advisor Madam Yuslizawati binti Mohd Yusoff for valuable guidance and advice. She inspired me greatly to work on this project. Her willingness to motivate me contributed tremendously to my project. Without her encouragement, suggestions, ideas and comment throughout this study, this research could not be completed.

Besides, I would like to thank to University Technology Mara (UTM) for providing me with a good environment and facilities to complete this project and also my second advisor Sir Syamsyul Samsudin.

I dedicate this research to my beloved parents for their understandings and supports on me in completing this project and also to the rest of my families. I want them to know that I really appreciate what they have done to me.

Not be forgotten, I wish to express my deepest attitude to all my friends that involve directly and indirectly who share the experience, time and commitment. Without helps of the particular mention above, I would face many difficulties while doing this.

ABSTRACT

This study investigates foreign direct investment linkage between corruption and also towards others determinants such as Gross Domestic product, Political Stability and Trade Openness. The issues of this study is to know and get the clear picture of the volatility of foreign direct investment inflows whether it is depends with other determinants of foreign direct investment based on latest data of information from 2002 until 2014. Besides that, the purpose of this study is to have a clear view on the relationship between the dependent variable of Foreign Direct Investment (FDI) and independent variables of corruption (CPI), Gross Domestic Product (GDP), Political Stability (PS) and Trade Openness (TO). The data observation data are collected for 65 observations of yearly data of each observe variables using Data Stream Online. The data has been analysed by using Eviews 8.0 to do descriptive, unit root test, multiple regression, correlation analysis and test on assumption. The findings shows corruption are negative significant relationship with FDI and for others determinants mentioned, Political Stability have a positive significant relationship with FDI in explaining the linkage of FDI and its determinants. However others variable, Gross Domestic Product and Trade openness was surprisingly insignificant towards FDI which indicate that there no relationship existed among gross domestic product and trade openness towards FDI.

TABLE OF CONTENT

	page
Acknowledgement	i
Abstract	ii
CHAPTER 1 Introduction	
1.1 Introduction	1
1.2 Background of Study	2
1.3 Problem Statement	4
1.4 Research Objectives	5
1.5 Research Questions	6
1.6 Significant of Research	6
1.7 Scope of Research	7
1.8 Limitation of Study	7
1.9 Summary	7
CHAPTER 2 Literature Review	
2.1 Introduction	8
2.2 Corruption	8
2.3 Gross Domestic Product	9
2.4 Political Stability	10
2.5 Trade Openness	11
CHAPTER 3 Research Methodology	
3.1 Introduction	12
3.2 Sample and data	12
3.2.1 Population and sample	12
3.2.2 Data collection	12
3.3 Variables	14
3.3.1 Dependent Variable	14
3.3.2 Independent Variables	14
3.4 Research design	14
3.4.1 Purpose of study	14
3.4.2 Types of Investigation	15

	3.4.3 Study Setting	15
	3.4.4 Unit of Analysis	15
	3.4.5 Time Horizon	15
3.5	Research framework	16
3.6	Statistics /econometric method	17
	3.6.1 Descriptive Analysis	17
	3.6.2 Unit root test	17
	3.6.3 Normality test	16
	3.6.4 Correlation Analysis	18
	3.6.5 Correlation Coefficient (R)	19
	3.6.6 Regression Analysis	19
3.7	Test on assumption	22
3.8	Hypothesis statement	23
	3.8.1 Main hypothesis statement	23
	3.8.2 Specific Hypothesis Statement	23
3.9	Summary	24

CHAPTER 4 Data Analysis

4.1	Introduction	25
4.1	Descriptive Analysis	25
4.2	Unit root test	28
4.3	Normality test	30
4.4	Correlation test: Covariance analysis	31
4.5	Regression analysis	33
	4.5.1 Multiple Regression Method	33
	4.5.2 R-squared, Adjusted R-Squared and F-Value	34
	4.5.3 Summary of hypothesis statement	36
4.6	Assumption test	38
	4.6.1 Autocorrelation test	38
	4.6.2 Heterokedasticity test	39
	4.6.3 Ramsey reset test	40

CHAPTER5 CONSLUSION AND RECOMMENDATION

5.1	Introduction	41
5.2	Discussion	41