

BANGLADESH STUDIES



Reference Books:

1. Constitutional Law: Barrister Halim
2. Secondary Economics: NCTB
3. Bangladesh Studies: Md. Shamsul Kabir Khan
4. Bangladesh Economics (Bangla Version): Akmol Mahmud
5. The Economics of Development and Planning: ML Jhingan

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Chapter: 01

Government of Bangladesh

1.1. Constitution

The concept of a constitution dates back to the city-states of ancient Greece. The philosopher Aristotle (384–322 B.C.), in his work Politics, analyzed over 150 Greek constitutions. He described a constitution as creating the frame upon which the government and laws of a society are built:

A constitution may be defined as an organization of offices in a state, by which the method of their distribution is fixed, the sovereign authority is determined, and the nature of the end to be pursued by the association and all its members is prescribed. Laws, as distinct from the frame of the constitution, are the rules by which the magistrates should exercise their powers, and should watch and check transgressors.

In modern Europe, written constitutions came into greater use during the eighteenth and nineteenth centuries. Constitutions such as that of the United States, created in 1787, were influenced by the ancient Greek models. During the twentieth century, an increasing number of countries around the world concluded that constitutions are a necessary part of democratic or republican government. Many thus adopted their own constitutions.

In its ideal form, a constitution emanates from the consent and will of the people whom it governs. Besides establishing the institutions of government and the manner in which they function toward each other and toward the people, a constitution may also set forth the rights of the individual and a government's responsibility to honor those rights.

Constitutions, whether written or unwritten, typically function as an evolving body of legal custom and opinion. Their evolution generally involves changes in judicial interpretation or in themselves, the latter usually through a process called amendment. Amendment of a constitution is usually designed to be a difficult process in order to give the constitution greater stability. On the other hand, if a constitution is extremely difficult to amend, it might be too inflexible to survive over time.

In a truly constitutional form of government, public officials are subject to constitutional rules and provisions and may not violate them without punishment. Such constitutional governments are also called limited governments because the constitution restricts the scope of their power over the people.

The constitution is a basic law or laws of a nation or a state which sets out how that state will be organized by deciding the powers and authorities of government between different political units, and by stating the basic law-making and structural principles of society. It is primary contract or law by which the government of a nation or state is set out and organized.

The Constitution of Bangladesh is the supreme law of Bangladesh, and any law that is inconsistent with the provisions of the Constitution is, to the extent of the inconsistency, of no force or effect.

So Constitution is the fundamental law of the state, containing the principles upon which the government is founded and regulating the divisions of the sovereign powers, directing to what persons each of these powers is to be confided and the manner it is to be exercised.

1.2. The Constitution of Bangladesh

The Constitution of Bangladesh is the supreme law of Bangladesh. It declares Bangladesh as a secular democratic republic where sovereignty belongs to the people; and lays down the framework defining fundamental political principles of the state and spells out the fundamental rights of citizens. Passed by the Constituent Assembly of Bangladesh on November 4, 1972, it came into effect from December 16, 1972, the day commemorated as Victory Day in the country, marking the defeat of the Pakistan Army in the Bangladesh Liberation War. The constitution proclaims nationalism, democracy, socialism and secularity as

the fundamental principles of the Bangladeshi republic. When adopted in 1972, it was one of the most liberal constitutions of the time.

1.3. Features of Constitution of Bangladesh -1972

The fundamental law of the state, containing the principles upon which the government is founded and regulating the divisions of the sovereign powers, directing to what persons each of these powers is to be confided and the manner it is to be exercised for example: Constitution of Bangladesh. Features of Bangladeshi Constitution-1972 are given bellow:

1. **Written Constitution:** The Constitution of the people Republic of Bangladesh is written document. It was formally adopted by the Constitution Assembly on a specific day 4th Nov. 1972. It contains 153 articles, 1 preamble & 4 schedules.
2. **Rigid Constitution:** The Constitution of Bangladesh is a rigid. An amended can be passed only by votes of two-thirds members in the total members of parliament.
3. **Preamble:** The constitution of Bangladesh starts with a preamble which is described as the guiding star of the Constitution. This Preamble contains the legal as well as moral basis of the Constitution. It also identifies the objectives and aims of the state.
4. **Supremacy of the Constitution:** The Constitution Supremacy has been ensured in the Constitution of Bangladesh. Article (7) provides that, this constitution is as the solemn expression of the will of the people, the supreme law of the Republic, and if any other law is inconsistency with this Constitution that other law shall, to the extent of the inconsistency, be void.
5. **Unitary Government System:** Article (1) of the Constitution provides that Bangladesh is a unitary people's republic. Unitary government means all power centralized under the constitution.
6. **Unicameral Legislature:** Article (65) of the Constitution provides Unicameral Legislature for Bangladesh. It is only one house, which known as "House of the Nation".
7. **Fundamental Principle of State Policy:** Article (8) of the Constitution provides for four major fundamental principle of state policy.
a)Nationalism b)Democracy c) Socialism d)Secularism
8. **Fundamental Right:** Part 3 of the Constitution provides for 18 fundamental rights. The enjoyment and enforcement of those rights have been guaranteed in the Constitution. No authority can make any law which is inconsistent with the provisions of fundamental right and if any law made shall be void to the extent of inconsistency.
9. **Parliamentary form of Government:** The Constitution of Bangladesh provides for a Westminster type of parliamentary system. This form of government means that the government is run by cabinet of Ministers headed by the Prime Minister. President becomes a titular head but real executive power is exercised by the cabinet.
10. **Independence of Judiciary:** The Constitution of 1972 ensured the independence of Judiciary. Firstly, Provision was made that the Chief Justice would be appointed by the President and other justice of the Supreme Court appointed after consultation with the Chief Justice. Appointment of subordinate judges and magistrates was also to be exercised with consultation of the Supreme Court. Secondly, a judge could not be removed from his office except by an order of the President passed to a resolution of parliament supported by a two-third members of the parliament. Again, the security of tenure of the subordinate judge was vested

1.4. Present Amended Constitution of Bangladesh

The method for conducting a state as well as the life style of the whole nation is reflected in a constitution. The constitution of Bangladesh was written and finally accepted on the 4th November, 1972 for conducting the state. It took effect from the 16 th December 1972. At a later stage at different times many amendments to the constitution were made. According to this amended constitution the state administration of Bangladesh is going on. The main characteristics of present amended constitution are as follows:-

1. The constitution is a written document.
2. "Bismillahir Rahmanir Rahim" is written in its preamble.
3. Some fundamental principles have been included for conducting the state.
4. There is a long list of Fundamental Rights in the constitution. These rights are indispensable for the

development of personality and personal freedom. For the protection of these rights there is also guarantee in the constitution.

5. Universal Adult Franchise has been introduced.
6. Bangladesh has been declared a Republic.
7. Parliamentary democratic system has been introduced.
8. There will be Unitary Form of Government in the state.
9. The legislature will be unicameral. The name of the legislature is National Assembly.
10. The constitution is rigid (which cannot be changed easily)
11. The constitution is the Supreme Law of the country.

These are the main characteristics of the constitution. From these characteristics it is understood that the constitution of Bangladesh is a clear and excellent one.

1.5. Fundamental principles of state administration

The state has some basic principles on the basis of which it is going on. In the constitution of 1972 the state had four basic principles or pillars. These are Nationalism, Democracy, Secularism and Socialism. In 1977, these were changed and amended as follows:

- (1) Complete belief and trust in Almighty Allah.
- (2) Nationalism (nationalism was determined as Bangladeshi)
- (3) Democracy (democracy is the government of the people, by the people and for the people)
- (4) Socialism in the sense of economic and social justice (constitution as amended in 1998).

Fifth Amendment (2011) of constitution has changed to reflect constitution of 1972 and amended as follows:

1. Nationalism;
2. Democracy;
3. Secularism; and
4. Socialism

Practically we are talking about secularism, but in literally it is still exists in our constitution “Bismillahir Rahmanir Rahim”.

1.6. The President

The Head of the state of Bangladesh is the president. He is formal or Titular head. He is elected for a term of five years. The court has no jurisdiction over him. The national assembly can remove him from power by impeachment. No citizen of Bangladesh is fit for president ship if he is below 35 years of age and not fit to be a member of the Assembly. He must be such as was never removed from the post of the president earlier. The powers and functions of the president can be divided in six divisions. Such as-

1. Executive function
2. Financial function
3. Emergency function and
4. Legislative function
5. Judicial function
6. Miscellaneous function

1. Executive function

As the president is the constitutional head of the government, all the activities of the republic are conducted in his name. According to the advice of the Prime Minister he appoints other Ministers, Attorney General, Chief Justice of the Supreme Court, Ambassadors, three chiefs of the Armed Forces and others.

2. Legislative function

The president can summon the National Assembly session. He can suspend it or dissolve it. He delivers speech in the Assembly. The bills accepted in the assembly are sent to the president for this consent.

3. Financial function:

The recommendation of the President is necessary for any financial bill or claim for grant to submit

to the Assembly.

4. **Judicial function:**

The president has the power to pardon a convicted person from his sentence or he has the power to lessen the sentence.

5. **Emergency function:**

If the security of the country is endangered for any reason or the economic life is disrupted, the president can declare emergency.

6. **Miscellaneous functions:**

The president administers the oath of the ministers and the judges. He awards title to illustrious sons of the county for special contribution. He maintains communication with other states of the world.

As a constitutional head the president is placed at the topmost position in the state.

1.7. The Prime Minister

The parliamentary democracy was re-established in Bangladesh through the twelfth amendment of the constitution. In this system all the executive powers are in the hand of the Prime Minister. He/she and his Ministers are the real administrator of the country.

Appointment and the status: The president appoints the leader of the majority party the Prime Minister. The Prime Minister is the center of administration. The formation of ministry and their functions are controlled and guided centering round him.

Prime Minister's Power and Functions: As the head of the government the powers and functions performed by the Prime Minister are as follows.

1. **Executive Power:** The real Executive Powers of the government of the Republic of Bangladesh are in the hands of the Prime Minister and his Council of Ministers. The appointment of the ministers, high officials of the government, and all the functions of judicial and foreign affairs are guided by the advice and decision of the Prime Minister. In fact all the executive functions are performed by him/her.
2. **Legislative function:** Under his/her leadership the parliament creates laws of the country. The activities of the Assembly are guided centering round the Prime Minister.
3. **Financial function:** At the instance and advice of the Prime Minister the finance Minister prepares and places the yearly budget of income and expenditure.
4. **Leadership related function:** In the parliamentary system the leadership of the Prime Minister is recognized everywhere. The Prime Minister is the leader of the majority political party in the Assembly. He is the leader of the legislature. In the assembly his position is unparalleled. The Prime Minister is the leader and chairman of the Council of Ministers. Centering round him/her the Council of Ministers are formed, guided and dissolved. The Prime Minister is the leader of the nation. She/he guides the programmes on national basis. The Post of Prime Minister in Bangladesh is very important. Centering round his/her the government, the country, and the nations are guided. Under his/her leadership the functions and development of the state are dependent.

1.8. The Legislature of Bangladesh

Jatiyo Sangshad: The parliament of Bangladesh is known as the House of Nation in which subject of constitution, shall be vested the legislative powers of the republic. Parliament consists of three hundred members elected accordance with law from single territorial constituencies. Jatiya Sangsad or National Assembly is the national parliament of Bangladesh. The current parliament of Bangladesh contains 345 seats including 45 women reserved seats distributed on elected party position in the parliament, the occupants of which are called Members of Parliament or MPs. The last 9th National Parliamentary Election was held on December 29, 2008 and, under normal conditions, elections are called every five years. The leader of the party (or alliance of parties) holding the majority of seats is the Prime Minister of Bangladesh, and so the head of the government. The President of Bangladesh, who is the ceremonial head of state, is chosen by Parliament.

Functions of Parliament: Parliament in a parliamentary form of government is a multifunctional organ of the state, but its functions are rarely defined in any Constitution or other document anywhere in the world. One has to read in between the lines of a Constitution to locate the specific functions of Parliament, if there exists a written Constitution. Parliament of Bangladesh is not an exception to this nearly universal phenomenon. This document restricts itself only to the following three functions of Jatiyo Shangshad: -

1. Enactment of Legislation;
2. Consent to taxation and control of public expenditure and
3. Ensuring accountability of the Government.

1. **Enactment of Legislation:** Legislation is the basic function of Bangladesh Jatiyo Shangshad. The Constitution of the People's Republic of Bangladesh has vested the legislative powers of the Republic to Parliament, subject to the provisions of the Constitution.
2. **Consent to taxation and control of public expenditure:** Parliament controls the purse of the nation. This authority is derived from the provisions of the Constitution to the following effect:
 - No tax shall be levied or collected except by, or under, the authority of an Act of Parliament.
 - No money can be appropriated from the Consolidated Fund except by an Act of Parliament.
 Tax proposals of the Government are submitted to Parliament generally in the form of the Finance Bill, introduced each year by the Finance Minister shortly after his budget speech.
3. **Ensuring accountability of the Government:** The Constitution states that the Cabinet shall be collectively responsible to Parliament. The Rules of Procedure of Parliament have prescribed a number of devices to make the Government answerable and accountable to Parliament.

1.9. The Judiciary System of Bangladesh

The present legal system of Bangladesh owes its origin mainly to 200-year British rule in Indian Sub-Continent. The Civil Courts Act, 1887 and the Criminal Procedure Code, 1898 as amended up to 2007 is the main legal basis of the present court structure particularly the subordinate judiciary in both civil and criminal side. The judiciary system of Bangladesh is composed of two divisions: The Supreme Court and the Subordinate Court.

The Supreme Court: In every country, there is a highest court to provide justice according to the rule of law. The highest court in Bangladesh, the Supreme Court was created by the order Article 94(I) of the constitution of the People Republic of Bangladesh. It consists of two divisions, namely the Appellate Divisions and the High Court Division. The functions of the two are distinct and the appointment of judges to each is separate.

1. **The Appellate Division:** The appellate division of Bangladesh is comprised of Chief Justice along with other most senior justices. The Chief Justice presides over this division. He is the administrative head of all the judges of Appellate and High Court Division. It has no original jurisdiction. The main function of Appellate Division is to discharge appeal case charged against the verdict of High Court Division. The decision of Appellate Division is final and all the citizens of Bangladesh are bound to obey its decision. The source of jurisdiction of the Appellate Division is two: the constitution and the ordinary law. However, an ordinary law can give the Appellate Division only appellate jurisdiction as stated in Article 103(4) of the constitution.

2. **The High Court Division:** There are two benches of High Court Division. One is Single Bench and the other one is Divisional Bench. Single Bench is consisted of one judge; Double Bench is consisted of more than one judge. Like the Appellate Division, the High Court division (HCD) has also two sources of powers and jurisdiction according to the Article 101, namely the Constitution and the ordinary law. Hence the jurisdiction of the High Court Division may be divided into two categories ± ordinary or general jurisdiction and Constitutional jurisdiction.

The Subordinate Court

- **The Court of District Judge:** The district judge's court, headed by a district judge is immediately next in the hierarchy down from the High Court division. Subject to the superintendence of the High Court Division, the District Judge shall have administrative control over all the Civil Courts under the Civil Courts Acts 1887 within the local limits of his jurisdiction. The district court usually does not try original suits. It only tries certain cases like insolvency, probate and administration etc. It has the power to try, transfer, and withdraw any suit, appeal or other proceedings in any civil courts below the High Court Division.
- **The Magistrates Court:** There are two types of magistrate court: Judicial Magistrate and Executive Magistrate. There are also other types of magistracy like Special Magistracy and Justices of Peace. All Metropolitan Magistrate including the Chief Metropolitan Magistrate is subordinate to the Metropolitan Session Judge for the metropolitan area and all Judicial Magistrate including the Chief Judicial Magistrate is subordinate to the Session Judge for other area. There are also Additional Chief Metropolitan Magistrate and Additional Chief Judicial Magistrate together with First, Second and Third Class Magistrate.

The executive magistrates are appointed by the government as many persons as it thinks fit to be and one of them will be the District Magistrate. The government may also appoint an Executive Magistrate to be an Additional District Magistrate. The Executive Magistrate can be appointed from Bangladesh Civil Service (Administration) by the order of government. The Assistant Commissioner, Additional Deputy Commissioner, Upazilla Nirbahi Officer and Commissioner may be appointed.

- **Other Courts:** Apart from the above courts, there are some other courts available according to various laws and ordinances. These are mainly exercised for special situation and special case. The prominent among them are Labor Court, Labor Appellate Tribunal, Special Power Act, Special Tribunal, Children Act, Administrative Tribunal, Administrative Appellate Tribunal, Village Court, Marine Court, Family Court etc.

1.10. Summary of Questions:**Questions:**

- | | |
|--|---|
| 1. (a) What is constitution? | 3 |
| (b) Describe the features of constitution-1972 of Peoples republic of Bangladesh. | 7 |
| 2. (a) What do you know about constitution of Bangladesh? | 3 |
| (b) Describe the features of constitution of Peoples republic of Bangladesh | 7 |
| 3. (a) What are the fundamental principles of state policy of Bangladesh? | 3 |
| (b) Describe the power and function of president and prime minister of Peoples Republic of Bangladesh. | 7 |
| 4. (a) What do you know about legislature of Bangladesh? | 3 |
| (b) Describe judiciary system of Bangladesh. | 7 |

Chapter: 02

Introductions to Bangladesh Economy

2.1. Introduction

Human beings are always facing innumerable wants throughout their life. If one want is fulfilled, gradually many more wants crop up. To fulfill these wants, human beings earn money by engaging themselves in various works in a society. But, compared to unlimited wants, resources are limited or inadequate. So, man constantly makes efforts to fulfill his demand with limited resources. The nature of these wants of human beings and of their efforts to meet these wants has been remaining as it is since the orientation of the world. But, in recent years the wants of man have increased manifold and activities toward meeting these wants have also increased enormously. Compared to man's requirement, resources are scarce. So, economic Problems are more than they were in earlier days. Economics as a subject to discuss how man earns money by engaging themselves in different economic activities and how he tries to fulfill innumerable wants with his limited income. The knowledge of economics is indispensable for knowing well how resources can be properly used to solve the multifarious problems of the society.

2.2. Economic activities

Human wants are unlimited. When one want is fulfilled many other wants appear. In everyday life, man feels the want of innumerable things like food, clothes, housing, medicine etc. money is required to purchase these things. To earn this money man engages himself in different activities. Again man purchase essential things by spending this earned money and money fulfills wants by consuming them. In this way man earns money and spends it to fulfill his wants and the activities which he performs in this regard are called economic activities. So, the economic activities of human beings are mainly of two types-

1. Activities related to earning money and
2. Activities related to spending money.

The main objective of economic activities is to satisfy wants through consumption. Activity that does not have the purpose of earning and spending money, such as learning songs as amateur or rearing children by a mother, etc. are not economic activities. Because no transactions of money is required to made for these activities. Again even if it is possible to earn money through theft, or begging, they are not considered economic activities. Because, these activities are against society and morality. So, men day to day activities relating to earning and spending of money are called economic activities.

2.3. The economic activities of the people of Bangladesh

The nature of economic activities of any country depends upon the counties geographical and natural conditions, traits of the race, population, rate of education, stage of development and the overall socio-economic conditions. The major economic activities of the people of Bangladesh are discussed below.

- (1) **Agriculture:** Bangladesh is an agricultural country. Agriculture is the occupation of about 70 percent o the people of this country. The farmers produce different crops in the fields and earn money in exchange of that. So the main economic activities of the country are agricultural works.
- (2) **Business and trade:** A large number of people of Bangladesh both in rural and urban areas earn their livelihood from different types of small and medium size business. Moreover, many people are engaged in big trading centers located in towns.
- (3) **Service:** Other important economic activities are services in mills, factories, offices, educational institutions and various government and non government organizations. A huge number of laborers, employees and officers earn income by serving in these places.
- (4) **Work in small and cottage industries:** Both in urban and rural areas of Bangladesh there are various types of small and cottage industries. Many people of our country earn their livelihood serving in these organizations by producing various commodities. So this sort of work is also important economic activities.

- (5) **Fish cultivation and catching fishes:** In Bangladesh ponds, tanks etc. are used as places for fish cultivation on commercial basis. The fisherman of our country catches fish from canal, marshy areas, rivers and seas and earns money by selling them.
- (6) **Driving vehicles:** A large number of people earn their livelihood driving various categories of vehicles both on land and water routes. Earning income by providing transport such as bus, trucks, scooters, rickshaws, carts, cattle-cart, launch, boats etc. are other major economic activities.
- (7) **Rearing animals and birds:** Although not on a large scale, but some people earn their livelihood by rearing animals and birds in Bangladesh. Establishing farms for cows, buffaloes, goats, lambs, ducks and hens they earn money. Recently some people have come up to establish farms for rearing animals and birds as a means of self-employment.

Besides, there are various small professions included in economic activities of our country. Such as, washer man, barber, tailor, blacksmith, potter, cobbler etc. classes of people in urban and rural areas earn their incomes.

2.4. Different economic system

In all countries of the world, one of the main objects of man is to achieve maximum economic welfare through solution of economic problems. The methods which will help to solve these economic problems of the society depend on the prevailing economic system in the country. The economic rules and regulations and the environmental factors by which overall economic activities of a country are conducted is called the economic system.

