

Attracting FDI in Bangladesh Challenges & Way Forward upon LDC Graduation

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Abstract

As Bangladesh prepares to graduate from Least Developed Country (LDC) status, the nation faces critical economic transitions that will shape its future growth trajectory. As FDI currently contributes less than one percent to the GDP, understanding the barriers and opportunities for improving this inflow is critical for sustaining economic growth post-graduation. This study aimed to analyze the factors hindering FDI in Bangladesh and explore potential strategies for improvement. The research identified bureaucratic complexity, high business costs, and inadequate infrastructure as the primary challenges impeding FDI. Moreover, it highlighted the adoption of technological advancements, enhanced transparency, and improved managerial capabilities as the most significant measures to attract foreign investments. Based on primary survey data from 120 industry representatives and 16 key informant interviews (KIIs), this study found that while bureaucratic hurdles remain a significant barrier, there are viable pathways for reform. The findings underscore the necessity of adopting a multifaceted approach to enhance the investment environment in Bangladesh, ensuring that the country can maintain its economic momentum post-LDC graduation.

Keywords: FDI, LDC Graduation, Economic reform, Investment barriers

1. Introduction

Since independence in 1971, Bangladesh has experienced a remarkable transformation, emerging as one of the world's fastest-growing economies, averaging 6% plus growth over the past decade until pandemic hits and 7.10% growth in FY2022. Per capita income has increased from below \$100 in FY1973 to \$ 2,793 in FY2022. A major contributor to this performance is exports, rising from below \$0.4 billion in 1973 to \$52.8 billion in FY2022. Touching the milestone of 100% electrification is another major achievement of Bangladesh in FY2022. Meanwhile, Bangladesh has met all three criteria for LDC (Least Developed Country) graduation in the first review in March 2018 and in the second review in 2021¹.

Research, however, shows that to transform Bangladesh into a developed country, investment-to-GDP ratio needs to be raised to around 40-44% of GDP (Haider, 2023). Currently the investment-to-GDP ratio in Bangladesh is hovering around 30%. The public investment-to-GDP ratio was 7.53% in FY22, up from 7.32% in FY2021, and 6.96% in FY2019. On the other hand, the private investment-GDP ratio was 25.25 percent in FY2019, which fell to 23.70 % in FY 2021, and then rose to 24.52% in FY2022 (BBS, 2022). It is expected that LDC graduation will result in an improved country-image and higher rating for investment by international rating agencies, enabling Bangladesh to attract larger FDI (Bhattacharya, 2021).

It is also important to recognise that Bangladesh faces several risk factors associated with its graduation from LDC. After LDC graduation, the country will lose its preference in the market of the European Union, Canada, Australia, Japan, India, and China in 2029. Economists predict that total exports of Bangladesh might fall due to loss of preferential treatment. The country will no longer be eligible for loans on easy terms which may lead to balance-of-payments problems. Official Development Assistance (ODA) and other concessional financing may significantly decline (SANEM, 2018). To meet the LDC graduation challenges, economists suggest that the country needs to attract large volume of the private sector investment and FDI by taking proactive measures to improve its trade competitiveness, physical and social infrastructures, and quality of economic and political institutions, reform in trade policy, monetary and fiscal policies, industrial policy and ensure quality service delivery by the public (SANEM, 2018).

Graduation from the LDC status in 2026 amidst the onslaught of the Covid pandemic and the impacts of the Russia-Ukraine War is going to be an incredible achievement in the history of Bangladesh. It also will usher in a new set of challenges that must be addressed to maintain the economic prosperity of the country. If Bangladesh graduates from the list

¹ The most recent triennial review by the Committee for Development Policy (CDP) has confirmed that Bangladesh is eligible to exit from the LDC category having crossed the threshold of three defining criteria namely per capita GNI, Economic and Environmental Vulnerability Index (EVI) and Human Assets Index (HAI). In the 2021 review, Bangladesh stands strongly in all three criteria with a per capita GNI of 1827 USD (requirement being USD 1222), EVI of 27 (requirement being 32 or below), and HAI of 75.4 (requirement being 66 or above).

of LDCs, the benefits it currently has under WTO rules will be discontinued from 2026. Exporters will have to endure tough competition after Bangladesh graduates from LDC as export products will face more tariffs on average when entering international markets. According to a recent report, Bangladesh's export earnings may fall by \$537 billion a year if it loses duty-free facilities. To meet these challenges, FDI can be a vital external private source of financing in Bangladesh. To attract FDI, the government of Bangladesh has taken initiatives to develop its domestic physical infrastructure and financial markets and promote a business-friendly 'enabling environment'. During the late 1980s and the 1990s, Bangladesh introduced a series of reforms to liberalise its FDI policy framework. In recent years, Bangladesh has made substantial progress in enhancing its investment and regulatory environment, including the liberalization of the industrial policy, abolition of performance requirements and allowance of full foreign-owned joint ventures. Since 1996, new sectors have been opened up for foreign investment, including the telecommunications sector.

As a result, Bangladesh has been quite successful in attracting FDI inflows since the inception of economic reform in 1995. The inbound FDI has contributed significantly to the economic development of Bangladesh. Cumulative Net FDI inflows in Bangladesh stood at \$ 28.40 billion from 2006 to 2021, of which net equity capital was \$10.25 billion (Bangladesh Bank, 2021). Despite the success in attracting FDI in recent years, FDI flow is still visibly low in Bangladesh compared to major developing countries. Since 2015, Bangladesh has been attracting an average of \$2.5 billion in FDI per year, reaching a peak of \$3.6 billion in 2018. Whereas, India is attracting \$40 billion in FDI per year. Therefore, economists identify that Bangladesh's inability to attract FDI at a scale and pace aligned with the economy's needs remains the single most important challenge in its economic management (Mansur, 2012, p. 39).

Against this backdrop, the Research & Development Department (R&D) of the Dhaka Chamber of Commerce & Industry (DCCI) aims to conduct a study to identify the challenges and way forward in attracting FDI in Bangladesh upon LDC graduation. This study will also attempt to offer some policy recommendations on facilitating increased foreign direct investment and diversifying the export market.

Bangladesh, a densely populated country located at South Asia, is passing through the phase of demographic dividend that emerged in 2007 having more than 65% of our population of working age, between 15 and 64. However, the economic growth has also failed to generate enough employment for the millions of young Bangladeshis joining the workforce every year. Creating employment opportunities for such a huge population is challenging for both the government and private sector. Therefore, government is welcoming foreign investment into Bangladesh to create more employment opportunities, foster economic growth and poverty alleviation. The government is offering many fiscal and non-fiscal incentives to the FDI investors. The government also took many initiatives to attract FDI into the country through international road show, special tax holiday, 100% repatriation of dividends and invested capital, residentship, and many more lucrative offers available for foreign investors in Bangladesh. Factors of production like land, labor, etc.

are available at a competitive rate, but the rate of FDI into Bangladesh is not gaining momentum. To address this problem, this study aims to analyze how Bangladesh could increase FDI inflow to facilitate employment generation, increase GDP growth rate, technology transfer and finally poverty alleviation.

The specific objectives of the study are to identify the challenges of attracting foreign direct investment (FDI) upon LDC graduation and to find a strategic way forward to prepare Bangladesh to attract FDI by enabling sustainable growth of local industries.

The research findings of this study are expected to be of interest to the business community, as well as professionals including policy makers as it offers valuable insights and policy directions on attracting FDI in Bangladesh to address the post-LDC graduation challenges. The rest of the study has been structured as follows. Section 2 briefly reviews relevant theoretical and empirical literature related to the economic significance of attracting FDI. Section 3 explains the methodology employed to conduct the study. Section 4 reports the quantitative and qualitative findings of the study while Section 5 presents the way forward based on the opinions of the respondents on a set of recommendations. Section 6 provides concluding remarks.

