

Foreign Direct Investment in Bangladesh: Problems and Prospects

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ABSTRACT

The issue of Foreign Direct Investment (FDI) has been receiving phenomenal attention from many governments. Bangladesh is not lagging behind from it. Economic development for the developing countries like Bangladesh is largely dependent on FDI. The major challenges for the host country are to ensure an eye-catching and conducive investment climate to foreign investors for FDI inflow. In recent years, Bangladesh has been devoting efforts for attracting FDI offering a lot of lucrative incentives and benefits. Though attempts taken to increase FDI inflow, the result achieved is not appreciable enough for Bangladesh. This paper will portray the FDI inflow since 1995 and finds out causes and reasons of low-inflow based on secondary data. It also finds out the impediments and highlighted prospects for FDI in Bangladesh and provides some recommendations for its enhancements.

Key Words : foreign direct investment, economic development, Bangladesh

1. INTRODUCTION

Proponents of Foreign Direct Investment argue that it brings prosperity to the recipient countries through technological transfer, increasing volume of exports, enhancing job opportunities and increasing government revenue. Foreign Direct Investment (FDI) increases the volume of domestic capital to finance new development projects in the country and simultaneously provides access to new technology, managerial and marketing know-how. But the inflows of FDI are not praiseworthy though it has an increasing trend. According to UNCTAD in 2003 Bangladesh achieved only 0.05 percent of total FDI while the proportion was 0.9 percent in India, 0.52 percent in Vietnam, 10.2 percent in Indonesia and 70 percent in China (The Daily Star-November 7, 2004 Issue). Even FDI inflows in Bangladesh declined from 2000 to 2001, which were US\$ 578.6 to US\$ 354.5 million respectively. Foreign Direct Investment (FDI) inflows during January-December 2004 were US\$460 million whereas the target was US\$600 million (Robin, A.I. 2006, United Nation's Report 2005-2006). The inflow of FDI is being restricted in the country by infrastructural, bureaucratic and environmental complicacy (Mian, M. E. Alam, Q. 2006). However, Bangladesh is not full of hindrances for FDI but some opportunities are also hidden in this host country and it could be the most next preferable destination for FDI. So, it is required to explore the issues of FDI regarding its inflow, restrictions and potentiality.

2. OBJECTIVE OF THE STUDY

In international business FDI has become a significant component for many countries. Nowadays Asian countries have a great influence in the global economy, but the south Asian countries are comparatively lagging behind and Bangladesh is the pioneer of them. In this context the aim of this paper was to find out the determinants, impediments, favorable environment and potential of FDI for Bangladesh. Less developed infrastructure of

Bangladesh is vital problem for FDI inflows. The trend of foreign investors goes in infrastructural investment such as electricity, fuel, air and sea communication.

3. METHODOLOGY

This paper is fully based on secondary information. Content Analysis Method, which is commonly known as the review of the previous literature, has been followed in the preparation of this article. Apart from that secondary information have been collected from the statistics Department of Bangladesh Bank, Investment Handbook of Bangladesh Board of Investment, Bangladesh Economic Review 2006 and Bangladesh Bank's Annual Report 2006. Some information has also been collected from the daily newspapers and Internet sources. Used data has been presented through tabular and graphical analysis.

4. DETERMINANTS OF FDI

Arguments supporting FDI in developing countries suggest that recipient countries need to fulfill some preconditions to create a favorable business environment. It has certain advantages to both the host country and the investor. Host countries' macroeconomic policy, tax regime, regulatory practices are critical determinants for attracting FDI. The foreign investors are also benefited by penetrating a market, gaining access to raw materials, diversifying business activity, better rationalizing production processes and overcoming some exporting drawbacks, like trade barriers and transport costs. Internal factors of host countries are important determinants for attracting FDI. Host country location related factors that mainly comprise of natural resources, cheap labor, proximity to markets and political, economical, legal and infrastructural factors play a significant role to motivate investors. Some other factors such as resource seeking, import substituting, and export platform also create supporting conditions for FDI inflows to developing countries. (Mian, M. E. Alam, Q. 2006)

The host countries are inspired to seek FDI for generation and expansion of job opportunities, increasing indirect competition within domestic markets and transfer of improved technology and management techniques, transferring technical know-how etc. FDI enriches local markets of host countries with quality goods and products as well as it minimize import cost of the country.

