# IMPACT OF FOREIGN DIRECT INVESTMENT IN BANGLADESH

Presented to

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# INTERNSHIP REPORT: IMPACT OF FOREIGN DIRECT INVESTMENT IN BANGLADESH

**Uttara University**

**Department of Business Administration**

August 30, 2020

Mohammad Sharif Hossain
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**Subject: Letter of Transmittal**

Dear Sir,

With due respect, I am an undergraduate student of Uttara University, Bangladesh. I am doing my Bachelor's degree under the Department of Business Administration of Batch 45$^{th}$ have reported on "Impact of Foreign Direct Investment in Bangladesh" under the course: Accounting.

Though I am on learning curve, this report has been prepared under the subset of different articles based on the course topic that I have chosen. This report helped myself to learn and gain knowledge about the core facts of FDI in our country. And it has been a challenging and interesting experience for myself also. Thank you for your support and cooperative behaviour for the help of myself allowing to find, allocate and decorate the paper as much as it needed.

At last, I will like to be thankful again to contribute for this course and for your advice to give me a judicious assessment on my effort.

Yours sincerely,

Salman Abu Sayeed
ID-2181011081
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# STUDENT’S DECLARATION

I, Salman Abu Sayeed, hereby declare that the presented report of internship project based on the “**Impact of foreign direct investment in Bangladesh**” under the institution of **Uttara University** is uniquely prepared by me after the prolong experience of three months undertaking and forming over at home under the time of an pandemic.

I also confirm this that the report is only prepared for my academic requirement and not for any other purpose. It might not be used under any other representatives or of any interest led by an opposite party of the institution.

……………………………………………

Salman Abu Sayeed
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# SUPERVISOR’S DECLARATION

This is to certify that the internship project report on titled “**Impact of foreign direct investment in Bangladesh**” is prepared by Salman Abu Sayeed for the partial fulfilment of the BBA program with a concentration on Accounting from Uttara University, Bangladesh. This report is an original work completed under the supervision and is free from plagiarism.

He is permitted to submit the Report.

_____________________-

Supervisor
Mohammad Sharif Hossain
Assistant Professor
Department of Business Administration
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Dhaka, Bangladesh.

# Acknowledgement

I express my deepest thanks to Professor Mohammad Sharif Hossain, Assistant Professor for taking part in useful decision & giving necessary advices and guidance and arranged all facilities to make life easier. I choose this moment to acknowledge his contribution gratefully.

It is my radiant sentiment to place on record my best regards, deepest sense of gratitude to Mr. A.S.M. Shahabuddin, Dean, Mohammad Afsar Kamal, Assistant Professor and Coordinator, Mr. Soeb Md. Shoayeb Noman, Assistant Professor and Coordinator, Mohammad Mohedul Islam, Assistant Professor and Md. Shahnawaz Mostofa, Senior Lecturer and Coordinator their careful and precious guidance which were extremely valuable for my study both theoretically and practically.

I perceive as this opportunity as a huge landmark in my career development. I will strive to use gained skills and knowledge in the best possible way, and I will continue to work on their improvement, in order to attain desired career objectives. Hope to continue cooperation with all of you in the future.

