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STATEMENT OF THE PROBLEM
OBJECTIVES
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RESEARCH METHODOLOGY
RESULTS & DISCUSSION
FINDINGS
RECOMMENDATIONS/SUGGESTIONS
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FOREIGN DIRECT INVESTMENT DETERMINANTS IN BANGLADESH READY-MADE GARMENTS INDUSTRY

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ABSTRACT

Foreign Direct Investment (FDI) can play a significant role in economic development of Least Developing Countries (LDCs) like Bangladesh. Due to financial crisis and insufficient of local investment, economic development such LDCs are slack. Though, Bangladesh belongs in LDCs category but the second largest Readymade Garments (RMGs) exporter in the world. The study was conducted interviewing two types of respondents – foreign investor and government policy maker. The results revealed that Bangladesh has started to receive FDI since 1980 but investment rate is still low compared to demand due to several influencing factors. However, from the last two decades, Bangladesh economy is rapidly raising; hence, GDP growth has reached 6.5; that is dominated by labor cost & productivity, GSP, duty free access, trade agreements facilities, bilateral investment treaty, offshore banking unit, tax, and regulatory policies in RMGs sector. Thereby, Bangladesh government has reformed some incentives for entrepreneurs to attract more FDI now. So, it was attempted to find out which determinants are keeping impact in attracting FDI to develop Bangladesh RMGs industries in this paper and how much effective recent climate to tempt more FDI to fulfill local demand.

KEYWORDS

BEPZA, BOI, determinants, FDI, RMG.

INTRODUCTION

Foreign Direct Investment (FDI) is one of the most essential elements of economic development for any Least Developing Countries (LDCs) and it makes a path for international business opportunity. Therefore, FDI has positive impact on the unused property of host and home countries, thus accelerate economic development. Many researchers have marked FDI as an essential element in accelerating economic success by facilitating economy and creating more competitive environment and contributing productivity to the host country. Thereat, all Multinational Companies (MNCs) and entrepreneurs are changing their strategies for LDCs to compete for FDI and how it can make physical capital, create employment opportunities, develop productive capacity, enhance skills of local labor through transfer of technology and managerial skill, making diversity, and help to integrate the domestic economy with the global economy. Further, policy makers and MNCs are strongly emphasizing the importance of an investment climate and flow of FDI for increasing economic growth in LDCs. For the entrepreneurs, the potential benefits lies in penetrating a market, gaining access for raw materials, diversifying business activity, rationalizing production processes and overcoming some of the difficulties of exporting, such as trade barriers and transport costs. FDI is also eligible to learn the companies about the host market and how to compete on it. Moreover, FDI is a major source of external finance which means that countries with limited amount of capital can receive finance besides national borders from wealthier countries.

FDI is invested in the LDCs like Bangladesh. Industrial development is the pre-requirement of developing any country. Bangladesh is basically agrarian country where has no domestic savings rate for investment after fulfilling the basic needs. So, Bangladesh economy is gradually moving from agrarian to industrial. Therefore, FDI has a remarkable role in the modernization of the Bangladesh economy for last two decades. Various positive attributes of Bangladesh is now drawing the attention of the investors from both developed and developing countries. In Bangladesh, it is available to get skilled labor at relatively low wages. Moreover, there is reasonably stable macroeconomic environment. These two important factors can make Bangladesh an attracting destination for foreign investors. Anyhow, lowest wage rates among the Asian countries, tolerable inflation rate, reasonably stable (except previous year) exchange rate, investment friendly custom regulations and attractive incentive packages make Bangladesh a favorable investment destination. Bangladesh became more open toward FDI policies over the last decades. These above features will certainly maintain the recent advancement in FDI investment in Bangladesh by the foreign investors.

The Ready-made Garments (RMGs) industry is the largest exporting industry in Bangladesh which experienced growth during the last 20 years. Therefore, this industry is growing up rapidly day-by-day which is influenced by stable investment environment and availability of cheap rated man power utilization. Currently, Bangladesh economy is controlled by RMGs sector, textile and foreign remittance. So, Bangladesh is the second largest RMG exporter world's after China which started its modest journey in late 1970s and within three decades, it has been a progressing sector. More than 80 percent of Bangladesh's export earning comes from the RMGs sector.

