Seminar Paper on

Barriers to the Foreign Direct Investment in Bangladesh: The Government Officials' View

Submitted to

Dr. Muhammad Abu Yusuf

Member Directing Staff

Submitted by

Mirajul Islam Ukil

Participant of 126th ACAD

Roll No-108

September 2019

Bangladesh Public Administration Training Centre

Savar, Dhaka

Barriers to the Foreign Direct Investment in Bangladesh: The Government Officials' View

By

Mirajul Islam Ukil

September 2019

Bangladesh Public Administration Training Centre

Savar, Dhaka

Table of Content

Abstract

The present paper aims to explore ideas and thoughts of the government officials with regards to FDI status, its barriers and remedies as well. The study proceeds completely with a qualitative approach of research based on semi-structured interview. The study has been able to take interview of five senior officials working in different capacities of the government of Bangladesh. The research unveils that the government officials are less aware of the importance of FDI. Existing system and administrative structure are not favourable to make them aware of it. There are some potential barriers such as absence of positive attitude of the government officials, huge gap between the speech of the leaders and top officials, and facts in practical, less similarity between words and action of the officials, lengthy process, no rules with regards to intellectual protection (IP), very poor ranking in the ease of doing business, global innovation index and world competitive index are identified. This paper suggested that Bangladesh needs to work more with regards to FDI such as regulatory reforms, improving service delivery mechanism, dynamism in one stop service delivery, infrastructure development, smooth assistance from the government offices, creation of FDI expert pool, developing financial market and improvement of food, water and security issues. Overall, Bangladesh should take proper step to upgrade its position in the ease of doing business index. If Bangladesh is able to improve its status and position in this index, it would be indicated that Bangladesh is creating business friendly environment as a whole.

Key words: BIDA, Ease of Doing Business, FDI, GDP, LDCs, SDGs.

Introduction and Literature Review

Foreign Direct Investment (FDI) has been playing substantial roles to the world economy since long (Ismail 2016). The total volume of FDI in the world upsurges to US$ 1.43 trillion in 2017, and 1.3 trillion in 2018 which is 13% less than the previous year (UNCTAD 2019). FDI has been the biggest source of exterior funding for most of the developing countries over the past decade (UNCTAD 2018 and Manzoor & Chowdhury 2017). Diverse opportunities emerged within FDI because of changing nature of the world economy (Modou & Hai 2017 and Bah et. al 2015). FDI facilitates notable economic growth of many countries such as USA, China, Singapore, Brazil, Malaysia, India and Turkey in the past few decades. According to Islam (2014), both host country and investing country are benefitted through FDI: overall economic development for host country and profit maximization for investing country or foreign investors.

In the present era of globalization, the importance of FDI is justified for countries irrespective of their developmental states. Many countries formulate special policies to attract FDI as it can contribute to the Gross Domestic Products (GDP). Similarly, foreign investors are also keen to explore suitable destinations for potential investment (Jewel 2015). While FDI significantly contributes to the Gross Domestic Products (GDP) in many countries, its contribution to the GDP has not reached to a satisfactory level in Bangladesh. World Bank (2019b) confirms that Bangladesh is one of the less attractive destinations for foreign investors, and FDI represents a mere 0.9% of the country's GDP which is substantially unsatisfactory, compared to alike countries such as India (2.1%), the Philippines (2.6%), China (3.0%), Malaysia (4.6%), Ethiopia (5.5%), and Vietnam (6.6%).

As displayed in Table 1, Bangladesh received least amount of FDI compared to the countries with almost same economic condition, status and demographic position in 2017. Reports indicate a 68% increase in the FDI of Bangladesh in 2018 in comparison to the previous year which is worth US$ 3.61 billion (BIDA 2019). Much of these investments results from power generation and labor-intensive ready-made garments industries. The acquisition of United Dhaka Tobacco by Japan Tobacco which is worth US$ 1.5 billion played the most substantial role in the recent rise of country's FDI account (BIDA 2019). The acquisition of United Dhaka Tobacco by Japan Tobacco leads to this dramatic uplift of the FDI (BIDA 2019). In the year 2018, China has emerged as the top leading foreign investor in Bangladesh (Ovi 2019). On the other hand, Viet Nam increased its FDI by 68% from the period from January to May 2019 worth US$ 16.74 billion (Samuel 2019).

Table 1: Comparison of the FDI inflow of some countries in 2017 and in 2018

Sl. No	Country	Amount of FDI (Figure in Billion)	
		2017	2018
1.	Bangladesh	2.2	3.6 (+)
2.	Sri Lanka	1.3	1.6 (+)
3.	Pakistan	2.4	2.3 (-)
4.	Cambodia	2.8	3.1 (+)
5.	Ethiopia	3.6	3.3 (-)
6.	Myanmar	4.3	3.6 (-)
7.	Thailand	7.6	10.5 (+)
8	Viet Nam	14.1	15.5 (+)
9	Indonesia	23.1	21.9 (-)
10	India	39.9	42.2 (+)

Source: United Nations Conference on Trade and Development [UNCTAD] 2018.

