

Report On  
Foreign Direct Investment  
Investment Corporation of Bangladesh

By

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An internship report submitted to the BRAC Business School in partial fulfillment of the requirements for the degree of Bachelor of Business Administration

BRAC Business School  
BRAC University  
September, 2020

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## **Declaration**

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at BRAC University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

**Student's Full Name & Signature:**

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**Md. Sadique Tahmid Refath**  
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**Supervisor's Full Name & Signature:**

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**K.M. Nafiul Haque**  
Lecturer, BRAC Business School  
BRAC University

## Letter of Transmittal

K.M. Nafiul Haque  
Lecturer,  
BRAC Business School  
BRAC University  
66 Mohakhali, Dhaka-1212

Subject: Internship report on FDI based on ICB

Dear Sir,

It is my pleasure to present this report on Foreign Direct Investment of Investment Corporation of Bangladesh as a requirement for completing my Bachelor of Business Administration. I have enjoyed preparing the report though it was challenging to finish within the given time. I have tried my best to include all the relevant information related to foreign direct investment activities of Investment Corporation of Bangladesh. I believe the report will be as your expectation and I have given my utmost effort to prepare a solid report as per your instruction.

Sincerely yours,

---

Md. Sadique Tahmid Refath  
16304104  
BRAC Business School  
BRAC University  
Date: 19 September 2020

## **Acknowledgement**

From the start, all gestures of recognition has a place with the mighty God, the most clement, most liberal to every single living being and their activities. In setting up this report of Investment Corporation of Bangladesh, I have gotten commendable help from all the employees of Investment Corporation of Bangladesh.

I am a lot of appreciative to my authoritative boss Zahangir Hossain, Assistant General Manager of Investment Corporation of Bangladesh to offer the chance to work on the Motijheel branch. He has given me all kind official help to complete the report impeccably. I like to thank Atik, Senior Principal Officer, Investment Corporation of Bangladesh for helping me in each angle for the completion of the report. I am a lot of obliged to my chief K.M. Nafiul Haque, Lecturer, BRAC University for provide me guidance at various times to set up this report. It is his guided management that brought about fruitful completion and timely submission of the report.

## **Executive Summary**

Internship is important because it creates a bridge between the company and the student where one can have the corporate vibe along with necessary practical knowledge besides from their bookish theoretical knowledge. I have done my internship program in Investment Corporation of Bangladesh.

This internship report is pointed toward providing a comprehensive picture to the territories of Foreign Direct Investment of Investment Corporation of Bangladesh. Investment Corporation of Bangladesh is one of the most important financial associations of Bangladesh. The main objective of ICB is to help people or organizations to manage their securities' portfolio. ICB also participates in different social and development projects and partakes in implementation of different policies and guarantees made by the Government. Investment Corporation of Bangladesh is a big gun in handling foreign direct investment. Therefore, Foreign Exchange of ICB is a lot of essential but, presently a day's banking sector of Bangladesh is suffering the malady of default culture which is the consequence or result of awful performance of most banks.

I have taken all the reasonable care to guarantee the accuracy and quality to make the report standard. And I believe that it has included all the necessary information to be relevant

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## **List of Acronyms**

ICB	Investment Corporation of Bangladesh
AML/CFT	Anti-Money Laundering/ Combating the Financing of Terrorism
BFIU	Bangladesh Financial Intelligence Unit
ATA	Anti Terrorism Act
ATO	Anti Terrorism Ordinance
CMI	Capital Market Intermediaries
CDD	Client Due Diligence
CTC	Counter Terrorism Committee
FATF	Financial Action Task Force
FCBs	Foreign Commercial
FIU	Financial Intelligence Unit
ICRG	International Cooperation Review Group
KYC	Know Your Client
MLPA	Money Laundering Prevention Act
MLPO	Money Laundering Prevention Ordinance
NCC	National Coordination Committee on AML/ CFT
SAR	Suspicious Activity Report

# **Chapter 1**

## **Introduction & Background of the Study**

### **Introduction:**

The idea of this report is illustrative so as opposed to doing any review, perception method is utilized to complete this subjective exploration. I have attempted to gather all such information that will mirror the real circumstance of the bank for any report. I have gathered different kinds of primary and optional information while I was performing my understudy. I have gathered different information from different sources by face to face meeting with the employees working in various departments of Investment Corporation of Bangladesh, Motijheel branch, individual examination bankers of various branches of I.C.B, brochures sent by Head office and maintaining every day journal which contains all the exercises that has been seen in the bank.

### **Background of the Study & Rationale:**

Subsequent to completing my BBA from BRAC University, I needed to do Internship in a presumed Bank which would be useful for my future professional vocation. I got the chance to perform my entry level position in the Investment Corporation of Bangladesh. I was sent to Motijheel Branch. It was a two months in length viable direction program This report is started as the requirement of Investment Corporation of Bangladesh.

Internship program offers a chance to know the environment of a specific association. By doing this program, I have created and refined my hypothetical knowledge picked up in the classroom. This program gives energizing experience of arranging, culture, conduct of employee and

management style of that association, which encourages me to fill the hole among hypothetical and genuine functional world.

Hypothetical knowledge doesn't make an individual great. To implement the academic knowledge, viable knowledge identified with it, is important. An ideal thought among hypothesis and practice is important with regards to modern business world. So as to determine the dichotomy among hypothesis and practice, the Investment Corporation of Bangladesh temporary position program as a fractional completion of BBA program. This program is essential for each understudy to complete their academic degree. Temporary position program carries understudies nearer to the business hypothesis and down to earth and accordingly help them to validate their knowledge so they can set themselves up to begin an effective profession.

Under the internship program, each understudy is relegated to an association so as to gain down to earth knowledge. In the wake of taking reasonable knowledge, every understudy is needed to set up a report on the chose association under the rule of his/her relegated instructor

As a member in this program, I was set at Investment Corporation of Bangladesh, Motijheel branch for a time of two months. According to the guidance of entry level position manager, I was committed to get familiar with the banking activity of ICB. During the residency of my internship program, I worked in 14 segments of banking. In view of the learning and pragmatic experience, I have arranged this report. It is additionally mandatory to submit a report to the bank.