Different types of economic systems prevail in different countries of the world, such as:

- (1) Capitalistic economic system,
- (2) Socialistic economic system,
- (3) Mixed economic system,

2.5. Characteristics of capitalistic economic system

There is private ownership on different factors of production in this type of economic system. All economic activities of the society including production, exchange and consumption are conducted on individual initiative. The producer and businessmen produce goods and commodities and make transaction according to their own desire with the objective of making profit. There is no governmental control in these matters. That is why this type of economic system is called open and free economic system. The major characteristics of the capitalistic system are discussed below:

1. **Individual ownership of resources:** In a capitalistic economy there is individual ownership of land, factories and other properties. The individual can freely enjoy and transfer his property.
2. **Non-government initiative:** In this type of society individual can acquire resources from production, establish mills and factories, from trades and businesses according to their choice and facilities available. There is no government intervention or control in the case of non-government initiative.
3. **Automatic pricing system:** all economic functions in capitalistic are regulated through automatic pricing system. The price of a commodity is determined by demand and supply, and production and consumption are based on pricing system.
4. **Freedom of consumers:** every consumer can enjoy freely any commodity according to his ability, desire and choice. The producers produce goods according to the demand of consumers.
5. **Free competition:** In capitalistic economic system there is free competition among large number of

producers. As a result of price is low and new inventions become possible.

6. **Profit earning:** In capitalism, the ultimate objective of all production is to earn profit. If there is possibility of more profit, there will be more investment. Consequently, there may be more production of some goods and less production in other cases.

Therefore, in a capitalistic or free economic system, the production functions, trades and businesses etc. of the country are completely under individual initiative. There is no government control of any kind. All these activities are carried on for earning profit through automatic pricing system.

2.6. Characteristics of socialistic economic system

Under this system, there is state control over land, mills and factories, minerals and other wealth. As there is no individual ownership of wealth, there is no individual in matters of production, trade and business etc. A central planning authority exists here. The planning authority decides about the commodities and their quantity to be produced. It also decides about the methods and of production and distribution. There is no scope of earning profit by individual in socialism. Production distribution and consumption matters are controlled keeping an eye to the overall demand of the society.

Karl Marx and Angles are the main exponents of socialism. Even after the fall of socialism in Russia, socialistic economic system prevails in some countries of the world. But pattern of socialism is not the same in all countries. However, there are some general characteristics of socialism economic system. Now some characteristics of socialistic economic system are given below:

1. **State ownership of wealth:** In a real socialistic system, state ownership exists over land, mills and factories, minerals and other resources. The general public of the country or the state is the owner of the wealth. Whatever is earned from these resources is spent for the society.
2. **Absence of individual initiative:** Initiative means taking steps in production or trades and commerce. In socialism, all the factors of production are under the control of the state. So there is no individual initiative in matters of establishing industrial factories or carrying out trades and businesses, etc. as a result of there is no scope of making any individual profit. All activities relating to industry, agriculture, trade and commerce, etc. are carried out at the initiative of the state.
3. **Central planning:** In any real socialistic country, all economic activities are performed at the instruction of the central planning authority. That planning authority decides about the commodities and their quantity that are to be produced in the country and also the method of production.
4. **Limitation of the freedom of consumer:** In socialistic countries, production and import of goods and commodities take place at the initiative of government according to the needs of the society. For this reason, consumers can not spend money purchase goods of any type in sufficient quantities according to their choice. That is why, it is said that freedom of consumer in socialism is limited.

Therefore in socialistic economic system, wealth and factors of production are under the ownership of the state. The central planning of the government decides about commodities and their quantity to be produced and the process of production to be followed. Productive functions, trade and commerce etc, are regulated under government management and no individual initiative exists.

2.7. Characteristics of mixed economic system

The mixed economic system where a state and individual ownership and government and non-government initiative exists side by side is called mixed economic system or mixed economy. A balance maintain between capitalism and socialism under this system. In this case like capitalism there is freedom of individual ownership of wealth, profit making and individual initiative. But there is no governmental control over economic activities at the non government level. Besides, some large and basic industries and

significant trade commercial establishments are conducted at the government level. Some important characteristics of mixed economic system are:

- (1) **Co-existence of government and non-government sectors:** under this economic system, there is freedom of non-government ownership and individual ownership and individual initiative, there are some industrial factors, trade and commerce etc, conducted under state ownership. For example, in spite of greater prominence of the government sector in Bangladesh, many large industrial enterprises and some financial institutions are being conducted under non-government ownership.
- (2) **Government control:** Government rules and regulations are imposed on production, trade and commerce etc, in cases where necessary even though they are operated on individual ownership. Government control is imposed especially in cases of monopoly business.
- (3) **Pricing system:** In a mixed economic system, like capitalism, production and consumption are regulated by the automatic pricing system. But this pricing system is partially controlled in some cases by government rules and regulations.
- (4) **Freedom of consumers:** In a mixed economic system, commodities are produced in accordance with the demand of the consumer. Consumers enjoy them according to their ability and choice. But government sometimes controls production and prices of some specific goods for the greater interest of the public.
- (5) **Profit earning:** Under this system, the motive of profit earning remains active as there is full freedom of individual initiative. But the government keeps some control over the price and profit, keeping in mind the welfare of the public.

Under the mixed economic system, therefore, both government and non-government initiative exists side by side on mines and factories, trade and commerce, banking, insurance sectors, etc. These activities are not completely free, as there are government control and regulations in some cases. But freedom of earning profit is recognized under this system.

2.8. Underdeveloped, developing and developed economies

The economics conditions of all countries of the world are not the same. Some countries are very developed in respect of industry, agriculture, trade and commerce, etc. and the per capita income of their people and their standard of living are very high. Again many countries are economically less developed. Their per capita income is less and standard of living is low. That is why the countries of the world are classified into three groups on the basis of the level and stage of economic development such as:

- A. Underdeveloped countries;
- B. Developing countries; and
- C. Developed countries.

A. Underdeveloped Countries :

Those countries are called underdeveloped ones where no economic development in real term has taken place and where per capita of the people is less and the standard of living is low .In this short of economy, the importance of primary occupation is very high, capital is less unemployment is high and most of the demands of the people remain unfulfilled. According to economist Collin Clark, “Most of the people of underdeveloped countries earn their livelihood though their activities in primary occupation”. Main Characteristics of Underdeveloped Countries are:

1. **Less Per Capita Income and Standard of Living:** In underdeveloped countries of low productivity in agriculture, industry and other sectors the per capita income of the people is low. As a result their standard of living is low. Most of the people are poor and deprived of minimum inputs and amenities of life.
2. **Overdependence on Agriculture:** The economies of less developed countries are highly dependent

on agriculture. In these countries as industry, trade and other services are not developed; the majority of the people depend upon agriculture. But agricultural system is not developed and per acre yield in agriculture is very low compared to other developed countries.

3. **Underdeveloped Industry:** Majority of the underdeveloped countries were under foreign subjugation for a long time. So, very few industries had been established in these countries. As a result, industries could not develop in these countries
4. **Less Capital:** In underdeveloped countries since income of the people is less, saving is also low. For this reason sufficient amount of money is not available for making capital goods like machines, equipment, raw materials, building for factories.. As there is shortage of capital so establishment of mills and factories are hampered.
5. **Insufficient use of Natural Resource:** There are agriculture, forest, fishery, mineral etc. natural resources in many underdeveloped countries. But due to lack of sufficient finance and technical knowledge the extraction of these natural resources and its proper utilization is not possible.
6. **Wide-spread Unemployment:** In most of the underdeveloped countries the rate of population growth is high. But because of lack of development in industry, business establishment and in other professions the employment opportunities are limited. Thus high scale of unemployment prevails in these countries.
7. **Lack of Technical Knowledge:** In underdeveloped countries due to lack of education, training, resource etc. the technical knowledge and efficiency of the laborers are less. As a result, industrial development is hindered.
8. **Underdeveloped Transport and Communication System:** In underdeveloped countries because of the lack of sufficient finance the desired development of roads, railways, barrage, electric and water supply, post, telegraph, etc. are not possible. For this whole transport and communication system of the country remains undeveloped.
9. **Illiteracy:** One of the features of underdeveloped countries is wide spread illiteracy. In these countries about 55 % (UNESCO-2010) people are illiterate. But recently for the sake of rapid economic development there has been an emphasis on the spread of education in these countries.
10. **Over-dependence on Foreign Aid:** Underdeveloped countries want to march forward towards development. But they lack resources. So, these countries remain dependent heavily on foreign aid.
11. **Adverse Social Environment:** In underdeveloped countries illiteracy, lack of education, superstition, religious dogmatism, the underdeveloped stage of science and technology etc. have been persisting for long time. So, social environment in these countries are not fully conducive to economic development.

In the present day world, the underdeveloped countries at their own initiative and also with the help of other countries are making effort towards development. Through various economic development programmes these countries have already been able to develop to some extent. So in real sense now-a-days the numbers of underdeveloped countries are very low. Countries like Mozambique, Ethiopia, and Malawi etc may be called still underdeveloped.

B. Developing Countries:

The countries where economic development is taking place through planned programmes and where per capita income of the people and their standard of living are gradually increasing are called developing countries. The basis of socio-economic structure for development of these countries has been built up and their economy is gradually advancing forward. Compare to developed countries, through their per capita income and standard of living is less, but sufficient potentialities for the increase in per capita income and standard of living have been created in these countries. Main Characteristics of Developing Countries are:

1. **Tendency of Per Capita Income to Increase:** In developing countries through the per capita income is less but there is a tendency of increase of the per capita income.
2. **Dynamism in Economic Programmes:** In developing countries development programmes are undertaken constantly for economic development. As a result there exists dynamism in economic activities of these countries.
3. **Gradual Development of Agriculture and Industry:** In developing countries the condition of agriculture and industry are not so developed as in developed countries. But efforts are made to solve the existing problems in these fields. As a result, tendency of gradual development are created there.
4. **Unemployment and Economic Disparity:** When the developing countries steps in for development they face various economic problems. The expected rate of development is not achieved in agriculture and industry. For this unemployment problem persists there. In the absence of proper distribution there prevails economic disparity.
5. **Planned Development Efforts:** Developing countries try to achieve fast economic development. For this, through specific planning development efforts are made in these countries.
6. **Socio-economic problems:** Even though process of economic development continuous in developing countries, there exist side by side various economic and social problems. For examples: underdeveloped agriculture and industry, high rate of population growth, unemployment underdeveloped economic and social infrastructures etc. takes enough time to solve these problems.
7. **Gradual Development of Social Environment:** In developing countries production and income increase gradually. The rates of literacy and urbanization also increase. As a result the social environment improves, though at a slow rate

Most of the countries of Asia including India, Pakistan, Sri Lanka and Bangladesh, Africa, Latin America are in the category of developing countries.

C. Developed Countries:

The countries where substantial development has taken place and where per capita income of the people and their standard of living are very high are called developed countries. Productivity in agriculture and industry is high in these countries as a result of application of adequate capital and extensive technical knowledge. The rate of unemployment is negligible. The supply of goods of daily use and luxury are sufficient. Transport and communication system is developed and facilities for education, health, housing, etc. are available in abundance. Main characteristics of developed countries:

1. **High Per Capita Income and Standard of Living:** In developed countries the per capita income is very high and standard of living is also very high. For example, the per capita income of the people of Bangladesh is \$1587, in India it is \$3337 and in Pakistan \$2678. But it is more than \$47,094 in United state.(UNDP)
2. **Extensive Industrialization:** Developed countries are highly resourceful in industry. In these countries larger parts of national income come from industries. Their major export items are also

industrial goods.

3. **Abundance of Capital:** In developed countries production of capital goods is more. Because of insufficient capital, economic development in these countries is expedited.
4. **Full Utilization of Resources:** In developed countries through the use of sufficient capital and technology total resources can be utilized to the full extent. So total production becomes high.
5. **Developed Technological Knowledge:** In developed countries significant advancement of technical knowledge becomes possible. As a result the skill of laborers and the volume of production increase.
6. **Developed Transport and Communication System:** In advanced countries roads, railways, waterways, transport, and communication system are developed. As a result, facilities, increases for the people in their way of living and for the implementation of development programs.
7. **Higher Rate of Education:** The rate of education is also high in developed countries. The rates of education in England, America, and Germany etc. are nearly 98% to 100%.
8. **Skilled Manpower:** Because of sufficient facilities for education. Training and resource etc. majority of the laborers of developed countries are highly skilled. This helps to accelerate industrial development.
9. **Less Pressure of Population:** In almost all developed countries the rate of population increase is less. So there is no problem in the implementation of development programmes.
10. **Developed Social Environment:** In developed countries, because of extensive industrialization high rates of education urbanization higher standard of living etc. there is no religious fanaticism, superstition and orthodoxy in society. It means the social environment is conducive to development.

At last we say, countries like United States, England, Canada, Japan, Australia, France, and Belgium etc. are in the category of developed countries. The average per capita incomes of the people of these countries are within the range from 30,000 dollar to 52,000 dollar, whereas the per capita income in India, Pakistan and Bangladesh are within 1587 dollar to 3337 dollar.

2.9. Whether Bangladesh is an underdeveloped or developing country

Bangladesh is an agriculture country of South Asia. Here so many economic problems like less per capita income, low standard of living, underdeveloped agriculture and industry; high population growth, wide unemployment, food deficit and malnutrition, shortage of savings, underdeveloped transport and communication system etc. exist. Besides, the rate of education is less in this country; health, housing and other basic facilities are inadequate. Political instability and social indiscipline are prevalent. In the light of all these factors; Bangladesh may be considered as an underdeveloped country.

For the last 40 years development programmes in a planned way have been in operations in Bangladesh and by this time the basis of development has been laid down. In spite of problems and failures, dynamism in respect of development has come into force. Per capita income is increasing though at a slow rate. Standard of living of the people is gradually improving. There is also improvement in social environment as a result of gradual increase in the rate of education. Economic development of the country will expedite in near future if our natural resources and manpower are properly utilized. From this point of view Bangladesh can, therefore, be called a developing country. But compared to other developing countries like Philippines, Indonesia, Malaysia, Thailand, Egypt etc. the per capita income and the rate of development of our country are much lower. The per capita incomes of some developing countries including Bangladesh are as follows:

	Country	Per capita Income (Dollar)
1.	Malaysia	13927
2.	Thailand	8001
3.	Sri Lanka	4886
4.	Philippines	4002
5.	Indonesia	3957
6.	India	3337
7.	Bangladesh	1587

Source: Annual Report of United Nation of Development Program, 2010

Finally, we can say that Bangladesh is a developing country. It has mixed economic system.

2.10. Vicious circle of poverty

The main obstacle towards economic development faced by both undeveloped and developed countries is poverty. Even though development efforts are being carried out in these countries, there exist various types of economic problems. There prevails a special economic situation called Vicious Circle of Poverty.

Vicious Circle of Poverty which creates an obstacle to economic development. According to Professor Ragnar Nurkse *'The vicious circle of poverty is such a combination of certain forces which through mutual actions and reactions keep a country poor'*. He also said *a country is poor because it is poor*. For example, a poor man may not have enough to eat; being underfed, his health may be weak; being physically weak, and his working capacity is low, which means that he is poor. The basic vicious circle stems from the fact that in least developed countries (LDCs) total productivity is low due to deficiency in capital, market imperfections, economic backwardness and underdevelopment.

The vicious circle of poverty operates both from the demand side and supply side.

Demand Side: - The demand side of vicious circle is that the low level of real income leads to low level demand, which in turn, leads to a low rate of investment and hence back to deficiency of capital, low productivity and low income. This is shown in Fig. 2.1

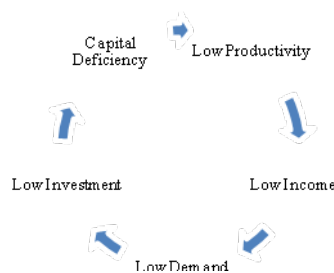


Fig.2.1. Vicious circle of Poverty

Supply Side: - Low productivity is reflected in low real income. The low level of real income means low savings. The low level of savings leads to a low level of productivity and to deficiency of capital. Deficiency of capital, in turn, leads to a low level of productivity and back to low income. This is shown in Fig. 2.2

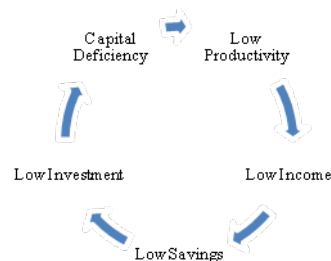


Fig.2.2. Vicious circle of Poverty



It can be seen from the diagram that the vicious circle of poverty keeps a poor country poor by revolving within its own orbit. Vicious circle of poverty prevails in Bangladesh. The poverty circle created here is mainly less capital based and less production based. Less demand and less investment originate from less production and less income. As a result, there is again lack of capital and less production.

The third vicious circle develops underdeveloped human and natural resources. The development of natural resources is depending upon the productive capacity of the people of the country. If people are backward and illiterate, lack in technical skill, knowledge and entrepreneurial activity, the natural resources will tend

to remain unutilized even misutilized. On the other hand, people are economically backward in a country due to underdeveloped natural resources. Therefore both consequences cause of backward people. This is explained in Fig. 2.3.

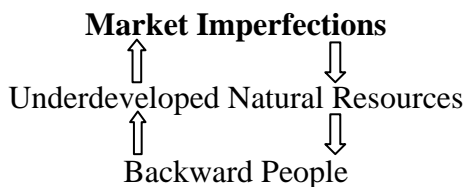


Fig. 2.3

Poverty and underdevelopment of the economy are thus synonymous. A country is poor because it is underdeveloped. A country is underdeveloped because it is poor and remains underdeveloped as it has not necessary resources for promoting development. Poverty is a cause, but a greater is that it is self-perpetuating.

2.11. Basic economic problems of Bangladesh

In developing countries, there are generally certain basic economic problems which hinder economic development of a country. Problems of this nature are called basic economic problems. As a developing country like Bangladesh has some problems which creates obstacles to the path of economic development. These problems are given below.

1. **Undeveloped Agriculture:** Bangladesh is an agro based country. About 75% people of this country are dependent on agriculture. But due to traditional system of cultivation, lack of facilities for irrigation, manures, seeds, agricultural loans and natural hazards etc. our production in agriculture much less than developed countries.
2. **Undeveloped Industry:** In spite of available necessary raw materials and surplus man power. The pace of industrial development of this country is very slow due to lack of capital, developed technical knowledge, skilled labor, improved infrastructure, proper planning etc. The contribution of industry to the national income is only 29.93%. Due to undeveloped nature of agriculture and industry, economic development is not easy.
3. **Less Per Capita Income:** Per capita income of the people in this country is very low due to low production in agriculture and industry. In the United states are per capita income is 47094 dollar, in Japan 34692 dollar, in Germany 35308 dollar, in peoples of republic of china 7258 dollar. Where as in Bangladesh it is only 1587 (UNDP-2011) dollar.
4. **Low Standard of Living:** About 50% people of Bangladesh live below the poverty line due to low income. They fail to collect to minimum amenities for their living. More than half of people of this country at present suffering from hunger, malnutrition have become seek and have lost strength for work.
5. **Inadequacy of Capital:** Savings in Bangladesh are less because of low income. As a result, the rate of capital formation is low. Due to lack of adequate capital investment and production in agriculture and industry are very low. This low production is the root cause of our poverty.
6. **Rapid Population Growth:** The present rate of population growth in Bangladesh is 1.40%. This rate of population increase is much higher compared to many other countries of the world. The vest population of the country has many problems including food deficit and unemployment. That is why the population problem has been identified as number of one national problem.
7. **Unemployment Problem:** At present acute unemployment problem exists in Bangladesh due to rapid population growth and lack of employment opportunities. About 30 percent of productive labors of the country are unemployed.

8. **Food Deficit:** Food deficit has been persisting in Bangladesh for a long time though it is basically an agricultural country. At present our annual food deficit is about 40 lacks of tons. Because of undeveloped method of cultivation, lack of improved seed, fertilizer and pesticides, absence of sufficient irrigation facilities, natural calamities, and rapid population of is less than the requirement.
9. **Lack of Education:** Education is one of the main determinants of economic development. At present in Bangladesh about 55% of population is illiterate. Because of this wide spread illiteracy, social environment of our country is not favorable for economic development.
10. **Deficit in Foreign Trade:** Since production in agriculture an industrial sector in Bangladesh is low, the volume of export is also less. But to meet the diversity of demand of our ever increasing population and also for developmental needs imports are far greater than export.
11. **Over Dependence on Foreign Aid:** As the per capita income of the people of Bangladesh is low their savings are also low. As a result sufficient fund that is required for economic development cannot be met from international resources.
12. **Underdeveloped Socio-economic Infrastructure:** Our economic Infrastructure are such as road, rail and water ways, irrigation system, river and sea-ports, electricity and water supply, telecommunication system etc. are not developed. Here social infrastructures are like education, training, research, public health, cultural consciousness, values etc. are not also developed. For poor infrastructure the economic and social development of this country hampered.
13. **Lack of Proper Planning:** In Bangladesh there is absence of proper pragmatic planning for economic development. Full implementation of planning cannot be done. As a result, desired development cannot be achieved in agriculture, industry, education, health etc. sectors.
14. **Undeveloped Social Environment:** The influence of social environment in Bangladesh is not developed due to lack of education, bad education, superstitions, religious fanaticism, unreasonable religious decrees etc.
15. **Political Instability:** Political stability and discipline and peace are the preconditions of development. But in Bangladesh, production in mills and factories and other development oriented programmes are hampered due to prevailing political instability, social agitations and unrest.

2.12. Solution of economic problems of Bangladesh

Solution of economic problem is must in Bangladesh for the sake of economic development of the country. Adoption of the following steps is necessary for this purpose:

1. **Agricultural Development:** Bangladesh is mainly an agricultural country. So the principal means of our economic development is development of agriculture. With agricultural development, income of most of the people of this country and their standard of living will increase. Agricultural development shall have to be attained through adoption of modern agricultural method. Use of improved seeds and manures, increased irrigation facilities, adequate agricultural loan, flood control, cooperative farming etc. is necessary for the purpose.
2. **Rapid Industrialization:** At present it is not possible on the part of any country of the world to attain economic progress without industrial development. Industrial development in our country shall have to be achieved side by side with agriculture for increasing national income and employment opportunities.
3. **Capital Increase:** An increase in capital investment in the sector of agriculture, industry, trade and commerce etc. will lead to increase production and income. For this purpose, savings of the people

are to be increased for increasing capital. Proper social environment has to be maintained for profitable investment.

