Report On

Foreign Direct Investment- A Possible Solution to Support Our FOREX Reserve

By

Prithul Nath
Student ID: 16304016

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

BRAC Business School (BBS)
BRAC University
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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:

____

Prithul Nath
Student Full Name
Student ID: 16304016

Supervisor's Full Name & Signature:

____

Riyashad Ahmed
Supervisor Full Name
Assistant Professor of Finance and Director of Research and Director of Programs- BBA and MBA, BRAC Business School (BBS)
BRAC University

Letter of Transmittal

Riyashad Ahmed

Assistant Professor of Finance, Director of Research and Director of Programs- BBA and MBA, BRAC University

BRAC Business School

BRAC University

66 Mohakhali, Dhaka-1212.

Subject: Submission of internship report on **“Foreign Direct Investment- A Possible Solution to Support Our FOREX Reserve”**.

Dear Sir,

At the very beginning, I want to show my earnest gratitude to my supervisor Riashad Ahmed (Assistant Professor of Finance, Director of Research and Director of Programs- BBA and MBA, BRAC University), and to the respective authorities who have shown their great interest to my work. Without their incorporation it would not be possible to prepare this report in time. I decided to prepare a report on **“Foreign Direct Investment- A Possible Solution to Support Our FOREX Reserve”**. I worked restlessly to collect necessary data and to allocate supportive testimonies in order to meet required standard. I hope, these recorded analytical data will be handy to support my hypothesis.

I am expecting that my work will meet necessary academic standard and satisfy all your requirements.

Sincerely yours,

Prithul Nath

Student ID: 16304016

BRAC Business School

BRAC University

Date: January 10th, 2023

Non-Disclosure Agreement

This agreement is between me (a student of BRAC University), and Daraz Alibaba Bangladesh Limited, to use necessary data to complete my internship report- **“Foreign Direct Investment- A Possible Solution to Support Our FOREX Reserve”.** I obtained their data to accomplish several chapters like- company overview, SOWT analysis, and so on.

The information regarding the organization is collected under the supervision of my supervisor in Daraz Alibaba Bangladesh Limited. I want to show my deepest gratitude to him since those data played a significant role to accomplish my work.

I would like to deliver a descriptive report and presentation to the entity as a part of the internship and as they gave me the opportunity to work in their team. Hereby, I want to make an acknowledgement that- any confidential or sensitive data are not being used in this report.

Name of Organization: Daraz Alibaba Bangladesh Limited

Supervisor Name: Mohiuddin Rana, Senior Executive- Financial Reporting Logistics Finance and Audit.

Signature:

Name of Student: Prithul Nath

Signature:

Address: Green Road, Madina Tower, Dhaka.

Description of the Report: **“Foreign Direct Investment- A Possible Solution to Support Our FOREX Reserve”.**

Acknowledgement

Firstly, I want to show my gratitude to the almighty. And also showing my earnest gratefulness to my supervisor Riyashad Ahmed (Assistant Professor of Finance, Director of Research and Director of Programs- BBA and MBA, BRAC University) without his guidance it would not be possible to accomplish this report. Besides, I am very thankful to my family along with my supervisor Mohiuddin Rana (Senior Executive- Financial Reporting Logistics Finance and Audit) for their continuous support to me.

Throughout this paper, the data I have used- are collected from secondary sources. Collecting authentic data was not a very easy task for me, besides it took a very long time. Moreover, global economic instability, irregular fluctuation of USD's rate against BDT made the task tougher. Wherefore, making any certain decision about our economy becomes more difficult due to this unrest economic situation worldwide. Whatsoever, for my convenience, I followed the formula- **USD 1 = BDT 103.50 (November 7th 2022, Exchange Rate of Taka, Bangladesh Bank)** to accomplish necessary calculation.

Once again, I want to give thanks to my supervisor Riyashad Ahmed, since he assessed my report several times, and gave me sufficient counsels through this journey. He also showed his patience when I was suffering a severe injury and undergoing through a long-term recovery process.

Besides my academic supervisor, I am very thankful to my parents, my supervisor in Daraz Alibaba Bangladesh Limited, and to the respective authority who showed their endless support to me during the recovery period of mine. Without them it would not be possible to accomplish this on time.

Finally, I want to give thanks to BRAC University, and to the respective officials for their assistance and for keeping their faith on me. That kept my motivation alive up to this period.

Executive Summary

Developing and middle income countries are the best destinations of MNCs if they have sound geographical location, sufficient labor force, business friendly infrastructures, transparent bureaucratic system, flexible rules and regulations (or policies) for investors, and so on. Bangladesh is such a country who has most of these resources and one of the best destinations for FDI's. However, currently our country is facing problem like- insufficient FOREX reserve to support necessary transactions for a long period of time. Though there are so many ways to earn foreign currencies but, FDI is one of the best possible solution to earn a healthy amount of foreign currencies. Hence, the government should take necessary initiatives to bring more FDIs in our country. Since, we have a sound economic growth 7.5% in FY2022 (expected) which is 1.5% greater than our neighbor India. Nonetheless, of having a sound economic growth it has an average trade deficit of $6.84 billion approximately (based on the data of year 1990-2020). It also has a large import expenses compare to export income which are approximately $25.11 billion and $17.24 billion consecutively (average of year 1990-2020). Therefore, to support its economic activities, and to support its FOREX reserve, the respective authority should attract foreign investors to invest in this country.

However, due to current geopolitical situation USD's rate is fluctuating significantly against BDT. Hence, in this paper I have assumed- **USD 1 = BDT 103.50 (November 7th 2022, Exchange Rate of Taka, Bangladesh Bank)** to accomplish necessary calculation.

Keywords: FOREX, FY, Reserve, FDI.

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Methodology

Bangladesh is a very attractive destination for foreign investors. Currently many foreign companies are conducting their business activities on our land and earning profit as well. However, due to current geopolitical situation and also for COVID-19, global economy has lost its pace. Especially because of Russia-Ukraine war the global economy becomes vulnerable. Alike global economy Bangladeshi economic sectors are also suffering a lot due to this war. Foreign currency reserve is being depreciated. And our domestic currency is losing its strength against other foreign currencies. Unemployment rate, inflation, trade deficit rate, expenses for infrastructural development activities, and many more are surging up. Therefore, throughout this paper I tried to represent the current scenario of our country compare to few South-Asian countries and Vietnam as well. Since, BDT has lost its value against USD, besides the value of USD is fluctuating frequently in our market thus we assumed- **USD 1 = BDT 103.50 (November 7th 2022, Exchange Rate of Taka, Bangladesh Bank)** as a constant value throughout this paper. Moreover, in this paper I have replicated few figures as well as data from different sources to allocate support to my topic- **"Foreign Direct Investment- A Possible Solution to Support Our FOREX Reserve"**. Most of the data are collected from secondary sources. For instance- Data Bank of World Bank, Website of Bangladesh Bank, etc.

List of Figures

List of Acronyms

KAM	Key Account Manager
B2B	Business to Business
MNC	Multinational Company
GDP	Gross Domestic Product
USD	United States Dollar
FY	Fiscal Year
FDI	Foreign Direct Investment
Approx.	Approximately
IT	Information Technology
IMF	International Monetary Fund
BDT	Bangladeshi Taka
RMG	Ready Made Garments
BIDA	Bangladesh Investment Development Authority
DSE	Dhaka Stock Exchange
EPS	Earnings Per Share
UNCTAD	United Nations Conference on Trade and Development
FOREX	Foreign Exchange

Chapter 1

My Internship at Daraz Alibaba Bangladesh Limited

1.1 Internship Information

I am Prithul Nath (Id: 16304016) a student of BRAC University joined in Daraz Alibaba Bangladesh Limited as an Intern in November 18th 2021. The journey was three months long, and ended in February 14th 2022. I joined as an intern in their Finance and accounting department, and it was a memorable journey in my academic life. Mohiuddin Rana- Financial Reporting Logistics Finance and Audit, was my supervisor in that organization. Initially my role was to invigilate their 3PL (Third Party Logistics) transactions against each delivery. However, day by day responsibility was pilling up. Prior to leaving the organization I was responsible not only to reconcile their 3PL transactions, but also took responsibility of reconciling B2B transactions, reconciling bank transactions, and month ending settlements. Since, I worked in their head quarter thus we invigilated all these transactions occur across the country.

