

DISSERTATION
ON
ONE PERSON COMPANY : A New Pathway For Bangladeshi
Entrepreneurs

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ABSTRACT

Bangladesh is following the companies act 1994 for the management and regulation of company and company related issues. From then the companies Act 1994 got reformed two times. In the last amendment of companies act, one person company is incorporated under the provisions of company act. In this paper my main focus was to find out the effectiveness of one person company and how it can be utilized to attract foreign direct investment. I started with basic concepts of the one person company, along with its characteristics and necessary information about it. As I had time limitations, I wholly focused on secondary data to complete my dissertation. As sole proprietorship and one person company have almost similar features, I basically focused on comparing the two and establishing how one person is more flexible than the other. The second thing I focused on was the possibility of foreign direct investment in one person company as FDI is important for a country's economic development. To do so, I discussed the possible ways as to how FDI can enter into our country and whether we can use those ways to utilize FDI in one person company. Though, the path of foreign direct investment in one person company is quite narrow, it has potential scope for it. All we have to do is to utilize the opportunity and encourage young entrepreneurs to consider the option of one person company. Then, I concluded my thesis with some suggestions as to make the concept more impactful.

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Chapter 1

1.1 Introduction

One person company is a type of company that is registered on behalf of only one natural person and has only one director. In November 2020, The Companies Act 1994 got reformed for the second time in which the concept of one person company was incorporated for the first time in the context of Bangladeshi company law along with the age old Public limited company and private limited company.¹ The concept of one person company is quite new in our country, so generally , the number of one person companies in our country is not many. The concept has been already practiced commonly in the UK, India, Sri-lanka, Pakistan for many years. But as the concept is relatively new in Bangladesh and the reason to incorporate a new form of company was to ensure ease of doing business, we must analyze properly to find out if it is going to be effective in Bangladesh like any other country.²

1.2 Literature Review

The concept of one person company enables a natural person to create a company and as it is quite new, it also attracts a lot of business enthusiastic thinkers who are willing to start a new business. The paid up capital of a one person company is kept minimum 25 lac to maximum 5 crore which has definitely been seen as an obstacle towards the path of starting a new business by the entrepreneur. The new form of company was enacted to attract new business entrepreneurs towards small business ideas. But due to high paid up capital it may not happen. Ferdousy Ara Begum , the CEO of Business Initiative leading Development (BUILD) ,also believes that the paid up capital minimum limitations should be kept open.³ This is definitely a questionable issue because though it's a new opportunity for entrepreneurs, the people with small and medium business ideas are not going to invest that much on a business idea where

¹ Tahseen Lubaba , 'Recognition of one person company in'
<<https://www.thedailystar.net/law-our-rights/news/recognition-one-person-company-bangladesh-1965413>>
(accessed on 10 April 2022)

² Ibid

³ Jasim Uddin Haroon , 'Bangladesh's first three one-man companies gets going' (September 7 , 2021)
<https://thefinancialexpress-com-bd.cdn.ampproject.org/v/s/thefinancialexpress.com.bd/trade/bangladeshs-first-three-one-man-companies-get-going-1630981349?amp_js_v=a6&_gsa=1&=true&usqp=mq331AQKKAFOArABIIACAw%3D%3D#aoh=16474439537601&referrer=https%3A%2F%2Fwww.google.com&_tf=From%20%251%24s&share=https%3A%2F%2Fthefinancialexpress.com.bd%2Ftrade%2Fbangladeshs-first-three-one-man-companies-get-going-1630981349> [accessed on 12 April 2022]

they can easily start a Sole proprietorship business with half the amount of money than that of a one person company. One person company requires one director who is also supposedly the sole shareholder. This definitely makes it easier to operate and manage the company. But if we look at the opposite side, the accountability of one person company is not strong enough. As director and sole shareholder is the same person, in case of any loss incurred toward the company , there's no other person to hold accountable other than the sole shareholder, which definitely is a risky move.⁴The government, while amending the Companies Act 1994 and including one person company in the official gazette , mentioned that OPC was incorporated for ease of doing business.⁵ But exactly, in what way it is going to create a more friendly , effective and economic environment that will help us with ease of doing business other than private or public limited companies. Only through incorporating a new form of company , is ease of doing business going to improve. More analysis is needed. One person company has limited liability. As we know from Solomon v. In The Solomon case, a company has a separate legal entity than that of its directors and shareholders which makes the shareholders to share only a limited liability.⁶ That means Even when the company makes any loss due to the negligence of the sole shareholder or any third party faces any loss due to directors fault , the director will only have a limited liability which may sometimes amount to deception towards the third party . So definitely the internal management of one person's company must be monitored properly. One person company was incorporated with the intention to attract the foreign investment .⁷ And also it was said that many foreign investors were not able to invest in the business sectors due to not having one person incorporated in the companies act . Now that One person company is incorporated , how much investment is going to increase and how it is going to improve the ease of doing business , a lot of analysis is needed to find out.

