



UNIVERSITI TEKNOLOGI MARA

**THE ECONOMIC FACTORS
AFFECTING FOREIGN DIRECT
INVESTMENT IN MALAYSIA**

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ABSTRACT

Any country without a doubt will look upon many factors in order to earn the growth of economy and to be a more developed country. Thus, it can be justify that foreign direct investment is one of the factors that could help in the development and growth of a certain country. Foreign direct investment can be generalized as the investment made by a specific country in another country. From the data of fluctuations of foreign direct investment of Malaysia throughout the past years, my attention has been drawn to investigate the factors that are affecting the inflows of foreign direct investment of Malaysia. The dependent variable or the explained variable for this research is the foreign direct investment in Malaysia whereas the independent or the explanatory variables of this research are economic growth, exchange rate, market size, degree of openness, inflation rate and total debt service which are the economic factors of Malaysia. Expected is the like of something could happen. Through the eyes of a researcher, they could evaluate what their studies will conclude. Thus, empirical results show that the variables of market size, economic growth, degree of openness and total debt service significantly and positively affect the foreign direct investment of Malaysia. Other than that, the variable of exchange rate and inflation rate on the other hand negatively affect the foreign direct investment of Malaysia.

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TABLE OF CONTENTS

	Page
CONFIRMATION BY PANEL EXAMINERS	i
AUTHOR'S DECLARATION	ii
ABSTRACT	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENTS	v-viii
LIST OF TABLES	ix
LIST FIGURES	x
LIST OF ABBREVIATION /NOMENCLATURE	xi
CHAPTER ONE: INTRODUCTION	1
1.1 Introduction	1
1.2 Overview of Study	2
1.3 Problem Statement	3
1.4 Research Question	4
1.5 Research Objective	5
1.6 Significance of Study	5
1.7 Scope of Study	6
1.8 Limitation of Study	6
1.9 Definition Of Term	7
1.10 Summary	8
CHAPTER TWO: LITERATURE REVIEW	9
2.1 Introduction	9
2.2 Literature Review on Foreign Direct Investment	9

CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

An introduction is a crucial part of a research paper. It presumes so as an introduction is where the researcher focuses upon and explain briefly about the problem they encountered or where they basically explain about their topic in hand. Every research will look upon the big picture at first and narrow it down into specific topics in order to attract the readers. From the brief encounter on how important introduction is, I have come to look upon the economy and finance perspective of a country. The word finance from the dictionary brings out the meaning of the science or study of the management of money or funds. Whereas the word economy brings out the meaning that relates with the process or system by which goods and services produced, sold and bought (Merriam-Webster Dictionary)

A certain country would carry out many types of activities in order for them to own a stable economic presentation of themselves alongside other parts of the World. It is crucial for a certain country to find any type of inflows into their country in order to be on a same level with other well-developed countries. If it was to question about, there are many ways that a certain country could pertain any type of inflows into their country. Doing so, one type of an inflow to a country is none other than the foreign direct investment (FDI).

Also known as the major form of international transfer, foreign direct investment in my own words is basically a type of investment made by a company based in one country into a company based in another country in any form such as mergers, acquisitions, or even Greenfield investment. As instance, Company Z in China made an investment towards Company X in Malaysia. Foreign direct investment has been known as a key source of income, capital flows, business competition, innovations, job creations, technological