1.2 Internship Outcome

My Experience and Observations on Daraz Alibaba Bangladesh Limited

Daraz Bangladesh, has already established their reputation as the best ecommerce site in Bangladesh. I had got an opportunity to work for this company for three months as an intern in their finance and accounts department. I was responsible to keep track of several transactions like- third party logistic service’s transactions, Business to business transactions, and so on. They have a very unique system to keep their data secure. Only authorized people have the authority to access the data. Whatsoever, their working environment is very nice and sound. Any discrepancy occurs in the supply chain management system of the company is observed by both finance and operation's team. They are responsible to track every collected amount against each delivery besides, responsible to ensure making payments to stakeholders on time, and repay the price of returned products to the customers as well. However, work load is surging up due to their increasing number of customers. That indicates their business growth as well as customer's reliability on their service and products also. Daraz Bangladesh Limited, a Multinational conglomerate currently controlling the ecommerce industry of this country. Whatsoever, my journey as a Finance intern in Daraz was enriched with new experiences and varieties of learning. However, I noticed some procedures they follow were not that much fruitful in my personal perspective. For example, their decision making authority. According to their service and markets, they could follow "Delegate Decision Making" system, which enables respective officials to make necessary decision regarding their business based on their surroundings. It ensures their independence in decision making criteria, as well as would help them to take right decisions based on current situation of a particular place. But, in most of the cases they follow "Centralized Decision Making" system, and "Decentralized Decision Making" system (in a very few extents). That means most of the decisions are made by CEO (Chief Executive Officer), CFO (Chief Financial Officer), CMO (Chief Marketing Officer), and so on. Other senior employees, who have the authority to lead a significant numbers of personnel are bound to wait until their leaders declare any pronouncement(s) or solution(s) regarding their problem(s). Decision making authority of regional CEOs, CFOs, CMOs are very narrow in this company. As a consequence, the chances of making an effective decision on a particular demography are diminishing. Moreover, they did not keep track of their day to day businesses properly. As a result, they fail to make several payments on due time frequently. Focusing on these issues may help them to improvise their performance more in forth.

Chapter 2

2.1 Daraz Alibaba Bangladesh Limited

Daraz is a company (online platform in other words) currently running their business in Bangladesh. It is a Multinational company which has already brought hundreds of retailers, and wholesalers in a single platform. It is such a platform which has brought end customers and sellers under a uniformed umbrella. It is actually working as a common platform from where customers can buy their desired products, besides a seller can showcases their products through this platform. It is basically working as a bridge in between end customers, retailers and wholesalers too.

This company was originated in Pakistan. Gradually, they have expanded their business across some South Asian regions like- Bangladesh, Nepal, Pakistan, Myanmar, etc. However, they failed to keep their pace with contemporary contestants because of poor customer satisfaction rate. The former authority was leading their company to such a situation like- bankruptcy. The renowned Chinese venture Alibaba Limited acquired a large portion of Daraz and played a role of their rescuer. Currently, Daraz Bangladesh Limited is also known as Daraz Alibaba Bangladesh Limited. This acquisition potentially helped Daraz not to be a bankrupted company.

2.2 Company's Mechanism

Daraz started their business in the year 2014 in Bngladesh. Since then they have been running their business on this country's land and experiencing a great growth over time. At the very beginning they had few competitors (like- Evally, Eorange, etc), running similar business in this country, however they failed to sustain in this market because of many irregularities and unethical practices- that had taken place by those ventures. After diminishing of their competitor's business Daraz has been enjoying a great growth over few years. Currently, they are considered as a market leader in ecommerce sector of Bangladesh.

As we previously said, Daraz works as a bridge between sellers to end customers. So, a question may arise into your mind that how do they bring those products, and how do they showcase those goods before us? This venture has a quite good marketing and operation team who basically work relentlessly to secure a better experience to its end customers on time. This process begins with registering seller's identification into their system. This venture has many marketing personal also known as key account manager (KAM), who collect necessary information requires to create seller ID in their system, they also responsible for essential documentation like examining tax token, authentic trade license, and so on. After that a KAM request to Daraz IT and Accounts team to generate a seller ID into their system. Once seller's registration is accomplished the seller submit a chart to IT team where he/she enlisted all the product's name those he/she wants to sell to the targeted customers.

A diagram on- seller acquisition process:

Step; 1: Seller show their interest to sell their product in online platform.

Step; 2: A key account manager communicate with supplier.

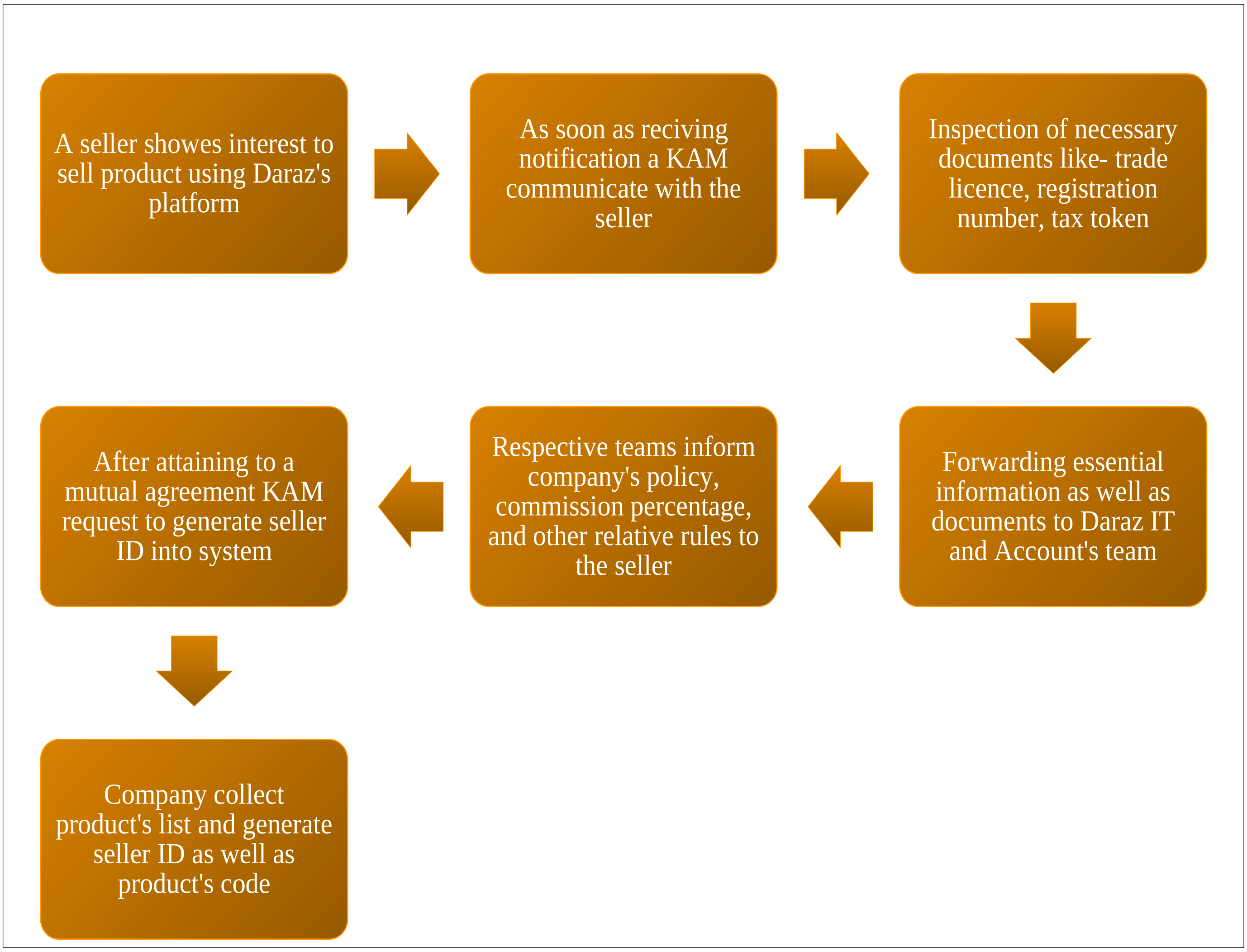
Step; 3: Inspect necessary documents like- Tax token, Trade license, relative authentic documents.

Step; 4: Putting forward necessary information and documents to Daraz IT and Account's team. And request to generate a seller ID (or Seller Code).

Step; 5: KAM forward all documents and fundamental information to the respective teams.

Step; 6: Company prepares a memorandum where all dictations regarding commission, product quality etc. are documented.