## **Objectives of the Study:**

The main target of the internship program is to formalize me with the genuine market circumstance and assist me with figuring out how bookish ideas are utilized in the genuine market. Hence, from the earliest reference point of the investigation I have attempted my level best to direct my internship so as to accomplish some particular goals and I have gone over the different department of the bank to obtain some related information and working system with respect to those department. The goals of the examination are mentioned beneath:

1. To obtain knowledge about the various activities of a bank
2. To know the administrations those at banks accommodates its customers
3. To experience all the departments of a bank and see what really occurred in these departments,
4. To discover how the general banking system of a bank runs.
5. To watch the working environment in commercial banks.
- 6 To consider existing banker-customer relationship.
7. To know the general working of ICB.
8. To have some useful presentations that will be useful for my future vocation.

## **Scope of the Report:**

This report has been set up through broad conversation with bank employees, customers and officers and on the information accumulated from the yearly report and plan of Investment Corporation of Bangladesh. I have the extraordinary chance to have a top to bottom knowledge of the General Banking of ICB.

## **Methodology**

To make the report more meaningful and respectable, two wellsprings of information and information have been utilized generally. Wellsprings of Data: Sources of information assortment is isolated into two different ways. Primary & secondary.

### **Primary sources:**

- Up close and personal discussion with the particular officers and staffs of the Banks.
- Informal discussion with the bankers.
- Useful work introduction from the various departments of ICB.
- Investigation of the pertinent documents as educated by the officers concerned.
- Individual journal (that contains each day involvement with bank while going through functional direction)

### **Secondary sources:**

- Yearly Reports of ICB.
- Yearly Report of different banks.
- Periodicals distributed by Bangladesh Bank.
- Different books, articles, compilations and so on. Concerning banking capacities, unfamiliar trade tasks and credit approaches.
- Individual journal maintained while going through the viable direction

### **Limitations of the Study:**

In spite of the fact that I have the full co-activity from employees, customers officers of ICB, and they additionally gave me much time to set up this report appropriately in the method of my examination, I have confronted some troubles, which made my conduction of the program minimal risky. Some of these are mentioned beneath:

- It ought to be surely mentioned that the time two months is extremely short to get the all-out perspective on the banking capacities.
- The officers were much occupied with their standard exercises. For this reasons it was additionally a little problem to gather detail information from them.
- In some cases, they couldn't have the option to flexibly me any information for the explanation that they have no printed documents.
- Office mystery was one of the most important problems. Revealing of some information was limited.
- In the event of secondary information assortment, there was next to no secondary information. There were not many help books, reports, diaries, and so forth moreover, the branch office had next to no of this information. That is the reason bulk of it must be gathered from the administrative center.
- As the officers were occupied with their everyday work, they could give next to no time

## Chapter 2

### Company Profile



#### Our Vision

We will be the leading, responsible and innovative financial organization which endeavors to contribute and share the rewards of our growing economy.



#### Our Mission

Our mission is to transform our corporation into a responsible institution, a financial architect, an innovative solution provider and performance leader through capital market exploration.



Being a responsible corporation created by law, we will step forward in accordance with the mandates of Investment Corporation of Bangladesh Act, 2014 for fostering rapid growth of Bangladesh economy.

Being a financial architect, we will strive to establish a benchmark of values, attitudes, behavior and commitments in generating optimum growth for our shareholders by efficient use of resources.

Being an innovative solution provider, we put emphasis on formulating total solutions to mobilize of domestic savings into potential investments.

Being a performance leader, we must lead and operate in the interest of our customers, so that they can depend and have the trust on us. As employees of a leading organization, we are committed to give our best effort for lasting success as we move forward.

## **Objectives:**

- To energize and expand the base of speculations.
- To build up the capital market.
- To prepare reserve funds.
- To accommodate matters auxiliary thereto.

## **Business Policy:**

- To follow up on business thought with due respect to the enthusiasm of industry, trade, contributors, financial specialists and to the general population when all is said in done.
- To give budgetary help to ventures subject to their financial and business suitability.
- To mastermind value backing and advances for ventures separately or through consortium of budgetary organizations including banks.
- To support and create business in the nation.
- To broaden ventures.
- To rouse little and medium savers for interest in protections.
- To make work openings.
- To energize and expand the base of Investment in agro and data and correspondence innovation (ICT) parts.



## **Basic Functions:**

- Direct buy and offer of offers and debentures/bond including situation and value support
- Taking an interest in the arrangement of Unit Funds and Mutual Funds
- Giving lease money separately and through partnership
- Overseeing venture accounts
- Overseeing Unit Fund
- Overseeing portfolios and participating in purchasing and selling of protections
- Giving development against Mutual store authentications oversight by ICB and auxiliaries
- Partaking in Mutual Fund as a Sponsor
- Giving bank ensure
- Going about as a trustee and an overseer
- Partaking in financing of joint endeavor organizations
- Giving speculation guiding to speculators
- Partaking in government divestment program
- Acquainting new business fit with market request
- Managing in different issues identified with capital market
- Investment Financing
- Participating in merger, procurement and resource remaking exercises
- Overseeing Equity and Entrepreneurship Fund (EEF) and other exceptional plans announced by the Government
- Directing the exercises of the auxiliary organizations as holding organization
- Partaking in offloading portions of state claimed ventures