Sincerely,

Salman Abu Sayeed

Dhaka, Bangladesh

August 30, 2020

# Table of Contents

# ACRONYMS

BBBF = Establishment of Bangladesh Better Business Forum

BDT = Bangladesh Taka

BOT = Balance of Trade

CEC = Central European Countries

FDI = Foreign Direct Investment

EME = Emerging Market Economies

EPZ = Export Processing Zone

FY = Fiscal Year

GDP = Gross Domestic Product

HYPO = Hypothesis

ICT = Information and Communication Technology

IMF = International Monetary Fund

JV = Joint Venture

KM = Kilo-meter

LDC = Least Developed Country

MNC = Multi-National Company

NGO = Non-Government Organization

OBJ = Objectives

OECD = Organization for Economic Cooperation and Development

PPP = Public Private Partnership

PUR = Purpose

RMG = Ready Made Garments

RRC = Regulatory Reform Commission

SME = Small to Medium Enterprise

UNCTAD = United Nations Conference on Trade and Development

WIR = World Investment Report

# SUMMARY

The main objective of this paper is to evaluate and determine the impact of Foreign Direct Investment (FDI) on the economic development of Bangladesh. To achieve this objective, this paper has conducted quantitative research of the relationships between Foreign Direct Investment and its impact on selected macro-economic indicators such as Gross Domestic Product, Inflation Rate, and Balance of Trade. The study has examined time series data over a period of fifteen years, from 1980 to 2018. Multiple articles were analysed and researched to conduct a utilized paper. This paper has measured the relationship between independent (FDI) and dependent variables (macro-economic indicators). The results obtained in this research signify a negative correlation between FDI and economic growth and may be a concern for the government of Bangladesh. The government might focus on required reforms and policy implications to make foreign investment more beneficial.

Rapid industrialization is essential in Bangladesh to keep pace with its development needs. But the high rate of Gross Domestic Savings and Investment as well as moderate level of technology base extended the expected industrialization process. Foreign aids and contributions had been serving to bridge the gap. As the developing countries are in the process of graduating from being aid dependent economy into a trading economy, therefore, FDI is viewed as a major incentive to economic growth in these countries. Despite some policies reforms, Bangladesh could attract some huge flow of FDI as of yet. The main focus of this paper is to disclose some general prospects of FDI, to find out the problems related with FDI and to suggest corrective measures to overcome those problems. The paper analyses the trends of FDI inflow and return as well as what Bangladesh is doing presently to attract huge flow of FDI.

## 1. JUSTIFICATION OF MY STUDY

***WHY AM I INTERESTED?*** First of all, the reason to study this topic is actually informal. As there is no other interesting topic to find regarding my country. My country, Bangladesh has many problems and because of these problems, I wanted to study something that will make my understanding of my country very easy and also, this will lead to a connection with other foreign countries. There can be several reasons that I can put forward and justify the moral of this topic and show the leading importance of the justification of my study. But this will actually make me less applied to the study then just show the actual interest and learn new things and gain more knowledge.

***HOW THIS IS GOING TO HELP ME?*** There are several reasons that I can help myself understand the economic position of my country compared to the global ratings, and the economic growth opportunities that my country can achieve. There are these indicator such as Gross Domestic Product, Inflation Rate and Balance of Trade that impacts the economic growth of Bangladesh (Afzalur Rahman, 2015), the trend of technological development can impact the economic growth of Bangladesh (S. Md. Reza, 2018) and also the creation of job opportunities and increase global market access inside Bangladesh (Md. Fazlur Rahman, 2015). So, these several reasons can announce my interest regarding the topic.

## 2. OBJECTIVES OF MY STUDY

**OBJ #1** the study of this paper is to understand the meaning of the word, foreign direct investment.

**OBJ #2** the study of this paper is to understand and evaluate the different types of foreign direct investment.

**OBJ #3** the study of this paper is to conduct a research and collect factual about the country that is the paper based on.

**OBJ #4** the study of this paper is to understand the macro-economic indicators such as, GDP, Trade Promotion (export & import), Balance of Payment and economic growth.

**OBJ #5** the study of this paper is to evaluate the problems and challenges of Bangladesh to maintain the economic growth.

**OBJ #6** the study of this paper is to understand the prospects of Bangladesh and maintain the economic growth.

**OBJ #7** the study of this paper is to create a possible rough analysis based on statistics and numerical results to justify the research.

**OBJ #8** the study will then provide a recommendation for the future forward.

## 3. METHODOLOGY OF MY STUDY

The method of my study includes a variation of different sources of articles and papers created by different authors under an institution. This paper is fully based on secondary data proclaimed. The research made in this paper is based on only one type of research method, which is the Qualitative Research. This indicates that the paper is loosely based on words and emotions rather than statistical numbers or experiments.