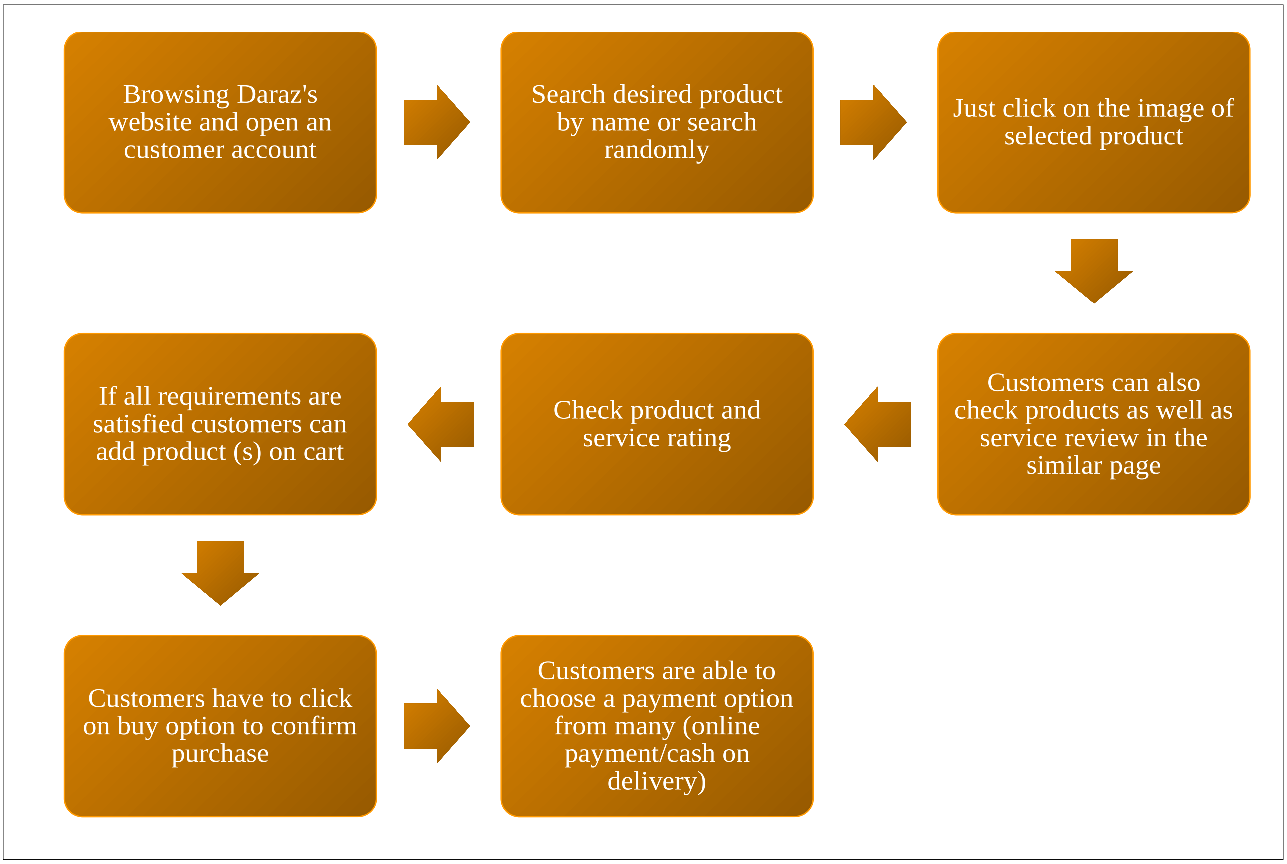
Step; 7: When company and the seller accomplished their agreement company enlist the seller in their virtual system and generate a seller as well as product's code.



- **Figure 1: Diagram on sellers acquisition process**

Once seller code is generated then the seller is enable to sell his/her product using Daraz's platform. However, sellers are not authorized to change their product's list by themselves. They are bound to take approval form this company to mutate or change their existing catalogue. In a nutshell, seller group plays the role of supplier from Daraz's end.

Daraz has end customer acquisition procedure alike seller acquisition process. As we previously said, Daraz Bangladesh has created a bridge in between sellers and end customers. Where this company has built such an online (or virtual) platform (or marketplace) which mitigates seller's effort to showcasing their inventory to their targeted customers. Likewise, it also console customer's effort to find a desired product easily at one place. It also saves time and eases labor from both to sellers and to customers end. A customer can easily browse in Daraz's marketplace, choose his/her desired item(s) and drop an order to buy the product(s) within a glance. They are also enable to check product review if the product is previously sold to anyone. Moreover, the can check their product location once the product is picked by Daraz's representative. They deliver the product on the door step of their end customers. In exchange, they incur a specific commission from that sale. Besides, they incur a delivery charge from customer's end to carry the product on the door step of their customer. However, this company already has introduced their own delivery service (Daraz Express- also known as DEX) in the two major cities of Bangladesh- Dhaka and Chattogram. Except this they usually depend on third party logistic services (3PL) to put forward customer's product to them. Several logistic parties mutually work with this company in terms of delivering product in various locations of Bangladesh. For instance, Sundarban Courier Service, REDX, Pathao, Paperfly, and so many renowned and local logistic parties deliver products to customers on behalf of Daraz Bangladesh. The company spend a significant portion of money to pay those logistic service providers (monthly) as their service charges. They charge their duty on the basis of delivery location, product's weight and product's type as well. Daraz also provides a good amount of varied products to some customers (is a part of business to business / B2B service)- since Alibaba has owned a significant portion of the company. According to the report of The Dhaka Tribune (8th May, 2018), the Chinese ecommerce giant Alibaba has acquired a significant shares of Daraz's business. However, their operations will be executed under Daraz's name. According to their statement Daraz has made this partnership to improvise their services in several sectors like- logistics service, operations, technological headway, and so on.



- **Figure 2: A diagram on customers aggregation process**

A diagram on- customer aggregation process:

Step; 1: Browsing Daraz's website. A customer has to create a Daraz account by using Facebook or Google account.

Step; 2: Writing desired product's name on search bar or check random product.

Step; 3: Click on the images of desired product.

Step; 4: A customer can check product's as well as service's review from real customers.

Step; 5: Customers are also be able to check product rating on the similar page.

Step; 6: Click on add to cart option (if a customer wants to buy that particular product).

Step; 7: Once they finish their shopping they can click on buy now option to confirm their order placement.

Step; 8: Customer can choose any option to pay their bill for shopping (online payment or cash on delivery).

Daraz's primary mechanism of business:

Step: 1: Supplier acquisition.

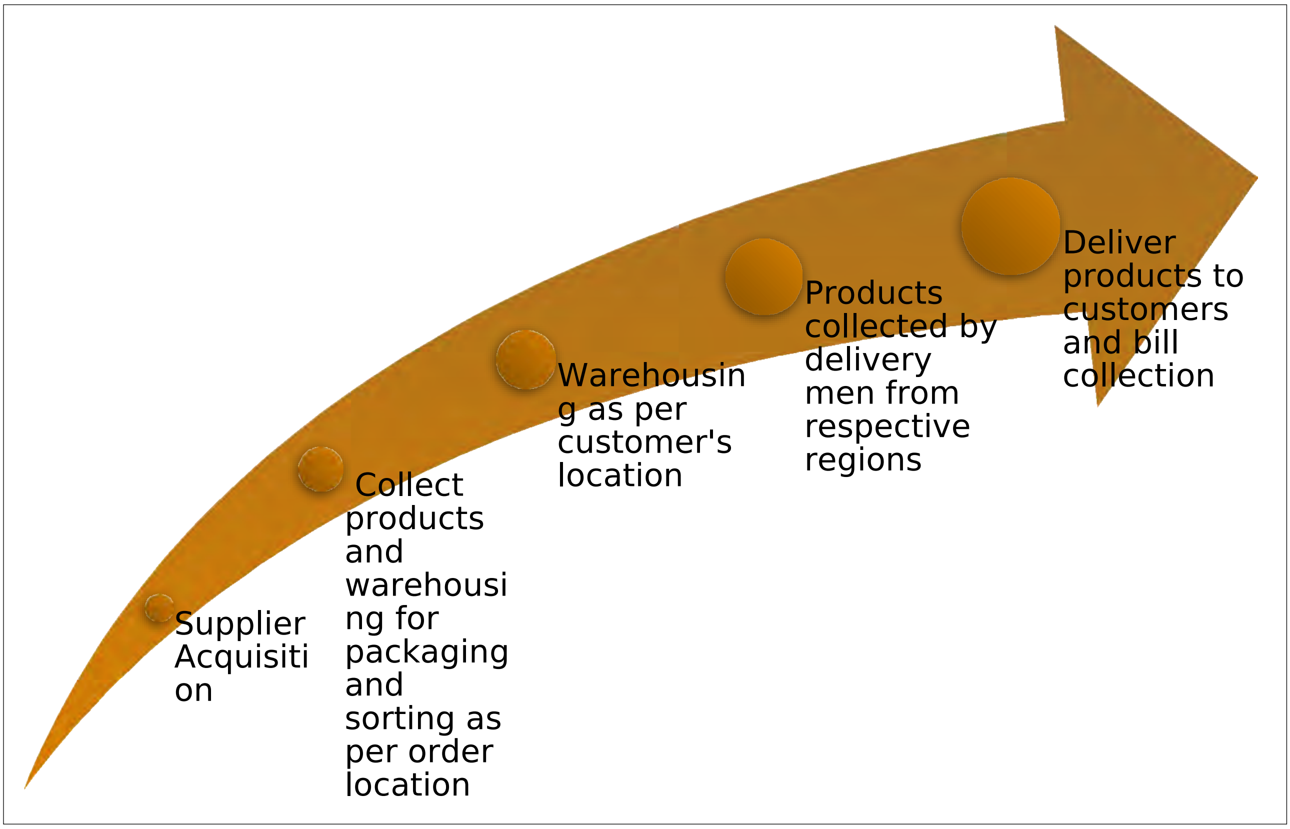
Step; 2: Collect customer's products from their listed suppliers, warehousing, packaging and sorting products as per order's locations.

Step; 3: Warehousing collected products as per distribution zones.

Step; 4: Delivery men collected products following their respective zones.