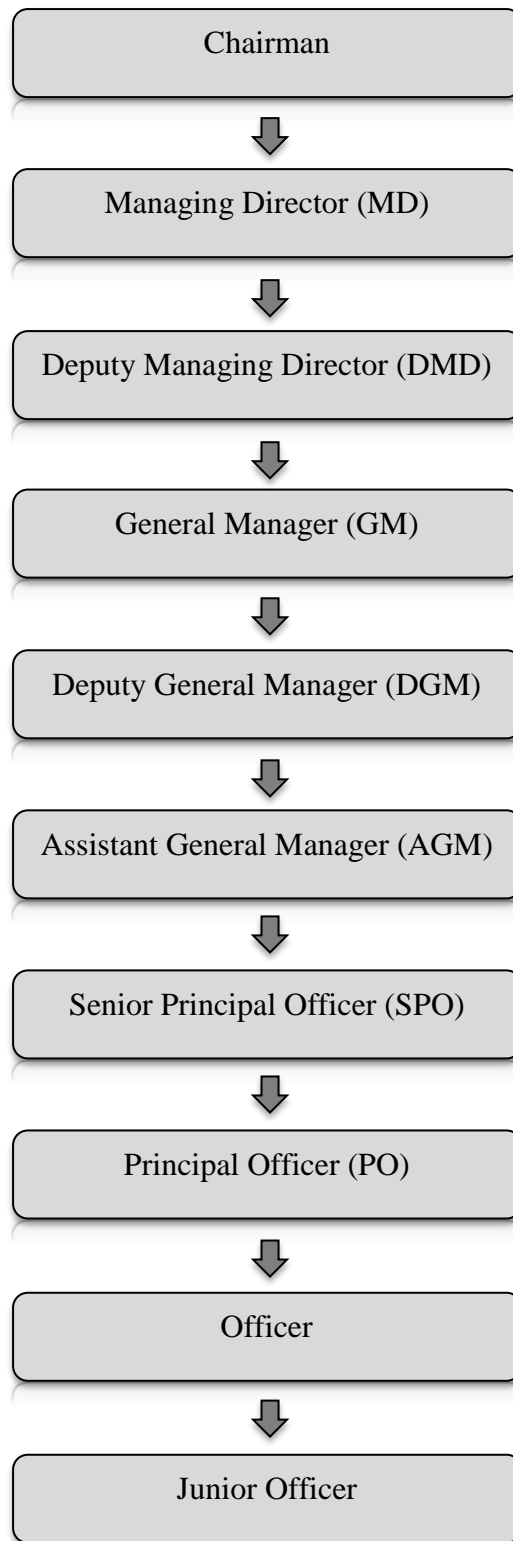
## Milestones:

Establishment of ICBv	1st October 1976
Investors'Scheme	13th June 1977
ICB Chittagong Branch	1 April 1980
First ICB Mutual Fund	25th April 1980
ICB Unit Fund	10th April 1981
ICB Rajshahi Branch	9 February 1984
Second ICB Mutual Fund	17 June 1984
Third ICB Mutual Fund	19 May 1985
ICB Khulna Branch	10 September 1985
ICB Sylhet Branch	15 December 1985
Fourth ICB Mutual Fund	6 June 1986
Fifth ICB Mutual Fund	8 June 1987
Sixth ICB Mutual Fund	16 May 1988
ICB Barisal Branch	31 May 1988
Nomination as the country's Nodal DFI in SADF	7 May 1992
Purchase of Land (Mirpur)	15 June 1994
Seventh ICB Mutual Fund	30 June 1995
Eighth ICB Mutual Fund	23 July 1996
ICB Bogra Branch	6 October 1996
ICB Local Office, Dhaka	15 April 1997
Purchase of own Land with Building (Rajarbag)	11 December 1997
Participation in Equity of SARF	16 January 1998

Advance Against ICB Unit Certificates Scheme	12 October 1998
Lease Financing Scheme	22 April 1999
"The Investment Corporation of Bangladesh (Amendment) Act, 2000"	6 July 2000
Registration of the three Subsidiary Companies with the Registrar of Joint Stock Companies and Firms	5 December 2000
ICB Capital Management Ltd.	1 July 2002
ICB Asset Management Company Ltd.	1 July 2002
ICB Securities Trading Company Ltd.	13 August 2002
Registration as a Trustee with BSEC	20 August 2002
Registration as a Custodian with BSEC	20 August 2002
Bank Guarantee Scheme	21 June 2003
Advance Against ICB Mutual Fund/ICB AMCL Unit certificates scheme	21 June 2003
Consumers Credit Scheme	15 February 2004
Venture Capital Financing Scheme	26 April 2007
Purchase of Land(Agargaon)	3 March 2008
Commencement of the operation of Equity and Entrepreneurship Fund (EEF)	1 June 2009
Launching of Tk. 50 Billion Bangladesh Fund	5 May 2011
Finalization ICB's Building Design	12 April 2012
Training Centre	28 June 2013
Preparation of Five Year Business Plan of ICB	16 February 2014
Initiation of "ICB Porikroma" (News Letter)	26 March 2014
Achievement of AAA rating of Investment Corporation of Bangladesh	26 June 2014
Publication of Gazette of Investment Corporation of Bangladesh Act-2014	22 September 2014

Approval of Development Plan of 40 storied Building of ICB by RAJUK	30 December 2014
MoU between ICB & Bank and Financial Institutions Division, Ministry of Finance regarding Annual Performance	12 November 2015
First ICB Mutual Fund Converted to First ICB Unit Fund	11 April 2016
Second ICB Mutual Fund Converted to Second ICB Unit Fund	05 May 2016
Third ICB Mutual Fund Converted to Third ICB Unit Fund	23 June 2016
Fourth ICB Mutual Fund Converted to Fourth ICB Unit Fund	23 June 2016
Fifth ICB Mutual Fund Converted to Fifth ICB Unit Fund	23 June 2016
Annual Performance Agreement (APA) (2016-2017) between Financial Institutions Division, Ministry of Finance & ICB	30 June 2016
Sixth ICB Mutual Fund Converted to Sixth ICB Unit Fund	10 August 2016
Seventh ICB Mutual Fund Converted to Seventh ICB Unit Fund	07 November 2016
Eighth ICB Mutual Fund Converted to Eighth ICB Unit Fund	15 March 2017

## Hierarchy:



## **Product & Services of ICB**

### **Private Equity, Placement of Shares**

As a major aspect of the business broadening and empowering quick industrialization of the nation, the plan for private value interest and arrangement of offers and so forth has been presented since beginning of the partnership. ICB contributes in various organizations through value interest either separately or under consortium game plans of various banks what's more, monetary foundations.

