Victoria University of Bangladesh

Final Assessment

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Socio Economic Study of Bangladesh - ECO 327

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## Answer to the question no - 1

Foreign direct investment (FDI) is an investment from a party in one country into a business or corporation in another country with the intention of establishing a lasting interest. Lasting interest differentiates FDI from foreign Portfolio investments, where investors passively hold securities from a foreign country. A foreign direct investment can be made by obtaining a lasting interest or by expanding one's business into a foreign country.

FDI Profitable to invest in Bangladesh if yes/no explain why there are given below:-

Strong Points :-

(i) Good macroeconomic stability characterised by a high growth rate of 7.1% in 2017 and a satisfactory level of public debt.

(ii) An open and diverse economy.

(iii) A very low-cost workforce.

(iv) A strategic geographic position as a gateway to countries in the Asia-Pacific region.

(v) A strategic and competitive Position in the value chain of the global economy.

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(vi) An economic and legislative environment globally favourable to business.

Weak Points

(i) A business environment complicated by the country's weak infrastucture, burdensome bureaucracy, rampant corruption, lack of transparency and the slow pace of the Judicial system.

(ii) Exports that are not sufficiently diversified and highly dependent on the textile sector.

(iii) Weakness of the financial sector.

(iv) vulnerability to natural disasters that result in substantial income losses.

Benefits of Foreign Direct investment :-

Foreign direct investment offers advantages to both the investor and the foreign host country. These incentives encourage both Parties to engage in and allow FDI.

Below are some of the benefits for business :-

(i) Market diversification.
(ii) Tax incentives.
(iii) Lower labor costs.

(iv) Preferential tariffs.

(v) subsidies.

The following are some of the benefits of the host country:

(i) Economic stimulation.

(ii) Development of human capital.

(iii) Increase in employment.

(iv) Access to management expertise, skills, and technology.

For businesses, most of these benefits are based on cost-cutting and lowering risk. For host countries, the benefits are mainly economic.

<u>Disadvantages of Foreign Direct investment</u> :-

Despite many benefits, there are still two main disadvantages to FDI, such as:

(i) Displacement of local businesses.

(ii) Profit repatriation.

As a result, many countries have regulations limiting foreign direct investment.

There are two types of FDI :-

(i) Horizontal.

(ii) vertical.

(i) <u>Horizontal</u> : A business expands its to domestic operations to a foreign country. In this case, the business counducts the same activites but in a foreign country. For example, McDonalds opening restaurants in Japan would be considered horizontal FDI.

(ii) vertical:- A business expands into a foreign country by moving to a different level of the supply chain. In other words, a firm conducts different activities abroad but these activities are still related to the main business. using the same example, Mc Donald's could purchase a large-scale farm in Canada to produce meat for their restaurant

Therefore, if Bangladesh wants to strengthen its position in the global marketplace and as a major destination of FDI, urgent policy focus is required to remove the deterrent discussed above that are responsible for high cost of investment. if implemented successfully, the country will not only become a lucrative investment destination but it will also help to raise our ease of doing business ranking, an important indicator for FDI decisions of foreign investors.

so I agreed FDI is a profitable to the invest in Bangladesh.

Answer to the question no-2 (a)

(a)

The types of resource mobilization are five types there are given below:-

(i) moral.
(ii) cultural.
(iii) social-organizational.
(iv) material.
(v) Human.

(i) moral :- resources available, such as solidarity support, legitimacy and sympathetic support, which can be easily retracted, making them less accessible than other resources.

(ii) cultural :- Knowledge that likely has become widely but not necessarily universally known. Examples include how to accomplish specific tasks like enacting a protest event, holding a news conference, running a meeting, forming an organization, initiating a festival or surfing the web.

(iii) social-organizational :- resources that deal with spreading the message. They the include intentional social organization, which is created to spread the movement's message, and appropriable social organization which is created for reasons other than moving for social change. Examples include spreading flyers holding community meetings, and recruiting volunteers.

