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Foreign Direct Investment on Bangladeshi Garments and textiles Sector

An overview of the foreign ownership in Bangladesh Garments and textiles

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Thesis Abstract

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Foreign direct investment (FDI) is a potent weapon of economic development, especially in the current global context, which enables a capital-poor country like Bangladesh to help integrate its domestic economy with the global economy. The purpose of this thesis is to show the contribution of FDI in the Bangladeshi garments and textiles sector and in the economic development of Bangladesh so as to know whether the call for more FDI is truly justified. The thesis attempts to identify the prospects of the Bangladeshi ready-made garments (RMG) industry by analyzing its current scenario, strengths and weaknesses, and potential competitiveness in the world market.

The author shows and analyzes information relating to the data collected on the primary and secondary basis. The data sources are based on a newly collected exclusive firm level data, supported by unique custom firm-level export data. To collect the information, the author communicated with different department employees of several garments companies in Bangladesh. The secondary data used in the study were collected from various publications, Bangladesh Economic review, and the annual reports, audit reports and web sites of garments companies, different newspapers, books as well as the Bangladeshi garments industry. Scholarly opinions and suggestions are also discussed.

Keywords: **Bangladesh, Bangladeshi garments and textiles, foreign direct investment, world market**

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Abbreviations

BD	Bangladesh
BGMEA	Bangladesh Garment Manufacturers and Exporters Association
RMG	Readymade garments
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
EU	European Union
USA	United States of America
USD	United States dollars
GSP	Generalized System of Preferences
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
SAFTA	South Asian Free Trade Area
IMF	International Monetary Fund
OECD	Organization for Economic Co-operation and Development
WIR	World Investment Report
BOI	Board of investment
EPZ	Export processing zones

FICCI	Foreign Investment Chamber of Commerce and Industry
MFA	Multi Fibre Agreement
GATT	General Agreement on Tariffs and Trade
T&G	Textile and garment
TCB	Trading Corporation of Bangladesh
EPB	Export Promotion Bureau, Bangladesh
FY	Fiscal year
SWOT	Strength, Weakness, Opportunity and Threats
PEST	Political, Economical, Social and Technological
AOA	Agreement On Agriculture
NCST	The National Council for Science and Technology
OPIC	Overseas Private Investment Corporation
MIGA	Multilateral Investment Guarantee Agency
ICSID	International Center for the Settlement of Investment Dispute

1. INTRODUCTION

1.1 Background of the Study

This study is mainly focused on FDI on the Bangladesh garments sector, productivity of Foreign investing companies and finding out the advantages of foreign ownership in the Readymade garments (RMG) and textiles sector in Bangladesh. The study will focus on the basic question why to invest in Bangladesh garments and textiles sector. This study will find out the answer of this question and show overall productivity of Bangladesh garments sector. In order to attract the foreign investors the study will help to find out much more information about investing in RMG sector in Bangladesh.

In Bangladesh, FDI plays a significant role in GDP acceleration and economic growth (Mottaleb 2007). Foreign Direct Investment (FDI) is one of the most recognized components of economic growth for Bangladesh. Being one of the Least Developed Countries with low domestic savings rate for investment, the importance of foreign investment is unquestionable for the country as Foreign Direct Investment (FDI) will create employment, encourage technology transfer and develop new exportable sector. To attract more and more FDI the government of Bangladesh has been creating private investment friendly environment. A number of opportunities have been given by the Government of Bangladesh to attract foreign investors to invest in the country in some prospective sectors but mainly in the RMG sector.

Various positive attributes of Bangladesh is now drawing the attention of the investors all over the world. Foreign investment is the most powerful ingredient for the economic growth of Bangladesh as it lacks sufficient domestic savings for investment. FDI has a remarkable role in the modernization of the Bangladesh economy for the last two decades. FDI is one of the key factors not only for the economical development of Bangladesh but also it opens the door for international business opportunity.

Overall, the study is made to attract the foreign investors to invest in the Bangladesh garments sector and to find out the advantages of investing in the readymade garments (RMG) and textiles in Bangladesh.

1.2 Problem Statement

In Bangladesh, it is available to get skilled labor at relatively low wages (See Table 1). Bangladesh is one of the best placed in the regions for textiles and garments because of cheap labor and trade status with the EU.

Table 1: Hourly wage rate comparison (USD)

	Bangladesh	Nepal	India	Pakistan	Sri lanka	China	Indonesia	Vietnam
Hourly wages (USD)	0.24	0.31	0.60	0.40	0.45	0.69-0.89	0.40	0.40

Source: Siddique (2004) for hourly wage data

Gas burned energy cost in Bangladesh is less than two cents/KWH in compared to 9.33, 6.72 and 7.84cents/KWH in India, Pakistan and China, respectively (cottonbangladesh.com)

Lowest wage rates and lowest energy cost, tolerable inflation rate, reasonably stable exchange rate and investment friendly custom regulations have made Bangladesh a popular investment destination. Bangladesh has become more open toward FDI policies over the last decades. These above features will certainly attract the foreign investors. The author will be finding out the advantages of FDI in Bangladeshi garments sector which will provide much more information for foreign investors who are interested in investing in the RMG sector in Bangladesh.

The Ready-Made Garments (RMG) industry occupies a unique position in the Bangladesh economy. It is the largest exporting industry in Bangladesh which experienced phenomenal growth during the last 20 years. This thesis will be devoted for the prospects, challenges and strategies for Bangladesh's RMG in the world market in order to attract foreign investors.

Borensztein, De Gregorio, and J.W. Lee have marked FDI as an important factor in accelerating economic success and wealth of a country as well as a door in creating jobs, facilitating economy, and creating more competitive environment and contributing productivity to the host country. The world economy is in stream of change in order to integrate itself to achieve desire objectives of the economic globalization for the growth and prosperity for the irrespective of region in all parts of the world. Trends in economic policies in both developed and developing countries have been greatly influenced by the globalization that is free market economy and as a matter of fact foreign investment and trade liberalization have become its prime impulses. In this research, the author focuses on the basic fact “why investing in the RMG sector in Bangladesh will make profitable businesses”.

Overall, this thesis will bring **more and more** information about the environment of Bangladeshi garments industry and the productivity of the foreign investing RMG companies.

1.3 Objective of the study

The fastest growing industry in Bangladesh with RMG accounting for more than 75% of total exports .Within the South Asia region, Bangladesh can gain ground from a changing external policy environment by seizing opportunities for preferential market access, taking advantage of regional accumulation, and, if possible, negotiating free-trade agreements with India and other neighbors (SAFTA, BIMSTEC).

In international business FDI is a significant component for many countries but Bangladesh is comparatively lagging behind of them. Making FDI as a basic component for international business is very demanding for Bangladesh as there are a lot of opportunities to attain economic development by undertaking some initiatives. Bangladesh’s RMG is now a matured industry, a popular destination for making International business and likely to be able to face successfully the challenges ahead and maintain the competitiveness in the global RMG market.

Considering the above facts the overall purpose of preparing this thesis is to identify the prospect of Foreign Direct Investment in Bangladesh garments and textiles sector.

The specific objectives of this study are as follows:

- To analyze the global challenges, opportunities and threats of RMG and textile industries in Bangladesh.
- To analyze the present situation of the Garments and textile industries of Bangladesh.
- To examine the problems of textile and garment sectors of the country.
- To give some suggestions that can help to overcome the problems and face the global challenges of the Garments and textile industries of Bangladesh.
- To evaluate the FDI status in the Garments and textile industries of Bangladesh.
- To find out the prospects & problems of FDI in the Garments and textile industries of Bangladesh.
- To analyze the impact of FDI inflow on GDP, Export and private investment in the Garments and textile industries of Bangladesh.
- To evaluate the contribution of FDI in the RMG sector to the economic development in Bangladesh.

1.4 Significance of the Study

FDI plays a dominant role in the economy of many developing countries through accelerating Gross Domestic Product (GDP), export and domestic investment followed by overall economic growth. So it is vital for the government of Bangladesh to carry out effective measures in protecting the prospective foreign investors so that they can get a congenial atmosphere to invest their capital in the RMG sector in Bangladesh.

The importance of the textile industry in the economy of Bangladesh is very high. Garments industry is the largest contributor to export GDP of Bangladesh. According to the Bangladesh Economic Review, it contributes 16% of the GDP in 2012 and the following year the contribution of RMG in the GDP is 11539 million USD which is the 79.6% of the total export in the fiscal year 2012-13.

RMG is one of the impoverished nation's biggest industries in Bangladesh which is currently facing great challenges in its growth rate in the world market. The major reasons for these challenges can be the global recession, unfavorable trade policies, high cost of production due to increase in the energy costs etc. Introducing the Foreign direct investment (FDI) is a potent weapon of developing the capital-poor country like Bangladesh. FDI can emerge as a significant vehicle to build up physical capital, create employment opportunities, develop productive capacity, enhance skills of local labor through transfer of technology and managerial know-how, and help integrate the domestic economy with the global economy. This thesis provides an assessment of the current situation of FDI in RMG in Bangladesh.

According to Bangladesh Garment Manufacturers & Exporters Association (BGMEA), FDI basically helps to fill-up the capital gap and shortage of the country. Bangladesh is now a recognized name on the globe as a major exporter of garments. The readymade garment industry has become the lifeline of the Bangladesh economy. So much of the nation's fortune is riding on this one sector with the two million workforce it employs directly and another one million in linkage industries. It supports the livelihood of some 10 million Bangladeshis who have been lifted out of poverty.

This thesis is about ensuring the advantages of the foreign investing firms in the garments sector in Bangladesh. It provides an analytical perspective for a better understanding of the key issues facing the sector and offers a set of strategic options for the industry in order to attract the foreign investors.

2. LITERATURE REVIEW

Researching products will make companies to understand the importance of FDI in Bangladeshi garments sector, how FDI creates employment and economic development of the companies as well as the country. The companies will understand why they will make profitable business if they invest in the garments sector of Bangladesh. The literature review and the key findings from other researchers help the author to understand the productivity of the foreign ownership in the garments sector in **Bnagladesh**.

2.1 Overview of the economy of Bangladesh

The spirit of free enterprise and the innovative entrepreneurship are the dominant forces in the economic life of Bangladesh. Bangladesh is considered as a economic miracle of this decade as with its pro-investment policies, stability and economic development through international and regional trade with its development partners and increasing remittances by expatriate Bangladeshis, the country has achieved an impressive economic growth during the last 10-15 years. According to the Bangladesh economic review, In last one decade the GDP growth hardly went down below 6%. A strong domestic demand, high export growth and continued expansion of infrastructural facilities helped to accomplish this accelerated economic growth amidst the fragile pace of global economic recovery.

According to Bangladesh bureau of statistics, BBS, Bangladesh has an estimated population of 160 million living in an area of about 55,000 square miles. It thus has the unwanted distinction of being the world's most densely populated country, and this overpopulation is at the root of many of Bangladesh's socioeconomic problems. However, the population is largely homogeneous in terms of ethnicity, language, and religion, and this provides a valuable element of national cohesion.

International Monetary Fund (IMF) ranked Bangladesh as the 44th largest economy in the world in 2011 in PPP terms and 57th largest in nominal terms. The country registered a gross domestic product of US\$305.5 billion in 2012, US\$288.1 billion and US\$270.5 billion in 2011 and 2010 respectively in purchasing power parity (PPP). Sectorally, services constitute the largest portion of GDP with 51.7%. Industry accounts for 27.1% and agriculture 21.2%. However, the distribution of the labour force is reversed, with most people still working in agriculture (61%), followed by services (27%) and finally industry (12%). This imbalance between output and employment is indicative of a large amount of "disguised" unemployment and underemployment. Unemployment is estimated to be about 40%. (Bangladesh Bank, 2012)

In 2012 Bangladesh experienced a satisfactory FDI. World Investment Report 2012 ranked Bangladesh 16th among 74 FDI-recipient countries with a record \$1.13 billion FDI inflow. This is only the second time Bangladesh's FDI has exceeded the billion dollar mark in a single year. Standard & Poor's Rating Services on May 31, 2012 affirmed it's 'BB-'long term and 'B' short-term foreign and local currency sovereign credit ratings on Bangladesh with

stable outlook. The transfer and convertibility (T&C) assessment remains 'BB-'. The Bangladesh Government has planned a long-term perspective plan, with a target to make Bangladesh a middle-income country by 2021, by raising the real per capita income to US\$2000 which now stands at US\$848. (Bangladesh Bank, 2012)

While world trade was severely disrupted by the global recession in last three years with exports of most countries declining sharply, the export of Bangladesh shows satisfactory growth. Bangladesh has emerged as the second largest exporter in the world apparel market. Bangladesh is also doing exceedingly well in the exports of finished leathers and leather goods, frozen foods, jute and jute goods, pharmaceutical products, light engineering products and small ocean going vessels. In 2012 and 2011 Bangladesh posted US\$ 25.79 billion and US\$ 24.56 billion respectively in export earnings, while at the corresponding periods the country registered import bills of US\$ 35.06 billion and US\$32.58 billion. Most of the items in the import list are petroleum products, capital goods and industrial raw materials. (Bangladesh Bank, 2010)

Bangladesh has also attained a satisfactory foreign currency reserves in recent months. Until January 2013, reserves stood at US\$14.1 billion. Apart from remittances by expatriate Bangladeshis, the increase in export earnings and decrease in import cost played their role in boosting the reserves. Expatriate Bangladeshis remitted US\$14.2 billion in 2012. The amount is 21 % more than 2011 and a record itself. (Bangladesh Bank, 2010)

Understanding the economy of Bangladesh is a vital part of this literature. The information about the economy of Bangladesh motivates the author to better understand the contribution of RMG to the national economy, the foreign ownership in Bangladesh and Bangladeshi RMG in the world market.