For the study of foreign direct investment in Bangladesh, the time frame of this paper is broadly based upon the secondary data which is from 1980 to 2018 of Bangladesh. All the data are written together with the aid of different authors and their following procedures. There will be a number of procedures that is being used to make it easier for the paper to conduct a series of research and data collection, for this a number of following steps are provided to maintain a general research.

# 4. <u>DISCUSSION OF MY STUDY</u>

## *FDI DEFINITION*

FDI is an important international investment that shows a long-term relationship between the foreign investor and the country. The term FDI refers to foreign direct investment that is made to achieve a significant purpose to help a foreign country by investing in them for a long-term success. In other words, FDI is an international financial flow with the purpose of controlling ownership in a business in one country by an entity based in another country. It indicates the stimulus of the investor on the management of the entity.

Foreign direct investment includes different types of corporations that participate in mergers and acquisitions, building new facilities, reinvesting profits earned from overseas operations, and company loans. In a narrow sense, foreign direct investment refers to building new facility, and a long-term running interest of a company, operating in an economy other than that of the company. FDI is the sum of equity capital, long-term capital, and short-term capital as shown in the balance of payments. FDI usually involves participation in management, joint-venture, transfer of technology and expertise.

## *FDI TYPES*

FDI can be classified under five different categories. These categories are not the same and they are different theories produced under variable circumstances. These five classifications are followed in the list:

**Greenfield Investment:** Greenfield investment is basically the formation of a company on foreign soil with the control over the management and manufacturing sectors and marketing, so that they can create jobs for the foreign economy and avoid the tax restrictions for its own benefits. It is a big investment for a foreign company to establish this big operations on a foreign soil. (Afzalur Rahman, 2015) A company that wishes to own a foreign subsidiary outright with the establishment of industrial plants and facilities at export processing zones (EPZs) are examples of Greenfield investment in Bangladesh.

**Brownfield Investment:** Brownfield investment is the upgradation with the cost high maintenances of an already established or existing company on the foreign soil by a company through the investment of leasing and re-purchasing.

**Merger and Acquisition:** Mergers and acquisitions are able to grow and then enter the markets in any foreign soil. After this happens, the competitive structure of the whole company may change completely in a period of a short time. Mergers are the alliances of two or even more companies into forming a new one. Acquisitions are the company purchasing the majority of the shares from another company in a foreign soil. Mergers and acquisitions can also represent a major system through which the firms that are national are able to become multinational companies.

**Horizontal FDI:** Horizontal FDI refers to the situation where a company invests in the same type of industry abroad that they are involved in at home (Afzalur Rahman, 2015). In the example described, McDonald's opening restaurants in Bangladesh would be considered Horizontal FDI. Telenor was a major competitor in the telecommunications market in Norway, prior to entering the Bangladesh telecommunications market by forming a JV with local firm Grameen Telecom.

**Vertical FDI:** A company expands into a foreign soil by moving to a different level of the supply chain. In other words, investing in a manufacturing which provides inputs for the investor firm's domestic production; or investing in an industry which sells the production of the investing firm's domestic production. In the example described, Adidas Sportswear could purchase a large-scale garment company in Bangladesh to produce cotton for their manufacturing.

## *IMPORTANCE OF FDI IN BANGLADESH*

**Background of Bangladesh**: Bangladesh is a densely populated and agriculture based country having per capita income of $2,065 (nominal, FY20) $5,453 (PPP, 2020 est.) in the year of 2020 and GDP growth rate around 7.9% annual change, wants to boost its economic performance for better future. Bangladesh is a developing country in South Asia that has the lowest paid labour force and lowest import tariff rate in the region. The garment industry in Bangladesh has a worldwide reputation, and its garment industry now accounts for more than 75% of total exports. Other than this, there are more exports of others include shrimps, jute, leather goods and tea. Bangladesh has a strategic location advantage, situated between the vast emerging markets in South Asia and the fast growing markets in Southeast Asia. The middle class population in these regions is growing rapidly and its purchasing power is increasing.