LITERATURE REVIEW

Globally, about FDI still has debate and many researchers have viewed it as a matter. FDI is boom or bane for the host countries economic growth and developments, still has many opinions because FDI has its own merits or demerits. However, some findings and opinions of several researchers are explained below that provide basic information about FDI and economic growth.

Rothgeb (1984) found FDI inflows on LDCs have an upstanding inconvenient outcome. With positive impacts on growth this effect would be overcome within short period of time. He also explored his own model for the impact of FDI growth in Bangladesh and found there has a positive impact on growth for FDI. He saw that there has a change in the level of domestic investment on growth with strong positive outcomes too. On the contrary, Borensztein et al (1998) utilized date by cross-country regression framework for FDI in 69 industrial countries to developing countries. The results showed that FDI is an important vehicle for the transfer of technology, contributing relatively more to growth than domestic investment when the host country has a minimum stock of human capital or when there is a sufficient capability of the advanced technologies is available in the host economy. Besides, Aitken and Harrison (1999) have evaluated the contribution of FDI to domestic productivity and found positive impacts of FDI on economic development. But, Levine et al. (2000) found negative results on economic development.

Inversely, Mottaleb (2007) studied on determinants of FDI and its impact on economic growth in LDCs. He studied the gap through domestic savings and investment and providing the latest technology and management with FDI how can play important role in achieving rapid economic growth in the LDCs. He drag out the panel data of FDI flows of sixty low-income and lower-middle income countries and found that FDI has an important effect on economic growth of third world countries by creating co-relation between the gap. Later, Muhammad Azam (2010) using secondary data from 1980 to 2009 by the linear regression model for the impacts of export and FDI on economic growth of South Asian countries found that due to promotion of exports, economic growth of each country would increase. He also found there has a 1% level of positively significant FDI in Bangladesh. Similarly, V.N. Balasubramanyam, M. Salisu, and D. Sapsford (1996) found positive and significant impact of FDI on economic growth in LDCs by applying the export promotion strategy. Wherein, they examined about the impact of FDI on economic growth in developing economies. At a time also found that by applying the import substitution strategy, such relations do not exist in LDCs. Quader, Syed Manzur (2009) applied extreme bounds analysis to the data of the various catalyst variables of FDI inflows in Bangladesh and they found FDI and domestic investment have a positive effect on economic growth. For increasing investment, employment productivity and economic development; recently many countries is focusing open door policy to attract FDI (Agiomirgianakis *et al* 2003).

Always, at the early stage of development there has lacking of terms and those is technology, capital and human resource management. Most of the FDI literature has acknowledged that FDI in the host country not only contribute capital for productive development, its transfer also technical and managerial knowledge and skills, which is contribute in the host country's national economy (Balasubramanyam et al 1996; Kumar and Podhan; 2002). It is recognized that FDI can contribute to the growth of GDP, Gross Fixed Capital Formation (GFCF), total investment in a host country, and balance of payments (Baskaran and Muchie; 2008). But, terms of technology in LDCs has always disadvantage position, so; FDI can contribute to transfer technology and can contribute towards income, production, prices, employment, economic growth, development and general advancement to the host country (Kok and Ersoy; 2009). Hence, Agiomirgianakis *et al (*2003) proposed that as FDI increases the total output of the host country and it's finally contributes to the economic development of the host country. To expand industrial achievement in host country's productivity should be high quality and market efficiency.

The year 1990 was considered as the liberalization of laws, rules, regulations which influenced the FDI of LDCs. World development report (1991) concluded that development perspective had changed significantly. Bangladesh opened up its economy in 1990 and stared drawing the attention of foreign investors. Mortoza and Das (2007) empirically shown that liberation of the trade had an impact on FDI in Bangladesh. According to investment Handbook (2007) of Bangladesh Board of Investment (BOI), it is easy to do business in Bangladesh than many LDCs. Report of "Doing Business" jointly published by the World Bank and IFC ranked Bangladesh in the 68th position in terms of starting business among 175 economies. World Bank (2005) advocated that Bangladesh can attain physical capital, technology transfer, sharpen the competitiveness among domestic investors. In 1990 the economy of Bangladesh has made remarkable advancement in terms of GDP growth, which was around 5%. The 4th survey of FDI inflow by BOI in Bangladesh stated that the cost of investment in Bangladesh has become cheaper compared to the previous year. But Mondal (2003) found that FDI inflow to Bangladesh is considered by six factors – (i) Political instability, (ii)Sluggish steps towards privatization, (iii) High business cost, (iv) Tax hazards, (v) Threats related to finance, and (vi) Incompetent or futile capital market.