2.2 Foreign Direct Investment (FDI)

'Foreign Direct Investment - FDI' – The investing company may make its overseas investment in a number of ways - either by setting up a subsidiary or associate company in the foreign country, by acquiring shares of an overseas company, or through a merger or joint venture. The accepted threshold for a foreign direct investment relationship, as defined by the OECD, is 10%. That is, the foreign investor must own at least 10% or more of the voting

stock or ordinary shares of the investee company. An example of foreign direct investment would be an American company taking a majority stake in a company in China. Another example would be a Canadian company setting up a joint venture to develop a mineral deposit in Chile. (Investopedia)

FDI is one of the most important components of international investment which creates a long-term relationship between the direct investor and the enterprise. Direct investment relates the transaction between the investor and the enterprise. FDI shows the transactions among affiliated enterprises, both incorporated and unincorporated. The components of FDI are: 1. Equity capital, 2. Reinvested earnings and 3. Intra-company loans.

Equity Capital is the ownership as well as the share purchasing of an enterprise by a foreign investor. Reinvested earnings demonstrate that portion of earning of an investor which is not distributed back to him. This means the profits that are not given out as dividends is kept within the firm. Intra-company loans include debt transactions and these transactions are regarding lending by the foreign parent company to its affiliates in the form of both short and long-term.

FDI implies that the investor exerts a significant degree of influence on the management of the enterprise resident in the other economy. FDI may be undertaken by individuals as well as business entities. Flows of FDI comprise capital provided by a foreign direct investor to an FDI enterprise, or capital received from an FDI enterprise by a foreign direct investor.

2.2.1 Theories of Foreign Direct Investment

To understand foreign direct investment must first understand the basic motivations that cause a firm to invest abroad rather than export or outsource Production to national firms. Many researchers have explained foreign direct investments (FDI)'s issues but the main research on the motivations underlying FDI were developed by J. Dunning, S. Hymer or R. Vernon.

Theories of FDI may be classified under the following headings:

Production Cycle Theory of Vernon: Vernon believes that there are four stages of production cycle: innovation, growth, maturity and decline. According to Vernon, in the first stage the U.S. transnational companies create new innovative products for local consumption and export the surplus in order to serve also the foreign markets. According to the theory of the production cycle, after the Second World War in Europe has increased demand for manufactured products like those produced in USA. Thus, American firms began to export, having the advantage of technology on international competitors. This theory managed to explain certain types of investments in Europe Western made by U.S. companies between 1950-1970

The Theory of Exchange Rates: This is another theory which tried to explain FDI. Itagaki (1981) and Cushman (1985) analyzed the influence of uncertainty as a factor of FDI. In the only empirical analysis made so far, Cushman shows that real exchange rate increase stimulated FDI made by USD, while a foreign currency appreciation has reduced American FDI. Cushman concludes that the dollar appreciation has led to a reduction in U.S. FDI by 25%. However, currency risk rate theory cannot explain simultaneous foreign direct investment between countries with different currencies.

The Internalization Theory: This theory basically explains the growth of transnational companies and their motivations to achieve FDI. According to Hymer (1976) the MNE appears due to the market imperfections that led to a divergence from perfect competition in the final product market. In his Doctoral Dissertation, Hymer identified two major determinants of FDI. One was the removal of competition. The other was the advantages which some firms possess in a particular activity (Hymer, 1976).

Hymer has discussed the problem of information costs for foreign firms respected to local firms, different treatment of governments, currency risk (Eden and Miller, 2004). The result meant the same conclusion: transnational companies face some adjustment costs when the investments are made abroad. Hymer recognized that FDI is a firm-level strategy decision rather than a capital-market financial decision.

The Eclectic Paradigm of Dunning: The eclectic theory which was developed by professor Dunning shows a mix of three different theories of direct foreign investments as O-L-I where “O” from Ownership advantages, “L” from Location and I” from Internalisation.

1. “O” from Ownership advantages:

To successfully enter a foreign market, a company must have certain characteristics that would triumph over operating costs on a foreign market. These advantages are the property competences or the specific benefits of the company. The firm has a monopoly over its own specific advantages and using them abroad leads to higher marginal profitability or lower marginal cost than other competitors. (Dunning, 1973, 1980, 1988).

To simplify, this theory refers to intangible assets, which may be transferred within transnational companies at low costs, leading either to higher incomes or reduced costs.

2. “L” from Location:

Location advantages of different countries are the key factors to determining who will become host countries for the activities of the transnational corporations. The specific advantages of each country can be divided into three categories: a) the economic benefits consist of quantitative and qualitative factors of production, costs of transport, telecommunications, market size etc. b) Political advantages: common and specific government policies that affect FDI flows c) Social advantages: includes distance between the home and home countries, cultural diversity, attitude towards strangers etc.

3. “I” from Internalisation:

Supposing the first two conditions are met, it must be profitable for the company the use of these advantages, in collaboration with at least some factors outside the country of origin (Dunning, 1973, 1980, 1988).

The article by Lorentzen and Barnes on South Africa shows that domestic capacity – in the form of infrastructure or an efficient domestic industrial sector– is a primary determinant of high competence affiliates. They base their analysis on eight case studies in the South African automotive sector, and show that indigenous firms can compete with MNEs, and – given the

appropriate domestic capabilities and infrastructure – can maintain and improve their competitive advantages through indigenous innovation.

The above mentioned theories are helpful to understand FDI and its importance. After having proper knowledge about FDI the author proposes to analyze the FDI in the RMG sector in Bangladesh.

2.2.2 FDI and Growth

By reviewing various literatures available on FDI it is found that foreign investment is still viewed as a matter of debate. Opinions are still divided in deciding that whether FDI is boom or bane for host countries economic growth and development because FDI has its own merits and demerits. There are many researches and case studies which provide us so many basic information showing the relationship between FDI and economical growth.

Aitken and Harrison (1999) have evaluated the contribution of FDI to domestic productivity and found positive impacts of FDI on economic development. Again, Levine et al. (2000) found negative results on economic development.

Rothgeb (1984) found an immediate troublesome effect of FDI flows on developing countries. This effect would overcome after a short period of time, with positive impacts on growth. Rothgeb (1984) used his model to explore the impact of foreign investment on the growth of Bangladesh and found that FDI has a positive impact on growth. He also found a strong positive effect of the change in the level of domestic investment on growth.

V.N. Balasubramanyam, M. Salisu, and D. Sapsford (1996) did an examination about the impact of FDI on economic growth in developing economies using ordinary least squares. Applying the export promotion strategy, they found positive and significant impact of FDI on economic growth in developing countries. Simultaneously, it also showed that such relations do not exist in developing countries applying the import substitution strategy.

Bengoa and Sanchez-Robles (1997) showed the positive correlation between FDI and economic growth. In this connection, with a view to getting benefit from long term FDI

inflows, human capital, stable economic condition and liberalized markets are required in host countries.

Borenszteina et al (1998) examined the data on FDI inflows of sixty nine developing countries by regression framework and found the importance of FDI as a means of transferring technology that contributes more to growth than domestic investment.

Mottaleb (2007) studied the determinants of FDI and its effect on economic growth in developing countries. He studied 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 bridge between the gap of domestic savings and investment and familiarizing the up to date technology and management skill from developed countries.

Jung Wan Lee, Gulzada S Baimukhamedova, Sharzada Akhmetova (2008) analyzed the correlation between FDI inflows, exchange rate, and economic growth of Kazakhstan by a multivariate regression model with weighted least squares estimates. The results revealed the minimum significant impact of FDI on GDP growth of Kazakhstan.

Abdul Rehman, Oranzab, Ali Raza (2009) conducted an analysis by using the data collected over the period of 1975-2008 and identified the determinants of FDI and its impact on GDP growth in Pakistan through different statistical tests and found positively significant impact of FDI on GDP growth of Pakistan. Furthermore, these results indicate that market size, trade openness / access to international market and quality of labor are the major determinants that have significant affect on the FDI inflow. The study also found no affect of market potential and communication facility on the attraction of FDI inflow in Pakistan.

Quader, Syed Manzur (2009) applied extreme bounds analysis to the data of the various catalyst variables of FDI inflows in Bangladesh. They found FDI and domestic investment have a positive effect on economic growth.

Piotr Misztal (2010) examined the influence of FDI on the economic growth in the Romania in period of 2000-2009 using the Vector Autoregression Model (VAR) and found linear relationship between FDI and economic growth.

Muhammad Azam (2010) examined the impacts of exports and FDI on economic growth of South Asian countries namely Bangladesh, India, Pakistan and Sri Lanka with simple log linear regression model using secondary data ranging from 1980 to 2009 and found that due to promotion of exports, economic growth of each country would increase. He also found FDI as positively significant at 1% level of significance for Bangladesh.

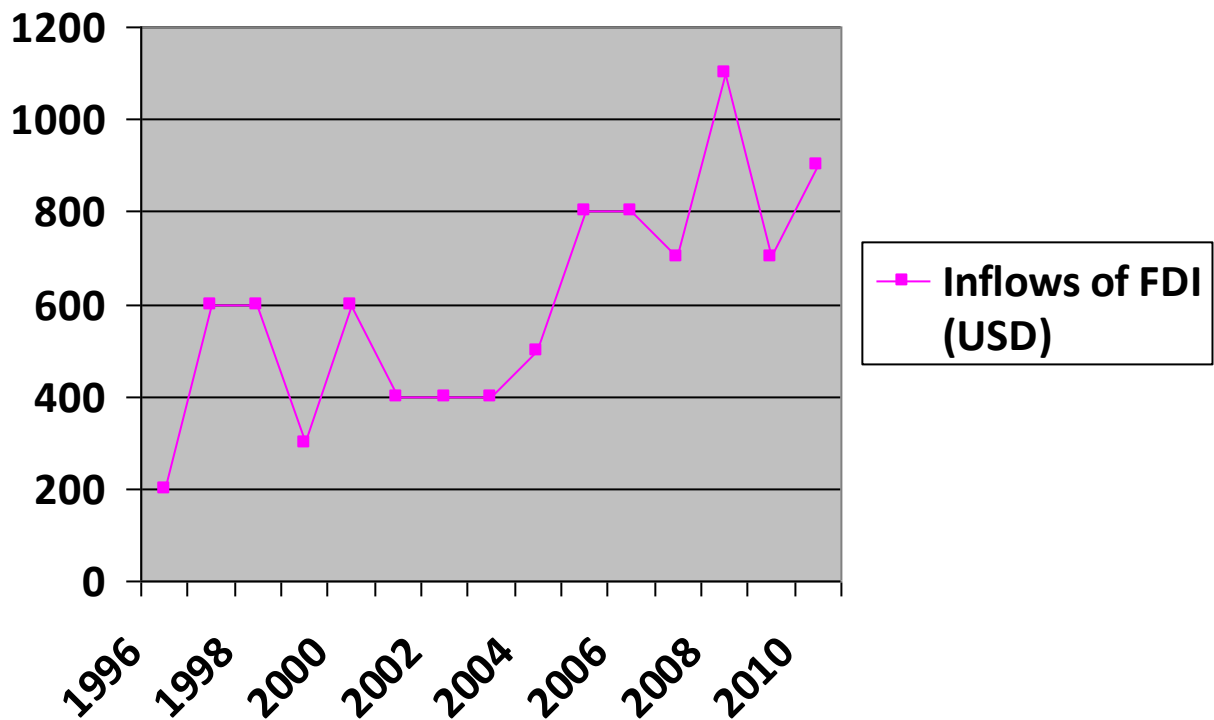
The above mentioned researchers have shown the contribution of FDI to the national economy of a country as well as the growth of economy for both home and host firms. It is clear that FDI has its own merits and demerits. Those studies will motivate the author to relate FDI and Economical growth and to base finding the key issues of the FDI in the RMG sector in Bangladesh .

2.3 Present FDI status in Bangladesh

Bangladesh has attracted USD 913 million foreign direct investments (FDI) in 2010 calendar year, a leap by 30 per cent. This upgrades the country's position to 114 from 119 out of 141 nations in the World Investment Report (WIR). During this period the telecom sector received USD 360 million FDI, the manufacturing sector received USD 238 million in investment from abroad, USD 145 million in the textile and clothing sector, while leather and leather products got USD 46 million. (The financial Express, 27 July, 2011)

The trend of Inflow of FDI in Bangladesh has increased over the 1980s as compared to earlier periods and this same momentum continues in 1990s as well. The total inflow of FDI has been increasing over the years. During the period of 1977-2010, total inflows of FDI were USD 8927.9 million, among which the total inflows of FDI during 2006-2010 was USD 4158.63 million. In 1977, this inflow was USD 7 million and in 2008, annual FDI reached to USD 1086.31 million. Unfortunately, there was a declination in inflows of FDI in 2010 which was USD 913.32 million (Source: Survey Report, Statistics Department, Bangladesh Bank).

