

The Role of Accountability towards FDI Attractiveness Evidence from Malaysia

Abstract

The ability of any country to attract FDI inflows is considered to depend on the quality of the economic accountability found within that country. Accountability reflects perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media. This study conduct empirical analysis and focuses on some FDI determinants variables such as accountability performance, GDP and poverty level. Data of observation from the year 2008 to 2018 is extracted from World Bank database to find out the relationship of the variables. In this study, a yearly time series panel data from the period of 2008 to 2018 estimates from Malaysia were used. This study find evidence that countries with strong legal systems are remunerated with higher levels of FDI inflows. For the Random and Fixed Effects Method the value of coefficient determined the positive or negative relationship between those variables to the accountability and FDI inflows. The stationary properties of the time series were performed with accordance to the unit root test. The results extracted from unit root test indicated that under intercept and intercept with trend for FDI inflows, all variables at level seems to be stationary a significance of 1%. The same result appears under intercept with trend. Lastly, accountability has significant influence on FDI inflows in Malaysia. This indicates, that foreign investors are interested in political stability and regulatory quality in their choice of investment abroad. The government responsible to ensure that the new policy assigned accountable with FDI inflows by the relevant policies.

Keywords: Accountability, FDI, Developing Countries, Panel Data.