Many studies have clarified that infrastructural, bureaucratic, environmental factors and political instability contain the restriction and attraction inflow of FDI (Main and Alam, 2006; Kafi*et al.,* 2007). According to Musila and Sigue (2006) successfully to attract a large volume of FDI, it is important to maintain political, sound macroeconomic stability and a favorable policy regime. Alam *et al* (2006) has empirically shown that to attract foreign investment the macroeconomic environment is congenial in Bangladesh. Since, the beginning of BEPZA it has been playing a very important role for economic development of Bangladesh through export promotion, employment creation, technology transfer and development of forward and background linkages of industries and so on.

SIGNIFICANCE OF THE STUDY

The study has great significance for the following reasons –

1. To analyze and know about the global challenges, opportunities and threats of RMGs & textile industries;
2. To analyze the present situation of the RMGs & textile industries;
3. To analyze the impact of FDI inflow on GDP, export, and private investment in the RMGs & textiles; and
4. To evaluate the contribution of FDI in the RMG sector to the economic development of Bangladesh.

STATEMENT OF THE PROBLEM

There are many direct and indirect factors or determinants that influence FDI flow rate in any developing country like Bangladesh. Regrettably, FDIs, which is closely connected to economic development of Bangladesh, has not really been quested to explore impacts of its determinants. Hence, the absence of any known study on determinants of FDI in Bangladesh, has coupled the problems. Thereat, analysis of such determinants and identification their positive and negative impacts can attract investors by providing enough information.

OBJECTIVES OF THE STUDY

The objective of this paper is to find out FDI determinants in Bangladesh RMG industries and what is the significant role of them in development of RMG sector.

HYPOTHESIS

1. There have many determinants to attract FDI in Bangladesh RMG industries.; &
2. There have a significant role to play FDI determinants in Bangladesh RMG industries.

RESEARCH METHODOLOGY

With a view to secondary data collection and gathering experiences to design interview format, published and unpublished literature was reviews from different sources; such as, magazine, annual report, thesis paper, journal paper, working paper, newspaper, webpage, and website of different government and private organizations. Phenomenological approach and qualitative research methods were employed for this study.

Wherein, interview methods were employed with key organization, target groups, policy makers and foreign investors. Then target respondents were categorized as foreign investor and government policy makers for interviewing. From both categories, 8 foreign investor respondents and 6 government policy makers were interviewed for primary data collection. Further, the data collection and interview areas are Bangladesh Export Processing Zone Authority (BEPZA), and Dhaka Export Processing Zone (DEPZ) in Dhaka and Chittagong Export Processing Zone (CEPZ). Face to face interview was conducted from both types of respondents to gather more in depth information.

RESULTS AND DISCUSSION

TREND OF INVESTMENT

Board of Investment (BOI), one of the most important organizations of Bangladesh, is now carrying out its daily functional and service oriented activities. Bangladesh is a lively and attractive investment destination even in the thick of a strong global economic downturn. New opportunities are emerging for foreign investors in Bangladesh every day. As a result, the sources of new foreign and joint venture projects registered with BOI in 2014 received from 24 countries from different regions of the world. The South Asia is the largest source in terms of investment amount followed by East and South East Asia, North America, European Union and Commonwealth of Independent States (CIS) region.

BEPZA is playing a significant role in the economic as well as socio-economic development of Bangladesh. The Export Processing Zone (EPZ) of Bangladesh is "Prosperity for the investor" due to low cost production base, availability of cheapest energetic workforce and geo-regional location. BEPZA always tries to maintain peaceful, production oriented investment friendly industrial atmospheres in the EPZs. For the reason, various adverse situations in industrial sector of the country could not affect on EPZ. EPZ is renowned for competitive wage, low cost production and most attractive investment friendly industrial base in the Asian region. Now, BEPZA is a brand in the global market. Investment is always welcome in the EPZs and BEPZA ensures congenial atmospheres for the investors. Investment from 38 countries has already invested in the EPZs of Bangladesh.