Bangladesh is distinguished among the LDCs because of its relative success in economic and rural development. Their main export destinations are the United States and the European Union. Bangladesh imports mostly fuel, capital goods and food stuff originating in China, India, the European Union and Kuwait. There is no doubt that rapid industrialization is necessary in this country to keep pace with the developmental needs. The rate of Gross Domestic Savings and Gross Domestic Investment as well as moderate level technology base extends the expected industrialization process. Because of this pandemic, Bangladesh recorded a trade deficit of 137.20 Billion BDT in June of 2020. Foreign aid and grants had been serving to bridge the gap. But foreign aid is decreasing every year because of this worldwide situation. To cope with the new situation, FDI is viewed as a major stimulus to economic growth and industrialization process in developing the country.

Bangladesh became an independent country since 1971, named officially People's Republic of Bangladesh. The country occupies an area of 143,998 km², which is compared to Greece it is larger but slightly smaller than the United State of Iowa. In 2017, it has become one of the world's most densely populated countries. Bangladesh has a population of more than 164 million people. Bangladesh's economy has grown at an annual average of about 6% over the last two decades, despite political instability, poor infrastructure, corruption, insufficient power supplies, slow implementation of economic reforms, and these 2020 global epidemic.

**FDI in Bangladesh:** Bangladesh is a least developed country (LDC), during the liberation it ruined about one-fifth of the country's economy and over the past two decades the country has been trying to increase its economic growth very drastically (Sultanuzzaman Md Reza, 2018, p. 212). Bangladesh is a developing country that needs Foreign Direct Investment for its enduring development practise. Over the years, the total inflow of Foreign Direct Investment has been increasing. Md. Reza (2018) stated that in the year 1972, the annual FDI inflow was 0.090 million US$, and after 39 years, in the year 2011, the annual FDI increased to 1.13 billion US$. According to the statistical analysis, the country has shifted its agricultural based economy to the industrial and service based economy over the past few years, which is big leap for a LDC. It is a matter of great concern for Bangladesh that its comparative advantages in labour incentive manufacturing, adaption of investment friendly policies & regulation, establishment of EPZs in different suitable locations and other privileges, the flows of FDI have to be still accelerated in a pace that is needed. Over the two decades, FDI is the prominent drivers of economic growth and development in developed countries even in developing and less developed countries.

Foreign Direct Investment can move the Gross Domestic Product (GDP) growth faster, and as well as investment can also increase human capital development, domestic production, and infrastructure development for the country. In the early year of 1980, Organization for Economic Cooperation and Development (OECD) recognized that traditional reporting frameworks could not account for the elimination of regulatory obstacles to cross-border investments. Resulting OECD implemented an advanced "Benchmark Definition of Foreign Direct Investment" which contributes a comprehensive set of rules to improve statistical measures of FDI, (OECD, 2008). FDI inflows provide the financial stability, the creative capacity, the labour productivity growth, the new technology transfer, international marketing networks, and skills, and thus help to enhance the economic growth. So FDI is a vital factor in the emerging market economy in current globalization. Some global organizations, for example, the United Nations Conference on Trade and Development (UNCTAD), the OECD, World Bank and the International Monetary Fund (IMF) inspire especially developing countries to accept more liberalized policies in goods and services to FDI and International Trade respectively. Simultaneously, international trade stimulates economic growth through investment. Because Bangladesh's imports are greater than exports, means there is huge trade gap. (Sultanuzzaman Md Reza, 2018) investigated that FDI can decrease trade gap in the Central European Countries (CECs) and can play a significant role in productivity growth in those countries. FDI also influences the consumer, tax revenues, government expenditure, exchange rate, inflation and economic development. However, (Sultanuzzaman Md Reza, 2018) concluded over the panel data set of 1989-2006 of the developing countries and transition economies such as in, Asian, Eastern European and Latin American countries. The economic growth rate, the interest rate, the inflation rate and the trade openness rate were the key drivers affecting FDI inflows in the host country. The investment is not only supposed to financial investing but also productive one (Sultanuzzaman Md Reza, 2018), which refers buildings, equipment, machinery, structures and such as the residential construction and allows increased production of goods and services. Bangladesh also influences export-oriented multinational companies (MNCs) to earn foreign exchanges based on several investment incentive packages, because the country always encourages economic development policies and regulations for industrial development. Through, classical and neo-classical economic framework, GDP growth depends on the supply of funds as well as the provision of skilled labour and new technology. Usually, LDCs have insufficiency of the fund for significant investment as like as Bangladesh which can be well-adjusted with an inflow of capital from foreign (public or private) investor. Bangladesh is a frontier of emerging market economies (EMEs), so there is a lot of potentialities to invest FDI in Ready Made Garments (RMG), Textile, Leather, Pharmaceuticals, Information and Communication Technology (ICT), Marine, Tourism, and Agro-based Industries, etc. (Afsana Rahman, 2012) empirically found that Korean investment is a real contributory factor to the Bangladesh's economic growth and development. Moreover, the exports earnings allow for the imports of qualitative inputs, for example, capital goods for domestic production and exports, thus increasing the country economy's production potentialities. In the last decade, the country has achieved GDP growth rates near 6% because of the development of the RMG industries and microfinance. The interim approximate for Bangladesh's GDP growth in the fiscal year 2015 is smaller than the 6.6% recorded in the fiscal year 2015. Figure 1 shows some key statistics about GDP Growth of Bangladesh.

