

The Technology and Knowledge Spillover Effects of FDI on Labour Productivity—Evidence from Medium-High Industry in Malaysia

Norhanishah Mohamad Yunus^{a*}, Noraida Abdul Wahob^b

^a School of Distance Education, Universiti Sains Malaysia, Malaysia, 11800, Pulau Pinang Malaysia

^b School of Business and Management, Universiti Putra Malaysia, 43400, Selangor, Malaysia

[https://doi.org/10.35609/gcbssproceeding.2020.11\(110\)](https://doi.org/10.35609/gcbssproceeding.2020.11(110))

ABSTRACT

A plethora of studies have revealed the importance of new knowledge transfer from foreign multinational corporations (MNCs) in encouraging higher labour productivity and sustainable competitive advantages. However, less attention is given to low labour productivity issue despite the presence of FDI, especially in the developing country context. Most of the studies only heavily emphasised on ‘technology’ effects rather than ‘knowledge’ effects on the host country as a result of the presence of foreign technology. As Malaysia is one of the major FDI recipients in Southeast Asia, the specific spillover effects of each FDI investor country in Malaysia, need to be studied. With an abundance of MNCs, international technology transfer is considered as an imported mode for technology acquisition in a developing country like Malaysia. However, the benefits of FDI spillovers on labour productivity function in Malaysia remain ambiguous, even when classified according to specific investor countries. Globalisation and liberalisation have seen trade and investment activities booming, thus increasing multilateral relations between Malaysia and other countries regardless of their level of development. Thus, this study may help the Malaysian government to justify the cost that should be invested to attract more FDI inflows towards the manufacturing industries in the short run.

Keywords: spillover effects, Foreign Direct Investment, labour productivity, technology spillovers, knowledge spillovers