FDI inflows (net) in EPZ areas during July-December, 2014 amounted to US$ 173.45 million which is 23.00% of total inflows (net). In the preceding period January-June, 2014 it was US$ 229.16 million or 29.67% of total inflows (net). The components of FDI inflows in EPZ areas are equity capital, reinvested earnings and intra-company loans shared by US$ 15.38, 132.35 and 25.72 million respectively. On the contrary, non-EPZ area during July-December, 2014 recorded to US$ 580.83 million which is 77.00% of total inflows (net). In the preceding period January-June, 2014; it was US$ 543.26 million or 70.33% of total inflows (net). Similarly, the components of FDI inflows (net) in non-EPZ area are equity capital, reinvested earnings and intra-company loans shared by US$ 154.85, 413.33, and 12.65 million respectively (Bangladesh Bank Survey Report , July-December, 2014).

FDI REGISTRATION STATISTICS IN BANGLADESH

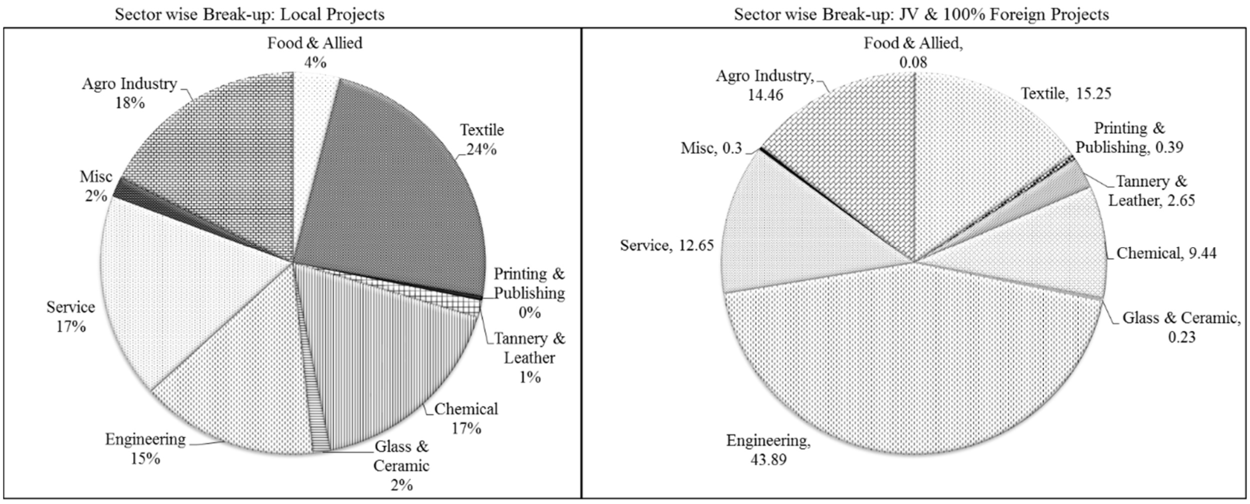
TABLE 1: PRIVATE INVESTMENT PROPOSALS REGISTERED (IPR) WITH BOI FROM FY 2006-07 TO FY 2014-15 (UP TO DECEMBER)

Fiscal Year	Local IPR		Foreign IPR		Total IPR		Total Employment opportunity (Person)
	Project	Project value (Million Tk.)	Project	Project Value (Million Tk.)	Project	Project Value (Million Tk.)	
2006-07	1,930	196,580.902	191	119,251.081	2,121	315,831.983	458478
2007-08	1,615	193,530.073	143	54,328.849	1,758	247,858.922	410,744
2008-09	1,336	171,174.916	132	147,496.092	1,468	318,671.008	308,037
2009-10	1,470	274,136.882	160	62,607.587	1,630	336,744.469	330,663
2010-11	1,746	553,690.466	196	365,242.771	1,942	918,933.237	503,662
2011-12	1,735	534,769.057	221	344,168.157	1,956	878,937.214	451,150
2012-13	1457	446148.388	219	220721.295	1676	666869.683	309709
2013-14	1308	497593.245	124	185318.034	1432	682911.279	224943
2014-15	609	349431.535	57	56666.29	666	406097.800	99125
Total	13,206	3,217,055.464	1443	1,555,800.156	14,649	4,772,855.595	3,096,511

Source: Policy and Planning Wing, Board of Investment

In Calendar Year (CY) 2006, a total of 2,076 projects amounting BDT. 245,508.557 million was registered with the BOI which grew to 1555 projects in CY 2014 with a total proposed investment of BDT.721387.194 million. (Table-01) presents the private investment proposals registered (IPR) with BOI from CY 2006 to CY 2014.