5. FDI IN BANGLADESH

5.1 Present FDI Status

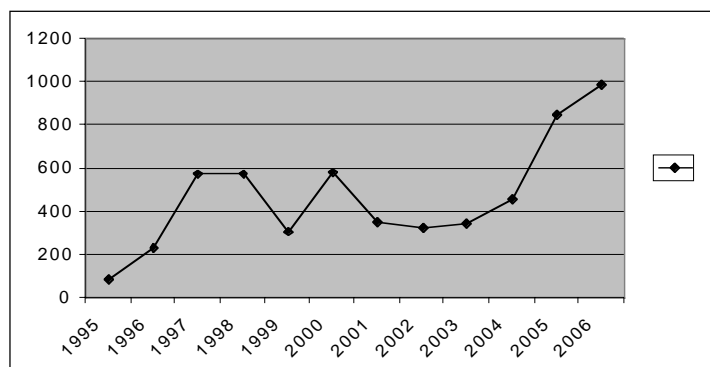
As a developing country, Bangladesh needs FDI for its ongoing development process. Since independence, Bangladesh is trying to be a suitable location for FDI. However, the total inflow of FDI has been increasing over the years. In 1972, annual FDI inflow was 0.090 million US\$, and after 33 years, in 2005 annual FDI reached to 845.30 million US\$ and to 989 million US\$ in 2006 (UNCTAD-2005, Bangladesh Investment Handbook 2007-BOI). Contribution of FDI was not remarkable until 1980, a year of policy change. This year government enacted the 'Foreign Investment Promotion and Protection Act, 1980' in an attempt to attract FDI. Enacting the Act government opens all sectors for FDI other than defense equipment and machinery, nuclear energy, forestry in the reserved forest area, security printing and minting, and railways (Foreign Investment Promotion and Protection Act, 1980). The FDI inflows since 1995 were:

Table I: FDI inflows from 1995-2006 (US\$ in million)

Year	FDI Inflow
1995	92.3
1996	231.6
1997	575.3
1998	576.5
1999	309.1
2000	578.6
2001	354.5
2002	328.3
2003	350.2
2004	460.4
2005	845.3
2006	989

The table shows a fluctuating trend of the FDI inflows over the last 12 years. Data reveals that in 1999 there was a sudden fall in the FDI, and again in 2001, 2002 and 2003 the falling trend continued for many reasons. Among others serious political unrest during the period was a major factor that discouraged foreign investment in these years and it took quite some time to regain the confidence of foreign investors. It stabilized afterwards but remained below the average achieved during 1997-2000. Later on during next two years period it becomes alive again. The following graphical presentation gives us clearer picture of the FDI inflows over the years.

Exhibit I: Shows FDI inflow trend form 1995-2006 (US\$ in million).



This graph portrays inconsistent proceedings of the FDI in Bangladesh since 1995. It is a matter of great concern that inspite of Bangladesh’s comparative advantages in labor-intensive manufacturing, adoption of investment friendly policies and regulations, establishment of EPZs in different suitable locations and other privileges, FDI flows have failed to be accelerated (Robin, A.I. 2006). However, the year 2005 and 2006 show a substantial improvement in FDI achievement.

5.2 FDI Trend

The increasing trend of FDI in recent years is a good sign for Bangladesh. But a sector-wise analysis of FDI reveals that the foreign investors have so far made a major shift

in their investments in Bangladesh. Table 2 (Sector-wise analysis of FDI inflow) shows a shift of FDI that has been made towards power and energy, manufacturing, (especially in ready made garments) and telecommunications, whereas agricultural, industrial and trade and commerce have been neglected. Industrial sector that plays key role in the economic development of a country, got foreign investment US\$ 494 million in 2000, which is the last highest amount of FDI in industrial sector till 2005.

