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## DETERMINANTS OF FOREIGN DIRECT INVESTMENT (FDI) IN AGRICULTURE SECTOR BASED ON SELECTED HIGH- INCOME DEVELOPING ECONOMIES IN OIC COUNTRIES: AN EMPIRICAL STUDY ON THE PROVINCIAL PANEL DATA BY USING STATA, 2003-2012

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### Abstract

This research endeavour set out to empirically examine the determinants of Foreign Direct Investment (FDI) in Agriculture Sector based on selected high-income developing economies in OIC countries. The agriculture sectors react as important keys in the expansion of any economy growth to eliminate the poverty issues. Therefore, it reviews the experiences of agriculture investment in selected member countries with a view to identify potential roles for countries seeking FDI and their development partners in nurturing FDI intra OIC especially in the agriculture new investment. In this study, the FDI in Agriculture Sector react as dependent variable and the independent variable economic determinant, list of market size, inflation, poverty, exchange rate and infrastructure in selected OIC Countries (Malaysia, Oman and Brunei).

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## 1. Introduction

This paper reviews the agriculture sector in member countries of Organization of the Islamic Cooperation (OIC), and pays specific attention to issues of determining the potential FDI in the sector. In addition, it reviews the experiences of agriculture investment in selected member countries with a view to identify potential roles for countries seeking FDI and their development partners in nurturing FDI intra OIC especially in the agriculture new investment. Incremental on the foods price viewed during the food crisis in year 2006 until 2008 triggered several serious harmful socio-economic impacts on the economies of many developing countries, including the OIC members. In addition, it created further poverty for millions of societies who were already distress from the hunger and poverty in these countries. In high income countries, they also exposed to these crisis where inflation on price of goods and foods worsened the food security conditions. The agriculture sectors react as important keys in the expansion of any economy growth to eliminate the poverty issues. These roles are even more pronounced in low income economies where majority of the residents live in rural areas and they are rely directly, indirectly or greatly on the sector. With the sector being a vital source of employment with over 65 percent of the developing countries labor force depending on agriculture, it is not surprising that agriculture development is essential in any poverty alleviation policy. The World Bank (2014) stated the total OIC population that are still living not more than USD \$1.25 each day was about 17.4% of world total population in the year 1990 until 2011. The World Bank also indicated the poverty level of OIC countries remained comparatively very high align with their percentages over the world total poor that were also increased significantly, the world total poor recorded about 33.1% in year 2011 but only 22% in 1990. In addition, non-monetary poverty indicators also vary among the OIC Countries for examples Human Development Index values of OIC countries are between 0.855 and 0.304, Multidimensional Poverty Index values are between zero and 0.642, and Global Hunger Index values are between zero and 33.6.

## 2. Research Objectives

The primary objective of conducting this study is to determine the determinants of foreign direct investment (FDI) in agriculture sector in high income of OIC countries. Based on the theoretical framework and research questions of this study, the research objectives of this research study had been constructed. The followings are the research objectives of this research study:

1. To investigate the relationship between exchange rate and foreign direct investment (FDI) in agriculture sector of OIC high-income developing economies.
2. To examine the relationship between poverty and foreign direct investment (FDI) in agriculture sector of OIC high-income developing economies.
3. To investigate the relationship between market size and business climate and foreign direct investment (FDI) in agriculture sector of OIC high-income developing economies.
4. To examine the relationship between inflation and foreign direct investment (FDI) in agriculture sector of OIC high-income developing economies.
5. To investigate the relationship between infrastructure and foreign direct investment (FDI) in agriculture sector of OIC high-income developing economies.

## 3. Research Methodology

A provincial panel data from 2003 to 2012 and Pooled Ordinary Least Square (POLS), Random Effects Model and Fixed Effects Model are used to estimate the economic determinant effect of FDI in agriculture. After conduct several test such as Hausmen Test and Breusch and Pagan Lagrangian Multiplier Test, Random Effects Model is considered most appropriate model to apply in this study rather than Fixed Effects Model.

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