FDI is considered to be the powerful weapon for economic development of a country (Manzoor & Chowdhury 2017; Islam 2014; Saha 2012). It can empower capital-deficit countries such as Bangladesh by providing physical capital, improving productivity, creating job opportunities, supporting managerial know-how, developing skills of local labor through technology transfer and facilitating domestic economy (Manzoor & Chowdhury 2017; Abdin 2015). Bangladesh offers a package of incentives and facilities to the foreign investors such as tax heaven facilities; remittance up to fifty percent of salaries; tax exemption on interests on foreign loans, and capital gains from transfer of shares by the investing company; no restrictions on issuance of work permits to project related foreign nationals and employees; repatriation of invested capital, profits and dividends; treating reinvestment of remittable dividends as new investment; and considering foreign owned companies registered in

Bangladesh as same footing as locally owned ones (Manzoor & Chowdhury 2017 and Abdin 2015). In addition to that, Bangladesh has recently reformed its policies to develop a sustainable business environment with modern infrastructure in order to attract more FDI (Manzoor & Chowdhury 2017 and Ovi 2015).

Scholars and organizations have long been realized the importance of FDI, yet they vary in the definition of the concept. FDI is an investment made by a company or entity based in one country into a company or entity based in another country (UNCTAD 2018; and Bangladesh Bank 2017). In other word, FDI is a controlling ownership in a business enterprise in one country by an entity based in another country. According to Islam (2014), FDI portraits very significant type of global investment that refers to a long-term relationship between a foreign investor and the enterprise located in other country. In the case of FDI, investors have the influence on the management of the enterprise or firm. The basic components of FDI are equity capital, reinvested earnings and intra-company loans (Islam 2014). Equity Capital refers to the ownership and the purchasing shares of an enterprise by a foreign investor. Reinvested earnings show that the portion of earning or profit of an investor which is not distributed back to him as dividends. It is engaged within the firm for further investment. In the same way, intra-company loans demonstrate debt transactions and these transactions are regarding lending by the foreign parent company to its affiliates in the form of both short and long-term basis.

FDI differs from indirect investment, also termed as portfolio investment, which refers to purchase of stock or equities or debentures of a foreign companies. FDI generally takes place in an open market economy. FDI can be made in different ways, such as the opening of an associate company, intra company loans, subsidiary in a foreign country, building new facilities, merger and acquisition, acquiring control in an existing foreign company, or merger with or joint venture with a foreign company. But it is a matter of debate that what percentage of equity and control would be considered to be as FDI. OECD has come forward and set a standard rule in this regard. According to OECD (2018) and Bangladesh Bank (2017), if a foreign company or firm or entity possessed at least 10% of shareholders voting power of any other company, it would be treated as FDI and the foreign company would be treated as foreign investors.

There are various types of FDI in the world, and it is mainly classified into three types horizontal, vertical and conglomerate. Horizontal FDI refers to the investments when an investor establishes identical type of investment or business in a foreign country, as it operates in its home country. For example, opening a store by the Huawei of China in USA. Vertical FDI refers to such business activities that is concerned with related services of the main business of the investors. For example, when a business establishes in a foreign country where the raw materials would be supplied from. Conglomerate type of investment is different from the other two as it refers a company or individual who investment on a new business that are different from his/its original piece of business. As the individual or business entity has no experience, it goes on with joint venture (JV).

Researchers alongside various bodies explored a number of factors that can motivate an investor to make FDI in a country. According to UNCTAD (2018), an investor might consider the following issues when making investment decisions: economic fundamentals, policy factors, role of multinational enterprises (MNE) executives and investment promotion agency (IPA) of a country. In terms of attracting FDI in Bangladesh, Abdin (2015) underlines a significant determinants that are in favor of the country are: more than 160 million size of growing local market, and regulatory environment. Thus, Bangladesh can be a potential choice of the foreign investors in this regards. Bangladesh has emerged as one of the least cost producers in the world with various positive factors such as low-cost laborers, strategic location, regional connectivity and worldwide access, low cost of energy, proven export competitiveness, competitive incentives, export and economic zones, positive investment climate. In respect to the regulatory environment, the government of Bangladesh offered a bunch of fiscal and non-fiscal incentives for the foreign investors. Islam (2014) identified unique opportunities in energy and power, infrastructures, manufacturing and knowledge based sectors to make substantial investment. The most attractive sectors in Bangladesh for the year includes telecommunication, textile & wearing, power, banking, gas and petroleum.

Bangladesh ranks in one of the top five countries that demonstrate rapid economic growth in the world by ensuring stability in macro-economic sector and export-led manufacturing industries, despite inadequate FDI compared to some other countries in recent years (World Bank 2019a). However, Bangladesh poorly competes with other countries of similar economy in terms of ease of doing business index and its 11 other indicators such as starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across border, enforcing contracts, resolving insolvency and labour market regulation (See Table 2). The overall position of Bangladesh is 176th out of 190 countries even behind Afghanistan, and in the last position among South Asian countries in terms of doing business index of World Bank based on 11 factors such as (World Bank 2019c).

