ABSTRACT

During the liberation war in 1971 a nationalist weave emerged which gives Bangladeshis a spirit of freedom and dignity of independence but it also results on more reserved position in case of economic policy. Policy makers at that period used to see foreign companies access with a negative eyes. Foreign investments were discouraged as a result foreign direct investment (FDI) inflow in Bangladesh till 1980 is very insignificant. The growth of Bangladesh's FDI inflow was around US$ 308 – 356 million for long fifteen years (1980 – 1995) which started with an amount of US $ 0.090 million in 1972. Afterwards this concept has been changed into a reverse position and government start encouraging foreign direct investment from 1990s. A series of policy incentives, investment sovereignty has been offered to the FDI investors including tax holiday for several years, duty free facility for importing capital machinery, 100% foreign ownership, 100% profit repatriation facility, reinvestment of profit or dividend as FDI, multiple visa, work permit to foreign executives, permanent resident or even citizenship for investing a specific amount, Export Processing Zone (EPZ) facility, and easy hassle free exit facility. Potential sectors of can attract more FDI are power generation, infrastructure development, private port establishment, joint venture with deep sea port establishment under PPP, ship building, ICT sector, call center, education, healthcare, mining, gas extraction, agro processed product, electrical & electronics, light engineering, and fashion designing etc. After so many incentives offered by the government till now FDI Inflow into Bangladesh is not at a satisfactory level. During last few years fresh FDI investment is not taking place. From the statistics of last few years it is quite clear that, reinvestment of locally earned profit is the major amount of FDI into Bangladesh. Fresh FDI inflow is decreasing day by day. Government has to investigate the issue and undertake necessary measures to increase fresh FDI into Bangladesh.

Keywords: FDI into Bangladesh, Foreign Direct Investment, Incentive available for FDI Investors in Bangladesh, Investment Climate in Bangladesh

INTRODUCTION

Bangladesh is one of the N11 Countries (Lawson, Heacock, and Stupnytska, 2007). It is considered as a land of opportunities because it is growing 6% - 7% annual growth rate during last one and half decade without any major governmental incubation. Bangladesh has a very strong resilience power to progress with so many barriers and disasters. Shortage of electricity, infrastructural insufficiency, and political instability nothing has been stopped this around 6% growth during
last decade. Its industrial base do not get maturity in any sector, industrial specialization is also absent here. This growth is driven by the 60 lac small and medium enterprises (SMEs) along with micro and cottage enterprises located all over the country with concentration at divisional headquarters (MIDAS & ICG, 2003). Most of the MSMEs are out of any government incentives, loan coverage and technical up gradation. If existing MSMEs could get governments technical, regulatory and financial support then they alone could bring a double digit (10%) growth for the country. There are 177 SME Clusters (natural industrial park) throughout the country (Abdin, 2014). All the clusters have potentials to grow further. But without technical up gradation current growth will not be sustain for long time.

The foreign direct investment (FDI) is considered as one of the major sources of employment generation, technology transfer, and managerial capacity building, and increasing market efficiency in any country.

Now come to the point that, why companies go for FDI investment? This is because global competition among the multinationals is rising tremendously. Factors of production e.g. land, labor, capital are becoming costlier in the developed world. As a result producing economy product by maintaining satisfactory quality is a major threat to the TNCs & MNCs. Without a standard product in competitive price a company may not remain competitive around the world. For this reason global investors are searching for a more competitive location where factors of production are available at a competitive rate and market access of the products could be ensured. Relocation of the labor intensive industries towards the developing countries is the result of this tension of global investors.

On the other hand; export earnings, remittance and the foreign direct investment (FDI) are three major sources of revenue of a least developed country. Therefore governments are offering special packages to the foreign investors for attracting FDI. Developing countries are somehow in an advantageous position to attract FDI than the least developed countries (LDC). But some LDC has absolute advantage over the developing countries in comparison of land and labor cost. Adequate manpower supply, large local market and special packages from the government side remain them in the field.

Bangladesh is such an LDC with absolute advantage to attract FDI. Though beginning of our FDI attraction was not so good before 1980s due to nationalization movement of government soon after the independence. A misconception was there that is allowing foreign direct investment means preserving foreign interest. Luckily that misconception was not lasting long and Bangladeshi policy makers understood that, government cannot run the economy and private sector should take the lead. At the same time government started to allow joint venture investment from 1980s but somehow a discouraging tendency were there. As a result growth of Bangladesh’s FDI inflow was around US$ 308 – 356 million for long fifteen years (1980 – 1995) which started with an amount of US $ 0.090 million in 1972. With Bangladesh government’s opening up energy and telecom sectors in mid 90s FDI inflow raised dramatically. Others factors like establishing the Board of Investment (1989), easing capital control and bureaucratic red tapism were also contributed in rapid growth of FDI inflow from 1997 which was near about three times (US $ 1,407million) than that of previous year 1996 (US$ 535million) . After implementing all prerequisites of free market economy, establishing EPZs, declaring a handsome amount of fiscal and non-fiscal incentives Bangladesh’s performance in FDI attraction in recent year is not satisfactory. It is not growing as it should be, question may be raised that, Bangladesh earned US $ 1.09 billion FDI in 2009 it is 63% more than 2008 (BoI, 2010). This flow raised into USD 1.13 billion, 1.29 billion in 2011 and 2012 respectively (Bangladesh Bank, 2014). If we would like to compare Bangladesh’s performance with other South Asian Countries like India earned US $ 28 billion FDI inflow, Pakistan earned US $ 8.5 billion FDI inflow in 2012 (UNCTAD, 2014).
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