(iv) Material :- Includes financial and Physical capital, like office space, money, equipment and supplies.

(v) Human :- Resources such as labor, experience skills and expertise in a certain field. more tangible than some of the others and easier to quantify.

Answer to the question no-2(b)

(b)

A SWOT analysis of Bangladesh garments industry there given below:-

(i) Strength.

(ii) Threats.

(iii) weakness.

(iv) opportunities.

(i) Strength:-

(1) more than 30 years of history and experience of garments manufacturing.

(2) Large labor force still comparatively inexpensive compared to competitors.

(3) Strong backward linkage in knit sector.

(4) Resilient and ambitious young entrepreneur

(5) Huge production capacity.

(6) Highest number of green industries and a positive sustainability image.

(7) Explicit positive change management to practices in the factories.

(8) Improved worker-management relationship.

(9) support of government as a major export sector.

(ii) Threats:-

(1) over dependency on foreign raw material

specially for cotton, woven fabrics, dyes and chemicals etc.

(2) very low profit margin in basic items.

(3) No or very little investment in non-cotton based fibre and fabric industries.

(4) Energy crisis and Price hike.

(5) High worker wage relation to skill level

(6) Repid technological growth in competing countries.

(7) Little or no research and development.

(8) Low FDI and local investment due bureaucratic and lingering problems.

(9) unstable socio-political situation of the country.

(iii) Weakness :-

(1) Low Productivity.

(2) weak technology management.

(3) Low level of skills and capabilites specially in the mid-level management.

(4) weak backword linkage in woven sector.

(5) longer change over times from style to style compared to competitors.

(6) weak industrial engineering specially in taxtile industry.

(7) sub-standard port facility.

(8) High tax rate.

(9) market and product knowledge gap.

(iv) Opportunities :-

(1) more order flow from china due to change in global business dynamic.

(2) Improved image confidence of foreign buyer

(3) more practice of sustainable solutions.

(4) more emphasize on cost control.

(5) Huge growth in denim sector.

(6) more practice of product development and expanding value added service like washing printing etc.

(7) Export flow towards non-traditional markets.

(8) Increase in the availability of local technology and consulting service providing agents.

Bangladesh garments industry is standing at a cross road facing difficult challenges. But this is also true that opportunity resides at the opposite of the challenges. it's a high time for the industry take appropriate steps to step over the hurdles and avail the opportunities in offering in plenty in the global market. Still Bangladesh is regarded as one of the best choices for most of the buyers as safe and secure of ready made garments. So we need better factories not a lot of factories.

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## Answer to the question no-2 (c)

(c)

Public sector encompasses the companies, enterprises, or businesses wherein the Government is the owner of the business by way of a majority shareholding in the business. These businesses are controlled, managed and operated by the Government. Companies owned, controlled managed, and operated by Government Bodies come under the Public sector.

Private sector includes those companies, to enterprises businesses that are owned by Private individuals or Private companies. The companies in the Private sector are controlled managed and operated by Private individuals Private entities. Companies owned, controlled, managed, and operated by Private companies individuals come under the Private sector.

Here we provide some differences between Public sector and Private sector:-

| SL. NO. | Public sector | Private sector |
|---|---|---|
| 1. Definition | Public sector refers to the Part of the country's overall economy which is controlled by the Government or various | The Private sector refers to the Part of the country's overall economy which is controlled by individuals or Private companies. |

| | | |
|---|---|---|
| | Government bodies. | |
| 2. ownership | Public sector companies are owned and the managed by government bodies. | Private sector is companies are owned and managed by private individuals and private companies. |
| 3. Primary purpose | Generally public sector entities are driven by the purpose of providing the basic public services to the common public at a reasonable cost in their respective industries by being also self-sustainable and profitable. However profitability is not the primary motive. | The purpose of companies in the private sector is profit making by operating within the rules and compliances of the respective country |
| 4. Industry focus | Public sector companies mostly operate in industries such as water, Electricity, oil and gas, mining, Education, Defense to Agriculture etc. | Private sector companies generally operate in multiple industries such as technology, Banking Financial services for ~~motor~~ manufacturing to Pharmaceuticals, real estate, constructions etc. |
| 5. Financial support from Government | Companies in the public sector get all possible financial support from the government even in adverse circumstances wherein the financial health of | very little or no financial support from the government unless a private entity is too big and systemically important for the country |