Table 2: Status of Bangladesh compared to some other countries with almost same economic condition in Ease of Doing Business Index in 2019

Name of the Country	Ease of Doing Business Rank	Starting a Business	Dealing with Construction Permits	Getting Electricity	Registering Property	Getting Credit	Protecting Minority Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Resolving Insolvency
Bangladesh	176	138	138	179	183	161	89	151	176	189	153
Pakistan	136	130	166	167	161	112	26	173	142	156	53
Cambodia	138	185	179	141	124	22	110	137	115	182	79
Ethiopia	159	167	168	131	144	175	178	130	154	60	148
Myanmar	171	152	81	144	136	178	185	126	168	188	164
Thailand	27	39	67	6	66	44	15	59	59	35	24
The Philippines	124	166	94	29	116	184	132	94	104	151	63
Vietnam	69	104	21	27	60	32	89	131	100	62	133
Indonesia	73	134	112	33	100	44	51	112	116	146	36
India	77	137	52	24	166	22	7	121	80	163	108

Apart from this, Bangladesh ranks in the 116th position among 129 countries in the world based on the innovation, success in and capacity for, according to the Global Innovation Index (GII) prepared jointly by Cornell University (CU) and World Intellectual Property Organization (WIPO) (GII 2019). In the report, it is also disclosed that among the least innovative countries in Asia, Bangladesh (17), Pakistan (16), Nepal (15), Cambodia (14) and Sri Lanka (13) are marked as the lower ranking innovative ones, whereas Viet Nam (7) and India (9) are considered as moderate innovative countries in the world (GII 2018). Furthermore, according to the Global Competitive Index (GCI), 2018 based on a set of factors including institutions, infrastructure, stable macroeconomic condition, primary education and sound health, higher education and training, efficient labor market, efficient goods market, efficient financial market, use of technology, domestic and internal market, production of new goods, and innovation that ensures sustainable economic growth, the position of Bangladesh is 103rd among 140 countries in the world (WEF 2018).

A group of researchers and investment specialists argues that FDI has also a number of adverse impacts on local investors and local firms as these firms have to compete with the foreign firms (Saha 2012). There is also an adverse impact on the balance of payments (BoP) as investors take the big portion of income or earnings to their home country. After the initial capital inflow, a subsequent outflow of earnings take place after few months or within a year. Many scholars argued that FDI may emerge as a threat for the national sovereignty and autonomy of the host country (Islam 2014). FDI is accompanied by some loss of economic independence resulting in the host country's economy being controlled by a foreign corporation.

Problem Statement

Bangladesh sets a goal to appear as one of the developed countries within the year of 2041. In doing so, the primary objective of the country is to achieve all seventeen SDGs (Sustainable Development Goals) within 2030. As part of the process, descent work and economic growth (goal number 8) is one of the important goals to be realized within the stipulated time. Regrettably with LDCs (Least Developed Countries) graduation, Bangladesh will lose some benefits such as soft loan, grants and GSP (Generalized System of Preferences) benefits in 2024 onward. FDI can play a pivotal role in achieving SDGs by enhancing economic growth in the country. Moreover, it can meet the uncertainty and challenges that Bangladesh is likely to face just after the LDCs graduation in 2024.

However, Bangladesh has experienced low growth in FDI attraction in the recent years, compared to other countries with almost same economic condition. Researchers via various studies identified a number of factors that might inhibit or attract investors to make FDI in Bangladesh. Most research focusing on FDI in Bangladesh advanced their conclusion based on views of scholars, academicians, economic analysts, and experts of private sectors. Research based on Government officials who are primarily responsible to look after the countries FDI policies and process is limited. This study aims to address this gap and offer implications for various stakeholders how Bangladesh can attract sufficient FDI inflows in the country.

Objectives

The current paper aims to focus on the following three objectives.

1. To evaluate the government officials' role with regards to the current status and position of FDI in Bangladesh;
2. To ascertain the barriers associated with FDI attraction in the country; and
3. To identify the issues that need to be addressed to attract more FDI in the country.

Research Questions

The seminar paper concentrates the following three main questions:

1. What roles do the government officials have in respect of FDI inflows in Bangladesh?
2. What are the main barriers that the country is currently facing in attracting FDI in the country?
3. What are the issues that need to be addressed for the purpose to attracting more FDI in the country?