4. **Full Utilization of Natural Resources:** There are fertile agricultural land, water resources, natural gas and other mineral resources in Bangladesh. Bright prospect for discovery of some more mineral resources is also there production, income and employment opportunities will increase if these natural resources are properly utilized.
5. **Population Control:** It is not possible to achieve economic development in the present rate of increase of population cannot be controlled. For this, the tendency of population increase should be controlled through family planning.
6. **Spread of Education:** Education is a significant force to solve economic problems and ensure economic development. The illiteracy of the people shall have to be removed through extensive spread of education. As a result, efficiency of labor will increase and development oriented attitude of the people will be created.
7. **Improvement of Technical Knowledge:** Technical knowledge of workers shall have to be improved for the purpose of increasing production in mills and factories. For this purpose, it is necessary to establish more technical schools, colleges and training centers in the country.
8. **Solution of Unemployment Problem:** Unemployment shall have to be removed for the purpose of increasing per capita income of the people and improving their standard of living. For this purpose, labor intensive small industrial factories and professions instead of capital intensive industries shall have to be built up.
9. **Development of Economic Infrastructure:** Developed economic infrastructure is indispensable for improvement of agriculture, industry and trade and commerce. Rapid development of basic infrastructure in our country like roads and high ways, rail and water ways, telecommunication, water irrigation, electric supply, ports, embankments, etc shall have to be made.
10. **Proper Utilization of Foreign Aid:** Bangladesh receives every year a huge amount of foreign loans and aid form World Bank other organizations and different countries. Proper utilization of this foreign assistance will increase the pace of our development.
11. **Sound Planning:** Sound planning is most essential for solution of economic problems and rapid development. Besides, formulation of rural based planning and implementation are essential for development of our rural economy.
12. **Poverty Alleviation Programmes:** Innumerable helpless and poor men and women of Bangladesh should be given loans and aid through various government and non-government organizations for self employment. Through this assistance they will be able to keep themselves engaged in self-employed occupations such as dairy poultry farming, live-stock rearing, cultivation of flowers and vegetables, establishment of handicrafts, small shops etc.
13. **Equitable Distribution of National Income:** At present wealth is being concentrated in the hands of a few people of Bangladesh. As a result, the number of poor people and their level of poverty are increasing. This situation is adverse to social and economic welfare. Arrangement shall have to be made for equitable distribution of income and wealth through adoption of appropriate principles of development.
14. **Improvement of Social Environment:** Our social environment shall have to be improved through expansion of education and culture, social movement and formulation of appropriate laws. The path

of development will be smooth with the removal of superstitions, religious fanaticism, adverse social rules and regulations etc.

15. Sound Administrative Arrangements: Our administrative system shall have to be made sound and efficient for solving economic problems and to help economic development. Proper understanding and cooperation among different administrative divisions are to be increased.

In one word, the best way of solving economic problems of our country is uninterrupted economic development. For this purpose, planned development programmes should be undertaken in a planned manner.

2.13. Summary of Questions:

Questions:

- | | |
|--|---|
| 1. (a) What do you mean by economic activities? | 3 |
| (b) Describe the economic activities of peoples of Bangladesh. | 7 |
| 2. (a) What is capitalistic economic system? | 3 |
| (b) What are the characteristics of capitalistic economic system? Explain. | 7 |
| 3. (a) What is mixed economic system? | 3 |
| (b) What are the characteristics of mixed economic system? Explain. | 7 |
| 4. (a) What is socialistic economic system? | 3 |
| (b) What are the characteristics of socialistic economic system? Explain. | 7 |
| 5. (a) What do you mean by underdeveloped countries? | 3 |
| (b) What are the characteristics of underdeveloped countries? Explain. | 7 |
| 6. (a) What do you mean by developed countries? | 3 |
| (b) What are the characteristics of developed countries? Explain. | 7 |
| 7. (a) What do you mean by developing countries? | 3 |
| (b) What are the characteristics of developing countries? Explain. | 7 |
| 8. (a) What is vicious circle of poverty? | 4 |
| (b) What are the basic economic problems of Bangladesh? Explain. | 6 |
| 9. (a) Do you think that Bangladesh is an underdeveloped country? | 3 |
| (b) How to solve economic problems of Bangladesh? | 7 |

Chapter: 03

Agriculture of Bangladesh

3.1. Agriculture of Bangladesh

Bangladesh is primarily an agrarian economy. Agriculture is the single largest producing sector of economy since it comprises about 23% of the country's GDP and employing around 62% of the total labor force. The performance of this sector has an overwhelming impact on major macroeconomic objectives like employment generation, poverty alleviation, human resources development and food security.

Meeting the nation's food requirements remains the key-objective of the government and in recent years there has been substantial increase in grain production. However, due to calamities like flood, loss of food and cash crops is a recurring phenomenon which disrupts the continuing progress of the entire economy.

Agricultural holdings in Bangladesh are generally small. Through Cooperatives the use of modern machinery is gradually gaining popularity. Rice, Jute, Sugarcane, Potato, Pulses, Wheat, Tea and Tobacco are the principal crops. The crop sub-sector dominates the agriculture sector contributing about 72% of total production. Fisheries, livestock and forestry sub-sectors are 10.33%, 10.11% and 7.33% respectively.

Bangladesh is the largest producer of Jute. Rice being the staple food, its production is of major importance. Rice production stood at 20.3 million tons in 1996-97 fiscal year. Crop diversification program, credit, extension and research, and input distribution policies pursued by the government are yielding positive results. The country is now on the threshold of attaining self-sufficiency in food grain production. Through the contribution of agriculture to the national economy and employment may diminish further, it will remain the single largest contributor to income and employment generation and a vital element in the country's challenge to achieve self-sufficiency in food production,



Bangladesh Agriculture at a Glance

Total area	: 14.845million hectare
Forest	: 2.599 million hectare
Cultivable land	: 8.44 million hectare
Contribution of agriculture sector to GDP	: 23.50%
Contribution of crop sector to GDP	: 13.44%
Manpower in agriculture	: 62%
Total food crop demand	: 23.029 million metric ton
Total food crop production	: 27.787 million metric ton
Net production	: 24.569 million metric ton

Source: BBS, 2006 and Handbook Agricultural Statistics, MoA

3.2. Agriculture or agricultural work

Agriculture means the activities relating to the production of vegetation and animal resources to meet the daily requirements of human beings. So agriculture includes such productive works which are related to the production of crops, rearing up of birds and animals, fisheries, a forestation etc. Agriculture is considered as the main profession in most of the developing countries of the modern world. In Bangladesh also agriculture is the main profession of its inhabitants.

3.3. Subsistence agricultural work and agricultural work for commercial production

The agricultural work can be directed with two motives; Such as subsistence agriculture and agricultural work for commercial purpose.

1) Agricultural work for subsistence: From the agricultural work when one can mainly meet the self requirement, that agricultural work is known as subsistence agriculture. In the subsistence type of farming a nominal surplus remains after meeting the family expenditure by which farmer somehow continues agricultural work. The following features can be observed in subsistence agricultural farming as mentioned below:

- 1) Subsistence farming is meant for the survival of the self and the members of the family only. So, this sort of agriculture is primarily administered for the consumption purpose of the family.

- 2) In this form of agriculture the farmers engage only his family members, No hired laborer is engaged.
- 3) In subsistence agriculture the owner himself takes part.
- 4) Those agricultural products are produced which are consumed by the members of the family themselves.

2) Agricultural Activities for Commercial Purpose: When agricultural production is undertaken and products are sold in the market with the Objective of earning profits is called agriculture for commercial purpose. Such agricultural activities are administered in such a way that profits can be earned through selling the markets. Agricultural activities for commercial purpose possess the following characteristics:

- a. In the commercial production the owner himself does not take part in agricultural activities; rather he engages laborer on hire for agricultural activities.
- b. In this sort of agriculture the main thrust is on profit, not consumption. For this efforts are made to make profit by selling whatever is produced. The family may not consume the produce. So in this type of farming family consumption does not get that much importance.

Basically for the sake of commercial purpose such agricultural activities are done. So those agricultural produce where prospect of profit is high are preferred.

3.4. The comparative discussion on subsistence agriculture and agriculture for commercial purpose

From the viewpoints of advantages and disadvantages the difference can be shown between self-supporting agriculture and agriculture for commercial production. These are discussed below:

- A. Production:** Substance farmers produce only to meet the requirements of their family. If there is small surplus, he earns insignificant income from their sale. As a result his saving is very low; due to lack of requisite security he cannot produce loans. Under this situation he is not in a position to apply developed agriculture inputs in production. Consequently per acre yield becomes low.

On the other hand, in case of commercial type of agriculture production, there exists constant effort to produce for earning profits. In this case production is undertaken on a large-scale and farmer earns sufficient profit. When the income is high, savings will be high. These savings can be used by the farmers for purchasing better agriculture inputs and their use. Consequently, per acre production increases.

- B. Risks:** In most cases production of agriculture produce upon nature. In case of subsistence agriculture the farmer produce only for his survival. In this circumstance if there is any national calamity and loss of produce he faces the crisis.

But when the agricultural works are done for commercial production the farmers produce one or two crops of substantial amount. As a result the loss incurred in case of one crop can be compensated by another. Besides he can save also. He can overcome the crisis if faced, with that savings, so from the view point of risk bearing it can be said that agriculture production on commercial basis is far better than subsistence agriculture.

- C. Specialization:** If a person does the same work again and again, the efficiency which is acquired is called specialization. In the subsistence agriculture where only the family requirements are met, a number of crops are produced. In this case specialization cannot be attained. For this reason in case of substance agriculture advantages of specialization such as less cost, standard quality goods etc. are not available.

On the other hand since agriculture on commercial basis is directed towards the primary objectives of earning profit, the farmers concentrate on the production of one or two crops. As a result the cost of production is less, the quality improves and volume of production increase.

D. Marketing of products: The process through which the product from the agriculture fields reaches to final consumers is called marketing, if marketing of is perfect or well organized, the farmers get fair price of their products. In subsistence farming hardly there is surplus production. As a result the farmer has no urge to think over the sale of products. At a low price he sells the surplus at his doorstep. As a result he is deprived of fair price of his product.

But in agriculture for commercial production the farmer produces larger quantity of any crop. He always thinks about making maximum profit at a minimum cost. As a result he earns profit through proper marketing of his product.

From the above discussion it can be said that for conducting production in agriculture successfully with efficiency and certainly, agriculture on commercial basis is far better than subsistence farming.

In Bangladesh most of the farmers are engaged in subsistence farming. For this there is hardly any surplus in agriculture production. Consequently the income of the farmers does not increase. In order to ensure more investment to agriculture through creating surplus more emphasis should be given to agriculture on commercial production rather than the subsistence agriculture.

3.5. Opportunities and Constraints of Agriculture in Bangladesh

Opportunities:

1. Agricultural sector is the single largest contributor to GDP.
2. Crop production system is highly labor intensive and there is an abundance of labor in the country.
3. Agriculture is the largest source of employment for skilled and unskilled labor.
4. Favorable natural environment generally exists throughout the year for crop production.
5. Wide range of bio-diversity exists for different crops.
6. Different crops and agricultural commodities are the main sources of nutrition including protein, minerals and vitamins.
7. Agricultural commodities have comparatively higher value addition than non-agricultural commodities.

Constraints:

1. Agriculture is dependent on the vagaries of nature and is risky.
2. Availability of cultivable land is decreasing.
3. Widespread poverty among the population engaged in agriculture.
4. Lack of required capital for agricultural activities.
5. Inadequacy of appropriate technology considering farmers socio-economic conditions.
6. Uncertainty of fair price of agricultural commodities due to underdeveloped marketing system.
7. Agricultural commodities are rapidly perishable and post harvest losses are too high.
8. Limited knowledge of common people about the nutritional value of agricultural commodities including vegetables and fruits.

3.6. Issues and challenges of agriculture in Bangladesh

1. **High level of rural poverty:** Poverty in Bangladesh is primarily a 'rural phenomenon', with 53% of its rural population classified as poor, comprising about 85% of the country's poor. Achieving the millennium development goal (MDG) of having poverty to 26.5% by 2015 will require a growth rate of at least 4.00% in agriculture and 7.00% in the non-farm sector. However economic and institutional realities, the country's geographical and demographic characteristics and its vulnerability to natural disasters, make this a very challenging task.
2. **Low agricultural productivity:** Another challenge is rapidly shrinking land base. While the country's population is growing at the rate of 1.6% per year, demographic pressure and increased urbanization have caused cultivated area to decline at the rate of 1% per year. As cropping intensity has approached its limit (about 175% now) growth will need to come from intensification of cereal production, diversification into high-value crop and non-crop activities, and value addition in the

agro-processing sector, including storage, processing and marketing. This will require reforming the agricultural research and extension systems, and financial and other regulations. Land administration and security issues also need to be addressed.

3. **Poorly functioning input and output markets:** The lack of easily accessible Markets and the traders significant constraints in both agricultural input and Output markets. Increase productivity high relative to services provided. Lack of Market information and infrastructure, the poor law and order situation, the existence of syndicates, and collection of illegal tolls further aggravate the Situation
4. **Lack of enabling rural investment climate:** For nearly 45% of the rural population, who are landless or functionally landless (owing less than 0.05 acre of land) and a majority of the new labor force every year, a declining land base and a small urban employment means that employment in the rural non-farm sector, however is constrained by lack of or poor quality of rural infrastructure and services, highly centralized government framework, weak rural financial systems, and a poor law and order situation.
5. **Weak rural institutions:** while the NGO sector in Bangladesh is well developed and the quality of informal institutions is improving, formal rural institutions remain very weak. Government agencies at all levels face overlapping functions, lack of coordination, low skill levels and incentives, and lack of responsibility, exacerbated by an urban bias. Elite capture is also quite common in rural areas.
6. **Vulnerability to natural disasters:** Bangladesh is the terminal floodplain delta of three large rivers - Ganga, Brahmaputra and Megna. Every year about 20 to 30 percent, and every few years 40%, of the country is flooded, causing serious damage to infrastructure, crops and overall economy. Projected climate changes and rise in the sea level are likely to worsen the situation. Since independence in 1971, the government has made large investment to protect against floods and cyclones. However issues such as public and private roles and community participation in disaster management, environmental protection, and institutional reforms of Bangladesh Water Development Board (BWDB), need to be addressed.

3.7. Priorities areas for agricultural development

1. Increasing agricultural productivity, diversification and value addition:

1.1: Agricultural research and extension: Both public and private investments in a dynamic and responsive agricultural research and extension system is essential to accelerate the transition from subsistence to commercial farming through diversification, export promotion, and bridging yield gaps.

1.2: Enabling rural business environment: To stimulate RNF growth, the country needs to provide an enabling rural business environment by investing in rural infrastructure, reforming its rural finance mechanism, regulatory framework, land policy and administration, and public expenditures, creating an incentive for rural SMEs is agro-business improving the low and order situation and ensuring decentralized and accountable rural service delivery.

2. Improving factors markets access to assets and natural resources management:

2.1: Agricultural land: land is becoming a scarce commodity in Bangladesh and land grab(particularly of public land) by the powerful is quite common there is thus a need to review land administration, ownership distribution, rights and titles and land use policy followed by enforcement law and policies.

2.2: Agricultural inputs: Use of quality agricultural inputs such as seeds, fertilizer, pesticides, farm equipment, and irrigation is critical to promote diversification, and increase productivity, however, despite major improvements, agricultural inputs continue to experience problems such as lack of timely availability, poor quality, and high price, that are even more market in remote rural areas.

There is therefore a need to examine the impact of input price policy and subsidies on profitability and competitiveness, and explore options for their reform.

2.3: Rural finance: Here is a need to understand the constraints to access to rural finance; particularly by the “missing middle” farmers as well as SMEs. There is also a need to reform ‘agricultural banks’, to improve their recovery rate, reduce defaults, and increase the numbers of commercial bank branches in the rural areas.

2.4: Water Resources Management: There is a need to institutionalize participatory water management through water management organization, improve operations and maintenance of flood control infrastructures, and strengthen water sectors institutions, particularly BWDB and the water resources planning origination (WARPO). There is also a need to promote information sharing to reduce downstream flood damage.

2.5: Natural Resources management: In view of the growing threat to the longer term sustainability of natural resources, there is a need to design and enforce a policy and institutional framework for natural resources management and user including anticipation. This will be critical to sustaining high agricultural growth in a country like Bangladesh with poor natural resources and high population density.

3. Strengthening Rural Institutions and Livelihood Support:

3.1: Rural service delivery: Improving Physical and social infrastructure – roads, electricity, communication, water and sanitation, health and education – in rural areas is fundamental both for promotion employment opportunities and welfare. While Bangladesh has done well and developing rural roads, it has a long way to go to meet other infrastructure needs, such as electricity, which is only available to 15 percent of villages. Because of the inefficiency of the government in public service delivery, the nongovernmental sector has de facto become one of the main actors in development efforts. While decentralization efforts remain incipient, the efficiency and sustainability of public service delivery remains in question.

3.2: Livelihood Support: Creating and strengthening local organizations such as water management organizations farmer associations, women’s groups and village development committees is also essential to improving service delivery and accountability. Empowering rural communities, especially women, to create livelihood opportunities, such as through micro-credit programs is particularly important in this regard. Increasing the capacity for collective action has effectively enhanced the communities’ bargaining power, their access to assets and confidence in micro enterprise development.

3.8. Importance of agriculture in Bangladesh

The importance of agriculture in the economic development of an agricultural country is very high. Being an agriculture country the economic development of Bangladesh is depends basically on the development of its agriculture, from different viewpoints the importance of agriculture is discussed below:

1. **Main occupation:** About 75% people of Bangladesh, depend directly or indirectly on agriculture for their livelihood. Such a large scale dependence of the people on agriculture testifies the importance of agriculture in the economy of our country.
2. **Supply of food:** The different products of agriculture such as food grains, fish meat, milk, egg etc. meet the demand for food of the people. If the production from agriculture increases, it will be possible to supply more food. At the same time the existing food deficit in the country will be removed.
3. **Supply of raw materials for industries:** The major portion of the supply of necessary raw materials required for our existing industries and new industries to be built up basically comes from

agriculture. On the basis of availability of the raw materials like jute, sugar, tea, tobacco etc. the jute sugar tea and tobacco industries have been established in our country.

4. **Increase the tendency to establish agriculture related industries:** With the development of agriculture the demands for inputs like chemical fertilizer, insecticides, deep and shallow tube wells, power tiller, tractor etc. increase. For this there is a tendency to establish these industries. So if there is development in agriculture the industries like chemical fertilizer pesticides, deep and shallow tube well, power tiller, tractor industries will be established. As a result there will be rapid industrialization in the economy.
5. **Supply of cloths:** Agriculture supplies clothes to the people of our country. Cloths are made of jute, cotton, wool of sheep etc. the major portion of the demand for cloth is met up from these materials. Besides higher quality of carpets, and screen cloths are made from jute.
6. **Supply of inputs for house making and supply of fuel:** In the rural area of Bangladesh most of the houses are mainly made of bamboos, straw, leaves of trees, cane, wood etc. these are supplied by agriculture. Moreover wood, dry leaves of trees, jute sticks, corn husks, cow dung etc meet our demand for fuel in a greater amount. So by supplying the inputs of house making agriculture helps the construction of houses in rural areas. At the same time, it also helps to solve the accurate shortage of foal by supplying the inputs of fuel.
7. **Establishment of medicine industry:** We get raw materials of life saving drugs from agriculture. Many kinds of medicinal herbs grow here and there near houses and bushes in Bangladesh. On the basis of these medicinal herbs many herbal medicine industries have been built. From ancient days our rural folks use herbal medicine for the treatment of various diseases
8. **Main source of national production:** The volume of our national product mainly depends on agriculture. About 40% of our national production comes from agriculture. So the importance of agriculture as a single source to the national production is important. The more the volume of agricultural produce more will be our national and per capita production.
9. **Helping the earning of foreign exchange:** A considerable amount of foreign exchange is earned from the exports of different agricultural products. So it will be possible to earn more foreign exchange, if agricultural products are exported. This foreign exchange may be used for importing essential raw materials, machinery, fuel etc. for industries. As a result the speed of industrialization will be faster.
10. **Increase public revenue:** A good amount of public revenue comes from agriculture sector. Government of Bangladesh earns a lot of money from agricultural income tax, fare from transportation of agricultural commodities, export duties of agricultural products etc. the increased amount of revenue can be spent for administration of the country and for its development.
11. **Creation of markets for industrial products:** The income of the cultivators increases with the development of agriculture. So their demand for industrial product also increases. As a result existing industries increase their production. Again, new industries are established to satisfy the increased demand. So for industrial development of the country the development of agriculture is essential.
12. **Rapid economic development:** The contribution of agriculture as single source to national production is remarkable. Our internal resource will increase development. So we can meet the increased cost of different development plans by internal resources. So through the development of this sector economic development is possible.

From the above discussion it is clear that the importance of agriculture in the economic development of

Bangladesh is beyond any limit. The economic development or the overall development of our country depends on the very development of agriculture.