2. Literature Review

Until the mid-1980s, developing countries worldwide had a negative attitude towards foreign direct investment (FDI) and a large number of developing countries adopted closed macroeconomic policies i.e., import substitution industrialization. However, since the late 1980s the conception started to shift in favor of FDI inflows into developing countries, due to the potential positive contribution of FDI to growth through capital formation and technology transfer. The policymakers began to realize from a macro perspective that FDI has high potential to generate employment and enhance productivity, competitiveness, and technology spillovers. Though attracting FDI, a country can achieve higher exports and get access to international markets and international currencies (Denisia, 2010).

As part of developing countries, major South Asian economies including Bangladesh, India, Nepal, Pakistan and Sri Lanka moved to liberalize their trade and investment policies to include various investment incentives, particularly, to attract FDI for foreign investors (Mortaza & Das, 2007). Riding on a growing domestic market, a large number of low-paid workers with growing number of skilled personnel and a more favorable investment climate, South Asia, as a group, has been successful in attracting a significant amount of FDI and raising its volume of trade (export plus import) as percentage of GDP since 1990s (Mortaza & Das, 2007). This leads to a body of empirical evidence that FDI inflows contributes to economic growth (Lim, 2001). FDI has played a vital role in growth and development in Asia Pacific region (Bangladesh Bank, 2022).

Attracting FDI has been a key feature of economic policymaking over the last few decades especially in countries graduating from LDCs². FDI as an important element of economic development performs a multidimensional role in the overall development of these economies. Selelo (2012) analyses determinants of fixed FDI in Botswana for the period 1980-2007. The study used the accelerator theory of investment to uncover the effects of FDI on the national economy and finds that economic growth rates better explain FDI flows in Botswana. Siphambe (2008) identifies the following factors that have put Botswana in an advantageous position and strengthened FDI in the process: a stable political environment; and stable macroeconomic policy, competitive exchange rate relative to the South African rand, low crime level, good human capital development, and good labor relations. Cabo Verde is a high-cost economy with few economies of scale because of its low proportion of arable land, lack of natural resources, small population, and overdependence on foreign investment, imports, development aid, and remittances. Despite the challenges, in 2007, Cabo Verde graduated from least developed country status as the first and only country in the first decade of the 21st century. In addition, the country has met most of its Millennium Development Goals by 2015 (US Department of State, 2022).

Duarte, Kedong, & Xuemei, (2017) examines the relationship between foreign direct investment (FDI), economic growth and financial development in Cabo Verde for the period 1987-2014 and found a positive effect of FDI on the economic growth. They concluded that higher levels of FDI inflow can ensure higher levels of economic growth and vice versa for the economy of Cabo Verde. Furthermore, they found that both economic growth and domestic credit to private sector plays key role in stimulating FDI inflows into the country. These results found are important for the country policymakers to take appropriate measures to enhance and improve the condition for FDI inflow in Cabo Verde.

In the Maldives, foreign investment is governed by the Foreign Investment Act (25/79) and after LDC graduation in 2011, Maldives enacted the Special Economic Zones Act (Law 24/2014) in 2014 which allows market access for all major sectors of the economy except few sectors to shield local investors like Photography and related activities, retail trade, ownership, operation, and management of travel agencies, guest-houses, tour guiding and tour operating facilities etc. Maldives was able to attract FDI in recent years among small island developing states (SIDS) being the third top FDI recipient having received USD 565 million thanks to investment in the tourism industry (Najeeb, 2020).

2 The concept of the least developed countries (LDCs) originated in the late 1960s by the United Nations and the first group of LDCs was listed in November 1971. LDCs include countries exhibiting lower achievements in socioeconomic development. After the listing of LDCs, six countries graduated between 1994 and 2020. Botswana was the first country to graduate from LDCs in 1994, followed by Cabo Verde in 2007, Maldives in 2011, Samoa in 2014, Equatorial Guinea in 2017, and Vanuatu in 2020 (UN, 2023b). Out of 46 LDCs, seven (7) countries are set to graduate from LDCs between 2023 and 2026. Bhutan will graduate in 2023, Angola, Sao Tome and Principe, and Solomon Islands in 2024, and Bangladesh, the Lao Republic and Nepal in 2026 (UN, 2023a).

Since the mid-1980s, Bangladesh has implemented trade related reforms and measures which included noteworthy decline in measurable restrictions, opening up of trade in many restricted items, rationalization of import tariffs, and liberalization of the foreign exchange regime (Razzaque, et al. 2003). For this reason, since the beginning of 1990s, Bangladesh has emerged as the most systematic foreign investment regime in South Asia. Due to various facilitating steps to attract FDI, net FDI inflow stood at \$ 3439.63 million in FY 2021-22 (Bangladesh Bank, 2022) from just over \$300 million in 2000 and about \$692 million in 2005. Mortaza and Das (2007) empirically show that FDI and trade liberalization causes economic growth in the case of Bangladesh. They also found that FDI has a dynamic and positive impact on the domestic investment of Bangladesh with positive and dynamic impact of domestic investment itself (Mortaza and Das, 2007). Despite this positive impact of FDI on the economy, Bangladesh has lagged behind and received low FDI inflow compared to other South Asian countries.

Now looking at the sector-specific Net FDI Inflows in the year 2021, we find that the highest amount of \$1013.08 million or 35.0% of FDI came in the manufacturing sector. Of which textiles & wearing drew \$ 553.74 million or 19.1% of the total FDI. Power, gas and petroleum is second highest with 707.24 million or 24.4% of the total FDI. Trade and commerce accounts for \$ 621.12 million or 21.5% of the total FDI, the banking sector \$ 239.09 million or 8.3%, services with \$ 235.37 million or 8.1% of the total FDI, and transport, storage & communication with \$191.03 million or 6.6% of the total FDI is positioned as the third, fourth and fifth highest sectors of FDI attractions respectively. On the other hand, looking at country-wise net FDI inflows in 2021, we find that Bangladesh attracted the highest FDI from U.S.A, at \$585.88 million or 20.2% of the total FDI, followed by China at \$407.88 million or 14.1% of the total FDI, Singapore at \$298.69 million or 10.3% of the total FDI, U.K. at \$296.01 million or 10.2% of the total FDI.

From the preceding discussion, it can be said that the current status of net FDI inflow to Bangladesh is not satisfactory. Despite this, over the past decade, Bangladesh has been among the fastest growing economies supported by a robust demographic dividend, strong RMG exports, resilient remittance inflows, and stable macroeconomic conditions. However, any development model with low FDI inflows may not be sustainable in the long term and low FDI inflows may be a hindrance to achieving the desired level of development, especially achieving the upper-middle income country status by 2031 and a developed country by 2041. Therefore, the respective authorities need to put efforts into attracting more FDI inflows to Bangladesh taking the upcoming challenges of LDC graduation into consideration. Bangladesh should create a brand in the world stages as a booming market so that foreign investors feel confident to invest in Bangladesh. On the way to transition from LDC, we have performed satisfactorily in the Economic Fragility Index criteria. It means Bangladesh economy is less risky. These factors will have a positive impact on the perception of investors. These possibilities should be exploited.

Bangladesh is increasingly becoming a lucrative destination for Japanese FDI because of the rising cost of labor in China and other ASEAN countries and the US-China trade war.

In 2018, Japan was the largest source of foreign investment in Bangladesh. Currently, more than 320 Japanese companies operating in the country. The economic zone in Araihasar is expected to attract \$1 billion in investment from Japan and create one lakh jobs. Additionally, JICA is conducting a feasibility study for the Mirsarai economic zone and exploring the potential for another economic zone in the Matarbari-Maheshkhali area. The benefit of the Japanese are poised to make a significant contribution toward achieving the goals outlined in the 8th Five-Year Plan, the Sustainable Development Goals and Vision 2041 (AI-Mamun, 2022).

3. Research Methodology

This study is exploratory in nature, designed to gain an in-depth understanding of the challenges and opportunities related to FDI in Bangladesh. The research sought to investigate the perceptions and opinions of key private sector industries on the factors influencing FDI attraction. Given the exploratory nature of the study, both quantitative and qualitative research techniques were employed to identify and analyze the primary barriers to FDI, as well as potential strategies for improvement.