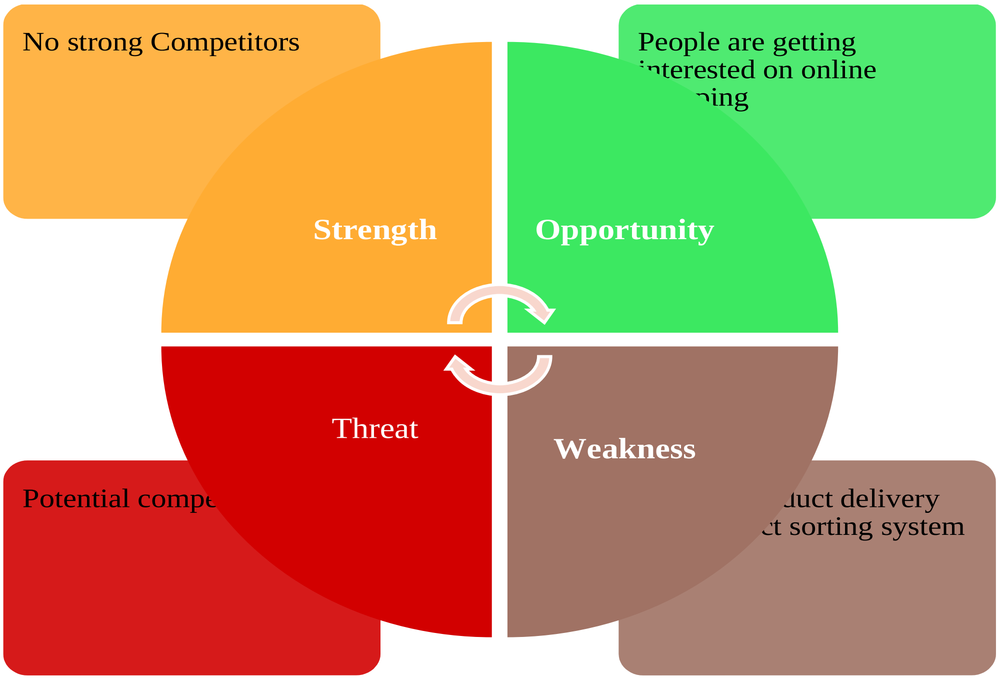
Step; 5: Delivery persons deliver those products on door steps of their customers.

The entire process (from orders collection to products distribution) is quite similar to cross docking process. That means – different products are collected from different parts of the country and bring them under a roof for convenient packaging and sorting. Afterwards, they sort those products (as per order location) and send them to different warehouses at different location following customers address. Finally, their delivery men collect those products and deliver them to their decisive locations.



- **Figure 3: primary mechanism of business**

2.3 SOWT Analysis (Daraz Alibaba Bangladesh Limited)



- **Figure 4: SOWT Analysis of Daraz Alibaba Bangladesh Limited**

There are no strong competitors of Daraz currently doing business in Bangladesh. That is an absolute advantage for Daraz Alibaba Bangladesh Limited. However, there were few competitors of this venture even on the year 2021 like- Evaly, Eorange, and so on. They failed to continue their business in our country due to some unethical practices and for irregularities. Therefore, the core strength of Daraz is- there is no competitor doing their business in Bangladesh Daraz alike.

So, it is a great opportunity for this company to gain their customer’s trust by providing their desired product and services on time and at the right place. Previously this company had a bad reputation for delivering wrong product to their customers. However, it is a high time they could regain their reputation by ensuring a good service to their customers. Besides, the number of internet users and online shoppers are increasing day by day. They can grab this opportunity as well.

Daraz has improvised their product sorting and delivery system currently. After merging their business with Alibaba, they have implicated some advanced technology in product sorting and tracking system. Which has reduced damage rate of inventories. However, despite of implementing advance technology the product return rate is at significant level.

Since, still they have error in product sorting and delivering system, so they will face a neck to neck competition if any competitor would emerge in this market along with better services. Online business of social media are some competitors of Daraz. Because the service quality of those ventures are up to the mark compare to Daraz Alibaba Bangladesh Limited.

Chapter 3

Foreign Direct Investment- A Possible Solution to Support our FOREX Reserve

3.1 Multinational Companies, Foreign Direct Investment, and Impacts on Country's Economy

There are many MNCs currently operating their businesses in Bangladesh. For instance, Unilever Bangladesh, British American Tobacco Bangladesh, Chevron, Grameenphone Ltd, Standard Chartered Bank, HSBC, Nestle Bangladesh, Japan Tobacco Industries, and many more. These companies have a great impact on economic growth of Bangladesh. Moreover, they have been creating scopes of earning in an extent that this opportunity creation is also helping our GDP (Gross Domestic Product) to be impressed. Besides, a large amount of investments by those multinational ventures are also appreciating foreign currencies inflow in our country's economy. Along with these Multinational Companies (MNCs), there are so many domestic companies which are highly export oriented. Besides, there are so many export import zones that are being financed by foreign countries like- China Export Import Zone, Korean Export Import Zone, and so on- this ultimately helping our economy to be one of the prestigious one among the countries in the global village.

Bangladesh is one of the attractive destinations for foreign investors among other countries in the world. It has a great geographical and economic advantages. Besides, it is one of the largest economies of the world. Bangladesh and India are two countries of South Asia who secured their position in list of the largest economies of the world. According to the Dhaka tribune, Bangladesh has secured the 41st place in the rank of top 50 global economies of the world despite of facing a depreciation in nominal GDP in the year 2021- relative to the year 2020 (GDP $ 400 billion in the year 2020 and GDP $397 billion in 2021) (The Dhaka Tribune: Bangladesh, 41st largest economy in the world now, 2022). Its geographic position, in land business opportunities, a large number of active and cheap workforce basically attract foreign investors to invest in this country.

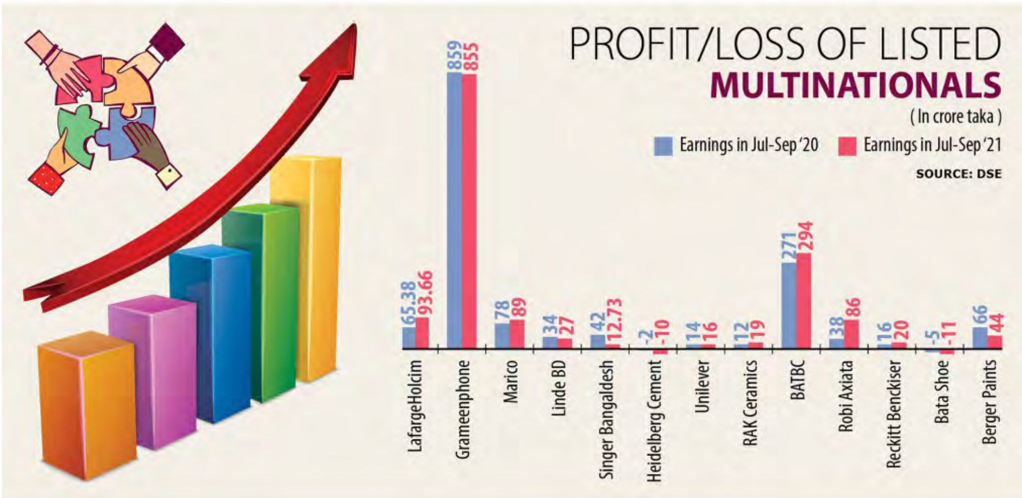
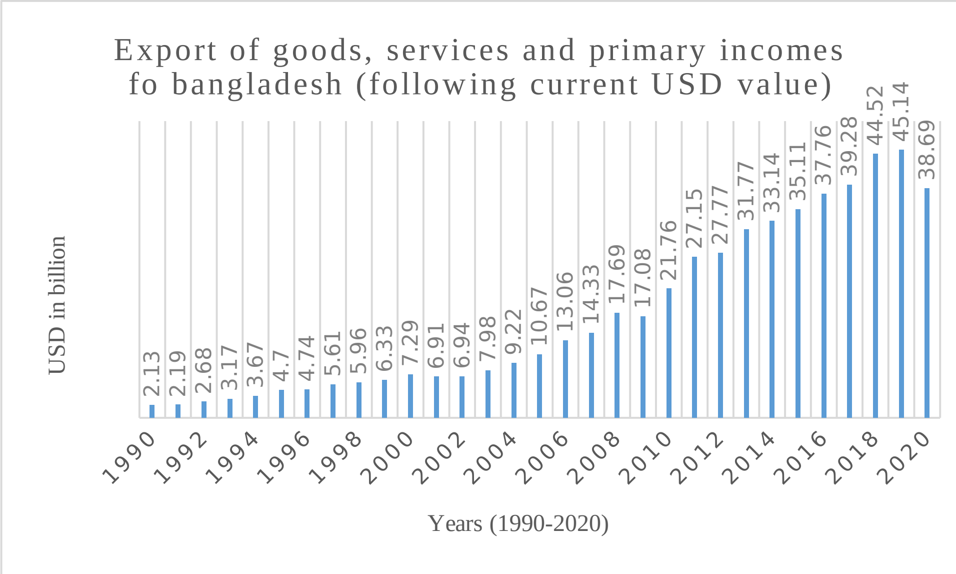