**Economic Growth:** Economic growth is a rise in national or per capita income of an economy. If a country increases its production of goods and services, by whatever ways and becomes able to increase its average income, it can be mentioned that the country has achieved “economic growth”. Economic growth can be measured in nominal terms. This includes inflation, or in real terms that is adjusted for inflation. GDP per capita is used in comparing the economic growth of one country’s to another.

**Macro-Economic Impacts in Bangladesh:** There has been a significant change in global trade flows and finance including a flow in FDI. Despite being a recent phenomenon of epidemic, several underlying factors have contributed to increasing the FDI inflow in Bangladesh, such as trade and exchange liberalization, current account convertibility, emphasis on private sector led development, liberalization of the investment administration, opening up of infrastructure and services to the private sector-both domestic and foreign, and above all the interest of foreign investors in energy and telecommunication sector. More open trade policies are associated with the presence of foreign companies and technological and productivity expansions are becoming in Bangladesh. There also exists evidence of a strong positive correlation between increasing share of FDI in GDP (Muhammad Amir Hossain, 2007).

Bangladesh has attracted 913 million US$ Foreign Direct Investments (FDI) in 2010 calendar year, a leap by 30%. This advancements the country's position to 114 from 119 out of 141 nations in the World Investment Report (WIR). During this period the telecom sector received 360 million US$ FDI, the manufacturing sector received 238 million US$ in investment from abroad, 145 million US$ in the textile and clothing sector, while leather and leather products got 46 million US$. (The Financial Express, 2011).

Bangladesh, like many other developing countries has a liberalised industrial policy which focuses on export oriented and private sector led growth. Bangladesh also offers a wide variety of generous fiscal incentives and facilities to attract foreign investors. At the same time, the focus of Bangladesh's growth approach also evolved around the creation of higher number of SEZs. However, given the current global financial and geo-political scenario, solely focusing on the creation of SEZs might not be an optimal strategy. This is because Bangladesh still has a number of impediments when it comes to attracting a steady inflow of FDI. On top of that, Bangladesh also has a long way to go in terms of amplifying the overall capacity that is needed to fully appropriate the benefit of FDI inflow. This especially holds good when it comes to the scenario of competition between Bangladesh and some of its competitors.

Given the current set of challenges, it is imperative that Bangladesh prioritise on adopting and implementing appropriate reforms to bring about a steady inflow of FDI. At the moment, the country is focusing on advancing its position in the existing global indices of business climate. On one hand, this timely measure certainly deserves appreciation. On the other hand, we must also collectively look at the bigger picture. Because, ultimately it is the cumulative human capital of a country that largely determines true competitiveness. Consequently, if Bangladesh wants to both attract and reap the full benefit of increased FDI, it must first and foremost invest in its people. Disorderly and short term measures are likely to take Bangladesh only a few steps ahead. In order to withstand the competitive reality of an increasingly globalised and volatile world, long term strategic planning is required to scale up sustainable inflow of investments.