### **Margin Loan Accounts**

The current Investment Account holders can benefit of edge advance offices to buy protections from both essential and optional business sectors according to BSEC edge rules. Edge credit is given for buying protections sound essentials and great possibilities to decrease the danger of venture just as to secure the enthusiasm of the financial specialists.

### **ICB Unit Fund**

ICB Unit Fund is the primary actually open-finished shared reserve of the nation. The plan was dispatched in April 1981, through which the little and medium savers get chance to contribute their reserve funds in a decent and generally okay portfolio. ICB

has so far pronounced appealing profits on units consistently. During FY 2018-19 this store pronounced profit @ Tk. 41.00 per unit. Financial specialists of Unit Fund appreciate tax reductions, sum being pertinent according to law. Advance against ICB

## **Advance against ICB Unit Fund, Bangladesh Fund Certificates etc**

Advance against ICB Unit/Mutual Fund declaration conspire was presented in 1998 for the ICB Unit holders to meet their rainy day account prerequisites. By and by, ICB gives advance against the declarations of ICB Unit Fund, Bangladesh Store, ICB AMCL Pension holders Unit Fund and ICB AMCL Unit Store. One can get most extreme 80% of starting acquiescence esteem by storing his/her unit endorsements under lien course of action from any of the ICB workplaces and approved banks.

## **Sponsor of Mutual Funds**

ICB goes about as support to the distinctive shared assets for the advancement of the common store industry.

## **Trustee and Custodian Service**

ICB goes about as trustee and overseer to the debenture issues, shared assets and securitized bonds.

## **Portfolio Management Stock Market Operations**

ICB assumes an unparalleled function in both the essential and auxiliary market which at last makes the capital market dynamic. Dealer banking tasks, for example, portfolio the executives, finance the executives, and so on are being given remarkably

## **Project financing in the form of**

- Investment in Preference Shares: Enhanced instruments are the quality of ICB's venture procedure. Interest in inclination shares connotes this position.
- Debenture Financing: ICB gives debenture fund in possible businesses.

- Advance against value: ICB gives advance against value in various undertakings.
- Lease Financing: ICB gives rent account mostly to obtainment of capital apparatus, hardware and transport to the planned organizations. The time of rent, rentals, charges and other terms and conditions are resolved based on resources and help given according to necessity of the resident.
- Investment in Bond: ICB puts resources into different sort of bonds like subordinated and zero coupon bonds to differentiate its portfolio.

### **Corporate Financial Advice**

ICB and its auxiliary organization ICB Capital Management Restricted give proficient and monetary advices on corporate rebuilding and reengineering to Govt. organizations the individuals who are quick to offload partakes in the capital market.

### **Merger & Acquisition**

Organizations ready to extend their business through mergers or acquisitions or to strip extends that not, at this point fit into present scale of activity contact the organization. ICB gives proficient warning administrations in regard of taking care of business the expense and budgetary structures to guarantee most ideal operational outcomes.

### **Issuing Corporate Guarantee**

ICB has presented the Corporate Guarantee plot in FY 2002-03. ICB gives

- Customs ensure for settling various differences between the traditions authority and the business classes at the underlying stage. The restriction of assurance is given against at any rate 20% money and 80% effectively en-cashable protections or against 100% money edge.



## Key Financial Information from Statement of Financial Position

(Tk. in crore)

Particulars	30-Jun-19		30-Jun-18		30-Jun-17		Change (%)	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Between 30.06.19 & 30.06.18	Between 30.06.18 & 30.06.17
<b>Property &amp; Assets:</b>								
Cash & Bank Balance	1,842.36	9.98	1,948.21	11.39	2,418.89	13.79	(5.43)	(19.46)
Marketable Securities-at Fair Value	12,246.04	66.33	11,418.96	66.74	11,410.37	65.06	7.24	(6.33)
Total Loans and Advances	3,188.79	17.27	2,496.51	14.59	1,846.39	10.53	27.73	35.21
<b>Total Assets</b>	<b>18,462.41</b>	<b>100.00</b>	<b>17,109.62</b>	<b>100.00</b>	<b>17,538.27</b>	<b>100.00</b>	<b>7.91</b>	<b>(2.44)</b>
<b>Liabilities:</b>								
Government Loan	806.98	4.37	79.15	0.46	1.05	0.01	919.56	7,438.10
Borrowing from Different Banks	493.00	2.67	468.00	2.74	905.00	5.16	5.34	(48.29)
Deposits	10,697.69	57.94	10,840.60	63.36	9,934.87	56.65	(1.32)	9.12
<b>Total Liabilities</b>	<b>15,352.87</b>	<b>83.16</b>	<b>13,304.76</b>	<b>77.76</b>	<b>12,611.39</b>	<b>71.91</b>	<b>15.39</b>	<b>5.50</b>
<b>Capital/Shareholders' Equity:</b>								
Paid-up Capital	697.67	3.78	664.45	3.88	632.81	3.61	5.00	5.00
Reserves	1,144.42	6.20	1,486.76	8.69	2,676.39	15.26	(23.03)	(44.45)
Retained Earnings	423.69	2.29	809.88	4.73	773.91	4.41	(47.68)	4.65
<b>Total Capital/Shareholders' Equity</b>	<b>3,109.54</b>	<b>16.84</b>	<b>3,804.85</b>	<b>22.24</b>	<b>4,926.86</b>	<b>28.09</b>	<b>(18.27)</b>	<b>(22.77)</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>18,462.41</b>	<b>100.00</b>	<b>17,109.62</b>	<b>100.00</b>	<b>17,538.27</b>	<b>100.00</b>	<b>7.91</b>	<b>(2.44)</b>

