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PERCEIVED FACTORS INFLUENCING INTERNATIONAL INVESTMENT IN MALAYSIA

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Abstract

This study investigates the perceived factors that influence the inflow of foreign direct investment into Malaysia. A survey method was used to collect and gather data from 210 employees of MNCs operating in Malaysia. The main target population were foreign employees in managerial positions. By using a survey method, questionnaires were distributed electronically and by hand. The analysis was done using the Statistical Package for the Social Sciences (SPSS). Pearson correlation and multiple regression analysis were used to assess the relationship and association between the determinants of foreign direct investment (FDI), namely, market size, infrastructure development, resources, and social factors towards FDI Inflows. The results suggest that only resources significantly contribute towards foreign direct investment inflow into Malaysia. However, social factors, infrastructure and market size failed to influence foreign direct investment significantly. This provides a pathway in foreign policy development and a potential overview of favourable policies to improve specific industries within Malaysia.

Keywords: *Foreign Direct Investment, Market Size, Infrastructure Development, Resources, Social Factors*

1.0 Introduction

Foreign direct investment is now a growing phenomenon worldwide due to an increase in globalisation (Chaudhuri & Mukhopadhyay, 2014). The aspects covering foreign direct investment (FDI) vary across borders, although higher levels are in developing countries (Jones & Wren, 2016). There is also a growth in diversification to penetrate more markets and capture value leading to an increase in the establishment of multinational companies as a goal for foreign direct investment (Moon, 2015). According to the World Investment Report 2018, it established that Asia is still a major receiver of foreign direct investment, accounting for around 30% of world FDI inflows. (United Nations Conference on Trade and Development, 2018). It can also be established that there has been constant slow growth of FDI investment in Southeast Asia.

There has been a major contraction in investment towards manufacturing and tertiary industries, with more investment directed towards the services industry, which has established extensive growth (Malaysian Investment Development Authority, 2016). The shifts have caused FDI inflow to reduce in the less attractive industries. The rising costs of business activity within Malaysia has also led to various multinationals cutting operations and others even moving to new locations out of the country. As clearly established from the most recent FDI inflow trend, Malaysia has hit one of the lowest FDI investment inflows in the first quarter of 2018. This is mainly caused by investors' uncertainty after a change of government and the establishment of various new regulations and economic changes that the new government are currently issuing (Eusoff, 2018). This has led investors to be more sceptical on the course of development as they look at the long-term picture. Thus, FDI inflow has significantly slowed down until clear government motives and courses of action have been evaluated.

Various aspect of foreign direct investment is established across Malaysia, major multinational corporations establishing operations due to favourable factor costs and more affordable labour costs in manufacturing industries (Kinuthia & Murshed, 2015). The location has also pushed for the growth of FDI in Malaysia, as it is deemed to have a strategic positioning as a gateway to other Asian markets. From previous research, the main aim has been minimising production costs from labour competency, commodities as well as knowledge share, although labour costs in Malaysian have risen over the years (Mugableh, 2015). Major companies have also pushed for investment in Malaysia due to the perceived view of integrated possibilities for long run investment opportunities such as shares and financial markets (Tang & Tan, 2014). This is an effect of strong money supply systems in the economy. The growth of Malaysia's spending power has also attracted increased FDI investment, growing at a steady rate from around 110 000 million Malaysian ringgits in 2012 to 152 000 million Malaysian ringgits in late 2016 (Trading Economics, 2017). In belief, their several factors contribute to the inflow of FDI in Malaysia.

Therefore, the aim of this study is to identify foreign direct investment and its relationship with perceived factors: market characteristics, infrastructure, resources, and social factors in Malaysia. An integrative model of market characteristics, infrastructure, resources, and social factors serves as this study's conceptual framework.