The study gathered primary data from 120 industry representatives across various sectors, including pharmaceuticals, jute, leather, light engineering, agribusiness, cement, steel, and RMG & textiles. A structured questionnaire was developed in both Bengali and English to ensure inclusivity and accessibility for participants. The questionnaires were distributed via email, with data collection facilitated through KoBoCollect, a widely recognized open-source toolkit for data collection and analysis. This approach allowed for efficient, paperless data gathering, capturing both numeric and descriptive data. Additionally, 16 Key Informant Interviews (KIIs) were conducted with three academicians and 13 industry representatives to validate and enrich the findings from the survey.

A non-probability (purposive) sampling technique was employed to select 120 participants from key industries within the private sector. This non-probability sampling method was chosen to ensure that the study focused on industry representatives who possess substantial knowledge and experience related to FDI in Bangladesh. The targeted approach allowed the research to gather relevant insights from those directly impacted by FDI-related issues. The structured questionnaire was disseminated electronically, and participants were continuously followed up for two weeks to enhance response rates.

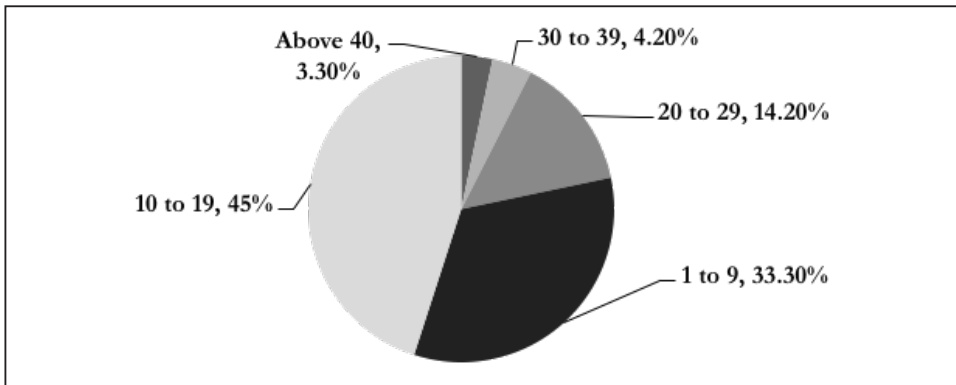
The study utilized a mixed-methods approach, combining both quantitative and qualitative research techniques to provide a comprehensive analysis of the factors affecting FDI in Bangladesh. The primary survey data were analyzed using descriptive statistics, while the qualitative data from the KIIs were thematically analyzed to identify key challenges and opportunities. The research process spanned around 1.5 months, during which the data were collected, analyzed, and synthesized to present a coherent understanding of the FDI scenario in Bangladesh.

4. Analysis and Findings

4.1 Descriptive Analysis

Chart 1 shows, 45% of respondents stated their business tenure is 10 to 19 years while 33.3% said that their business tenure is 1 to 9 years. 14.2% of respondents opined that their business tenure is 20 to 29 years whereas 4.2% claimed that their business tenure is 30 to 39 years. 3.3% of respondents stated that their business tenure is above 40 years.

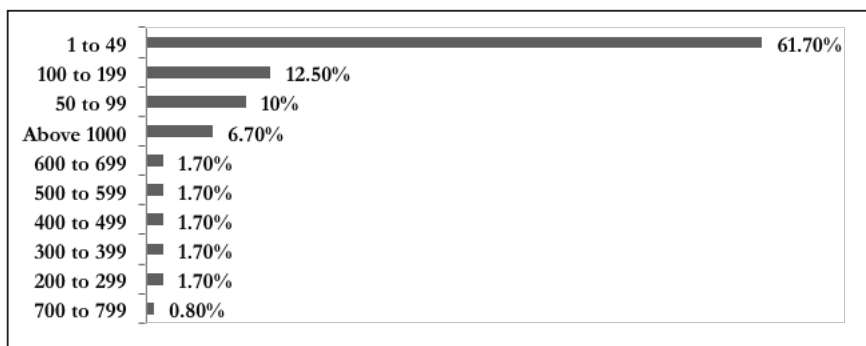
Figure 1: Tenure of Businesses



Source : Field Survey, 2023

As shown in Chart 2, 61.7% respondents stated that the number of employees in their businesses is 1 to 49; 12.5% respondents said that the number of employees in their businesses is 100 to 199; 10% respondents said that the number of employees in their businesses is 50 to 99; 6.7 % respondents said that the number of employees in their businesses is above 1000. Each of 1.7% of respondents stated that the number of employees in their businesses is ranging from 600 to 699, 500 to 599, 400 to 499, 300 to 399, and 200 to 299. On the other hand, 0.8% respondents said that the number of employees in their businesses is 700 to 799.

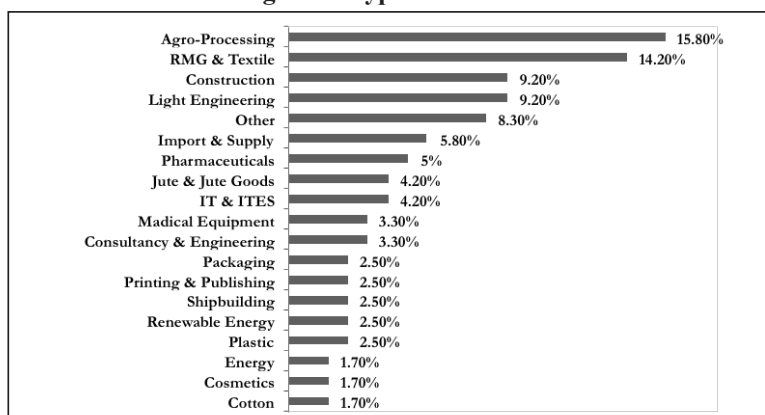
Figure 2: Number of employees



Source : Field Survey, 2023

Among them, 58% of respondents represented the Small industry, 18% of respondents represented the Medium industry, 13% of respondents represented the Micro industry and 11% of respondents represented from Large Industry. Moreover, 15.8% respondents stated that their industry belongs to Agro-processing, and 14.2% said their industry belongs to RMG & Textile. Each of 9.2% of respondents said that their businesses belong to both Construction and Light Engineering. 5.8% of respondents stated that their businesses belong to the import and supply side, and 5% of respondents said that their businesses belong to Pharmaceuticals. Each of 4.2% of respondents stated that their industry belongs to both Jute & Jute Goods and IT&ITES. Each of 3.3% of respondents stated that their industry belongs to both Consultancy & Engineering and Medical equipment. Each of 2.5% of respondents stated that their industry belongs to Plastic, Renewable Energy, Shipbuilding, Printing & Publishing, and Packaging; 1.7% of respondents stated that their industry belongs to Cotton, cosmetics, and Energy. However, 8.3% of respondents stated that their industry belonged to other sectors such as Leather & Leather goods, Air Conditioning, Battery Industry, Electronics, Elevator, Fertilizer, Fire Fighting, Lubricants, Stainless, Steel, and Stone processing.

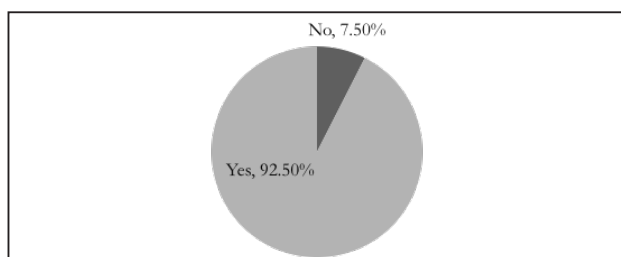
Figure 3: Type of Businesses



Source : Field Survey, 2023

Bangladesh is set to graduate from the Least Developed Countries (LDCs) in 2026. Chart 4 shows, 92.5% of respondents stated that they are aware of this issue and only 7.5% respondents said that they are unaware.