## Key Financial Information from Statement of Profit or Loss and Other Comprehensive Income

(Tk. in crore)

Particulars	30-Jun-19		30-Jun-18		30-Jun-17		Change (%)	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Between 30.06.19 & 30.06.18	Between 30.06.18 & 30.06.17
<b>Operating Income:</b>								
Interest Income	355.68	26.64	358.86	21.08	239.91	15.10	(0.89)	49.58
Interest Paid on Deposits, Borrowings, etc.	1,001.11	74.98	832.57	48.91	626.18	39.41	20.24	32.96
Net Interest Income	(645.43)	(48.34)	(473.71)	(27.83)	(386.28)	(24.31)	36.25	22.63
Dividend	361.57	27.08	373.38	21.93	353.55	22.25	(3.16)	5.61
Capital Gain	463.50	34.71	798.00	46.88	814.76	51.28	(41.92)	(2.06)
<b>Total Operating Income</b>	<b>333.75</b>	<b>25.00</b>	<b>869.58</b>	<b>51.08</b>	<b>962.64</b>	<b>60.58</b>	<b>(61.62)</b>	<b>(9.67)</b>
Total Operating Expenses	153.44	11.49	202.13	11.87	273.47	17.21	(24.09)	(26.09)
Operating Profit	180.31	13.50	667.45	39.21	689.17	43.37	(72.99)	(3.15)
Total Provision	92.19	6.90	156.38	9.19	131.69	8.29	(41.05)	18.75
Profit Before Tax	88.42	6.62	511.27	30.03	557.62	35.09	(82.71)	(8.31)
Profit After Tax	60.13	4.50	416.33	24.46	461.57	29.05	(85.56)	(9.80)
<b>Total Revenue</b>	<b>1,335.17</b>	<b>100.00</b>	<b>1,702.35</b>	<b>100.00</b>	<b>1,588.97</b>	<b>100.00</b>	<b>(21.57)</b>	<b>7.14</b>

### ICB



Employees  
**56.97%**

Government  
**14.35%**

Shareholders  
**65.38%**

### Consolidated (ICB and its Subsidiaries)



Employees  
**49.57%**

Government  
**14.90%**

Shareholders  
**36.70%**

## **Chapter 3**

### **FOREIGN DIRECT INVESTMENT (FDI) IN BANGLADESH**

Foreign direct investment (FDI) is often seen as important catalysts for economic growth in the developing countries. The relationship between Foreign Direct Investment (FDI) and economic growth has long been a subject of great interest in the field of international development

#### **Definition of FDI**

FDI (Foreign Direct Investment) is defined as an investment involving a long-term relationship and reflecting a lasting interest and control by a resident entity in one economy (foreign direct investor or parent enterprise) in an enterprise resident in an economy other than that of the foreign direct investor (FDI enterprise or affiliate enterprise or foreign affiliate). “FDI is an investment involving a long-term relationship and reflecting a lasting interest and control by a resident entity in one economy (foreign direct investor or parent enterprise) in an enterprise resident in an economy other than that of the foreign direct investor (FDI enterprise or affiliate enterprise or foreign affiliate)”. The Bangladesh Board of Investment (2004) maintains the same definition. Private investment from overseas sources is welcome in all areas of the economy with the exception of the four reserved sectors (mentioned earlier). Such investments can be made either independently or through venture on mutually beneficial terms and conditions.

#### **Components & Categories of FDI**

FDI has three components: equity capital, reinvested earnings and intra-company loans.

## **Competitive Advantages**

- a) Location: Geographic location of Bangladesh is ideal for global trades with very convenient access to international sea and air route.
- b) Natural Resources: Bangladesh has a lot of natural gas, water and fertile soil.
- c) Human Resources: Bangladesh has a population of more than 138.8 million who are hardworking and generally intelligent.
- d) GSP Facility: Most Bangladeshi items appreciate total obligation and amount free admittance to EU, Japan, Australia and a large portion of the developed countries and amount system to USA had been finished on first January 2005. Nonetheless, in spite of portion eliminate, Bangladesh attire has effectively taken up a superior situation in US market and encountering considerable development.

## **Investment Opportunities**

Various serious areas exist for investment in Bangladesh. The accompanying potential regions in Bangladesh might be referred to for rewarding returns for possible foreign speculators:

- Oil, gas, and mineral-investigation/creation/dispersion: 24.75 trillion gas holds needs specialized ability and budgetary assets activation.
- Electric force age/dispersion: About 3000 MW flow limit versus a prerequisite of 5700 MW
- Media transmission organization - administration development: A modest bunch of privately owned businesses notwithstanding T&T work around 500,000 lines with a generous number having simple switches
- PC/peripherals/programming: \$20-25 million current market; expected yearly development rate is 25%

- Airplane/parts/ground uphold/air terminal hardware: Air travel by Bangladeshis at home and abroad is quickly developing each year
- Material hardware/gear: A \$5 billion fare winning segment with a business opportunity for more than \$30 million for parts and apparatus
- Design/constructional building and counseling administrations
- Cotton market for about \$20 million with development possibilities
- Prepared blended concrete and total plants - high development possibilities
- Agro-based investment: Cotton import came to about \$250 m. in the ongoing past - sufficient development possibilities exist.
- Organic product imports for example apples, grapes, orange, pears have high development possibilities. Blossom creation for trade has tremendous possibilities
- Fisheries - ocean depths handling, poultry cultivating, dairy cultivating for homegrown market and fare
- Products of the soil handling for homegrown market and furthermore for send out
- Drug creation plants need extension
- Engine part fabricating has a sizeable homegrown market

## **Offices/Incentives**

The foreign speculators will pick Bangladesh for their next for investment objective as Bangladesh directed Bilateral Investment Agreement (BIA), Double Taxation, and Treaties and so forth to secure the enthusiasm of them. The financial specialists additionally appreciate the accompanying motivating forces putting resources into Bangladesh.