⁴ Ibid

⁵ UNB News, Companies (amendment) bill placed in parliament' (unbnnews, February 12 2020) <<https://unb.com.bd/m/category/Bangladesh/companies-amendment-bill-placed-in-parliament/44026> > (accessed on 12 April 2022)

⁶ Solomon v Solomon &co. Ltd [1897] AC 22

⁷ Ibid

1.3 Hypothesis

One person company is said to create more effective and practical opportunities for upcoming entrepreneurs. The sole shareholder option, to have limited liability in case of risks, getting funding comparably easy is definitely going to become an attraction for the new business entrepreneurs. A lot of people in the Small business may also opt for one person company with the given advantages . But the scenarios related to third party protection are definitely to be eradicated to have more effective results. Proper management of internal structure of one person company is also needed. So the main reason is to improve ease of doing business. The interest about foreign investment must be focused more precisely. So that the business environment becomes much more developed. Hopefully, proper management and full fledged running of one person company can bring much more positive impact in the context of company law.

1.4 Research question

“Whether one person company can create noteworthy effectiveness and new opportunities for entrepreneurs and is it capable enough to attract FDI?”

1.5 Methodology

As the concept of one person company is quite a few data available . And also as there have been limited time frames I was unable to use any primary data to add in my thesis. So I have used secondary data .

1.6 Research justification

Though it has been nearly 2 years since One person company, there is no paper which discusses the effectiveness and the possibility with foreign direct investment in the context of Bangladesh.

Chapter 2

2.1: Introduction

In this chapter , the definition of one person company, how and when it got incorporated in the companies act 1994, what are the provisions of one person company under the companies act 1994, who is an entrepreneur are discussed thoroughly. A one person company is a single man company which is governed and managed by its only shareholder and director. When the amendment bill of companies act 1994 was presented before the parliament, it was thus accepted and incorporated within the provisions of the Companies Act 1994. The provisions of the act provided requirements for minimum and maximum paid up capital, who can start up an OPC , what are its conditions and how does this type of company get dissolved.

2.2: Definition

One person company is a new type of company incorporated under the Companies Act 1994 by the amendment of 2020. The structure of One person company is rather unique than that of private limited company and public limited company. Where the public limited company needs a minimum 7 person and a private limited company requires a minimum 2 person to operate, a one person company only needs one person to operate it's activities. One person company will have only one shareholder and also the sole shareholder shall be the director of such company. The concept of One person company was first introduced in the United kingdom. Later , it was also incorporated in the USA, Singapore, UAE, Pakistan, China , India etc. In 2020 , One person company was incorporated in Bangladesh under the Companies Act 1994.⁸

2.3 : Proposal to incorporate OPC in the companies Act 1994

In February 2020, The companies (amendment) bill was placed before the parliament by the former commerce minister.⁹ In the said bill along with other amended provisions, the concert of One person company was introduced for the first time. The proposed amendment included a new chapter for One person company. The proposed bill was placed before the proper scrutiny committee to overview the included provisions. The idea of a new form of company was rather welcoming except for certain parts. For instance, in the proposed bill, the minimum paid up

⁸ Ibid

⁹ Ibid

capital for One person company was 50 lac and maximum 10 crore and the annual turnover for previous financial year for one person company was minimum 2 crore to maximum 100 crore.¹⁰ Many argued that the amount was huge and it wouldn't benefit small entrepreneurs who want to form a one person company. The concept of One person company was introduced in the Companies Act Amendment bill 2020 to increase the index of ease of doing business.