Figure 5: Profit and loss of MNCs

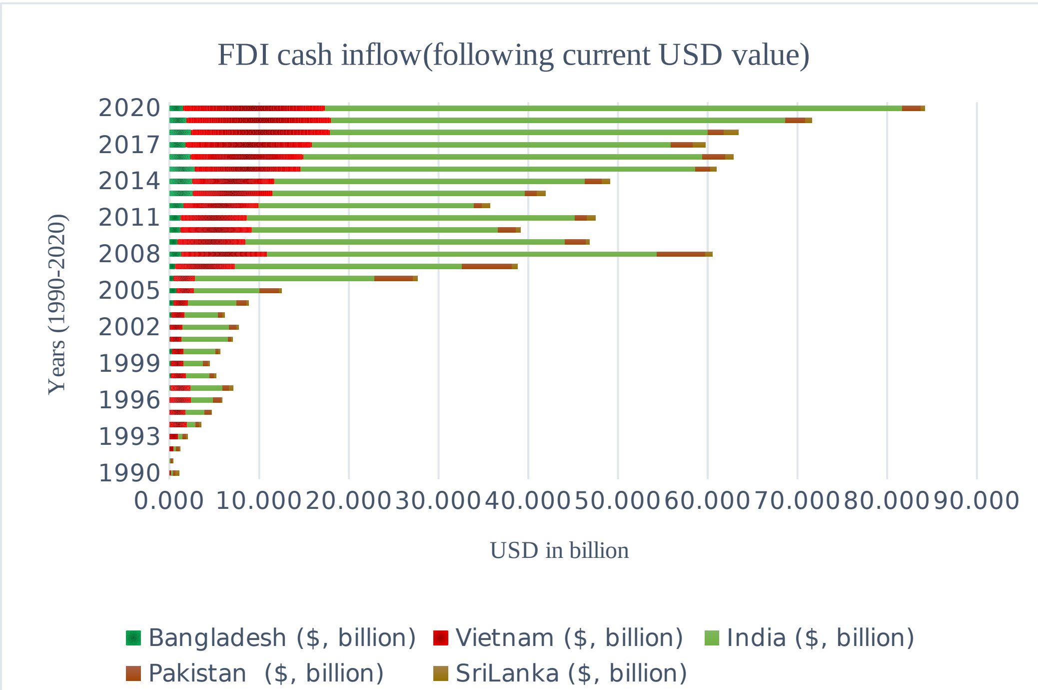
Source: The Daily Star: Most listed multinationals see profit growth in Jul-Sep, 2021

Web link- www.thedailystar.net/business/organisation-news/news/most-listed-multinationals-see-profit-growth-jul-sep-2223906

Bangladesh has the second strongest economy among South-Asian countries (after India). According to the data of World Bank this country has received USD 10 billion as FDI inflow throughout past five years from 2016 to 2020. Moreover, it has received USD 205.39 billion as exporting income (from 2016 to 2020). Besides, following The Daily Star, MNCs of Bangladesh have experienced a significant amount of profit in their business (Habib, A., 2021).

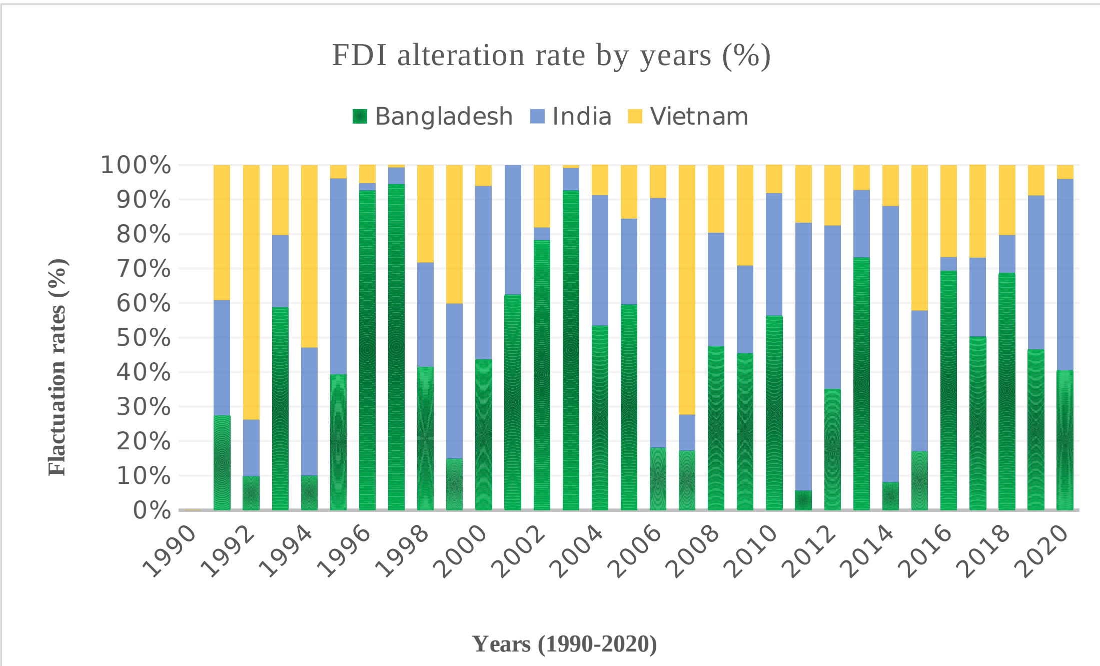


- **Figure 6: Export earnings of Bangladesh**
- **Data extracted from World Bank's website. Web link-** https://data.worldbank.org/indicator/BX.GSR.TOTL.CD?end=2020&locations=BD&start=1990



- **Figure 7: FDI cash inflow in Bangladesh, SriLanka, India, Pakistan, and Vietnam**
- **Data extracted from World Bank's Website. Web link-https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD?end=2020&locations=BD&start=1990**

However, the global market is so diversified and dynamic. Many countries are competing to attract more foreign investors to build a robust economic structure. In South-Asian region, India has the strongest economy as well as they are at the acme in the list of best South-Asian economies. Next position is secured by our country. According to the data of World Bank, in the year 2020 FDI in India and Bangladesh were approximately USD 64.36 billion and USD 1.53 billion consecutively. Where India had experienced around 27.17% growth in FDI inflow in their economy but, FDI inflow in Bangladeshi economy had reduced by 19.89% (approx.) compare to the previous year 2019. Pakistan and SriLanka, are two countries had a very satisfactory potential to be the future leaders in South-Asian region. However, a residual pressure of loans have suppressed their economic advancement at the midway. Currently Vietnam, a South-East-Asian country, emerged as a potential competitor of Bangladesh. Like our country they also have cheap labor, sound geographic location, and other necessary resources to support foreign investments in their country.



- **Figure 8: FDI cash inflow's alteration from 1991 to 2020**

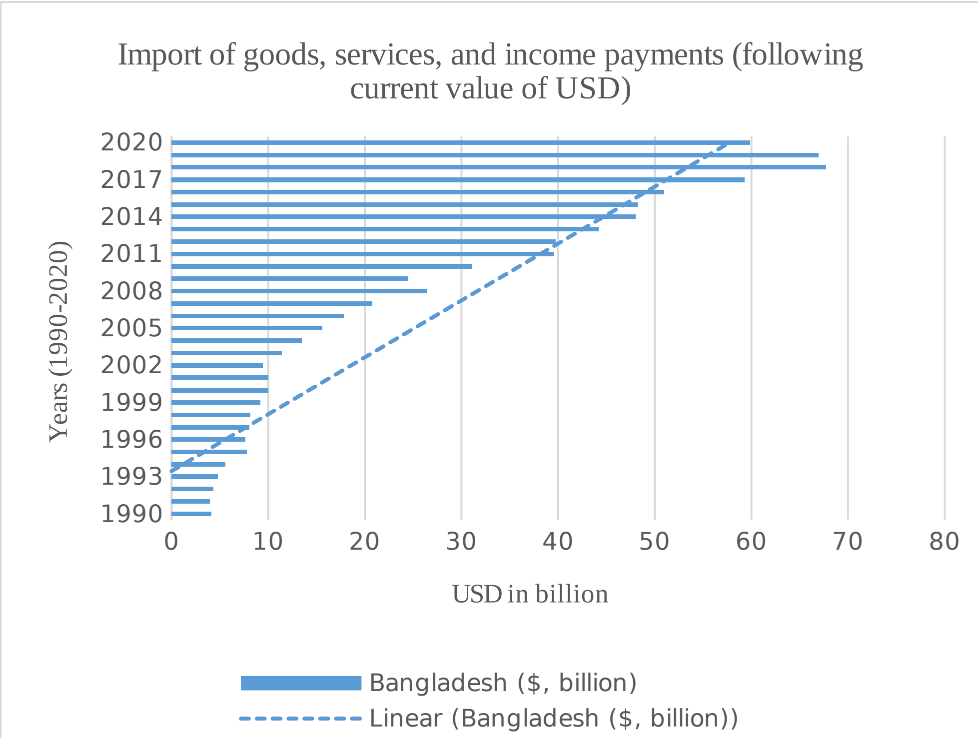
	Bangladesh	India	Vietnam
Average Growth Rate	**82%**	**33%**	**55%**

Initially, by observing numeric data (Figure: 8) it seemed FDI inflow in Bangladeshi market was not satisfactory relative to other countries. However, average FDI alteration rates (or growth rate) is quite impressive of Bangladesh compare to India and Vietnam. Following the average growth rate 82% of Bangladesh- by analyzing FDI alteration rates from year 1991 to 2020, is brilliant, whereas India and Vietnam have 33% and 55% FDI alteration rates consecutively.