3.9. Characteristics of Agriculture in Bangladesh

Bangladesh is an agricultural country. But in spite of that the condition of agriculture is not developed. All the characteristics of a backward agricultural system are noticed in our country. So agricultural productivity in our country is low in comparison with other developed countries. The main characteristics of our agriculture are discussed below:

- 1. Undeveloped production method:** Most cultivators of our country until now follow age old and unscientific methods of cultivation. The majority of our cultivators are not even directly aware of improved methods and instruments used agriculture. So our agriculture is undeveloped and full defects.
- 2. Low productivity:** Though Bangladesh is an agriculture country. Its productivity per acre is very low compared to others country. In Japan the production of rice per acre is more than 2 tons, where as in Bangladesh it is a bit greater than ½ ton.
- 3. Cultivation for subsistence:** The cultivators of our country basically do cultivation for their own subsistence only, so here the scope for producing huge surplus product which can be sold is very much limited. However, recently by using high yielding technology attempts are being to increase agricultural product.
- 4. Subdivision and fragmentation of holdings:** The land holdings of the majority of cultivators of this are very small. Again the plots are scattered throughout the field, it is impossible to cultivate these small and scattered plots under mechanized methods. This is a great obstacle on way of modernization of agriculture.
- 5. Landless cultivators:** The majority of the cultivators of our country are landless. They cultivate other peoples land as share croppers or only as they laborers. As they are not owners of land, they don't feel interest in cultivation. So production from land is small.
- 6. Uncultivated land:** Because of the lack of the suitable irrigation and drainage system a good part of our total cultivatable land has remain uncultivated till now. So in practice, production is less than the amount which could be possible produce.
- 7. Dependence on rainfall:** The agriculture of Bangladesh is yet basically dependent on rainfall .if there is good and timely rainfall, crops grow well. If this is not so, the production of crops is hampered seriously. As a result national production decreases.
- 8. The major portion of land is under the cultivation of food crops:** About eighty percent of our total cultivable land is used to produce food crops. So raw material necessary for industrial use are produced in smaller quantity.
- 9. Defective ownership of land:** We find in equality in the ownership of land in cultivation. About thirty percent of the big and middle farmers own eighty percent of total land .where as seventy percent of small cultivators own only of land.
- 10. Absentee owners of land:** Many persons living in town are the owners of good amount of cultivable land in country. Supervision work is almost absent because the owner of land lives far away from land. As a result, the amount of produce is less.
- 11. Share cropping:** About twenty five percent of total cultivable land of this country is cultivated in

system of share cropping. The production by the share cropper is less than what would be if land was cultivated by the owner himself. So in our country the productivity per acre is very low.

- 12. Poor, unhealthy and illiterate peasants:** Due to lack of food, clothes, houses, medical facilities etc. the peasants of our country are unhealthy and non-energetic. As they lack general education they are orthodox, fatalists and believers in superstitions. Likewise they are ignorant of an indifferent to modern technology of cultivation as they lack education about agriculture.

On account of the above mentioned characteristics, Productivity in agriculture is very low. The income of the farmers is small and their standard of living is also very low. The recent trend of improvement in agriculture which is seen in the developing countries of the world is remarkably absent in Bangladesh.

3.10. Causes of the backwardness of agriculture in Bangladesh

Although Bangladesh is an agricultural country, its agriculture is very backward and full of defects. The causes of the backwardness of agricultural of this country are discussed below:

1. **Old Method of Cultivation:** Old method of cultivation yet prevails in Bangladesh. The use of modern scientific methods modern equipments and inputs are, so to say, almost absent. The result is that the amount of agricultural production does not increase up to satisfaction.
2. **Subdivision and Fragmentation of Holdings:** The land holdings of the most of the cultivators of our country are subdivided and these are scattered in the different places of the field. It is difficult to introduce modern technique of production in this kind of plots and supervise the works of production properly.
3. **Problem of Credit:** Most of the cultivators of our country are poor. So they require loans for cultivating land. But the loans are uncertain and risky. Because these are collected from non-government sources. The amount of loans given by government source is insufficient and the methods of sanctioning loans are complex and troublesome. So the cultivators cannot invest money according to the needs of cultivation. So the volume of production does not increase.
4. **Unequal Distribution of Land Ownership:** The ownership of land in Bangladesh is very much unequal and defective. About 30 percent people are the owners of about 80 percent land. More than half of the total cultivators are landless. This kind of unequal distribution of agricultural land is not helpful to increase production.
5. **Lack of Goods Seeds and Manure:** To increase the production of crops the use of high yielding varieties of seeds and chemical fertilizer are very important, but in our country these two factors are very scarce. Moreover, as the farmer is very poor, they cannot even purchase these things. As a result, the yield is low for the low quality of seed and lack of adequate fertilizers.
6. **Lack of Irrigation Facilities:** Regular supply of water is essential to continue the work of cultivation properly. But scientific irrigation works have not yet been introduced on large scale. So agriculture of this country basically depends on rainfall. But rainfall is irregular. Sometimes it is heavy and some other time lights. So cultivation is often disturbed.
7. **Natural calamities:** At most every year natural calamities like flood, cyclone, tidal bore etc. occurs in Bangladesh. As a result, there is huge damage of crops. So the cultivators get fewer amounts of crops than what they expect to have.
8. **Decrease in the Fertility of Land:** The plots of agricultural land in Bangladesh are used continuously for year after year and remain under the cultivation of same variety of crops. This leads to shortage of some chemical elements in those plots of land. This shortage is not regained due to lack of fertilizer. So these plots of land are becoming barren day by day and producing less.
9. **Attack of pest and Insects and Crop Diseases:** At the attack of locus pest and insects and of crop diseases huge amounts of crops are damaged in the field every year. So the cultivators get fewer amounts of crops.
10. **Water stagnation and salinity of land:** On account of heavy rainfall and lack of good drainage system vast areas of land suffer from water stagnation. Moreover, due to salinity many areas at sea

shores remain uncultivated. As a result, the amount of cultivable land has decreased.

11. **Weak rural infrastructure:** Infrastructure, such as, drainage system, roads supply of electricity, health centre, supply of drinking water etc, are very much important for agricultural development .but these are very insufficient in rural areas of Bangladesh. So, it is difficult to manage the process of production efficiently.
12. **Defective marketing system:** The marketing system of agricultural products is full of defects. Due to the presence of middlemen, acute insolvency of the cultivators, lack of god owns. Undeveloped transport and communication system etc. the peasants are bound to sell their products just after harvest at low prices. As a result, they don't get fair price of their product.
13. **Poverty and illiteracy of the peasant:** the majority of peasants of Bangladesh are poor deprived of the light of education. So they are orthodox fatalists and superstitious. They are ignorant and careless about the application of modern techniques in the field of production. Again in many cases they are against new techniques of production.
14. **Lack of subsidiary occupation:** Due to lack of subsidiary occupations in rural areas, the peasants cannot increase their income. As a result of this they cannot improve financial position and cannot be achieve so much in the field of production.
15. **Absence of proper organization:** the farmers in Bangladesh carry on agricultural activities in the small and scattered holdings in an unplanned simple way of management. There is lack coordination in the different stages of cultivation and among the input used. So the cultivation cannot conduct and manage agricultural works properly.
16. **Absence of well coordinated agricultural policy:** a well coordinated agricultural policy is necessary at the government level for continuous and rapid development of agricultural sector. Though Bangladesh is agrarian country, no long term well- coordinated policy has yet been undertaken. As a result, a well- coordinated technology is not being followed in our country. For reason, desired structural transformation is not taking place.

Because of these problems, in spite of being an agricultural country, Bangladesh is backward in the field of agriculture to a greater extent. So productivity per acre is also very low.

3.11. Modern technology in agriculture

The agricultural system of Bangladesh is very much underdeveloped and defective. So the agricultural productivity is very low and the income of the cultivator is very low. To remove this condition production should be run in such a way that the yield of crops increases, the income of the cultivator's increases and more investment in agriculture is possible. The different aspects of use of modern technology in agriculture are discussed below:

1. **Use of high yielding varieties of seeds:** To increase production in agriculture the use of high yielding varieties of seeds is very important. To remove food deficit in our country high yielding varieties of seeds of rice and wheat are being used. Bangladesh Rice Research Institute (BRRI) has invented different varieties of high yielding seeds of rice since 1967. The major achievements of the Bangladesh Rice Research Institute (BRRI) has been the development of 37 high yielding modern variety (MV) rice strains adaptable to different ecosystems since its establishment. Thirteen of these MV rice are suitable for cultivation in both the *Boro* and *Aush* seasons, seven in the Boro season five in the Aus season, and twelve in the transplanted *Aman* (T Aman) season. With appropriate management, and under favorable soil conditions, these MV rice may yield 5-6 m tons/ha in the Boro, 3-4 m tons/hectar in the Aus, and 4-5 m tons/ha in the T Aman seasons. In the production of wheat also the role of high yielding varieties of wheat seed is unique. During the period before independent the production of wheat per was 1 lac ton, whereas at present the production rate of wheat per year has been increased to 9 lac tons (2009-2010).
2. **Use of fertilizer:** Bangladesh is basically an agricultural country having only a limited land for agricultural purpose, which is also on the decrease because of increasing trend of industrialization, development of housing complexes for large population and increased salinity effect across the coastal zone. Whereas the demand of food-grains and other agricultural products have increased

manifold with the population boom. The government has been emphasizing the agricultural sector for increasing the food grains production to meet up our huge demand. Our land is losing its fertility because of continuous harvesting for a long period for which use of makeup fertilizer is very much essential for increasing the food grain production. Fertilizer products cover urea, nitrogenous, potash, and phosphate fertilizers (including ground rock phosphate). Thus use of fertilizer will lead us self-sufficiency through green revolution for production of different agricultural products.

3. **Use of pesticides:** Bangladesh is predominantly an agricultural country with an area of 147 570 sq. km. Agriculture plays an important role in the lives of Bangladeshi people. The major crops grown in the country are rice, wheat, jute, potato, sugarcane, vegetables and tea. The warm and humid climatic conditions of the country, increased use of modern high yielding varieties of crops and more use of chemical fertilizers are highly favorable for development and multiplication of pests and diseases. The estimated loss in yields due to attacks from pests and diseases annually ranges from 15 to 25 percent. Pest control in Bangladesh is dependent on the use of pesticides. The use of pesticides in Bangladesh is based on minimum curative applications with 70 percent in rice and the remaining 30 percent on tea, sugarcane, potato, mango, banana & vegetables.
4. **Irrigation:** Irrigation is an artificial application of water to the land or soil. It is used to assist in the growing of agricultural crops, maintenance of landscapes, and revegetation of disturbed soils in dry areas and during periods of inadequate rainfall. For continuous agricultural production it is necessary to irrigate the land according to needs. Especially in cultivation of high yielding varieties of seeds sufficient irrigation is needed. In our country agriculture basically depends on rainfall. But rainfall is irregular. Sometimes it is heavy and sometimes inadequate. So, cultivation of crops hampered. To remove these situations mechanized irrigation is necessary. At present irrigation works are done by means of deep and shallow tub wells, power pumps etc. in addition to these, irrigation works is done by cutting canals from rivers, haors of lifting water from rivers, canals etc. with the help of local appliances made of wood.

3.12. Strengthening Bangladesh's agricultural technology system to reduce rural poverty

Agriculture accounts for about 23% of Bangladesh's GDP and another 33% of GDP is contributed by the rural non-farm economy, which is largely linked to agriculture. Agriculture and rural non-farm economy are the main sources of livelihood for rural people. With almost 85 out of 100 poor people living in rural areas, poverty in Bangladesh is largely a rural phenomenon. Improved economic performance of the agriculture and the rural non-farm sectors is, therefore, critical to reducing poverty.

Overall, the agricultural sector has performed reasonably well. However, the growth in the agricultural sector has stalled in the last few years. In the Poverty Reduction Strategy Paper (PRSP) document, the Government of Bangladesh (GOB) has indicated the need to achieve 7% overall annual economic growth in order to achieve the Millennium Development Goal (MDG) of poverty reduction – a target which will not be possible unless the agricultural sector achieves at least 5% annual growth rate.

Among the key constraints in achieving this objective are:

- Agricultural land is actually declining and quality is deteriorating.
- Agricultural productivity growth has either stagnated or declined.
- Pace of diversification from low value cereals to high value commodities is slow.

One of the most important ways to address these constraints is to generate, disseminate and promote the use of appropriate agricultural technology that is suitable for the agro-climatic conditions in Bangladesh. This would require an efficient and responsive agricultural research and extension system. At the request of the GOB, the World Bank has agreed to assist with the strengthening of the agricultural technology system. A roadmap for improving agricultural productivity has been developed in a draft report on Revitalizing Agricultural Technology System in Bangladesh.

The proposed project will address the following issues:

1. **Promoting institutional efficiency of agricultural research system:** Enhancing the efficiency and effectiveness of the National Agricultural Research Systems (NARS) is vital to increase agricultural productivity. It is also essential to give Bangladesh's farmers a greater say in directing NARS, along with improving understanding of yield gaps (i.e., what is being produced and what is possible) and developing technologies to promote productivity, sustainability and diversification of agriculture.
2. **Improving sustainability of funding for agricultural research:** One major constraint to higher agricultural productivity is the low level of government expenditure on agricultural research. At present, the expenditure is only about 0.2% of Agricultural GDP, compared to 0.6% for other developing countries and over 2% for developed countries. In addition, the existing funding for research is unstable and often tied with the life span of a particular development project (i.e., funding stops when project ends). The project proposes to develop a system whereby funding for research can be sustained and allocated to priority research projects on a competitive basis.
3. **Decentralizing the agricultural extension system:** An agricultural extension system based on the bottom-up approach will be more responsive to farmers' needs and is necessary to improve the overall performance of the agricultural sector. Such a system would be more efficient, knowledge-based and address the real problems faced by farmers.
4. **Developing value chain and market linkages:** An element of strengthening agricultural technology systems would be to promote the development of value chains of a few selected high value commodities based on comparative advantage, farmer preference and market demand.

Finally, the World Bank has requested the status of GOB's strategy for safeguarding against the risk of avian influenza or "bird" flu and a possible role of the proposed project in preparing the agricultural sector to meet any such threat. Bangladesh has been identified as a high risk country. All the appropriate surveillance, diagnostic and preventive activities must be in place to safeguard the country against such a risk.

3.13. Summary of Questions

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|--|---|
| 1. (a) What is agricultural work? | 3 |
| (b) Comparatively discuss on subsistence and agricultural work for commercial purpose | 7 |
| 2. (a) What are the opportunities and constraints of agriculture in Bangladesh? | 4 |
| (b) What are the issues and challenges of agriculture in Bangladesh? Explain. | 6 |
| 3. (a) How does agriculture depend upon industry? | 3 |
| (b) What are the priorities areas for agricultural development? Explain. | 7 |
| 4. (a) What are the characteristics of agriculture in Bangladesh? | 5 |
| (b) Discuss importance of agriculture on Bangladesh economy. | 5 |
| 5. (a) What are the modern technologies in agriculture uses in Bangladesh? | 4 |
| (b) What are causes of the backwardness of agriculture in Bangladesh? Explain. | 6 |
| 6. (a) What subsistence agricultural work and agricultural work for commercial production? | 4 |
| (b) How does agricultural technology reduce rural poverty in Bangladesh? Explain. | 6 |

Chapter: 04

Industry of Bangladesh

4.1. Industry of Bangladesh

Bangladesh was born in the background of utter industrial backwardness. At the time of her birth she was so poor in the field of industry that almost all the industry products that she required had to be imported from abroad. Though she holds the monopoly of jute, leather, and other raw materials she was obliged both to export jute to other countries and buy from them finished goods made with her raw materials. This tragic position lasted for years together.

To add to her difficulties, her population was entirely agricultural, inclined towards agriculture. Her wealthy people, very few in numbers, were inclined towards commerce and had no idea about industry. Over and above that she lacked those natural facilities which help the growth of industry. She has no coalfield, no iron mine, no oil deposit and no natural source of power. And starting with many barriers and a few advantages, Bangladesh has amazed the world by her industrial progress in less than twenty years.

The Government of Bangladesh played an important role in the development of industries in this country. Right at the beginning, it came forward and invited the wealthy people to invest money in industries under the protection and patronage of the state. The industrial corporations undertook to organize a large number of important industries where the investment is too heavy for private individuals. Some foreign capital was invited and given attractive facilities. Granting the national capitals many advantages encouraged the investment of national capital. Research laboratories have been set up to test raw materials and improve the quality of local products. A vigorous campaign was launched to find out new minerals and some important discoveries we actually made.

As a result of this brisk and all round effort for several years, Bangladesh can now boast of possessing a large number of important industries. She has some jute mills, fertilizer, steel mills, textile mills, paper mills, machine tool factory, electrical industries, several sugar mills, leather industries and cement factories, all of which are very big in respect of size, production and investment, besides, hundreds of other smaller and mediocre industries that have been set up in different parts of the country. Mention to be made of our garment industries earning huge foreign exchanges and employing large number of unemployed, male and female.

To solve the problem of power capacity of carnally hydroelectric project have been developed in addition to gas power station set up in gohrashal and those are supplying cheap electricity throughout the whole of Bangladesh. Gas is the most important aspect of our development of fuel. Natural gas is abundant in the eastern section of the country. Many industries are run by gas. If properly exploited, they can supply much power for industrial consumption.

Born in the midst of absolute vacuum. Bangladesh is going ahead speedily in the field of industrial progress. Her speeds will immensely increase when all the sources of power will be properly utilized. And then the dream of her people to build up their country as one of the prosperous states of the world will be realized in full.

4.2. The need for industrialization in Bangladesh

Bangladesh is an agricultural country. But its agricultural system is undeveloped and production is low. Unemployment is high due to rapid growth of population. Per capita income and standard of living is low. It is not possible to solve the economic problems and march towards development if the economy remains agro-based. Rapid industrialization along with agricultural development is the key to an over-all development of the country. In fact, the developed countries of the modern world reached their present stage of development through rapid industrialization. The necessity of industrialization of Bangladesh is discussed below.

1. **Rapid Economic Development:** In order to make rapid economic development in Bangladesh what is urgently needed is to develop industries and factories in large numbers and increase production. It is not possible to have an over-all development of the country only through agriculture development. For, the production in agriculture takes -place slowly and for various reasons the production of required amount in agriculture is not possible. Industrial production can be increased quickly and desired amount can be produced. So industrialization is a must for attaining rapid economic development. All the developed countries of the world achieved rapid economic growth through broad-based industrialization. So the pre-condition for economic development of Bangladesh is rapid industrial development.
2. **Increase in National Income:** For the growth of national income both the agricultural and industrial sectors have important role to play. The national income of a country cannot be increased rapidly if it remains dependent on agriculture alone. Since the agricultural system in Bangladesh is not developed. So our national income and per capita income need to be increased through industrial development.
3. **Solution of Unemployment Problem:** In Bangladesh unemployment problem is increasing gradually due to high rate of population growth. 'The problem of disguised unemployment is being created due to pressure of increased population on agriculture. The scope of providing employment for this increasing population in agriculture is limited. Under this circumstance, through the development of industrial sector other than agriculture job opportunities can be created for our excess population.
4. **Development of Agriculture:** Proper cultivation, irrigational tools chemical fertilizer and insecticides needed for the development and modernization of agriculture Industrialization is necessary for the production of these inputs. The supply of these inputs will increase and their prices will - come down if these can be produced in the country. As a result, it would be possible for the farmers to use these inputs and increase agricultural Products easily. To achieve this goal industries must be developed. Besides processing industries should be established to process different agricultural products.
5. **Reduce Pressure of Population on Agriculture:** The subdivision and fragmentation of land in Bangladesh is increasing gradually due to additional pressure of population on agriculture As a result agricultural land holdings are becoming small and are getting scattered Due to this, the modernization and mechanization of cultivation is not possible. Besides the rate of disguised unemployment is increasing day by day. Under this circumstance, it is necessary to transfer the surplus labor of agriculture to elsewhere. The surplus labor force of agriculture can be transferred to industrial sector by establishing larger number of industries in the country. This will also reduce pressure of population on land and pave the way for condensation of cultivation.
6. **Proper Utilization of Natural Resources:** Bangladesh has in its reserve different natural resources Proper utilization of these resources can be done by establishing industries As a result, industrial production and per capita income will rise and this will in turn improve standard of living.
7. **Economic Stability:** In Bangladesh uncertainty prevails in agricultural production due to natural calamities like excessive rain, draught, flood tidal bore etc. But such uncertainty does not prevailing case, of industrial production. So in order to maintain economic stability in our economy, industrial development is essential. When industrial production increases export increases. As a result, favorable condition will be created in the field of international trade and stability will be achieved.
8. **Earning of More Foreign Exchange:** We need sufficient amount of foreign exchange for the economic development of our country. Exports will increase and more foreign exchange can be earned if rapid industrialization takes place in the country. Rapid extension and development of garment industries in recent year in Bangladesh has increased our foreign exchange earnings manifold.
9. **Reduction of Dependence on Others:** Bangladesh imports from foreign countries consumer goods machinery, transports, raw materials etc. in large quantity: The import cost of these goods is higher than our export earnings. It is possible to reduce imports through increased industrial production. This will reduce dependence on others and balance of trade will be favorable. All developed countries of the world are less dependent on others.
10. **Development of Transport and Communication System:** It is necessary to develop transport and communication system for the growth of trade and commerce in the country. So necessary machinery and materials needed for transport and communication should be produced in the country Industries should be developed to achieve this goal. Besides, development of industries for production of iron, steel and cement is necessary for construction of good roads, bridges, ports etc.

11. **Strong Defense System:** It is necessary to develop a strong defense system in Bangladesh. A large amount of arms, equipment transports etc. are needed for this purpose Industries should be developed so as to produce these goods in the country as far as practicable.
12. **Urbanization and Social Development:** The standard of living of the people can be raised through rapid urbanization and enhancement of social utilities. The rate of urbanization and enhancement of social utilities Bangladesh can be made through industrialization. Besides, industrial development is essential to increase the supply of consumer goods for the people Therefore; the importance of industries in the economy of Bangladesh cannot be over emphasized. For the rapid economic growth in Bangladesh development of industries is a must.