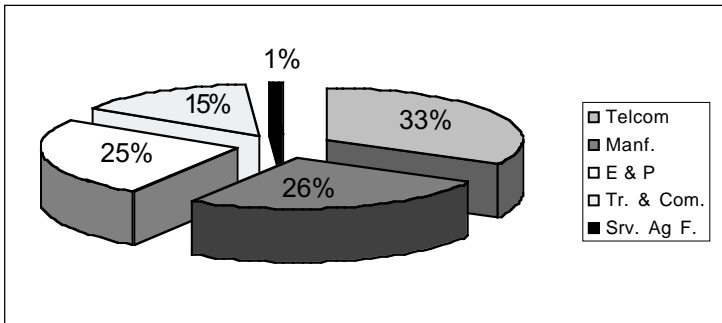
Table II: Sector-wise FDI inflow, 1995-2005 (calendar year) (US\$ in million)

Sectors	2000	2001	2002	2003	2004	2005
Agriculture & Fishing (Total)	15.2	1.1	1.6	4.1	1.7	2.3
Power, Gas & Petroleum	301	192.4	57.9	88.1	124.1	208.3
Manufacturing	193.5	132.2	142.9	165.2	139.4	219.3
Industry (Total)	494.5	324.6	200.8	253.3	263.5	427.6
Trade & Commerce	53.2	27.6	63.7	44	66.6	130.5
Transport & Telecom.	5.4	0.9	48.5	45.9	127.5	281.9
Other Services	10.3	0.3	13.7	2.9	1.1	3
Services (Total)	68.9	28.8	125.9	92.8	195.2	415.4
Total FDI to Bangladesh	578.6	354.5	328.3	350.2	460.4	845.3

Source: Statistics Department of Bangladesh Bank.

Owing to comparative advantages and an accommodative policy regime, a large chunk of the FDI has gone into the ready-made garment ((Robin, A.I. 2006)). In 2005 FDI inflows in Bangladesh have been widely spread among the key business sectors, where the profit is higher, concerning on telecommunication (33%), manufacturing (26%), energy & power (25%), trade & commerce (15%), services, agriculture & fishing (1%).

Exhibit II: Shows sector wise allocation of FDI in 2005.



Source: Bangladesh Bank Enterprise Survey, 2006

5.3 Sources of FDI

Bangladesh generally, depends on 36 countries across the globe for FDI. Among the sources, 21 countries belong to the developing and transition economies. In 2005, FDI has been originated from 30 different sources dominated by the developed economies (51.45%) and a significant share of FDI also came from developing economies (43.23%).

Table III: FDI Inflow in Bangladesh during 2005 by Regions (In million US\$)

Sources/Regions	FDI Inflow	Country Share	Country Rank
Develop Economies	435.90	51.45%	-
Western Europe	245.90	29.09%	-
European Union	243.60	28.82%	-
Denmark	18.20	2.15%	13
France	1.70	0.20%	20
Germany	1.60	0.19%	21
Luxembourg	0.40	0.05%	27
Netherlands	15.40	1.82%	14
Norway	53.50	6.33%	5
United Kingdom	152.80	18.08%	1
Other Western Europe	2.30	0.27%	-
Switzerland	2.30	0.27%	19
North America	142.50	16.86%	-
Canada	0.70	0.08%	25
USA	141.80	16.78%	2
Other Developed Economies	46.50	5.50%	-
Japan	46.50	5.50%	8
Developing Economies	365.40	43.23%	-
Africa	48.40	5.57%	-
Egypt	48.40	5.57%	7
Latin America & the Caribbean	-	-	-
Asia & the Pacific	317.00	34.50%	-
Asia	317.00	34.50%	-
West Asia	56.30	6.66%	-
Saudi Arabia	0.90	0.11%	24
United Arab Emirates	55.40	5.55%	4
South, East and South-East Asia	260.70	30.84%	-
China	1.60	0.19%	22
Hong Kong	53.10	6.28%	6
India	2.70	0.32%	18
Indonesia	13.0	0.15%	23
Malaysia	33.10	3.92%	9
Nepal	0.10	0.01%	30
Pakistan	25.50	0.02%	12
Singapore	97.50	11.53%	3