2.0 Literature Review

2.1 Foreign Direct Investment (FDI)

FDI is known as investment made in enterprises operating outside the home country, and by working with a domestic affiliation, multinational companies are developed. Various aspects such as exchange rates, inflation, financial stability, and location trigger potential FDI influence (Adhikary, 2017). It is rather seen as a driving force for economic development due to its share of capital, technology, and expertise. In another study, it is mentioned that FDI is now emerging as an accelerant for economic activity in resource-deficient countries (Azam & Ahmed, 2015). Libanda and Marshall (2017) argue that FDI also brings about negativities. FDI results in making developed countries well off and leaving developing countries with negativities such as depletion of natural resources. However, it can be established that factors that develop FDI have been a longstanding debate topic in trying to assure the key determinants of FDI (Iamsiraroj & Deakin, 2015).

To add on, based on a previous study undertaken by (Thompson & Zang, 2015), they also agree that FDI inflow provides beneficial spillover effects: expertise sharing: better ideas and technology leading to a hike in productivity for the domestic economy. According to (Shao, 2017), high FDI inflow has a rather high negative impact on carbon intensity within the host country due to high industrial intensity, rapid urbanisation, and trade openness, although the impact of FDI is still highly favourable. In order to explain further, several studies show that South Asian economies share human capital and market size as common FDI determinants. These factors explained the demand-pull for FDI influx within several countries (Adhikary, 2017). FDI has grown to be a demanded attribute across economies, but the current study explains other factors that influence its appearance within Malaysia, specifically Kuala Lumpur.

2.2 Market Size and FDI

According to Min et al. (2017), market size reflects a forecast of post-entry profit possibility for new entrants due to the level of market integration. Market size also looks at the number of individuals in a market consisting of buyers and sellers to be able to develop an insight of successful business ventures and risk calculation for various business investments (Chaney, 2016). In addition, Kariuki argues that market size does not guarantee the success of a business or investment but only gives an overview of market conditions; further factors would have to be analysed to determine a verified consideration (Kariuki, 2015). In addition, market size is important as it creates and promotes the ability of interdependence between global markets, thus leading to the attraction of international businesses and investments (Almgren, 2014).

In addition, Petrović-Ranđelović et al. (2017) also established that market size is a highly important determinant of FDI inflows, hence a positive correlation with the inflow of foreign direct investment. It was also justified that market size achieves a large influence initiative over the investment decision of multinational companies in different countries (Randelovic et al., 2017). Furthermore, empirical studies also proved in the agricultural sector that market size and FDI were positively correlated. This was due to tests proving an increase in markets for agricultural products that attracted foreign investment, and an increase in exportation attracted more FDI (Rashid, Bakar, & al, 2015). In addition, the analysis also explained that GDP was used as an element of market size, and a correct positive sign was established with FDI (Castro & Fernandes, 2013). The size of the local market stood out, meaning there was a possibility for new entrants and possible growth. However, the author mentioned other factors such as infrastructure should be clearly analysed as well (Castro & Fernandes, 2013).

Furthermore, according to Holscher & Tomann (2015), literature has firmly backed market size as one of the most important factors in determining the choice of location by FDI companies. In addition, directly looking at Malaysia, the growth of the e-commerce market size has highly attracted various foreign investment inflow major companies (Malaysia Digital Economy, 2018). This gives a potential for FDI influx, as the global world is now highly fast-paced, and major growth is centred around technology and IT advancement. In addition to market size, certain industries within Malaysia are forecasted to boom, which will provide an upward shift in market size and potential, especially with Malaysia having a large population of over 31 million with different ethnicities (ASEAN up, 2018). These main industries are shifted towards electric vehicles, social media branding, ride-sharing services and food delivery services, thus providing an insight of

continued growth and growth of the market hence further pushing for FDI influx to take the opportunities (ASEAN up, 2018). Therefore, it is crucial to analyse the factors that influence the inflow of FDI into Kuala Lumpur, Malaysia.

