Roundtable Discussion Series-2022
Keynote Paper of Roundtable Discussion of BIBM
Volume No. 7 , Issue No. 3
2023

Foreign Direct Investment in Bangladesh: Benign Policy Regime & Role of Authorized Dealers

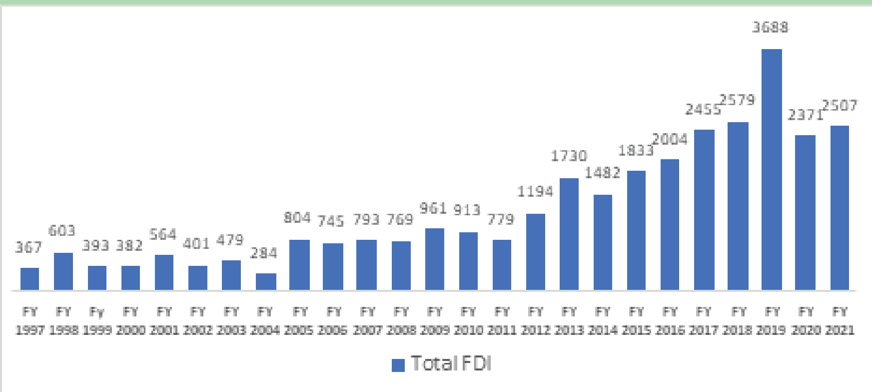
Antara Zareen
Former Assistant Professor, BIBM

Md. Ali Akbar Faraji
Director, Bangladesh Bank

Tofayel Ahmed
Assistant Professor, BIBM

Abu Saleh Md. Shahab Uddin
Director, Bangladesh Bank

Ashikul Hasan Khan
VP & Manager, Compliance Advisory, The Hongkong and Shanghai Banking Corporation Limited



Published by
BIBM
Bangladesh Institute of Bank Management

in Cooperation with
BRAC BANK
আস্থা অবিচল

Roundtable Discussion Series-2022

Keynote Paper of Roundtable Discussion of BIBM

Volume No. 7, Issue No. 3

Foreign Direct Investment in Bangladesh: Benign Policy Regime & Role of Authorized Dealers

Antara Zareen
Former Assistant Professor, BIBM

Md. Ali Akbar Faraji
Director, Bangladesh Bank

Tofayel Ahmed
Assistant Professor, BIBM

Abu Saleh Md. Shahab Uddin
Director, Bangladesh Bank

Ashikul Hasan Khan
VP & Manager, Compliance Advisory, The Hongkong and Shanghai Banking Corporation Limited

Bangladesh Institute of Bank Management (BIBM)
Mirpur, Dhaka-1216, Bangladesh

Foreign Direct Investment in Bangladesh: Benign Policy Regime & Role of Authorized Dealers

Research Team

Antara Zareen, *Former Assistant Professor, BIBM*
Md. Ali Akbar Faraji, *Director, Bangladesh Bank*
Tofayel Ahmed, *Assistant Professor, BIBM*
Abu Saleh Md. Shahab Uddin, *Director, Bangladesh Bank*
Ashikul Hasan Khan, *Vice-President & Manager, Compliance Advisory, The Hongkong and Shanghai Banking Corporation Limited*

Editors

Prof. Barkat-e-Khuda, *Ph.D.*
Dr. Muzaffer Ahmad Chair Professor, BIBM

Ashraf Al Mamun, *Ph.D.*
Associate Professor and Director (Research, Development & Consultancy), BIBM

Associate Editor

Md. Shahid Ullah, *Ph.D.*
Associate Professor, BIBM

Support Team

Md. Al-Mamun Khan, *Publications-cum-Public Relations Officer, BIBM*
Papon Tabassum, *Research Officer, BIBM*
Sk. Md. Azizur Rahman, *Research Assistant, BIBM*
Md. Awalad Hossain, *Computer Operator, BIBM*
Md. Morshadur Rahman, *Proof Reader, BIBM*

Design & Illustration

Sk. Md. Azizur Rahman, *Research Assistant, BIBM*

Published in April, 2023 (Online)

Published by Bangladesh Institute of Bank Management (BIBM)
Plot No.-4, Main Road-1 (South), Section-2
Mirpur, Dhaka-1216, Bangladesh.
E-mail: bibmresearch@bibm.org.bd
Website: www.bibm.org.bd

Printed by..

The views in this publication are of authors only and do not necessarily reflect the views of the institutions involved in this publication.

Foreword

The findings of the research topic "Foreign Direct Investment in Bangladesh: Benign Policy Regime & Role of Authorized Dealers" are presented in this roundtable discussion keynote paper as part of the ongoing dissemination of BIBM research outputs. The research was presented in an online session held on the Zoom platform on November 6, 2021. Foreign investments are a critical component of today's economy's development. Foreign Direct Investment (FDI) assists enterprises in organizing global production by providing raw materials, energy, and labor as inputs and supporting the successful placement of products and services as outputs in the most important markets. The government of Bangladesh and Bangladesh Bank, the country's central bank, have taken a number of steps to promote FDI inflows.

Bangladesh Investment Development Authority, the government's key agency for initiating reforms aimed at improving Bangladesh's Ease of Doing Business ranking, is collaborating with 37 government entities to put 84 reform initiatives in place. Bangladesh Bank has taken a number of actions to support our authorized dealers and OBUs in their efforts to stimulate foreign direct investment. The study's goal is to explore the regulatory framework for FDI into Bangladesh as well as the current state of banks' role in FDI facilitation. It brings me great pleasure to offer this valuable resource of academic insights to bank and financial institution practitioners, regulatory agencies, policymakers, academics, and general readers on behalf of BIBM. I think that this roundtable keynote paper will be a useful resource for policymakers interested in learning more about the role of Authorized Dealers in handling Foreign Direct Investment in Bangladesh. We welcome feedback from our valued readers on this topic, as it will undoubtedly assist us in improving our research operations in the next years.

Md. Akhtaruzzaman, Ph.D.
Director General, BIBM

Acknowledgement

This roundtable discussion keynote paper titled "Foreign Direct Investment in Bangladesh: Benign Policy Regime & Role of Authorized Dealers" has been completed with immense support from numerous individuals and organizations. We would like to express our gratitude to the honorable Director General, BIBM, Dr. Md. Akhtaruzzaman, for his encouragement and guidance. We are very much thankful to the officials of different banks who responded to the questionnaire and participants who extended their cooperation at Focus Group Discussions. The research team is indebted to the chief guest, panelists and the participants of the program for their valuable comments that immensely helped us to improve the quality of the paper. Further, the paper is benefitted from careful review and editing by Professor Dr. Barkat-e-Khuda, Former Dr. Muzaffer Ahmad Chair Professor of BIBM. We are also very grateful to Dr. Ashraf Al Mamun, Associate Professor and Director (Research, Development & Consultancy) of BIBM for his support. We also express our gratefulness to research assistants and MBM students, Ms. Farjana Anwar and Mr. Jamiur Rahman Jamir, for their relentless cooperation in collecting questionnaires from different banks. Our honest appreciation goes to Ms. Papon Tabassum, Research Officer, BIBM; Mr. Sk. Md. Azizur Rahman, Research Assistant, BIBM; and Mr. Md. Awalad Hossain, Computer Operator, BIBM for their support. Finally, we would like to extend our appreciation to those who, openly and sincerely, extended their support in our research effort.

Antara Zareen
Md. Ali Akbar Faraji
Tofayel Ahmed
Abu Saleh Md. Shahab Uddin
Ashikul Hasan Khan

Contents

Figures

Tables

Boxes

Mini-Cases

Acronyms

ADs	:	Authorized Dealers
BB	:	Bangladesh Bank
BDT	:	Bangladeshi Taka
BEPZA	:	Bangladesh Export Processing Zone Authority
BIDA	:	Bangladesh Investment Development Authority
BSEC	:	Bangladesh Securities and Exchange Commission
CEPZ	:	Chittagong Export Processing Zone
DEPZ	:	Dhaka Export Processing Zone
EPZs	:	Export Processing Zones
FC	:	Foreign Currency
FCBs	:	Foreign Commercial Banks
FDI	:	Foreign Direct Investment
FEID	:	Foreign Exchange Investment Department
FEOD	:	Foreign Exchange Operation Department
FGD	:	Focus Group Discussion
FY	:	Fiscal Year
GDP	:	Gross Domestic Product
GFET	:	Guidelines for Foreign Exchange Transactions
GIC	:	Government of Singapore Investment Corporation
GSK	:	GlaxoSmithKline
ICT	:	Information and Communication Technology
LDCs	:	Least Developed Countries
M&A	:	Merger & Acquisition
NFCD	:	Non-Resident Foreign Currency Deposit Account
NITA	:	Non-resident Investor's Taka Account
NRTA	:	Non-Resident Temporary Taka Account
OBUs	:	Offshore Banking Units
OSS	:	One Stop Service
PCBs	:	Private Commercial Banks
RJSC&F	:	Registered Joint Stock Companies and Firms
SDGs	:	Sustainable Development Goals
SOCBs	:	State-Owned Commercial Banks
TM	:	Travel and Miscellaneous
UNCTAD	:	United Nations Conference on Trade and Development
USD	:	US Dollars
WIR	:	World Investment Report

Executive Summary

The purpose of Foreign Direct Investment (FDI) liberalization is to boost economic growth, create more jobs, and supply a much-needed new source of capital. Private investment from abroad is welcomed in all areas of the economy, with the exception of the four restricted industries. Foreign investment is particularly sought after in significant industries such as export-focused industries, industries in Export Processing Zones (EPZs), and high-tech products that would either be import substitutes or export orientated.

In this regard, all regulatory players are enthusiastic. Because commercial banks play a role in enabling FDI inflows and outflows, our central bank's responsibilities are aligned with those of other stakeholders. The Bangladesh Bank has relaxed its foreign investment policy by enabling foreigners to reinvest their funds in the countries and collect dividends in their foreign currency accounts. The main goal of the roundtable study paper was to determine the role of commercial banks in enabling FDI transactions. The report is divided into six sub sections. The research is based on both primary and secondary sources of data, government publications from several ministries, such as the Bangladesh Investment Development Authority (BIDA), Bangladesh Securities and Exchange Commission (BSEC), and Bangladesh Bank (BB) reports. In addition, banks provided data or comments via a questionnaire. A total of 46 banks replied to the survey. Thirty-one bankers participated in three Focus Group Discussions (FGDs) to confirm survey findings and highlight regulatory and operational difficulties with Authorized Dealers (ADs) in enabling FDI. A number of interviews were conducted with the top-level executives of enterprises in FDI. Case studies on the FDI of selected bank branches have been included in the paper to understand challenges from the banks' and clients' perspectives.

FDI has plummeted in both developed and transition economies, falling by 58% in 2020. Bangladesh passed the Foreign Private Investment Act in 1980 in order to boost FDI inflows. The major domestic laws that apply to foreign investors and foreign investments include: the Foreign Private Investment (Promotion and Protection) Act, 1980; the Bangladesh Export Processing Zones Authority Act, 1980; the Companies Act, 1994; and the Bangladesh Economic Zones Act, 2010. The Bangladesh Investment Development Authority (BIDA) is the key authority and regulator of private foreign investments in Bangladesh. Governed by the

Bangladesh Investment Development Authority, 2016, BIDA is empowered to handle this sector.