4.3. Inter-dependence of agriculture and industry

The economy of Bangladesh is dependent on agriculture. Almost 80 percent of the population depends on agriculture. Agriculture contributes about 23 percent of the national income. About 63 percent of the labor force is engaged in agriculture. Although agriculture is the largest sector in our economy, the agriculture of Bangladesh is still underdeveloped, dependent on nature and has low productivity. Side by side because of high population growth rate the pressure of population on land is increasing. As a result the agricultural holdings are being sub-divided and fragmented. The per acre yield is decreasing and disguised unemployment is increasing. So it can be said that the attainment of economic prosperity is not possible with agriculture alone. Simultaneously with agriculture, the development and extension of industries are essential. Industrial development of Bangladesh will ensure the attainment of economic prosperity through increase in income, reduction of unemployment and increase overall development of the standard of living of the people. In fact like other countries the agricultural and industrial sectors of Bangladesh depend on each other for their own development. The interdependence of agriculture and industry is discussed below:

4.4. The dependence of industry upon agriculture

1. The raw materials of industry are available from agriculture. In Bangladesh, agriculture supplies the raw materials of jute, tea, sugar, paper and leather industries. So these industries can easily be established based on agriculture.
2. For industrial development Bangladesh imports industrial raw-materials and machineries. For the huge foreign exchange is needed. By exporting various agricultural products a substantial amount of foreign currencies can be earned.
3. If the agricultural sector develops in Bangladesh the income of the agriculturalists and their purchasing power will increase. As a result their demand for various industrial products will also increase. Consequently the market for industrial product will expand and the production of industries will increase.
4. Bangladesh in spite of being an agricultural country suffers from huge amount of food deficit every year. To overcome this food deficit every year the country has to import food in exchange of foreign currency. This affects the import of inputs needed for industrial development. The development of industries is hindered. So through agricultural development if we can attain self-sufficiency in food, there will be no need of import of food items. As a result the foreign currencies would be saved which could be deployed for industrial development.
5. Bangladesh is an agricultural country. If extensive development occurs in our agricultural sector, this will increase our national income. As a result, savings will increase capital formation will accelerate and it will be possible to invest larger amount in the industrial sector. So the scarcity of capital in our industry will be removed.
6. If productivity of agriculture increases, the prices of industrial raw-materials produced in agriculture will decrease As a result the agro-based industries of the country will be able to buy raw materials at a cheaper rate. So both production and profit of industries will go up. This profit will induce the industrial entrepreneurs to establish more industries.

4.5. The dependence of agriculture upon industry

1. Sufficient supply of different kinds of agricultural implements, fertilizer, insecticides etc. are needed for the development and modernization of agriculture in Bangladesh. When industries producing these inputs are developed sufficient quality of these inputs will be available at cheaper rate. As a result agricultural development will be accelerated.

2. We import some equipments and implements for our agriculture. If industrialization takes place, the export of the industrial product will increase. As a result it will be possible to earn more foreign currency. If there are earnings of foreign currencies, these will help in importing required agricultural implements and these can be used for agricultural development.

3. The demand for raw materials available from agriculture will increase if agro based industries are developed in Bangladesh. Because of increased demand for raw-materials the agricultural production will increase. As a result production in agriculture and standard of living of the cultivators will rise.

4. In Bangladesh, there is excess labor force in agriculture, so the agricultural holdings are gradually becoming smaller. Simultaneously the disguised unemployment is taking acute shape day by day. To overcome such a situation the excess agricultural labor force should be transferred to other places. Employment opportunities can be created only through industrialization for additional labor force in agriculture. Only then the pressure of population on agriculture will be reduced.

5. Development and expansion of industries in the country will help the processing and storing of agricultural products. As a result, on the one side the wastage or misuse of agriculture products can be stopped and on the other it will help the cultivators to get reasonable price for their products.

From the above discussion it appears that the development of agriculture and “industry are inter-dependent and is complementary to the other. So in the interest of our economic development these two sectors must be developed simultaneously.

4.6. Characteristics of industry in Bangladesh

Though Bangladesh is an agricultural country, industry assumes an important place. But our industries are not developed. The main characteristics of industry in Bangladesh are discussed below.

1. The industry in Bangladesh is undeveloped. Industry in our country could not be developed due to prolonged indifference towards it. As a result the contribution of industry to our national income is only 10 per cent.

2. Three types of industries, viz., large, small and cottage exist side by side in the industrial sector of Bangladesh.

3. A large number of industries in Bangladesh are agro-based. For example, jute, textile, tea, sugar, paper and many other small and cottage industries have been developed on the basis of agricultural production.

4. Compared to many other developed countries, lower level of technique and technology are used in our industries. For this the production in industry and the quality of the product is low.

5. There is no basic and heavy industry in the large-scale industrial sector of Bangladesh. Jute, textile, sugar and paper are all industries of consumer goods.

6. In the past cottage industries of Bangladesh had a good reputation. But at present the existence of our cottage industries is at stake.

7. In the industrial sector of Bangladesh both private and public ownership exist among jute textile and one or two other large industries few are in public ownership and few are in private ownership. Almost all the

small and cottage industries at present are running under private ownership.

8. There is lack of export-oriented industry in Bangladesh. Almost all industries, except jute and garments, produce goods to meet the internal demand of the country.

9. Export Processing Zones (EPZ) have been established a view to increasing export of industrial goods and attracting foreign investment in the industrial sector. Industries established in these areas have been provided with almost all open market facilities. Eight EPZs are presently at operation across the country. These are Chittagong, Dhaka, Mongla, Ishwardi, Comilla, Uttara, Adamjee and Karnaphu under BEPZ authority.

4.7. Causes of industrial backwardness in Bangladesh

Bangladesh is industrially undeveloped. Industries could not be developed in spite of the availability of necessary raw materials and sufficient labor force in the country. The causes of our industrial backwardness are as follows.

1. **Lack of Patronage of British and Pakistani Regime:** Due to lack of patronage of British regime for about two hundred years, no important industry could be developed in this country. The British used this region as producer of raw materials and a market of their industrial products. During 24 years of Pakistan regime the desired development of industries could not occur because discriminatory policy of the Pakistani rulers.
2. **Paucity of Capital:** Capital is needed to establish industries. As it is a poor country income and saving are low in Bangladesh. The rate of capital formation is also low. The entrepreneurs of this country cannot easily establish industries due to paucity of necessary capital.
3. **Scarcity of Power and Mineral Resources:** The growth of industries is being hampered due to scarcity of mineral resources like coal, oil; iron etc. Besides there is shortage of power for industrial use in the country. Of course. Natural gas, which is used as industrial fuel and raw materials, is helping the development of industries.
4. **Lack of Technical Knowledge:** Labor with sophisticated technical knowledge is highly needed for modern industries. But laborers of Bangladesh are not equipped with modern technical knowledge. Rapid industrialization does not take place due to this reason.
5. **Lack of Skilled Labor:** Skilled labor force is essentially needed to conduct mills and factories efficiently. Though Bangladesh possesses sufficient labor force, the efficiency of labor is low due to lack of education and training. The growth of industries is hampered due to lack of skilled labor force in the country.
6. **Lack of Entrepreneurs:** A good number of efficient entrepreneurs are required for the development of industries in the country. But efficient entrepreneurs did not come out during the long era of Pakistani and British administration. As a result still there is absence of entrepreneurs interested to establish industries. For this reason industrial development in our country is not taking place as desired.
7. **Problem of Industrial Loan:** Loan is essential for the establishment of industries. Industrial loan in required amount is not available easily in Bangladesh. Foreign loan is also not sufficient. So industrial development is hampered due to non availability of loans.
8. **Scarcity of Foreign Exchange:** Machinery, tools and raw materials for industries are imported from foreign countries. Due to paucity of foreign exchange in Bangladesh these inputs cannot be imported in required amount. As a result industrial growth is hampered.
9. **Undeveloped Transport and Communication System:** A developed transport and communication system is essential for rapid industrial development. Roads transport and communication system in Bangladesh is not developed. Due to this transportation of raw materials and produced goods and mobility of labor are hampered.
10. **Lack of Efficient Management:** For smooth running of mills and factories efficient and experienced managers are needed. But there is serious shortage of such leaders in our country. For this reason various problems cropped up in case of nationalized industries of our country and different industries incurred losses.
11. **Lack of Proper Industrial Policy and Planning:** For the proper management of mills and factories an appropriate industrial policy and planning is essential. But consistent with the prevailing socio-economic

situation no industrial policy has yet been formulated. For this in the past industrialization was hampered. Besides, based on our own resources in Bangladesh no planning has yet been undertaken. For all these reasons the raft of industrialization in Bangladesh is mostly slow.

- 12. Political Instability:** Political stability and maintenance of law and order in the country is essential for rapid industrial development. Due to political instability and dissatisfaction among the laborers and student students strikes blockade etc. are frequent in Bangladesh. As a result natural trend of industrial development is hampered.
- 13. Lack of Other Facilities:** There is substantial lack of complementary facilities required for industrial establishment, For example, there are lack of plots water and electricity supply in the industrial area, absence of facilities for import of raw-materials and accessories. There is also Lack of direct and indirect government help and cooperation. For all these reasons the initiative for establishing, industries is affected. As a result Bangladesh is still backward in industries.

4.8. Measures for industrial development in Bangladesh

The importance of industrial development for the economic growth of Bangladesh is enormous. The following measures are required for industrial development in the country. –

- 1. Government Initiative and Patronization:** Government initiative and patronization is necessary for industrial development. Few large and essential industries which cannot be established under private initiative should develop under public ownership. Proper government cooperation should extend for the establishment of other industries under private initiative. A policy for establishment of industries under private and foreign initiative has been adopted presently in the country. This will help to accelerate industrial development in the country.
- 2. Increasing Supply of Industrial Capital:** Industries cannot be established in the country due to lack of capital. So savings and capital formation he increased. Arrangements should be made -to provide industrial loans easier terms from Shilpa Bank and other financial institutions of the c and also from foreign countries, Priority should be given to those industries which can start producing quickly.
- 3. Establishment of Industries Based On Available Raw Materials :** Those industries which can use domestic raw materials should be established Domestic raw materials are-used in industries like jute, tea, leather, paper, sugar, fertilizer etc. and preference should be given in the establishment 1histries in the country’ which use domestic raw-materials.
- 4. Establishment of Export-oriented Industries:** The industries whose products have high demand in the foreign market should be established. This will on the one hand extend industrial insertion and on the ocher. Will increase export earnings. From this point of view, industries producing garments hosiery products, chemical fertilizer, electrical goods, leather have bright prospects.
- 5. Importance in Developing Small Industries:** Small industries require less capital and it can employ more labor compared to large industries. So in our country as capital is scarce and labor is surplus small industries should be established in large numbers. This will remove unemployment and industrial development will not be hampered due to scarcity of capital.
- 6. Technical Knowledge and Efficient Labor:** Efficient labor with high technical knowledge must be created through impairing technical education and training in the country. As result production in the industries will rise and cost will decrease. Produced goods will then be enriched both in quality and standard.
- 7. Development of Power and Mineral Resources:** The speed. Of industrial growth particularly depends on the sufficient supply of power and mineral resources. The development of power resources including electricity and survey of mineral resources like oil. Coal, limestone. Gas etc. should continue in the future in order to accelerate industrial development in the country.
- 8. To Earn More’ Foreign Exchange:** Huge amount of foreign exchange is needed to establish industries and factories. It is possible to earn more foreign exchange through increasing our exports. With these necessary raw materials, machinery etc. required for industries can he imported.
- 9. Development of Transport and Communication:** The developed transport and communication system accelerates industrial development. So our railways, roads, waterways, airways and different media of communication should be developed and extended. It will then he easier to transport raw materials produced goods and labor. As a result industries and factories will crop up in different place of the

country.

- 10. Agricultural Development:** In order to develop industries in Bangladesh. Development of agriculturist necessary. This is because raw materials lot industries will be easily available if agricultur is developed. Besides market for industrial products will be extended if income of the cultivators increases.
- 11. Political Stability:** Industrial development is accelerated if political stability, peace and discipline' exist in the country. So in order to have continued production and growth of industries law and order situation should be maintained and political stability is needed. Along with this labor unrest should also be removed.
- 12. Establishing Heavy Industries:** Heavy industries producing equipment machineries, chemical products etc. are essential for the speed industrialization of Bangladesh. So, various types of heavy industries should be installed.
- 13. Formulation of Proper Tax Policy:** The existing tax policies of the country exert sufficient influence on industrialization. In the interest of industrialization of our country appropriate tax policy should be formulated in order to encourage private initiatives. Moreover, it is necessary to see that the tax policy can help the creation of investable funds.
- 14. Creation of Market for Industrial Goods Abroad:** For industrialization the market for the industrial goods should be expanded. To this end appropriate steps should be taken for creation of demand for our industrial products in foreign markets. If market in abroad for the industrial products are expanded. New industrial units will grow up in the country.
- 15. Research in Industrial Concern:** For accelerating the process of development of industries, research relating to industry should be encouraged. If there are research facilities in the areas of ago-based and export-oriented industrial ventures, reduction of the loss in industries development of the quality of production etc., the expansion of industries in the country will be enhanced.

On the whole, it can be said that necessary resources and environment for development of industries exist in Bangladesh. But proper planning and an effective industrial policy are needed in this respect.

4.9. Structure of industries in Bangladesh

Three types of industries exist in Bangladesh viz: i) Large scale industries. ii) Small scale industries and iii) Cottage industries.

- 1. Large-scale Industries:** Industries which produce large quantity of a product by investing large amount of capital and raw materials are called large-scale industries. Modern technology and huge capital are used in large scale industries. In manufacturing, large industry will be deemed to comprise enterprises with either the value (replacement cost) of fixed assets excluding land and building in excess of Tk. 300 million or with more than 250 workers. For services, 'large industry' will correspond to enterprises with either the value (replacement cost) of fixed assets excluding land and building in excess of Tk. 150 million or with more than 100 workers. Jute industry, textile industry, sugar industry, paper mills, fertilizer factory, cement industry, iron and steel industry are examples of large-scale industries in Bangladesh.
- 2. Small-scale Industries:** Industries which invest smaller amount of capital compared to large industries and engage larger number of labor compared to its capital are called small scale industries. In manufacturing, small industry will be deemed to comprise enterprises with either the value (replacement cost) of fixed assets excluding land and building between Tk. 5 million and Tk. 100 million, or with between 25 and 99 workers. For services, 'small industry' will correspond to enterprises with either the value (replacement cost) of fixed assets excluding land and building between Tk. half a million and Tk. 10 million, or with between 10 and 25 workers. If on one criterion, a firm fall into the 'small' category, while it falls into 'medium' category based on the other criterion, the firm will be deemed as in the 'medium' category. Production of small scale industries is comparatively small. Plastic and nylon industries, soap. Cosmetics, leather. Glass, matches, ceramics and aluminum are examples of small-scale industries in Bangladesh. These industries fulfill a larger portion of demand of our people for consumer goods.

3. Cottage Industries: In Bangladesh the industries which are generally conducted in a family environment with few labors, less amount of capital and easily available raw materials are called cottage industries. The small amount of capital and labor required in such. Industries are in almost all cases, supplied by the members of the family. The use of electricity is almost non-existent and the technique of production is old in such industries. The cottage industries of Bangladesh earned good reputation in the past. The notable cottage industries of Bangladesh are handmade textiles, pottery, bamboo and cane factory, biri factory, copper and brass industry, shell etc.

4.10. Importance of small and cottage industries of Bangladesh

In Bangladesh cultivable land is limited and large-scale industries are undeveloped. Therefore to increase production and employment in the country the importance of small and cottage industries is very high. In Japan the small and cottage industries contributed highly in the industrial development of the country. The importance of small and cottage industries in Bangladesh is discussed below.

- 1. Solution of Unemployment Problem:** At present about one-third of the labor force in Bangladesh is unemployed. If small and cottage industries are developed there will be scope for permanent employment of the educated and semi-educated persons. This will also create scope for subsidiary employment and increased income for the cultivators.
- 2. Employment for Women:** About half of the population in Bangladesh is women. This large number of women should be involved in the economic activities of the country. If cottage industries are developed scope of employment for women will increase and income of the family will rise.
- 3. Reduction of Pressure of Population in Agriculture:** Employment should be increased through development of small and cottage industries. The pressure of increased population on agriculture will then be transferred to these industries.
- 4. Use of Indigenous Raw Materials:** Varieties of raw materials like jute, tea, leather bamboo cane, wood etc. are available in Bangladesh. The production and income of the country will increase through use of these raw materials in the small and cottage industries.
- 5. Growth of Rural Economy:** For the socio-economic development of the rural areas a larger number of small and cottage industries should be established. The income of the rural people and their standard of living will thus be enhanced.
- 6. Solution of the Problem of Capital:** The per capita income and saving are less in Bangladesh. As a result there is scarcity of capital in large scale industries of the country. Therefore, it is easier to develop less capital-intensive industries like cottage industries.
- 7. Saving Foreign Exchange:** In case of small and cottage industries it is not required to import heavy machinery and raw materials from abroad. Foreign exchange saved can be utilized in other development work.
- 8. Supplementary to Large-scale Industries:** The goods which cannot be produced in large-scale industries are produced in cottage industries. Therefore cottage industries are supplementary to large-scale industries.
- 9. Balanced Economic Development:** In Bangladesh the development activities are centered mainly in urban areas as the large-scale industries are established there. The small and cottage industries should be expanded in the rural areas for a balanced economic development in the country.
- 10. Balanced Distribution of Resources:** The low-income group can take part in the establishment of industries if small-and cottage industries are developed. As a result income of the poor will increase and the resource of the society will be distributed more equitably.
- 11. Preservation of National Tradition and Industrial Skill:** The people of Bangladesh possess an old famous tradition of culture and skill of industrial art. Our national tradition and skill of industrial art can be preserved through development of age-old cottage industries of the country.

So under the back-drop of present socio-economic condition the- importance of small and cottage industry in Bangladesh is very high. But in the interest of overall industrialization of the country the development of large-scale industries should continue.

4.11. Problems of cottage industries

The importance of cottage industry in the economy of Bangladesh is very significant. But this industry faces a host of difficulties on the way to its development. Expansion of cottage industry in Bangladesh has taken place only in rural areas. Therefore, a wide range of communication gap prevails between the rural skilled workmen and urban traders. Due to this communication gap, the rural workmen / artisans are not getting necessary cooperation and assistance and as such they are facing a number of problems, which can be listed below:

1. **Lack of capital:** Capital is the pre-requisite for development. It has no alternative for any kind of development. The poor villagers cannot save money and therefore, the rate of their investment is also very low. For production of goods or commodities they cannot even afford necessary raw materials. In this situation, they have to lend money from the village money lenders and subsequently they are compelled to sell their products at a low price for repayments of their loan.
2. **Competition with heavy industries:** In the recent past, the people of Bangladesh could not even think of using their bare necessities of life other than cottage products. But now the taste of the customers has changed. They became interested to purchase industrial products since these are easily available at cheap rate. In this state of affairs, large and cottage industries are in competition with each other. As a result, many cottage industries are now about to be abolished.
3. **Defects in the production technique:** The quality and standards of the production of cottage industries, attractive designs etc. are very often neglected. The general craftsmen are not getting the scope of education and training provided by the cottage industries research institute. In most cases, the quality and size of the product are not changed and for these reason demand for these products has declined in the market.
4. **Shortage of raw materials:** Production is also hampers for shortage of raw materials. Some businessmen and traders hoard raw materials for more profit and as a result, artificial crisis of raw materials is created in the market. This arise the price of raw materials and the poor workmen stop production.
5. **Want of electricity:** Electricity is indispensable for production. It is essentially necessary for increasing production rapidly. Since it has not yet been possible to electrify all the rural areas, targeted development of cottage industry has not yet been achieved.
6. **Unskilled laborers:** Most of the laborers engaged in cottage industries In Bangladesh are illiterate and unskilled. Although they posses some expertise in producing a particular commodity, they are unable to satisfy the customers tastes and preferences. Demand for their products, therefore, is day by day decreasing and under, this unbalance state of demand for and supply of commodities, medium scale industries have appeared in competition with cottage ones.
7. **Difficulties in marketing:** Problems of marketing is another hindrance on the way to develop cottage industries. The producers cannot hold their products for a long time for earning profit, rather they have to sell their products at a lower price to the mahajans to release invested money.
8. **Absence of proper means of transport and communication:** Developed means of transport and communication is the essential pre-requisites for transportation of commodities to the customers from one place to another. But these two facilities are not adequate here. For this reason, the producers have to sell their products in the local market.
9. **Limited market:** Sometimes the workmen manufacture beautiful products but it is difficult to locally sell these products due to lack of suitable customer. It is therefore, necessary to transport the same to city markets for selling to the appropriate customers. But the rural poor producers since fail to sell their products immediately after production are compelled to sell these to the village middlemen and mahajans thereby surrendering lion's part of their profit.
10. **Lack of patronization:** Worthy and adequate patrons are necessary for development of cottage industry and we are lacking the same. Therefore, qualitative improvement in some of the products is not ensured. As a result, cottage industries are gradually losing its value.
11. **Lack of government assistance:** The craftsmen are not getting necessary assistance for their development of their industry from the government as needed. The poor artisans of the rural areas are deprived of credit facilities.