*PROSPECTS AND CHALLENGES IN BANGLADESH*

**Prospects of FDI in Bangladesh:** Bangladesh has been promoting FDI for decades with the most liberal investment policy and incentive regime in South Asia. The Foreign Private Investment (Promotion and Protection) Act, 1980, ensures equal treatment for local and foreign Investors. This act also provides legal protection to foreign investment in Bangladesh against nationalization and expropriation. It also gives the guarantee of repatriation of capital and dividend. Bangladesh has achieved a consistent GDP growth of over 5% in the last decade and never experienced a negative growth. Even Bangladesh sustained growth of over 5% during the recent global economic crisis. In 2009 Bangladesh achieved a 5.9% GDP growth. Various necessary steps like generation of huge number of SMEs, success in microcredit and NGO activities, rapid spread of telecommunications services, record level of foreign remittances, acceleration of export earnings are taking the economy at a higher level of growth. Its investment friendly climate offers generous and attractive packages of incentives for foreign investors like 100% ownership, tax and duty exemptions and others. Actually, Bangladesh has gained a higher ranking than many developing countries in terms of incentive package. A lot of additional fiscal incentives are offered to export oriented industries. The government has created Export processing zones (EPZs) to attract private investment. The government targets foreign investors to invest in EPZ.

The government of Bangladesh has listed the following five areas in which FDI should be encouraged under joint venture and 100% ownership by the foreigners:

a) Export oriented industries
b) Industries located in the Export Processing Zones (EPZs)
c) Industries that are based on high technology, which will either be import substitute or export oriented
d) Basic industries based mainly on local raw materials and investment towards improvement of quality and marketing of goods manufactured and/or the increase of production capacities of existing industries
e) Physical infrastructure projects on Build-Operate-Own and Build-Operate Transfer.

Some of the recent major measures undertaken by the government to attract FDI are:

a) Private Export processing Zone Act has been enacted. Korea has set up a private EPZ at Chittagong.
b) A Regulatory Reform Commission (RRC) has been set up.
c) A permanent Law Reform Commission has been set up to ensure greater transparency and predictability in the way rules and regulations work.
d) An Administrative Reform Commission has been set up
e) The company law 1913 has been updated and revised in 1994.
f) The Industrial relations Act has been enacted to enhance labour market efficiency.
g) Power generation in the private sector has been allowed.
h) Telecommunication in the private sector has been allowed.
i) Multiple entry visas to visiting foreign investors are being given by all the Bangladesh missions abroad.
j) Provision made for allowing import of standby generators free of tax and sale of excess electricity to nearby industrial units without permission from any agency provided own distribution line is used.
k) Licenses issued to six cellular telecom phone operators, which illustrate government's commitment to a competitive and market economy.
l) Establishment of Bangladesh Better Business Forum (BBBF)

**Challenges and Problems of Bangladesh:** Though Bangladesh has most attractive FDI policies in SAARC region and though there is an evidence of boom of FDI flow in energy sector, the overall scenario of FDI inflow to Bangladesh is not at all satisfactory. The following factors can be identified as major obstacles to FDI in Bangladesh:

a) Poorly developed socio-economic and physical infrastructure
b) Lack of skilled people at various levels
c) Unreliable energy supply
d) Corruption
e) Administrative complexity and non-transparency
f) Poor implementation of existing policies
g) Low labour productivity
h) Frequent change in govt. policies
i) Unhealthy trade union practices
j) Underdeveloped money and capital markets and regulations on these markets
k) Less improved seaport facilities & malpractices at the port
l) Deteriorating law and order situation
m) Political instability and disturbances
n) High cost of doing business
o) Redtapism and corruption in getting infrastructural facilities
p) Unfriendly legal system