- Tax Exemptions: Generally 5-7 years. Notwithstanding, for power age exception is took into account 15 years.

- Duty: No import obligation for trade arranged industry. For other industry it is at 5%
- Tax Law: (a) Twofold tax assessment can be maintained a strategic distance from in the event of foreign financial specialists based on reciprocal arrangements. (b) Exception of personal assessment as long as 3 years for the ostracize representatives in ventures determined in the pertinent timetable of Income Tax Ordinance.
- Remittance: Facilities for full bringing home of contributed capital, benefit and profit.
- Exit: A speculator can end up on investment either through a choice of the AGM or EGM. When a foreign speculator finishes the conventions to leave the nation, the individual can localize the business continues in the wake of making sure about legitimate approval from the Central Bank.
- Ownership: Foreign financial specialist can set up adventures either completely possessed on in joint cooperation with nearby accomplice.

## **Present FDI Status in Bangladesh**

As a creating nation, Bangladesh needs FDI for its progressing improvement measure. Since autonomy, Bangladesh is attempting to be a reasonable area for FDI. Nonetheless, the complete inflow of FBI has been expanding throughout the long term. In 1972, yearly FDI inflow as 0.090 million US\$, and following 39 years, in 2011 yearly FDI reached to \$1.13 billion. It involves extraordinary worry despite Bangladesh's similar points of interest in labor impetus producing, adaption of investment amicable arrangements and guideline, foundation of EPZs in various reasonable areas and different benefits, FDI streams have neglected to be quickened. Be that as it may, the year 2011 show a generous improvement in FDI accomplishment. Foreign direct investment in BD a year ago rose by 24.42% to 1.13 billion, the most noteworthy in its history, as indicated by UNCTAD's World Investment Report 2012. As indicated by UNCTAD's report 2012,

\$272.04 million came to material and attire area. The second greatest was \$249.37 million to the financial part while the third \$238.21 million went to power, gas and oil segments.

## **Connection between FDI and Economic Growth in Bangladesh**

- Theoretical Concepts

There are a few advantages of FDI on a macroeconomic level, especially for a Third World Nation, for example, Bangladesh, where inflows of foreign investment can help expand monetary creation and development. FDI gives capital from sources abroad which the nation can't flexibly locally. Foreign investment assists with filling the sparing investment hole brought about by the absence of homegrown reserve funds changing over into investment (Ahmad 1990). Bangladesh explicitly faces numerous obstructions in extending its urban communities with overpopulation and low GDP per capita (Sattar 1999). The inflows encourage capital arrangement and the development of various monetary parts, including industry, assembling, foundation, and vitality. The development prompts an ascent in the accessibility of occupations and a fall in the joblessness rate<sup>11</sup>. Thus, GDP and per capita pay increment which, in a creating nation, encourages neediness easing. Also, FDI reinforces attaches with developed countries that yield cost favorable circumstances as trend setting innovation moves and coming about positive externalities. Expanded money related affiliations likewise lead to more grounded industrialist markets and goals of corporate administration and social duty ([www.supro.org](http://www.supro.org)). Based on this mind boggling join between FDI and development/advancement, the exchange system of Bangladesh has been strongly changed to keep up the surges of investments and accounts from abroad. These reasons likewise increment the exertion of the administration to attempt and make the nation an appealing objective for FDI, which in itself has a few advantages. The outcome has approved a fortified motivator to instruct

and prepare the populace to make Bangladesh's work power more serious through higher public instruction consumption. The viability of homegrown establishments, for example, the Grameen Bank, in any case, has all the earmarks of being more powerful in cultivating investment in human capital (through female strengthening) than FDI.

- Fry (1999)

Finds that foreign capital in non-Asian countries has incited diminishing paces of public sparing, homegrown investment, and monetary development. His examination recommends that in many areas FDI will in general substitute furthermore, swarm out homegrown investments. On account of South and East Asia, in any case, foreign investment has been helpful in expanding capital development and has created beneficial outcomes like home investment (Fry 1999). Since there is minimal homegrown investment to swarm out in Bangladesh, foreign investment can viably help with financial development to build the nation's GDP. In a nation like Bangladesh, where the economy is driven by high volume imports, an immense capital record deficiency gathers as foreign trade streams out. Sattar (1999) noticed that FDI is a key and important segment for long haul supportable development in Bangladesh. In this specific circumstance, FDI empowers different financial areas to get effective and increment the creation of the economy. Sattar (1999) examines the preferences of fares and FDI surges in this specific situation. Outpourings empower a country to procure foreign trade and improve its capital record; it can expand a previously existing excess or, as on account of Bangladesh, lessen its financial plan shortage and conceivably help achieve an overflow in the inaccessible future. FDI inflows will in general dissuade the capital account as Fry (1999) recognizes a solid relationship with higher imports. Be that as it may, when such inflows help raise the creation limit, the economy can turn out to be more fare arranged (Fry 1999) and increase foreign trade cash (Sattar 1999). This earned cash can back expanded imports or inflows of foreign capital and, thusly, support further development and improvement (Sattar 1999). Hence, Bangladesh has embraced a free enterprise, trade situated development