Figure 1: FDI Inflows in USD in Bangladesh during 1996-2010



Source: Survey Report, Statistics Department of Bangladesh Bank and Foreign Direct Investment in Bangladesh (1971-2010), Board of Investment.

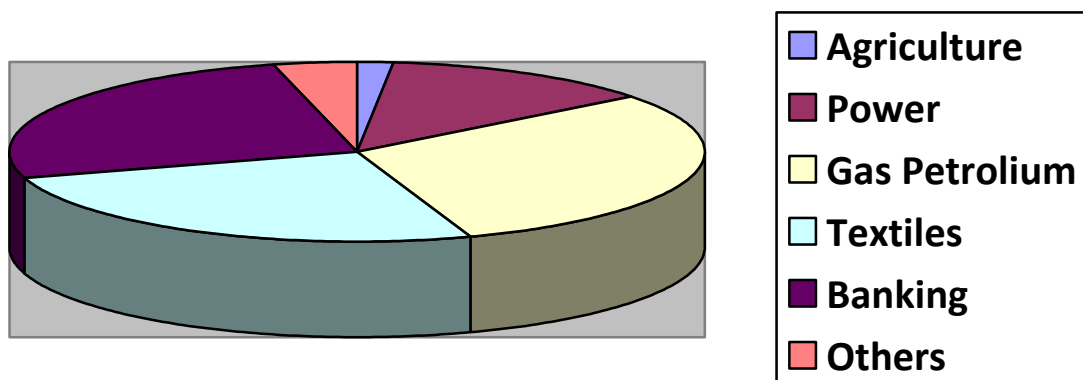
The figure 1 shows an inconsistent proceeding of FDI inflows during the period. In 1999 there was a sudden decline in the FDI and the falling trend continued for many reasons again in 2001, 2002 and 2003. The FDI inflow was on the steady rise from 2003 to 2005. It rose to US\$ 1086.3 million in 2008 but slumped to US\$ 700.16 in 2009 and again increased to \$913.32.

The above mentioned findings imply that FDI is a very important factor for the economical growth of Bangladesh. These findings help the study to know whether FDI has a positive effect in the RMG sector in Bangladesh or not. Author relates the findings in this thesis to show if FDI inflow is rising in Bangladesh which is a positive sign for the foreign investors as well as the country itself.

2.3.1 FDI Inflows by sectors

Sector-wise analysis of FDI reveals the fact that a shift has been made by the foreign investors in their investment in Bangladesh. The pie chart shows the trend of FDI towards power and energy, manufacturing and Banking, whereas the neglected sectors were agricultural, Services and trade and commerce.

Figure 2: FDI Inflows (in million USD) by sectors in Bangladesh during 1996-2010



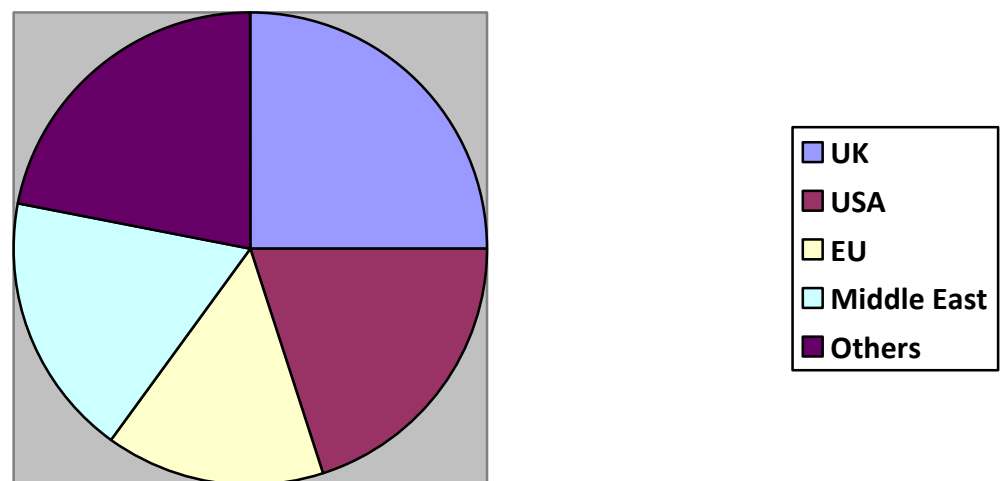
Source: Survey Report, Statistics Department of Bangladesh Bank and Foreign Direct Investment in Bangladesh (1971-2010), Board of Investment.

The above data helps to see which sector has the highest foreign investments in Bangladesh. The findings support that FDI in RMG sector is vital regarding foreign investments in Bangladesh and the success in textiles through the ready-made garments (RMG) industry is a vital part of this investment. These findings help to better know about the importance of foreign investment in the RMG sector in Bangladesh.

2.3.2 FDI Inflows by countries

The country-wise FDI inflows in Bangladesh from top 10 investing countries during 1996-2010 are presented in figure 3

Figure 3: FDI Inflows (in million USD) by countries during 1996-2010



Source: Survey Report, Statistics Department of Bangladesh Bank and Foreign Direct Investment in Bangladesh (1971-2010), Board of Investment.

The figure 3 shows that United Kingdom has gained the top most position among the top 10 investing countries in Bangladesh during 1996-2010 in investing in various sectors of economy. Out of total FDI inflows from the top investing countries during this period, United Kingdom, USA, Egypt, South Korea, Netherlands, Singapore, Hong Kong, UAE, Japan, Malaysia, Australia, Denmark, and Switzerland were remarkable.

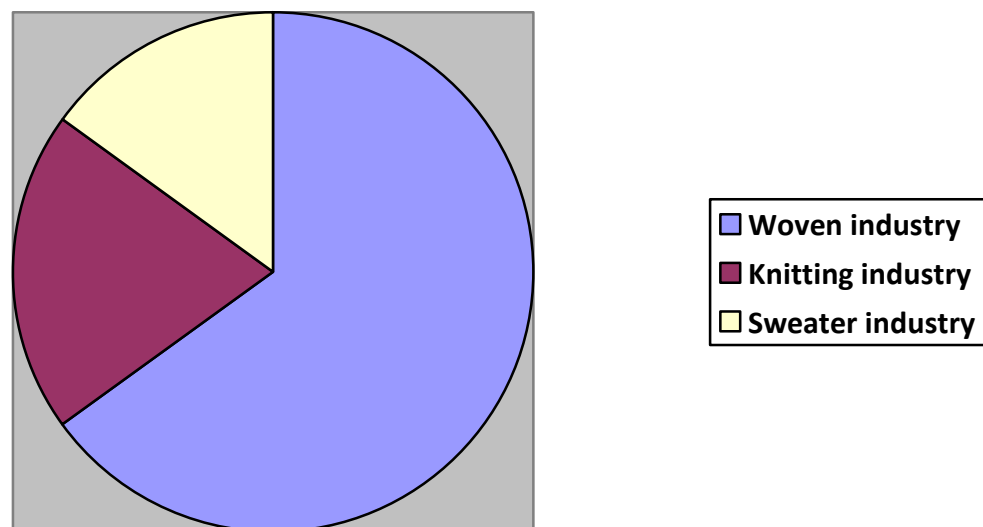
The above mentioned data shows the countries that have the higher foreign investments in Bangladesh. It is clear that UK, USA, EU and Middle east are the most popular countries for

the FDI in RMG sector in Bangladesh. These findings support this thesis to bring more information about the FDI countries and their contribution to the RMG sector in Bangladesh.

3 AN OVERVIEW OF BANGLADESH GARMENTS AND TEXTILES SECTOR

According to data obtained from the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) Members' Directory 2004-2005, there are more than 4,000 firms operating in Bangladesh garment sector where 2,800 firms are situated in the capital city of Dhaka. Woven industry accounts 65%, knitting industry 20 % and the remaining 15%. About 13% of the woven firms also engage in the knitting industry. These are usually the larger and more productive woven firms.(See figure 4)

Figure 4: RMG industries in Bangladesh (Sector wise)



Mejority of the garment firms in Bangladesh are locally own where about 1% of them operating in the export processing zones (EPZs) in the city of Dhaka and Chittagong but more than 63% of EPZ firms have some foreign ownership from countries such as South Korea, China, Japan, UK, USA and Hong Kong. The sector as a whole employ 2.1 million workers, with 53,000 workers in the firms with foreign ownership.

Overall, firms in Dhaka are larger and more productive as comparing to firms in Chittagong. In addition, firms in EPZs are the better firms than those out side of the EPZs according to their business performance and international standards.

3.1 Foreign Direct Investment on Bangladeshi Garments Sector

The Bangladeshi entrepreneurs will be compelled to improve their working conditions if foreign direct investment (FDI) in the ready-made garment (RMG) industry is allowed on small scale, said the leader of the Foreign Investment Chamber of Commerce and Industry (FICCI). The FICCI leader said if Chinese, South Korean, Indian and Pakistani entrepreneurs set up world standard RMG units in the country, Bangladeshi entrepreneurs will be compelled to improve working conditions and safety measures and give better salaries to workers. The government has stopped FDI in the export-oriented garment industry at the recommendation of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), the largest apex body of garment exporters. According to sources, at least 500 RMG units in the country are running with poor safety measures posing a constant threat to security of lives for the workers. These garment units lack adequate fire fighting equipment and emergency fire existence and flout building codes while setting up manufacturing units and godowns. BGMEA leaders have claimed that country requires massive investment in the backward linkage to feed the export-oriented garment industry. Bangladesh imports yarns and fabrics valued at several billion US dollars every year. Foreign direct investment (FDI) in the export-oriented ready-made garment (RMG) industry on a limited scale will put pressure on the local entrepreneurs to improve the existing environment, said a leader of the Foreign Investment Chamber of Commerce and Industry (FICCI). (The daily star)

According to Press Trust of India, India and China are expected to be the largest investors among developing countries by 2030, with the two Asian giants accounting for 38 per cent of global gross investment. Among the developing countries, China and India are expected to be the largest investors, with the two countries together accounting for 38 per cent of the global gross investment in 2030. All this will change the landscape of the global economy. According to the latest edition of the World Bank's Global Development Horizons (GDH) report, by 2030 half the global stock of capital, totaling USD 158 trillion, will reside in the developing world, compared to less than one-third with countries in East Asia and Latin America accounting for the largest shares of this stock. The high labour costs in China,

South Korea, India and Pakistan have cut the competitive edge in the international markets as labour cost is very low in Bangladesh.

As a developing country, Bangladesh needs Foreign Direct Investment (FDI) for its ongoing development process. Since independence, Bangladesh is trying to be a suitable country for FDI. In order to accelerate economic growth, Bangladesh opened her economy in the late 1980s to reap the benefits of FDI. In 1989 the government set up Board of Investment (BOI). The primary objective of which is aimed at attracting and facilitating investment from abroad. Foreign investors have set up world standard garment units in the export processing zones (EPZs) in which labourers are working in sound environment and getting good salaries. The Bangladesh government has developed EPZs in different parts of the country to woo foreign investments in the 80s and 90s. The safety measures in the factories in the EPZs are international standard. Bangladesh is the second largest supplier of RMG products in the international markets after China said a foreign ministry official of Bangladesh Government. (The daily star)

Most of the garments firms in Bangladesh are part of some larger multinational corporations in the form of FDI but small amount of Bangladesh garments firms have also foreign equity because of the industrial policies of Bangladesh in order to safe guard quota allocations of garment export to US to the domestic firms. Furthermore, foreign firms are allowed to invest in Bangladesh garment sector only if they locate the plants in the export processing zones, and are not competing with the subcontracting domestic firms supplying to the exporting firms who have quota access. Thus, almost all FDI firms export all of their products from Bangladesh.

3.2 RMG exporting Condition

According to Board of Investment (BOI), Bangladesh, Over the last thirty years, international trade and investment in the global textile and garment (T&G) sectors has been influenced by Multi-Fiber Agreement (MFA) quantitative restrictions (quotas) applied by the major developed country importers (the United States, the European Union, Canada and Norway) on T&G exports from (predominantly) developing countries. Using advantage of an insulated market under the provision of Multi Fibre Agreement (MFA) of GATT, Bangladesh attained

a high profile in terms of foreign exchange earnings, exports, industrialization and contribution to GDP within a short span of time. Over the past twenty years, the manufactures have grown rapidly. The Garments Industries of Bangladesh is improving year after year. Readymade Garments Industries is the leading sector in export for Bangladesh.