BIDA launched the online One Stop Service (OSS) platform for investors in 2019, which is the industry's first of its type. The OSS was instrumental in securing the OSS, which would eventually provide 154 services from 35 agencies. In addition, in Chapter 12 of GFET 2018, the Industrial Policy 2016 identified special incentives for foreign investors. It provides incentives for green (environmental), high-tech, or transformative (skill and technology transfer) companies in general. Foreign investors can engage in Bangladesh in three ways: by forming a new firm or subsidiary, establishing a branch office, or establishing a liaison or representative office. Without BB clearance, an investor must register a Blocked Account in the proposed company's name with any scheduled bank in order to remit capital from outside the country before incorporating a company. The account balance may be allowed to be repatriated without prior clearance from Bangladesh Bank after paying the required expenses.

For profit remittance, however, branch offices other than banks and insurance companies must obtain license from BIDA and the Bangladesh Bank. Through an authorized dealer, foreigners employed in Bangladesh can transmit up to 80 percent of their monthly pay, savings, and acceptable retirement benefits. Despite the fact that net FDI inflows to Bangladesh have increased dramatically in recent years, they still fall short of regional rivals. As the graph demonstrates, neighboring countries are doing far better than the United States. With a 0.5 percent FDI-to-GDP ratio in 2019, Bangladesh had one of Asia's lowest FDI-to-GDP ratios. India, Indonesia, Vietnam, Pakistan, Myanmar, and Sri Lanka all have greater FDI to GDP ratios than Bangladesh, according to World Bank data. The country's overall Net FDI inflows grew by USD 136.86 million, or 5.8%, to USD 2507.31 million in fiscal year 2020-21 compared to fiscal year 2019-20.

Most overseas investors prefer foreign commercial banks since they have a global footprint and are more comfortable dealing with them. FCBs got USD 2797 million (82%) in gross inflows in 2021. Despite having the weakest market share, new banks are developing rapidly, especially during the epidemic year. The questionnaire survey, Focus Group Discussions, and interviews provided a variety of findings for the study. Almost all banks have set up a desk with concerned personnel. However, some of them lack appropriate awareness of the FDI process, regulatory requirements, and the role of the bank. In some circumstances, foreign investors send inbound remittances through non-approved ways for investment in the country, resulting in longer processing times for ADs to support FDI transactions. Many foreign investors, in some situations, hire local FDI agents to examine the country's investment visibility.

As a result, investors and ADs are likely to have a negative experience during the early stages of the venture. Customers seeking FDI often want more clarity and support from bankers regarding policy requirements. In many cases, investors delay in supplying essential documentation to ADs while reporting to BB, forcing ADs to become non-compliant. However, in many circumstances, the approval process is lengthy and necessitates the submission of multiple documents. Furthermore, the regulatory standards are not always evident to the regulators themselves. This time-consuming technique is incompatible with the project deadline. Investors may be required to submit the same set of papers to multiple regulators in some situations. Automation and better coordination, they believe, can make the process easier and faster. In many circumstances, bank personnel are perplexed as to how to read regulations correctly. A critical issue is the knowledge gap. Various bank personnel interpret the same circular in different ways.

For smooth operations of FDI by ADs, the study has made some recommendation targeting regulators, banks and other tagholders. For complete understanding and more synchronization of the circulars on FDI, regulators might launch FDI handbook to understand the step-by-step approach of FDI and role of ADs in handling FDI. Banks can adopt more IT infrastructure from dedicated team so that investors can receive prompt and quality service. Competent regulators might arrange periodic feedback to existing investors to identify problems and challenges they are facing. The lack of coordination among regulators is mentioned in both demand and supply side opinions in the study. As the goal of all regulatory stakeholders is to boost FDI with proper compliance, there is a scope of co-ordination among regulators. The study has also given emphasis on more accommodative exit policy for foreign investors.

Foreign Direct Investment in Bangladesh: Benign Policy Regime & Role of Authorized Dealers

1.0 Introduction

In today's economy, foreign investments constitute a vital development component. The evaluation of investment efficiency serves as the foundation for making investment decisions that result in economic growth from one country to the next. Together, Foreign Direct Investment (FDI) and trade constitute an enterprise's production organizations, and worldwide supply of goods and services' most powerful leverage. FDI can have a considerable positive impact on a host country's development efforts. FDI helps businesses organize global production by providing raw materials, energy, and labor as inputs, and facilitating the profitable placement of products and services as outputs in the most essential markets. As a result of these actions, companies may better leverage their technological advantages, experience, and economies of scale. Both industrialized and developing countries have offered incentives to stimulate FDI in their respective economies.

Foreign investors were guaranteed complete repatriation of profits and cash under the Act. It also assured that both domestic and foreign investors be treated equally, as well as a 5-7-year corporate tax exemption for foreign industries. The purpose of FDI liberalization was to boost economic growth, create more jobs, and supply a much-needed new source of capital. The economic impact of FDI on Bangladesh's economic growth can be traced all the way back to 1984, shortly after the passage of the 1980 Foreign Private Investment Act. Rothgeb (1984) examined the favorable influence of FDI on Bangladesh's growth. Quader (2018) used data from 1990-91 to 2015-16 to evaluate trigger variables of FDI inflows in Bangladesh and found positive results for wages, trade openness, net export, GDP growth, and tax rate in recent years.

According to Hossain (2009), FDI inflows and exports and imports in Bangladesh have a high positive association. Between 1986 and 2008, Saqib (2013) examined the relationship between FDI and economic growth in Bangladesh, among other variables, and found a substantial relationship between the two variables. Although there has been no evidence of a detrimental impact of FDI on economic growth in Bangladesh, some studies have found a negative or non-significant influence in other nations.

Bangladesh has implemented a number of fiscal and monetary policies to attract FDI. With the exception of the four designated industries, private investment from outside the country is welcomed in all areas of the economy. Such investments might be made separately or as part of a joint venture on mutually beneficial terms. Foreign investment is particularly sought after in significant industries such as export-focused industries, industries in Export Processing Zones (EPZs), and high-tech products that would either be import substitutes or export orientated. The Bangladesh Bank has relaxed its foreign investment policy by enabling foreigners to reinvest their funds to their countries and collect dividends in their foreign currency accounts. The central bank has recently issued a number of policy relaxations to foreign investors in order to encourage foreign investment, particularly from those who intend to leave China. With the favorable attitude of regulators, all other players, particularly commercial banks, are now expected to contribute to the smooth functioning of FDI.

In this paper, the major objective was to find out the role of commercial banks in facilitating FDI transactions. With this broad objective, the specific objectives are to: (i) to discuss the regulatory environment in the aspect of banking facilities; (ii) examine the status of banks in facilitating FDI; and (iii) highlight major observations on facilitating FDI by banks in Bangladesh and raise issues for discussion. The report has been organized into six sections. After an introductory section with the background, objectives, and methodological issues, section two briefly reviews the related literature to explain the global trends of foreign direct investment. Section three deals with domestic regulatory framework to promote and facilitate FDI in Bangladesh. FDI in Bangladesh: Procedure and statuses associated with FDI in Bangladesh are discussed in section four. Section 5 analyses findings from the Focus Group Discussions (FGDs) with bankers and interviews with top level executives of investors. Finally, issues for discussion in the roundtable are provided in section 6.

1.1 Methodology

The research is based on both primary and secondary sources of data. The relevant literature was sourced from published articles on FDI and related issues. Our research relies heavily on government publications from several agencies, such as the Bangladesh Investment Development Authority (BIDA), Bangladesh Securities and Exchange Commission (BSEC), and Bangladesh Bank (BB) reports. Furthermore, banks provided primary data or opinions via questionnaires. A total of 46 banks replied to the survey. Thirty-one bankers participated in three Focus Group Discussions (FGDs) to confirm survey findings and highlight regulatory and operational difficulties with Authorized Dealers (ADs) in enabling FDI. A series of interviews with top-level executives of FDI related businesses are done. The report includes case studies on FDI at selected bank branches in order to better understand the problems from the banks' and clients' perspectives.

2.0 Global Trends of Foreign Direct Investment

FDI decreased by 58 percent in both developed and developing countries in 2020. As a result, in 2019, developing economies accounted for two-thirds of global FDI, up from slightly less than half, as can be seen in Figures 2.1 and 2.2.

Figure 2.1: Region Wise FDI Inflows in 2019 and 2020 (in USD billion)

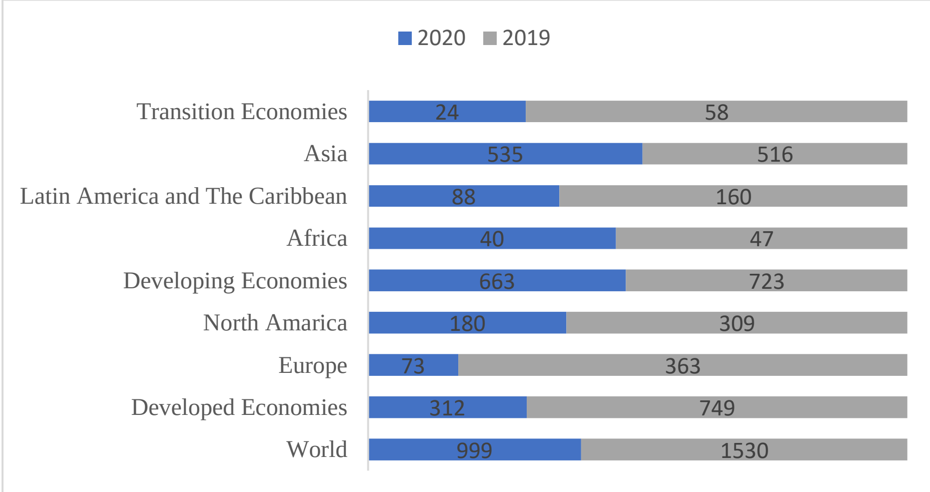
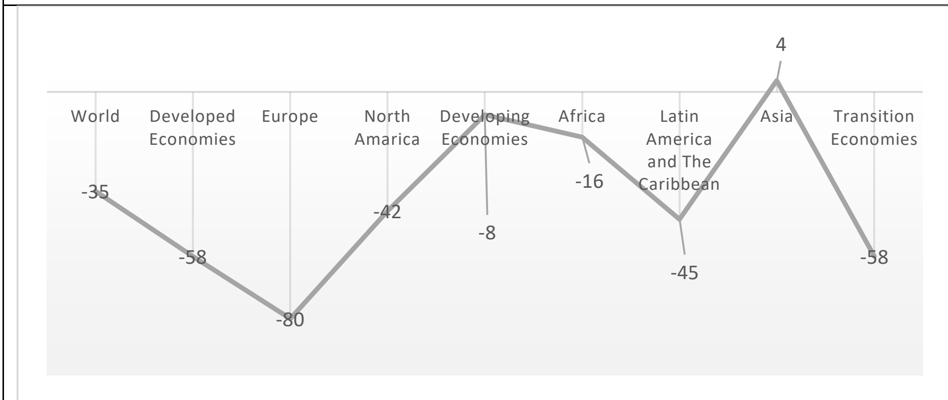


Figure 2.2: Growth Rate of FDI Inflow in 2020



Source: UNCTAD, 2021

In South Asia, FDI surged by 20 percent to $71 billion due to a surge in M&A activity in India. FDI inflows to India surged by 27 percent to $64 billion. Strong investment in ICT (software and hardware) and building bolstered FDI in the middle of India's fight to curb the COVID-19 outbreak. FDI in Pakistan fell by 6 percent to $2.1 billion, Inflows to Bangladesh and Sri Lanka decreased by 11 percent and 43 percent %, respectively. Other South-Asian countries that rely on export-oriented garment manufacturing saw a reduction in FDI in 2020, as orders from the United States and the European Union fell significantly. Because investment commitments in these countries have remained weak, FDI inflows will take longer to recover in Bangladesh and Sri Lanka (UNCTAD, 2021).