4.12. Measures for solution of cottage industries of Bangladesh

Industries of this country of age –old tradition can be protected by adopting by following measures:

1. **Wide power connection:** power has no alternative e for raising productivity .Economic use of power has an intimate connection development. Limited scope of utilization of power is one of many reasons for remaining Bangladesh economy as undeveloped. Small and cottage industries of this country are mainly established in rural and suburb areas. Besides, some commodities can be produced exclusively at home. Electricity/power is required in both cases. The program of rural electrification is, therefore, essential to be implemented rapidly.
2. **Structural change of products:** Revolutionary change has taken place in the tastes and preferences of the people with the progress of science and it's a continuous process. It is thus desirable to change and dynamic cottage industry commensurate to the customer's taste. This will help continue demand for cottage industrial products.
3. **Supply of capital:** Capital is indispensable for development. The investors of small and cottage industrial enterprises. Should be provided with adequate credit facilities. This will help them improve the quality and standard of their respective products thereby achieving production target.
4. **Supply of raw materials:** For modern and attractive products some equipment are necessary. This type of equipment should be made easily available as needed by the artisans. Availability of raw materials also needs be ensured. Administrative machinery of the government should keep vigil eye so that rich village mahajans cannot hoard this equipment.
5. **Policy for protection:** Protectionism is essential for raising productivity as well as industrial development for a developing country like ours. Not only the products of domestic heavy industries but also the commodities imported from abroad are the main competitors of our small and cottage industries. Therefore, the government should impose heavy import duty, restrict import and discourage the sale of foreign product in the local market for development of local industries .The local industries will thus be saved from heavy competition of foreign products and will march to the road of development.
6. **Development means of communication:** Development means of communication should prevail rural and urban areas to maintain the tempo of development. This facilitates rapid transportation of commodities .Developed system of communication also will ensure steady supply of products in the market as well help maintain balance between buyers and sellers. The investors of cottage and small industries of the country with the expectation of more profit will be in position to invest more and this will result in bringing fair price of their respective products and combat inflation.
7. **Education and training:** Imparting training to the village craftsmen for development of cottage industry is essential. It is necessary to increase expertise of the willing craftsmen through training by establishing training centre at different places. Unemployed youth of the country by investing small amount of money can make themselves self-reliant through this measure.
8. **Creation of new market:** For development of cottage industry, wide market needs be created. It is necessary to enter the international market with surplus products after meeting domestic's requirement. Qualities of many products of Bangladesh have already attracted the foreign buyers. The general artisans with the hope of selling their commodities in the international market will raise production.
9. **Formation co-operative society:** Co-operative society is necessary for development of cottage industries. This society should be farmed with the objective so that the producers are not deceived by the owners and mahajans. Collective co-operative of the general craftsmen should be formed to ensure faire price of the commodities, create co-operative market, procure raw materials etc.
10. **Publicity:** Wide publicity is required for popularization of cottage industrial products of the country .Customers have to be attracted through demonstration /exhibition of samples of these products indifferent trade fairs at home abroad. In addition, publicity/ advertisement should be a continuous process in the government media.
11. **Reduction of competition of large scale industries:** If the demand for a particular product can be met by cottage industries, large scale industries should not be allowed to produce that commodity. If any for any reason, large scale industry is established; product of this industry should be pursued for

marketing in the international market. This will save the small and cottage industries from undesirable competition.

4.13. Supportive Measures for Small and Cottage Industries

Small and cottage industries have a captive domestic market which caters to low income groups. Employment generation capacities of these industries are also quite substantial. In many developing countries these industries are also important export-earners. However, supports to these industries have tended to be neglected in the earlier industrial policies. The impact of previous industrial policies to control private investment fell unevenly on small and cottage industries. This was because of the relative inability of the small and cottage industries, compared to their large-scale counterparts, to cope with the regulations. Often small scale industries suffer from long and cumbersome project evaluation procedures and stringent collateral requirements based on ownership of fixed assets. Consequently, the policy regime was often biased against small and cottage industries. Because of their structural weaknesses, these industries require an active policy support for their development beyond the mere removal of policy biases.

Action 1: Devise proper and unified method of classification. Various agencies of the government should use a consistent set of definitions with respect to classification of enterprises by size. However, this is not the case at present. The 1999 Industrial Policy defined small and cottage industry using both the criteria of employment and fixed assets. This is at variance with the definition used by the BBS. Similarly, the National Board of Revenue (NBR) uses a different definition of "Cottage" enterprise for exemption from Value Added Tax (VAT) and Turnover Tax, which is based on a cut off limit of fixed capital and annual turnover. A uniform set of definitions should be designed for use by all pertinent agencies to ensure consistency in this regard.

Action 2: Ensure Flow of public expenditure. There is need for substantial increase in public investment in the sector particularly in the area of training, extension, research, market promotion etc.

Action 3: Stimulate private investment. One of the critical elements of industrial promotional policy should be to guide investment into the small and cottage sector. For this purpose, there is need for adequate pre-investment counselling. The existing facilities provided in this respect by relevant agencies such as the Bangladesh Small and Cottage Industries Corporation (BSCIC) should be substantially improved through adequate logistic support.

Action 4: Rationalise tax structure. In terms of indirect taxes, there is virtually no distinction between small and cottage industries and their large-scale counterparts. Similarly, there is hardly any difference in the treatment of small and cottage industries on the one hand, and large scale manufacturing industries on the other, either with respect to duty on capital machinery or direct taxes. Bangladesh's fiscal policy needs to be particularly tailored to provide support to small and cottage industries by raising the ceiling of exemption limits as regards taxation, and by lowering the VAT rates.

Action 5: Provide marketing assistance. A diversified base of export oriented small and cottage industries is an important source of foreign exchange in many developing countries. To stimulate foreign exchange earning capacities of small and cottage industries, ensure that they have adequate representation in trade fairs and support market promotion of their products abroad. Set targets for Bangladeshi Missions abroad in terms of exports of cottage industry based products.

Action 6: Stimulate sub-contracting activities. Sub-contracting activities have played an important role in the industrialisation of many countries. Support for ancillary activities and producers of spares and machineries need to be ensured in light of GOB's sub-contracting policy, including through procurement and purchase policy of the government.

Action 7: Design a credit guarantee scheme for small scale entrepreneurs who do not have the necessary collateral.

4.14. Economic Growth and Economic Development

Economic Growth: Economic growth means increase in per capita income of the country at constant prices. According to Schumpeter "growth is gradual and steady change in the long run which comes about a gradual increase in rate of savings and population". Economic growth is an expansion of system of one or more dimensions without a change in its structure. Economic growth means quantitative change in commodities

produce results in increase per capita income. Through the economic growth in long run, economic development becomes possible. Economic growth is a narrower concept as it emphasizes only on per capita income or national income.

Economic development: Economic development refers to problems of underdeveloped countries, problem of under develop countries concern with development of unused resources. Schumpeter defined development as a discontinuous and spontaneous change in the stationary state which forever alters and displaces the equilibrium state previously existing. The economic development implies both more output and change in the technical and institutional arrangement by which it is produced and distributed. Development related to qualitative changes in the economy. It is an innovative process leading to the structural transformation of social system. Economic development is the upward movement of the entire social system (i.e. economic development is a broader concept)

So the difference between economic growth and economic development can be stated as follows:

- All economic development is economic growth, but all economic growth is not economic development.
- Economic growth is a narrower concept as it emphasizes only on per capita income or national income.
- Economic development is a broader concept as it considers national income along with standard of living, education level, and death rate at birth etc.
- Development related to qualitative changes as well as the quantitative change.
- Economic growth means quantitative change in commodities produce results in increase per capita income.

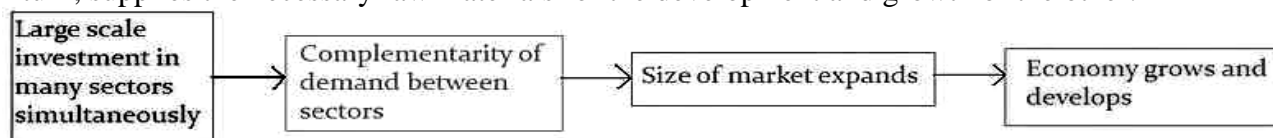
4.15. Methods or Process of Economic Development

Several author who interpret economic development in their own way. Most of the economists argue that economic development carried on two ways-

1. Balanced Growth
2. Unbalanced Growth

1. Balanced growth: The balanced growth theory is an economic theory pioneered by the economist Ragnar Nurkse (1907–1959). The theory hypothesizes that the government of any underdeveloped country needs to make large investments in a number of industries simultaneously. This will enlarge the market size, increase productivity, and provide an incentive for the private sector to invest.

Nurkse was in favor of attaining balanced growth in both the industrial and agricultural sectors of the economy. He recognized that the expansion and inter-sectoral balance between agriculture and manufacturing is necessary so that each of these sectors provides a market for the products of the other and in turn, supplies the necessary raw materials for the development and growth of the other.



The process of economic development as per Ragnar Nurkse's Balanced Growth Theory

Balanced growth implies that investment takes place simultaneously in all sectors or industries at once; it means that balanced development of manufacturing industries and agriculture. Balanced growth therefore requires balance between different consumer industries and capital goods industry. It also implies balance between the domestic and export sector. In fine the theory of balanced growth states that there should be simultaneous and harmonious development of different sectors of the economy so that all sectors grow in unison.

The doctrine of balanced growth requires a balanced between different sectors of the economy during the process of economic growth. There should be proper balanced between investment in agriculture and industry. Agriculture and industry are complementary. An increase in industrial output requires an expansion of agricultural output. Supplies of raw materials should also rise with the expansion of the

industrial sector. It is imperative that the agricultural sector must also develop along with the industrial sector otherwise the inflation will set in.

A balance is also required between the domestic sector and the foreign sector. Export revenue is an important source for financing development; imports rise as a production and employment expand; and domestic trade itself requires increasing imports of necessary raw materials and equipment. To pay these rising imports, and to allow exports to finance development as possible, the country cannot expand its domestic trade at the expense of its foreign trade.

Criticism of balanced growth:

- a. **Rise in cost:** simultaneous establishment of a number of industries is likely to raise money and real cost of production and so make then economically unprofitable to operate in the absence of sufficient capital equipment, skills, cheap power, finance and other necessary raw materials.
- b. **Fails as a theory of development:** development implies the process of change of one type of economy into other more advanced type.
- c. **Beyond the capabilities of underdeveloped country:** officials of underdeveloped countries lament that the necessary skills and other resources are lacking in the economy.
- d. **Does not consider planning:** Balanced growth is primarily related to private enterprise economy where the need for planning does not arise. In fact simultaneous development in all sectors requires planning, direction and co-ordination by government.
- e. **Concept of balanced growth applicable to developed countries:** According to Keynesian theory, stimulus multiple developments during the upswing of the trade cycle can lead to a balanced recovery of economic activities for the industries, machines, managers, and workers, as well as consumption habits, are all there, only waiting to resume their temporary suspended function and role. But under developed economy this is not so whether the state lends a helping hand or not. Because in such economics there no temporary suspension of economy activity. Economic activity is static. Capital, skills, factor supplies and economic infrastructure are woefully lacking. It is therefore; wrong to apply a theory applicable to a developed economy on an underdeveloped economy.

2. **Unbalanced Growth:** Theory of unbalanced growth is the opposite of the doctrine of balanced growth. According to this concept, investment should be made in selected sectors rather than simultaneous in all sectors of the economy. No underdeveloped country possesses capital and other resources in such quantities as to invest simultaneously in all sectors. Therefore, investment should be made in a few selected sectors or industries for their rapid development, and the economies accruing from them utilized for the development of other sectors. Thus the economy moves from the path of unbalanced growth to balanced growth.

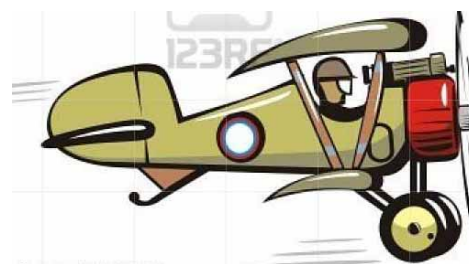
Contrary to the theory of balanced growth, in Hirschman's opinion, the real bottleneck is not the shortage of capital, but lack of entrepreneurial abilities. Potential entrepreneurs are hindered in their decision-making by institutional factors: either group considerations play a -great role and hinder the potential entrepreneur, or entrepreneurs aim at personal gains at the cost of others and are thus equally detrimental to development. In view of the lack of entrepreneurial abilities there is a need for a mechanism of incentive and pressure which will automatically result in the required decisions. According to Hirschman, not a balanced growth should be aimed at, but rather existing imbalances— whose symptoms are profit and losses—must be maintained. Investments should not be spread evenly but concentrated in such projects in which they cause additional investments because of their backward and forward linkages without being too demanding on entrepreneurial abilities. Manufacturing industries and import substitutions are relevant examples. These first investments initiate further investments which are made by less qualified entrepreneurs. Thus, the strategy overcomes the bottleneck of entrepreneurial ability. The theory gives no hints as to how the attitude of entrepreneurs and their institutional influence will be changed in time.

4.16. Need for Big-Push

The theory of “big push” is associated with the name of Professor Paul N. Rosenstein-Rodan. The thesis is that a “big push” or a large comprehensive program is needed in the form of a high minimum amount of investment to overcome the obstacles to development in an underdeveloped economy and to launch it on the

path to progress.

There is minimum level of resources that must be devoted to.....a development program if it is to have any chance of success. Lurching a country into self-sustaining growth is a little like an airplane off the ground. There is a critical ground speed which must be passed before the craft can become airborne. This theory states that “bit by bit” will not lunched the economy successful on the development path: rather a minimum amount of investment is necessary condition for this.



The application of ‘big push’ theory on the economy of Bangladesh:

We can apply the big push theory in the economy of Bangladesh (i.e. a big push is needed to upward the economy of Bangladesh which is known as the take off stage in the sense of airplane). Bangladesh is an agrarian country and the backwardness in the industrial sector can be overcome through developing the agricultural sector and there should be the proper resource mobilization within the economy, that is, we need not to depend on the economy of other countries. With the surplus of the agricultural sector, the cottage and small industries will be developed and Bangladesh can export these types of garments to the overseas. So the foreign countries have no scope to play with the political parties of Bangladesh, which are found in different times after the liberation of Bangladesh. the government should emphasize on building the techno based university and it will create a huge amount of manpower that can be exported in different manpower demanding countries Not only for Bangladesh but also it should be the scenario of all underdeveloped and developing countries of the world, which are encountered by a huge population relative to their land and other economic resources. We have to customize the theory of big push for the upward movement of the economy of Bangladesh. The economy should not be instructed bit-by-bit rather the government simultaneously should emphasize every sector of the economy, that is, all sectors should be taken under consideration at the same time. We should emphasize on the following things:

1. The government should stop the unproductive costs.
2. The government should give a look on controlling its population.
3. Giving emphasizes on the productive sector (that is, providing seeds, fertilizer, pesticides etc. to the farmers).
4. With the surplus production from the agriculture sector we can give a look for developing the agro based industry, that is, small and cottage industries will be developed.
5. We can export the small and cottage based garments to overseas.
6. Stopping corruption from the economy.
7. Every capable person of the economy should be encouraged to pay the taxes especially the direct tax or income tax that is listed by the government.
8. The government should develop the train transportation and everyone should be encouraged to use this means of communication.
9. There should be a direct intervention of the government in every sector of the economy.
10. Private sector should be encouraged but they should be controlled directly by the government.
11. The population should be made as human resources who are known as the manpower of the economy by establishing the techno-based university with joint collaboration of foreign collaboration of foreign research institutions.
12. This manpower should be exported to the overseas.

If all the things stated above are maintained properly, we need not to depend directly on foreign aid, loan, grants etc...and happiness will be reflected on each and every faces of 1.6 billion people of Bangladesh.

1.17. Sustainable Economic Development

Sustainable development (SD) is a pattern of resource use that aims to meet human needs while preserving the environment so that these needs can be met not only in the present, but also for generations to come. Brundtland Report defined sustainable economic development as “meets the needs of the present without compromising the ability of future generations to meet their own needs.”

Sustainable development means that development should “keep going”. It emphasizes the creation of sustainable improvements in the quality of life of all people through increases in real per capita income, improvements in education, health and general quality of life and improvements in quality of natural environmental resources. Sustainable development is closely linked to economic development that is everlasting and contributes to the quality of life through improvements in natural environments. Natural environment, in turn, supply utility to individuals, inputs to the economic process and services that support life. Sustainable development aims at maximizing the net benefits of economic development, subject to maintain the stock of all environmental and natural resource assets (physical, human and natural) over time.

The concept of sustainable economic development can be thought of in terms of policies and programmes designed to meet the needs of present generations without compromising the ability of future generations to meet their own needs. Sustainable development involves the simultaneous pursuit of economic prosperity, environmental quality and social equity.

Three aspects of sustainable development: economic, social and environmental.

Economic development: promote economic growth to create wealth for all by fostering sustainable patterns of production and consumption. This implies rational use of natural resources, sound corporate governance and professional ethics.

Environmental responsibility: conserve, improve and develop the environment and natural resources over the long term. Resource conservation involves reducing environmental impacts, managing and recycling waste.

Social progress: uphold social equity and fundamental human rights. For companies, this includes anti-discrimination measures, combating child labor, welfare policies and protecting workers' rights.

To conclude, sustainable development aims at accelerating economic development in order to conserve and enhance the stock of environmental, human, and physical capital without making future generation worse off.



4.18. National Income

The money value of different types of goods and services that are produced in a country as a result of various economic activities of people is generally called national income. National income is the monetary value of all goods and services produced by nationals of a country for participating in productive activities in a period usually a year.

That is total value of rice, pulses machinery building etc. produced in a country during one year period and money value of medical services, teaching profession etc. will give the national income.

Different types of goods and services produced in different times to meet unlimited demand of the society. For this reason national income is not permanent stock, it is rather than a continuous flow, while giving the definition of national income economist P.A. Samuelson says “national income is the money measure of the annual flow of goods and services in an economy”.

4.19. Different Concepts of National Income

National income can be expressed in different ways. For this reason different concepts of national income have emerged. These concepts are expressed bellow.

A. Gross national product (GNP): Total quantity of different quantities of goods and services produced during a particular period of time usually a year in a country by utilizing different factors of production, is called gross national product. While calculating gross national product, only final goods and services are counted excluding intermediate goods and services. Intermediate goods and services are those which are used as raw materials in the production of other goods. Goods and services which are not used as raw materials in other goods and services are called final goods.

For examples flour is an intermediate good and bread is the final good. In this case, while calculating gross national product, only bread will be counted in the calculation. It may be mentioned that the gross national product of a country in a year is generally expressed in terms of money.

Suppose to, $X_1, X_2, X_3, \dots, X_n$ are different commodities and services produced in particular year and their corresponding prices are $P_1, P_2, P_3, \dots, P_n$. If we multiply quantity of different goods and services by it corresponding prices. The sum of total is called gross national product.

$$\text{GNP} = \sum X_i P_i = X_1 P_1 + X_2 P_2 + X_3 P_3 + \dots + X_n P_n$$

GNP does not distinguish between qualitative improvements in the state of the technical arts (e.g., increasing computer processing speeds), and quantitative increases in goods (e.g., number of computers produced), and considers both to be forms of "economic growth"

B. Net National Product (NNP): With the passage of time there is wear and tear of equipment and raw materials that are used in production of gross national product. These are to be compensated in order to maintain the continuity of production capacity intact. Some amount of income is spent for this purpose. This expenditure is called compensatory expenditure or depreciation cost. The net national product is obtained by deducting this depreciation cost from the gross national product. That is $\text{NNP} = \text{GNP} - \text{Depreciation cost}$. The real economic conditions of a country can be known from the net national product. It also expressed in terms of money.

C. Gross Domestic Product (GDP): The total aggregate final goods and services produced with in a country during a particular period of time usually a year is called Gross Domestic Product. While calculating gross domestic product, all sorts of goods and services produced with in a geographical jurisdiction of the country from the internal and foreign investment are counted. But contribution of citizens who staying at abroad are not included in the estimate. The annual total domestic product of the country is generally expressed in monetary value.

GDP is expression of economic capability of any country. Foreigners who establish their business in our country also included in GDP. But citizen of Bangladesh who doing business in abroad and their remittance does not include in GDP.

4.20. GNP vs. GDP

Gross National Product (GNP) is often contrasted with Gross Domestic Product (GDP). While GNP measures the output generated by a country's enterprises - whether physically located domestically or abroad - GDP measures the total output produced within a country's borders - whether produced by that country's own firms or not.

When a country's capital or labor resources are employed outside its borders, or when a foreign firm is operating in its territory, GDP and GNP can produce different measures of total output.

4.21. Market value

In order to count a good or service it is necessary to assign some value to it. The value that the measures of national income and output assign to a good or service is its market value – the price it fetches when bought or sold. The actual usefulness of a product (its use-value) is not measured – assuming the use-value to be any different from its market value.

Three strategies have been used to obtain the market values of all the goods and services produced: the product (or output) method, the expenditure method, and the income method. The product method looks at the economy on an industry-by-industry basis. The total output of the economy is the sum of the outputs of every industry. However, since an output of one industry may be used by another industry and become part of the output of that second industry, to avoid counting the item twice we use not the value output by each industry, but the value-added; that is, the difference between the value of what it puts out and what it takes in. The total value produced by the economy is the sum of the values-added by every industry.

The expenditure method is based on the idea that all products are bought by somebody or some organization. Therefore we sum up the total amount of money people and organizations spend in buying things. This amount must equal the value of everything produced. Usually expenditures by private individuals, expenditures by businesses, and expenditures by government are calculated separately and then summed to give the total expenditure. Also, a correction term must be introduced to account for imports and exports outside the boundary.

The income method works by summing the incomes of all producers within the boundary. Since what they are paid is just the market value of their product, their total income must be the total value of the product. Wages, proprietor's incomes, and corporate profits are the major subdivisions of income

4.22. Measurement of national income

A variety of measures of national income and output are used in economics to estimate total economic activity in a country or region, including gross domestic product (GDP), gross national product (GNP), and net national income (NNI). All are especially concerned with counting the total amount of goods and services produced within some "boundary". The boundary is usually defined by geography or citizenship, and may also restrict the goods and services that are counted. For instance, some measures count only goods and services that are exchanged for money, excluding bartered goods, while other measures may attempt to include bartered goods by imputing monetary values to them.

Arriving at a figure for the total production of goods and services in a large region like a country entails a large amount of data-collection and calculation. The impetus for that major statistical effort was the Great Depression and the rise of Keynesian economics, which prescribed a greater role for the government in managing an economy, and made it necessary for governments to obtain accurate information so that their interventions into the economy could proceed as much as possible from a basis of fact. There are three approaches of measuring national income-

- A. The output approach;
- B. The income approach; and
- C. The expenditure approach.