FIGURE 1: SECTOR WISE DISTRIBUTION OF PROJECTS REGISTERED WITH BOI



Source: Adopted from 'Policy, Planning and Investment Monitoring wing of BOI.'

Textile is the major sector of local investment projects and Engineering is the major sector of JV & 100% foreign investment projects. Besides, agro-based, chemical, service, food & allied are important sectors both in local & foreign investment. (Figure-01) presents a comparative scenario of the sector wise distribution of local and joint venture & 100% foreign projects in CY 2014. Fiscal Year (FY) 2014-15 total RMGs export US$ 25491.40 million and total export of Bangladesh US$ 31208.94 million which is 78.60% of total export of Bangladesh. This year total Garment factory was 4296 and employment was 4.00 million (BGMEA Trade Information).

FDI DETERMINANTS IN BANGLADESH RMG

FDI is considered as one of the essential determinants for overall development process of a developing country like Bangladesh. This survey attempted to find out FDI essential determinants in Bangladesh RMGs. This paper collected data from some previous papers, book, magazine and their valuable of the point and perception applied for interview with some foreign entrepreneurs in EPZ (Dhaka and Chittagong) and high lever officials of BOI, BEPZA, Ministry of Commerce and Ministry of Industries, Bangladesh.

LABOR COSTS AND PRODUCTIVITY

TABLE 2: GARMENTS MANUFACTURING LABOR COSTS (US$/HOUR) BY COUNTRIES

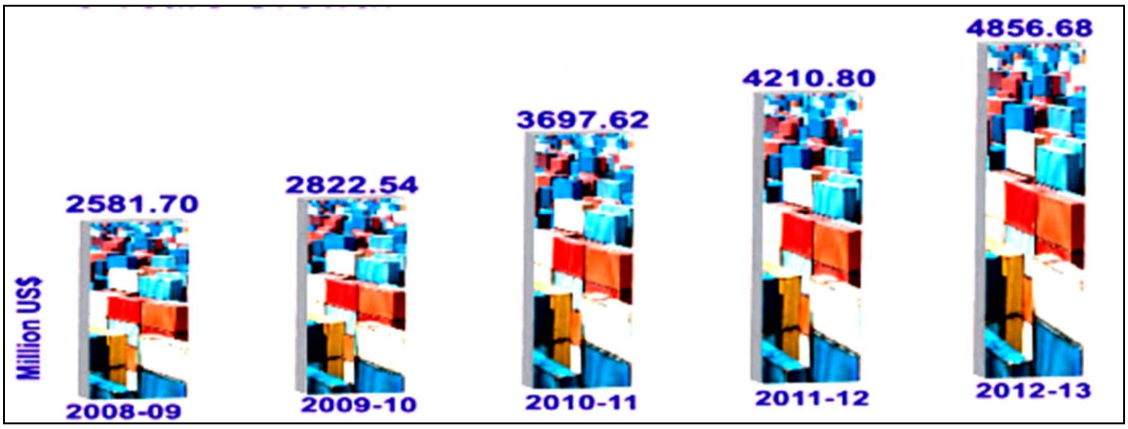
Asian Competitors		**US Regional Suppliers**	
Country	US$	Mexico	2.54
Bangladesh	0.22	Honduras	1.72-1.82
Cambodia	0.33	Dominican Republic	1.55-1.95
Pakistan	0.37	Nicaragua	0.97-1.03
Viet Nam	0.38	Haiti	0.49-0.55
Sri Lanka	0.43	**EU Regional Suppliers**	
Indonesia	0.44	Turkey	2.44
India	0.51	Morocco	2.24
China(remote/inland areas)	0.55-0.80	Russia	1.97
China (other coastal/core areas)	0.86-0.94	Tunisia	1.68
China (Prime coastal areas)	1.08	Bulgaria	1.53
Malaysia	1.18	Jordan	1.01
Thailand	1.29-1.36	Egypt	0.83

Source: ILO Report, 2011 and NCM-April, 2013.