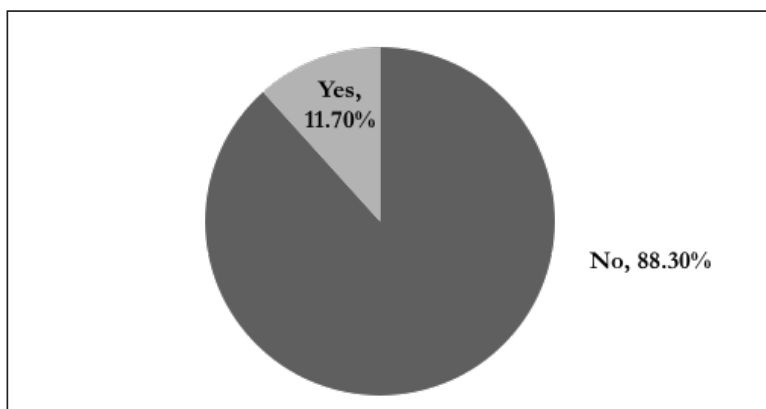
Figure 4: Awareness regarding LDC graduation



Source : Field Survey, 2023

Among them, 88.3% stated that they think attracting FDI can be a way to address the challenges in the post-LDC graduation era whereas 11.7% of respondents responded negatively to this question. Chart 5 shows, 83.3% of respondents stated that their businesses do not receive any form of Foreign Direct Investment (FDI) whereas 11.7% of respondents said that their businesses receive Foreign Direct Investment.

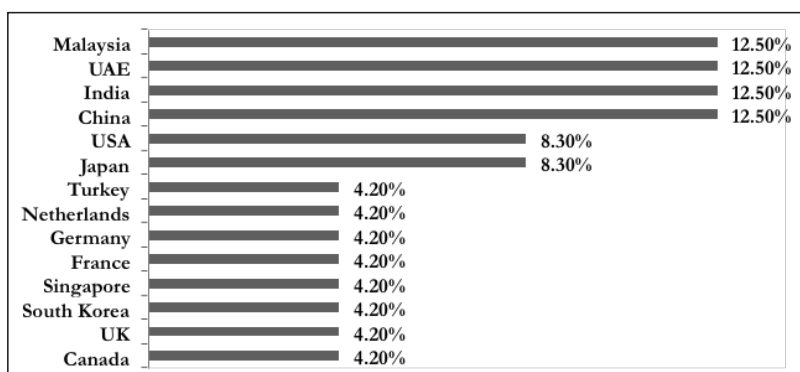
Figure 5: Whether receive any form of FDI



Source : Field Survey, 2023

Only 14 respondents receive Foreign Direct Investment (FDI). Among the respondents who receive FDI, 85.7% stated that the amount of FDI is approximately 1 million to 250 million and 14.3% respondents said the amount of FDI is approximately 251 million to 500 million. Chart 6 shows, 12.50% respondents stated that China, India, UAE and Malaysia are their major destinations for FDI attraction. Each of 8.30% respondents stated that USA and Japan are the major destinations for their FDI attraction while each of 4.20 % respondents said that Canada, UK, South Korea, Singapore, France, Germany, Netherlands and Turkey are their main destinations for FDI attraction.

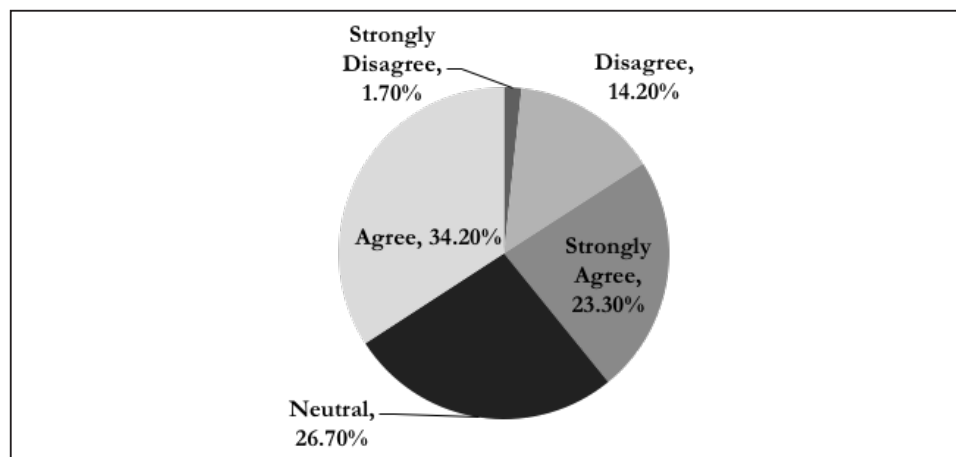
Figure 6: Major destinations for FDI attraction



Source : Field Survey, 2023

Chart 7 shows, 34.2% agreed that LDC Graduation can be a huge potential to attract FDI. However, neutral responses came from 26.7% of respondents. 23.3% of the respondents strongly agreed with this. But 14.2% of respondents disagreed and 1.7% of respondents strongly disagreed with the idea that LDC Graduation can be a huge potential to attract FDI. Among the response, 65.8% of respondents stated that their businesses are not able to attract FDI as per industries potential whereas 34.2% of respondents said that their businesses are able to attract FDI as per industries potential.

Figure 7: Huge potential to attract FDI after LDC graduation



Source : Field Survey, 2023

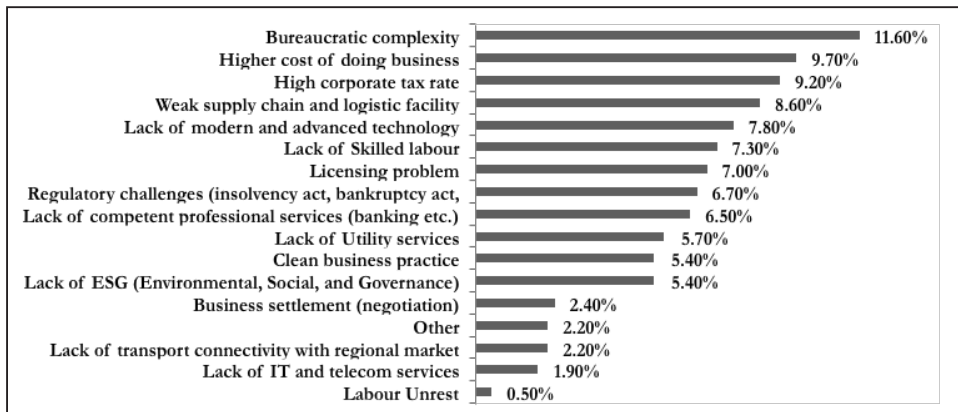
To continue the industries' trend of attracting FDI, 52.90% respondents recommended maintaining very competitive investment climate, 35.30% of respondents recommended impressive fiscal and non-fiscal incentives and 11.80% respondents recommended other such as easing the Bangladesh visa processing for the foreigners. It was also recommended to ensure full support from Govt. office to establish and run the business smoothly, Automation of government process, Transparent one stop services and cost-effectiveness, Stopping approval of licenses under political influences and addressing bureaucratic complication, Minimizing too much difference between Local and Foreign currency conversion rate, Maintaining smooth management system to provide all facilities, Sustainability in business as per international code of conduct.

In this survey, respondents' reactions were picked up about the 'Challenges of attracting FDI' in Bangladesh after LDC graduation. Chart 8 shows, 11.6%, 9.7%, 9.2%, 8.6%, 7.8%, 7.3%, 7.0%, 6.7% and 6.5% respondents considered, Bureaucratic complexity³, Higher cost of doing business, High corporate tax rate, Weak supply chain and logistic facility, Lack of modern and advanced technology, Lack of Skilled labour, Licensing problem, Regulatory challenges (insolvency act, bankruptcy act foreign

³ Bureaucratic complexity is the degree of complexity in a bureaucracy, which is an administrative system with many officials and multiple layers of processes. Bureaucratic complexity can be measured by the number of procedures required to start a business (Seim, & Søreide, 2009).

exchange regulation act, etc.) and Lack of competent professional services (banking etc.) respectively as the challenges to attract FDI in their industry. On the other hand, Lack of Utility services, Lack of ESG (Environmental, Social, and Governance) compliance, Clean business practice, Business settlement (negotiation), Lack of transport connectivity with regional market, Lack of IT and telecom services and Labour Unrest were reported by 5.7%, 5.4%, 5.4%, 2.4%, 2.2%, 1.9% and 0.5% respondents respectively considering as challenges to attract FDI in their industry.