3.2.1 Development of RMG export

In terms of GDP, RMG's contribution in Bangladesh is highly remarkable; it reaches 13 percent of GDP which was only about 3 percent in 1991. This is a clear indication of the industry's contribution to the overall economy. It also plays a pivotal role to promote the development of other key sectors of the economy like banking, insurance, shipping, hotel, tourism, road transportation, railway container services, etc where the key advantages of the RMG industry is its cheap labor force, which provides a competitive edge over its competitors. (BGMEA)

Table 2. Change of RMG export (%)

Period	% change
Average 1985-1990	82.45
Average 1990-1995	29.73
Average 1995-2000	14.5
1995/96	28.79
1996/97	15.97
1997/98	21.92

1998/99	16.15
1999/00	8.26
2000/01	11.67
2001/02	-5.69

Source: BGMEA

The garment industry of Bangladesh, the country's most important manufacturer, earning around \$5 billion annually and accounting for about two thirds of all exports. The sector opened up employment opportunities for many more individuals through direct and indirect economic activities, which eventually helps the country's social development. (BGMEA)

3.2.2 Prospects & Contribution

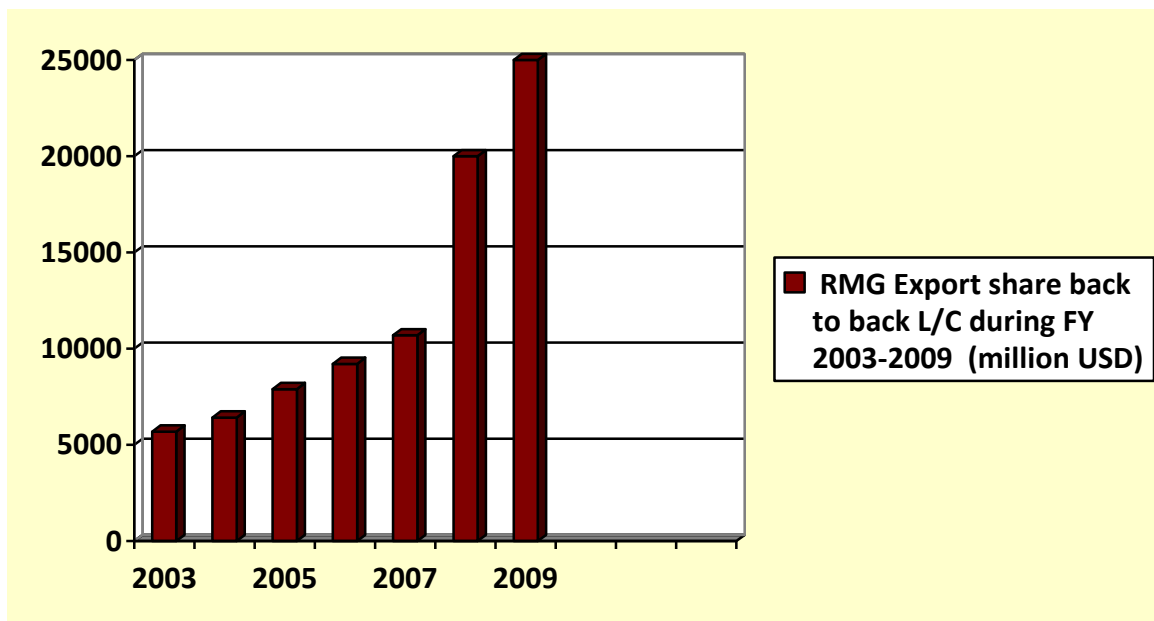
Export Promotion Bureau, Bangladesh (EPB) releases that RMG Contributes 76% of total exports in Bangladesh. Major products of apparels include knit and woven shirts, blouses, trousers, skirts, shorts, jackets, sweaters, sports wears and many more casual and fashion items. The sector currently employs approximately 1.5 million workers, mostly females from underprivileged social classes. Relatively inexpensive and easily available machineries, requirement of smaller premises, abundant supply of cheaper work force, low tariffs on imported machineries and, most significantly, benefits of reserved markets by MFA quota have spurred the growth of the garment industry. Presently the country exports to around 90 countries in the world which include USA, Canada, Germany, UK, France, Italy, Netherlands, Spain and Belgium. In fact, Bangladesh is the 6th largest supplier of apparels in the US market. In order to protect human rights working safety is being developed in almost all firms located in EPZ. Thus, Bangladesh has a stiff challenge to meet the demand of world market.

3.3 Contribution of the RMG industry of Bangladesh to The National Economy

The role of the RMG sector in national economy is undoubtedly in high importance. There has been a steady development in the RMG export field during at least the last decade and a half but in the last few years it has been significant.

About 76 percent of total export earnings of Bangladesh come from RMG sector. Export statistics from RMG sector in the last five years were US\$ 5,686.06 million in FY 2003-04, US\$ 6,417.67 million in FY 2004-05, US\$ 7900.80 million in FY 2005-06, US\$ 9,211.23 million in FY 2006-07, US\$ 10,699.80 million in FY2007-08 and US\$ 12.35 billion in FY 2008-09. (Export Promotion Bureau, Bangladesh , EPB).

Fig 5. RMG Export share back to back L/C during FY 2003-2009 (million USD)

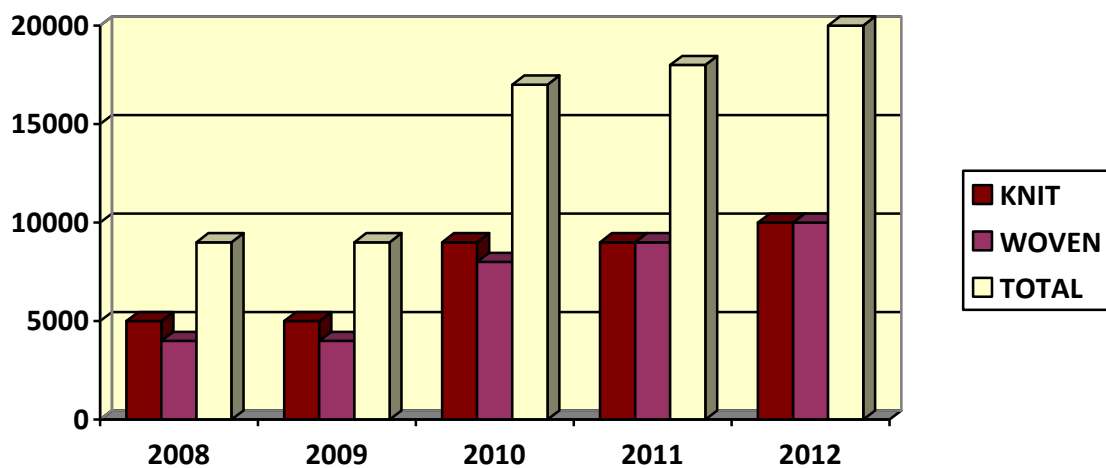


Source: Export Promotion Bureau, Bangladesh (EPB).

Readymade garment (RMG) is the key export item and a main source of foreign exchange for the last 25 years. Bangladesh textile garments sector has been expanded in a vigorous way and maintained its maturity by holding 2nd position globally with 5% market share in Readymade Garments production and export in 2012. During the Fiscal Year (2011-12) our

total export volume was USD 24.23 billion. Out of the total export, export from the RMG sector was USD 19.08 billion which is 78.7%. Global market size export of RMG (Woven & Knit) is US\$ 400 billion. Bangladesh share in the global market is about 5 %. This mere 5% share alone is literally strong to indicate that there is a great opportunity of expansion. That means more and more fashion retailers and brands will be looking to source from Bangladesh and the trend has already been started. Bangladesh has been successfully supplying apparel products consistently to the premier international fashion brands like H&M, C&A, M&S, Wal-Mart, GAP, Levi's, s.Oliver, Tesco, Zara, Carrefour, JCPenney and many more. In November last year, McKinsey & Company, a global management consulting firm forecasted Bangladesh's apparel exports could grow double by 2015 and triple to \$42 billion by 2020 (McKinsey CPO Survey, November 2011). They also mentioned that Bangladesh will be the apparel sourcing hot spot over the next 5 years. (Export Promotion Bureau, Bangladesh , EPB).

Fig 6: RMG Export during FY 2008-09 to FY 2011-12 (Mn. US\$)



Source: Export Promotion Bureau, Bangladesh (EPB).

Table 3: Region wise Export Performance FY 2011-12 (million USD)

Region	2011-12
EU	6928.69
USA & Canada	1415.77
European Free Trade Association	113.77
Latin American Integration Association	163.04
Emerging Markets	700.84
Others	164.28

Source: Export Promotion Bureau, Bangladesh (EPB).

Bangladesh launched a deep and wide-ranging trade reform strategy in the early 1990s. Rapid RMG export growth has been observed from the fiscal year 1994-95 to 2013-14. In the fiscal year 2010-2011, robust growth 43.35% compared to previous fiscal year has been experienced. RMG export has been remained stable and export volumes have continued their robust growth. Commitment, competitive price and high quality of products are the main driving forces behind the rise in exports of garment items to the new destinations. Prominent presence of top retailers and fashion brands in Bangladesh has been realized and it's also been realized that present top retailers have long-term policy to increase the sourcing volume at a greater extent from Bangladesh. New giant retailers and fashion brands are routing for Bangladesh and already they have started to visit factories as well as set up their liaison offices.

3.4 Buyers of garments and textile industry of Bangladesh

From the above mentioned informations, it is noticed that Bangladesh is becoming more and more popular destination for the apparel retailers and fashion brands worldwide as the country is consistently providing most competitive price maintaining acceptable quality standards. Existing merchants and brands are expanding their work order as well as new ones are coming to utilize the opportunities in order to make their products more competitive in the global apparel market. The daily star releases that renowned fashion brands like H&M and Wal-Mart are intended to increase their sourcing from Bangladesh to a great extent. Many other retailers are also following the trend. Thus Bangladeshi RMG is very competitive in the world market.

3.5 Present condition of RMG sector in Bangladesh

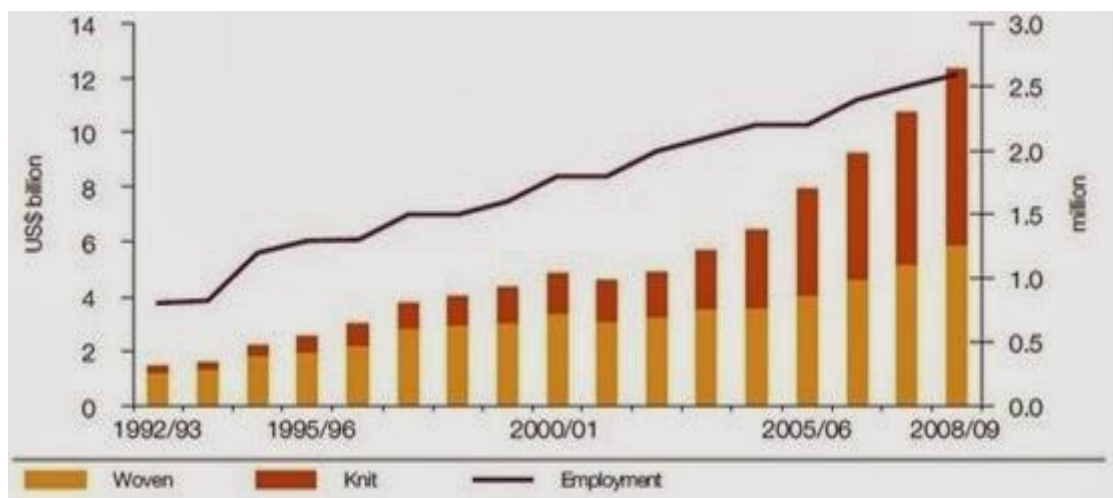
The garment industry is playing a pioneering role in the development of industrial sector of Bangladesh that has been established with reputation in the world market within a short span of time. Besides, enriching the country's economy it has played a very important role in alleviating unemployment.

With 5,000 factories employing about 3.6 million workers (of a total workforce of 74 million), Bangladesh is clearly ahead of other Southeast Asian suppliers in terms of capacity of the ready-made-garment industry. It also offers satisfactory levels of quality, especially in value and entry-level midmarket products. Ready-made garments manufactured in Bangladesh are divided mainly into two broad categories: woven and knit products. Shirts, T-shirts and trousers are the main woven products and undergarments, socks, stockings, T-shirts, sweaters and other casual and soft garments are the main knit products. Woven garment products still dominate the garment export earnings of the country. The share of knit garment products has been increasing since the early 1990s; such products currently account for more than 40 per cent of the country's total RMG export earnings (BGMEA).

Although various types of garments are manufactured in the country, only a few categories, such as shirts, T-shirts, trousers, jackets and sweaters, constitute the major production-share

With about \$15 billion in exports in 2010, ready-made garments are the country's most important industrial sector; they represent 13% of GDP and more than 75% of total exports. Recent surveys carried out by the consulting firm McKinsey and the accounting firm KPMG identified attractive prices as the most important reason for purchasing in Bangladesh. Price levels will remain highly competitive in the future, since significant efficiency increases will offset rising wage costs. (BGMEA).

Fig 7: Diagram of Garment Export from Bangladesh



Source: Export Promotion Bureau, Bangladesh (EPB).