Charkrabarti (2001) claims that wage as an indicator of labor cost has been the most content of all the potential determinants of FDI. In ODI (1997), it is stated that empirical research has also found relative labor costs to be statistically significant, particularly for FDI in labor-intensive industries and for export-oriented subsidiaries. Bangladesh is an over populated country and total population above 166 million (28 February 2016, UN estimates, Worldometers) and main dependable source is agriculture. Approximately 79 million people (2014) under labor force (The World Bank, 2015). Bangladesh has comparative advantages in cheap labor for manufacturing particularly in the garment sector. (Table-2) is shown that comparatively wages in the developing countries. The advantage in low-wages labor translates into strong price advantage for Bangladeshi producers to the EU-27 market than Cambodia, China, Indonesia, India and Vietnam.

The minimum wages is set nationally every five years by the National Minimum Wage Board in a tripartite forum industry by industry. Inversely, skilled workers of 25 per cent of the labor force in the garments industry have been estimated. A third of all garment firms and a quarter of all textiles firms identified an inadequately educated workforce as a major constraint in 2007 (World Bank Enterprise Survey, 2007). Organized skills development is still at an early stage as most training is on the job. By this labor force during 2008-09 to 2012-13 FY of enterprises of EPZ exported goods worth US$18.17 billion, which was around 17.97% of the last 05 years national export (Figure 02).

FIGURE 2: 5 YEARS NATIONAL EXPORT GROWTH SCENARIOS OF BANGLADESH



Source: BEPZA Annual Report 2012-13.

GENERALIZED SYSTEM OF PERFORMANCE (GSP)

As LDC, Bangladesh enjoys tariff and quota free access to the EU-27 countries under Generalized System of Performance (GSP) for all its products (apart from arms and armaments) if that the products satisfy the EU rules of origin. These stipulate that manufactured products have to be “sufficiently worked or processed” in the exporting country in order to qualify as having originated there. Bangladesh also enjoy tariff free access for the export of manufactured products to the Canada, Australia, New Zealand , Japan and others developed countries under their respective GSP.

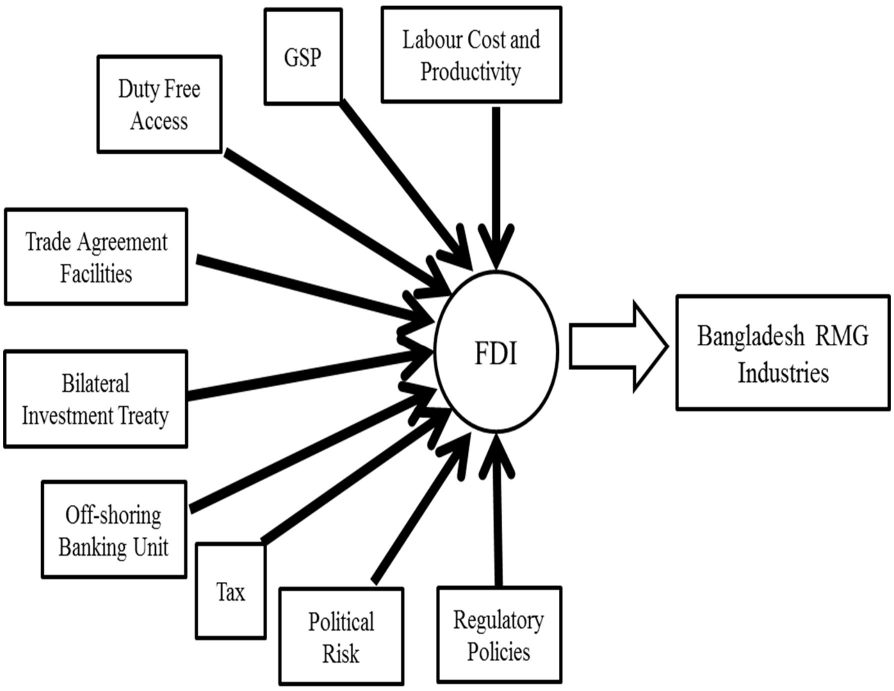
DUTY FREE ACCESS

Some 49 Countries have given Duty-free Access (DFA) to Bangladeshi products in their markets. EU-28 countries, Australia, New-Zealand, Norway, Switzerland, Japan, Turkey, Canada, Russia and Belarus have allowed 71 products under the GSP to Bangladesh. But, South Korea has given DFA to 4,820 products under the preferential tariff for LDC while China has given to 4,788 products under duty free Treatment Grants. Thailand has allowed DFA to 299 products under BIMSTEC and Malaysia to 297 products.