Figure 8: Challenges of attracting FDI



Source : Field Survey, 2023

Only 2.2% of respondents considered other factors as challenges to attract FDI as Not trying for FDI, Indifference of the government to ensure policy and legal support to increase the rate of foreign investment in small and medium enterprises, Indifference of the government to the overall development of the jute sector, Inefficient and mismanaged Ministry of Finance, Bangladesh Bank and Banking Sector, Doing whatever the unscrupulous big business wants and with no accountability, Legal complexities in the field of TAX & VAT, Reliability issue. Scarcity of quality materials of construction materials.

4.2 Factors that can attract FDI in Bangladesh after LDC graduation

FDI demands acquisition and know-how of technology. When the respondents were asked about the ‘Adoption of Technological know-how in production system’ as the factor that can attract FDI in Bangladesh after LDC graduation. 44.2% agreed while 50% strongly agreed with this. However, 2.5% of respondents were neutral and also equal percentage of respondents disagreed (2.5%). Only .8% of respondents strongly disagreed regarding this factor.

Marketing capability is highly required by formulating relevant adaptive marketing strategies to create customer value for respectable profit and to attract more FDI. The respondents were asked how much they agree with the factor ‘Marketing capability’ that can attract FDI in Bangladesh after LDC graduation. Regarding this factor, 48.3% of respondents agreed and 39.2% strongly agreed. Whereas 8.3% were neutral, 3.3% disagreed and only 0.8% strongly disagreed.

Table 1: Factors affecting the FDI attraction in Bangladesh

Factors	Percentage of response				
	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Adoption of Technological know-how	50	44.20	2.5	2.5	0.80
Marketing capability	39.20	48.30	8.30	3.30	0.80
Managerial capability	45	45	7.50	1.70	0.80
State of technology	40.80	45	8.30	3.30	2.50
Capital Market Development	39.20	37.50	15	5	3.30
Supply chain network connected with global value chain	42.50	41.70	8.30	4.20	3.30
Country branding	41.70	45	10.8	1.7	0.80
Diverse workforce	36.70	50.80	9.20	3.30	0
Low labour cost	31.70	46.70	12.50	5	4.20
Strong ICT service	45	42.5	8.30	4.20	0
Uninterrupted Utility services with competitive market price (gas, electricity etc.)	45	38.30	9.20	7.50	0
Low cost of doing business	40.80	41.70	10	7.50	0
Reduced tax regime	35.80	39.20	15.80	5	4.20
Competitive tariff structure	40	40.80	14.20	3.30	1.70
Automation of tax system, Business operations and public service facilities	44.20	38.30	8.30	6.70	2.50
The growing importance of the logistics sector in the economy	40	43.30	12.50	2.50	1.70
Enhance transparency and digitization	50.80	40	5	3.30	0.80

FDI desires good managerial skills to access highly qualified workforce. Regarding the factor ‘Managerial capability’ 45% of respondents strongly agreed and equal percentage (45%) of respondents also agreed about this factor. Whereas 7.5% of respondents were neutral, 1.7% disagreed and only .8% strongly disagreed.

Technology adoption is a key factor for globally competitive manufacturing and to attract more FDI. 40.8% of respondents strongly agreed and 45% agreed that ‘State of technology’ can attract FDI in Bangladesh after LDC graduation. On the other hand, 8.3% of respondents were neutral about this factor whereas 3.3% disagreed and 2.5% strongly disagreed.

An efficient capital market helps allocate capital to businesses efficiently and other side businesses in turn use the capital to generate new ideas and spread novel technologies. 39.2% of respondents strongly agreed and 37.5% agreed that ‘Capital Market Development’ can attract FDI in Bangladesh after LDC graduation. 15% of respondents were neutral about this factor while 5% disagreed and 3.3% strongly disagreed. As the supply chain network is one of the major challenges in attracting FDI in Bangladesh. 42.5% of respondents agreed and 41.7% strongly agreed that ‘Supply chain network connected with global value chain’ can attract FDI in Bangladesh. However, 8.3% of respondents were neutral about this factor while 4.2% disagreed and 3.3% strongly disagreed. Respondents were

asked about ‘country branding’ as the factor that can attract FDI in Bangladesh after LDC graduation, 45% of respondents agreed while 41.7% strongly agreed. However, 10.8% of respondents were neutral about country branding. 1.7% and 0.8% of respondents disagreed and strongly disagreed respectively. Similarly, the respondents were asked how much they agree with the factor ‘Diverse workforce’ that can attract FDI in Bangladesh after LDC graduation. Regarding this factor, 50.8% of respondents agreed and 36.7% strongly agreed whereas, 9.2% were neutral and 3.3% disagreed.

Regarding the factor ‘Low labor cost’, 46.7% of respondents said that they agreed about this factor while 31.7% opined that they strongly agreed. A good number of respondents (12.5%) were neutral whereas 5% disagreed and 4.2% strongly disagreed. While the lack of adequate access to e-services has remained a challenge for digitalization in Bangladesh. 45% of respondents strongly agreed and 42.5% agreed that ‘Strong ICT service’ can attract FDI in Bangladesh after LDC graduation. On the other hand, 8.3% of respondents were neutral about this factor whereas 4.2% disagreed. As recent price hike may not secure uninterrupted energy and power supply. 45% of respondents strongly agreed and 38.3% agreed that uninterrupted utility services with competitive market price (gas, electricity etc.) can attract FDI in Bangladesh after LDC graduation. 9.2% of respondents were neutral about this factor while 7.5% disagreed.

As the cost of doing business is one of the major challenges in attracting FDI in Bangladesh, 41.7% of respondents agreed and 40.8% strongly agreed that ‘Low-cost of doing businesses’ can attract FDI in Bangladesh. However, 10% of respondents were neutral about this factor and 7.5% disagreed. The tax regime is another challenge in attracting FDI in Bangladesh. In this regard, 39.2% of respondents agreed and 35.8% strongly agreed that a ‘Reduced tax regime’ can attract FDI in Bangladesh. Although 15.8% of respondents were neutral about this factor, 5% disagreed and 4.2% strongly disagreed.

The tariff structure also plays an important role in attracting FDI for a country. In this regard, 40.8% of respondents agreed the factor ‘Competitive tariff structure’ can attract FDI in Bangladesh while 40% strongly agreed. On the other hand, 14.2% of respondents were neutral when they opined on this factor. 3.3% and 1.7% of respondents disagreed and strongly disagreed respectively while they expressed their opinion on this factor.

The lack of an efficient tax system, business operation, and public service facilities are impeding the attraction of FDI in our country. The respondents were asked about the ‘Automation of tax system, Business operations, and public service facilities’ as the factor that can attract FDI in Bangladesh after LDC graduation. 44.2% strongly agreed and 38.3% agreed that. On the other hand, 8.3% of respondents were neutral about this factor whereas 6.7% disagreed and 2.5% strongly disagreed.

The importance of the logistics sector in our economy is on the rise. In this point of view 43.3% of respondents agreed and 40% strongly agreed the factor ‘The growing importance of the logistics sector in the economy’ can attract FDI in Bangladesh. 12.5% of respondents were neutral about this factor whereas 2.5% and 1.7% expressed their opinion that they disagreed and strongly disagreed respectively regarding this. Most of the respondents (50.8%) strongly agreed about the factor ‘Enhance transparency and digitization’ regarding attracting FDI in Bangladesh after LDC graduation. 40% of

respondents agreed while 5% were neutral on this. On the other hand, 3.3% and 0.8% expressed their disagreement and strong disagreement respectively.

In the aim of understanding the way forward to attract FDI, the respondents were asked how much do they agree with the following factors that can attract FDI in Bangladesh after LDC graduation. Table 1 depicts according to their combined response of agreement and strong agreement the top agreed factor is revealed as ‘Adoption of Technological know-how in production system’ followed by ‘Enhance transparency and digitization’, ‘Managerial capability’, ‘Marketing capability’, ‘Diverse workforce’, ‘Strong ICT service’, ‘Country branding’, ‘State of technology’, ‘Supply chain network connected with global value chain’, ‘Uninterrupted Utility services with competitive market price (gas, electricity etc.)’, ‘The growing importance of the logistics sector in the economy’, ‘Low-cost of doing business’, ‘Automation of tax system, Business operations and public service facilities’, ‘Competitive tariff structure’, ‘Low labour cost’, ‘Capital Market Development’, ‘Reduced tax regime’.