2.3 Infrastructure Development

According to Alagiri (2017), infrastructure relates to the systems of a nation or business, mainly transportation systems, sewage and water systems and electric systems as well as roads and buildings. It is pegged to be vital in further contributing to a country's economic prosperity (Yu, 2017). Infrastructure relates to structures that ensure transport links between countries and provide the provision of reliable services such as telecommunications and energy generation (Mua, 2016; Jerome, 2011; Nallathiga, 2015). In addition, infrastructure has deemed the ability to provide basic physical facilities and transportation systems that improve and foster possible further growth and expansion of businesses as well as favourable living standards (Maparu & Mazumder, 2017). Past studies have analysed the relationship between Infrastructure and Foreign Direct Investment, although some studies lack adequate analysis. In another research, it was established that basic infrastructure such as electricity, roads and water are considered very important in low-income countries; hence this established a significant positive relationship with FDI inflows through improved power and transport systems (Rungqu, 2014). This is because an attractive and good physical structure can serve to highly attract FDI into the country (Bakar & Mat, 2012). The author argued that electricity infrastructure development would attract more FDI with an aim to provide variable sources of power supply (Ogunjimi & Amune, 2017; Ngangue, 2016; Jililian, Kirkpatrick & Paerker, 2006).

In another study, it was established that reduction in business costs through the development of infrastructure helped to increase competitiveness in attractiveness for FDI in Malaysia (Ahmad & Ismail, 2015). Moreover, it was concluded that transport infrastructure is of very great importance in attracting FDI, both in the long run and short run (Usman, 2014). This is through analysis that world-class infrastructure would highly influence FDI inflows due to high-class standards (Usman, 2014). Furthermore, there is paucity in the analysis of in-depth information on the relationship. Some studies stated that social and economic infrastructure played crucial roles in attracting FDI (Armah, 2016). Therefore, vast studies have shown that infrastructure has a positive influence on FDI, and further investigation is needed to show how it directly affects FDI in Malaysia as there is a lack of studies with direct analysis. However, a study by Kumari and Sharma (2015) found that infrastructure had a negative association with FDI inflows.

2.4 Resources

This study will be looking more at natural resources such as land, minerals, natural gas and palm oil. The availability of resources often attracts investment as businesses push to make use of the scarce resources. According to Hahn & Gold (2014), resources are a major driver or determinant of any business's efficiency and effectiveness. Lack of resources creates a deficit and may lead to failure. In addition, proximity to resources also establishes better business productivity hence leading to attraction of investment if a country is near resources (Levasseur, Genereux, & al, 2015). In the same way, resources have been deemed a major variable in ensuring the growth and efficiency of an economy as they highly contribute to the development of trade ties that initiate international investment into different countries (Melo, 2015). Resources have been said to

establish trading blocks and regional block formation (Bokpin & Asamoah, 2015). The availability of natural resources also highly attracts FDI due to their scarcity and high-profit gains (Dippenaar, 2009). In addition, it is also established that countries with high fuel resources highly attract FDI (Poelhekker, 2010). Furthermore, it is argued that foreign companies seek countries with natural resources that are not available in their home market or country. Hence availability increase FDI, hence a positive relationship (Hornberger et al., 2011; Hayat, 2014).

Furthermore, Ghebrihiwet & Motchenkova establish that some countries rely on foreign investment to extract and export their natural resources due to a lack of technology and expertise (Ghebrihiwet & Motchenkova, 2017). However, other studies establish that natural resources are not of major priority, but human resources such as labour are of top importance (OECD Development Centre, 2017). However, some authors put forward those resources no longer attract increased FDI due to the fast-paced growth of the technology industry (Dorozynska & Dorozynski, 2014). This may be true to some extent, but these systems can never work dependent on natural resources. In addition, in another study, the development of human capital highly attracted FDI due to the availability of a competent workforce (Nhan Dan Newspaper, 2014). Furthermore, there is the basis that many investors look for primary sector investment as it yields high profits eventually, especially control or processing of natural resources such as gold and diamond (Aleksynska & Havrylchy, 2011). In short, selected resources are key factors in any foreign investment decision.