A. The output approach

The output approach focuses on finding the total output of a nation by directly finding the total value of all goods and services a nation produces.

Because of the complication of the multiple stages in the production of a good or service, only the final value of a good or service is included in total output. This avoids an issue often called 'double counting', wherein the total value of a good is included several times in national output, by counting it repeatedly in several stages of production. In the example of meat production, the value of the good from the farm may be \$10, then \$30 from the butchers, and then \$60 from the supermarket. The value that should be included in final national output should be \$60, not the sum of all those numbers, \$100. The values added at each stage of production over the previous stage are respectively \$10, \$20, and \$30. Their sum gives an alternative way of calculating the value of final output.

Formula:

GDP (gross domestic product) at market price = value of output in an economy in a particular year - intermediate consumption

B. The income approach

The income approach equates the total output of a nation to the total factor income received by residents of the nation. The main types of factor income are:

- Employee compensation (= wages + cost of fringe benefits, including unemployment, health, and retirement benefits);
- Interest received net of interest paid;
- Rental income (mainly for the use of real estate) net of expenses of landlords;
- Royalties paid for the use of intellectual property and extractable natural resources.

All remaining value added generated by firms is called the residual or profit. If a firm has stockholders, they own the residual, some of which they receive as dividends. Profit includes the income of the entrepreneur - the businessman who combines factor inputs to produce a good or service.

Formula:

- NDP at factor cost = Compensation of employees + Net interest + Rental & royalty income + Profit of incorporated and unincorporated firms + Income from self-employment.

C. The expenditure approach

The expenditure approach is basically an output accounting method. It focuses on finding the total output of a nation by finding the total amount of money spent. This is acceptable, because like income, the total value of all goods is equal to the total amount of money spent on goods. The basic formula for domestic output combines all the different areas in which money is spent within the region, and then combining them to find the total output.

$$\text{GDP} = C + I + G + (X - M)$$

Where:

C = household consumption expenditures / personal consumption expenditures

I = gross private domestic investment

G = government consumption and gross investment expenditures

X = gross exports of goods and services

M = gross imports of goods and services

Note: (X - M) is often written as XN, which stands for "net exports"

4.23. Difficulties in Measurement of National Income

There are many difficulties when it comes to measuring national income, these can be broadly classified into: -

- Conceptual Difficulties
- Practical Difficulties

Conceptual Difficulties:

Conceptual Difficulties are related to the concepts of national income: - Inclusion of Services; there has been some debate about whether to include services in the counting of national income, and if it counts as output. Marxian economists are of the belief that services should be excluded from national income, most other economists though are in agreement that services should be included.

- Identifying Intermediate Goods;** the basic concept of national income is to only include final goods, intermediate goods are never included, but in reality it is very hard to draw a clear cut line as to what intermediate goods are. Many goods can be justified as intermediate as well as final goods depending on their use.
- Identifying factor Incomes;** separating factor incomes and non factor incomes is also a huge problem. Factor incomes are those paid in exchange for factor services like wages, rent, interest etc.

Non factor are sale of shares selling old cars property etc, but these are made to look like factor incomes and hence are mistakenly included in national income.

- III. **Services of Housewives and other similar services;** national income includes those goods and services for which payment has been made, but there are scores of jobs, for which money as such is not paid, also there are jobs which people do themselves like maintain the gardens etc, so if they hired someone else to do this for them , then national income would increase, the argument then is why are these acts not accounted for now, but the bigger issue would be how to keep a track of these activities and include the in national income.

Practical Difficulties:

- i. **Unreported Illegal Income;** sometimes, people don't provide all the right information about their incomes to evade taxes so this obviously causes disparities in the counting of national income.
- ii. **Non Monetized Sector;** in many developing nations, there is this issue that goods and services are traded through barter, i.e. without any money. Such goods and services should be included in accounting of national income but the absence of data makes this inclusion very difficult.

4.24. Approaches to Economic Development/M Measurement of Economic Development in Terms of Quality of Life

(1) Economic Development with Socio-Economic Indicators Approach:

To measure economic development with this approach a study was launched by United Nations Research Institute on Social Development (UNRISD) in 1970. This study was concerned with selection of the most appropriate Indicators of Development and an analysis of the relationship between these indicators at different levels of development. Accordingly, a composite "*Social Development Index*" was constructed. Originally, 73 indicators were examined. However, only 16 core indicators (9 social and 7 economic indicators) were selected.

Indicators of Economic Development:

They are as:

- (i) The life expectancy, (ii) Percentage of population in localities of 20,000 and over, (iii) The per capita use of animal protein per day, (iv) The combined enrolment at primary and secondary level, (v) The vocational enrolment ratio, (vi) Average number of persons per room, (vii) News paper circulation per 1000 population (viii) Percentage of economically active population with electricity, gas, water etc., (ix) Agriculture production per male agri. worker, (x) Percentage of adult male labor in agri. (xi) Electricity consumption, KW per capita, (xii) Steel consumption, Kg per capita, (xiii) Energy consumption, Kg of coal equivalent per capita, (xiv) Percentage of GDP derived from manufacturing, (xv) Foreign trade per capita, in 1960 US dollar, (xvi) Percentage of salaried and wage earners to total economically active population.

The above social and economic indicators were selected because there existed a big correlation between them regarding formation of a development index. And so the constructed development index is considered to be more suitable than per capita income approach to measure economic development. On the basis of such "Development Index", the ranking of certain countries differed from ranking made on the basis of GNP per capita. It was also found that the "Development Index" was more highly correlated with GNP per capita for developed countries than for developing countries. The study concluded that social development occurred at a more rapid rate than economic development up to a level of \$500 per capita (at 1960's prices).

(2) Economic Development with Basic Needs Approach or Physical Quality of Life Approach:

To measure economic development the traditional approaches are concerned with, (i) increase in GNP, (ii) increase in per capita GNP. But with the passage of time, dissatisfaction developed against these measures. Rather these measures, it was emphasized to use the measures of "Employment and Distribution".

But so many economists are of the view that a criterion of 'Increase in Employment' is not a suitable index of economic development. It is so because that the unemployment which is found in UDCs is different from that unemployment which exists in DCs. Therefore, it will be least attracting to attack economic development with increase in employment.

In the same way, to link 'Redistribution of Income' with economic development may not be accepted as it may happen that poverty is existing in a country despite equal distribution of income, or unequal income distribution is co-existing with fall in absolute poverty. In such state of affairs the economic development would require the abolition of absolute poverty and adversity, which could be possible only if people get the 'Basic Needs' of life. Therefore, the economists use the criterion of basic needs to measure economic development. According to this approach if people are in a position to avail more amount of food, have better access to educational facilities, and have greater command over the civic amenities like water supply, water sewerage, health care and shelter etc., all such would represent economic development.

Therefore, according to this approach whether GNP and per capita GNP increase or not, whether a fairer distribution of income is made or not, the real matter lies with the 'Provision of Basic Needs or facilities to the people'. This index identifies the components of the produced goods and the segments of the society which are benefited by such goods and services. Therefore, if people fail to get more goods and services even GNP has gone up, it will not represent economic development. Therefore, for the sake of economic development we shall have to make such a measure whereby the availability of basic needs to the masses could be made sure.

Accordingly, to measure economic development we will have to select those measures which are concerned with the basic needs, despite certain differences. As in case of country like Pakistan the supply of doctors is increasing, but a common man fails to get medical facilities as the doctors are reluctant to go to small cities and villages, and majority of the doctors and medical services remain confining to big cities. In such situation, the increase in doctors and medical services will be of least benefit to the common men. Again, if the infant mortality rates are decreased in cities while such may not occur in case of rural areas. Moreover, if in so many countries it is stressed upon to enhance education facilities but the educational system is not made effective, the defects of educational system are not removed and the ratio of students to teachers is not improved, in such situation just expansion in educational facilities cannot be accorded as an indicator of economic development. Thus, in spite of lot of flaws in the indicators of increase in education, health, water supply, level of calories and shelter, this measure of economic development presents a realistic picture of economic development than, GNP, GNP per capita and GNP redistribution methods. These measures represent the determination on the part of govt. regarding supply of social services. Thus, the basic needs approach presents a better explanation to remove poverty than the "Redistribution Theory".

Thus in the basic needs approach, the following aspects are analyzed:

1. How much goods and services are produced?
2. What goods and services are being produced?
3. How goods and services are being produced?
4. What will be the effects of production and distribution on the society?

This shows that in this theory the 'Amount of goods and services' is of crucial importance and the increase in the quantity of goods and services will help in removing poverty. The increase in GNP per capita represents the rise in standard of living. But the criterion of 'Basic Needs' tells us what are the components of GNP and which segments of the society have utilized such components. This approach works like social indicators of economic development. We will have to define some better indicator for each basic need. Basically, the more important needs are concerned with the provision of foods, basic education, health services, water supply, water sewerage, residential facilities and infrastructure.

On the basis of stipulated indicators regarding Basic Needs, we can make comparison between the countries. These indicators or measures will reflect the relative difference between the rich and the poor

countries.

Moreover, with these measures we can find that which countries are serious regarding provision of basic needs, and which are not serious. Thus, according to the proponents of the Basic Needs approach to economic development, following indicators can become helpful to measure economic development:

1. **Health Standard:** Here it is considered; (a) the life expectancy of the citizens of the country, (b) the infant mortality rates (IMR) in the country.
2. **Education Level:** Here it is considered the 'Literacy Rate' in the country. Moreover, what is the enrolment ratio at primary level.
3. **Food Availability:** Here it is considered that what is per capita food availability in the country.
4. **Water Supply:** What is the percentage of the population which is getting the facility of clean water supply.
5. **Water Drainage:** Here it is assessed that what is the percentage of the population which is getting the facility of water drainage etc.
6. **Shelter and Residence:** Here it is estimated that what is the ratio of the population who is having suitable shelter and residences.

4.25. Summary of Questions

1.	a) Why is need for industrialization in Bangladesh?	5
	b) Discuss the characteristics of industries in Bangladesh	5
2.	a) How does industry depend on agriculture?	4
	b) What are the causes of industrial backwardness in Bangladesh? Explain.	6
3.	a) What types of industry exists in Bangladesh?	3
	b) What are the measures for industrial development in Bangladesh? Explain.	7
4.	a) Discuss the significance of small and cottage industries for economic development in Bangladesh.	5
	b) Discuss the supportive measures for small and cottage industries in Bangladesh?	5
5.	a) What are the problems of small and cottage industries in Bangladesh?	4
	b) What are the probable solution of problems of small and cottage industries in Bangladesh/. Explain.	6
6.	a) What is economic growth and economic development?	4
	b) What are the methods or process of economic development? Explain.	6
7.	a) What is Big-push theory?	3
	b) Discuss the applicability of 'big push' theory on the economy of Bangladesh.	7
8.	a) What is sustainable economic development?	5
	b) Discuss the different aspects of sustainable economic development.	5
9.	a) What is national income?	3
	b) Discuss different concepts of national income.	7
10.	a) What are the different approaches of national income measurement? Explain.	7
	b) What are the difficulties in measuring national income? Explain.	3
11.	a) What is economic development with socio-economic indicators approach	4
	b) Discuss the basic needs approach of economic development.	6

Chapter: 05

Economic Planning in Bangladesh

5.1. Economic planning

After introduction of short and long-term economic planning in erstwhile Soviet Union for the first time almost all the countries of the world have identified it as a milestone of economic development for maintaining their perspective economic stability. In fact, it is very difficult to define economic planning. Economists provided different opinions in this regard.

According to Professor H.D. Dickinson, economic planning is- “the making of major economic decisions- what and how much to be produced and to whom it is to be allocated by the conscious decision of a determinate authority, on the basis of comprehensive survey of the economic system as a whole”

Mrs. Barbara Wotton defines economic planning as the conscious and deliberate selection of priorities of economic activities by some public authority.

According to Micael P.Toro “Economic planning may be described as a deliberate governmental attempt to co-ordinate economic decision-making over the long run and to influence, direct and in some cases even control the level of growth of a nation’s principal economic variables (income, consumption, employment, investment, savings, exports, imports, etc.) in order to achieve a predetermined set of development objectives.”

According to above description economic planning comprises three elements-

- Achieving definite targets and objectives with in specified period of time.
- Acquiring wealth and proper utilization of it.
- Determination of appropriate control mechanism in respect of acquiring wealth and proper utilization of it.

In brief, economic planning is the mechanism whereby the available resources of the country are economically exploited to achieve some target in a specific period of time. before formulation of planning by the government, it is necessary to take into account or consideration total population of the country, the educational status, education system, status of agriculture and industry, public health, domestic and foreign trade, volume of different resources, natural environment, transport and communication, inflation and monetary standard, banking system, power generation and distribution system and financial condition of the country.

5.2. Necessities of economic planning in Bangladesh economy

Planning is a barometer for measuring development. An unplanned economy is like a ship moving rudderless on uncharted seas with no fixed destination. It is necessary for selecting priorities among different sectors and also be determine target as to what and how much to much are to be produced. An appropriate planning can solve the country form any economic disaster and thus make the economy stable and dynamic, maintains monetary standard, dominates external trades, rises productivity and boost up export. An unplanned economy is never being regarded as a balanced one. In Bangladesh also economic plan play a significant role in the country’s economic development. Therefore the government, after liberation in 1973, launched the first five year plan for rehabilitation of the war ravaged economy.

Bangladesh need an appropriate plan to maintain the tempo of development and proper utilization of all kind of resources in order to get maximum benefit within a certain period of time. It is also necessary to select priorities, manpower planning, employment generation, poverty alleviation, expansion of trade and commerce, foreign investment through international cooperation and overall economic development of Bangladesh. Need for economic planning in Bangladesh is summarized under the following heads:

1. **Economic development:** Formulation of an appropriate plan and its implementation is necessary for rapid economic development of the country. There is no country in the modern world which goes

without planning. Many countries like South Korea, Singapore, Malaysia, honking, Japan, Sweden, Germany etc. could prepare and implement right planning for their perspective nations. On the other hand third world countries lagged behind in formulating and implementing appropriate planning; they could not achieve desired results. Therefore launching proper planning is essentially required in order to present the nation a notable development.

2. **Proper utilization of resources:** Planning makes for optimum utilization of resources. A planning authority is able to lay down what is essential and what is not essential activity. In Bangladesh gas is being misused by many customers since they need not to pay for extra or additional use. Currently marine resources are not used in a planned way. To stop these misuses it requires massive planning to stop wastage.
3. **Promotes national income:** For increasing national income of Bangladesh, proper planning is of crucial importance. Through implementation of appropriate planning, it is possible to enhance economic growth and national income. Balanced economy can be attained by rising savings, investment and productivity which are ultimately related with income. The recent plans of Bangladesh are formulated keeping in view the realities of economy which help raising per capita income of the people.
4. **Improves standard of living:** Appropriate planning is desirable for up-grading the standard of living of the people. The government of People's Republic of Bangladesh has meantime taken different steps in this regard, of which adoption of market economy is notable. There is nothing in the market mechanism that establishes or maintains competition. Only state action can ensure fair competition. Only by direction rather than by means of persuasion can an economy achieve a desired objective.
5. **Reduces in equality of income:** Equitable distribution of income is never possible in an unplanned economy. The price mechanism rewards people according to the resource they possess, but contain in it no mechanism for equalization of the distribution of those resources. Shocking economic inequalities are a market feature of an unplanned economy. Inequalities result in heart burning and social tensions. They also paralyze some of the ablest members of the society. So reducing inequalities of income requires planned economy.
6. **Raises food production:** Up to 1990, Bangladesh has been considered as a food-deficit country before the world bodies. But now the scenario has changed. As a result of taking up proper policy planning. Bangladesh in the meantime is going to attain self sufficiency in food production.
7. **Establishment of new industries for increasing production:** The lurching of planning is necessary for establishment of new industries, increasing production of present industries under operation, categorizing industries, procurement of raw materials etc. The production of domestic industries should be on the basis of internal requirement as well as the demand for it in abroad.
8. **Expansion of trade:** Foreign trade must be thoroughly planned; its fruits of economic development are not to be thrown away. This aspect of economic development has been paid special attention by the planners everywhere.
9. **Reduction of unemployment:** There is no denying the fact that in the recent times Bangladesh has been facing acute unemployment problem, which cannot be removed without planning. A proper planning is desirable for generating employment opportunities for the youth, encouraging then self reliant, exporting manpower etc.
10. **Preparation of ground for market economy:** After liberation on the basis of socialistic pattern state control economy has been introduced with a view to equitable distribution of resources of the country among the people. But within a short time, many lapses of shortcomings were experienced under this management and subsequently different governments began thinking of free economy and necessary economic policies were formulated and revised. Export Processing Zones (EPZ) were created, incentives are being provided to the entrepreneur for establishing new industries. In order to facilitate market economy, liberal policies have been adopted for proper implementation government policies as well as force to decentralize the nationalized enterprise.

5.3. Types of economic plan

For achieving different economic objectives and targets, requires formulating and executing different types of plans. On the basis of period of plan, economic planning may be classified into three categories-

1. **Short term plan:** Short term economic plan formulate for the purpose of achieving definite economic targets and objectives within one year or less period of time. For example- fixation of GDP growth rate at a particular year to achieve.
2. **Midterm plan:** Midterm economic plan formulate for the purpose of achieving definite economic targets and objectives within five years or more period of time. For example- Padma bridge project.
3. **Long term plan:** Long term economic plan formulate for the purpose of achieving definite economic targets and objectives within 10, 15, 20, 25 years. For example- vision-2021.

5.4. Economic planning in Bangladesh

First Five Years Plan (1973-1978): After independence of Bangladesh, introduction of socialistic economy received priority to the policy makers of the government. To achieve this objective, the first five years plan was prepared in 1973-1974. Heavy industries, banks, insurance companies and left out establishment of non Bengalese were nationalized in order to gradually bring the economy under socialistic economic system. But within short time, the situation like decreased in production in mills and factories, financial irregularities, inflation food deficit, deficit in external trade, lack of skilled man power in different government offices, administrative corruption etc. jeopardized the policies of government. As a result different nationalized mills, factories and financial institutions began to incur losses which gradually increased and sever famine took place in the country in 1975.

As its consequence, political scenario of the country changed too in the same year. In fact with this political change, the policy of decentralization instead of nationalization was adopted in order to get rid of economic depression. Although by this time the size and volume of nationalized mills, factories and financial institutions grew bigger; the government encouraged the private entrepreneur for establishing new industries along with the nationalized enterprises.

The government had to face the following hazards in implementing various programs taken in the First Five Years plan.

- *Firstly*, the expected amount of foreign assistance from the donors could not be received due to unusual inflation and economic meltdown in the developed countries this situation prolonged up to 1978.
- *Secondly*, devastating flood of 1974 caused massive damage of crops in many areas which resulted in famine country wide.
- *Thirdly*, the export-import ratio of Bangladesh gradually deteriorated in the global market specially the import value of oil increased manifold.
- *Fourthly*, the rehabilitation program management of trade and commerce, finance and industry and building a national administrative structure in a newly born war-ravaged country become very complicated and time consuming. All these reasons delayed and made the rehabilitation task of the economy difficult and pushed back the national productivity rate in 1975-1976 to that of 1969-1970.

Two Years Plan (1978-1980): A mid-term plan covering the period of 1978-1980 was taken up for implementation to complete the unfinished task of First Five Years Plan (FFYP), combat inflation, expand education, produce more food, expedite the reconstruction and rehabilitation works for bringing priority with the planning process of other countries. During the plan the aims and objectives of mass education were directed to a different manner. The canal digging program was launched country wide for improving irrigation and sewerage system to grow more crops during dry season and facilitate sewerage of water in the rainy season. With implementation of this program, the country was comparatively saved from the courses of flood in the subsequent years which ultimately helped rise food production. In fact during this midterm two year plan, the country's agricultural production increased, import of foodstuff decreased, supply industrial raw materials and per capita income of people also increased.

At the terminal period of the FFYP although overall management of the economy marked improvement with more stability, objectives of the plan were hindered of too many number of income projects, for this reason, the Second Five Years Plan (SFYP) of the country could not be formulated. In this situation, a two year plan

was formulated to complete the on-going projects as many as possible within available resources. Main objectives of Two Years Plan were-

1. Achieve national income growth at 4.7 % (Per capita income at 2.8 %);
2. Attain more self reliance through procurement of domestic resources for financing development program;
3. Taking initiative for attaining of self-sufficiency in food;
4. Reduce population growth rate;
5. Improve the supply of basic needs of life like food, cloth, drinks etc.;
6. Prevent further deterioration of unemployment situation.

Second Five Years Plan (1980-1985): After immediate completion of the Two Years Plan (TYP), the Second Five Years Plan (SFYP) was announced for the period 1980-1985 with the programs of attaining food self sufficiency through development of agriculture, rising industrial production, establishment of new industries, lunching self reliance program, expansion of foreign trade, earning foreign exchange by exporting man power, population control, extended education program, encouraging technical and vocational education and undertaking other development activities. The SFYP document included a sizable number of incomplete projects of FFYP and TYP. The SFYP was taking up with the following objectives:

1. To raise the standard of living of the people to noticeable level though ensuring adequate supply of basic needs;
2. To attain self sufficiency in food within shortest possible time;
3. To increase opportunities of productive employment so as to fulfill basic needs and possess wealth required for ample income;
4. To eradicate illiteracy through implementation of mass primary education as a means of human resource development;
5. To reduce population growth rate;
6. To encourage people's participation in development activities through decentralization of administration and development of local institutions;
7. To utilize domestic resources and improve balance of payment position for more self reliance.