There is also no doubt that Bangladesh is benefitting from various preferential trade agreements providing tax free entry into several dozen countries but Bangladesh has its own challenges to overcome. Impediments to investment include unreliable power supply, high real interest rates, corruption, and weaknesses in law and order.

Table 4: General Scenario with textile products in Bangladesh

RMG EXPORTS AND IT'S SHARE IN TOTAL EXPORT OF BANGLADESH

YEAR	EXPORT	OF	TOTAL EXPORT OF	%	of RMG'S	TO
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	RMG (IN MILLION US\$)	BANGLADESH (MILLIONS US\$)	TOTAL EXPORT IN MILLIONS US\$)
1983-84	31.57	811.00	3.89
1984-85	116.2	934.43	12.44
1985-86	131.48	819.21	16.05
1986-87	298.67	1076.61	27.74
1987-88	433.92	1231.2	35.24
1988-89	471.09	1291.56	36.47
1989-90	624.16	1923.70	32.45
1990-91	866.82	1717.55	50.47
1991-92	1182.57	1993.90	59.31
1992-93	1445.02	2382.89	60.64
1993-94	1555.79	2533.90	61.40
1994-95	2228.35	3472.56	64.17
1995-96	2547.13	3882.42	65.61
1996-97	3001.25	4418.28	67.93
1997-98	3781.94	5161.20	73.28

1998-99	4019.98	5312.86	75.67
1999-00	4349.41	5752.20	75.61
2000-01	4859.83	6467.30	75.14
2001-02	4583.75	5986.09	76.57
2002-03	4912.09	7602.99	75.01
2003-04	5686.09	7602.99	74.79
2004-05	6417.67	8654.52	74.15
2005-06	7900.80	10526.16	75.06
2006-07	9211.23	12177.86	75.64
2007-08	10699.80	14110.80	75.83
2008-09	12347.77	15565.19	79.33
2009-10	12496.72	16204.65	77.12
2010-11	3971.52	5029.05	78.97

Source: Export Promotion Bureau, Bangladesh (EPB).

4. METHODOLOGY

Methodology is the systematic, theoretical analysis of the methods applied to a field of study which comprises the theoretical analysis of the body of methods and principles associated with a branch of knowledge. In this literature, Author analyzes mainly FDI in the RMG sector in Bangladesh and prepares the research methodology to see whether FDI in the RMG sector has a positive effect for both of the country and the investors.

4.1 Research Methodology

The research design concentrates only on the problem of research. It helps the author to follow a tight process in data collection and analysis Saunders, Lewis & Thornhill (2009, 136-138). In the research, the author utilizes case study to look for the questions of research. A case study's first benefit is that it gives much more particular data than what is available via other approaches, for instance surveys. Case studies also permit one to show information gathered from multiple approaches (for example, interviews, surveys, observation and document review) to give the comprehensive story. In this research, the author utilizes the design of case study to gather the particular data in relation to the external and internal environment of business, from which the author analyzes productivity of FDI firms in the RMG sector in Bangladesh.

In this research, author analyzes case studies which are considered the research of example or certain kind of event. As stated by Bryman & Bell (2007), case study evolves analyzing a sole example in a detail and intensive way like a sole enterprise, a sole place, an individual or a sole circumstance. Generally, case study is related to the deep examination of a sole example; therefore, it matches with the previously stated objectives of the study.

In this thesis, data generated is primary in nature. Data has been collected through survey questionnaires containing both structured and unstructured questions. The author focuses on the Foreign Direct Investment on Bangladeshi Garments and Bangladeshi RMG in the world market. So, completing this research the author has to survey the different garments industry located in Dhaka EPZs. One set of questionnaires has been prepared. It was given to clients who are the officials of different firms in Dhaka EPZs.

Qualitative / Quantitative Method:

The research Approach, Research design and research question are all connected in this research. 'Approach' means something more than the type of data has been used – it refers to overall orientation to research and the type of claims you will make for the study. Dissertations are based on both quantitative and qualitative data. How the author chooses this depends on the preferences and abilities, and the suitability of particular approaches to the research topic.

4.1.1 Qualitative Method

In the research, qualitative approach is utilized in order to prove the empirical research. According to Bryman & Bell (2007) qualitative method is the study tactic that emphasizes words more than statistic figure as well as delivering concepts out of collecting data. The author would utilize semi-structure interview together with open questions to get more particular information relating to FDI in the Bangladesh garments sector and the productivity of FDI firms.

Qualitative research is a method of inquiry employed in many different academic disciplines, traditionally in the social sciences, but also in market research and further contexts. Author aims to gather an in-depth understanding of FDI in RMG sector in Bangladesh and the reasons that govern such behavior. Through qualitative method author investigates smaller but focused samples than large samples. In the conventional view the research method produce information only on the particular cases studied and any more general conclusions are only propositions (informed assertions). Author seeks empirical support for the research hypotheses and asks broad questions and collects word data from participants. Author looks for themes and describes the information in themes and patterns exclusive to that set of participants.

4.1.2 Quantitative Method

Quantitative research refers to the systematic empirical investigation of social phenomena via statistical, mathematical or numerical data or computational techniques. Author develops and employs mathematical models, theories and hypotheses pertaining to phenomena. The process of measurement is central to through this quantitative method of research because it provides the fundamental connection between empirical observation and mathematical expression of quantitative relationships. Quantitative data is any data that is in numerical form such as statistics, percentages, etc. Through the quantitative research author asks a specific, narrow question and collects a sample of numerical data from participants to answer the question and analyzes the data with the help of statistics.

Sampling Method

Convenient sampling method was adopted whereby most of the respondents available at Dhaka EPZs.

Target Respondents

For the sake of simplicity and the reason of easy availability the study concentrated on the basis of foreign direct investment on Garments Industry of Bangladesh and International business opportunity from Bangladeshi Garments Products. For this reason the author has to take different garments industries as respondent of this research.

Sample Size

The selection of the sample was random and size is 4. One set of questionnaire has been used to conduct an investigative research. Data analysis was mainly done through graphical presentation, frequency and percentage. Finally the implications of the analyzed data have been discussed in the result section.

4.2 Research Limits and Boundaries

In this thesis substantial information, datasets, as well as the inclusion of tables and statistics are taken from various relevant sources by acknowledging them. There is no self-observational field study. It is not possible due to high technical expertise, time constraints and financial deficit. The analysis made in the thesis depends on previous case studies, indirect contacts through email with employees of the officials of Garments industry in Bangladesh. So there is always question mark for reliability and validity. It is impossible to include all significant information because the area of study is large.

During the research procedure, multiple challenges have been recognized and confronted. However, the study is incapable of handling all of them and some unsolved issues are seen to need more researches and studies on those. The problems include the debatable understanding of the FDI firm's productivity, export and import activities in practice. There are several factors that impact either positively or negatively the trade between Bangladeshi exporters to importers in the world such as: different environment, culture, language and communicational practices are needed to be focused on. There are also many other external, unmanageable factors that affect the process of export and import for textile and garment from Bangladesh to the world such as: inflation rate, exchange rate and current global economic crisis.

Another criticism of the research is relevant to the practice that the paper was dependent upon the information supplied by the secondary data mostly. Despite the writer's best controlling the context and minimizing the study's restriction by carefully choosing the data collection and analysis, and so on, it is still not possible to insure that there are no errors created all the way through this procedure.

Notable limitations of the study:

- Though the study is based on Primary and secondary data, there is a possibility of getting fake information because author mainly depends on the interview questions and answers by email.

- The survey was conducted in a very short time only by email, so it was not possible to collect more information.
- Lack of experience in this field.
- Including all significant information was impossible as the study is vast.
- Question mark for reliability and validity as the study is vast and there are no self observational fields of study.

4.3 Surveyed Garments Companies

a. List of some popular world fashion Brands importing from Bangladesh

Table 5: List of surveyed retailers and fashion brands importing from Bangladesh

Brand name	Country
<i>H&M</i>	Sweden
<i>C&A</i>	Germany
<i>Li & Fung</i>	Hong Kong
<i>TALLY WEiJL</i>	Switzerland
<i>UNIQLO</i>	Japan
<i>Oriental Buying Services Ltd.</i>	Italy

The above mentioned companies are surveyed mainly through case studies and the information of the companies is taken mainly from newspapers. These companies has been taken to support the study to find out the export condition of Bangladesh garments sector in

the world market and overall productivity and popularity of Bangladeshi RMG sector. These companies are mainly buyers of RMG in Bangladesh who import from Bangladesh and make business worldwide. Author analyzes the above mentioned companies export conditions in order to show the productivity and popularity of Bangladeshi garments in the world market which supports the study in relation to foreign equity in Bangladeshi RMG sector. The key objective of this study is to attract the foreign investors to invest in the RMG sector in Bangladesh. For this purpose, author picks the above mentioned renowned companies to show how popular is the Bangladeshi RMG in the world market so that the foreign investors will get authentic information about the public demand of Bangladeshi fashions exported worldwide.

b. List of Surveyed Garments Companies regarding FDI

Author made short interview by email and surveyed the following firms to analyze how FDI impact on the RMG companies in Bangladesh.

- 1. Twin Mart Clothing Ltd. Bangladesh**
- 2. Kongsho Fashion Limited, Bangladesh**
- 3. Hesung apparels Ltd. Bangladesh**
- 4. Epocot garments and textiles ltd. Bangladesh**

5. DATA COLLECTIONS AND ANALYSIS

The author proposes an Analytical framework to analyze the FDI in the garments sector in Bangladesh. The author develops and presents analytical framework by making survey, questionnaire and interview with some officials of existing many RMG industries in Bangladesh as well reviewing the existing FDI case studies based on the FDI in the RMG sector in Bangladesh.

5.1 Data Collection Procedure

In order to gain the research objectives, primary and secondary data are utilized in this research. According to Saunders, Lewis & Thornhill (2009, 136-138), secondary data are data gathered and recorded by someone else prior to (and for purposes other than) the current needs of the researchers. Secondary data usually historical, already assembled, and do not require. The author selects the secondary data from many sources of information such as BGMEA, BBS, EPB, BOI etc.

The gathered data was collected from the officials of the surveyed firms at the Dhaka EPZs and the questionnaire was provided to those firms who were interested in participating in the survey. The communication was mainly through email.

5.2 Data Analysis Procedure

The thesis has a purpose of seeking the information about the productivity of FDI firms in Bangladesh. The author interviews few executive personnels of the four different case companies in order to know their trend in exportation of textiles into the world market as well as to collect secondary data. The author analyzes and indicates information in relation to the FDI Firms productivity in Bangladesh. Next, the author interviews few executive personnel in order to select particular information about the case companies sales and exporting conditions after their companies have been introduced FDI.

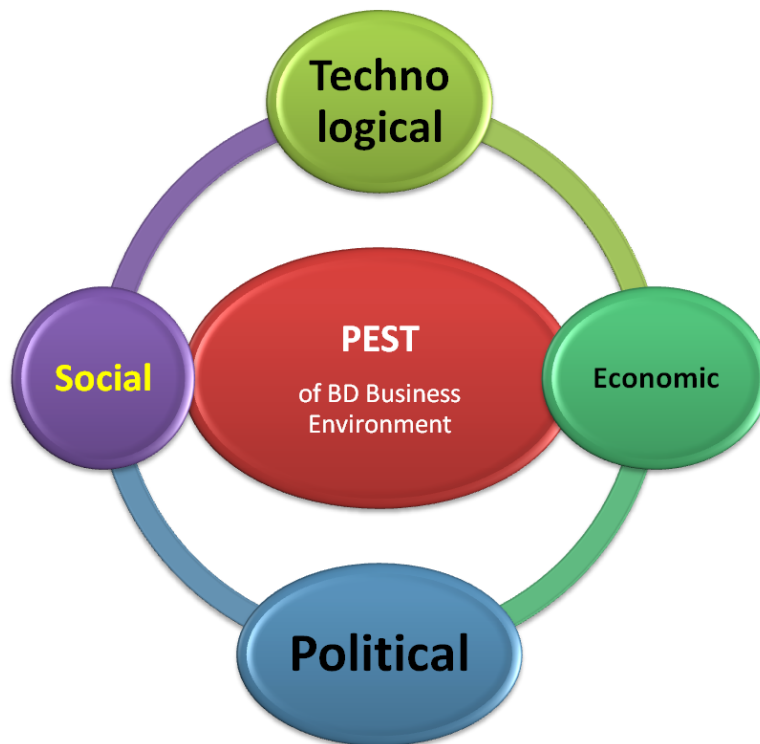
After completing the survey the data was analyzed by Microsoft Excel. Then the findings were made both found data from the author's own survey and the existing FDI in Bangladesh RMG sector case studies of other authors. Based on the findings the present situation was explained and recommendation was made.

5.3 PEST Analysis of Bangladesh RMG sector

The PEST analysis is an useful tool for understanding market growth or decline. It also tells the potential of businesses. PEST is an acronym for **Political, Economic, Social and**

Technological factors, which are used to assess the market for a business or organizational unit.

Fig. 8: PEST analysis for Bangladesh Business Environment



A PEST Analysis can help to know about the external environment of the RMG industry of Bangladesh. The below author has analyzed the PEST analysis for the RMG industry of Bangladesh.