2.5 Social factors

Social factors are defined as elements that initiate individuals to act in different ways, and these are lifestyle, religion, ethical issues, wealth, and social classes (Lasserre, 2018). Furthermore, it can be illustrated that culture and demography are very important social factors, as they define the population's preferences and demographic structures show the capacity of working-class and GDP contribution (Choi et al., 2016). In addition, it can also be viewed by businesses as the most important social factor variable is corporate social responsibility, as it is growing importance, especially for global businesses operating in different countries (loannu & Serafeim, 2015). In a study by Thangavelu & Narjoko (2014), it was established that social factors such as different religions within a country attract FDI. This is due to the ability to invest in products and services for different religious scopes hence increasing the market and possible increase in profit (Thangavelu & Narjoko, 2014).

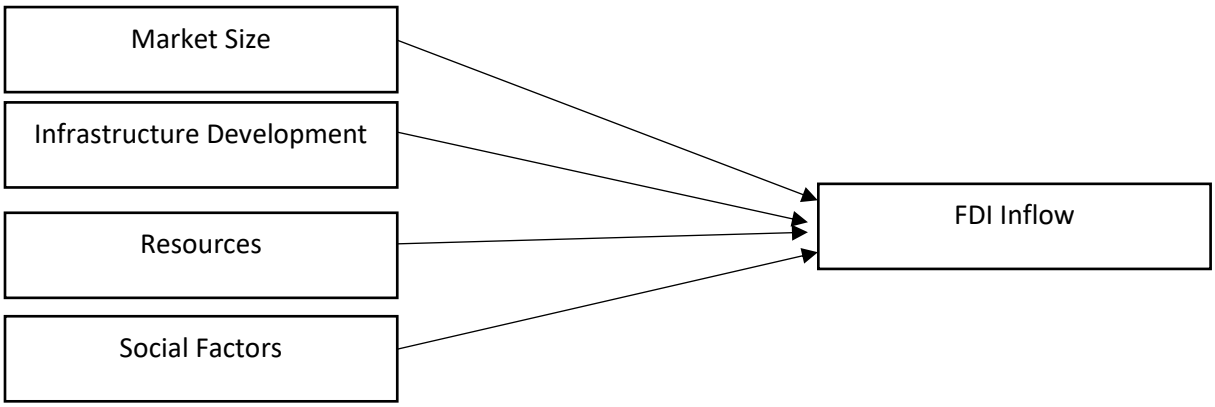
Furthermore, in Pakistan, they argued that social factors were relatively important in the short run and long run to attract FDI (Rehman, 2016). In addition, in another study, it was concluded that favourable demographic trends, which are social factors, had a positive and statistically significant relationship with FDI inflow (Azam & Khattak, 2009). However, some studies do not clearly analyse the in-depth knowledge. In addition, social factors such as fashion trends and wealth classes also had a positive and significant relationship with FDI (Miskinis & Juozenaite, 2015). Due to the ability to follow trends, businesses can easily identify what customers like resulting in foreign companies investing in producing variable goods and products. Likewise, social factors such as reduced poverty statistics can be used to analyse market attractiveness, hence a positive relation with FDI (Okten & Arslan, 2013). However, although some studies show positive relationships between social factors and FDI, the research is still limited, and more studies must be done in this area.

2.6 Conceptual Framework

It is highly important for any country or government to know the key factors that will influence the inflow of FDI to ensure growth and development. Prior studies have noted that market size, infrastructure development and resources play a key role in influencing the inflow of FDI into Malaysia. On the other hand, social factors have proven to also influence the inflow of FDI. However, most research is generalised and have taken a general universal approach. Hence this study determines the specific selected factors influencing the inflow of FDI into Malaysia. Examining the selected factors' indirect specification to Malaysia can eliminate the existing gap in the studies of the field. Furthermore, most studies were carried out in a western and European context, and less on a developing nation such as Malaysia.

Therefore, this study aims to determine the key influencing factors of FDI inflow. The expected findings will highly add to the existing studies of FDI inflow, especially in developing nations within Asia. This study is carried out with the hope that the findings can help to spotlight the key factors influencing the inflow of FDI into Malaysia. Figure 3 summarise the constructed framework.