2.4 Incorporation under The Companies Act 1994

On 26th November 2020 the Companies Act was amended for the 2nd time that year . In which One Person company was incorporated . The amended provisions of the Act was somewhat different from that of the proposed bill. For instance, the paid up capital was reduced to minimum 25 lac to maximum 5 crore and the annual turnover of the previous financial year was reduced to minimum 1crore to maximum 50 crore.¹¹ The reduction was evidence that the government wanted to create new opportunities for the new entrepreneurs and increase the ease of doing business.

2.5 : Provisions under The Companies Act 1994

The Companies Act 1994 discusses the concept of one person company thoroughly. Along with definition under section 2 sub section 1(kha) , there is a whole chapter regarding how One person company can be formed and registered.¹² The Act provides a definition of one person company which says one person company is a form of company that shall have only one shareholder and the sole shareholder must be a natural person. Chapter 10(a) of the Act deals with the formation , registration, management of OPC. According to the provisions mentioned in the Companies Act 1994, any natural person can form a One person company and for so doing , one must sign their name in the companies memorandum and follow all the registration procedure.¹³ An OPC can be converted into a public limited company or a private limited company upon fulfilling certain criteria. There is a strict bar on who can form a one person

¹⁰ Bangladesh Law partners 'Highlights of Bangladesh companies (amendment) act 2020- legal development'(Bangladesh Law partners, October 5 2020) < <https://www.legal500.com/developments/thought-leadership/highlights-of-bangladesh-companies-amendment-act-2020/> > (accessed on 14 April 2022)

¹¹ Ibid

¹² The companies act 1994, section 2 sub section 1(kha)

¹³ The companies act 1994, section 392a

company that only a natural person can form an OPC.¹⁴ While signing the memorandum of the company, the sole shareholder shall choose a nominee to whom the shares will be transferred upon the death or disappearance of the sole shareholder .¹⁵ The consent of the nominee here is important . The nominee has the right to refuse the shares of the company and if he agrees to become the nominee his name must be incorporated under the companies memorandum.¹⁶ The sole shareholder, if wished, can change the nominee and for so doing the name of the new nominee must be approved by the register and incorporated under the memorandum of association and article of association. The paid up capital for OPC shall be minimum 25 lac to maximum 5 crore taka and the annual turnover of the company must be minimum 1 crore to maximum 50 crore taka.¹⁷ If any one person company exceeds the maximum amount, upon following procedure , such OPC can turn into a private limited company. The registration procedure of a one person company shall be the same as that of a private limited company. The sole shareholder shall also be the director of the company.¹⁸ In each financial year the company shall have at least 2 directors meeting .¹⁹ Just like any other form of company , the OPC shall also get approval from the register , upon any changes be made on memorandum of association and article of association. If the sole shareholder of the company wants to transfer the shares, they shall be transferred to another natural person.²⁰ At the end of each financial year , the balance sheet along with the signature of the sole shareholder must be placed before the register within 180 days .²¹ A one person company must include the word OPC at the end of the company's name.²² The director and sole shareholder can also hold the position of the manager, company secretary and if they wish , they can also employ other employees to manage the company. ²³

¹⁴ The companies act 1994 , section 392b

¹⁵ ibid

¹⁶ ibid

¹⁷ The companies act 1994, section 392c

¹⁸ The companies act 1994, section 392e

¹⁹ The companies act 1994, section 392f

²⁰ The companies act 1994, section 392h

²¹ The companies act 1994 , section 392i

²² The companies act 1994, section 11ka

²³ ibid

2.6 : Who is an entrepreneur ?

An entrepreneur is a person who is willing to start something new on his own accord and initiatives. He is basically a person who is willing to take up risks and new challenges in order to have a change.²⁴ They are not always necessarily the one who gave the idea, rather they will put their time and efforts and do anything possible to mobilize the idea.²⁵ They believe in developing business ideas , going forward with it, cope up with all the difficulties and having an imprint in the business world. They lead their plan, to the necessary directions, in which they believe something new awaits.