## 5. FUTURE FORWARD

In Bangladesh FDI plays a very important role in achieving expected economic growth. FDI flows have been successful in increasing GDP. At the same time, FDI has also made a contribution in improving the income level of Bangladesh. FDI can ensure Bangladesh to realize higher growth by having the capabilities of using all the resources to the fullest potential. There is an increasing trend in foreign investment due to positive effect of the incentives provided and changes in our economic policies. FDI has positive correlation with GDP, export and private investment. In order to sustain the economic growth and continue the present status of FDI inflow, Bangladesh needs to maintain some effective steps. The administrative system of the country should be reformed through appropriate and effective measures. The bureaucracy needs to be reorganized. The control of bureaucracy should be minimized. Government should look into the law and order situation to ensure business friendly environment. A social consciousness is much more needed to ensure the rule of law and reduce the various effects of corruption. Both the government and private sector should be taken much more priority in this sector. They need to come ahead in investing in developing the infrastructure. Appropriate policy measures are needed to be developed so that private sector can run smoothly. If both public and the private sector work together in the same view of implementing economic reforms, Bangladesh will surely upgrade her position. Similarly, the further simplified custom clearance procedures can be very helpful in improving the present situation. In order to stimulate domestic and foreign investments, the privatization program can be initiated at large scale. It is important for a developing country like Bangladesh to modernize the laws relating to business and investment. It should be done focusing on international practices. The development of new industrial parks can play a very important role in attracting foreign investment in Bangladesh. The government may consider setting up new EPZs to encourage export oriented investors. Necessary steps should be taken to improve the image of the country abroad. An investment promotion agency needs to provide functions such as investment generation and policy advocacy. Bangladesh needs to strengthen economic and commercial diplomacy in attracting FDI in by rapid globalization and increasing competition. Bilateral relations with potential investor countries should be improved. Bangladesh should take effective steps in accelerating reform measures for banks, other financial institutions and capital market. A good governance and political stability should be ensured. Corporate governance will play a key role in enhancing the investment climate of Bangladesh. So we should implement corporate governance strongly in financial sector. The rate of corporate taxes is 40% for non-listed companies. It is one of the highest in Asia. This rate should be favourable for investors. Different ministries and organization needs to work in an integrated manner to successfully address issues regarding sectors. In future, the prospect of the Bangladesh economy would be affirmative if initiatives can be taken to consolidate the proposed reforms. Recently Bangladesh has taken steps to simplify 25 various processes to encourage increased FDI. The government, total financial sector and foreign investors must work together to achieve the goal of making Bangladesh a progressive economy by the end of this decade.

The empirical results of the test demonstrate that FDI has a positive effect on economic growth rate of Bangladesh. The study results must be interpreted comprehensively and thoroughly. This is related to some limitations which can be used as a basis for suggesting further research. We have used limited time from 1990 to 2015 (twenty-six years) for this study however in future researchers can be used the longer period for better results. In our study, the impact of foreign direct investment is linked with the GDP growth, export, import, exchange rate and inflation but in future impact of foreign direct investment can be measured by national expenditure, employment, foreign direct investment outflow, national income, etc. Policymakers should understand the importance of foreign direct investment and its impact on Economic growth whatever making the policies. They should encourage and assist foreign investors in enhancing the Foreign Direct Investment (Inflows), which will also make an advantage to increase the country's foreign reserves. Policy makers should also create a business-friendly environment to the foreign investors, and proper direction should provide to the foreign investors. Many studies have demonstrated that improvement of regulation and order, the formation of an investment-friendly environment, technology transfer and infrastructure development play a vital role in attracting foreign investment.