In the nine Asian Least Developed Countries, FDI declined by 6 percent to $9.2 billion, accounting for approximately 40 percent of total LDCs inflows. In Cambodia, the world's largest LDC recipient, FDI dropped by 1 percent to $3.6 billion, despite government initiatives (UNCTAD, 2021). Despite the downturn, Chinese enterprises continued to undertake the majority of significant construction projects. Inflows into Bangladesh decreased by 11 percent to $2.6 billion (UNCTAD, 2021). In the country's export-oriented garment industry, both general economic activity and FDI fell as $3 billion in export orders were canceled, largely from the United States and the European Union. Large non-renewable energy and financial projects are being phased out in favor of fintech, pharmaceuticals, liquefied natural gas facilities, and agribusiness, all of which are being aggressively encouraged by the government. Furthermore, political changes in Myanmar in 2021 forced a number of foreign investors to reconsider or cease business in that country. On the other hand, FDI in the Lao People's Democratic Republic increased by 74 percent to $968 million, thanks to increased infrastructure investment by Asian investors, particularly the Chinese ones. The prospects for FDI in LDCs in the near future are gloomy. The pace of inflows is projected to reduce in the following years.

3.0 Domestic Regulatory Framework to Promote and Facilitate FDI in Bangladesh

In order to increase FDI in the country, the Government of Bangladesh passed the Foreign Private Investment Act in 1980 which intends to encourage private international investment in Bangladesh by giving certain guarantees against indemnity, expropriation, and nationalization, as well as facilitating investment repatriation and removing barriers. The Foreign Private Investment (Promotion and Protection) Act, 1980; the Bangladesh Export Processing Zones Authority Act, 1980; the Companies Act, 1994; and the Bangladesh Economic Zones Act, 2010 are the major domestic laws that relate to foreign investors and foreign investments. BIDA is the country's primary regulator and authority for private foreign investment. BIDA, established in 2016, is in charge of this sector. BIDA is also working with 37 government agencies to implement 84 reform measures to uphold the ranking of the country's Ease of Doing Business. As part of a larger effort to reduce both my workload and costs, BIDA initiated the online One Stop Service (OSS) platform for investors in 2019.

The Industrial Policy 2016 covers special incentives for foreign investors. It provides incentives for green (environmental), high-tech, or transformative (skill and technology transfer) companies in general. Foreign investors can also seek for Bangladeshi citizenship, if they invest $1 million or transfer $2 million to a recognized financial institution. Also, foreign and domestic investors are permitted to invest in nearly any sort of lawful economic enterprise, with the exception of the four industries, which are reserved for the government. In export processing zones, the Bangladesh Export Processing Zone Authority (BEPZA) serves as the investment supervisory authority. BEPZA is a one-stop service provider and regulatory authority for businesses operating in export processing zones, which offer specific advantages to export-oriented businesses. Furthermore, the Bangladesh Economic Zones Authority (BEZA) is in charge of overseeing and promoting investments in the country's economic zones, which are intended to attract extra international investment.

Bangladesh Bank has taken a number of steps to encourage our authorized dealers and OBUs in their efforts to promote FDI. To take advantage of the government's facilities and institutional support, entrepreneurs/sponsors must register with BIDA. BEPZA and BEZA, respectively, require registration for investment in EPZs and Economic Zones (EZs). Shares can be issued in exchange for freely convertible foreign currency or capital machinery imported through the banking channel. Payment for such items must be made from outside the country. Except for Type A and Type B units of EPZs and EZs, where equity in FC imported from abroad may be held in the FC accounts of the units concerned, foreign exchange must be encashed in taka before shares can be issued.

When issuing shares against capital machinery, Bangladesh Customs must first clear the machinery. The Bangladesh Bank's Foreign Exchange Investment Department must be notified of the issue of shares to non-residents via the proper AD. There is no need to notify BB if the transfer is between residents. Furthermore, without the approval of the Bangladesh Bank, ADs may open a Non-Resident Temporary Taka Account (NRTA) in the name of a foreign investor's proposed firm or enterprise. Only inward remittances from outside the country can be credited to these accounts. Upon the registration/start-up of the business, a new account in the firm's name may be opened, following the standard procedure.

Furthermore, the BB has loosened its stance on repatriation of sale proceeds of shares held in non-listed companies for foreign investors in 2020. The BB allowed banks to remit foreigners' share of sale earnings on three different bases without requiring prior clearance from the central bank. According to the BB circular, banks were authorized to remit sale proceeds of shares whose value would be determined by the management of the target companies using the net asset value approach, based on the most recent audited financial statements given together with tax filings.

The BB's clearance or independent valuers' valuation reports would not be required to repatriate sales proceeds of shares worth up to Tk. 1 crore or equivalent foreign currency, according to the circular. A value study in accordance with known valuation procedures will be required for AD banks to remit amounts beyond Tk. 1 crore and up to Tk. 10 crore, according to the circular.

Furthermore, overseas stockholders can now have their dividends credited to their foreign currency accounts in Bangladesh. Under this scenario, the credited amount should be justified in accordance with the BB regulation. The transaction must be handled as an outward remittance when crediting the FC accounts, and TM form processes must be followed appropriately. Encashment of the FC account balance is also treated as an inward remittance for bona fide local distribution, subject to Form-C processes. The purchase of shares from a fund housed in an FC account will be treated as a foreign investment, subject to GFET compliance. Bangladesh Bank has also asked commercial banks to set up FDI support desks at their important branches in 2017 to ensure seamless functioning.

4.0 Foreign Direct Investment in Bangladesh: Procedure and Status

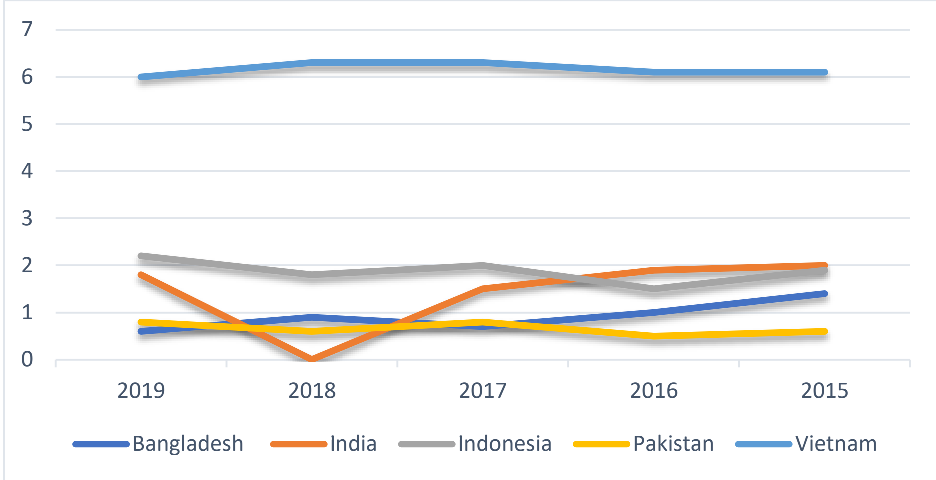
Foreign investors can invest in Bangladesh into three ways- new company or subsidiaries, branch office and Liaison or representative office. The structure of these three types is given below in Boxes 4.1, 4.2 and 4.3.

Box 4.1 : Business Structure of New Company or Subsidiaries
FDI can be invested in as a 100% foreign-owned company or as joint venture with a local/foreign partner, or a Bangladeshi firm. Investors are permitted to earn money and deduct expenses from their earnings. They have the ability to repatriate all profits and capitals after taxes
Box 4.2: Business Structure of Branch Office
Investors can also open a branch office in the country to conduct business as long as the government permits it. The income earned, however, is subject to BIDA's permission. Expenses might be covered by inward remittances from the parent firm or revenue earned from an allowed line of operation. They are permitted to participate directly in import and export activities and earn commissions, as well as to repatriate all post-tax earnings to their parent firm, subject to BIDA and BB permission.
Box 4.3: Business Structure of Liaison or Representative Office
There is no fundamental difference between a Liaison Office and a Representative Office. Suppliers, contractors, factories, customers, importers, and other local entities can all communicate with the representative office. Liaison, on the other hand, is not permitted to produce revenue. All expenses should be covered by the parent company's inward remittance. Except for the sum brought in from abroad and left unspent, no outward remittance is permitted.
Source: Authors' Compilation

The bank will gather all essential paperwork once the registration is completed. The account will be canceled after the balance is transferred if the proposed firm is denied registration by the RJSC&F. Commercial offices (branch, representative/ liaison) do not need such accounts, because they can create a standard bank account and get first suspense payment from their main office. Investors can either invest or remit funds in their FC accounts to purchase securities. Through an authorized dealer, foreigners employed in Bangladesh can transmit up to 80 percent of their monthly pay, savings, and acceptable retirement benefits. The net wage of a foreign national is remittable for the period of leave allowed under a service contract officially approved by the government. The approved dealer must file an application to the Bangladesh Bank's Foreign Exchange Investment Department (FEID) to remit residual money payable to foreign shareholders by the court or subject to court supervision.

Although net FDI inflows to Bangladesh have increased significantly in recent years, they are still insufficient compared to regional peers. As the trendline shows, neighboring countries appear to be faring much better. In 2019, Bangladesh had one of the lowest FDI-to-GDP ratios in Asia, at 0.5 percent. According to World Bank data, India, Indonesia, Vietnam, Pakistan, Myanmar, and Sri Lanka all have higher FDI to GDP ratios than Bangladesh (Figure 4.1).These Bangladeshi regional contemporaries are equally determined to capitalize on the opportunity of shifting investments away from China. Countries are promoting their investment climate, which includes high tax incentives, loosened regulatory restrictions, and high institutional quality, in areas where Bangladesh lags significantly.