methodology ([www.supro.org](http://www.supro.org)). In particular, the generally late accomplishment of the RMG industry represents this cycle. Sattar (1999) features the rationale that has underscored Bangladesh's exchange strategy system. Despite the fact that FDI involves numerous positives, there stays a worry over capital flight. This thought includes surges of homegrown capital that harms the nation's present record and foreign trade holds. Quazi (2004) recommends that worldwide guide and foreign investment will in general quicken such outpourings furthermore, shock financial development. The examination recommends that the foreign cash created by FDI helps fund the stream of homegrown capital abroad as approaching foreign capital substitutes for it inside the nation of origin's fringes. Alternately, Mondal (2003) recognizes diminished capital trip as an advantage of FDI. This deduces the advantages of FDI diminish the danger of home investments by balancing out financial yield and lessening the motivating force to contribute abroad. The quantity of studies inspecting the exact connection among FDI and monetary development has been fairly restricted. This can be credited to various reasons. As far as the full scale economy, there are a number of wide-extending factors that can impact development and advancement outside of foreign investment; not counting all such factors raises worries over excluded variable predisposition in the observational assessment. This happens at the point when a huge variable is prohibited and the measurable model is underspecified, that is, it has not accounted for every pertinent factor. With the goal for there to be predisposition, the barred autonomous factors must influence both the subordinate variable just as other free factors of the condition. An upward predisposition happens when free factors are ignored with the end goal that the impacts of the autonomous factors are remembered for the relapse are overemphasized. Interestingly, a descending predisposition is the impacts of the free factors are disparaged. In addition, free factors are customarily connected with one another and make issues of multicollinearity also, which can seriously confound the examination. Ahmad (1990) noticed the presence of such reliance among factors.

- Empirical Evidence and Analysis

This segment incorporates a progression of regressions<sup>12</sup> to underscore the numerous preferences and development prospects that FDI inflows have brought to the Bangladesh economy. The goal is to not just increase understanding into the nation's financial advancement as of late however to likewise give a superior comprehension of its impediments. The technique of the empirics comprises a progression of relapses utilizing the Ordinary Least Squares (OLS) model to demonstrate a huge connection amongst FDI and monetary development. In attempting to examine such impacts of an Underdeveloped country, for example, Bangladesh, perceive that information on key advancement markers are as a rule absent or mistaken. Therefore, the information utilized in the investigation will start from 1980 when FDI had recently started to stream into the country after the time of remaking and war recuperation. The tables express the coefficients and t-insights of every autonomous x-variable to exhibit its degree of hugeness. The R-squared or coefficient of assurance is incorporated to speak to how much variety in the reliant y-variable is caught by the relapse. Also, the reliant factors were slacked in Table 1 to control for sequential connection. Otherwise called autocorrelation, this happens when progressive blunder terms are associated with each other after some time and the unwavering quality of the least squares gauges are exaggerated (Hill 2001). The slacks represent the non-irregularity of factors, in that the mistake term is expanding with every perception over time.

### **Effect of FDI on Economic development in Bangladesh**

An expanding stream of FDI should enhance homegrown investment in the nation, subsequently initiating business age, salary development and upgrade of flourishing. FDI conceivably produces both direct also, indirect effects, some of which are expounded beneath.

- Direct Impact

Our assessment of the direct effect of FDI in Bangladesh will focus on three issues: parity of Installments, business results, and income sway.

**Parity of Payments Support:** While FDI encourages capital development in the nation, it might likewise make pressure on the parity of installment through bringing home of benefits. As in general foreign investment was similarly immaterial in Bangladesh, the effect of bringing home stayed reasonable. To keep this pressure inside okay cutoff points, Bangladesh has attempted to empower foreign investment in send out arranged enterprises. All out bringing home of benefit, profits and sovereignties by virtue of foreign investment in FY03 was \$266.01million, which is around \$70 million higher than the net inflow of FDI for the very year. Subsequently, a capital-starved nation ends up being a net exporter of capital. Obviously, it is likewise important to take into account the indirect impacts of FDI on the import bill and fare incomes to survey the net effect of FDI on the equalization of installments. If there should arise an occurrence of the import charge, FDI may have two opposing impacts. It might instigate spending of more foreign trade to meet in accreditation import bill; and it might likewise spare foreign cash through proficient import-serious creation.

**Work Situation:** Due to shortage of information on non-EPZ business, it is hard to draw a total picture identifying with work age effect of FDI. An ongoing report by FICCI in 2004 had the objective of finding out the size of work by foreign organizations in the homegrown tax zone. As indicated by this review, an aggregate of 129,549 people were utilized in foreign firms in the DTA, representing 0.68 percent of absolute assembling work of Bangladesh. The most noteworthy portion of laborers in foreign organizations was utilized in the customer products and clothes ventures. In the EPZs, the quantity of laborers expanded from around 130,000 in FY03 to 140,050

in FY04, which is about 0.74 percent of nation's absolute assembling business. On the whole, foreign organizations (EPZs and homegrown tax territory together) have produced about 2.7 million positions, which represents under 15 percent of absolute assembling work. This demonstrates FDI neglects to assume any prime function in work age in Bangladesh. Separated of the way that work openings made by foreign firms are humble, it is imperative to note what sort of business is produced by FDI in Bangladesh. The mind-boggling share comprises of low-paid occupations with incompetent work, with a generally low impact on the nearby economy. In any case, this is conceivably especially valid for the EPZs. In foreign firms in the non-EPZs zones, a noteworthy segment of center and top the board positions are filled by nearby experts, and there are all the more generously compensated positions gifted positions with more constructive outcomes on the neighborhood economy.

**Income Impact:** Foreign financial specialists are a conceivably significant wellspring of income for have countries, and these incomes can thus uphold monetary and social improvement through expanded public investment. It has been assessed that foreign speculators in Bangladesh are paying around \$13.20 million yearly to the government exchequer<sup>39</sup>. In any case, much income gaining opportunity is frequently lost due to unnecessarily liberal impetus bundles offered to FDIs, as portrayed in Section 2. Subsequently, it is significant for policymakers, guided by the need to augment financial incomes, to adjust their craving to pull in and keep foreign investment past the expense occasion period against the interests of encouraging a more meaningful serious quality of the economy.