South Korea	29.80	3.53%	11
Sri Lanka	4.10	0.49%	17
Taiwan	11.40	1.35%	16
Thailand	0.20	0.02%	29
Vanuatu	0.30	0.04%	28
ADB	12.70	1.50%	15
IFC	31.70	3.75%	10
Others	0.60	0.07%	26

Source: Bangladesh Bank Enterprise Survey, 2006

The above table presents a source-wise analysis of FDI inflow in the year 2005. It reveals the top-5 FDI sources are UK (18.08%), USA (16.78%), Singapore (11.53%), UAE (6.55%) and Norway (6.33%). So, Bangladesh needs to maintain a continuous favorable business relation with these countries. Warm relation should also be continued with the developing countries for their significant share of FDI in Bangladesh as well as performing Bilateral Investment Treaties (BITs) and Double Taxation Treaties (DTTs) for promotion and protection of foreign investment. But it is a matter of concern that Bangladesh has yet to perform either BITs or DTTs with UAE, Norway, Hong Kong and Taiwan though these countries have 5th, 6th, and 16th position respectively in the ranking of source countries for FDI in Bangladesh. Luxembourg and Saudi Arabia require more attention though their investments are not large in amount but they have resources to invest. The table also reveals that it would be possible to get more FDI from European countries as they have a positive investment trend in Bangladesh with the highest rank in consideration of total FDI inflows of Bangladesh in 2005. The Asian countries, which have a significant FDI in Bangladesh, should get more attention in terms of creating necessary investment climate. Furthermore, Bangladesh must not lose the faith of ADB and IFC for FDI as they have a remarkable ranking in investing Bangladesh.

5.4 Total Investment and FDI

Investment either foreign or domestic brings contribute positively in an economy by providing enhancement in the growth of GDP. Enough power & energy, availability of human resources and their trainability, governance etc. are the important factors to attract investment. Handsome domestic investment is a good criterion to sense surety of these factors. Table 4 is a comparison between FDI and domestic investment, which shows that Bangladesh has become quite futile as its domestic investment is very insignificant in comparison to the FDI.

Table IV: Comparison between native FDI and investment (In million US\$)

Year	Total Investment	FDI	Domestic Investment
1995	291.6	92.3	199.3
1996	332.5	231.6	100.9

1997	374.5	575.3	-200.8
1998	433	576.5	-143.5
1999	487.6	309.1	178.5
2000	545.9	578.6	-32.7
2001	585.4	354.5	230.9
2002	632.4	328.3	304.1
2003	703.5	350.2	353.3
2004	799.9	460.4	339.5
2005	909.2	845.3	63.9
2006	1039.1	989	50.1

[Note: FDI statistics is according to calendar year and domestic investment statistics according to fiscal year.]

The correlation between FDI inflows and domestic investment is negative (-0.47). The table shows that Bangladesh has been experiencing very tiny chunk of domestic investment in 1997, 1998, 2000, 2005 and 2006.

6. FACTORS AFFECTING FDI

Infrastructure

Better infrastructure of the host country attracts foreign investors. Inflows of the FDI depend mostly on quality and quantity of physical infrastructure like roads and highways, transport, power, telecommunications and so on. Banking and other financial services also affect the FDI inflows significantly. Good transport facilities-road, rail and air, including developed port systems, energy and water and low cost utilities like telecommunications are important infrastructural factors in attracting FDI. Business has to incur excess cost to collect information in a country with poor infrastructure. But it can be done easily and with minimum cost in a country having good infrastructure that makes FDI financed projects cost efficient and competitive in the global market.