Figure 1: Conceptual Framework



3.0 Methodology

This study adopted positivism philosophy and a deductive approach. In this cross-sectional study, a quantitative methodological choice was more appropriate (Sekaran and Bougie, 2013). The hypothesis was developed, and the statistical relationships among variables were tested (Saunders et al., 2009). This was a cross-sectional study, and a snapshot shot of descriptive data and data to test the hypotheses was collected using a self-administered questionnaire. Convenience sampling was found to be more appropriate, and the data were analysed using the SPSS software tool.

Sampling was used in this study, and respondents were drawn from the target population, namely foreign employees MNCs in executive positions. To guarantee that the responders were qualified, a qualifying question was provided (Sekaran and Bougie, 2013). Because a sampling frame was not easily available, nonprobability sampling was adopted, and the convenience sampling technique was more appropriate for this study (Sekaran and Bougie, 2013). In quantitative studies, there is no precise sample size rule, but there are various sample size guidelines. The original rules of thumb were minimum sample sizes in absolute numbers (Ns). Scholars have stated that a sample size N >

200 offers adequate statistical power for data analysis (Hoe, 2008). The target population in this study was set at 200 respondents. A list of foreign companies was obtained from Malaysia External Trade Development Corporation (MATRADE). In addition, internet searches, emails, phone calls and LinkedIn searches were also used to facilitate identifying the sampling elements. Foreign individuals in key positions such as managers, supervisors, investors and consultants were targeted for responses due to their knowledge of the business activity and overall outlook of the business world.

The SPSS tool was used to generate descriptive and inferential statistics. For reliability testing, the Cronbach's Alpha test was used to ensure the test delivers reliable measurement (Cronbach, 1990). This test is mainly used as a measurement for the reliability and consistency of Likert-scale type questions (Taherdoost, 2016). Furthermore, the normality test was also used to ensure the data is normally distributed for a random variable (Pallant, 2011). The Pearson correlation and multiple regressions tests have also been used to determine the study and evaluate the strength and possible direction of association between an independent variable and a dependent variable and analyse the strength of the relationship between the continuous independent variables and the continuous dependent variable. (Gogtay & Thatte, 2017). In this study, the Pearson and Multiple regression test provided the results of the relationships between the variables.

4.0 Results

4.1 Response and Profile

In this study, 392 questionnaires were distributed to the identified respondents. The response was poor, and follow up done by sending 'soft' reminders. After a period of three months, 212 responses were received. Two questionnaires were removed due to outliers. The response rate was around 54%.

4.2 Reliability Test

The reliability test was mentioned in chapter 3, as it provides an analysis on the accuracy and consistency of the set of questions used in this survey. The figure below shows the internal consistency of Cronbach's Alpha.

Cronbach's alpha	Internal consistency
$\alpha \geq 0.9$	Excellent
$0.9 > \alpha \geq 0.8$	Good
$0.8 > \alpha \geq 0.7$	Acceptable
$0.7 > \alpha \geq 0.6$	Questionable
$0.6 > \alpha \geq 0.5$	Poor
$0.5 > \alpha$	Unacceptable

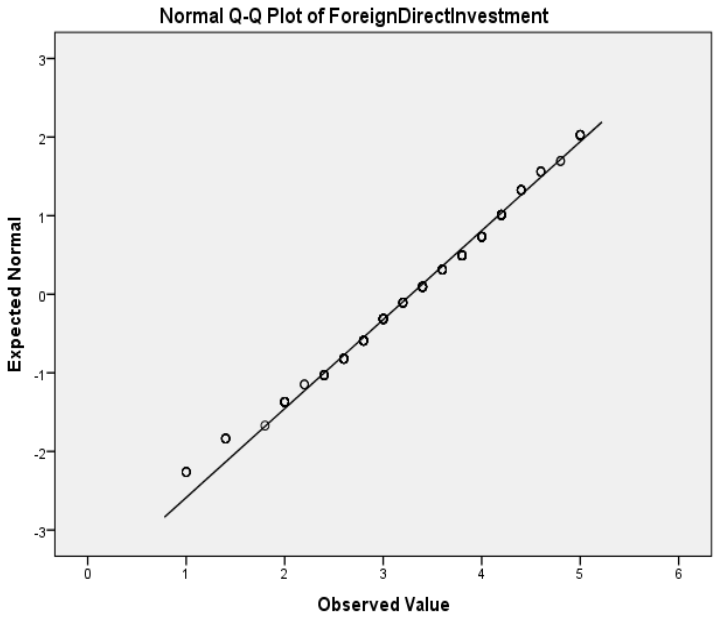
Table 2: Internal Consistency (Cronbach, 1990; Zhang & Yuan, 2015; Tavakol & Dennick, 2011)