Political analysis:

Tanmoy (2013), Found that The political system of Bangladesh is followed by representative democracy. Despite being a democratic country the safeguards of democracy are not being exercised properly which have negative impact on business operation. Political unrest is almost a daily occurrence in Bangladesh which hinders the daily national and international

trading system of the country. Foreign firms are feared to come in Bangladesh with FDI. Bangladesh is a democratic country in name but not in action.

According to the World Economic Forum Global Competitiveness Report 2014-2015, corruption is seemed to be the greatest problem by companies facing economic development and doing business in Bangladesh. Most of the leaders of the leading political parties are highly corrupted. The leading parties are dominated mostly by the family members of the chairperson of the parties.

The political analysis in brief:

- Bangladesh government has taken positive initiative in favor of foreign investors.
- There are no distinctions between foreign and domestic private investors regarding investment incentives or export and import policies in Bangladesh.
- Incentives for investors include: 100% ownership in most sectors, tax holidays, reduced import duties on capital machinery and spares, 100% duty-free imports and tax exemptions.
- Actual democratic political culture is absent.
- The important rules of law is missing
- Lack of strong civil society
- Absence of strong political leadership
- Confrontational politics.
- Corruption and terrorism.

Economic analysis:

According to the gradation by the International Monetary Fund, Bangladesh ranked as the 48th largest economy in the world in 2010, with a gross domestic product of US\$224.889 billion. The economy has grown at the rate of 6-7% p.a. over the past few years. Its per capita income in 2010 was est. US\$1,500 (adjusted by purchasing power parity) significantly lower than India, Pakistan, both which are also lower than the world average of \$10,497. The inflation rate in Bangladesh was reported at 10.2 percent in May of 2011. The Deposit

interest rate (%) in Bangladesh was reported at 9.65 in 2012, according to the World Bank. Bangladesh is considered as a developing economy because of the GDP growth above 5% during the last many years.

According to Trading Corporation of Bangladesh (TCB), The standard rate of corporate tax in Bangladesh is 27.5% in 2012 - 2013 tax years. This is the standard corporate tax rate applicable to publicly traded companies in Bangladesh, a list including tax rates for other corporations are: Publicly Traded Company 27.5%, Non-publicly Traded Company 37.5%, Bank, Insurance & Financial Company 45%, Mobile Phone Operator Company 45%. If any publicly traded company declares more than 20% dividend, 10% rebate on total tax is allowed.

Social analysis:

Social value consists of social custom, practice, religion and social moral standard. Social value shows the moral standard of ours. Our social values reflect our moral standard, culture and tradition. We all know that Bangladesh is a conservative Muslim country. People used to live a more religious. The young are more respectful to the old and superior. Many people now accept western values in Bangladesh. The causes of the present social values are satellite, television, globalization, free exchanges among the nations and free trade.

Tonmoy (2013), shows that Bangladesh is noted for the remarkable ethnic and cultural homogeneity of its population. Over 98 percent of its people are Bengalis; the remainder is Biharis, or non-Bengali Muslims, and indigenous tribal peoples. Bangladeshis are particularly proud of their rich cultural and linguistic heritage because their independent nation is partially the result of a powerful movement to uphold and preserve their language and culture. Bangladeshis identify themselves closely with Bangla, their national language.

Social analysis in brief:

- In Bangladesh, the Companies are facing the challenges of adapting the changing environment in the context of globalization particularly in the export sector

- In the corporate world in Bangladesh the social responsibilities are not yet so widespread but companies are emphasizing on the social responsibilities in the local market as well.
- Companies are realizing that social responsibilities is an investment, not a cost, much like quality management.
- Business organizations are trying to have an inclusive financial, commercial and social approach to minimize the risks linked to uncertainty.

Technological analysis:

It is seen that information and communication technologies (ICT) development is running rapidly in Bangladesh. Recently the business people are much more aware of technology because they know technology can enhance their operation.

Tonmoy (2013), found that the government of Bangladesh has recognized IT as one of the priority sectors and is providing all support to the private sector to enable them to enter the export market for software and data processing services.

Technological analysis in brief:

- Technological development is highly felt in Bangladesh as well as Science and technological research is needed to develop technologies.
- As the country depends on imported technologies so proper planning is required for its effective transfer.
- The Government of Bangladesh has formulated National Science and Technology Policy which has laid down the directions for Science and Technology research, institutional and manpower development .

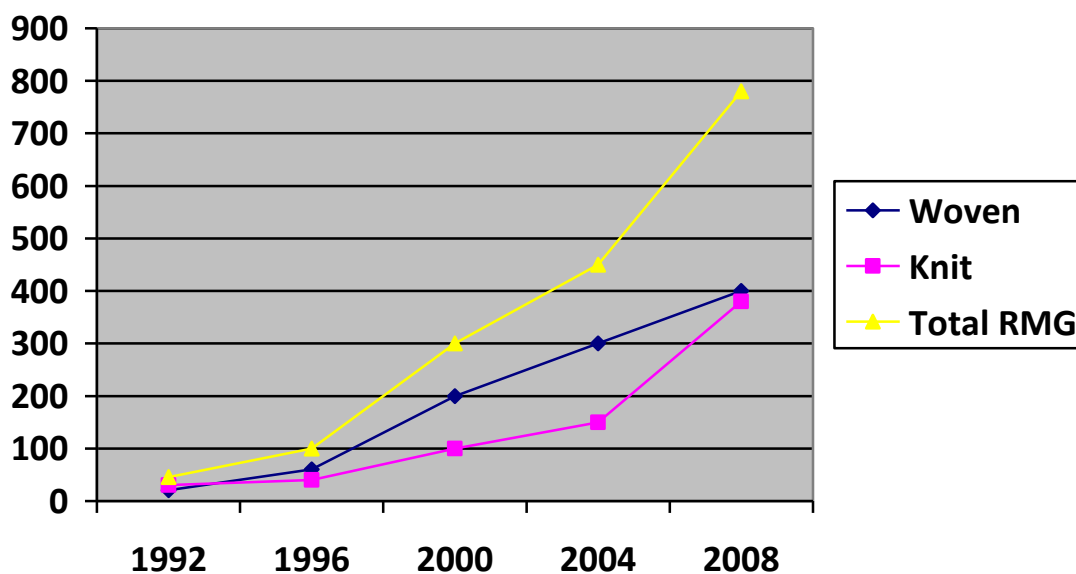
- Facilities are being Disseminated and documented by the Government of Bangladesh.

5.4 Data Analysis and Graphical Presentation

5.4.1 Bangladeshi RMG in the world market

The garments and textile sector of Bangladesh consists of more than 4000 Garments including knit and woven garments manufacturers where more than 95% of those firms are locally owned with some foreign owned firms located in EPZ. Bangladesh is far from being self sufficient in cotton and almost 99% of the cotton is imported from China, India, Uzbekistan and Pakistan. Bangladesh has got steady growth of RMG in Bangladesh over the year (see figure 2). In 1984 garments export totalled only USD 31.57 million which increased to USD 12.5 billion in 2010 financial year. During the July-Dec period of the 2010-11 financial years RMG export stood at USD 8 billion and accounted for almost 77% of the country's total export. Initially the RMG export was dominated by only woven garments but in recent years knitwear has grown faster than woven and accounts for 52% of total RMG export and 40% of total export in 2010. (Bangladesh Bank, January, 2011)

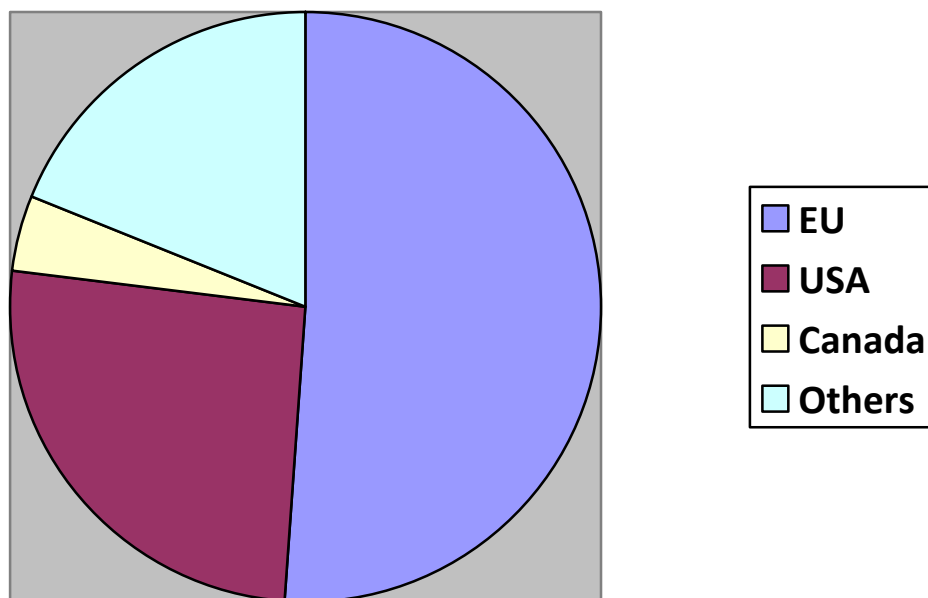
Figure 9: Growth of RMG in Bangladesh



Source: Bangladesh Bank, January, 2011

Presently Bangladesh is exporting RMG to around 90 countries in the world which include USA, Canada, Germany, UK, France, Italy and Turkey. European Union countries and USA are the major destination of Bangladesh RMG export. From figure 3, we can see major the importers of Bangladeshi RMG are USA (26%), Germany (18%), France (9%), UK (9%) and Canada (4%). (Bangladesh Bank, January, 2011)

Figure 10: Major RMG Export Destinations



Source: Bangladesh Bank, January, 2011

Some of the Worlds leading reatilers and fashion brands who source from Bangladesh are shortly presented aso follows:

H&M: The recent visit of H&M CEO Karl-Johan Persson revealed their interest to double their sourcing from Bangladesh which is around \$1.5 billion now. The biggest outsourcing

company for Bangladeshi garment items mentioned that, they get products at competitive prices from the country. However, H&M is one of the largest fashion brands in the world. H&M branches can be found almost anywhere in the world. H&M retail locations focus on providing a wide range of affordable products that will entice a broad base of consumers. That's one of the reasons making them to source more from Bangladesh as the country can provide products consistently at the most competitive prices. (The daily star)

C&A: According to most of the international buyers Bangladesh is becoming more popular for its strong competitiveness as the other competing countries like China, Vietnam, India and Pakistan are facing higher costs of production. C&A mainly purchases jeans, shorts, children's wear, woven and knitwear products. The country manager of C&A said his company buys garment items from 125 garment factories in Bangladesh. "We are here mainly for the lower prices of garment items as the prices of apparel items in other countries have already gone up following the higher costs of production." He said China is suffering from a shortage of workers and higher costs of production. (The daily star)

Li & Fung: The country manager of Li & Fung claimed that Li & Fung the Hong Kong based sourcing company is interested to set up industries as a joint venture with Bangladesh to go for bigger production. As Li & Fung is the sourcing company for number of global brands, its influence on the vendor country like Bangladesh is increasing as well. Though the company is Hong Kong based Li & Fung truly focus to increase sourcing from Bangladesh. (The daily star)

TALLY WEIJL: Tally Weijl, a leading international fashion apparel brand, is shifting its from China to Dhaka in Bangladesh. While rising cost of production has pushed up the prices of garments in China, Bangladesh offers apparels at competitive prices and it has also developed its product range over the past few years. Viewing Bangladesh's potential to supply better quality garments at cheaper rates as compared to China, Tally has shifted its liaison office from China to Dhaka to reap cost advantage. The firm plans to set up an office in Dhaka within next two to three months, and it has already appointed some officials for the purpose. (The daily Star)

UNIQLO: UNIQLO Country manager (Bangladesh) mentioned in the career seminar that, UNIQLO, being No. 1 in Japan and No. 4 worldwide (sales in apparel industry) 5-6 years ago they used to do 99% production from China but now they are shifting production unit from China because of the future inconsistency of Chinese apparel business. They are looking for business leaders from Bangladesh as well to follow up their sourcing requirements now. As Bangladesh is entering strongly to Japanese market off late, UNIQLO's target to reach 50 billion dollar business will be well assisted from Bangladeshi factories ahead. (The daily star)

Oriental Buying Services Ltd. : Italy based company which source from Bangladesh RMG sector. According to the daily star, While the company started office 6 years back their business from Bangladesh was around 20 million. Now in the year 2014 it is being around 180 million.