According to cotillion, an entrepreneur is a person who arranges all the ingredients and converts them into things he wants to produce and sell in the market.²⁶

J.B says “ the entrepreneur is an economic agent who unites all necessary things for production , the labor force of the one, the capital or the land from others and finds the value of products . His results from their employment reconstitution of the entire capital and that he utilizes the value of the wages and the interest and the rent which he pays and as well as profit belonging to him.”²⁷

An entrepreneur is a person who invests his money on a certain plan, manages and assembles all necessary production, takes up risk, and everything to make his business a success.²⁸

2.7 : Conclusion

After the completion of chapter 2 this is what we get, A one person company is a new form of company that has been incorporated in the amended version of companies act 1994 to 2020 with a view to attract entrepreneurs and improve the index of ease of doing business. With one person as director and shareholder, this type of company conducts all its activities with a single natural person. One of the main purposes of incorporation of one person company was to encourage entrepreneurs so here we discussed about entrepreneurs. Entrepreneurs are individuals who are

²⁴ Juan Jose de la Torre, ' who is an entrepreneur' (entrepreneur, April 30, 2015)
<<https://www.entrepreneur.com/article/245628>> (Accessed on April 18 2022)

²⁵ ibid

²⁶ Tamanna R, 'Definition of entrepreneurs by eminent authors' (business management ideas, 14 June 2021)
<<https://www.businessmanagementideas.com/entrepreneur/definitions-of-entrepreneur-by-eminent-authors/19938>> (Accessed on April 18, 2022)

²⁷ ibid

²⁸ ibid

always up to new challenges and business opportunities and can take up risk for the success of the business.

Chapter 3

3.1 Introduction

As the concept of one person company is quite new , to immediately take up the decisions to start up one would be quite a hasty decision. Thus, it's more important to know the pros and cons of a one person company before directly starting up one . So , here in this chapter, the advantages and one person company is discussed. As we are talking about a one person company , it is only plausible for us to talk about sole proprietorship , so we discussed sole proprietorship and laid out the differences between the two.

3.2 : Advantages of one Person company

Though it's been almost two years since one person company was incorporated under the Companies Act 1994 , the whole idea of this type of company is still new for the people of our country. Like any other form of company, OPC also has some good and bad sides. If we start off by looking at the good sides of a one person company this is what we get.

To gather funds for the formation , capital, investment is rather easy. Banks and other financial institutions tend to provide loans for such companies as they are easy to deal with.²⁹ As it requires only one Shareholder and director , it's very easy to start with. At the same time , as the company has a separate legal entity, the company will not be closed only because the sole shareholder died or disappeared.³⁰ As there is only one shareholder , thus the person has complete authority over the business of the company.³¹ As the company and the sole shareholder have separate legal entity, the sole shareholder, though having complete authority, will only have to bear limited liability in case of any loss incurred.³² So, quite feasible to say that, the sole shareholders can take risks without any worry of losing their personal property.³³ The management system of One Person company is quite flexible. It allows the Sole shareholder to transfer all the shares to another natural person. Again, it also allows any one person company to

²⁹ Faceless compliance, ' Advantages- disadvantages of one person company (OPC) Archives faceless compliance' <<https://facelesscompliance.com/tag/advantages-disadvantages-of-one-person-company-opc> >[accessed on April 16 2022]

³⁰ Tanya Verma, 'Advantages of a one person company – Enterslice (Enterslice) <<https://enterslice.com/learning/advantages-of-one-person-company/amp/> > [accessed on 15 April 2022]

³¹ Ibid

³² ibid

³³ Ibid

convert into any private limited company or public limited company , upon fulfilling certain requirements. As a one person company is registered the same way as a private limited company, they enjoy the same privileges.³⁴ Though a one person company requires to hold at least 2 board meetings , there is no mandatory requirement of holding an annual general meeting for a one person company.³⁵

3.3: comparison between OPC and sole proprietorship business

Sole proprietorship is a form of business that a person can easily start with their own fund. He is the owner of the business.³⁶ He's the one who will take liability for both the profit and losses on their own . There is no separate legal entity between the owner and the business. Thus, the owner has the whole power to control the business according to their own accord .