Table 2: Way forward to attract FDI

Way forward to attract FDI	Agree	Strongly Agree	Sum
Adoption of Technological know-how in production system	44.20%	50%	94.20%
Enhance transparency and digitization	40%	50.80%	90.80%
Managerial capability	45%	45%	90.00%
Marketing capability	48.30%	39.20%	87.50%
Diverse workforce	50.80%	36.70%	87.50%
Strong ICT service	42.50%	45%	87.50%
Country branding	45%	41.70%	86.70%
State of technology	45%	40.80%	85.80%
Supply chain network connected with global value chain	41.70%	42.50%	84.20%
Uninterrupted Utility services with competitive market price (gas, electricity etc.)	38.30%	45%	83.30%
The growing importance of the logistics sector in the economy	43.30%	40%	83.30%
Low-cost of doing business	41.70%	40.80%	82.50%
Automation of tax system, Business operations and public service facilities	38.30%	44.20%	82.50%
Competitive tariff structure	40.80%	40%	80.80%
Low labour cost	46.70%	31.70%	78.40%
Capital Market Development	37.50%	39.20%	76.70%
Reduced tax regime	39.20%	35.80%	75.00%

5.1 Qualitative Analysis

Representatives from Pharmaceutical, Jute, Leather, RMG, Agro processing, Light Engineering, Cement, Heavy Industrial sectors, Academician and Researchers participated in KIIs and opined different views. Major opinions from the KIIs are represented in a tabular form below.

Table 3: Major findings from KIIS

Sectors	Findings
Pharmaceutical sector	<ul style="list-style-type: none"> • Insufficient logistics and infrastructural facilities in port management. • Insufficient financial instrument. Process for approval of funds is slow, which serves deterrent to attracting FDI. • To change the policy, we should pinpoint the pressing concern like automation of the financial service, improved business environment and consider the opinions of all relevant stakeholders. • Must think globally rather than locally and should follow the policies of developed countries to attract FDI. • Should include skilled workforce, appropriate expertise, and technical know-how for the healthcare sector. • For the pharmaceutical sector collective action plan should be more technologically driven. • Proper API policy implementation is required to meet post-LDC challenges. • Other sectors like RMG and Power sector, In pharmaceutical sector more incentive, should be provided. • The business environment of country should be smoother for foreign investors.
Jute sector	<ul style="list-style-type: none"> • There are three key difficulties to attracting FDI: tax incidence, a smooth exit point for foreigners' profit, and political instability. • Other primary challenges are dollar crisis, inflation and the unrest in global market. • Withdrawal more money than the existing foreign direct investment.

Sectors	Findings
	<ul style="list-style-type: none"> • An integrated rate should be formulated on export and import dollar rate. • Capacity of BIDA is required to be improved to draw larger investment and need to modernize OSS as well. Without these facilities, FDI would transfer to other countries like India, Vietnam etc. • To draw in more foreign investment, need to reduce bureaucratic red tape and strengthen negotiating skill. • To diversify jute goods, need to strengthen workforce skills and enhance innovation capability. • Should establish own service facility for the manufacturing and repairing of machinery.
Leather sector	<ul style="list-style-type: none"> • In FY21, the leather industry received 17.82 million FDI and in FY22, the number increased to 39.267 million. • We are not getting foreign investment despite our potential opportunity. • Expected foreign investment in this sector will not be derived If we do not maintain international standards accurately. • All graduated LDCs have experienced a stronger inflow of FDI in the post-graduation era. Bangladesh is proactively seeking FDI from all countries of East and West. • The steps including setting up 100 special economic zones (SEZs) will improve the business and investment environment. • Bangladesh has buoyant private sector with strong entrepreneurial skills. The social fabric is dynamic and the formation of human capital has taken root. • We have enough supply of raw materials, such as wet blue leather, skilled and semi-skilled workforce and age-old leather business but we are lack behind due to an uncompiled supply chain mechanism. • Lack of compliance, non-compliance in the procurement of raw materials and inadequate capacity of CETP.

Sectors	Findings
	<ul style="list-style-type: none"> • Apart from compliance certificates and standards, the major challenge for the tannery industry is to complete the infrastructural development of Savar's leather industry city. • Brand consciousness is another issue that requires attention. • Absence of quality and production process, absence of central facility for production of finished leather and lack of backward linkages. • Inadequate policy support to encourage value addition. • Slow and limited foreign and domestic investment, limited market access.
RMG	<ul style="list-style-type: none"> • Only RMG is the most promising sector for FDI. • The price of gas and electricity is gradually Increasing. • Labour cost is low but after 4 years considering the compliance of WTO the labour cost will be Increased and It will be difficult to produce product at low cost. • Duty & Quota free and GSP facilities will no more exist. • For losing GSP the cost of production will be increased. • Geo-politics is affecting the overall fall of FDI. • Incentive facility provided for the garments sector was respectable initiative from the government and to attract FDI will have further Impact after LDC graduation. • Businessmen are facing bureaucratic complications though they are maintaining all rules and regulations but they are not getting sustainable business environment. • There is less response from the government considering the LDC graduation. • Considering future challenges many businessmen from RMG sector will migrate to other business. • There is a possibility to lose the present promising global market of RMG. • Investors will not be interested in FDI if the cost of production is much higher. • Investors have alternative options and market to invest.

Sectors	Findings
	<ul style="list-style-type: none"> • Foreigners want hassle-free environment for doing business. • Must have proper timebound action plan and direction from the government to attract FDI. • Relevant ministries are not dynamic enough to solve the problems of foreign Investors. • Investors are facing problem of taxation and double taxation. • Exchange rate volatility. • Absence of Brand ecosystem and technical know-how. • We have 100 privet economic zones but lack of sufficient facilities and business environment.
Agro processing	<ul style="list-style-type: none"> • Foreign investors face barriers and challenges from Bangladesh bank to take the revenue to their country. • Investors are not getting citizenship in this country. • Policies are not simple and clear enough to understand for foreigners. • One-stop service is not available. • Political unrest is affecting FDI. • Other countries e.g. UAE, Malaysia are getting FDI for providing much civic benefit. • Corruption is a significant problem to attract FDI. • Absence of Master plan to attract more FDI. • Cheap labour cost but competitive global market. • Sometimes foreign Investors are not much comfortable coping with the socioeconomic culture of Bangladesh. • Investors are facing challenges to export products. [e.g. Lack of port facility, Bureaucratic complication, Absence of automated system] • Law should be much easier and simple. • In Agro sector, we have potentiality but have to ensure Government facilities. • Social securities and facilities for foreign Investors should be ensured. • All sectors are not getting Bonded warehouse facilities and It should be ensured.

Sectors	Findings
	<ul style="list-style-type: none"> • For proper utilization of bond, there should have clear evidence of how much raw material is being used for industrial production. • Required sufficient policy support and modern technology. • Required loan facility with easy interest scheme and within five years payback guarantee.
Light Engineering	<ul style="list-style-type: none"> • Foreign Investors do not like to bear unnecessarily complicated surroundings. • If foreigners get sound and sustainable environment they will invest. • Relevant ministries are not functional enough to solve the problems of foreign investors. • Foreign Investors are not feeling safe and secure to Investment for both economic and social crises. • Foreign Investors face redundant harassment from the Investigator of NBR. • One-stop service of BIDA is not active at all. • Foreign Investors are repeatedly facing bureaucratic problems. • Now Infrastructure for FDI is much better than before. • We are facing temporary problems for energy crisis. With time being it will be overcome but Businesses will be collapsed if do not get uninterrupted supply of gas and electricity. • For motorcycles in Bangladesh has local market demand so for this product there is the opportunity for FDI. • Rules and Policies are much confusing to understand for foreigners and Less coordination is found from the relevant authorities to solve the problems of foreign Investors. • Policies are not being implemented properly by the relevant authority.
Cement	<ul style="list-style-type: none"> • Higher FDI encourages the transfer of clean technologies and know-how, as well as the development of human capital in the form of more effective and efficient workflows.

