

THE DETERMINANTS OF FOREIGN DIRECT INVESTMENT IN MALAYSIA

ANDRYCHRYSTALISME TOLISH
2012831834

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UNIVERSITI TEKNOLOGI MARA
SABAH

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TABLE OF CONTENT

Particulars	Pages
Acknowledgements	v
List of Figure	viii
List of Tables	ix
List of Abbreviation	x
Abstract	xi
CHAPTER 1: INTRODUCTION	
1.0 Background of Study	1
1.1 Problem Statement	2
1.2 Research Objective	3
1.3 Significant of Study	4
1.4 Limitation of Study	5
1.5 Organization of Research	6
CHAPTER 2: LITERATURE REVIEW	
2.0 Introduction	8
2.1 Literature Review	8
2.2 Theoretical Framework	13
2.3 Chapter summary	14

CHAPTER 3: DATA AND METHODOLOGY	
3.0 Introduction	15
3.1 Data	15
3.2 Unit Root Test	17
3.3 Ordinary Least Square	18
3.4 Co-integration Johansen Test	19
3.7 Hypothesis	20
3.8 Summary of Chapter	21
CHAPTER 4: RESULT AND FINDINGS	
4.0 Introduction	22
4.1 Descriptive Statistics and Findings	22
4.1.1 Unit Root Test	25
4.1.2 Ordinary Least Square	27
4.1.3 Johansen Co-integration Test	28
4.2 Summary of Chapter	31
CHAPTER 5: CONCLUSION AND RECOMMENDATION	
5.0 CONCLUSION	32
5.1 RECOMMENDATION	33
APPENDICES	34
REFERENCE	49

ABSTRACT

The objective of this research is to find the real evidence by findings the factor determinants of foreign direct investment. Based on the macroeconomic factors, Economic growth, inflation rate, and exchange rate were choosed to determine whether there exist relation between factors and the foreign direct investment in Malaysia. The study was run using time series method.

The time period of investigation is between year 1984 until 2013 which is 30 observations collectively. This time series study was analyzed and tested using unit root test, OLS and also Johansen, to determine all relationship that exist between variables. This study may able to be used as key factors to stimulate the economy for future development policy.

At the end of the research, the conclusion of this research would able the researcher to do recommendation based on the result. The result would help the researcher to recommend the readers such as policy makers, future researchers and society the way to increase or preserve the FDI or foreign investment. Thus the foreign investment coming to this nation would be increased if we did the best decision based on the study that been done.

Keyword: Foreign direct investment, time series, OLS, unit root, Johansen, Granger Causality test, Malaysia