Rational of the Study

Bangladesh is expected to complete its LDC graduation process and to be a mid-income country by the year of 2024. This will cause Bangladesh to lose a number of benefits. As such the policy makers need to take precautionary measures to overcome potential consequences of the graduation. This study suggests that encouraging FDI can be a strong weapon to encounter challenges emerged from LDC graduation. As such the present study aims to investigate potential developmental avenues for FDI. This will benefit various stakeholders such as the policy makers, foreign investors, private sectors entrepreneurs, Bangladesh Investment

Development Authority (BIDA), Registrar Joint Stock and Companies and Firms (RJSC) and policy analysts of the private sectors. In fact, government officials working in those sectors and offices are also involved with the attracting of FDI in the country. They will be able to enhance their knowledge in this aspect. This enhanced knowledge is expected to promote FDI in the country in future.

Methodology

Research methodology refers to the tools or techniques that a researcher applies in order to conduct a research (Walliman 2012 and Kothari 2004). According to Greener (2008) and Bhattacherjee (2012), research methodology specifies the certain activities relating to generate data such as observation, interviews, questionnaires, and focus group discussions. Research methodology, in general, is classified into two methods: quantitative and qualitative.

The present paper is completely a qualitative and interpretative in nature using qualitative data as well. Qualitative data refers to the words that expresses people's knowledge, feelings, opinions, thoughts, choices, beliefs, customs, norms, values preferences, etc., and can be analysed according to the meaning. In addition, Walliman (2012) opines that qualitative data are simply nothing but the articulation of words of mouth rather than in numbers or digit, and are completely impossible to measure and count accurately.

It is also based on phenomenological approach of research philosophy other than positivism, as phenomenology approach focuses on subjective judgement, investigation of experiences, and logical manifestation. According to Brent (2016), phenomenology approach is realized by interviewing people to understand their opinions and thoughts, and this is simply used in social sciences such as sociology, social work and psychology.

The paper is based on a semi-structured interview following qualitative and phenomenological approach. Many researchers opine that qualitative research based on semi-structured interview is the best one. According to Denzin and Lincoln (1994), semi-structured interview is considered to be the perfect one for qualitative research. This will also follow inductive approach, as inductive processes turn to a conclusion by using observed evidence and facts (Bhattacherjee 2012).

Ethical issues specially core principles of research ethics has been strictly maintained at the time of data collection. Before taking interview, the participants has been briefed properly about the objectives and purpose of the research, and the secrecy has been maintained at the utmost level. It is assured the interviewees that the data disclosed by them would exclusively be used for research purpose only, and would be used anonymously before the interview took place. It is worth mentioning that the neutrality has been maintained during analysing of the data and no misinterpretation of misrepresentation of data has been taken place in this study.

The data has been collected through interviewing senior government officials from different ministries particularly Ministry of Commerce (MoC), Ministry of Industries (MoI), and other offices such as BIDA and Bangladesh Economic Zones Authority (BEZA) involved with dealing of the FDI and related issues. Number of questions has been limited within ten according to the opinion of most of the researchers. A checklist has also been used to ensure totality of the interview and fulfilment the objectives of the paper as well.

The paper has deliberately proceeded with purposive sampling that is also termed as non-probability, and sample size has not been so large and so small in order to maintain its standard. The sample size has been limited to five so that data can be effectively and efficiently coded and analysed. After collecting data from the respondents, data has been coded first. Then it has proceeded with thematic analysis of data collected, as thematic analysis is based on the classification of data according to the main idea, themes and concepts (Ritchie et al. 2003).

Analysis and interpretation of qualitative data is undoubtedly very complicated, particularly when a huge amount data is collected. The current study proceeds with thematic analysis of data. Dittmar and Drury (2000, p.119) stated that thematic analysis "involves systemic reading, interpreting and categorising pieces of linguistic data and verbal interaction into theme-based patterns". At the beginning of the data analysis, the collected data are classified according to the themes, concepts and ideas (Ritchie et al. 2000). After that, data has been coded as follows:

Category of the officials	Code
A high-level of government officials from the Ministry of Commerce (MoC)	IR1

A high-level of government officials from the Ministry of Commerce (MoC)	IR2
A high-level of government officials from the Ministry of Industries (MoI)	IR3
A high-level of government officials from the BIDA	IR4
A high-level of government officials from the BEZA	IR5

Five semi-structured interviews have been carried out for this study. The outcome of the interview has been recorded with the help of the voice recorder apps of cell phone. Before doing so, permission has been taken accordingly. Then each voice record of the interviews has been transcribed one by one. By a comparative analysis, similarities and dissimilarities of the replies have been identified in order to explain and interpret the data in a systematic way. Responses of the ten questions have been classified into five categories according to the nature or meaning or relationship among the questions. They are: Category 1; analysing the current status of FDI in Bangladesh, Category 2; Importance of FDI to the government officials of Bangladesh, Category 3; Comparative analysis of domestic investment versus foreign investment, category 4; potential barriers to FDI for Bangladesh and Category 5; strategies need to be undertaken to promote FDI in Bangladesh.

Data Analysis and Discussion

Most of the participants of the study opines that the amount of FDI is coming to Bangladesh does not reach to the satisfactory level. Bangladesh stands far behind than that of India, Viet Nam and some other counties with similar economic condition. Surprisingly one participant differs and argues that the present FDI inflow in Bangladesh is encouraging. The participant refers to the rise of the FDI inflow in Bangladesh in 2018 as evidence which accounted an increase of 68% than that of the previous year (IR4).

