

**DOES THE FOREIGN DIRECT INVESTMENT CROWD IN OR CROWD  
OUT CAPITAL FORMATION? : CASE OF DEVELOPING COUNTRIES**



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## CHAPTER 2: THEORY AND LITERATURE REVIEW

2.0 Introduction	9
2.1 Theory	9 - 12
2.2 Literature Review	13 - 17
2.3 Conceptual Framework	17
2.4 Research Hypothesis	18 - 19
2.5 Research Question	19
2.6 Conclusion	19

## CHAPTER 3: DATA AND METHODOLOGY

3.0 Introduction	20
3.1 Data	20
3.2 Dependent Variable	21
3.2.1 Domestic Investment	
3.3 Independent Variables	21 - 23

## TABLE OF CONTENT

TITLE PAGE	i
DECLARATION OF WORK	ii
LETTER OF TRANSMITTAL	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENT	v - vii
LIST OF ABBREVIATIONS	vii
ABSTRACT	ix
<b>CHAPTER 1: INTRODUCTION</b>	
1.0 Background of the study	1 - 3
1.1 Problem Statement	3 - 4
1.2 Research Objective	4
1.3 Significant of Research	5 - 6
1.4 Scope and Limitation of Study	6 - 7
1.5 Organization of Study	8
<b>CHAPTER 2: THEORY AND LITERATURE REVIEW</b>	
2.0 Introduction	9
2.1 Theory	9 - 12
2.2 Literature Review	13 - 17
2.3 Conceptual Framework	17
2.4 Research Hypothesis	18 - 19
2.5 Research Question	19
2.6 Conclusion	19
<b>CHAPTER 3: DATA AND METHODOLOGY</b>	
3.0 Introduction	20
3.1 Data	20
3.2 Dependent Variable	21
3.2.1 Domestic Investment	
3.3 Independent Variables	21 - 23

3.3.1 Foreign Direct Investment	45
3.3.2 Real Exchange Rate	46 - 47
3.3.3 Inflation Rate	47
3.3.4 GDP	48 - 50
<b>3.4 Methodology</b>	<b>23 - 27</b>
3.4.1 Panel Data	23
3.4.2 Panel Unit Root Test	24
3.4.3 Lee, Levin and Chu (LLC) test	24 - 25
3.4.4 Breitung Test	25
3.4.5 Im Pesaran and Shin (IPS) test	26
3.4.6 BPLM test	26 - 27
3.4.7 Hausman Test	27
<b>3.5 Diagnostic Check</b>	<b>28 - 31</b>
3.5.1 Multicollinearity	
3.5.2 Heteroscedasticity	
3.5.3 Autocorrelation	
3.6 Research Flow	32
3.7 Conclusion	33
 <b>CHAPTER 4: FINDINGS</b>	
4.0 Introduction	34
4.1 Descriptive statistic	34 - 35
4.2 Panel Unit Root Test	36 - 37
4.3 Breusch Pagan Lagrange Multiplier ( BPLM)	37 - 38
4.4 Hausman Test	38 - 39
4.5 Regression Model	40 - 41
4.6 Diagnostic Check	41 - 43
4.7 Robust Standard Error	43 - 45

## **CHAPTER 5: CONCLUSION AND RECOMMENDATIONS**



## ABSTRACT

This study aimed to investigate whether foreign direct investment (FDI) crowd in or crowd out on domestic investment (DI) in the developing countries over the period of 2008 to 2015. The data of FDI net inflow used for FDI and gross capital formation used for domestic investment (DI), therefore both variable will be analyse through panel data analysis. Apart from that, the data of real exchange rate, inflation and gross domestic product used as a control variables in the panel analysis. After several statistical tests have been conducted, the results show quite an interesting finding along with some of the previous study whereby the analysis shows the existence of relationship between foreign direct investment (FDI) and domestic investment (DI) hence its proved the crowding in effect of domestic investment(DI) by the foreign direct investment (FDI).

**Keywords;** *FDI, DI, exchange rate, inflation, GDP*