Macro Economic Environment

Macroeconomic factors such as fiscal policy, monetary policy and exchange rate policies, political stability and business climate have a serious influence for FDI. Foreign investors choose a location where there is evidence of success and availability of favorable macroeconomic conditions. Investment is generally driven by profit, and foreign investors always prefer a country with a rich business sector measured in terms of GDP growth rate, rate of inflation, level of industrialization etc. than one, where the macro economic environment is sluggish.

Governance

Governance of a country comprises economic and business policy and regulations such as taxation system and tax rate, interest and Bank rate, drive against corruption etc. All this factors are related with the cost business and profit. Foreign investors very consciously consider the governance of a country to invest. An important aspect of governance is the ease with which investors can enter and exit a market. It is and important determinant of productivity, investment and entrepreneurship.

International integration

International integration is another determinant that drives investment. Countries that aggressively pursue integration with the global economy grow more quickly than those that did not. The low level of incoming FDI in indicates poor integration with the global economy. (Mian. M. E 2006)

Political stability

Political factors like change of government, attitude of opposition group, transparency in bureaucracy, degree of nationalism, corruption, terrorism etc. are seriously considered by the investors in pre-investment decision making. (Mian. M. E 2006) For example, in case of Bangladesh the most sensitive issue for discouragement of the FDI is political unrest and corruption and red-tapism.

Human resources

Skilled workforce leaves a country at an ease to attract investment. Development programs financed by the FDI may be interrupted for the absence of skills and adequate knowledge infrastructure. Low growth that takes place in trade and investment is the result of the use of unskilled cheap labor. Bangladesh is a country where there is ample scope for development of human resources. It is a shame for the planners that thousands of Indians and other foreign nationals are employed in the top positions of most of the multinational and national corporations.

Technology infrastructure

Economic growth of a country largely depends on technological progress, which stimulates FDI. It includes more modest advances, implementation of better business processes, and involves the adoption of new technologies (Mian. M. E 2006). In this area, again, Bangladesh lags behind in comparison to its competitors.

7. IMPEDIMENTS OF FDI IN BANGLADESH

The FDI plays an important role in the economic development of Bangladesh in terms of capital formation, output growth, technological progress, exports and employment. But the inflow of FDI is not smooth at all in Bangladesh. The factors which are blocking foreign investment in Bangladesh would be as follows:

Complicated Bureaucracy

The country has a bureaucratic system that is not at all compatible with an investment environment. The concrete implementation of investment related policies are prolonged to obstruct both local and foreign investors. An inefficient and dishonest bureaucratic system is extensively responsible for the absence of FDI in the country.

Political Unrest

The political situation in Bangladesh is extremely vulnerable because of the continuous hostility among the political parties, which in turn pollutes the entire investment environment. It is unfortunate that Bangladesh is an exception where most of the political violence centered on industries. Even EPZs are not exempted by any means. However, the situation has been apparently improved since the present interim government has taken over.

Corruption

Culture and society have become corrupted through sick politics. The bureaucrats and regulatory bodies are steeped in corruption. For business enterprise, corruption works as taxation or lubrication cost. Many companies regard bribery as just one of the costs of doing business ('Lubrication Cost') and show these payments as legitimate business expenses. However the current situation in this regard is as gloomy as it was in the past.

High Inefficiency Cost

Government control and management has been extremely ineffective and inefficient. The country is suffering from inefficiency of state-owned entities in telecommunication, energy, ports, aviation, railways, banking and many other sectors. All these sectoral inefficiencies push the total cost of local and foreign businesses extensively high.

Absence of Autonomous Regulatory Bodies

The politically influenced government agencies are functioning as regulatory bodies without any operational autonomy. So an effective and rapid response towards providing the necessary services to investors is apparently absent in Bangladesh.