| | | |
|---|---|---|
| | the companies is not good. | |
| 6. Listing in stock markets | Entities in Public sectors are Publically traded on exchanges | Entities in Private sectors are Publically traded on exchanges. |
| 7. Profitability | Companies in the Public sector are relatively less Profitable because of their primary Purpose of not being Profitability driven. | Companies in the Private sector are relatively more Profitable than their sector counterparts in the same industry. |
| 8. work culture for Employees | Relatively relaxed work culture with higher job security However, Pay and Perks may not be that attractive in comparison to Private sector companies. | Competitive work culture with Performance-based career growth and better Pay than Public sector companies. |

That all about Public industry is laying behind in comparison to Private industry.

Answer to the question no-3 (a)

(a)
Rostow's stages of ecomic developmet there are given below:- one of the key thinkers in 20th-century Development studies was Rostow, an American economist and government official. Prior to Rostow, approaches to the development had been based on the assumption that modernization was characterized by the western world, which were able to advance from the initial stages of underdevelopment. Accordingly, other countries should model themselves after the west aspiring to a modern state of capitalism and liberal democracy. Using these ideas Rostow penned his classic "stages of Economic growth" in 1960, which presented five steps through which all countries must pass to become development:-

(i) Traditional society.
(ii) Preconditions to take-off
(iii) Take-off,
(iv) Drive to maturity.
(v) age of high mass consumption.

The model asserted that all countries exist somewhere on this linear spectrum and climb upward through each stage in the development process :-

(i) Traditional Society :- This stage is the characterized by a subsistent, agricultural based economy with intensive labor and low levels of trading, and a population that does not have a scientific perspective on the world and technology.

(ii) Preconditions to take-off :- Here, a society begins to develop manufacturing and a more international as opposed to regional outlook.

(iii) Take-off :- Rostow describes this stage as a short period of intensive growth, in which industrialization begins to occur and workers and institutions become concentrated around a new industry.

(iv) Drive to maturity :- This stage takes place over a long period of time, as standards of living rise, the use of technology increases and the national economy grows and the and the national economy grows and diversities.

(v) Age of High mass consumption :- At the time of writing, Rostow believed that western countries, most notably the united states occupied this last developed stage. More the country's economy are very important.

Answer to the question no- 3 (b)

(b)
The criteria of a country need to fulfill to be developed from developing there are given below:- Standard criteria for the country's level of development are income per capita or per capita gross domestic product the level of industralization, None conomic factors, such as the human development index which quantifies a country's levels of education, literacy, and health into a single figure, can also be used to economy or the degree of development.

(i) Countries with relatively high levels of economic growth and security are considered to have developed country.

(ii) Common criteria for evaluation include income per capita or per capita gross domestic product.

(iii) Noneconomic factors, such as the human development index, may also be used as criteria.

and the major needed to fulfill to be developed from developing:-

(1) The countries which are independent and prosperous are known as Developed countries. The countries which are facing

the beginning of industrialization are called Developing countries.

(2) In Developed countries the literacy rate is high, but in Developing countries illiteracy rate is high.

(3) Developed countries have good infrastructure and a better environment in terms of health and safty, which are absent in Developing countries.

(4) In developed countries, the standard of living of people is high, which is moderate in developing countries.

(5) Resources are effectively utilized in the developed countries. one the other hand proper utilization of resources is not done in developing countries.

(6) in developed countries, the birth rate and death rate are low, whereas in developing countries both the rates are high.

So, we follow this rules and developed from the developing country.