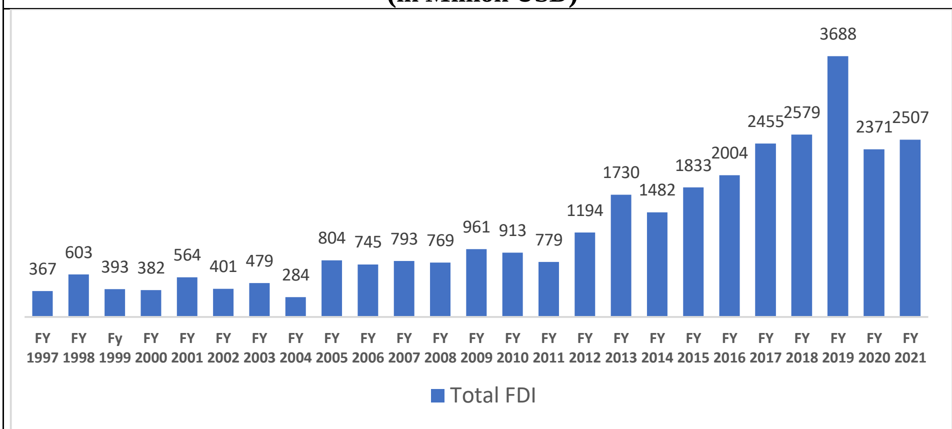
Figure 4.1 : Comparison with Regional Peers: FDI Inflows (Net) as Percentage of GDP



Source: World Bank

FDI inflows in Bangladesh fell by around 11.0 percent in 2020 to US$2.37 billion, according to the World Investment Report (WIR) 2021 released by the United Nations Conference on Trade and Development (UNCTAD) (Figure 4.2). The country got $3.61 billion in net FDI in fiscal year 2019, the highest amount ever received in a single fiscal year.

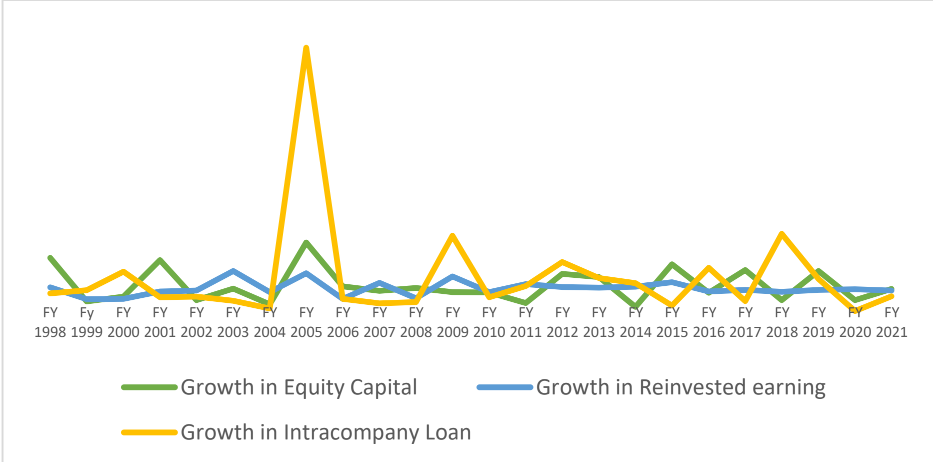
Figure 4.2: Total FDI Net Inflows in Bangladesh from FY 1997 to FY 2021 (in Million USD)



Source: BB

Bangladesh's Foreign Direct Investment (FDI) has remained low in contrast to regional counterparts despite continuous economic development over the last decade (Figure). Bangladesh has one of Asia's lowest FDI inflow rates, at around 1% of GDP (Table-4.1).

Figure 4.3: Growth in Equity Capital, Reinvested Earnings and Intra-company Loan in FDI FY 1998 to FY 2021 (in Percentage)



Source: BB

Table 4.1: FDI and GDP Ratio in Bangladesh			
	2020-21	**2019-20**	**2018-19**
Gross FDI Inflows % of GDP	0.95	1.00	1.63
Net FDI Inflows % of GDP	0.71	0.73	1.29
Net FDI Inflows per head USD	14.81	14.16	23.49
Source: BB			

Major foreign investors, particularly in the intra-company category, spent heavily in FY 2005-06. Bangladesh's total FDI inflow surged by 84 percent in 2005, reaching US$ 845 million, the highest level since the country's independence (Figure-4.3). This year, Bangladesh's growth is the second greatest in South Asia (Bangladesh Investment Handbook 2007-BOI).

Figure 4.4: Share of FDI in EPZ and Non EPZ FY 1997 to FY 2021 (in Million USD)

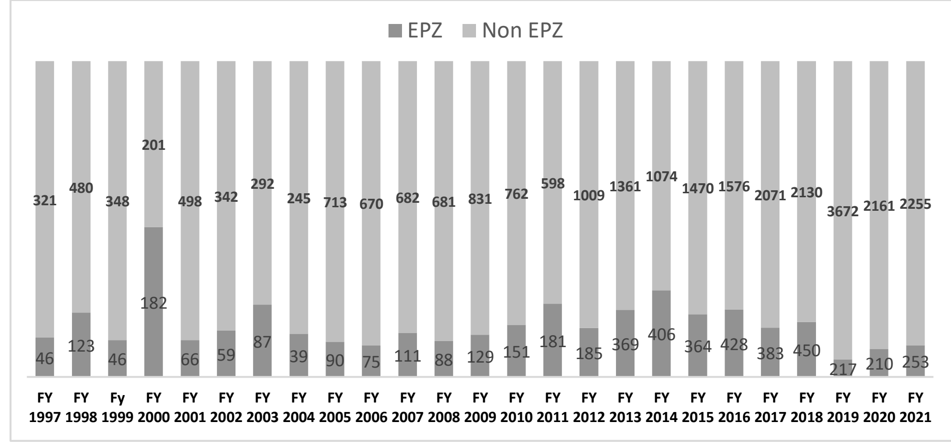
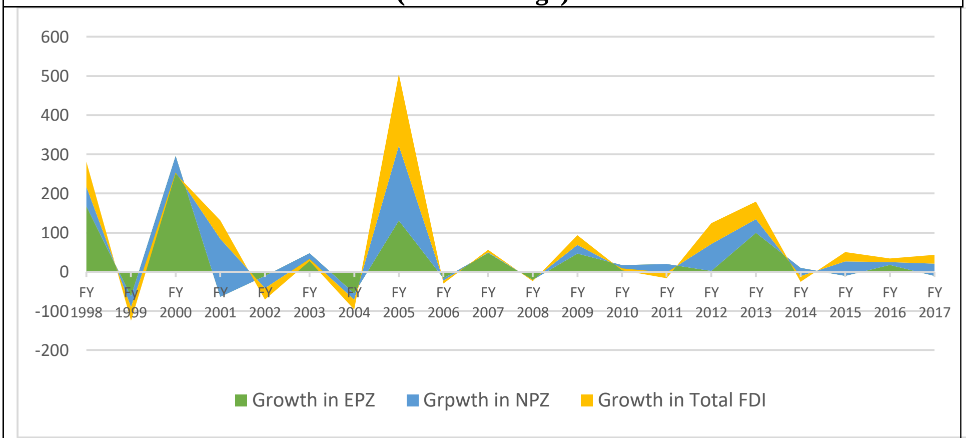


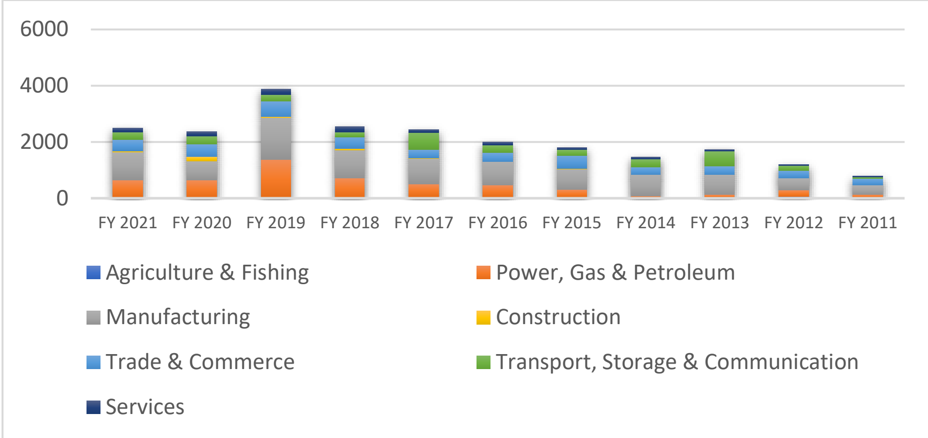
Figure 4.5: Growth of FDI in EPZ and Non EPZ FY 1998 to FY 2021 (in Percentage)



Source: BB,2021

In this fiscal year, the manufacturing sector received the highest net FDI inflows, accounting for USD 987.13 million or 39.4 percent of total FDI inflows by sectors (Figure 4.6).

Figure 4.6: FDI Inflows (Net) by Sectors during the Financial Years from 2010-11 to 2020-21 (in Million USD)



Source: Bangladesh Bank

In terms of FDI Stock by countries, USA had highest FDI stock (USD 3872 million) as of end June 2021 (Figure 4.7). From July 2006 to June 2021, Bangladesh received USD 9154.05 million in net equity capital inflows. During the entire period (July 2006–June 2021), the top ten countries accounted for nearly 78.2 percent of total equity capital inflows (Figure 4.8).

Figure 4.7: FDI Stock by Major Countries at End of June'2021 (in Million US$)

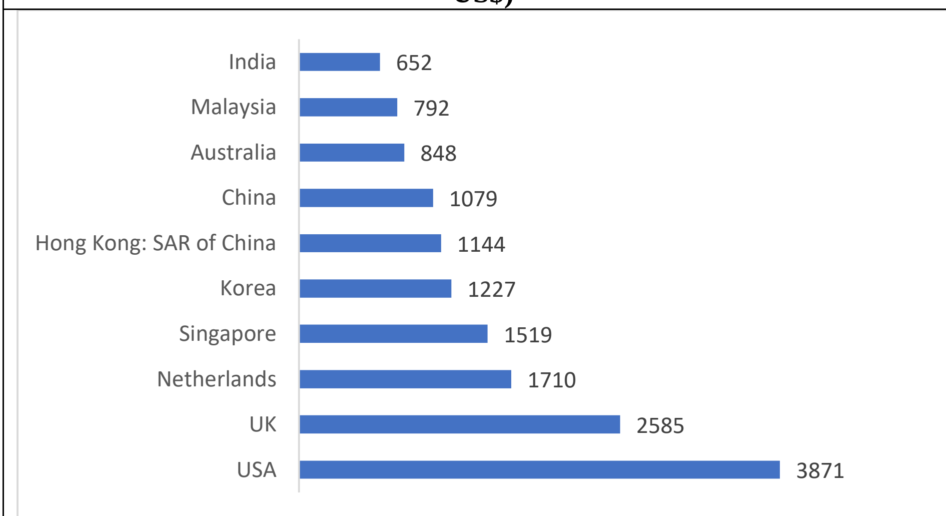
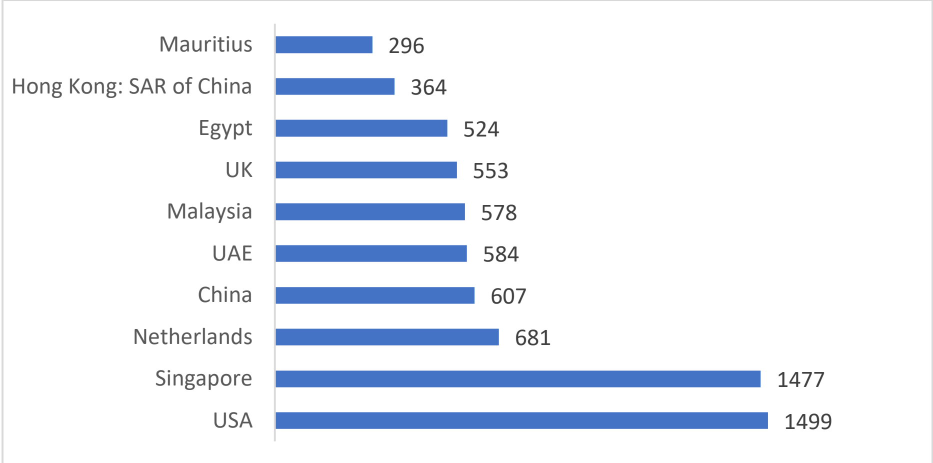


Figure 4.8 : Cumulative Amount of Net Equity Capital Inflows from July'06 to June'21 from Top Ten Countries (in Million USD**)**



Source: FEID Management Cell, Statistics Department, Bangladesh Bank

Banks facilitate the foreign investors to provide foreign exchange services. Foreign commercial banks are preferred by most foreign investors, because they have a global footprint and investors feel at ease in dealing with them. This is also reflected in the data (Figure 4.9, 4.10 and 4.11). This year, FCBs receive USD 2797 million in gross inflows. Even though new banks have the smallest market share, they are growing well, even during the pandemic fiscal year. Figure summarizes the role of banks in facilitating gross inflows.