Differential Treatment

Though there are regulations to provide equal treatment of local and foreign investors, certain inequitable conventions are practised with the foreign investors. Such inequalities are evident in cases of authorization necessities for foreign investment, barriers against capacity expansion, supplier's credit, etc.

Insufficient Power Supply

Bangladesh faces a system loss often more than 40% of the gross power generation probing with the lowest per capita power consumption and network coverage of electrification among developing countries. This creates immense discouragement for investment in the power intensive industries.

Inconsistent Policy Implementation

Bangladesh provides various favorable investment facilities and incentives under liberalized industrial policy. Bodies like the Export Processing Zones are there to promote export orientation and privatization based growth strategy. However, in reality, none of these favorable policies and strategies are implemented, thus foreign investors are being discouraged.

Tax Authority's Discretion

The government of Bangladesh has given its tax administrators discretionary authority and they unduly apply it to both businessmen and investors. This authority has made many of the officials highly corrupt. At present Bangladesh is trying to get red of from this scandal.

Lack of effective cooperation of Board of Investment (BOI)

The BOI of Bangladesh has a One Stop Service cell to serve and assist with various investment facilities, mostly FDI. But, materializing the service in reality is still an illusion. The least capable and least productive government personnel working for the cell naturally fail to improve the situation.

Legal Absurdity

The system of legal suits and actions prolonged over the years puts business investors in a dilemma about placing their precious capital in businesses in Bangladesh.

Disrupting Fiscal Policy

Each year the government declare Fiscal Policy that quite often goes adverse to the investors and disrupts their regular business and operations plans and strategies both in short and long run.

Administrative coordination problem

Policies and the implementation processes are not materialized simultaneously because of lack of administrative communication and coordination among the government agencies. This situation results in high business costs and hassles for investors.

Time wasting customs processing

The inefficient and corrupt customs system quite often takes more than twenty signatories to discharge a shipment along with physical inspection by the authorized personnel.

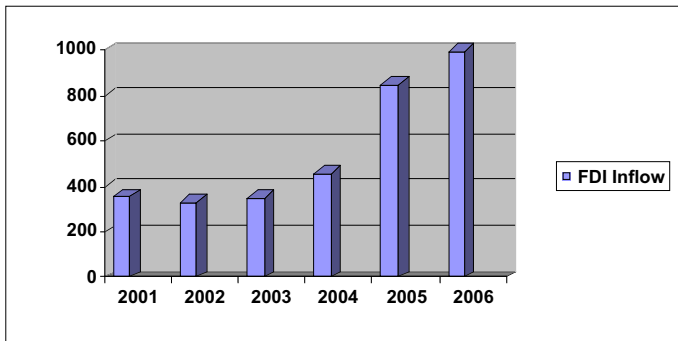
There are many other problems such as poor leadership quality, ignorant labor forces, and unorganized financial or capital markets that damage the national image of the country to the foreign investors.

8. PROSPECTS AND COMPETITIVE ADVANTAGES

A happier news for the nation is that Bangladesh places 65th position among 155 countries in terms of Ease of Doing Business in the world bank report. This ranking is based on 39 indicators grouped into 10 categories. It recognizes Bangladesh as one of the easiest location for doing business in south Asia, better than Sri Lanka and India. Besides, persistent growth in FDI is the best testimony of a favorable business climate prevailing in Bangladesh. (Doing Business in 2006: Creating Jobs, World Bank 2006)

In 2005, total FDI inflow in Bangladesh was increased by 84% amounting US\$ 845 million—highest ever in any year since her independence. The growth is second highest in entire South Asia (Bangladesh Investment Handbook 2007-BOI). Bangladesh now ahead of India in terms of FDI Performance Index being ranked 116th among 200 economies while India is ranked 119th (World Investment Report 2006).

Exhibit III. Presents a trend of FDI inflow data since 2001. (In million US\$)



Source: Investment Bangladesh Handbook-Bangladesh Board of Investment.

