



**THE DETERMINANT OF FOREIGN DIRECT INVESTMENT IN
ASEAN COUNTRIES**

**NUR HAZIMAH BINTI ABDULLAH
2013944587**

**BACHELOR OF BUSINESS ADMINISTRATION (HONS) (FINANCE)
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
DUNGUN, TERENGGANU**

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ABSTRACT

The objective of study is to observe the determinants of FDI inflows in ASEAN countries. 7 ASEAN countries within the region which Malaysia, Philippines, Singapore, Thailand, Vietnam, Indonesia, and Cambodia have been chosen as observation country in order to complete this research study. Panel data model has been used in this study by considering annually data of inflation, exchange rate, trade rate, GDP and FDI inflows for 7 ASEAN countries for period from 2000-2014. The dependent variable for this study is foreign direct investment (FDI) inflows while independent variable is inflation, exchange rate, trade rate and gross domestic product (GDP). In order to examine the result, several analytical methods used in this study such Descriptive Analysis, Correlation, Pooled Ordinary Least Square, Variance Inflation Factor, Breusch Pagan Multiplier, Random Effect, Fixed Effect and Hausman Test. At the end, Fixed Effect Model (REM) is chosen as a technique in the finding of the study to obtain the real result. Thus, the result indicates that exchange rate and GDP significantly influence FDI inflows into the ASEAN countries.

Key words: inflation, exchange rate, trade rate, GDP, FDI, FEM