

TABLE OF CONTENTS

CONTENTS

TABLE OF CONTENTS.....	ix
LIST OF FIGURES	xi
LIST OF TABLES.....	xii
CHAPTER I	1
INTRODUCTION.....	1
1.1 Background	1
1.2 Problem Statement.....	8
1.3 Objectives and Benefits of the Findings	9
1.3.1 Objectives of the Research	9
1.3.2 Benefits of the Findings	9
LITERATURE REVIEW AND THEORETICAL.....	11
FRAMEWORK.....	11
2.1 Literature Review	11
2.1.1 Theory of Purchasing Power Parity (PPP) as the Basic Framework	11
2.1.2 Effect of Independent Variables on Inflation According to PPP	11
2.1.3 Foundation of the Functional Form	13
2.1.4 Implications for Inflation Based on PPP.....	14
2.1.5 Theory of Interest Rate Parity	14
2.1.6 Fisher Effect.....	15
2.1.7 Balassa-Samuelson Effect.....	15
2.1.8 Asset Market Model.....	16
2.1.9 Phillips Curve.....	16
2.1.5 Previous Studies	17
2.2 Theoretical Framework.....	22
.....	23
2.3 Hypothesis.....	24
RESEARCH METHODS	25
3.1 Operational Definition of the Variables	25
3.1.1 Inflation.....	25
3.1.2 Exchange Rates	25
3.1.3 Crude Oil Prices	26
3.1.4 Interest Rates.....	26
3.1.5 Foreign Direct Investment.....	27

3.2 Types and Sources of Data.....	27
3.3 Analysis Techniques	28
3.4 Empirical Model.....	28
3.5 Ordinary Least Square.....	29
3.6 Panel Data Model Selection.....	30
3.6.2 Detecting the Multicollinearity	32
3.6.3 Detecting the Heteroscedasticity	33
3.6.4 Detecting the Autocorrelation	34
3.6.5 Goodness of the Fit of Regression Model.....	34
3.6.5.1 Coefficient of Determination.....	34
3.6.5.2 F Test	35
3.6.5.3 T Test	35
CHAPTER IV.....	37
GENERAL DESCRIPTION OF THE RESEARCH OBJECTIVES	37
4.1 Inflation.....	37
4.2 Exchange Rates	41
4.3 Interest Rates.....	47
4.4 Foreign Direct Investment.....	51
CHAPTER V	58
RESULT AND DISCUSSION	58
5.1 Result.....	58
5.2 Description of the Variables	58
5.3 Results of the LSDV Model (Final Estimation).....	59
5.4 Discussion.....	68
CHAPTER SIX	71
CONCLUSION AND RECOMMENDATION.....	71
6.1 Conclusion	71
6.2 Recommendations of the Study	73
6.3 Limitations of the Research	74
6.4 Future Research	75
References.....	76
Appendices.....	84

LIST OF FIGURES

Figure 1.1 Average Inflation rates in world Emerging economies 2000 to 2018	9
Figure 1.2 World Crude Oil Prices \$ per barrel.....	10
Figure 2.1 Theoretical Framework.....	29
Figure 4.1 Average Inflation rates in the Asian emerging economies 2000 to 2018.....	43
Figure 4.2 Average Inflation rates in European emerging economies 2000 to 2018.....	44
Figure 4.3 Average Inflation rates in African emerging economies 2000 to 2018.....	45
Figure 4.4 Average Inflation rates in American emerging economies 2000 to 2018.....	46
Figure 4.5 Real Exchange rates in Asian emerging economies 2000 to 2018.....	48
Figure 4.6 Real Exchange rates in European emerging economies 2000 to 2018.....	49
Figure 4.7 Real Exchange rates in African emerging economies 2000 to 2018.....	50
Figure 4.8 Real Exchange rates in American emerging economies 2000 to 2018.....	52
Figure 4.9 Average Interest Rates in Asian Emerging Economies 2000 to 2018.....	53
Figure 4.10 Average Interest Rates in European Emerging Economies 2000 to 2018.....	54
Figure 4.11 Average Interest Rates in African Emerging Economies 2000 to 2018.....	55
Figure 4.12 Average Interest Rates in American Emerging Economies 2000 to 2018.....	56
Figure 4.13 Average FDI flow in Asian emerging economies 2000 to 2018.....	58
Figure 4.14 Average FDI flow in European emerging economies 2000 to 2018.....	59
Figure 4.15 Average FDI flow in African Emerging Economies 2000 to 2018.....	60
Figure 4.16 Average FDI flow in American emerging economies 2000 to 2018.....	62

LIST OF TABLES

Table 2.1 Summary of the previous studies.....	27
Table 3.1 Summary of hypothesis formulation.....	42
Table 5.1 Variables Description.....	64
Table 5.2 Final Results of the LSDV Model.....	66
Table 5.3 Wooldridge Test for Autocorrelation.....	68
Table 5.4 Final estimation of the empirical model.....	69