FDI has direct impact on economic growth and it leads to employment generation. Due to limited resources and impoverished social condition, Bangladesh has been facing difficulties in supplying sufficient capital for its growing demand of investment (IR3). However, Bangladesh has immense possibilities to meet capital deficit, create employment facilitate technology transfer, and develop managerial skills. Moreover, FDI can have a very powerful contribution in mitigating upcoming challenges due to the LDC graduation, achieving SDGs and reaching to the vision 2041. However, one respondents reacts such way that there is no other alternative of FDI to meet the upcoming challenges for Bangladesh (IR3).

While participants agreed upon the importance of FDI as a source of economic development of the country, they are not aware of many opportunities that can be availed through FDI. A possible reason for that could be unplanned and improper placements/postings of Government officials with specialization in FDI and, insufficient support and training infrastructure. Some officials receive overseas training in limited scales, and thus are insufficient. Such training should be organized at home as well (IR5. Most officials of the relevant departments such as BIDA, BEZA Registrar Joint Stocks Companies and Firms (RJSC), Ministry of Commerce (MoC), and Ministry of Industries (MoI), Bangladesh Bank, National Board of Revenue (NBR) are not much aware of the mechanism and technical matters of FDI, although they are responsible to assist foreign investors in the process of FDI in the country. Lack of coordination between these departments is another reason identified in this study. There should have a wing in the office of the Prime Minister that can coordinate and resolve the issue arising amongst them (IR5).

The analysis revealed that some offices do not preserve any information or data about FDI (IR3). This leads limited understanding about opportunities and problems in the FDI market. In addition, one respondent (IR2) reacted in such a way that office of RJSC is not given much importance by the government, and absence of expertize in the company matter especially company law and related rules and regulation of the country not only in RJSC and other related offices.

Most FDI in the country result from individuals' initiatives from home and abroad. Yet they get less support from respective authorities such as government officials who are responsible for assisting throughout the FDI process. The officials show less positive attitudes to individuals asking support regarding FDI. This leads to multiple bureaucratic problems leading to reduced motivation for foreign investors and their local partner. Some of these problems can be mitigated if the officials are efficient, capable of, well equipped with the investment knowledge, well-motivated and work with positive attitude. Sometimes, misinterpretation of certain rules and regulations also creates problems. Thus, it entirely depends on the attitude and commitment of the concerned officials.

One of the participants (IR4) mentioned that they have adopted a proactive approach as part of their responsibility to facilitate ease of FDI process. This includes organizing seminar, roadshow at home and abroad; engagement with public and private local counterpart; arranging meeting with regulators; ensuring investors friendly client's services delivery and addressing investor grievances if arises. However some other respondents found these actions as insufficient to compete with other players in this field. One participant (IR5) came up with the view that many mid-level officials who have training from home and abroad on this issue, and are aware of the importance of FDI, but unfortunately they are not properly engaged to this activity in most cases.

It is revealed from this study that in the civil service, generalists are in general made, there is very limited scope to make them specialists on various investment and technical issues. In the case of creating such specialists, day to day work is not sufficient, specific initiative to create a set of experts on investment issues especially FDI is essentially needed.

This research recognized that attracting FDI is not easy, and short term object or matter. It starts with the generation of idea. Then many things are involved such as bilateral meeting with the concerned embassy, site selection, land acquisition, infrastructure development, documentation, development of zones, and finally operation of the project. But in Bangladesh, poor infrastructure, lengthy documentation process, complex land acquisition system causes less FDI inflow in the country.

This study explored that domestic investment has a positive impact on foreign investment. In Bangladesh, the industrial policy which looks for the investment policy do not discriminate between local and foreign investments. Almost all the sectors are open for foreign investment and there is no quantitative restriction in terms of equity and ownership. It is perceived that domestic investment and FDI are closely linked, and should be complementary to each other (IR1). If the domestic investors admits that they are getting positive attitude and all out support from the government offices, foreign investors are motivated and encouraged to make investment here. By the foreign investment, knowledge transfer, technology transfer, connectivity between and among the investors from home and abroad are established. Domestic small investors can supply the raw materials to the foreign investors. If five of the ten raw materials in a particular case are domestically supplied, domestic suppliers are benefited. Skilled, semi-skilled and unskilled labor are also be used in the case of FDI. Domestic investment should also be equally encouraged. Another important point is underlined that foreign investors would leave the country if they are offered additional benefits from other country, and subsequently, there will be a gap if they leave. To meet the gap, both domestic and foreign investment are equally treated.

