



**UNIVERSITI TEKNOLOGI MARA**

**DOES ECONOMY FACTORS AFFECT  
ENVIRONMENTAL PERFORMANCE?: A STUDY ON  
MALAYSIA AND INDONESIA**

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Final Year Project submitted in fulfillment of  
the requirements for degree of  
Bachelor of Business Administration (Hons)  
Investment Management

**Faculty of Business and Management**

**FEBRUARY 2022**

## ABSTRACT

Association of Southeast Asian Nation (ASEAN) members have been attempting to adopt several environments focus target for the last decades. Environmental performance in this research paper has been specified as CO<sub>2</sub> emissions by each country, Malaysia and Indonesia respectively. The justification for that variable used is because, CO<sub>2</sub> emissions contribute the highest percentage to the global warming. This research has gathered data set on foreign direct investment (FDI), economic growth (EG), population density (PD), export (Ex) and import (Im) from Malaysia and Indonesia between 1990 to 2019, a time frame of 30 years. The spike in environmental performance in Malaysia and Indonesia has trigger a great concern on the climate emergency by the people. The purpose of this research paper is to identify the main determinants that could be the triggering factors for its increase in the environmental performance figure. Additionally, the performance of its environment has drastically worsened over the decade. With the on-going development to enhance the county economic growth in both Malaysia and Indonesia, more natural disaster start occurring in the past 10 years. Thus, explain the objective of this research to identify which determinants causing the spike in environmental performance of Malaysia and Indonesia. Based on finding, foreign direct investment does has a close relationship towards environmental performance as well as the increase in economic growth shows a positive significant value. This suggest that, in order to control the environmental performance without sacrificing the economic and foreign attraction in both countries, the strong policy on CO<sub>2</sub> release in the air need to be consider and endorsed. Additionally, the number of population has also shown an impact on environmental performance.

Keywords: Malaysia; Indonesia; Environmental Performance; CO<sub>2</sub> emissions; environment; Foreign Direct Investment; Economic Growth; Population; Export; Import,

## **ACKNOWLEDGEMENT**

I would like to take the opportunities of this section in these research paper to express my deepest gratitude towards all the support and encouragement given by Madam Yuslizawati Binti Mohd Yusoff, my advisor for this final year project. She has been very attentive and helpful in giving out feedbacks and suggestion for me to improve my research paper. The time sacrifice by her was truly appreciated and no words can describe how grateful I am to have her as my advisor. She play a huge part in ensuring I am able to complete this paper on time and for that I am grateful to have her support and guidance throughout this challenging journey.

Moreover, the completion of this research paper would not be possible without the support from my loved ones. The encouragement shown by them have help me a lot whenever I have breakdown and endless doubt on myself during the completion of this paper. Their never-ending supports are truly needed for me to keep pushing myself. I am forever grateful to be surrounded by a supportive and understanding people. It was comforting knowing that they support me throughout the time that I have taken to complete my final year project. With that, I would like to sincerely thank them for the support and encouragement.

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# CHAPTER ONE

## INTRODUCTION

### 1.1 Introduction

The attention on environmental performance topic has been receiving a significant coverage throughout global level. This is understandable as the problem coming from environment related issue and natural disaster has becoming worsen in the last decades. A perspective from a global side, environmental performance has been an on-going debate due to its contradictory empirical result since the early 1990s. Action taken by United Nation (UN) on the environmental performance has significantly evolved throughout the decades to fit in with the growth of the world economy. With the on-going United Nation Environment Programme, World Nature Organization (WNO), Intergovernmental Panel on Climate Change (IPCC) and a few other organisations that focus on environmental performance movement has shown it support on this matter. The attention that they are giving is crucial on the global perspective as it will have a greater impact in the future if the movement are made successful. With this particular issue, every country in this world play a huge part in ensuring that the environmental performance can be control.

Countries are more concern on ensuring their carbon footprint by understanding and tackling its economy factor that contribute to the worsen of carbon footprint emitted by them. The worsen environment performance in the countries will eventually trigger other problem in the future if they failed to overcome the possible contributor. Moreover, a report in 2019, according to the BP Statistical Review of World Energy, the emissions from energy has increase 2% for the release of carbon dioxide (CO<sub>2</sub>) in 2018. It is the most significant growth seen for the CO<sub>2</sub> emission since seven years before (Khoo, 2019).

In Southeast Asia the issue surrounding environmental performance has been receiving more attention. With environmental performance being link closely with economic growth of the company, they begin to rationalize their carbon footprint by creating new road maps to improve their environmental performance (Vo, Vo, & Le,