TRADE AGREEMENTS FACILITIES

Bangladesh enjoy the facilities from the membership of South Asian Free Trade Area (SAFTA), which considered India, Pakistan , Sri-Lanka and other South Asian countries to reduce its tariffs on a wide range of products. According to SAFTA, investors in Bangladesh enjoy DFA to India and others member countries. Furthermore, Bangladesh belongs to the Asia Pacific Trade Agreements (APTA) and SAFTA; therefore, enjoys reduced tariffs on export of the certain goods to China.

FIGURE 3: MODEL OF FDI DETERMINANTS IN BANGLADESH RMGS SECTOR



Source: Created by authors based on literature review and practical experiences.

BILATERAL INVESTMENT TREATY (BIT)

The foreign private investment (Promotion and Protection) Act 1980 includes guarantee of fair and equitable treatment to foreign private investment. Such national treatment is also provided in Bilateral Investment Treaty (BITs) for the promotion and protection of foreign investment that was concluded with 31 countries as on April 2012. Besides, negotiations on concluding BITs have been going on with others 9 countries.

OFFSHORE BANKING UNIT (OBU)

Offshore Banking Unit (OBU) refers to an international foreign currency-based banking facility involving non-residents. A non-resident is a person, bank or firm who/which resides outside Bangladesh. Non-residents also include Bangladesh national who reside abroad. OBU can carry on their activities of deposit taking and lending to international enterprises or investors without conflict with the domestic fiscal and monetary policy. Therefore, offshore banking is international banking kept separate from domestic banking with freedom and functioning. OBUs play an important role in satisfying the banking needs of the industries operating in the EPZs of the country extending all sorts of credit facilities; with the growing demands for banking facilities due to establishment of more industries in the EPZs. The OBUs are entitled to obtain deposit as well as borrowing from abroad and are free to extend credit facilities to the industries in the EPZs. OBUs may be located both in the EPZs and in any others convenient location outside. Even existing branches of banks may be allowed to operate such units through a completely separate counter. At present, BEPZA has permitted 31 Banks for setting up of OBUs.

TAX

FDI has sensitivity to attract by tax incentives. Some studies have shown that host country corporate taxes have a significant negative effect on FDI flows. Contrary, some studies have shown that taxes do not have a significant effect on FDI. Whatever, comparatively the tax is narrow in Bangladesh and the revenue comes mainly from indirect taxes. The corporate tax rate is 35 percent for publicly traded companies and 40 percent for all other companies. Capital gains from the transfer of shares of public limited companies listed with a stock exchange are tax-exempt. As the foreign direct investors and their activities are positively or negatively influenced by the tax policies of the country, so tax is one of the important variables of FDI in Bangladesh.

POLITICAL RISK

The empirical relationship between political instability and FDI flows is unclear. According to ODI (1997), where the host country owns rich natural resources, no further incentive may be required, as it is seen in politically unstable countries, such as Nigeria and Angola, where high returns in the extractive industries seem to compensate for political instability. For example, Jaspersen *et al*. (2000); and Hausmann & Fernandez-Arias (2000) found no relationship between FDI flows and political risk while Schneider & Frey (1985) found an inverse relationship between the two variables. Using data on United States FDI for two time periods; Loree and Guisinger (1995) found that political risk had a negative impact on FDI in 1982 but no effect in 1977.

FDI has increased by 50% from FY 2013 to FY 2014 in Bangladesh. Sustained economic growth, a demographic dividend, and increased reforms of the RMG sector are resulting in substantial interest in investing in Bangladesh. Political unrest in the consequence of the January 2014 elections and subsequent one year anniversary in January 2015 has resulted in some investment delays or cancellations. Government policies are generally in favor of increased economic growth, but are hampered by slow and incomplete implementation issues (U.S. Department of State 2015; Investment Climate Statement, May 2015).

INFRASTRUCTURE

Infrastructure covers many dimensions ranging from telecommunication systems, roads, ports, and railways to institutional development. According to ODI (1997), poor infrastructure can be seen, however, as both an obstacle and an opportunity for FDI. For the majority of low-income countries, it is often mentioned as one of the major obligation. Jordan (2004) claims that good quality and well-developed infrastructure increases the productivity potential of investments in a country; therefore, stimulates FDI flows towards the country. According to Asiedu (2002) and Ancharaz (2003), the number of telephones per 1,000 inhabitants is a standard measurement in the literature for infrastructure development. However, according to Asiedu (2002), this measure falls short, because it only captures the availability and not the reliability of the infrastructure. Bangladesh infrastructure is weak but also offers effective prospects for investment.