One of the respondents (IR4) identified three main barriers to the FDI in the country. Undisputed land needs to be supplied to the investors. Service delivery system should be made easier. Fifty nine types of services such as electricity, gas, tax, etc. are needed from the inception to completion of FDI. Only fiscal incentives such as tax holiday is not sufficient, other non-fiscal incentives and services such as warm well come of the investors at the airport, security, accommodation, pure water, fresh air, pure food have influential role in FDI. Referring to a Japanese investor, this respondent underlined two basic barriers to FDI. Firstly, Japanese investor in practice, found no existence of the speech or talk or delivery made in bilateral, multilateral, regional meetings, workshops and seminars by the leaders and top officials of Bangladesh, and secondly, the officials are not committed to their words. For example, he mentioned that if an official gives commitment to have a specific piece of work done within three days, but it would take fifteen days to complete, sometimes one month or two months or sometimes there is no possibility of getting the work done at all. Whenever asking about the comments made by the said Japanese investor, other respondents confidently agreed with. The negative image of the country is one of the leading reasons for having less FDI attractive destination in the world (IR2).

Respondents of the study explored that Government has taken a bunch of initiatives, but it is the government officials who are supposed to materialize the initiatives positively and effectively. But government officials harass them in different ways in different offices. BEZA, BEPZA, PPP, Hi-tech park, BIDA, etc. are established to assist the foreign investors, but there is big questions about their performance in this regards (IR4). The participants of the study also identified that current political situation, and macro-economic condition is quite okay and stable. But environmental and security issues are not in good condition in the country. In the name of investment, environment should not be allowed polluted. One respondent underlined that the foreigners are expressed their dissatisfaction to the security benefited. Skilled, semi-skilled and unskilled labor are also be used in the case of FDI. Domestic investment should also be equally encouraged. Another important point is underlined that foreign investors would leave the country if they are offered additional benefits from other country, and subsequently, there will be a gap if they leave. To meet the gap, both domestic and foreign investment are equally treated.

One of the respondents (IR4) identified three main barriers to the FDI in the country. Undisputed land needs to be supplied to the investors. Service delivery system should be made easier. Fifty nine types of services such as electricity, gas, tax, etc. are needed from the inception to completion of FDI. Only fiscal incentives such as tax holiday is not sufficient, other non-fiscal incentives and services such as warm well come of the investors at the airport, security, accommodation, pure water, fresh air, pure food have influential role in FDI. Referring to a Japanese investor, this respondent underlined two basic barriers to FDI. Firstly, Japanese investor in practice, found no existence of the speech or talk or delivery made in bilateral, multilateral, regional meetings, workshops and seminars by the leaders and top officials of Bangladesh, and secondly, the officials are not committed to their words. For example, he mentioned that if an official gives commitment to have a specific piece of work done within three days, but it would take fifteen days to complete, sometimes one month or two months or sometimes there is no possibility of getting the work done at all. Whenever asking about the comments made by the said Japanese investor, other respondents confidently agreed with. The negative image of the country is one of the leading reasons for having less FDI attractive destination in the world (IR2).

Respondents of the study explored that Government has taken a bunch of initiatives, but it is the government officials who are supposed to materialize the initiatives positively and effectively. But government officials harass them in different ways in different offices. BEZA, BEPZA, PPP, Hi-tech park, BIDA, etc. are established to assist the foreign investors, but there is big questions about their performance in this regards (IR4). The participants of the study also identified that current political situation, and macro-economic condition is quite okay and stable. But environmental and security issues are not in good condition in the country. In the name of investment, environment should not be allowed polluted. One respondent underlined that the foreigners are expressed their dissatisfaction to the security situation in Bangladesh. In addition, in Bangladesh there is no act related to intellectual property (IP), and whenever, an investor want to sell his product in the international market, IP is needed there (IR3).

A significant number of investors does not agree to the claim of having investment friendly condition in Bangladesh. Government has taken initiatives to improve the situation but they are not happy. In the case of financial matter, interest rate is high. Investors in general, observe the overall financial condition of the country at the time of making investment. One respondent (IR4) classified the barriers into two types, one is hard and other is soft. The hard challenges include poor physical infrastructure, inadequate power supply and poor distribution system, polluted water, unavailability of skilled manpower, and poor dispute settlement mechanism etc. On the other hand, the soft challenges include bureaucratic bottleneck, multi-tiered administered system, centralized and opaque decision-making process, and silo approach in client service delivery. They also observe the behavior of financial institutions such as banks, insurance and leasing companies of the country as well. One respondent (IR2) underlines that provision of one stop service act 2018 is not in action in full swing.

All the respondents spontaneously opine that ease of doing business index, global innovation index and world competiveness index definitely have adverse impact on FDI as investors check the status and position of the country at the time of making investment as part of the due diligence. These indices provide reliable data for the investors. Investors in general, decide to make investment according to the status and position of specific country. They will move to the country where overall investment environment is better.