Figure 4. 9: Total Gross Inflows by Bank Group in FY2020 and FY2021

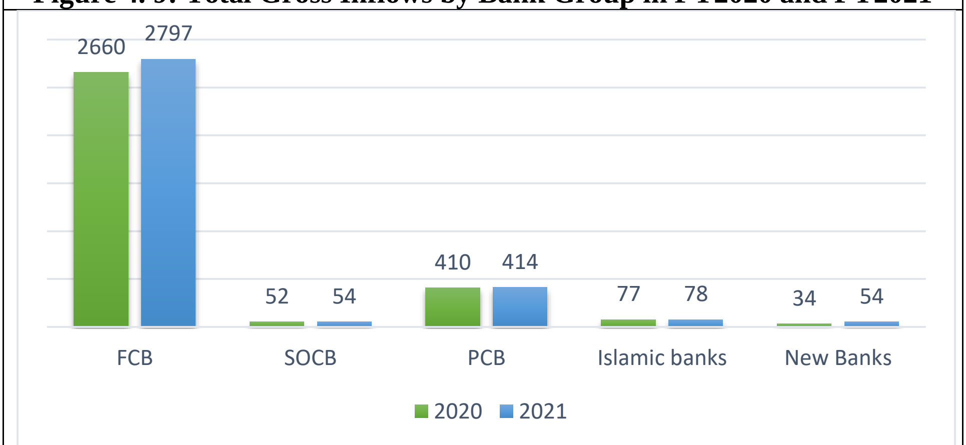


Figure 4.10: Growth Rate in Total Gross flow of FDI in 2021

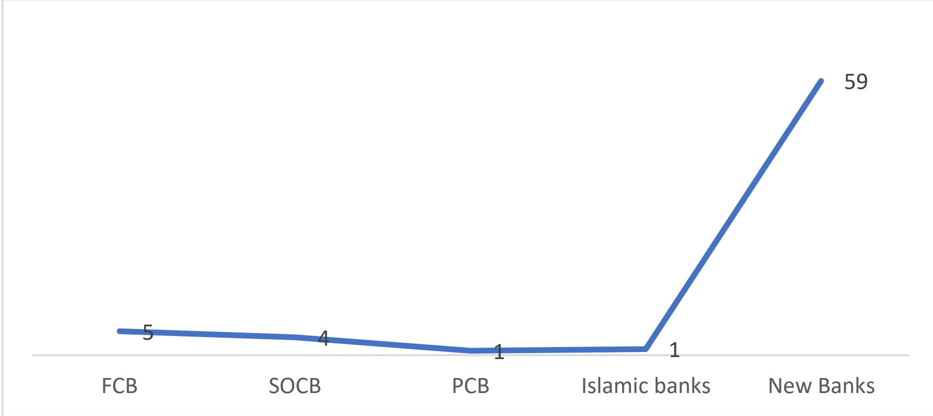
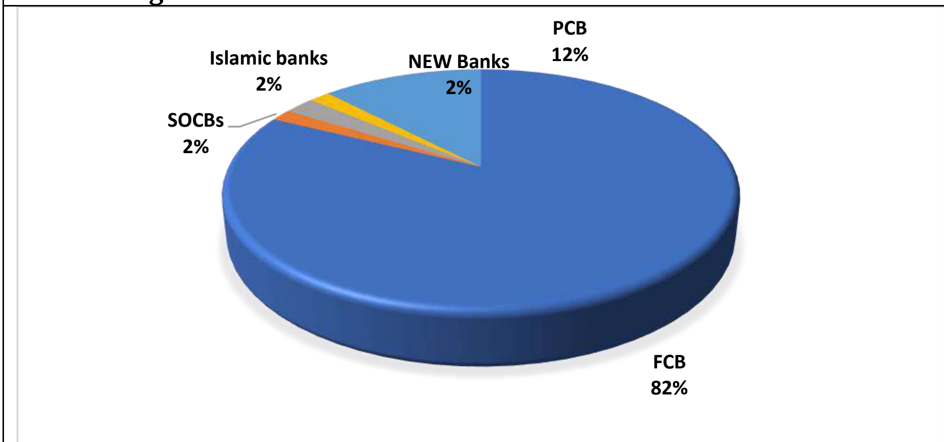


Figure 4.11: Share of banks in Total Gross Inflow in 2021



FCBs accounted for the lion's share of disinvestment in 2021, as they are the primary recipients. Though Islamic banks have the highest growth rate of disinvestment, their share of disinvestment in growing inflows is only 3%, compared to 27% for FCBs, 7% for SOCBs, 26% for PCBs, and 4% for new banks. The figure summarizes the role of banks in facilitating investor disinvestment in Figure 4.12.

Figure 4.12: Total Disinvestment by Bank Group in FY2020 and FY2021

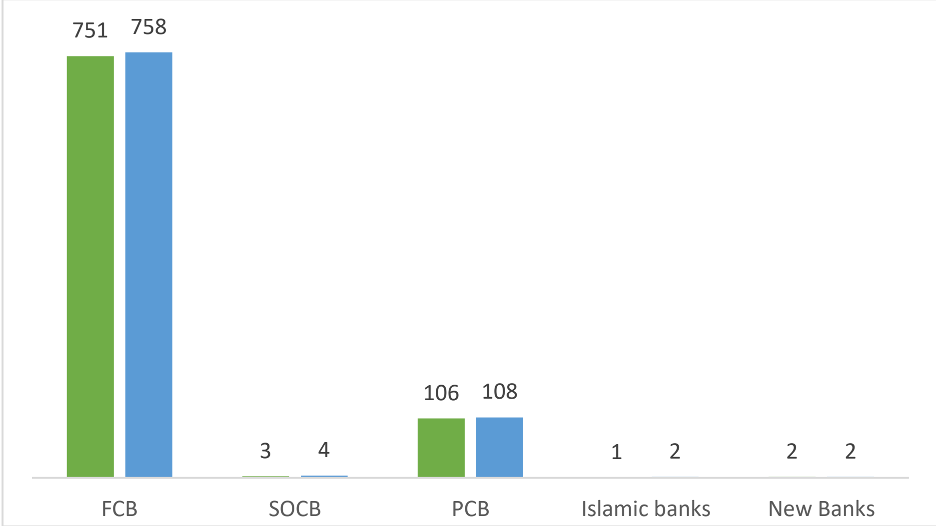


Figure 4.13: Growth of Total Disinvestment by Bank Group in FY2021 as Compared with FY20

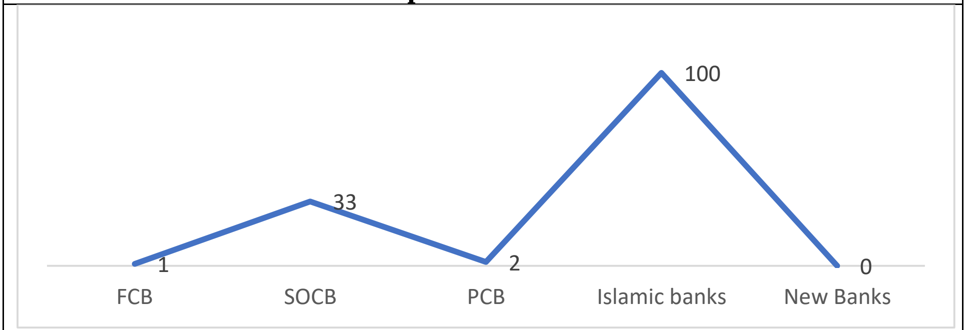
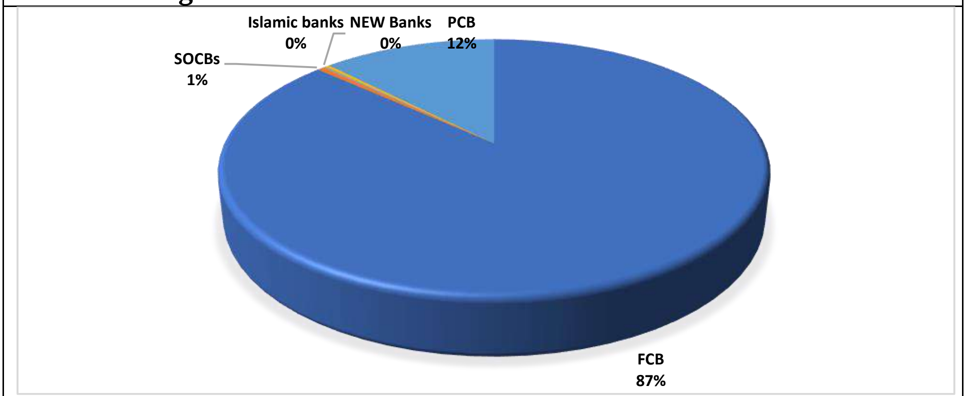


Figure 4.14: Share of banks in Disinvestment in 2021



Source: BB, 2021

The net inflow equals the gross inflow minus the disinvestment. FCBs have a larger market share, despite having the highest disinvestment to total gross inflow ratio. The net inflow growth rate for Islamic banks is negative due to high disinvestment in 2021. Figure summarizes the participation of banks by group inn Figures 4.15, 4.16 and 4.17.