Foreign currency's inflow is influenced by many factors like- by MNC's investment, export of goods and services, remittance collection, etc. MNCs are not only influence foreign currencies inflow in country's economy side by side they also pay a great portion of their income to government as tax payment. Which ultimately strengthen our capacity of buying goods, services, currencies, and so on. Moreover, there are numerous foreign companies conducting their production on our land by utilizing cheap labor forces of our country to export their products beyond the border. This actually help us to earn foreign currency and to increase the reserve ceiling as well.

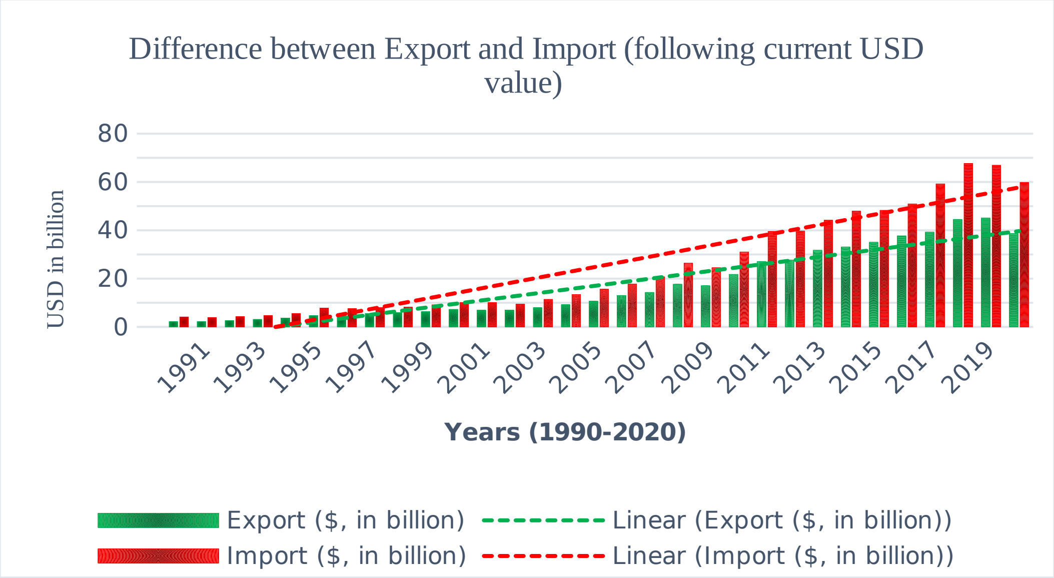
3.2 Scenario of Bangladesh

Despite of having a great opportunity we are failed to utilize all the available resources in an effective manner. Bangladesh is such a country have an excessive dependency on imported items.

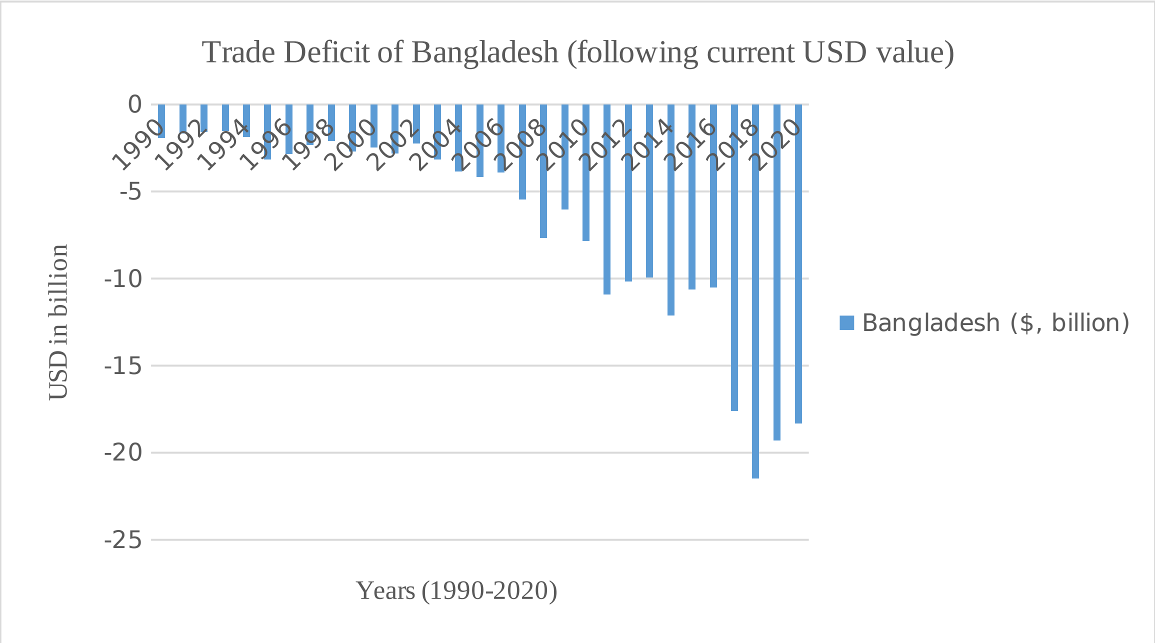


- **Figure 9: Import of goods in Bangladesh, Vietnam, India (Monetary value following the value of current USD)**
- **Web link-** **https://data.worldbank.org/indicator/BM.GSR.TOTL.CD?end=2020&locations=VN-BD&start=1990**

Compare to the export income, expenses for import are significantly high of our country. As a result, trade deficit in every fiscal year is piling up. Over the past five years Bangladesh had experienced a trade deficit of 10.5 billion USD, 17.59 billion USD, 21.46 billion USD, 19.27 billion USD, and 18.3 billion USD consecutively. By analyzing necessary data of last twenty years, provided by World Bank, we have found that Bangladesh had been experienced a trade deficit of 6.84 billion USD (except cost of payments) on average- over past twenty years. Due to pandemic, global economy slowed down for a while alike Bangladesh. So, it will not be astonishing that trade deficit of our economy will be piled up more in recent years. According to Sohel Parvez, country's projected trade deficit will be around 33 billion USD in fiscal year 2022 (Parvez, S., 2022). Additionally, according to the data of World Bank, Bangladesh has already faced a trade deficit of 32.52 billion USD (approx.) in the fiscal year 2021.

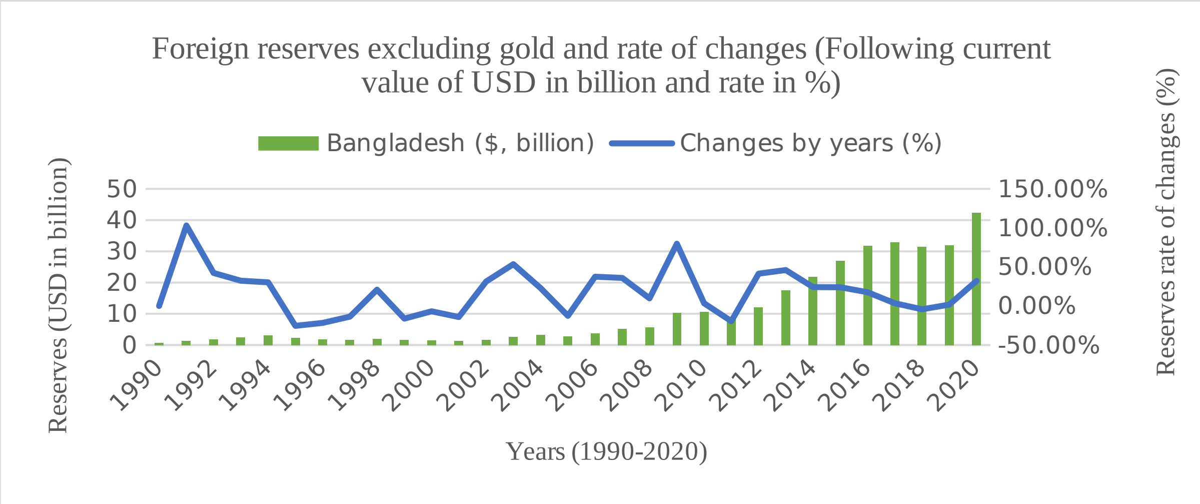


- **Figure 10: Difference of Export-Import account of Bangladesh (following the value of current USD)**



- **Figure 11: Trade deficit of Bangladesh (except income payment received) (following current value of USD)**