A component-wise analysis of FDI inflow in 2005 shows that about 50% of FDI came as equity, 29% as reinvestment, and the rest as intra-company borrowing. The higher reinvestment rate indicates unwavering confidence of foreign investors on overall investment climate of the country and competitiveness.

Table V: Component-wise FDI inflows in Bangladesh during 2005.

FDI Component	Total	Share %
Equity Capital	425.6	50.35%
Reinvested Earnings	247.5	29.28%
Intra-Company Loans	172.2	20.37%
Total	845.3	100%

8.1 Continued Interests of Foreign Investors

The recent years tremendous interests of foreign investors are shown to invest in Bangladesh. In FY 2005-06, major foreign investors include Dhahi Group of United Arab Emirates, Singtel of Singapore, Orascom of Egypt, YKK of Japan and Microsoft of USA. Besides, a number of large investment proposals worth about US\$ 10.5 billion are at negotiation and / or approval stages. These include investment proposals from Tata Group of India, Toray of Japan, Indorama Group of Thailand, Luxon Global of South Korea, Delta Pacific Mining of United Kingdom, Dawood Group of Pakistan, Kingdom Group of Saudi Arabia and other proposals from China, Malaysia, India, Taiwan, UK, USA, Australia, Singapore, Thailand, Saudi Arabia, UAE and Kuwait.

8.2 Incentives for Foreign Investors

The foreign investors will choose Bangladesh for their next for investment destination as Bangladesh conducted Bilateral Investment Agreement, Double Taxation, Treaties etc. to protect the interest of foreign investors. The investors will also enjoy the following incentives investing Bangladesh.

1. Tax Exemptions : Generally 5 to 7 years. However, for power generation exemption is allowed for 15years
2. Duty : No import duty for export oriented industry. For other industry it is @5% ad valorem.
3. Tax law : i. Double taxation can be avoided in case of foreign investors on the basis of bilateral agreements.
ii. Exemption of income tax up to 3 years for the expatriate employees in industries specified in the relevant schedule of Income Tax ordinance.
4. Remittance : Facilities for full repatriation of invested capital, profit and dividend.
5. Exit : An investor can wind up on investment either through a decision of the AGM or EGM. Once a foreign investor completes the formalities to exit the country, he or she can repatriate the sales proceeds after securing proper authorization from the Central Bank.
6. Ownership : Foreign investor can set up ventures either wholly owned on in joint collaboration with local partner.

8.3 Other Competitive Advantages

Location

Geographic location of the country is ideal for global trades with very convenient access to international sea and air route.

Natural Resources

Bangladesh is endowed with abundant supply of natural gas, water and its soil is very fertile.

Human Resources

We have a population of more than 138.8 million who are hard working and generally intelligent. There is an abundant supply of disciplined, easily trainable, and low-cost workforce suitable for any labor- intensive industry.

Social Stability

Bangladesh is a liberal democracy and mostly a one race and onereligion country. The population of this country irrespective of race or religion have been living in total harmony and understanding for thousands of years.

Language

Although Bengali is the official language, but English is generally used as second language. Majority of even moderately population can read, write and speak in English.

Market Access

Bangladesh has a population about 140 million, which will provide a larger market for the foreign investors to place their product. They also can Bangladesh as a station of exporting their product to the neighboring countries at very low cost. Furthermore, Bangladesh products enjoy duty free and quota free access to almost all the developed countries. This access to the global market is further helped by the fact that policy regime of Bangladesh for foreign direct investment by far the best in South Asia.

GSP Facility

Most Bangladeshi products enjoy complete duty and quota free access to EU, Japan, Australia and most of the developed countries and quota regime to USA had been ended on 1st January 2005. However, despite quota phase out, Bangladesh apparel has successfully taken up a better position in US market and experiencing substantial growth.

Cost of Business

Overall cost of doing business in the country is fairly competitive in the global standard.