Figure 4.15: Total Net Inflow by Bank Group in FY2020 and FY 2021

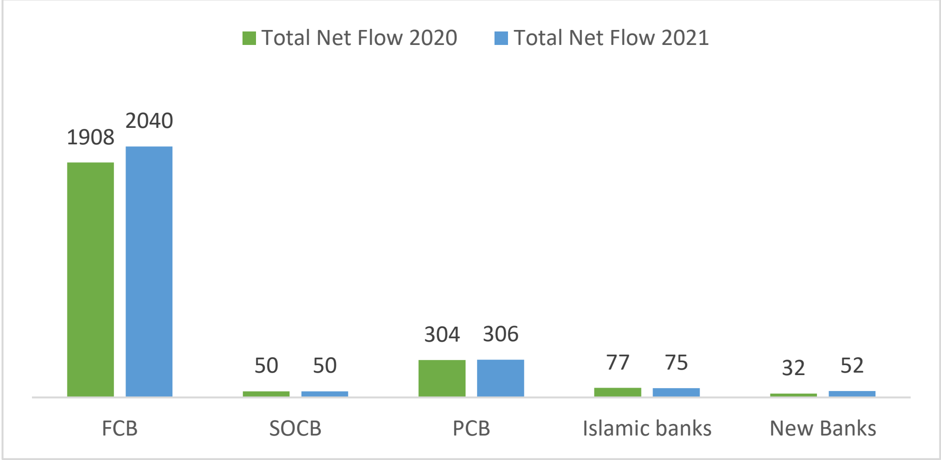


Figure 4.16: Growth of Total Net Inflows by Bank Group in FY 2021 as Compared FY 2020

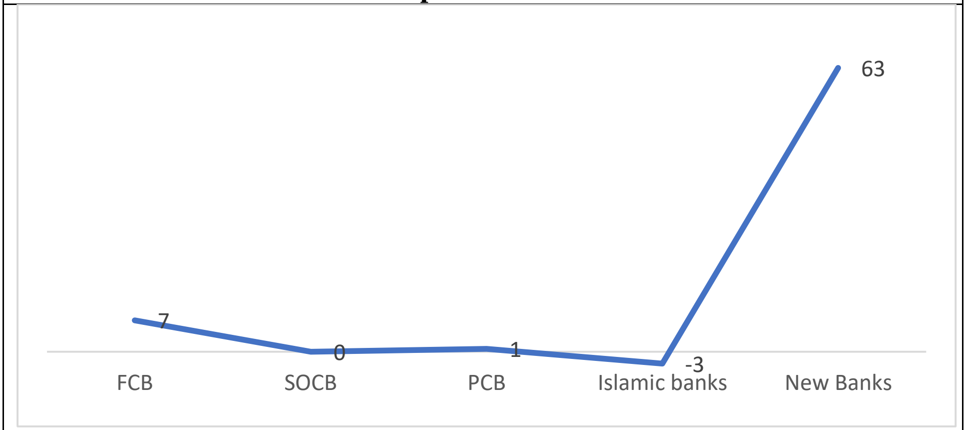
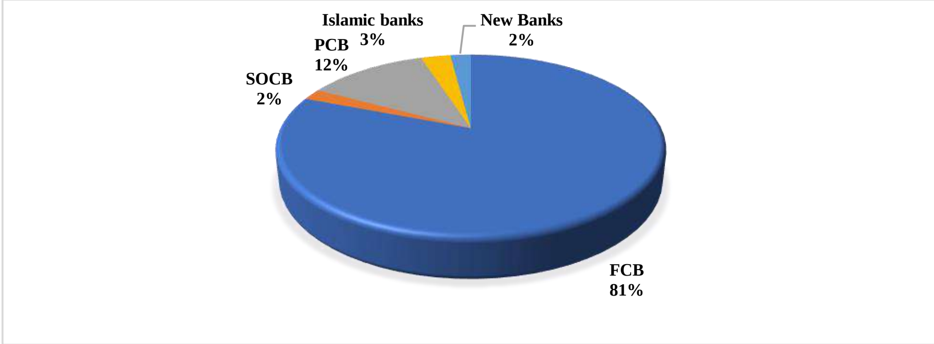


Figure 4.17: Share of Banks in Net Inflows in 2021



Figures 4.18 and 4.19 show the number of banks, based on the amount of investment. Less than USD 5 million in FDI was facilitated by 24 commercial banks in 2021. Moreover, five commercial banks had no involvement in FDI, and nine banks had less than one million USD in FDI in the same year. Four of the top five FDI-handling banks are FCBs, with one being a PCB. Only one specialized bank among commercial banks is facilitating FDI, and the amount is less than five million USD.

Figure 4.18: Numbers of Banks in FDI Gross Flow in FY 2020

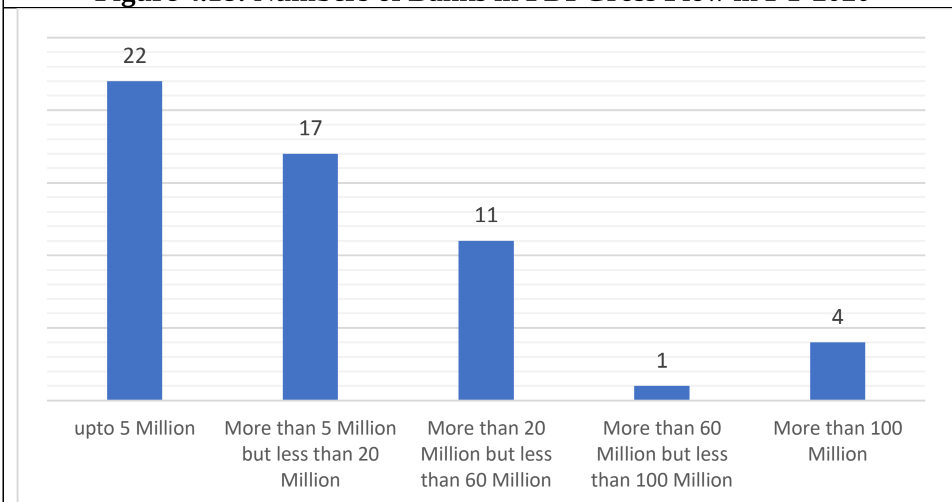
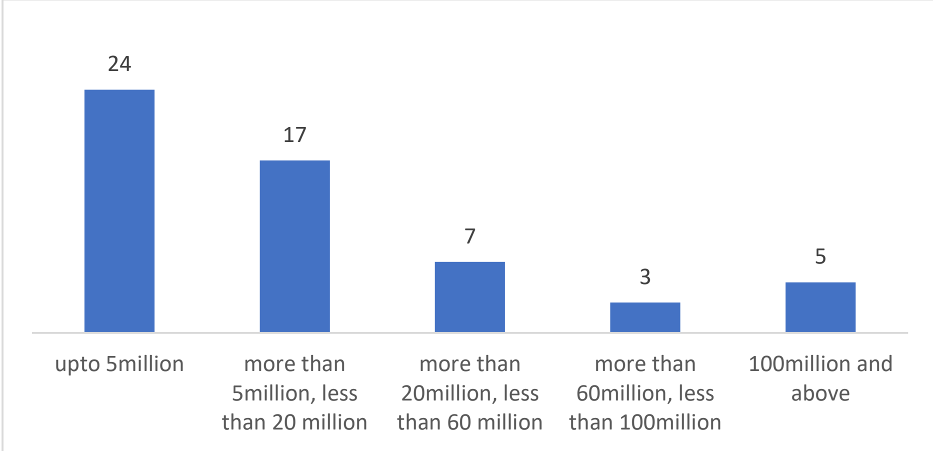


Figure 4.19: Numbers of Banks in FDI Gross Flow in FY2021

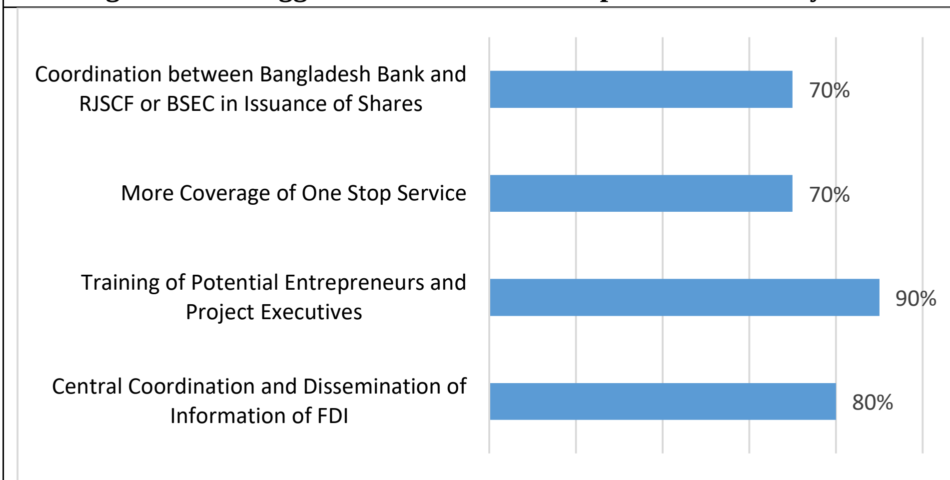


Source:BB,2021

Almost all banks have FDI dedicated help desk. Investors get information on necessary papers, licensing requirements, etc. for investing in Bangladesh. They also get information on which official should be contacted for getting the transactions done and the process involved thereof. The assigned officials also share any information regarding FDI that is received from time to time in the circulars which they deem fit for the investors, as shown in Table 4.2. However, in most cases, the native liaisons of the business bring the foreign investor to the concerned branch and the branch officials give them the contact details of FDI help desk. Language is bit of a barrier. Banks face language barrier, to some extent, from the investors who are usually from China. However, language is not a barrier if the liaison of the investor can communicate properly. In some cases, reporting takes longer time due to lack of efficiency and necessary skill on the part of the customers, as opined by the respondents.

Table 4.2: Summary Output of Some Survey Questionnaire		
Particulars	**Response**	
	Yes	**No**
Does your bank have an FDI dedicated help desk?	100%	
Do you think 'FDI help desk is effective in promoting FDI'?	100%	
Do new investors contact to the help desk or branch officials for service?	53%	47%
Does your bank have any internal policy or strategy to stimulate FDI transactions in your bank?	11%	89%
Do you think that language is a barrier to attract FDI through your bank?	61%	39%
Does your bank face any problem regarding FDI reporting?	66%	34%
Source: Survey Data		

Figure 4.20 : Suggested Measurers for Improved Service by ADs



Source: Survey Data

5.0 Findings from the Focus Group Discussions and Interviews

5.1 Findings from the Focus Group Discussions and Interviews with Bankers

To facilitate the study and point out the role of ADs in facilitating FDI, the research team held a focus group discussion with a number of executives from various commercial banks that deal with FDI customers, particularly those banks that are actively involved in FDI banking facilitation. The comments of the participants highlights the operational role of banks and some major challenges which have to be addressed for smoothing the banking facilitation in FDI handling. The following observations were retained as a result of their comments:

***FDI Help Desk*:** Bangladesh bank has instructed commercial banks to establish a FDI help desk in the concerned branches. Almost all banks have established the desk with concerned officials. But some of them do not have proper knowledge on FDI process, regulatory requirements, and bank's role. In absence of proper manual, they sometimes face difficulties in handling FDI customer.

FDI Inflow other than Approved Modes: In some cases, foreign investors send inward remittance by utilizing non-approved modes for investment in the country. Consequently, it takes ADs longer time in further processing such as reporting to Bangladesh Bank. Moreover, investors also experience unpleasant at very initial stage in FDI in the country.

Mismatch between Remitters and Share Issuance Process: In some cases, ADs experience operational difficulties in handling FDI in the country. Many investors from abroad recruit local FDI agents to assess the visibility of investment in the country. Upon the agreement with the agents, foreign investors send investment amount in the name of the agents. In this process, RJSC & F issues shares in the name of the remitter, but investment amount is credited in the agents' name. Consequently, investors and ADs face some unpleasant experience at the very initial stage of the investment.