REGULATORY POLICIES

The Bangladeshi workforce is one of the country's principal assets. It arouses considerable inspiration among business people, both foreign and domestic, with some qualifications. It is seen as inspiration, flexible, hardworking and trainable. Wages are low in Bangladesh, even by regional standards. Wage rates are estimated by BOI, the salary of unskilled workers at $50 per month, semi-skilled workers at $60 per month and skilled workers at $70 per month. The normal work-week consists of five days, with Friday and Saturday as the weekend. However, much of the private sector works on Saturdays. The normal work-day is eight-and a half hours, which includes half an hour for lunch.

INTERVIEWED RESULTS ABOUT DETERMINANT

TABLE 3: SUMMARY OF FINDINGS DATA ABOUT FDI DETERMINANTS IN BANGLADESH RMG INDUSTRIES

Data Theme / Category	Foreign Investors (Respondents = 8)	Government Policy Makers (Respondents = 6)
Labor Costs and Productivity	75% Yes	70%Yes
GSP	20% Yes	35%Yes
Duty Free Access	30% Yes	40% Yes
Trade Agreements Facilities	65% Yes	60% Yes
Bilateral Investment Treaty (BIT)	70% Yes	80% Yes
Offshore Banking Unit (OBU)	15% Yes	25% Yes
Tax	30% Yes	40% Yes
Political Risk	15 % Yes	100% No
Infrastructure	60% Positive	85% Positive
Regulatory Policies	60% Satisfied	65% Satisfied

Source: Data collection based on field survey and interview of respondents.

As per study, experience, perception played to find out the determinants and applied for interview with EPZ entrepreneurs and some government official employees. Above mentioned the determinants are labor costs & productivity, GSP, DFA, TAF, BIT, OBU, Tax, political risk, infrastructure, and regulatory policies. While, some papers showed that there has positive significant role to attracted FDI. But this study empirically found that only few determinants play a significant role to attracted FDI. We found that low labor cost and availability of labor in Bangladesh is the most effective determinants for FDI and playing a significant role in Bangladesh RMG industries as compared to the global RMG sectors. GSP, DFA, TAF, and BIT have also positive significance in Bangladesh RMG industries for FDI. About OBU, Tax, political risk, infrastructure, and regulatory policies in Bangladesh are not keeping heavily impact to attract FDI but there has also significant role in the country's economy those are beneficially stable in present.

FINDINGS

In this study, it was found that most of the investors are satisfied at the present investment climate in Bangladesh and expressed their interest in making further investment in the host country, especially in RMG sectors in regards of its day to day improvement and advancement in quality and safety measures that certified by ACCORD & ALLIANCE. The Government of Bangladesh also make sure the proper take care on this sector for its continuous improvement, workers life security & safety and their improved wages to better life. That's why the government is ensuring the maximum facilities to make sure the power and gas supply for its uninterrupted continuation. This is why the RMG sectors truly attracted by the FDI's from developed countries.

RECOMMENDATION

Considering reviewed literature and gathered practical experiences from field, authors suggest that Bangladesh is the best investment climate and friendly policy regime that is helping to attract FDI in Bangladesh RMGs sector and there has significant outcomes from the economy. So, government should ensure more positive significant of FDI attracting determinants as well as provide flexible facilities for foreign investors. Moreover, government should take care about minimum ages of labor and their health safety.

CONCLUSION

This paper is providing that an analytical perspective for a better understanding of the FDI key factors impact in the RMGs sector and offers a set of strategic options for the industry in order to attract the foreign investors. Wherein, it was found that almost all influencing determinates are playing significant positive role in FDI attracting in Bangladesh; especially low labor cost and FDI favor environment climate. So, foreigners are interested to invest in Bangladesh and every year new company is joining in Bangladesh EPZ to conduct their business. Finally, now RMGs sector is playing top role in national economic growth as well as social development by providing more employment opportunity.

LIMITATION OF THIS STUDY

This is a short and small study; therefore, it was difficult to select a large sample size for administering the interview. Hence, the small size of sample is one of the limitations of this study. On the other hand, random selection method maybe biased to select the target group for collecting primary data. Thereby, collected primary data from the entrepreneurs of EPZ maybe not reflect and capture accurately the entire scenario of FDI inflow in Bangladesh. Therefore, these are others limitation of the study.

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