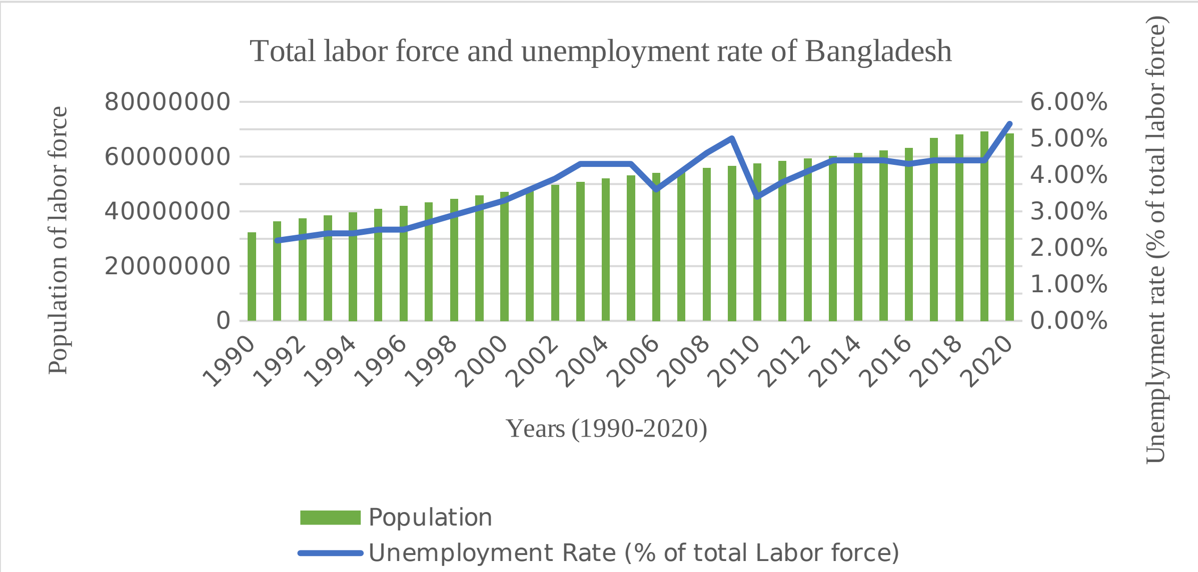
- **Web link- https://data.worldbank.org/indicator/BN.GSR.GNFS.CD?locations=BD**



- **Figure 12: Foreign currency reserve value and rate of changes over years (1990-2020)**
- **Web link- https://data.worldbank.org/indicator/FI.RES.XGLD.CD?locations=BD**

Year by year, demand for imported goods and services are increasing in Bangladesh. Similarly, we failed to build export oriented industries in our country. We are highly dependent on importing products rather than exporting our own goods and services to other countries. Thus, the amount of trade deficit is piling up. Since, the trade deficit is increasing (trade deficit from the year 2016 to 2020 are $10.51 billion, $17.59 billion, $21.46 billion, $19.27 billion, and $18.3 billion consecutively) by years, pressure on foreign currency reserve fund is also increasing day by day. As a result, our currency is being depreciated against other foreign currencies.

3.3 Conclusion and Propositions



- **Figure 13: Available labor force and unemployment rate against total labor force in Bangladesh**
- **Web link-** https://data.worldbank.org/indicator/SL.TLF.TOTL.IN?locations=BD, https://data.worldbank.org/indicator/SL.UEM.TOTL.ZS?locations=BD

Bangladesh has a sufficient labor force, lands, and other necessary resources to support foreign investments. Following figure 8, available labor force in our economy is increasing by time. Besides, our country has become renowned for its cheap labor force, availability of labors, and for a great geographical location. Proper utilization of this mass population will support our country to build a sound economic system.

Foreign currencies reserve supports not only a country's buying capacity (import capacity), it also have a significant contribution on development activities, attracting foreign investors to invest in a country, to cover up trade deficit, and so on. Remittance inflow, Foreign Direct Investment (FDI), Exporting goods and services to other countries are some ways of earning foreign currencies. However, according to the collected data from World Bank's website average expense of Bangladesh on imported items and services is $25.11 billion (average of twenty years 1990-2020) whereas country's income from exported items and services is $17.24 (average of twenty years 1990-2020). That means Bangladesh have been experiencing a trade deficit of $ 7.87 billion (approx.) on average (average of twenty years). Reserve of foreign currencies is not merely responsible to support trade deficit. It also provides support to government expenditures, as well as paying loan expenditures of government. Bangladesh's internal and external debts were consecutively 41% and 18% of per GDP in the year 2021 (Jahan, S., 2022). According to The Hindu (2022), IMF and The government of Bangladesh has reached to an agreement to receive a package of $4.5 billion loan in order to stabilize its economy. External loan of Bangladesh was stood at $81.57 billion in the fiscal year 2020-2021 (Rahman, M. 2022). Again, remittance is a very crucial source of earning foreign currency, however due to unsatisfactory and vulnerable money transaction systems Bangladesh has been losing a great portion of foreign income from this sector like- our government have lost about BDT 25,000 crore to hundi throughout last four months (Saad, M., Khan, M. J. 2022). Along with these losses, our government is also losing revenue and tax because of corruption and various unethical practices. Therefore, Bangladesh should search for diversified income sources in order to reduce trade deficit, budget deficit, external loan burden, and so on. Government has to diversify its income source and should reduce their dependency merely on RMG sector to earn foreign currencies. In the year 2021, MNCs of Bangladesh had experienced a profit growth compared to the previous year's earning (Barman, B. 2022). But, in the year 2022, their profit have dropped due to the depreciation of domestic currency against foreign currencies (like- US dollar). Because of excessive dependency on imported goods and services, and for moderate export incomes we are losing reserved foreign currencies more than ever. Moreover, vulnerable bureaucratic system, insufficient supply of electricity, lack of well transportation system, nepotism, and many more are hindering our growth and demotivating foreign investors to invest in our country.

Nonetheless, of having such constrains government have been working to build a business friendly environment in our country. Thus, many are showing their interest to invest in RMG, leather and footwear industry, light and electric-equipment manufacturing industry, energy industry, IT, finance industry, etc. According to BIDA, Bangladesh has a large customer group (about more than 169 million), a vast number of young professionals (45% of population is aged below 24), hundreds of infrastructural development activities are undergoing, availability of cheap labor force, several opportunities for foreign investors like-tax exemption and many more. Additionally, MNCs in Bangladesh have experienced an average of 9.41% sales growth, and an average of 9.22% profit growth within the period of year 2015 to 2020 (Habib, A. 2022). Following the data of DSE, there are a significant numbers of MNCs have secured their position in top twenties on the basis of their EPS. Our multinational industry has experienced a great growth at the post pandemic era, however due to Russia-Ukraine war the pace of their growth have slowed down a bit. But, due to infrastructural development our economic growth is expected to be 7.25% in the year 2022 (Bangladesh economy grows 7.25% in FY22: BBS, 2022). Whereas, according to The Economic Times, UNCTAD has expected that the economic growth of India will be 5.7% in 2022 which is 1.55% less than our country (Suneja, K. 2022). Again, following the global economic prospectus, published by World Bank, they predicted that Bangladeshi economy will grow by 6.9% in FY2022-2023 (Bangladesh to grow 6.9% in 2022-23: World Bank, 2022). In this year (2022), expected economic growth of Vietnam is 7.5%, which is slightly better than Bangladesh (Vietnam's Economy Forecast to Grow 7.5% in 2022, New World Bank Report Says, 2022). Along with this they received $15.8 billion FDI in 2020 which was $14.27 billion more than us. Considering all shortcomings and opportunities, necessities, and besides developing domestic industries, our government should attract more foreign investors and export oriented companies to invest on our land to support our FOREX reserve.

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Appendix

Appendix A.

Exports of goods, services, and primary incomes- Cash Inflows in Bangladesh, (Billion USD, Following current US dollar's value).

Year	Bangladesh ($, billion)
1990	2.13
1991	2.19
1992	2.68
1993	3.17
1994	3.67
1995	4.7
1996	4.74
1997	5.61
1998	5.96
1999	6.33
2000	7.29
2001	6.91
2002	6.94
2003	7.98
2004	9.22
2005	10.67
2006	13.06
2007	14.33
2008	17.69
2009	17.08
2010	21.76
2011	27.15
2012	27.77
2013	31.77
2014	33.14
2015	35.11
2016	37.76
2017	39.28
2018	44.52
2019	45.14
2020	38.69

N.B.: **USD 1 = BDT 103.50 (November 7th 2022, Exchange Rate of Taka, Bangladesh Bank).**

Appendix B.

Exports of goods, services, and primary incomes- Cash Inflows in Bangladesh, Vietnam, India, Pakistan, (Billion USD, Following current US dollar's value).