In this study, the overall reliability was 0.844. This showed that the overall consistency of data distribution was established. The reliability of data was at an acceptable level. Reliability Statistics Overall Test

4.3 Normality Test

It is important to assess and analyse the normality of a given data set to be able to carry on with further statistical tests. The normality test is used to determine if a data set is well-defined by a normal distribution. It is also used to measure how likely data will be normally distributed for a random variable (Pallant, 2011). Normality assessment can be done through graphical and numerical methods. For this study, numerical tests such as Kolmogorov-Smirnov and Shapiro-Wilk Test were not very significant (Pallant, 2011). The normality test carried out was also based on the Normal Q-Q Plot. The Q-Q plot compares two different distributions and analysed the distribution of the two data sets. This test investigates the process data to ensure normality. In order to establish normality, the plotted points should fit well to the normal line (Pallant, 2011). Based on the normal test plot, it can be clearly established that the data set is normally distributed as data plots align well with the normality line with very slight curves along the line. Hence the current data is normally distributed against the expected normal distribution.

Figure 2: Normality test Q-Q plot



4.4 Pearson Correlation

According to Gogtay & Thatte 2017, correlation is a statistical test that is used to investigate the relationship between two variables, for example, Foreign direct investment and market size. Pearson correlation is used to study and evaluate the strength and possible direction of association between an independent variable and a dependent variable. In order to add, the correlation direction

is indicated by the – or + sign, and the strength of the association is indicated by the coefficient value between -1 to + 1 9 (Gogtay & Thatte, 2017). The Pearson correlation will indicate the direction, strength and significance of the bivariate relationships among all variables measured at the interval. The following table provides rules of thumb for the coefficient range and strength of association.

Coefficient range	**Strength of Association**
0 = No correlation	
0.01 to 0.19 or (-0.01 to -0.19)	Very weak positive (negative) correlation
0.20 to 0.39 or (-.20 to -0.39)	Weak positive (negative) correlation
0.40 to 0.59 or (-0.40 to -0.59)	Moderate positive (negative) correlation
0.60 to 0.79 or (-0.60 to -0.79)	Strong positive (negative) correlation
0.80 to 0.99 or (-0.80 to -0.99)	Very strong positive (negative) correlation
1.00 or (-1.00)	Perfect positive (negative) correlation

Table 3: Pearson Correlation & Strength of association (Beldjazia & Alatou, 2016)

		Foreign Direct Investment	Market Size	Infrastructure Development	Resources	Social Factors
Foreign Direct Investment	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	210				
Market Size	Pearson Correlation	.400**	1			
	Sig. (2-tailed)	.000				
	N	210	210			
Infrastructure Development	Pearson Correlation	.327**	.326**	1		
	Sig. (2-tailed)	.000	.000			
	N	210	210	210		
Resources	Pearson Correlation	.564**	.576**	.432**	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	210	210	210	210	
Social Factors	Pearson Correlation	.034	.047	.098	.000	1
	Sig. (2-tailed)	.629	.500	.157	.995	
	N	210	210	210	210	210

**. Correlation is significant at the 0.01 level (2-tailed).

Table 4: Correlation

The figure above shows there is a significant moderate positive relationship between market size and foreign direct investment. In addition, the correlation coefficient and the significance value give a more detailed analysis. Based on the results, Foreign direct investment's r-value of 0.400 shows a moderate positive correlation with the market size. The relationship is also significant because the p-value is 0.000 is less than the alpha value of 0.05. Hence, overall, the correlation shows that if market size increases, an increase in FDI follows.