After the LDC graduation is completed, a number of benefits that Bangladesh are currently enjoying will be stopped. Even the benefits have already started to decline as Japan International Cooperation Agency (JICA) has already started to increase its interest rates in some cases claiming that Bangladesh has enhanced its economic strength (IR5). Previously the JICA loan were almost free (0.1%-0.7%), but now it increases, and it will increase in the days to come. At present Bangladesh get soft loan from International Development Authority (IDA), but the country had to borrow loan from IBRD (International Bank for Reconstruction and Development) with hard conditions.

Implications and Recommendation

Regulatory reforms with regards to FDI should be undertaken first in order to make the country investment friendly. The laws and rules relating to this issue is very old, it needs to improve in the light of global trade and investment context. Foreign Private Investment (Promotion and Protection) Act, 1980 is the basic law on FDI, but it is very old. Specific rules need to be formulated for investment financing also. Intellectual Protection (IP) is very poor in Bangladesh. Whenever, an investor want to sell his product in the international market, IP is needed there.

In the context of Bangladesh, Research and Development (R&D) is a very neglected everywhere in the government mechanism including FDI. Effective R&D needs to be taken into account for identified core problems and issues related to FDI. Compliance issues are also very poor in Bangladesh. Here owner-workers relation is not so friendly. But in the cases of other countries with almost having same economic condition has better situation. Thus, government should focus on this very important issues. Bangladesh need to be integrated more with international trade and investment based on competitive advantage and comparative advantage.

Overall financial market, interest rate, ease of getting loan from banks and leasing companies and insurance companies need to improve. Different rate can be introduces in the case of giving loan for the foreigners. Performance of the concerned departments need to be improved. Offices need to be well equipped with the latest technology and facilities. Effective steps should be taken to be ranked within 100 countries in easing of doing business index. There should have a cell in the Prime Minister's office for resolution of the disputes and problems arises between or among different offices and departments such as BEZA, NBR, RJSC, Bangladesh Bank and others.

The office of RJSC should be made vibrant in order to ease of doing registration process. The office should be considered with much importance. The officials should be trained with the latest knowledge of international trade, equipped with existing rules and regulation of company matter at home and abroad. The efficient officials should be posted to the office, and they are given facilities of foreign training and exposure in this regards. Moreover, institutional capacity of the concerned offices should be enhanced though enforcement of law and regulation. In addition, the officials who have expertise in this field, well equipped with the knowledge of FDI, having positive attitude should be properly evaluated and posted to these areas. An expert pool should be created and strictly maintained. Smooth service delivery system should be introduced anyhow and One Stop Service Act 2018 should be enforced in full swing without any violation.

Warm well come at the airport, ensure security, suitable accommodation, providing pure water, and pure need for the investors need to ensure properly for attracting FDI. There should have the similarity between the speech of the leaders and bureaucrats and the reality with regards to FDI in the country. Proper steps should be taken to build good image of the country by diplomacy.

Proper steps should be taken to improve physical infrastructure, ensure sufficient power supply and distribution, make available skilled manpower, and develop dispute settlement mechanism, diminish bureaucratic formalities, lower multi-tiered administered system, ease of decision-making process, and ensure client friendly service delivery.

Effective measures should be undertaken to improve the status and position of the country in the ease of doing business index, global innovation index and world competiveness index as investors check the status and position of the country at the time of making investment as part of the due diligence. These indices provide reliable data for the investors. Investors normally moves to the country where overall investment environment is better.

Conclusion

The current paper has been able to find out that the offices and its officials involved with FDI activities are not functioning efficiently and effectively at the utmost level in Bangladesh, although they completely aware of the importance of the FDI for economic development of the country and meeting its upcoming challenges. In addition, they are not satisfied with the amount of FDI coming to the country as well. It is also identified that a bundle of barriers to FDI exists in Bangladesh including less motivation of the officials, lack of positive attitude in explaining rules and regulation, no proper expertise of the officials, the officials who have expertise are not properly engaged, a huge gap between the speech made by our leaders and officials in the meetings, seminars, workshops and conferences, and the real scenario of the country, less action taken by the officials according to the commitments, not giving much attention to the efficiency of RJSC, poor governance, poor infrastructure, security concerns of the foreign investors, lack of pure food and water, environmental pollution, poor dispute settlement mechanism, intolerable traffic congestions in Dhaka city etc. The paper come up with a number of measures that should be taken into account including placing right personnel in the right in the place, creation of expert pool, strong surveillance of the officials, improve efficiency of the officials through providing training home and abroad, image building of the country, addressing compliance and enforcement issues, regulatory reforms, and proper action for upgrading the position in ease of doing business.

References

Abdin, MJ 2015, 'Foreign Direct Investment (FDI) in Bangladesh: Trends, Challenges & Recommendations', *International Journal of Economics & Management Sciences,* vol. 4, no.9, pp. 4-8.

Bah, AO, Kefan, X & Izuchukwu, O 2015, 'Strategies and Determinants of Foreign Direct Investment (FDI) Attraction', *International Journal of Management Science and Business Administration*, vol. 1, no.5, pp. 4-8.