One person company needs a natural person to be its only shareholder and director.³⁷ Sole proprietorship needs one person to manage, operate, own the business.³⁸ The process of registration of a one person company is lengthy and quite complicated.³⁹ The process of registration for sole proprietorship is quite easy in respect of an OPC.⁴⁰ In the case of a One person company, as it is registered as a company, it has a separate legal entity. Thus the sole shareholder and the company have two different entities. In case of a sole proprietorship business, there is no separate legal entity. The business and the owner are the same entity.⁴¹ In case of one person company, the sole shareholder needs to choose a nominee who will be the next sole shareholder, if the sole shareholder dies or disappears. In Sole proprietorship business, there is no need to choose a nominee who will be the next owner of the business.⁴² Rather, the heir of the owner will automatically be the next owner. In case of a one person company, the sole

³⁴ Zarana Mehta, Advantages and disadvantages of an OPC (One person Company)' (ebizfiling, march 17 2022) <<https://ebizfiling.com/blog/opc-advantages-and-disadvantages/>> [accessed on 15 April 2022]

³⁵ ibid

³⁶ Old Baily, 'Incorporating sole proprietorship & partnership – old Bailey chambers.' (Old Baily Chamber, September 30, 2021) < <https://oldbaileybd.com/incorporating-sole-proprietorship-partnership/#:~:text=Any%20Bangladeshi%20citizen%20of%20at.are%20taxed%20as%20personal%20taxes> > . [Accessed on 15 April 2022]

³⁷ ibid

³⁸ Kavya A, One person company v. Sole proprietorship' (vakilsearch, January 21, 2022) <<https://vakilsearch.com/blog/one-person-company-vs-sole-proprietorship-which-is-right-for-you/>> (accessed on 15 April 2022

³⁹ Ibid

⁴⁰ ibid

⁴¹ ibid

⁴² ibid

shareholder shall only bear losses to the extent of their share of investment. Thus , the risk and liability in one person company is limited. In case of sole proprietorship, if any loss incurred, the owner shall be the only responsible person to bear consequences. So the risk and liability is unlimited. There is a minimum paid up capital requirement for one person company which is 25 lac. There is no minimum capital requirements to start up a sole proprietorship business. The financial records and audit report of the company must be submitted for inspection. Sole proprietorship businesses have more privacy . The financial records of each year need not to be submitted for inspection. Gathering funding for one person's company is relatively easy . As the company is registered , financial institutions are more likely to provide loans to such a type of business. Gathering funding for Sole proprietorship is comparably difficult. As the risk and insecurities are evident, financial institutions do not prefer giving loans to this type of business.

The concept of sole proprietorship and one person company is pretty much similar. But definitely have certain features that differentiates the two business ideas.

3.4 : Disadvantages of a one person company

A one person company is definitely a new pathway for the Bangladeshi Entrepreneurs. Here we have already discussed the advantages of a one person company. So it's quite likely for us to know the disadvantages of it as well.

A one person company , though a new opportunity for the young people , this form of company is only limited to small range business ideas. Because of its maximum capital fixation ,OPC can enter into only smaller businesses.⁴³

Another problem with the OPC is the minimum fixed paid up capital. This is seemingly a bar for the entrepreneurs who don't have that much amount of money as paid up capital which is why the people who seemingly should grasp the opportunity of starting this type of company are getting motivated. Also if we look at the companies act of India , they also have the concept of one person company and they do not have the minimum paid up capital requirements. Thus it's quite easy for their entrepreneurs to start a one person company than that of in our country.⁴⁴

⁴³ ibid

⁴⁴ ibid

Again as we know , a one person company is registered under company act , thus they enjoy almost all the privileges of a company. Thus, it also has a separate legal entity. But in a broader sense, if we look at it , it does not clearly point out the amount of power the company itself and the shareholders are going to exercise . Thus , it's more likely that there is a high chance of the company and the shareholders to perform unethical conducts.⁴⁵

Again, a one person company does not have a perpetual succession. Though it allows the sole shareholder to appoint a nominee who will be next shareholder, it doesn't necessarily have to be the heir of the sole shareholder. So, perpetual succession is not included in the concept of a one person company. ⁴⁶

3.5 Conclusion

After this chapter, this is what we get, as we know everything has some positive and negative sides, a one person company is no different than that. A one person company, on one hand has advantages like, having easy Access to fundraising, separate legal entity, limited risk, it also contains disadvantages like not plausible for larger business ideas, weak indoor management . After discussing the differences between OPC and sole proprietorship thoroughly, we can say both have similar characteristics but the nature of the two are different. And if we look at the greater picture, a one person company is much more compatible than that of a sole proprietorship business.