With regards to infrastructure development, it was established that there is a significant weak positive relationship between foreign direct investment (DV) and infrastructure development (IV). Infrastructure development has a correlation of 0.327 with FDI; hence a weak but positive relationship is still established. Furthermore, the significance level is also 0.000, which is below the alpha value of 0.05. Therefore, it can be accepted that there is a significant positive relationship between FDI and Infrastructure development.

For the construct 'resources', the correlation coefficient is 0.564, which signifies there is a significant moderate positive relationship with foreign direct investment. Based on the SPSS output, the significance value is 0.000, which is less than the alpha value of 0.05, making the relationship between foreign direct investment and Resources significant. Therefore, the overall directive is that there is a significant positive relationship between resources and FDI.

For the (IV) social factors, the coefficient value is 0.034, which shows a very weak positive relationship between social factors and FDI (DV). In addition, although there is a very weak positive relationship, the significance value is 0.629, which is higher than the alpha value of 0.05. Therefore, the relationship between social factors and FDI is not statistically significant.

4.5 Multiple Regression Model Analysis

In this study, multiple regression analysis was done to predict the value of the dependant variable based on the value of the predictor or independent variables (Pallant, 2011). In this study, multiple regression was used to determine whether purchasing intention can be predicted based on the source trustworthiness, attractiveness, expertise, respect and similarity. In addition, multiple regression was used to determine the overall fit of the model. The multiple regression also revealed the relative contribution of each independent variable in this study to the total variance explained. The model summary is shown in the table below.

Item/Measure	Value
Multiple R	.578
R-square	.334
Adjusted R square	.321
Standard error of estimate	.72779
F Value	25.688
Sig	.000

Table 5: Model Summary/Fit

The R-value explains the correlation between the observed values and the predicted values of the dependent variable. In this study, the R-value is .578, which is between -1 and 1. Therefore, it can be confirmed that there is a significant relationship between the independent variables and the dependent variable. Furthermore, the R-square value is extremely important. It analyses and estimates the strength of the relationship between the model and the response variable. It is the proportion of variation explained by the regression model. In this study, the R square value was .334, and the Adjusted R-square value or coefficient of determination was .321. The values of R squared range from 0 - 1 to stipulate the goodness of fit. An R-square value of .334 shows that there is a linear association between the four independent variables and the dependent variable (Inflow of Foreign Direct Investment). Furthermore, the R square signifies that 33.4% of the variation in Foreign direct investment is explained by the independent variables, namely social factors, resources, infrastructure development and market size. The analysis of variance (ANOVA) revealed a positive F-value of 25.688. The significance value related to the F-value is small (Sig < 0.05). The values revealed that the predictors in the model had a significant effect on the dependant variable, namely purchasing intention (Field, 2009). It was proven that the regression model was a good fit for the data.

In addition, based on the Durbin-Watson value, a value between 1-3 indicates there is no autocorrelation problem among the residuals. Based on the above table, the Durbin Watson value is 2.245 stipulating there is no autocorrelation problem. Again, according to the rule of thumb, the test statistic values ranging from 1.5 to 2.5 are relatively normal. Therefore 1.5>2.245<2.5, the current Durbin-Watson value is relatively normal, and data is not autocorrelated.

Model		Unstandardised Coefficients		Standardised Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.614	.394		1.559	.121
	Market Size	.105	.073	.100	1.428	.155
	Infrastructure Development	.118	.083	.091	1.417	.158
	Resources	.515	.081	.467	6.341	.000
	Social Factors	.025	.072	.020	.351	.726

a. Dependent Variable: Foreign Direct Investment

Figure 12 Coefficients analysis

Table 6: Coefficients Analysis

Multiple regression gives a clear view of the association between the dependent variable (foreign direct investment) and independent variables, namely market size, infrastructure development, resources and social factors. The direction of the relationship can be positive or negative, and the significance value (p-value) indicates whether the hypothesis is supported or otherwise. Based on the "Sig." column in the table above, only one independent variable, namely resources, had a positive and significant ($p<0.05$) relationship with the dependent variable. The other three predictors, namely market size, infrastructure development and social factors, was not supported

because the t-values exceeded 1.96 and a p-value less than 0.05. Therefore, only hypothesis H3 was supported (Field, 2009). Hypotheses H1, H2 and H4, were rejected.