***Information Gap of Investors and Local FDI Consulting F*irms**: Type A or 100 percent foreign owned enterprises usually conduct investment activities through their liaison banks in Bangladesh. However, in many cases, investors communicate with their partners in Bangladesh and channelize funds in the name of the local partners in Bangladesh, which is a violation of existing regulations for FDI. As per the regulations, foreign investors have to bring funds in the names of either the existing company or through creation of an NRTA account.

***Debt Equity Ratio for Non EPZ Company in Offering Loan Facilities*:** The Non- EPZ company can take term loan, if it complies with debt equity ratio of 50:50. But in this regulation the investor feels demotivated as other local company get same loan at higher debt equity ratio. The provision of loan can be at the accountability of the banker. For making a level playing field and to encourage the good investor, regulators may rethink the issue.

***Periodical Feedback Meeting with Existing FDI Clients*:** Sometimes FDI customers want more clarification and support from the bankers in the policy requirements. They prefer to communicate directly with appropriate authority. If a meeting can be arranged with the concerned regulators for bankers and investors to convey their operational requirements, the forum might reduce operational difficulties in handling investors by ADs.

Salaries of Employees from Parent Company: In some cases, parent companies abroad, while paying salaries for the employees in Bangladesh investment, prefer to send the salaries through inward remittance instead of equity form or working capital form. However, paying salaries to employees from abroad in the form of inward remittance instead of equity is not permitted. Consequently, the payment for is settled in other ways.

Redundant Reporting Process: ADs are required to report initial FDI status to BB within 14 days from the issuance date of share from RJSC. In many cases, while reporting to BB, investors delay in providing required documents to ADs which forces ADs to become non-complaint.

Regulatory Permission for Corporate Guarantee**:** Type A industry wants loan from OBU, but OBU sometimes was unable to facilitate them properly. OBU is unable to take the fixed property of type A industry as security as the first charge is on BEPZA. In such a situation, the OBU prefers corporate guarantee from parent company. But for this the permission from external debt department. But in this pandemic, it is withdrawn, and post facto approval is advised for reporting. Bankers want this post facto approval process to continue even after pandemic.

Conversation of FC in FDR**:** Due to the knowledge gap in regulations, many investors in infrastructure sector frequently ask banks to convert their remitted funds into an FDR account for higher interest rate. However, FDR in BDT cannot be created from equity, as per existing regulations for infrastructure as it is service sector.

5.2 Findings from Interview of Demand Side

In this study, the investors were interviewed to know about their perceptions and demands. Their opinions are summarized below in four broad parameters; macro environment feedback, role of ADs, FDI Help Desk, and their suggestions.

5.2.1 Macro Environment Feedback

Mismatch between the Project Timeline and Regulatory Approval: Every project has a timeline, and the investors want to follow the timeline. But in many cases, the approval procedure is lengthy and need various documents. Moreover, sometimes the regulatory requirements are not clear to the regulators themselves. This lengthy and cumbersome procedure delays the project time.

Lack of Coordination between Regulators: Investors have to comply with the rules and regulations of NBR, BSEC and BB. In some cases, investors are required to submit the same set of documents to more than one regulator. As opined by them, automation and greater coordination can make the process easier and faster.

Lack of Coordination in Designing Laws and Regulations: In designing different laws and regulations, the representatives from demand side should be included, as opined by the investor's representatives. Sometimes regulatory requirements do not match the operational aspect. Moreover, a clear list of dos' and don't is required. It does not create fair treatment to investors which does not ensure least investment and cost-effective business models.

Entry and Exit Policy**:** The entry of foreign fund is now easy. But, investors are facing problem in exit. Asset valuation is a very difficult issue. The listed auditors are sometimes not reliable. And for this valuation is sometimes rejected. There is no separate central mechanism of rules and regulations for the investors.

Explanation of Regulatory Provision Depends on Person Specific: Due to changes in persons in chair, sustainable central policies are crucial. Basic policies should not be changed. Frequent changes of VAT Law and Tax Law distort the projection of investors. Sometimes some regulatory explanations depend on the perception of the person seated on the regulator's chair.

Investor/ Company Specific Database**:** Sometimes regulators demand old documents. Due to the absence of company specific database, retention of old information or documents is getting difficult. Investors need not provide the same information again and again to various departments.

5.2.2 ADs' Roles in Facilitating FDI

Lack of Correct Interpretation of Circulars**:** In many cases**,** bank officials become confused about the correct interpretation of regulations. Knowledge gap is a crucial issue. The same circular is interpreted in different way by different bank officials.

Lack of Automation and Digitization in Transactions**:** Though some local banks are integrating IT system with company's system, entire transactions of investors are to be automated. With the absence in the country, remote transactions are difficult to be executed.

5.2.3 Suggested Measures

Investors feel that FDI in the country is regulatory driven, so ADs cannot go beyond the regulations. However, there are some issues or processes which can be left to ADs, as opined by top executives of foreign investment enterprises, as shown in Box-5.1.

Box 5.1: Suggested Measures for Smooth Operations of FDI
• ADs should have more authority for term loans, as default loans are insignificant in FDI finance. Long term loan sanction process for FDI enterprises should be at bank level rather than at BB level. In this regard, skilled human resources are required at bank levels. • As compliance (under-invoicing, over-invoicing, etc.) in cross border trade transactions is getting expensive which adversely affects business, more operational knowledge in compliance and money laundering is a must for bank officials. • Greater coordination is required between government departments connected with FDI • Third parties need to be more educated about the facilities and disincentives of FDIs in Bangladesh • More relaxation in offshore banking policy for lending to foreign owned investors should be brought. **Source**: Interview with Top Level Executives of Type-A Enterprises

5.3 Mini-Case Studies

To address the research questions, the research team spoke with BB executives as well as representatives from many SOCBs, SBs, PCBs, FCBs, and foreign direct investors to discover some unusual yet unique circumstances involving FDI. For the sake of secrecy, we are presenting the case studies in a summarized form in this section, and the name of the institution or linked parties will not be released (Mini-cases-5.1 to 5.10).

Mini-case 5.1: Unnecessary hassle is caused by lack of coordination among regulatory stakeholders.
A customer who is a sponsored shareholder of a commercial bank in Bangladesh became the sponsored shareholder through FDI, when the commercial bank was formed. He has no Non-Resident Investment Taka Account as well. They sent the dividend earned from the bank to their parent company directly. But, Bangladesh Security Exchange commission has given a circular for listed company, where it instructed to appoint sub custodian for repatriation of dividend in favor of non-resident customer. So, the customer asked a foreign commercial bank to facilitate in this case. In facilitating the investor, the FCB need to open a NITA account. But, according to BB regulation, NITA can be opened when portfolio investment is entering Bangladesh, and then the same account will be used for dividend repatriation. Here, the investor brought the fund as foreign direct investment not as a portfolio investment, so he has no NITA account. For this reason, the FCB needed permission from BB. Due to procedural issue, the transaction was completed in two months. This causes dissatisfaction for the FDI client as the investor has operational expense to appoint a custodian and in addition the long process hampers ease of doing business. Here, the investor demands regulatory coordination.
Source: Demand Side

Mini-case 5.2: Due to knowledge gap of bankers, the FDI Help Desk is unable to adequately assist the client.
A new banker is posted on FDI help desk without any training. An investor already remitted the amount at the name of that bank. After few days, the regulator asked the banker about the status of the remitted amount. The banker communicated this to the high official, but he was not helped due to knowledge gap. Then, he searched all the circulars related to it but was unable to point out the basic information regarding role. The FDI client was highly dissatisfied. The banker was unable to facilitate the client properly. A manual or a master circular was badly needed in this case.
Source: Supply Side

Mini-case 5.3: Absence of proper automation and data storage becomes an impediment to doing business in Bangladesh.
Before 2000, a foreign investor put money into a joint venture. However, the company's ownership was transferred to a new foreign investor, and the local investor's stake was reduced as a result. In this case, the company's operating actions required regulatory approval from various agencies. During the approval process, the investor's Chief Financial Officer encountered difficulties in submitting old documents that had already been filed. The time they spend in this process becomes an impediment to doing business in Bangladesh. They advocated for automation and data storage at this level.
Source: Demand Side

Mini-case 5.4: Sometimes the efficiency of Audit Firm is a Question.
A publicly traded FDI company seeks to repatriate its funds in order to leave the market. With appropriate notice, he approached his bank. According to BB and BIDA guidelines, the bank mentioned various required documents. A valuation report generated by an audit company must be submitted by the investor. A Bangladesh bank-listed audit firm audited the investor's financial value. Along with the other relevant documents, he provided the valuation report. The bankers examined the documentation before submitting the application to the authorities. However, after reviewing the documentation, the call was denied due to an incorrect valuation assessment. The effectiveness of the listed audited firm was questioned by the investor.
Source: Supply Side

Mini-case 5.5: Bank official is facing problem in ensuring compliance.
A Chinese investor contacted the bank to request that an account be opened in his name. There is no authorization from the competent regulatory authorities for the investment. He has secured an arrangement with a Bangladeshi ministry. And, the investor is asking that the account be opened in accordance with that agreement. There is no such clause, but because the contract is with the government, the bank officer opened the account, following verbal approval

from the concerned authority. The agreement with the ministry is used as a basic document for banks when the method, requirements, and procedures for the bank's operating transactions are not clear enough. A bank official is having difficulty assuring adequate documentation compliance. Furthermore, the venture is labor-intensive and has a large capital requirement, demanding enhanced due diligence.
Source: Supply side

Mini-case 5.6: Offshore Banking.
An OBU financed A type EPZ industry amounting to USD 33.5 million. Under this financing, the OBU offered both working capital and term financing. The company got issued EXP from the OBU of USD 8 million under open account. As security of the credit, the OBU took mortgage of land and hypothecation on machineries and stock. Besides, an international corporate guarantee from the parent company was also managed. The parent company of that A type industry is in Hong Kong. For some ownership problem, the company was going for liquidation in 2012; and it was informed to the concerned OBU. The OBU immediately stopped all transaction. But, that OBU is now not getting the recovery from the client. As per the law, BEPZA has the first charge on that land. And it is now a classified loan of that OBU. It seems that the available collateral arrangement is not sufficient to cover the loan. The outstanding claim of the said OBU is USD12.5 million
Source: OBU

Mini-case 5.7: BB arranged in person meeting with investor to solve repatriation issue.
A government authority awards a contract for infrastructure development to a large Japanese contractor company. The project was broken down into phases under the contract. To complete phase one, the corporation received the necessary funds from the government. They executed phase one correctly and on time. However, they were unable to obtain funding for the subsequent phases because the government entity was experiencing an internal challenge in releasing the funds. The parent Japanese firm supplied funds to finish the half-finished job with good intentions because the company had completed multiple

contracts with government entities. The government entity provided the funds to the Japanese firm after the work was completed, but the contract was completed in the meantime using the funds sent by the parent company. The corporation now desired to return the remaining sum. Due to a lack of sufficient regulatory explanation, the corporation was unable to send the funds on time. However, the BB has taken the case seriously and solved it by arranging an in person meeting with the client (with interpreter). At last, the company was able to send the residual balance after one year.
Source: Supply side