Bangladesh Bank 2017, Survey Report on Foreign Direct Investment in Bangladesh. Bangladesh Bank Publishing.
https://www.bb.org.bd/pub/halfyearly/fdisurvey/fdisurveyjanjun2017.pdf (Accessed: 30 August 2019).

Bangladesh Investment Development Authority (BIDA) 2019, http://bida.gov.bd/ (Accessed: 30 August 2019).

Bhattacherjee, A 2012, *Social Science Research: Principles, Methods, and Practices*, 2nd Edition, Creative Commons Attribution.

Brent, M 2016, *The Five Approaches to Qualitative Research*, Available at: http://classroom.synonym.com/five-approaches-qualitative-research-4427.html (Accessed: 27 July 2019).

Denzin, NK & Lincoln, YS 1994, *Handbook of qualitative research*, London, Sage Publication.

Dittmar, H. & Drury, J. (2000). Self-image - is it in the bag? A qualitative comparison between ordinary and excessive consumers. 21(2), pp. 109-142.

Global Innovation Index (GII) 2019, *2019 Report*, Available at: https://www.globalinnovationindex.org/gii-2019-report# (Accessed: 31 July 2019).

Greener, S 2008, *Business Research Methods*, Dr. Sue Greener and Ventus Publishing. Available at: http://web.ftvs.cuni.cz/hendl/metodologie/introduction-to-research-methods.pdf (Accessed: 27 July 2019).

Islam, KMA 2014, 'Foreign Direct Investment (FDI) in Bangladesh: Prospects and Challenges and Its Impact on Economy Asian Business Review', *Asian Business Review*, vol. 4, no.7, pp. 24-36.

Ismail, II 2016, 'Constructing a Framework for Empirical Research of Foreign Direct Investment (FDI) and FDI Intent', *Journal of International Business Research and Marketing*, vol. 1, no.2, pp. 43-46.

Kothari, C. R. (2004) Research Methodology: Methods and Techniques, 2nd Revised Edition, New Delhi: New Age International.

Manzoor, SH and Chowdhury, ME 2017, 'Foreign Direct Investments in Bangladesh: Some Recent Trends and Implications', *Journal of Business & Economics Research,* vol. 15, no. 1, pp. 21-32.

Modou, DL & Hai, Y 2017, 'The Impact of Asian Foreign Direct Investment, Trade on Africa's Economic Growth', *International Journal of Innovation and Economic Development*, vol. 3, no.1, pp.72-85.

Ovi, IH 2019, *Bangladesh sees highest ever foreign investment*. Available at: https://www.dhakatribune.com/business/2019/05/09/fdi-rises-by-67-in-2018 (Accessed on 4 August 2019).

Ritchie, J, Spencer, L & O'Connor, W 2003, 'Carrying out qualitative analysis', *Qualitative research practice: A guide for social science students and researchers*, pp.219-62.

Ritchie, J 2000, 'The Applications of Qualitative Methods to Social Research'. In: Ritchie, J and Lewis, J. ed. Qualitative Research Practice: A Guide for Social Science Students and Researchers, London: Sage.

Saha, AK 2012, 'Scenario of the Foreign Direct Investment (FDI) in Bangladesh: An Evaluation', *Journal of Business and Management,* vol. 5, no. 6, pp. 19-26.

Samuel, P 2019, 'FDI in Vietnam – Where is the Investment Going?' Available at: https://www.vietnam-briefing.com/news/fdi-in-vietnam-investment-by-sector.html/ (Accessed on 4 August 2019).

United Nations Conference on Trade and Development [UNCTAD] 2018, *World Investment Report 2018,* Available at: https://unctad.org/en/PublicationsLibrary/wir2018_en.pdf (Accessed on 4 August 2018).

United Nations Conference on Trade and Development [UNCTAD] 2019, *World Investment Report 2019*, Available at: https://unctad.org/en/PublicationsLibrary/wir2019_en.pdf (Accessed on 14 August 2018).

Walliman, N. (2012) Research Methods: The Basics, 1st Edition, Abingdon: Routledge.

World Bank 2019a, *Bangladesh Development Update: Regulatory Predictability Can Sustain High Growth,* Available at: https://www.worldbank.org/en/news/feature/2019/04/04/bangladesh-development-update-regulatory-predictability-can-sustain-high-growth (Accessed: 31 July 2019).

World Bank 2019b, *Bangladesh Policy Note: Enhancing FDI through Investment Policy Reform*, Available at: http://documents.worldbank.org/curated/en/270301537422462536/Bangladesh-Policy-Note-Enhancing-FDI-through-Investment-Policy-Reform (Accessed: 31 July 2019).

World Bank 2019c, *Doing Business: Measuring Business Regulations*, Available at: https://www.doingbusiness.org/en/rankings?region=south-asia (Accessed: 31 July 2019).

World Economic Forum [WEF] 2018, *The Global Competitive Report 2018*, Available at: http://reports.weforum.org/global-competitiveness-report-2018/country-economy-profiles/#economy=BGD (Accessed: 31 July 2019).