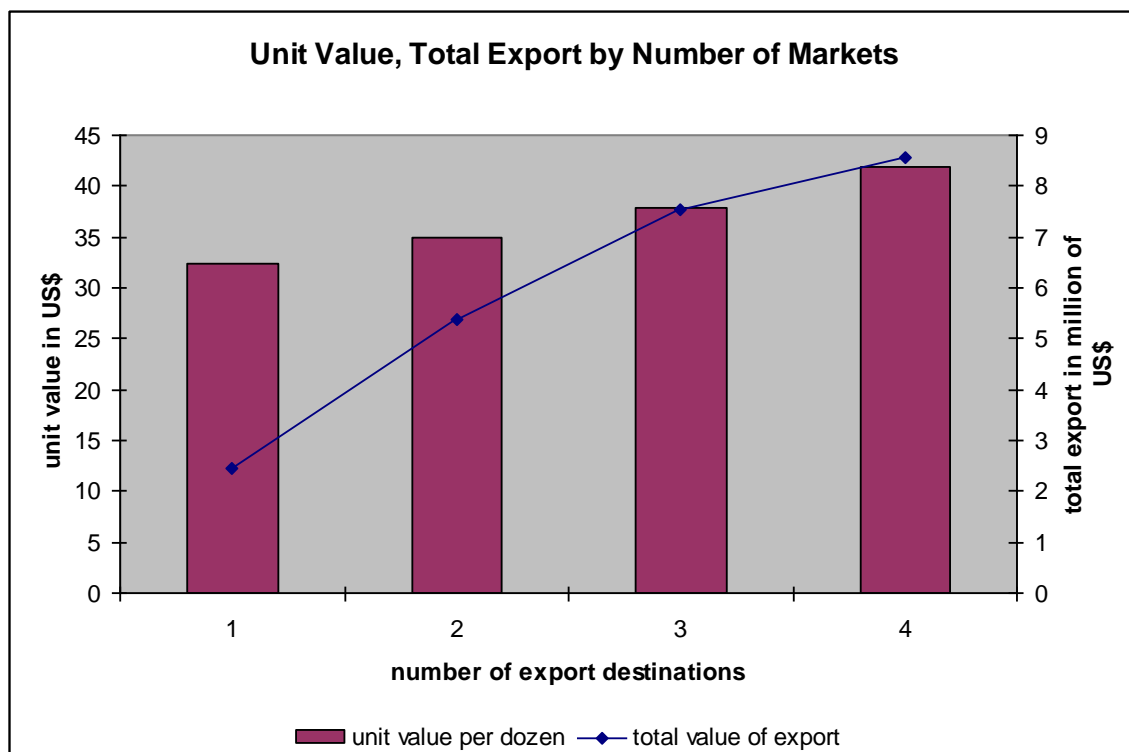
The purpose of analyzing the above mentioned companies was to show the popularity of Bangladeshi RMG in the world market so that the foreign investors can get the authentic information about the public demand of Bangladeshi fashions worldwide. The above information makes it clear that Bangladeshi RMG sector is very popular worldwide for business deal such as export-import. It is proved from the above mentioned companies that the RMG sector in Bangladesh is exporting highly in the world market which is definitely a positive sign for the Foreign investors to invest in Bangladeshi RMG sector and make profitable business worldwide.

5.4.2 Exporting and productivity of the RMG Firms in Bangladesh

Eaton, Kortum and Kramarz (AER, 2004) studied the export performance of French firms, the number of markets a firm supplies reflects the productivity and competitiveness of the firm in the world market. According to BGMEA, Bangladesh garment exporters participate in world markets widely with at least 3 export destinations, and are thus very competitive. In Figure 11, when we plot the unit value of garment export (left axis) and total export value (right axis) against the number of export destinations. Firms that export to more destinations tend to have higher average unit values and larger in size, with the former reflects better quality and the latter indicates greater scale economies, both signal higher productivity of the

firms. The differences in unit values and total size among firms with different number of markets are statistically significant. *In shortly, it is proved that the more a firm exports the more productive the firm is.*

Figure 11: Relation between Exporting and Productivity of the firms



Source: BGMEA (Estimated value)

5.5 SWOT analysis of Garments and textiles industry of Bangladesh

The tremendous success of Readymade Garment (RMG) exports from Bangladesh over last two decades has surpassed the most optimistic expectations. At present Bangladesh is the 6th largest exporter to USA and in 1997 Bangladesh becomes 18th largest exporter in the world. Now Bangladesh ranks first export of T-shirts to Europe (BGMEA)

According to the Ministry of Textiles, the local fabric manufacturers currently supply less than 19% of total woven fabric requirement. About 70% of the total fabric requirement of the knit sector is domestically produced as reported by the BTMA. Textile policy 1995 envisages established of 246 spinning mills with 25000 spindles each, 481 weaning mills each with capacity to produce 17 million meters of fabrics, 481 dyeing-printing-finishing units each with same capacity for yarn and woven fabric by the year 2005. Thus it is a challenge for RMG sector in Bangladesh to get right quantity of fabrics.

A lot of research works should be done cordially how to face challenges of the coming changes in the world business for the continued existence of this sector. The findings show that the workers needed significantly shorter time to produce a shirt of a given specification than the time presented in another study completed by Khan and Chowdhury in 1986.

After analyzing the data and Bangladesh RMG markets author has finalized the SWOT analysis of the RMG sector in Bangladesh. The SWOT analysis of RMG of Bangladesh is as follows:

Strengths

One of the strengths behind the success of RMG of Bangladesh is the availability of low cost labor compared to other countries in the region. The labor rates in textile industry (compiled by Warner International) show that the average hourly wage rates for Bangladesh, India, Pakistan and Sri Lanka were respectively US\$ 0.23, \$0.56, \$0.49 and \$0.39 (Bhattacharya 1999)

Strengths in brief:

- Comparatively low labor cost.
- Energy at a reasonably lower price.
- Wide ranges port facilities.
- FDI is legally permitted by the Government of Bangladesh.

- Improved Generalized System of Preferences (GSP) advantages.
- All foreign investments in Bangladesh are secured by Foreign Private Investment Act, 1980.
- Operable insurance and finance agendas like Overseas Private Investment Corporation (OPIC) USA.
- Protection and safety measures are available under Multilateral Investment Guarantee Agency (MIGA).
- Excellent Tele-communications network.
- Weakness of currency against dollar/euro which persists to help exporters.
- Low Bank interest, only 7% for financing exports.

Weaknesses

According to World Bank report, 2012 the handling charges for a 20-foot container were \$640 in Chittagong compared with \$220 in Colombo and \$360 in Bangkok. The study added, inefficiency at Chittagong port could be costing the economy as much as \$600 million annually. Besides this, there are numerous demands for “under-the-table” payments that are reportedly required at every step of export processing, from opening of letters of credit to the clearance of goods from Customs.

The hidden costs paid by importers per consignment ranged from Tk.4, 700 to Tk.36, 800 (about US\$100 to \$735). These inefficiencies and corruption seriously hamper the competitiveness of Bangladeshi garment in the world market. (Bhattacharya 1999)

Weaknesses in brief:

- Long lead-time of Export or Import
- Lack of marketing tactics.
- The country faces deficiency in creativity.
- Absence of easily on-hand middle management.
- Manufacturing methods are few.
- Lack of proper training for industrial workers, supervisors and managers.
- Custom clearance is lengthy process in Bangladesh.

- Incomplete knowledge of English which creates communication gap.
- Subject to natural calamities.

Opportunities

According to the Bangladesh Knitwear Management and Exporters Association (BKMEA), the cost of yarn production per kg. in the private sector of Bangladesh is only US\$1.48, whereas in India it is \$1.78, in Pakistan \$1.60, in Japan \$2.38, in Korea \$1.73 and in Thailand \$2.78 (Bhattacharya 1999).

Opportunities in brief:

- EU is willing to move from china to Bangladesh to establish big enterprises.
- Bangladesh is included in the Least Developed Countries with which US is committed to enhance export trade.
- Japan is very interested in the purchase of handloom textiles, home furniture and garments from Bangladesh. Thus RMG sector can be expanded with continued progress in quality.
- The port of Chittagong in Bangladesh will be handed over to the foreign operator which will reduce lead-time as well as total cost will be decreased.

Threats

Environmental issues, labor standard, Trade Related Aspects of Intellectual Property Rights (TRIPs) etc. might appear as a deadly threat to Bangladesh. (Reza, 2003)

Issues like child labor have already proved as a sensitive issue in the western market. Compliance to the Rules of Origin 4 (ROO) may threaten the future market access and performance of RMG sector of Bangladesh. In the case of woven-RMG, a two-stage, and in the case of knit-RMG, a three-stage transformation (cotton to yarn, yarn to fabrics, and fabrics to RMG) process is required for imported yarn from India. Bangladesh exporters also had to pay back exempted duties amounting to about US\$60 million (as per an agreement in October 1997) to EU on the grounds of ROO violation and circumvention (Bhattacharya

1999).

Threats in brief:

- China is likely to be the biggest threat for Bangladesh RMG sector because of the capital-intensive modern technology and locally available raw materials like fabrics, RMG accessories etc.
- As comparing to Bangladesh, China has better energy supply, transportation and communication systems.
- Some countries in Africa have had zero-tariff facility under AOA act (Agreement on Agriculture) which helps them to compete with Bangladesh RMG sector.

6. RESULTS OF THE STUDY

6.1 Priliminary Findings

Firm level survey covers a sample of 4 firms where all of the sampled firms are in the Dhaka EPZ area. Author made a short and a common questionnaire with the officials of the sampled firms about the change of the sales and exports of the firms after the firms had been introduced FDI in their companies. After all the informations has been gathered author proposes to compare the changes of sales and export in each companies to observe what had happened after the companies had been introduced foreign capital.

Author focuses on the the total sales and exports changes of the case companies after the companies had been introduced FDI . It has beend found that the increase of total sales and exports makes the the firms more productive and competitive in the word market (discussed in the section 5.4.2) . In order to find out the firms productivity, author has a purpose to find out the sales and export changes of the case companies. The basement of the result is, if the exports and sales increses (after the firms has been introduced FDI) , the firms with foreign capital will be acknowledged as more productive firms than the firms without foreign capital.

Figures 12 and 13 present the changes of Sales and export of surveyed firms in order to see how did FDI impact on the companies, positively or negatively. It is clear that FDI firms are

in general larger in sales and in exports. FDI firms also have larger capital stock and investment. All these suggest that FDI firms are larger in scale and presumably more profitable and productive.

Case company 1: As the interview was short so the author mainly focused on the sales and exports of the company. According to a sales official of the firm the Sales and export were fluctuated each year after the company had been introduced foreign equity. During the first year after the company had been introduced FDI, the sales was increased approximately from 152500 USD to 155000 USD and export was increased from 148500USD to 150000 USD . In the following years the sales and export were increased remarkably.

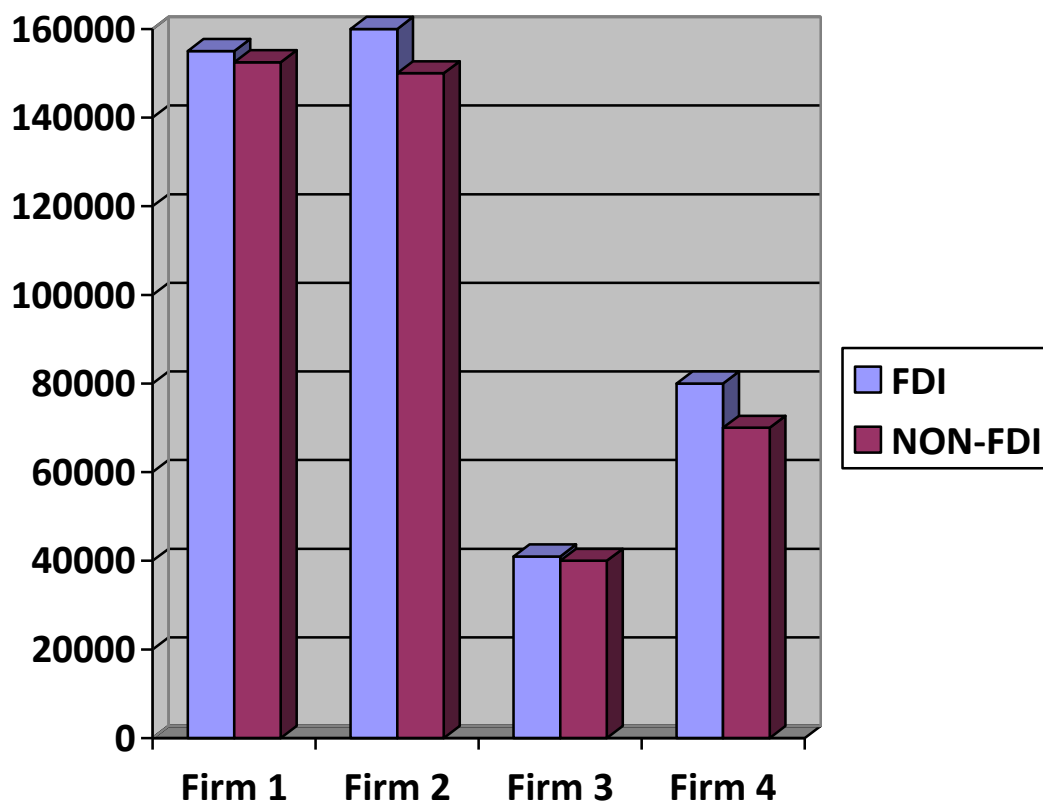
Case company 2: Due to lack of proper connection between the company and the author it was impossible to include all significant information about the company but the main information about the sales and export has been found. A financial officer of the firm has given the informations that the Sales and export were growing significantly in each year after they had introduced FDI in the company. During the first year after the company had been introduced FDI the sales and export were increased approximately from 150000 USD to 160000 USD and from 145000 USD to 150000 USD respectively . In the following years the sales and export were increased significantly.