⁴⁵ ibid

⁴⁶ ibid

Chapter 4

4.1 Introduction

Here in this chapter, why a one person company is much more effective and why entrepreneurs should choose it over sole proprietorship business, is discussed. And also we have seen that one of the reasons for incorporation of one person company was to attract foreign direct investment, so I tried to discuss how foreign direct investment works in Bangladesh and if it can be applied in one person company.

4.2: Why is a one person company is effective and why to choose it?

One person company is a new opportunity for entrepreneurs. Those who are keen on new things and want to try new challenges, an OPC is a perfect start up for them. Before OPC, a minimum of 2 people were needed to start up a company. So, those who could not find a partner to start up a company, they now have the chance to open up a new company all by themselves. There is no need for having a board of directors unlike other forms of company. Where, board of directors comprises minimum two people, there arises conflict of opinion over decision making. But there's no such conflict in the one person company, as the director is also the shareholder and owner of the company. Entrepreneurs are basically future generation business leaders. They have the leading capacity. They have a sense of responsibility. They are someone who would do everything on their own rather than relying on others. A one person company is a new scope for them to enhance their leadership skills. Though entrepreneurs are someone who is always ready to face the risk, they will always measure the density of the danger and choose the one with less complications. So, one person company is much safer for them than that of a sole proprietorship business. Before OPC, sole entrepreneurs had the option of sole proprietorship since it was the only path possible for solo entrepreneurs, but where the Sole proprietorship business owners have to handle the full responsibility of the losses occurred in business, A one person company shareholder only have to cover up limited liability which is why the concept of one person company is much advanced than that of Sole proprietorship business.

4.3 : Little possibility with foreign investment and one Person company

One of the main purposes of incorporating one person company in the companies act 1994 was to attract foreign direct investment and thus improving ease of doing business . But is one person company really capable of attracting foreign direct investment?

We have discussed how a one person company works thoroughly in the previous chapter. Now we would try to find out can a one person company really make a difference in the index of FDI.

Foreign direct investment , according to the United Nations conference on trade and development (UNCTAD) is defined as an investment involving a long term relationship and reflecting a lasting interest and control by a resident entity in one economy in an enterprise resident in an economy other than that of the foreign direct investment.⁴⁷

From the very beginning , we have seen that the FDI growth rate in Bangladesh is not that significant enough, rather it's one the country that has the lowest inflow in FDI in Asia.⁴⁸ For instance, in 2020, where the FDI inflow was about USD 142.2 Billion in China, 50.6 billion dollars in India , in the same year , the FDI inflow in Bangladesh was only 2.6 billion dollars.⁴⁹ The foreign investors do not show their interest in investing in Bangladesh as they are not having as many privileges as in other countries. Poor governance , unstable political situation, weak infrastructure are the major reasons why they feel demotivated. ⁵⁰

In Bangladesh, there can be 3 ways through which foreign direct investment exists.

Joint venture company

Any foreign direct investor, if wishes, can invest as a joint partner and together with any local partner Of our country can start a joint venture company where they will have equal share And

⁴⁷ Quamrul Alam, Mohammad Emdad Ullah Mia Robert F I Smith, ' The impact of poor governance on foreign direct investment : The Bangladesh experience in the Raza Ahmad' s THE ROLE OF PUBLIC ADMINISTRATION IN BUILDING A HARMONIOUS SOCIETY (network of Asia- Pacific Schools and institutions of public administration and governance, 2005) pages 321-325

⁴⁸ Abu afsarul haidar, 'Why is foreign direct investment so low in Bangladesh and how to increase it' (the daily Star, (August 23, 2021) <<https://www.thedailystar.net/views/opinion/news/why-foreign-direct-investment-so-low-bangladesh-and-how-increase-it-2158151> >[accessed on 16 April 2022]

⁴⁹ ibid

⁵⁰ ibid

right in the company and its profits. ⁵¹It is basically a mutual cooperation between two companies of which one is domestic and other being a foreign company with the purpose of mutual profit and benefits. ⁵²

Liaison/ Branch office

A foreign company can establish their branches in our country. A branch office or liaison office is a subdivision of a larger company. It basically refers to a type of office that carries on their conduct in a place other than the main office.⁵³ It is basically a great source of foreign direct investment in our country. Many foreign companies who intend to expand their business worldwide, if they are interested, can open up their branch or liaison offices in Bangladesh. Each branch office has a representative who reports all the data to the main office and communicates with them.⁵⁴ As the procedure is done mostly online, the foreign companies are interested in investing in Bangladesh.