Sectors	Findings
	<ul style="list-style-type: none"> • Connections with foreign investors directly improve international trade integrations and enable a more competitive economic environment in the nation. • To promote the flow of foreign direct investment, the government has taken significant measures to raise its rating in the Ease of Doing Business Index (FDI). • It is important to guarantee that regulations are friendly, regulatory practices are simplified, investment incentives are provided, and ineffective bureaucratic procedures are eliminated. • Political stability, low wages, low production costs, simple communication, tax system, efficient port management, favourable currency rate, and the host nation's foreign investment policy are attracting factors for foreign investors. • Need to address the issue like non-cooperation from relevant government agencies like, the Board of Investment, Police, National Board of Revenue, Environment Authority etc.
Heavy Industry	<ul style="list-style-type: none"> • More FDI will undoubtedly be attracted if major barriers in the physical infrastructure related to utilities, economy, and legal system were removed. • Bangladesh will lose all the GSP facilities after 2026 and industrial production will be challenging to enter global markets at a lower cost. • Steel industry is an import-dependent industry; hence the most important phase of our business process starts from the Port. • Inefficient port and logistic facility require much time in port to release product for entangled condition. • Steel industry is currently a booming one, there are several problems in port management related to releasing the goods used in this sector, which creates obstacles in the manufacturing process. • Inefficient roads and lack of express highway linked to the port also create problems for the business. These often lead to an increase in the cost of doing business. • Local companies cannot attract FDI as foreign investors consider these problems as weaknesses of their new projects.

Sectors	Findings
	<ul style="list-style-type: none"> • When any local company wants to go into a joint venture with a foreign company, then it has to show its partner that the country has an efficient regulatory and business environment which not only ensures smooth business operation but also a generous return on investment. • Government has taken several steps to increase the efficiency of the port, but there is more requirement for development. • It was declared by the government to provide a single OSS for all trade and business-related activities which has not been introduced yet. • Local businesses often fail to show the credibility of the promises made by the government and fail to attract adequate foreign investment. • Foreign businessmen are facing challenges to take their revenue to their country and gradually it has been growing. • For Lack of duty and quota-free facilities, Investors will be more discouraged for FDI. • Absence of Business automation process. • Foreign businessmen are not getting social safety and security. • Bureaucratic complication and harassment from relevant authorities.
<p>Academician/ Researcher</p>	<ul style="list-style-type: none"> • Although we will lose market preference in a number of nations, including the European Union as well as exports are projected to decline following LDC graduation but will be able to attract more foreign direct investment after LDC graduation as this status will boost the country's reputation. • Bangladesh has all the potential opportunity to attract FDI due to its macro-economic stability, strategic geographical location and low-cost workforce. • Increased FDI will assist us to overcome the challenge of the post-LDC period.

Sectors	Findings
	<ul style="list-style-type: none"> • We have not been able to utilize locally obtained raw materials in the leather sector because the Savar tannery area is not completely operating. • The steps initiated by the government of Bangladesh to construct 100 special economic zones (SEZ) and large infrastructure projects appear to solve some of the problems. • Significant obstacles to attracting FDI are a range of supply-side restrictions such as inadequate infrastructure and excessive business costs. • The most recent Doing Business ranking of the World Bank puts Bangladesh 168th out of 190 nations. • In subcomponents of the Doing Business index Bangladesh performs the worst are - ‘enforcing contracts,’ ‘obtaining electricity,’ and registering property’. • The obstacles to attracting FDI in Bangladesh are the high cost of doing business, an unfavourable regulatory environment, bureaucratic red tape, uncertainty in the reform of the policy regime, lax enforcement of intellectual property rights, and the slow implementation of infrastructure projects, including SEZs.

5. Conclusion and Recommendation

Since the arrival of the COVID pandemic in 2019 and the start of country-by-country lockdowns, economists have been talking about fears of an economic recession. Economic growth has slowed in almost every country, from the developed countries to the least developed countries. LDCs have been hit harder than rich countries by the economic crisis caused by COVID. The Russia-Ukraine war has fueled the crisis. By early 2023, the IMF predicts that one-third of the world's countries will be in recession due to the impact of the COVID pandemic and the Russia-Ukraine war.

Meanwhile, Bangladesh is set to graduate from the Least Developed Countries (LDCs) in 2026. To meet the challenges upon LDC graduation, FDI can be a vital external private source of financing in Bangladesh. However it needs necessary reforms to attract foreign investment to maintain the trend of progress. FDI in Bangladesh is less than one percent of GDP. In the true sense, Bangladesh, such an attractive country, yet lags far behind in terms of FDI.

The study reveals that Bureaucratic complexity is the main challenge in Bangladesh to attract FDI followed by Higher cost of doing business, High corporate tax rate, Weak supply chain and logistic facility, Lack of modern and advanced technology, Lack of Skilled labour, Licensing problem, Regulatory challenges (insolvency act, bankruptcy act foreign exchange regulation act, etc.) and Lack of competent professional services (banking etc.).

However, the study also identifies the way forward to attract FDI. 'Adoption of Technological know-how in production system' is the major way forward according to the study findings followed by 'Enhance transparency and digitization', 'Managerial capability', 'Marketing capability', 'Diverse workforce', 'Strong ICT service', 'Country branding', 'State of technology', 'Supply chain network connected with global value chain', 'Uninterrupted Utility services with competitive market price (gas, electricity etc.)', 'The growing importance of the logistics sector in the economy', 'Low-cost of doing business', 'Automation of tax system, Business operations and public service facilities', 'Competitive tariff structure', 'Low labour cost', 'Fintech and Capital Market Development', 'Reduced tax regime'.

Bangladesh, transitioning from an LDC, may leverage Official Development Assistance (ODA) and FDI to enhance national income and GDP share. Based on the study, some proposed recommendations for attracting FDI upon LDC graduation are Policy reforms and investments in human capital, technology, and institutions are crucial for a smooth transition to upper-middle-income status. So to ensure competitiveness in sectors like tannery, leather goods, and footwear, improvements in compliance with international standards are essential. Technical support for certification, such as from the Leather Working Group, may be prioritized. At the same time attracting FDI requires eliminating sector-specific barriers, particularly in garments, footwear, and ceramics, while enhancing the ease of doing business through infrastructure development and simplified regulatory processes.

Attracting Foreign Direct Investment (FDI) should diversify sources of foreign currency beyond remittances and exports is key, and substantial FDI can play a pivotal role. Besides, we should take initiative to enhance trade competitiveness, upgrading infrastructure, and improving economic and political institutions are vital for attracting FDI. Technology transfer for product and export diversification, especially in RMG, should be a focus area. Additionally, sector-specific policies and reforms in trade, monetary, and fiscal policies are necessary to boost private sector investment.

To attract FDI, Bangladesh must prioritize the implementation of existing policies outlined in national development plans, negotiate trade agreements, and explore new sectors beyond RMG. Reducing administrative complexity, resolving land-related issues, and ensuring disaster preparedness are essential steps. Additionally, region-specific strategies, advanced technology adoption, and creating opportunities for industrial relocation through FDI should be considered.

Infrastructure projects, particularly in logistics, need to be expedited. This includes the Dhaka-Chattogram express highway and port efficiency improvements. Ensuring facilities at EPZs, minimizing land disputes, and providing a seamless One-Stop Service (OSS) for the investors. Automated systems for VAT, tax deductions, and document renewals are necessary to attract foreign investors. Ensuring social safety, security, and dignity for foreign investors, along with offering incentive packages, will enhance FDI inflows.

Effective utilization of bond facilities, inclusion of chambers in FDI negotiations, and addressing investor demands are key to sustainable FDI attraction. To foster local demand, especially in sectors like light engineering, targeted production plans and branding initiatives, such as phasing out reconditioned cars for Bangladesh-branded vehicles, are recommended. Consistent policies, transparent regulations, and a holistic approach to structural changes will be essential to attract and retain foreign investors.