5. 0 Discussion

The first hypothesis was to examine the relationship between market size and the inflow of FDI into Malaysia. The Pearson correlation showed a positive and significant correlation between the two constructs. However, the multiple regression analysis revealed that market size was not a significant predictor of FDI Inflow into Malaysia. The results deviated from past studies Petrović-Ranđelović et al., 2017; Holscher & Thomann, 2015). This may be due to the greater impact of other factors, such as the availability of resources.

The second hypothesis was to determine whether there is a relationship between infrastructure development and the inflow of FDI into Malaysia. It was expected to have a positive impact on FDI inflow as investors expect good infrastructure in the host country. The correlation between the two constructs was weak but significant. However, the results of the multiple regression revealed that infrastructure was not a significant predictor of FDI inflows in Malaysia. Therefore, the results deviated from past studies (Ahmad & Ismail, 2015; Usman, 2014). However, a study b Kumari and Sharma (2015) found that infrastructure had a negative association with FDI inflows. One of the reasons may be that investors now look at more factors other than infrastructure development as Malaysia has already established a favourable infrastructure development.

The third hypothesis was to determine whether there is a relationship between resources and the inflow of FDI into Malaysia. The Pearson correlation results showed a high and significant correlation between the two constructs. The results of the multiple regression test revealed that resources were the only construct with a positive and significant relationship with FDI inflows. This means that foreign direct investment will increase in resources. This is consistent with the results of past studies (Barclay, 2015; Hayat, 2014). Therefore, resources such as natural resources and human resources play a major role in foreign investment decisions, especially for manufacturing or production companies. Resources are key in driving economies and development if managed efficiently and effectively. It is safe to say that the high availability of different resources will tend to increase the inflow of FDI into Malaysia. Hence, efforts must focus on the key resources which attract more FDI and ensure favourable policies are constructed.

The fourth hypothesis was to examine the relationship between social factors and the inflow of FDI into Malaysia. The results of the Pearson Correlation analysis showed a low but significant correlation between the two constructs. However, the results of the multiple regression analysis showed an insignificant correlation between social factors and FDI Inflow. These findings are contradictory to other findings and past research (Rehman, 2016; Azam & Khattak, 2009). This may be due to globalisation; the world markets have opened up social factors now provide less impact on FDI investment decisions compared to other more important factors.

6.0 Implications and Conclusion

From the practical perspective, the result of this study offers a better understanding of foresight on decision making, policy development and investment opportunities for stakeholders that encompass the policymakers and foreign investors. This research will play a significant role in determining

ways to attract foreign direct investment inflow into Malaysia. The research concluded that market size, infrastructure and social factors do not have a significant impact on FDI Inflows into Malaysia. However, it was found that resources had the strongest impact on FDI inflows into Malaysia. Therefore, the focus should be placed on developing resources as this will attract more foreign investment into the market and improve overall growth. Resources, especially natural resources, are an important predictor of foreign investments in Malaysia, and this calls for specific interventions by the authorities. Policymakers would be able to understand the importance of resources and formulate to formulate policies that encourage FDI into Malaysia. Further, steps could be taken to develop human resources. Development of research and development facilities is also encouraged because technological advancements can improve resources which would aid FDI inflows. Investors would benefit from the results of this study as they would be able to recognise the determents that are relevant. With more information, investors would be in a better position to make informed decisions regarding which country would be fit for more investment.

7.0 Limitations and Future Research

There are also some limitations to this study. Firstly, this study only examined four determinants of FDI, namely infrastructure, social factors, resources, and market size. Future studies should examine other factors such as political stability, corruption, and the exchange rate. In this study, infrastructure, social factors, and market size were not significant predictors of FDI inflows. Therefore, future research may examine the reasons behind this deviation in results. This study was only done in Malaysia. It is recommended that future studies may compare the results in this study with other individual countries and establish which determinant played the most important role for which particular country in attracting FDI.

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