Year	Bangladesh ($, billion)	Vietnam ($, billion)	India ($, billion)	Pakistan ($, billion)
1990	2.13	0	23.35	6.93
1991	2.19	0	23.25	8.01
1992	2.68	0	25.33	8.55
1993	3.17	0	27.5	8.43
1994	3.67	0	32.38	9.02
1995	4.7	0	39.5	10.4
1996	4.74	9.64	42.39	10.7
1997	5.61	11.85	46.3	10.12
1998	5.96	12.1	47.57	9.24
1999	6.33	14.18	53.31	9.06
2000	7.29	17.48	62.45	10.12
2001	6.91	18.16	65.65	10.58
2002	6.94	19.82	73.81	12.29
2003	7.98	23.55	88.29	14.96
2004	9.22	30.54	120.71	16.25
2005	10.67	36.99	160.23	19.76
2006	13.06	45.59	201.52	21.41
2007	14.33	55.76	252.73	23.3
2008	17.69	71.05	320.71	26.78
2009	17.08	63.62	274.58	22.92
2010	21.76	80.15	358	28.74
2011	27.15	106.18	456.52	32.28
2012	27.77	124.61	453.74	31.96
2013	31.77	143.02	479.5	30.54
2014	33.14	161.51	498.22	31.1
2015	35.11	173.67	443.16	29.26
2016	37.76	189.73	445.92	27.55
2017	39.28	228.93	507.95	30.2
2018	44.52	260.1	558.42	31.47
2019	45.14	283.06	569.38	31.16
2020	38.69	291.66	507.29	27.77

Appendix C.

Foreign Direct Investment's alteration rates in Bangladesh, Vietnam and India from the year 1991-2020 (% value).

Year	**Bangladesh (%)**	**Vietnam (%)**	**India (%)**
1990	--	--	--
1991	-57%	-81%	-69%
1992	166%	1251%	278%
1993	278%	96%	99%
1994	-21%	110%	77%
1995	-83%	-8%	120%
1996	614%	35%	14%
1997	932%	-7%	47%
1998	36%	-25%	-27%
1999	-6%	-16%	-17%
2000	56%	-8%	65%
2001	-72%	0%	43%
2002	-33%	8%	2%
2003	416%	4%	-29%
2004	67%	11%	48%
2005	81%	21%	34%
2006	-44%	23%	176%
2007	43%	179%	26%
2008	104%	43%	72%
2009	-32%	-21%	-18%
2010	37%	5%	-23%
2011	2%	-7%	33%
2012	25%	13%	-34%
2013	65%	6%	17%
2014	-2%	3%	23%
2015	11%	28%	27%
2016	-18%	7%	1%
2017	-22%	12%	-10%
2018	34%	10%	5%
2019	-21%	4%	20%
2020	-20%	-2%	27%

Formula We Used to calculate the alteration (or growth rate)-

$$Alteration\, Rate = \frac{\left(FDI\ inflow \in present\ year - FDI\ inflow \in previous\ year\right)}{FDI\ inflow \in previous\ year} \times 100$$

Appendix D.

Difference of Export-Import account of Bangladesh, Vietnam and India (following the value of current USD) ($ billion).

Year	Bangladesh ($, billion)	Vietnam ($, billion)	India ($, billion)
1990	4.14	0	33.22
1991	3.94	0	31.27
1992	4.31	0	33.95
1993	4.77	0	34.73
1994	5.56	0	42.24
1995	7.79	0	53.44
1996	7.64	12.86	59.63
1997	8.03	14.26	63.17
1998	8.16	14.3	64.81
1999	9.19	14.18	68.46
2000	10.02	18.11	80.49
2001	10.02	18.72	78.98
2002	9.44	22.35	82.84
2003	11.43	27.72	101.34
2004	13.45	34.59	139.72
2005	15.62	40.93	194.15
2006	17.8	49.81	239.53
2007	20.77	69.14	297.95
2008	26.38	89.18	400.44
2009	24.51	76.67	349.53
2010	31.03	92.31	464.62
2011	39.55	114.63	579.25
2012	39.74	123.39	610.65
2013	44.21	144.76	593.44
2014	47.99	161.76	591.13
2015	48.3	183.21	529.77
2016	50.95	197.09	514.86
2017	59.27	239.11	606.58
2018	67.71	263.06	694.1
2019	66.96	279.2	672.21
2020	59.84	286.05	547.68

Appendix E.

Export and Import of Bangladesh (following Current value of USD in billion).

Year	Export ($, in billion)	Import ($, in billion)
1990	2.13	4.14
1991	2.19	3.94
1992	2.68	4.31
1993	3.17	4.77
1994	3.67	5.56
1995	4.7	7.79
1996	4.74	7.64
1997	5.61	8.03
1998	5.96	8.16
1999	6.33	9.19
2000	7.29	10.02
2001	6.91	10.02
2002	6.94	9.44
2003	7.98	11.43
2004	9.22	13.45
2005	10.67	15.62
2006	13.06	17.8
2007	14.33	20.77
2008	17.69	26.38
2009	17.08	24.51
2010	21.76	31.03
2011	27.15	39.55
2012	27.77	39.74
2013	31.77	44.21
2014	33.14	47.99
2015	35.11	48.3
2016	37.76	50.95
2017	39.28	59.27
2018	44.52	67.71
2019	45.14	66.96
2020	38.69	59.84
Average	**17.24**	**25.11**

Formula we used to calculate average monetary value-

$$Average\ Export \vee Import = \sum of\ all\ monetary\ values ¿ 1990 ¿ 2020 \frac{¿}{Number\ of\ Years}$$

Appendix F.

Trade deficit of Bangladesh (except income payment received) (following current value of USD in billion).

Year	Bangladesh ($, billion)
1990	-1.9
1991	-1.65
1992	-1.56
1993	-1.52
1994	-1.85
1995	-3.16
1996	-2.84
1997	-2.31
1998	-2.09
1999	-2.7
2000	-2.46
2001	-2.82
2002	-2.23
2003	-3.14
2004	-3.85
2005	-4.16
2006	-3.9
2007	-5.46
2008	-7.67
2009	-6.03
2010	-7.82
2011	-10.89
2012	-10.16
2013	-9.93
2014	-12.12
2015	-10.61
2016	-10.51
2017	-17.59
2018	-21.46
2019	-19.27
2020	-18.3
Average	**-6.84**

Formula we used to calculate average monetary value-

$$Trade\ Deficit\ of\ a\ year = (Current\ year's\ export\ amount - Current\ year's\ import\ amount)$$

$$Average\,of\;trade\,deficit = \frac{\left(\sum of\;all\,trad\,deficits\,¿\,1990-2020\right)}{Number\;of\;\;years}$$

N.B.: The amount of trade deficit may vary due to continuous fluctuation of USD’s value against BDT.

Appendix G.

Foreign currency reserve index (Following current USD value in billion and rate of change in %).

Year	Bangladesh ($, billion)	Changes by years (%)
1990	0.63	0.00%
1991	1.28	103.17%
1992	1.82	42.19%
1993	2.41	32.42%
1994	3.14	30.29%
1995	2.34	-25.48%
1996	1.83	-21.79%
1997	1.58	-13.66%
1998	1.91	20.89%
1999	1.6	-16.23%
2000	1.49	-6.88%
2001	1.28	-14.09%
2002	1.68	31.25%
2003	2.58	53.57%
2004	3.17	22.87%
2005	2.77	-12.62%
2006	3.81	37.55%
2007	5.18	35.96%
2008	5.69	9.85%
2009	10.22	79.61%
2010	10.56	3.33%
2011	8.51	-19.41%
2012	12.03	41.36%
2013	17.56	45.97%
2014	21.79	24.09%
2015	27.02	24.00%

2016	31.78	17.62%
2017	32.85	3.37%
2018	31.45	-4.26%
2019	32.01	1.78%
2020	42.32	32.21%

Formula we used to calculate rate of changes of reserve-

$$Rate\ of\ change\,(¿\,growth) = \frac{(Foreign\,currency\ reserve \in currect\ year - Foreign\ currency\ reserve \in previous\ yea}{Foreign\,currency\,reserve \in previous\ year}$$

Appendix H.

Available labor force and unemployment rate against total labor force in Bangladesh.

Year	**Total Labor Force**	**Unemployment Rate (% of total Labor force)**
1990	32,272,754	-
1991	36,309,530	2.20%
1992	37,387,956	2.30%
1993	38,509,688	2.40%
1994	39,678,222	2.40%
1995	40,895,568	2.50%
1996	42,090,789	2.50%
1997	43,331,123	2.70%
1998	44,603,763	2.90%
1999	45,894,258	3.10%
2000	47,188,245	3.30%
2001	48,387,234	3.60%
2002	49,600,849	3.90%
2003	50,809,260	4.30%
2004	51,987,835	4.30%
2005	53,123,178	4.30%
2006	54,083,636	3.60%
2007	54,954,286	4.10%
2008	55,799,460	4.60%
2009	56,639,145	5.00%
2010	57,493,263	3.40%
2011	58,436,990	3.80%
2012	59,377,977	4.10%
2013	60,318,372	4.40%

2014	61,262,254	4.40%
2015	62,203,550	4.40%
2016	63,131,472	4.30%
2017	66,854,855	4.40%
2018	68,073,235	4.40%
2019	69,229,775	4.40%
2020	68,412,678	5.40%
Avg.	**52,204,555**	**3.71%**

Formula we used to calculate rate of changes of unemployment over years-

$$Rate\ os\ changes = \frac{(Unemployed\ population \in current\ year - Unemployed\ population \in previous\ year)}{Unemployed\ population \in previous\ year} \times 100$$

$$Average\ Labor\ force \vee unemployemnt\ rate = \frac{(\sum of\ labor\ force\ of\ unemployment\ rate ¿ 1990-2020)}{Number\ of\ years}$$