# 6. APPENDICES

## APPENDIX I

## INTRODUCING CONSULTED ARTICLES

| SI | ARTICLE TITLE | AUTHOR(S) | JOURNAL NAME | VOLUME & ISSUE | YEAR | PUBLISHER |
|---|---|---|---|---|---|---|
| 1 | The impact of foreign direct investment inflows on economic growth: evidence from Bangladesh | Sultanuzzaman Md Reza | Journal of Business and Retail Management Research (JBRMR) | 12, 02 | 2018 | www.jbrmr.com |
| 2 | Foreign direct investment in Bangladesh | Mohammad Robiul Hussain | Md. Robiul Hussain Robin, MS-2014, Department of Geography & Environmental Studies | 01 | 2016 | University of Chittagong, Bangladesh |
| 3 | Impact of foreign direct investment on economic growth: empirical evidence from Bangladesh | Afzalur Rahman | International Journal of Economics and Finance | 07, 02 | 2015 | Thompson Rivers University, Canada |
| 4 | Foreign direct investment in Bangladesh, prospects & challenges, and its impact on economy | Afsana Rahman | A project submitted in partial fulfilment of the requirements for the degree of professional master in banking and finance | 01 | 2012 | Asian School of Technology, Thailand |
| 5 | Foreign direct investment in Bangladesh: problems and prospects | Mohammed Abu Rayhan | Foreign direct investment in Bangladesh: problems and prospects | 03, 02 | 2009 | ASA University Bangladesh |
| 6 | An investment guide to Bangladesh | UN | International Chamber of Commerce, The world business organization | 01 | 2000 | United Nations, New York and Geneva |

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| | | | | | | |
| 7 | Foreign direct investment in Bangladesh | Roberto Zagha, Zaidi Sattar, Zahid Hussain and Bhaskar Naidu. | Issues of Long Term Sustainability | 01 | 1999 | The World Bank |
| 8 | Good and bad FDI: The growth effects of greenfield investment and mergers and acquisitions in developing countries | Philipp Harms & Pierre-Guillaume Méon | Lille, Reading, Deutsche Bundesbank, the GSEFM workshop in Mainz, the AEL conference in Berlin, and the ERF conference in Cairo | 01 | 2012 | Johannes Gutenberg University Mainz, Université libre de Bruxelles |
| 9 | Empirical Relationship between Foreign Direct Investment and Economic Output in South Asian Countries: A Study on Bangladesh, Pakistan and India | Anowar Hossain | International Business Research | 05, 01 | 2012 | Canadian Center of Science and Education |
| 10 | Impact of Foreign Direct Investment on Bangladesh's Balance of Payments: Some Policy Implications | Muhammad Amir Hossain | PN 0805 | 01 | 2007 | Bangladesh Bank |

# APPENDIX II

## COMPLICATION OF OBJECTIVES/ PURPOSES/ QUESTIONS/ HYPOTHESUS ADDRESSED BY THE ARTICLES

| ARTICLES | OBJECTIVES/ PURPOSES/ QUESTIONS/ HYPOTHESUS |
|---|---|
| **1** | PUR: Investigate the relations between foreign direct investment inflow and economic growth of Bangladesh.<br><br>HYPO: If Bangladesh government can create foreign investment-friendly policies, transfer of knowledge and trade promotion, then the foreign direct investment will have an impact in the economic growth of Bangladesh. |
| **2** | PUR: Investigate a number a different sectors for investment in Bangladesh.<br><br>HYPO: If a number of direct and indirect factors affect the economic growth of Bangladesh, then these possible flows in foreign direct investment will cause other factors to create problems. |
| **3** | PUR: Evaluate the statistical analysis of foreign direct investment in Bangladesh.<br><br>HYPO: If the statistical analysis were utilized to measure the relationship between independent (FDI) and dependent variables (macroeconomic indicators) then does it have a negative correlation between the FDI and economic growth of Bangladesh. |
| **4 & 5** | PUR: Understand the prospects and challenges of foreign direct investment in Bangladesh.<br><br>HYPO: If Bangladesh should reform their administrative system then should it sustain the economic growth constantly. |
| **6 & 7** | PUR: Identifying number of different sectors, especially private sectors to maintain the development of Bangladesh.<br><br>HYPO: If government is focussing on improving the living standard of the people through a set of interventions which will increase employment rates and generate more income then privatisation is the key importance. |
| **8, 9 & 10** | PUR: Explaining the objectives to provide a strong evidence that the foreign direct investment in Bangladesh will sustain.<br><br>HYPO: If FDI can sustain in the environment of Bangladesh then can it sustain for a long term. |

## References


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