Wholly owned subsidiary company

A wholly owned subsidiary company is basically a subsidiary company that is controlled by a parent company.⁵⁵ The parent company owns all the shares of the subsidiary company and activities of that subsidiary company are fixed by the parent company. That means if any foreign investor company is willing to start up a wholly owned subsidiary company here in Bangladesh, they are welcomed to do so.

Now these are the ways in which foreign direct investment can enter into Bangladesh. Here we are talking about the foreign direct investment in the field of one person company. But if we try to connect these FDI connected company ideas here is what we get.

1. A one person company does not allow joint shareholder policy. It only allows and requires one sole shareholder to conduct its activities. Thus the concept of joint venture

⁵¹ Info entrepreneurs, "Joint venture company and partnering – info entrepreneurs" (info entrepreneurs) < <https://m.infoentrepreneurs.org/en/guides/joint-ventures-and-partnering/> >[accessed on 17 April 2022]

⁵² ibid

⁵³ OGR Legal, 'Liaison or branch office in Bangladesh – OGR Legal' (research.ogrlegal, 2022) <<https://resource.ogrlegal.com/liaison-branch-office-in-bangladesh/>>[Accessed on 17 April 2022]

⁵⁴ ibid

⁵⁵ Collins dictionary, 'Wholly owned subsidiary definition and meaning | Collins English dictionary' <<https://www.collinsdictionary.com/dictionary/english/wholly-owned-subsiary> > (Accessed on 18 April 2022]

company cannot be attached with one person company. So the way of FDI through joint venture companies in an OPC is not possible.

2. Liaison or branch office is not even an independent company rather a part of a company which conducts the majority of work. Thus FDI through liaison or branch office for an OPC is also impossible.
3. A one person company requires a natural person to open up and conduct its activity and also a single person only can open up only a single one person company which makes it impossible for a company which is not a natural person to start up a one person company. Even if the company interested to invest belongs to a sole natural entity, because of the restrictions of dual one person company by one natural person. Which means FDI through wholly owned subsidiaries in one person company is also not available.

Now the question remains when major ways of FDI are closed for one person company, how can it help with the index of FDI growth. The answer is that basically the scope of FDI through one person company in our country is not very high.⁵⁶ Many Bangladeshi people living abroad often hoped for an opportunity to start up their own company but because they were unable to find a reliable partner whom they can trust the company with, they were often demotivated. Now that OPC is incorporated, they have the opportunity to invest in the sector. Also whether a foreign individual is allowed to invest in a one person company is not clearly stated in the companies Act 1994.⁵⁷ As there's a requirement for submitting the NID while registering a one person company which raises suspicion whether foreign individuals can invest in this type of company.⁵⁸

4.4 Conclusion

After the completion of this chapter, what we get is, A one person company has much more flexibility than that of a sole proprietorship business which is why, it's more effective than sole proprietorship business and also about the foreign direct investment, in India, the government

⁵⁶ Ferdous Ara Begum, 'One person company and paybacks of small entrepreneurs' (The Financial Express, may 28, 2021)

<<https://thefinancialexpress.com.bd/public/index.php/views/views/one-person-company-and-paybacks-of-small-entrepreneurs-1622212827>> (accessed on 18 April 2022)

⁵⁷ ibid

⁵⁸ ibid

clearly stated that no FDI is possible in a One person company but there is no specific provisions regarding FDI in One person company.⁵⁹ But the Bangladesh government did not clarify it and With that being said that though the government had incorporated a new form of government to improve the FDI growth rate , the scopes for it in OPC can not be significantly high.

⁵⁹ Pankaj tyagi, ' government relaxes provisions for OPC in budget 2021' (corpbiz.io, 21 August, 2021)
<<https://corpbiz.io/learning/government-relaxes-provisions-for-opc-in-budget-2021/>> (Accessed on 17 April 2022)

Chapter 5

5.1 : Suggestions to make One person company more impactful

These are some of the suggestions that I believe are going to make one person's company more impactful.