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Appendix

Tenure of business (in years)

Years	Number	Percent
1 to 9	40	33.3
10 to 19	54	45.0
20 to 29	17	14.2
30 to 39	5	4.2
Above 40	4	3.3
Total	120	100.0

Question 1: Which industry does your business belong to?

Industry	Number	Percent
Agro-Processing	19	15.8
IT & ITES	5	4.2
Jute & Jute Goods	5	4.2
Light Engineering	11	9.2
Pharmaceuticals	6	5.0
Plastic	3	2.5
RMG & Textile	17	14.2
Construction	11	9.2
Consultancy & Engineering	4	3.3
Cotton	2	1.7
Import & Supply	7	5.8
Madical Equipment	4	3.3
Renewable Energy	3	2.5
Shipbuilding	3	2.5
Printing & Publishing	3	2.5
Packaging	3	2.5
Cosmetics	2	1.7
Energy	2	1.7
Other, please specify	10	8.3
Total	120	100.0

Question 2: Please tell us the number of employees working in your firm.

Number of employees	Number	Percent
1 to 49	74	61.7
50 to 99	12	10.0
100 to 199	15	12.5
200 to 299	2	1.7
300 to 399	2	1.7
400 to 499	2	1.7
500 to 599	2	1.7
600 to 699	2	1.7
700 to 799	1	.8
Above 1000	8	6.7
Total	120	100.0

Question 3: Are you aware of the fact that Bangladesh is set to graduate from the Least Developed Countries (LDCs) in 2026?

Response	Number	Percent
No	9	7.5
Yes	111	92.5
Total	120	100.0

Question 4: Do you think that attracting Foreign Direct Investment (FDI) can be a way for Bangladesh to address the challenges in the post-LDC graduation era for low-cost financing?

Response	Number	Percent
No	14	11.7
Yes	106	88.3
Total	120	100.0

Question 5: Does your business receive any form of Foreign Direct Investment (FDI)?

Response	Number	Percent
No	106	88.3
Yes	14	11.7
Total	120	100.0

Question 6.1: The amount of FDI in USD (approximate):

Amount	Number	Percent
1 million to 250 million	12	85.7
251 million to 500 million	2	14.3
Total	14	100.0

Question 6.2: From which destination(s) you are currently receiving FDI

Destination	Percent
Canada	4.2%
China	12.5%
India	12.5%
Japan	8.3%
UAE	12.5%
UK	4.2%
USA	8.3%
South Korea	4.2%
Singapore	4.2%
France	4.2%
Germany	4.2%
Malaysia	12.5%
Netherlands	4.2%
Turkey	4.2%

Question 7: Do you agree that our industry has huge potential to attract FDI after LDC graduation.

Response	Number	Percent
Strongly Disagree	2	1.7
Disagree	17	14.2
Neutral	32	26.7
Agree	41	34.2
Strongly Agree	28	23.3
Total	120	100.0

Question 8: Do you think that your industry has been able to attract FDI as per its potential so far?

Response	Number	Percent
No	79	65.8
Yes	41	34.2
Total	120	100.0

Question 9: If “Yes” in Question 8, what are your suggestions to continue this trend of attracting FDI?

Response	Number	Percent
Very competitive investment climate	27	52.9%
Impressive fiscal and non-fiscal incentives	18	35.3%
Other, please specify:	6	11.8%

Question 10: If “No” in Question 8, what are the challenges of attracting FDI in your industry? You are requested to pick up multiple responses.

Response	Number	Percent
Lack of Skilled labour	27	7.3%
Labour Unrest	2	0.5%
Lack of competent professional services (banking etc.)	24	6.5%
Lack of IT and telecom services	7	1.9%
Lack of Utility services	21	5.7%
Lack of ESG (Environmental, Social, and Governance) compliance	20	5.4%
Licensing problem	26	7.0%
Bureaucratic complexity	43	11.6%
Higher cost of doing business	36	9.7%
Regulatory challenges (insolvency act, bankruptcy act, foreign exchange regulation act, etc.)	25	6.7%
Business settlement (negotiation)	9	2.4%
High corporate tax rate	34	9.2%
Weak supply chain and logistic facility	32	8.6%
Clean business practice	20	5.4%
Lack of transport connectivity with regional market	8	2.2%
Lack of modern and advanced technology	29	7.8%
Other, please specify:	8	2.2%

Question 11: How much do you agree with the following factors that can attract FDI in Bangladesh after LDC graduation?

Adoption of Technological know-how in production system

Response	Number	Percent
Strongly Disagree	1	.8
Disagree	3	2.5
Neutral	3	2.5
Agree	53	44.2
Strongly Agree	60	50.0
Total	120	100.0

Marketing capability

Response	Number	Percent
Strongly Disagree	1	.8
Disagree	4	3.3
Neutral	10	8.3
Agree	58	48.3
Strongly Agree	47	39.2
Total	120	100.0

Managerial capability

Response	Number	Percent
Strongly Disagree	1	.8
Disagree	2	1.7
Neutral	9	7.5
Agree	54	45.0
Strongly Agree	54	45.0
Total	120	100.0

State of technology

Response	Number	Percent
Strongly Disagree	3	2.5
Disagree	4	3.3
Neutral	10	8.3
Agree	54	45.0
Strongly Agree	49	40.8
Total	120	100.0

Capital Market Development

Response	Number	Percent
Strongly Disagree	4	3.3
Disagree	6	5.0
Neutral	18	15.0
Agree	45	37.5
Strongly Agree	47	39.2
Total	120	100.0

Supply chain network connected with global value chain

Response	Number	Percent
Strongly Disagree	4	3.3
Disagree	5	4.2
Neutral	10	8.3
Agree	50	41.7
Strongly Agree	51	42.5
Total	120	100.0

Country branding

Response	Number	Percent
Strongly Disagree	1	.8
Disagree	2	1.7
Neutral	13	10.8
Agree	54	45.0
Strongly Agree	50	41.7
Total	120	100.0

Diverse workforce

Response	Number	Percent
Disagree	4	3.3
Neutral	11	9.2
Agree	61	50.8
Strongly Agree	44	36.7
Total	120	100.0

Low labour cost

Response	Number	Percent
Strongly Disagree	5	4.2
Disagree	6	5.0
Neutral	15	12.5
Agree	56	46.7
Strongly Agree	38	31.7
Total	120	100.0

Strong ICT service

Response	Number	Percent
Disagree	5	4.2
Neutral	10	8.3
Agree	51	42.5
Strongly Agree	54	45.0
Total	120	100.0

Uninterrupted Utility services with competitive market price (gas, electricity etc.).

Response	Number	Percent
Disagree	9	7.5
Neutral	11	9.2
Agree	46	38.3
Strongly Agree	54	45.0
Total	120	100.0

Low-cost of doing business

Response	Number	Percent
Disagree	9	7.5
Neutral	12	10.0
Agree	50	41.7
Strongly Agree	49	40.8
Total	120	100.0

Reduced tax regime

Response	Number	Percent
Strongly Disagree	5	4.2
Disagree	6	5.0
Neutral	19	15.8
Agree	47	39.2
Strongly Agree	43	35.8
Total	120	100.0

Competitive tariff structure

Response	Number	Percent
Strongly Disagree	2	1.7
Disagree	4	3.3
Neutral	17	14.2
Agree	49	40.8
Strongly Agree	48	40.0
Total	120	100.0

Automation of tax system, Business operations and public service facilities

Response	Number	Percent
Strongly Disagree	3	2.5
Disagree	8	6.7
Neutral	10	8.3
Agree	46	38.3
Strongly Agree	53	44.2
Total	120	100.0

The growing importance of the logistics sector in the economy

Response	Number	Percent
Strongly Disagree	2	1.7
Disagree	3	2.5
Neutral	15	12.5
Agree	52	43.3
Strongly Agree	48	40.0
Total	120	100.0

Enhance transparency and digitization

Response	Number	Percent
Strongly Disagree	1	.8
Disagree	4	3.3
Neutral	6	5.0
Agree	48	40.0
Strongly Agree	61	50.8
Total	120	100.0