- Indirect Impact

**Innovation Transfer:** The level of innovation move through FDI is a significant proportion of effect. While many front line advances are not brought onto the market, creating countries have

progressively come to think about investment as one of the most significant methods for obtaining information and redesigning their homegrown creation base, just as improving nature. It is hard to gauge the advantages of innovation move without going into venture level contextual analyses. It is notable that present moment and long-term impacts vary, and that private advantages can veer from social ones. An overview to survey the condition of intensity condition in Bangladesh directed in 2003 by CPD for the World Economic Forum (WEF) uncovered that a consistent and overpowering part (86.5 percent) of react ends accept that innovation in the nation falls behind that in most different countries. An expanding portion of respondents expressed that FDI is a significant and likely wellspring of new innovation in Bangladesh. In any case, they likewise recognized that truth be told, innovation move owing to FDI had been unassuming. This is generally in light of the fact that the vast majority of FDI, as referenced above, creates inferior quality positions (for example in the clothing area) and in the lion's share of cases, FDI (especially in the EPZs) isn't coordinated into an expansive base of nearby providers. The uncommon frequencies of move of innovation or potentially ability may happen in the financial segment, drugs, materials, agro-based businesses and development. It might be additionally referenced that now and again figuring out and portability of work comprise significant strategies for innovation and expertise move.

**Market Intelligence:** The agreement see on the linkages among FDI and foreign exchange has changed to some degree over the previous decade. Above all, imports, fares and allotment choices by TNCs structure basic pieces of an undeniably worldwide arrangement of creation of products and enterprises. The way that forcefully higher portions of mechanical information merchandise are imported by the foreign organizations represents the point that TNCs progressively depend on exchange crude materials and information merchandise inside sister ventures to augment benefit through move evaluating. For instance, South Korean financial specialists who came to Bangladesh in late 1980s to use the material quantity under the Multi-Fiber Arrangement (MFA) imparted critical market insight. Subsequently, we see that over the most recent twenty years

neighborhood business visionaries in an unfathomably extended scale have imitated the South Koreans and set-up creation measures and built up abroad market linkages to sell their items. Foreign investments in drugs, vitality and concrete creation are a couple of other indication of producing market knowledge in the nation. Nearby ventures in these parts have followed foreign financial specialists in sourcing their hardware, getting to imported crude materials and advertising their material items.

**Rivalry:** The connection among FDI and corporate division rivalry is perplexing. Plainly, the passage of foreign rivals in and of it acts to prod rivalry, especially in economies where rivalry strategies are feebly upheld and market occupant's state unnecessary effect on evaluating. Rivalry with foreign investment additionally upgrades proficiency inside the nation, prompting improvement in item quality. These effectiveness gains are created through upgraded work and capital profitability just as expanded proficiency. These additions at last support enhancements in item quality and diminishes in unit costs. Patterns in the toiletries and family unit synthetic concoctions part, which is overwhelmed by various TNCs (for example Switch Brothers), uphold the previously mentioned perceptions. Notwithstanding, as the TNCs through different market-catching strategies including ruthless evaluating approaches, procure a staggering piece of the overall industry; numerous little and medium-sized nearby endeavors are progressively constrained out of the market. Subsequently, with more rivalry on account of improved FDI stream, Bangladesh's economy winds up demonstrating an inclination of focus concerning beneficial limits because of removal impacts which chiefly influence nearby makers. Moreover, this removal impact infers an adjustment in proprietorship.

**Corporate Social Reasonability:** Maximization of investor esteem through corporate altruism is significant in the current setting. There are still discussions concerning how much firms can stress

over things which are past their essential intention of benefit age. Be that as it may, a few firms may do it to secure their inclinations by giving ordinary medical care to their workforce, despite the fact that from the perspective of laborers as communicated in the overview of the CPD, there are just a couple of organizations in Bangladesh which conform to wellbeing and security principles.

**Components Affecting FDI in Bangladesh** The imperative component and main consideration about foreign investment of any nation is political strength, stable government, sound financial approach, a solid modern base and peaceful atmosphere. Bangladesh, as other creating countries, is a long way from accomplishing these ideal conditions in spite of the fact that progress has just been made in a few yet not in all segments. A portion of the issues that cause helpless inflow of FDI in Bangladesh have been featured beneath:

- Bureaucracy

The exercises of administrators in some administration organizations make issues in the usage of the venture, subsequently offering ascend to rancor and legitimate issues. Inconsequence, these antagonistically influence the allure of a nation for future likely investment.

- Weak Infrastructure

The infrastructural insufficiency like, power, fuel flexibly, media transmission, street and railroad correspondence, required labor, prepared specialists, current administration strategy or more all deficient and inadequate port and delivery offices hamper foreign investment. In any case, these kind of offices are accessible in EPZs.

- Political Unrest

Political turmoil, because of absence of comprehension among government and restrictions, defers the execution of the undertaking. The repeat of strike and Hartal in the nation contaminates the

investment atmosphere and influences the productive activity of any undertaking. It makes the speculators miserable and furthermore hampers picture of the nation to the foreign financial specialists.

- Lack of Good Governance

Pool of good administration disrupts the general flow of advancement of FDI in Bangladesh. It has been seen that there is custom to change built up rules and guideline short-term to offer advantage to specific candidate. In this manner causing vulnerability and shaking the certainty of speculators. Then again, alliance of laborers association with ideological groups likewise hampers great administration.

- Ineffective Judiciary System

The old and obsolete law and the helpless working of legal framework in the nation have debilitated huge numbers of the planned financial specialists.

- Lack of Adequate Information

The picture of Bangladesh is troublesome for investment to the rest of the world. The development of good picture requires spread of data identified with full scale monetary circumstance, industry strategies, records and portrayals of political joint endeavor accomplices, privatization projects, laws and guidelines overseeing FDI, managerial structures and techniques applicable to FDI. Aside from these data, foreign financial specialists may not prone to come to Bangladesh.

## **Dangers in FDI**

- Periodic Flooding and Cyclones.
- Law and Order issues including Hartals.



## **Significance of FDI**

FDI has been a significant aspect of the financial exchange, business advancement and large scale monetary development story in BD in the course of the most recent decade. The Govt. has executed various strategy changes intended to make a more open and competitive atmosphere for private investment, both foreign and nearby.

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