Case company 3: The company is a growing company with foreign capital located in Dhaka EPZ. When the company started to run business it was a very small company looking for foreign investors. According to a financial officer of the company, the sales and export were not increased significantly in this company but the company found so many buyers after they had allowed FDI in the company. They are now hoping their business will be expanded within years. During the first year, small amount of sales and export were increased approximately from 40000 USD to 41000 USD and from 30000USD to 33000 USD respectively after they had introduced FDI in their company.

Case company 4: Author has made an interview with an export official of this firm. The interview questions and answers are discussed in the section 6.3. More importantly, author tends to emphasize about the sales and export of the company in this section. An Export assistant of the firm brought the information of the company and declared to the author that

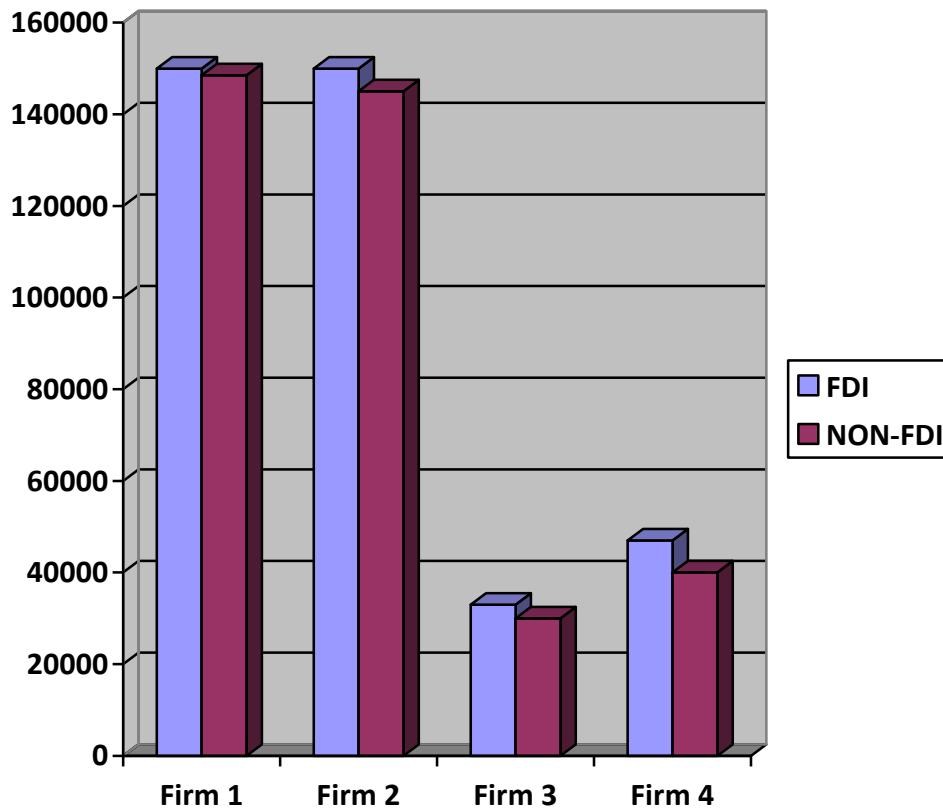
the company's policy was really developed after the company had experienced FDI. Working safety and security, salary in time, quality of the products were improved dramatically. Sales and export increased approximately from 70000 USD to 80000 USD and from 40000 USD to 47000 USD respectively during the first year after the company had been introduced FDI.

Figure 12: Increased sales during the first year after the case companies had been introduced FDI (United States Dollars)



NOTE: Authors estimation based on the answers of the interview questions to the case companies' officials by email

Fig 13: Increased export during the first year after the case companies had been introduced FDI (United States Dollars)



NOTE: Authors estimation based on the answers of the interview questions to the case companies' officials by email

In shortly, We can see from the figure 12 and 13 that among all of the case companies, the same companies as FDI Firms had much higher Sales and export than the same companies as non FDI firms had. So we can undoubtedly say that the FDI companies are found much more productive than the Non-FDI companies.

6.2 FDI firms versus Domestic firms

Firm productivity was estimated from the sales and export changes after FDI had been introduced in the case companies. The results was based on the interview with the sales and export officials of four different firms . Using between firm variations, author shows that FDI firms on average make more profitable business than domestic firms in the same industry and location. Results show that FDI firms are on average more productive than domestic firms. Moreover, there are statistical evidence analyzed in this reseach from the empirical studies suggesting that domestic firms may benefit from the productivity increase in FDI firms. Empirical studies also proves that FDI firms are larger in scale and presumably more profitable and productive.

6.3 Company Interview (contacted by email only)

Author interviewed a sales and export official of the firm named **Epocot garments and textiles ltd. Bangladesh**. The main interview questions and answers are in the following.

1. Are the domestic firms in Bangladesh interested in foreign equity?

In my opinion, mejority of the domestic firms in Bangladesh will be interested in foreign capital. As the domestic firms in Bangladesh are very small in sales and exports volume so they would like to get their firms bigger as well as more productive by increasing sales and exports. It has been seen that the domestic firms who allowed FDI were able to expand their business worldwide as well as the sales and export volumes increased significantly in the firms. For an example, our company had become much bigger after we have introduced FDI in the company.

2. Has your company been introduced FDI? If yes, how did FDI work in your company?

Yes, Our company allowed a foreign investor from India to invest in our

company and now the company have become a FDI firm. Well, After we have allowed FDI, for the first 1-2 years we did not see much increase of our sales and export volume even though the business had been expanded. It took several years to increase sales volume of our company. Now our company is matured and we can see the difference between our past and present status of the company. The company have become bigger of course but the best we got from the foreign investor is we got so many new buyers. In one word, I would say our company is a successful FDI company now and Foreign inverstors not only make the domestic firms more productive by increasing sales and export volume but also they expand the business world wide.

3. On average, does FDI have positive effect in the RMG sector in Bangladesh?

If our company is an example for FDI, undoubtedly FDI is positive for RMG sector in Bangladesh but it does not make sure that FDI will be positive for all the RMG firms in Bnagadesh. As far I know FDI is hardly negative for RMG sector in Bangladesh.

4. What are the pros and cons of FDI in the RMG Sector in Bnagladesh?

There are many advantages of FDI in the RMG sector like increased investments and savings, employment, technology transfer, good working conditions with proper safety etc. but there are some disadvantages also on the other hand. In my opinion the main disadvantage is FDI can take over the profitable RMG sector which is a big risk for the small domestic firms.

5. If you compare domestic firms versus FDI firms what are the most mentionable issues?

In bangladesh, FDI firms are normally big corporation who have good policy for the employees such as working safety, good salary paid in time, less corrupted. On the other hand, Domestic firms are small enterprises, unfortunately it is true that they do not take care of the workers well and much more corrupted.

6. What are the main problems for a foreign investor in Bangladesh and how to solve the problems?

There are some problems but I would like to point out the main problem is the political instability. Strike, bombing and many crimes make the country horrible occasionally which make the business very difficult to run. The problem can be solved only if the political parties of Bangladesh become responsible to solve their political problems.

7. How is the government policy of Bangladesh for the foreign investors?

In order to attract foreign investors, the government of Bangladesh has taken many exclusive incentives, which include: No ceiling on investment, tax holidays, tax exemption and duty free importation, income tax exemption up to 3 years for expatriates' and many more.

8. In general, does Bangladesh have FDI friendly environment in RMG sector?

In my opinion, Despite some political problems, Bangladesh should be one of the most popular destinations for foreign investors as the country provides a lot of opportunities for the foreign investors in general.

6.4 Final Results

This paper studies the relationship between foreign equity and firm productivity of Bangladesh garment sector. It has been seen through the empirical study analyzed in this research paper that firms with foreign capital are the most productive of all firms. Authors own analysis based on the interview with the different employees from the Garments sector in Bangladesh also supports that FDI firms are most profitable and productive firms.

In this research firms productivity was measured by the increase of the total sales and exports of the four different case companies. It has been found that all of the four companies had higher exports and sales volume after the companies had been introduced FDI. It has been found that increasing exports makes the the firms more productive (discussed in the section 5.4.2) . By analyzing four different case companies, the author showed that FDI firms have larger sales and exports than the domestic firms in the same industry and location. So finally it has been found from this research that FDI firms are more productive than the domestic firms

Supported by the case studies discussed in this research, Scholarly opinions, company interview made by the author and the findings from the four different case companies, the final results that has been found from this research as follows:

- FDI is the most important issue in the garments sector of Bangladesh.
- Bangladesh garments are much more popular worldwide.
- Cheap labour, low cost transportation and low cost raw materials make the Bangladesh RMG business very high profitable for the foreign investors.
- On average, FDI firms are larger with quality working conditions.
- FDI firms are more capital intensive, they use less workers but provide high tech machineries, good salaries and other facilities.
- EPZ firms are more productive as compare to non-EPZ firms.
- The product variety of FDI firms are on average larger in capacity than domestic firms.
- Foreign owned companies make more profitable business than the domestic companies do in the garments sector in Bangladesh.

Last but not least, it has been proved through this study that *“The more FDI in the garments sector in Bangladesh, the more economical growth or profitability for both investors and the investing company as well as the country”*. These findings support a more open FDI policy for the Bangladesh garment sector.

7. CONCLUSION

This research studies the relationship between foreign equity and firm productivity of Bangladeshi RMG sector. Firms productivity was measured by the total sales and exports increase. The author shows that FDI firms have larger sales and exports than the domestic firms in the same industry and location. So finally it has been found from this research that FDI firms are more productive than the domestic firms. Furthermore, all scholarly articles, case studies and statistics discussed in this research suggests that FDI firms are more productive than the domestic firms and the domestic firms may benefit from the productivity of the FDI firms in the RMG sector in Bangladesh. The findings of this research support a more open FDI policy in Bangladesh garments and textiles sector. More FDI in the RMG sector in Bangladesh will bring much more economical growth for the country and both of the investors and the investing companies will make profitable businesses worldwide. In addition, if a domestic firm allows foreign capital the infrastructure of the investing companies will be high standard as it has been found from this study that foreign ownership makes the domestic firms to improve the production, work and safety and the quality of products.

In a conclusion, the author tends to describe briefly what information a reader can get and learn from this thesis. The readers can know information about reliability and validity that deals with the authenticity of thesis and evaluation of usefulness. There are some suggestions and future researches also pointed out in the conclusion.

7.1 What can readers learn?

This thesis is based on economic perspective of FDI firms in Bangladesh RMG sector. Thus reader can be able to know about the information related to economic perspective of Bangladesh RMG sector. There are also some materials which help reader to know about

Bangladesh, its economy and business culture. This thesis provide clear idea about the Garment and textiles sector in Bangladesh; its chronological development from past to present time; current scenario of RMG sector; different source to raise investment in RMG sector; proper utilization of prevailing resources for benefits of Bangladesh and its people; potential of Bangladesh RMG sector and its sustainable and profitable market; profitable business opportunities for internal as well as external investors.

7.2 Reliability and validity

In the thesis substantial information, datasets, as well as the inclusion of tables and statistics are taken from various relevant sources by acknowledging them. There is no self observational field study. It is not possible due to high technical expertise, time constraints and financial deficit. The analysis made in the thesis depends on the contact with the case companies only by email, previous researches and case studies. In some cases past information is considered for the general view point since there are no big changes. Some information is different in different places because of the different opinions. So there is always question mark for reliability and validity. It is impossible to include all significant information because the area of study is large.

7.3 Usefulness of the study

This thesis is certainly useful in the respective field. It shares important information about RMG sector in Bangladesh in economic prospective. Reader can acquire valuable and current information in the RMG sector in Bangladesh. The thesis can play as a motivational tool to attract investors in this sector. It also promotes the RMG sector in Bangladesh.

7.4 Feasibility of suggestions

The suggestions if implemented effectively then to achieve satisfactory target is not impossible. The political parties of Bangladesh should make stable political scenario in Bangladesh to fascinate foreign investors in Bangladesh. The constitution of Bangladesh should be developed sooner to gain the international trust. Clear and effective policies should be made to promote FDI firms. In the recent years many old policies are replaced by new policies which imply positive mark. In a recent years control over corruption activities is in

the fast track. Media is also playing pivotal role to control corruption. Situation is that culprits are scared of being exposed.

7.5 Recommendations for future research

There are many steps that can be taken in order to explore the improvement of RMG sector in Bangladesh and the research shows that FDI is the best option to do so. The area of the research is vast. There is always change in the scenario of the subject in accordance with time. It is recommended to do future research about FDI firm's productivity in the RMG sector in Bangladesh, Research can be made on the effect of FDI in RMG sector and economic life of the investing enterprises, Research to spot suitable place for the foreign companies within the country and pros and cons, Research on cost effective policies to gain better revenue from the FDI firms in the textiles and garments sector in Bangladesh.

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