



**THE DETERMINING FACTORS OF FOREIGN DIRECT  
INVESTMENT DECISION IN MALAYSIA**

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## **ABSTRACT**

Foreign Direct Investment (FDI) plays a crucial role in speeding up the development and economic growth of a country. In particular, developing countries rely heavily on FDI to promote their economy as they face capital shortage for their development process. FDI not only brings in capitals and technology, but also skills into developing countries. And these ended up helping the countries to grow faster by satisfying the country's needs.

The strong growth performances experienced by Malaysia economy greatly depends on the FDI. FDI generates economic growth by increasing capital formation through the expansion of production capacity, promotion of export growth and creation of employment in Malaysia. FDI inflows of Malaysia started fluctuating from 1996 to 2015 and this high volatility of Malaysia FDI inflows drew the researchers' attention to examine the factors affecting FDI inflows in Malaysia by using the annual data from year 1985-2015. Multiple linear regressions model is applied to study the relationship between independent variables (economic growth, exchange rate, and trade openness and inflation rate) and dependent variable (Malaysia FDI inflow).

Empirical results show that economic growth, trade openness and inflation rate significantly and positively affect Malaysia FDI inflows. Last but not least, exchange rates also significantly affect Malaysia FDI inflows; when Ringgit Malaysia depreciates against other currencies, FDI inflows of Malaysia decrease.

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