Mini-case 5.8: Reporting after share issuance creates operational problem for ADs.
The foreign remittance inflow was entered in the name of the proposed investment. The agent which may be a law firm or consultancy firm was processing for registration requirement in RJSC. In this process, the agent used its address and contact number to open the account in a bank. After issuance of share, there is a reporting requirement within 14 days. The share was issued, but the bank official was not informed. And when the official was trying to communicate, s/he was unable to get the contact of investor. The compliance issue is raised here. The bankers demand automation here.
Source: Supply Side

Mini-case 5.9: Misconception arises due to lack of proper clarification of the terms in the regulations.
A foreign business is given the task of constructing infrastructure. Now, in order to complete the work order, the foreign company must open a branch office with the necessary approval from the proper authorities. After proper reporting, a branch office will be established. For the project's execution, a separate account will be opened against the branch office. This Chinese firm did not establish a branch office. It used authorized authority to open a project account with a bank that was not legally formed. During the repatriation procedure, the bank official and the Chinese customer confront time delays caused by the client's misinterpretation of the regulatory documents' definitions. A clarification is now demanded from the regulators.
Source: Supply Side

Mini-Case 5.10: Fund diversion and converted to term deposit banking products.
A contract to build infrastructure in Bangladesh has been awarded to a foreign corporation. A government agency was involved in the contract. Phase by phase, it received the funds. However, it put some of the money into a fixed deposit with a local bank, which pays interest. When the corporation intended to close the project and repatriate the residual funds after it was completed, Bangladesh Bank discovered this during its investigation. The fund repatriation was jeopardized due to diversion and improper usage of a term deposit product. The funds could not be repatriated. The concerned bank's lack of understanding and incompetence is evident here.
Source: Supply Side

6.0 Recommendations and Conclusions

6.1 Handbook for Banking Operations on FDI: As the study reveals that the meanings of numerous regulatory circulars aren't always understandable to bankers; and in addition the bankers sometimes fail to follow the synchronization of the circulars in facilitating FDI. Many bankers and investment advisors struggle to summarize the full FDI process. Several definitions need to be clarified further, e.g. what is a project, a branch, and who is the competent authority. In this context, a handbook on the step-by-step approach relating to the operations of FDI may be launched from BIDA or BB for the investors and bankers and other related stakeholders.

6.2 IT infrastructure of Banks and Dedicated Team: More IT integration in the various services of banks is preferred by investors. Investors want to be involved with banks in this matter so that they can receive prompt assistance. Furthermore, bankers' capability must be updated in order to better serve FDI customers. In this situation, the investor suggests that banks should create a distinct FDI team with the necessary expertise and IT infrastructure to handle quality service issues. Consequently, banks might be able to combine their IT systems with investors' IT platform for easier and faster facilitation to investors.

6.3 Periodical Feedback Meeting with Existing Investors: Foreign investors want to explain their situation to the regulators in their own words. Furthermore, bankers are sometimes unable to raise the appropriate issue with the regulators. As a result of these factors, some existing investors have requested a feedback meeting with regulators, specifically Bangladesh Bank's concerned (FEID) official (s). Furthermore, this interaction with existing investors may boost their confidence and comfort level. In this regard, BIDA or BB might arrange quarterly or half yearly meeting with existing foreign investors for better understanding of their challenges in the business operations of investors.

6.4 Coordination among Regulatory Stakeholders: The lack of coordination among regulators has been mentioned in both demand and supply side opinions in the study. The same investors are served by RJSC, BSEC, and BB on various issues. So a coordinated approach comprising RJSC, BSEC and BB is essential to archive the desired goal of all regulatory stakeholders in boosting FDI with proper compliance.

6.5 Awareness Development Program for Third Party Service Providers Involved: Foreign direct investors hire legal agents or consulting businesses to help with the initial documentation and company setup. Due to lack of awareness of the local legislation of various regulators, they may be unable to communicate the correct requirements to the ultimate investor. As a result, some investors have misconception which ultimately affects ADs' service. They are having problems as a result of a third party's inappropriate and ineffective information transmission. In this context, third-party service providers should be made aware of country's FDI rules and regulations, so that they can better communicate with potential investors.

6.6 Exit Policy Need to be Made More Accommodative: A foreign investor must be aware of a host country's exit policy. To attract global FDI, an appropriate exit policy is required. Even though the government and other policy-making organizations are working hard to promote FDI, both the demand and supply sides have pointed to a lengthy and cumbersome process exiting in Bangladesh. Though the BB issued a circular in 2020 with the goal of clarifying the exit process, some requirements, particularly valuation, are of concern to central bankers, ADs, and investors. BB has a list of auditors, but the audit firm's efficiency and accountability in this scenario are sometimes called into question. Investors are pleased with the onboarding process and expect a simple and well-explained exit strategy. Competent authority should design a comprehensive exit policy to attract more FDI into the country.

6.7 Automation among Regulators, Demand and Supply: It was found that the percentage of reinvestment earnings is the greatest in overall FDI. That is, current foreign investors in Bangladesh re-invested their profits, with only 32 percent being FDI equity or new investment. In this situation, the investors and their operational team had difficulty obtaining ancient documentary evidence due to the time commitment. The current investor is looking for IT integration and automation. Therefore, BIDA might create a database for investors with a unique ID code for each investor which is expected to help keep track record in a unique way.

6.8 Post-facto Approval for Corporate Guarantee: Because BEPZA has first charge on property and equipment, OBU is having difficulty providing finance to Type A industry. They employ corporate guarantee in this scenario. Clearance from FSID's external debt desk is required before granting the guarantee. However, it has been withdrawn in COVID, and post-facto permission is advised for reporting, making the process easier for bankers and investors. As a result, BEPZA might think of removing the requirement for corporate guarantee permission and also implement a post-facto approval process.

References

Balamurali, N. and Bogahawatte, C. (2004) "Foreign Direct Investment and Economic Growth in Sri Lanka" *Sri Lankan Journal of Agricultural Economics,* 6: 37-50.

Islam, A.K.M. (2014) "Foreign Direct Investment (FDI) in Bangladesh: Prospects and Challenges and Its Impact on Economy" *Asian Business Review*, 4: 24-36.

Hossain, M. A. (2008) "Impact of Foreign Direct Investment on Bangladesh's Balance of Payments: Some Policy Implications" PN 0805, *Bangladesh Bank Publications*

Kibria, A. (2019). BD SEZs to attract higher FDI: UNCTAD. Retrieved June 16, 2021, from The Financial Express: Available online at - https://www.thefinancialexpress.com.bd/trade/bdsezs-to-attract-higher-fdi-unctad-1560396991

Mahmud, N. (2019). Bangladesh second largest FDI recipient in South Asia: Report, online at - https://www.southasiatime.com/2019/06/26/bangladesh-second-largest-fdi-recipient-in-south-asiareport/

Quader, S. M. (2009) "Foreign Direct Investment in Bangladesh: An Empirical Analysis on its Determinants and Impacts" Retrieved from *http://mpra.ub.uni-muenchen.de/26134/MPRA* Paper No.26134.

Rahman, A. (2012) "Foreign Direct Investment in Bangladesh, Prospects and Challenges, and its Impact on Economy" Master's Thesis, Asian Institute of Technology School of Management Thailand.

Rothgeb, John M., Jr. (1984) "The Effects of Foreign Investment On Overall And Sectoral Growth In Third World States", *Journal of Peace Research*, 21(1): 5-15.

Saqib, N., Masnoon, M and Rafique, N. (2013) "Impact of Foreign Direct Investment on Economic Growth of Pakistan" *Advances in Management & Applied Economics*, 3(1): 35-45

UNCTAD (2021). World Investment Report. New York and Geneva: United Nations

Appendix Table 1: List of the Banks which Responded to the Questionnaire
State-Owned Commercial Banks (SOCBs)
1. Sonali Bank Limited 2. Janata Bank Limited 3. Rupali Bank Limited 4. Agrani Bank Limited
Private Commercial Banks (PCBs)
1. Trust Bank Limited 2. Janata Bank Ltd 3. Community Bank Limited 4. BRAC Bank Limited 5. Dhaka Bank Limited 6. Dutch Bangla Bank Limited 7. Eastern Bank Limited 8. EXIM Bank Limited 9. First Security Islami Bank Limited 10. Islami Bank Bangladesh Limited 11. Mercantile Bank Limited 12. Mutual Trust Bank Limited 13. NRB bank Limited 14. NRB Commercial Bank Limited 15. ONE Bank Limited 16. Al-Arafah Islami Bank Limited 17. Prime Bank Limited 18. Pubali Bank Limited 19. Shahjalal Islami Bank Limited 20. Social Islami Bank Limited 21. Southeast Bank Limited 22. Standard Bank Limited

23. Jamuna Bank Limited 24. The City Bank Limited 25. The Premier Bank Limited 26. Uttara Bank Limited 27. National Credit & Commerce Bank Limited 28. United Commercial Bank Limited 29. The City Bank Ltd. 30. National Bank Ltd 31. Bangladesh Krishi Bank Ltd 32. Union Bank Ltd 33. Uttara Bank Ltd 34. Premier Bank Ltd 35. Shimanto Bank Ltd.
Foreign Commercial Banks (FCBs)
1. HSBC Bangladesh 2. State Bank of India 3. Standard Chartered Bank 4. Commercial Bank of Ceylon PLC 5. Woori Bank 6. National Bank of Pakistan 7. Bank Alfalah Limited

Appendix Table 2: List of Participants (Bank Officials and others) who Participated at Focus Group Discussions or Interviews	
Sl. No.	**Bank Name**
1.	Dhaka Bank Limited
2.	Dutch Bangla Bank Limited.
3.	Eastern Bank Limited
4.	EXIM Bank Limited
5.	First Security Islami Bank Limited

6.	Golden Harvest Foods Limited
7.	Islami Bank Bangladesh Limited
8.	Italy Footwear
9.	Jamuna Bank Limited
10.	Modhuomoti Bank Limited
11.	National Bank Limited
12.	NCC Bank Limited
13.	ONE Bank Limited
14.	Shadharan Bima Corporation
15.	Shahjalal Islami Bank Limited
16.	Social Islami Bank Limited
17.	Sonali Bank Limited
18.	Southeast Bank Limited
19.	Southeast Bank Limited
20.	State Bank of India, Bangladesh
21.	System Analyst, National Board of Revenue
22.	The Premier Bank Limited
23.	United Commercial Bank Limited

As a values-based organization, BRAC Bank invests in building the nation with education and development initiatives that contribute to healthy, sustainable and harmonious economic growth.

It gives us immense pleasure to be affiliated with the Bangladesh Institute of Bank Management (BIBM) for publishing a keynote paper of its roundtable discussion. We believe that the new generation of bankers would get access to a pool of knowledge on key functional areas of the banking industry.

We believe that the book will not only empower the professionals with a better understanding of finance but will also broaden their capabilities and help them contribute more to the country's economic prospects.

Our best wishes to BIBM.

Selim R.F. Hussain
Managing Director & CEO
BRAC Bank Limited

BRAC BANK
আস্থা অবিচল

Bangladesh Institute of Bank Management (BIBM)
Plot No.4, Main Road No. 1 (South), Section No. 2, Mirpur, Dhaka-1216
Tel: 48032091-4; 48032097-8, 48032104, E-mail: bibmresearch@bibm.org.bd; Web: www.bibm.org.bd

Price: BDT 300.00
USD 8.00