8.4 Sustainable Competitive Sectors

Considering the strength of Bangladesh either in the form of offering substantial resource advantages or low-cost, skilled manpower and global market demand, foreign investors are getting opportunities from textile, Electronics, Information Technology, Natural Gas-based Industries, Frozen Foods, Leather, Ceramic, Light Engineering and Agro-based Industry.

9. SUGGESTIONS AND RECOMMENDATIONS

To triumph over all the stated impediments, the government of Bangladesh and relevant bodies can consider various measures effectively as follows:

Ensure of Good Governance

Good governance can bring about efficient and productive government, necessary reformation in judicial system, fiscal policy, infrastructural reforms and eradication of corruption, bureaucracy and dishonesty to lead a country to achieve handsome investment.

Coordinated Government Agencies

To make the business environment and activities smooth and efficient, coordinated government agencies (ministries, departments, regulatory bodies, etc.) are a must.

Dynamic and Independent Govt. Agencies

More dynamic government agencies can facilitate investment in Bangladesh. That is why the independence and dynamism of state agencies like Bangladesh Bank, Investment Promotion Agencies, Bangladesh Board of Investment etc. are essentially suggested to enhance FDI in Bangladesh.

Accountability and Transparency

More accountability and transparency are recommended for the development, efficiency and competence Government and regulatory bodies in the work of investment.

Developing Diplomatic Relation

Bangladesh should maintain a good relation with the developed countries as well as with developing countries for significant share of FDI by developing countries.

Devoting Efforts to Shift FDI Track

In recent years foreign investments are going to RMG, telecommunication, power and energy or other profitable areas. Bangladesh should provide appropriate attention to attract more FDI in the industrial and infrastructural areas like construction of roads and highway (especially in building large bridges, flyovers, underground ways etc.), assuring enough inducing competitive advantages to investment in these sectors.

Political Reformation

In Bangladesh Politics, volatile in nature, pushes the FDI to downstream. The politician's desire seemed to capture the governing power of the country only rather serving the nation. This evil desire has been ruining the country since many years in every aspect. Thus political reformation is a requisite of time for Bangladesh.

Ensuring Power and Energy

Nowadays Bangladesh is badly suffering for lacking of power supply and it is a great obstacle in the smooth inflow of FDI. So the recipient country has to ensure required supply of power and energy.

10. CONCLUSION

FDI is not only a strategic option for a country, but also a key factor in the national economic development. Most countries attempt to attract foreign investors through liberal-

ization of investment environment, fiscal reforms and a package of incentive offers. FDI can transform a country's economic scenario within shortest possible time. It is not merely access to fund, but also provide transfer of technical know-how and management expertise. It is also a stabilizing factor in any economy. Following conclusions can be drawn on the FDI reality and prospect in Bangladesh:

- Political unrest hampers the FDI growth in Bangladesh.
- Bangladesh has been experiencing a stable social and political order since last January 11, 2007.
- Bangladesh experiencing an increasing trend of FDI since 2001.
- It is a matter of concern that the most FDI in recent years goes to Telecommunications, RMGs, Energy and Power other profitable area.
- Analysis of this papers shows that Agricultural, Industrial and Trade & Commerce get very negligible amount of FDI.
- Government has taken a lot of policies on foreign investment, which are being said liberal, supportive and focused, but yet the policies have been proven so.
- Bangladesh is being thought a wholesome investment destination to the foreign investors, as they are reinvesting their investment (29%).

It is seen in the study that there are some interrelated administrative barriers that result inferiority in policy formulation and implementation, competitive drawbacks, poor quality of skills and infrastructure, ineffective institutions, and below average governance which dampen potential of FDI.

Besides, the above it has also been found out that Bangladesh is not full of hindrances of FDI, but some opportunities and prospects are also available in this host country. In very recent the quarrelsome political environment has been changed and hopefully, new era of investment for the native and foreign investors has been started.

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