1. Excluding minimum paid up capital

The government wanted to encourage smaller and medium range business entrepreneurs through incorporating one person company . But if we look at the realistic overview in the present context of Bangladesh , a small or medium range business entrepreneur to have 25 lac to start up a one person company is absurd. Even though loan access is comparatively easy , the burden is too much for them . That's why, many of the young entrepreneurs are rather opting for sole proprietorship. The Indian companies Act also did not fix any minimum paid up capital requirements. So, excluding minimum paid up capital requirements are going to attract more entrepreneurs as it will be within their reach.

2. Excluding the conversion of one person company

According to the existing provisions of the Companies Act 1994, if a one person company exceeds the maximum annual turnover , they have to convert their company into a private or public limited company according to their wish. Here, the issue is forcing them to convert the form and nature of the company is going to demotivate them . Moreover, if they really wished for a public or private limited company , they would not have opt for a one person company.

3. Strengthening the indoor management

As a one person company requires only a single person as sole shareholder , all the decisions regarding the company are made by him . So , the chances for unethical conduct remains in this type of company as there's no authoritative body to observe them other than the sole shareholder. So, the authorities must be very vigilant about indoor management. So, a party outside the company does not get deceived.

4. Being more flexible about the number of OPC

Currently, one natural person can only register a single one person company which restricts many scope for the growth of one person company. Enabling them to carry out more than a single one person company will bring out much more diversity in the form and nature of the company.

5. Enabling legal person to open up a one person company

Under the present provisions of companies act 1994, no one other than a natural person can open up an OPC , which is basically in the way of developing FDI . Many foreign companies can not invest in one person company for two reasons , one being that only a natural person is allowed to Register a one person company and the other being that 1 person can start up only 1 one person company. So , enabling a legal person to start up a one person company will open up the broader way of foreign direct investment. .

6. Enabling foreign citizens to start OPC

Currently there's no specific and clear provisions where it allows or denies foreign individuals to open up a one person company. Which is basically creating confusion to the individuals who are interested in investing in Bangladesh. So , the companies act should amend a specific provision allowing the foreign citizens to start up a one person company in Bangladesh

Moreover, although it's been almost two year since incorporation of one person company, the number of OPC is comparatively very low. The main reason is, most people still don't know about the concept clearly, many don't even know about the existence of it, which is why it's not completely blooming yet. So the government should advertise more about the one Person company to attract the entrepreneurs and make them feel interested in this type of company so that the initial purpose of incorporation of one person company gets fulfilled.

5.2 : Conclusion

Throughout the paper , I tried to overview all the aspects of a one person company. Starting from the definition, I tried to discuss the concept of one person company, how it came into existence, why it came into existence. Then I discussed the advantages and disadvantages of a one person company , why it's different from any other form of company and elaborately compared sole

proprietorship and one person company as they are of almost the same nature. Then in the next chapter, I discussed foreign direct investment and its possibility in one person company and lastly I made some suggestions as to develop the concept of One person company more profoundly.

Initially, the concept of one person company was incorporated to create a more subtle business environment for the future generation entrepreneurs, to attract foreign direct investment, so that the growth of our corporate sector develops. Definitely, to have a unique sort of company idea is interesting. But when it comes to implementation, there are many things to consider. Maybe that's the reason why the authority failed to properly lay out the possibilities of one person's company. They fixed up minimum paid up capital requirements which demotivated many entrepreneurs to step down from their plan to start a one person company which failed to serve the initial purpose of attracting new entrepreneurs interested in small or medium range business ideas. But if the government gets to improve the situation by creating more small business entrepreneur friendly entrance facilities.

The government had the thought that OPC would engage more people comparatively than other types of companies as it requires less paper work than those types of companies. But due to lack of proper advertisement towards the future generation entrepreneurs, it lost its parks. Also the amendment was done during the pandemic which also worked as a hindrance on it's way of success. Because of COVID 19 and also delay from RJSC , it took almost a year to register Bangladesh 's first one person company.

Definitely, the drawbacks of one person company are notable, but if the government can take adequate steps to improve characteristics of the OPC, it can leave a significant contribution in the corporate sector.

Above all, a new concept always means new scope, new opportunities. It can be hopeful to assume that by establishing a more solid base for One person company, the government can attract much more domestic and foreign investment and acquire a much more developed business environment than the one presently existing.

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