Third Five Years Plan (1985-1990): The cost estimates of some incomplete components of the SFYP were re-revised and included in the Third Five Years Plan (TFYP) for the period of 1985-1990. In the plan document of TFYP, priority was given to incomplete components of SFYP for completion in lieu of taking up new components. These incomplete components, among others, especially included massive administrative and development process on decentralized basis for their completion. Initiative also taken for encouraging the private sector along with the duties and responsibilities of the government sector in respect of economic development. In the backdrop of internal financial instability, two successive devastating floods, protectionism, frequent fluctuations in the trade conditions, unstable aid commitment combined with external obstacles; the TFYP was formulated for the period of 1985-1990 with the expectation of creating a stable economic environment in the country. Objectives of the TFYP were to;

1. Reduce the population growth rate;
2. Widen the scope of productive employment;
3. Develop technological base for long-term structural change;
4. Achieve self sufficiency in food;
5. Meet the minimum basic needs of the people;
6. Strengthen economic growth; and
7. Expedite self reliance.

Fourth Five Years Plan (1990-1995): Average GDP growth during the Fourth Five Years Plan (FFYP) was targeted as at 5% per annum, out of which 3.6 % in agriculture, 9.1 in industry, 11% in electricity, gas and natural resources, 8.8% in construction, 5.4 % in transport and communication , 5.1 % in trade and others, 3.5 % in housing and 3.1 % in public services. The FFYP mainly aimed at achieving the following objectives:

1. Accelerating economic growth. It is envisaged that the annual growth rate of GDP would be 5% during the plan period;
2. Poverty alleviation and employment generation through human resource development; and
3. Increase self reliance.

Three Years Rolling Investment Programme (1995-1998): The Three Rolling Investment Programme, as a matter of fact, was proposed for implementation from 1990-1991 which the objectives to take up the incomplete development project for completion as spill-over on-going projects, include the project in the Annual Development Programme (ADP) on need felt basis, priority selection of the project, importance of timing, possibility of getting foreign aid act, although implementation period of the Three Year Rolling Plan was calculated from the last leg of the fourth plan, i.e., 2005-2008; actually 1997-1998 fiscal year was treated as base year (1st year) of the Fifth Five Year Plan . Total size of this Three Year Rolling Plan of the government was Tk. 36,697 cores; out of which Tk. 15,283 cores was project aid.

Fifth Five Years Plan (1997-2002): Bangladesh is one of the poorest countries of the world. Average life expectancy here is 59 years. The mortality rate of children under five is still the highest of all countries of the world. About 60% children are suffering from malnutrition. Public health is not in satisfactory level. Literacy rate could also not be raised to a satisfactory level. More than 50% of total population cannot participate in the development activities. The last leg of the 21st century is regarded as a milestone for the world because some remarkable events ended and such a new visit of economic dimension has been opened that has created opportunities of mutual economic relationship among all the countries including poor ones for the current Millennium. Among others, the notable events are fall of the communist countries, end of cold war, flexibility of the east-west war, establishment of World Trade Organization etc. Bangladesh already been inducted as a member of World Trade Organization. In addition Bangladesh has established diplomatic relations with different new organizations, countries, blocks etc. in order to increase and popularize her identity in the world.

The Fifth Five Years Plan was formulated keeping in mind a set of dimensions like creation of productive employment opportunities and poverty alleviation, self reliance in food, development of human resources, development of infrastructures, control of population growth, initiative for bringing social peace and happiness, strengthening foundation of appropriate technology based knowledge, maintenance of productive environment, reduce gender gap and establishment of improved social justice instance etc. aims and objectives of the plan were as follows:

1. To alleviate poverty (7.3% per annum) through bringing economic dynamism;
2. To generate ample scope for employment by utilizing labor intensive and new capital oriented technology;
3. To achieve food production beyond the self-sufficiency level in the shortest possible time and of higher production of diversified high value export goods;
4. To take initiative for production of high valued export commodities and its implementation;
5. To develop necessary infrastructure, utilize other services needed to promote growth, particularly in private sector, with special attention to generation of power, exploration of natural gas, coal and other mineral resources and to development of rural infrastructure including market outlets, for marketing rural products within and outside the locality;
6. To develop human resources with emphasis on compulsory primary education and vocational training and foundation laying of knowledge based society;
7. To keep population growth rate within 1.20% by the end of the plan period and also to ensure good health and nutrition for the babies and mothers;
8. To strengthen country's scientific and technological based with the emphasis on research and development of new generation technologies, including the areas such as electronics and generating technology;
9. To promote natural resources for sustainable development through maintaining productive environment;
10. To reduce the gender gap giving priority to women's education, training and employment and special

support for the girl child;

11. To establish social justice through equitable distribution of income and resources and opportunities and creation of effective safety nets for the society and economically disadvantaged of the population and by strengthening law and order and the rule of law.

Strategies of Fifth Five Years Plan: The most striking feature of the Fifth Five Year Plan was the effort for establishing social justice by integrating the development targets both at international and social levels so that the standard of living of rural populace could be improved and their rights to produce and possess resources could be ensured sustainable. Keeping these objectives in mind, the government formulated the following strategies:

1. Poverty alleviation and rural development;
2. Accelerated agricultural production;
3. Local level institutions for participatory rural development;
4. Population control and its optimization;
5. Human resource development;
6. Education for development;
7. Private sector dominant player;
8. Export-led industrialization;
9. Employment and income generation;
10. Micro credit
11. Good governance; and
12. Resource mobilization.

Different Plans at a Glance

S. N	Plan period	Plan size (Tk. Core)	Actual expenditure	Targets	Achievement
1	First Five Years Plan (1973-1978)	4455	2074	5.5%	4.0%
2	Two Years Plan (1978-1980)	3860	3359	5.6%	3.5%
3	Second Five Years Plan (1980-1985)	17200	15297	5.4%	5.8%
4	Third Five Years Plan (1985-1990)	38600	-	5.4%	5.8%
5	Fourth Five Years Plan (1990-1995)	68930	62000	5.0%	4.15%
6	Three Years Rolling Investment Programme (1995-1996)	10447	10016	5.5%	5.3%
7	Three Years Rolling Investment Programme (1996-1997)	12500	-	5.0%	5.9%
8	Fifth Five Years Plan (1997-2002)	19595.20	13736.39	7.0%	5.21%

Vision-2021

Over the past 40 years since independence, Bangladesh has increased its real per capita income by more than 130 percent, cut poverty rate by sixty percent, and is well set to achieve most of the millennium development goals. Some of the underlying specific achievements include, reducing total fertility rate from 7.0 to 2.7; increasing life expectancy from 46.2 years to 66.6 ; increasing the rate of economic growth from an average rate of 4% in the 1970s to 6% in the 2000s; increasing the savings and investment rates from below 10 percent each in the 1970s to 24 percent (investment rate) and 30 percent (savings rate) in FY10; achieving gender parity in primary and secondary education; and more than tripling of the production of rice (from 10 million tonnes in FY73 to 32 million tonnes in FY10) thereby achieving near self-sufficiency in normal production years. The economy today is lot more flexible and resilient, as indicated by the ability to withstand the global financial crisis with minimum adverse effects. Bangladesh also is now much more capable of handling natural disasters with minimum loss of life. Bangladesh achieved this remarkable progress with development despite numerous internal and external constraints.

Notwithstanding this past progress, the Government recognizes that Bangladesh is still a low-income country with substantial poverty, inequality and deprivation. An estimated 47 million people are living below the poverty line with a significant proportion living in households which are female headed, in remote areas, and consisting of socially excluded and other vulnerable people. Most of the labor force is engaged in informal low productivity and low-income jobs. The access to secondary and tertiary education is limited and the quality of education at all levels is deficient. The poor group of the population is severely disadvantaged in terms of ownership of assets and has inadequate access to institutional finance as well as to basic services including quality education, healthcare, water and sanitation. These people, and among them especially women and children, are also disproportionately affected by natural disasters and the adverse effects of climate change. Despite expansion, publicly supported mitigating measures in the form of social protection programs are still inadequate.

In recognition of the long -term development challenges, the Government under the leadership of Prime Minister Sheikh Hasina adopted the Vision 2021. The Vision 2021 and the associated Perspective Plan 2010-2021 have set solid development targets for Bangladesh by the end of 2021. Those targets if achieved will transform socio-economic environment of Bangladesh from a low income economy to the first stages of a middle income economy. Along with higher per capita income, Vision 2021 lays down a development scenario where citizens will have a higher standard of living, will be better educated, will face better social justice, will have a more equitable socio-economic environment, and the sustainability of development will be ensured through better protection from climate change and natural disasters. The associated political environment will be based on democratic principles with emphasis on human rights, freedom of expression, rule of law, equality of citizens irrespective of race, religion and creed, and equality of opportunities. The Bangladesh economy will be managed within the framework of a market economy with appropriate government interventions to correct market distortions, to ensure equality of opportunities, and to ensure equity and social justice for all.

The government is committed to building a country whose citizens are able to live prosperous and happy lives. The year 2021 will mark the golden jubilee of Bangladesh's independence, while the year 2020 will be the hundredth anniversary of the birth of the father of the nation, Bangabandhu Sheikh Mujibur Rahman.

We envision a democratic system where people choose their government freely and get services from it without hassle, enjoy freedom from fear and intolerance, live with dignity; where every citizen is assured of social justice, environmental protection, human rights and equal opportunities; and where the rule of law and good governance flourish. We envision a liberal, progressive and democratic welfare State. Simultaneously we envision a Bangladesh which by 2020/2021, will be a middle income country where poverty will be drastically reduced where, our citizens will be able to meet every basic need and where development will be on fast track, with ever-increasing rates of inclusive growth.

The vision for Bangladesh in 2021 is composed of eight goals:

Goal One	To be a true democracy
Goal Two	To have a publicly accountable and transparent government
Goal Three	To be a middle-income country
Goal Four	To be a more equitable society
Goal Five	To have skilled, creative and healthy people
Goal Six	To offer necessary infrastructure to be a regional hub
Goal Seven	To be environmentally sustainable
Goal Eight	To be effectively integrated in the regional and the global economy

Bangladesh as we want to see it in 2021

1. Democracy and effective parliament:

Democracy and strong democratic institutions will be established for holding reliable election at regular intervals, accountability of government and effective Parliament. All necessary steps will be

taken for making Parliament effective.

2. Political framework, decentralization of power & people's participation:

Local government will be given due importance with a view to effecting radical change of the political system. The local government institutions will play a critical role in development programmes. Self-reliant local self-government institutions will be established at upazila and zila levels to ensure representative, responsive and functional governance at the grassroots levels.

3. Good governance through establishing rule of law and avoiding political partisanship:

Human rights will be established on a strong footing with a view to ensuring the rule of law. Independence of the judiciary will be ensured and the institutions of the state and administration will be freed from partisan influence. The basis of appointments and promotions will be merit, efficiency, seniority, honesty and loyalty to the Republic; political connections will have no relevance.

4. Transformation of political culture:

Terrorism, corruption and use of religion for politics will be eliminated. Steps appropriate to the time will be taken to establish democratic principles in the political parties, transparency of political funding, civility and tolerance.

5. A society free from corruption:

The institutions of the State will be made more effective along with an independent and strong Anti-corruption Commission for curbing corruption. Social resistance to corruption will be promoted alongside legal steps. All possible steps will be taken to stop corruption, such as charter of citizens' rights, right to information, computerization of official documents, and decentralization of power. Adequate checks at every level of public spending would be built into the financial management system of the government.

6. Empowerment and equal rights for women:

The Women's Policy of 1997 will be revived for ensuring equal right and access for women to the state and social space; laws which discriminate against women will be amended and 100 seats will be reserved for women for direct election.

7. Economic development & initiative:

- a) **Meeting basic needs:** With a view to providing food, clothing, shelter, education and health care to the citizens in accordance with Article 15 of the Constitution, gross domestic product will be raised to 8% by 2013 and 10% by 2021 which will be sustained thereafter.
- b) **Population and labor force:** Population in 2021 is estimated at 165m, and labour force at 105m. Programmes will be taken up for employment of at least 85% of the work force.
- c) **Alleviation of poverty:** We aim not at reduction of poverty, but removal of poverty, through which we shall try to achieve the Millennium Goals declared by UN by 2015, and by 2017 latest. Beginning in 2021, poverty will be reduced to 15% from 45% now, progressively. Number of poor people will rise from 45 million now to 65m in 2021, and then fall to 25m in 2021. Sustainable safety nets will be established for the extreme poor until poverty is removed.
- d) **Food & nutrition:** Food deficiency will be removed and self-reliance in food production achieved by 2012, which will enable us to meet the nutrition needs of 85% of the population.
- e) **Health care:** By 2021, a minimum daily intake of 2,122 kilo calories of food, elimination of contagious disease, primary health care and sanitation for all will be ensured. Average longevity will be increased to seventy years, and efforts will be made for the reduction of child and maternal mortality.
- f) **Education:** Enrolment at the primary level will be increased to 100% net by 2010. Elimination of illiteracy by 2014, improvement in the quality of education, creation of a generation educated in science and technology, graduation degree level education made free by 2013 and ensuring higher salary for teachers are the other educational goals.
- g) **Industry:** A strong foundation for industrialization will be established by 2021. Contribution of the industrial sector to national GDP will be doubled. Primacy will be given to agro and labor intensive industries and the highest emphasis will be given to the information technology sector. The investment policy will be geared to implementing a strategy for attracting both domestic and foreign investment.

- h) **Energy security:** An energy policy will be adopted tapping all sources of traditional and non-traditional energy to ensure an accelerated rate of economic development and industrialization. A three year crash programme will be taken up to meet the existing crisis. By 2015, electricity production will be increased to 8,000 megawatt. By 2021, demand for electricity is projected to increase to 20,000 megawatt. We will take all possible actions aiming at enhancing our generation capacity. To increase gas production, regular survey of gas resources and work on well development will be undertaken. To meet energy demand, efforts will be undertaken for regional energy security through mutual cooperation in addition to exploring internal sources.
- i) **Infrastructural development:** Road, rail, river and air transport and telecommunication systems will be expanded. Construction of bridges and tunnels for Padma and Karnaphuli rivers, connecting Bangladesh with the Asian highway and Asian railway, improvement of port facilities, building of a deep sea port to open up Bangladesh's ports to countries of Asia will be implemented. In Dhaka, construction of a metro tunnel, elevated rail and circular rail to remove traffic jams and to solve public transport problems will be studied forthwith in order to undertake a feasible project. The project will then be implemented on a priority basis.
- j) **Housing:** By 2015, housing for all will be ensured. In every union and upazila, 'growth center' centric village housing and in towns housing with modern amenities will be implemented.
- k) **Environment:** All measures will be taken to protect Bangladesh, including planned migration abroad, from the adverse effects of climate change and global warming. Facing natural calamities, planned reduction of air pollution, prevention of industry and transport related air pollution and disposal of waste in scientific manner will be ensured. Steps will be taken to make Bangladesh an ecologically attractive place through retention of forests and water bodies and prevention of river erosion.
- l) **Water resources:** Bangladesh Awami League will take the initiative to formulate a comprehensive regional water policy along with India, Nepal and Bhutan for regional water security. In addition, in keeping with comprehensive water policy, articulated earlier by Bangladesh Awami League, measures will be taken for development of our water resources and their rational use.

8. Bangladesh in the global arena:

- i. **Achievements of liberation:** Multi-pronged measures will be taken to uphold the glorious history and the fruits of our national independence and liberation, to energize the new generation with the spirit of liberation, struggle, patriotism and love for humanity. Highest priority will be given to the development of an innovative spirit in the younger generations and opportunity will be provided for them to participate in nation building activities.
- ii. **Culture:** Measures will be taken to remove obstacles in the development of Bengali culture, literature, art, music and sport and to provide all opportunities by the state to enable the younger generations to attain international standards and to contribute to the nation.
- iii. **Foreign policy:** In international affairs Bangladesh will follow the policy of 'friendship towards all and malice towards none'.

Sixth Five Year Plan(2011-2015): The implementation of Vision 2021 will be done through two medium term development plans, with the first spanning FY11-15. This Five Year Plan is the sixth in the series of development plans in Bangladesh starting in 1973. The Government recognizes that in a market economy like Bangladesh where the bulk of the economy is privately owned and managed, the role of planning is essentially indicative and strategic in nature. A key focus of the plans will therefore be on strategies, policies and institutions to help guide the private sector in helping Bangladesh achieve the goals set in Vision 2021.

Sixth plan core targets in the context of vision 2021: Notwithstanding past progress with poverty reduction, the Government recognizes that Bangladesh is still a low income developing country. An estimated 47 million people are living below the poverty line. Most of the labor force is engaged in informal

low productivity and low income jobs. The access to secondary and tertiary education is limited and the quality of education at all levels is deficient. The poor group in Bangladesh is severely disadvantaged in terms of ownership of assets and has inadequate access to institutional finance as well as to basic services including quality education, healthcare, water and sanitation. This group of people is also disproportionately affected by natural disasters and the adverse effects of climate change. Publicly supported mitigating measures in the form of social protection programs are inadequate.

In recognition of these substantial development challenges, recently the Government has embarked on a Perspective Plan covering 2010 to 2021 aimed at implementing Vision 2021. The key message of Vision 2021 and the associated Perspective Plan is summarized as follows. “The development perspective envisages to achieving, in the coming days, a prosperous progressive nation in which food and energy security shall prevail with drastic reduction of poverty and a low level of unemployment. The perspective also includes great strides in human development including health and nutrition, effective population control, progress in all levels of education, primary, secondary and tertiary in addition to commendable improvement in science and technology, along with great achievement in ICT. Infrastructure development will improve integrated multi-modal transport encompassing, railways, roads and inland water transport having connectivity with our neighbors. In other words, the development perspective implies the simultaneous fulfillment of economic and social rights of the people alongside civil and political rights. For this to happen strong links between economic growth on the one hand, and expansion of employment opportunities, reduction of poverty, expansion of democracy and empowerment, consolidation of cultural identity and protection of environment with its freshness for the next generation on the other will be established” [page 1, Outline Perspective Plan of Bangladesh 2010 to 2021 (making vision2021 a reality)]. The broad development goals underlying the Perspective Plan include:

- building a secular tolerant liberal progressive democratic state
- promoting good governance and curbing corruption
- promoting sustainable human development
- reducing the growth of population
- instituting a prudent macroeconomic policy mix
- promoting a favorable industrialization and trade policy regime
- addressing globalization and regional cooperation challenges
- ensuring adequate supply of electricity and fuel
- achieving food security
- making available adequate infrastructure
- pursuing environmental friendly development and
- building a digital Bangladesh

Sixth Five Year Plan Strategy: the targets for the Sixth plan against targets of the ‘Vision 2021’ and the MDGs. At the operational level the fundamental task of the SFYP is to develop strategies, policies and institutions that allow Bangladesh to accelerate growth and reduce poverty. Poverty is still pervasive. In developing the strategy for higher growth, employment, and poverty reduction and the Sixth Plan will draw on the lessons of past experience. In particular it will draw on the experience of the Fifth Five Year Plan (FY97-FY02), where a number of initiatives were undertaken to raise the GDP growth rate, increase food production, initiate agriculture diversification and improve health and education service delivery.

- 1. Acceleration of economic growth and employment:** An essential pre-requisite for rapid reduction of poverty is to attain high economic growth ensuring sustainable productive employment and incomes for large number of people of Bangladesh. Productive employment is the most potent means of reducing poverty. But this is not easily achieved. This requires strategies and actions on the demand side of the labor market (driven primarily by economic growth) as well as strategies and policies on the supply side (labor force growth and quality).
- 2. Benefiting from higher labor force growth (the demographic dividend) and ensuring labor quality:** Although Bangladesh is currently experiencing ‘demographic transition’ as a result of slower population

growth, entry of young population in the labor force will continue due to demographic factors. This demographic dividend needs to be properly used through a well articulated human development strategy. The quality of labor force is weak due to low access and low quality of education. The Sixth Plan will seek to address these challenges by developing and implementing a well thought out education and training strategy. The strategy needs to be particularly sensitive to reduce the access gap of the poor, especially in the underdeveloped or lagging regions of the country. A significant part of the additional investment for higher growth will need to be deployed to the development of the labor force.

- 3. Improving factor productivity through information technology:** Although factor accumulation (i.e. of labor and capital) would be the main source of economic growth in the Sixth Plan, strong efforts will be made to increase the contribution of total factor productivity in all areas of production including manufacturing, agriculture and services. Among the contributing policies is the introduction of appropriate information and communication technology (ICT). One of the central visions of the Perspective Plan is 'Digital Bangladesh' where it is conceived that through the successful implementation of the vision of the ICT policy and its principles it will be possible to build a 'Digital Bangladesh' by 2021.
- 4. Reducing the growth of population:** In addition to the focus on economic growth and employment, strong attention needs to be given to reducing the growth of population. Notwithstanding past progress with the reduction of growth of population, Bangladesh is amongst the most densely populated country in the world. Renewed efforts must be placed to further slow down the growth of population. The population control strategy will emphasize girls' education, female re-productive health, population control service delivery based on public-private partnership, and social mobilization.
- 5. Ensuring food security:** The recent global food price inflation illustrates the critical importance of ensuring food security for a large poor country like Bangladesh. Past progress in rice production suggests that Bangladesh has the capacity to achieve food security efficiently through domestic production. Indeed, with proper incentives there is scope for food exports. The emphasis on productivity improvements will be particularly helpful in reconciling food security objectives with farmer incentives. In case of food production, climate change adaptation strategy in the agriculture sector will be prioritized to tackle the global food insecurity susceptibility due to climate change. The achievements of goals under the three dimensions of food security – availability, access and utilization, will be facilitated by the implementation of the National Food Policy and its Plan of Action and the Country Investment Plan (CIP) 2010-2015.
- 6. Addressing the land constraint:** Bangladesh is one of the most densely populated countries in the world. As a result, land has become the scarcest factor of production in Bangladesh. This is reflected in galloping land prices throughout the country but especially in the metropolitan cities. Future growth strategy must take this binding constraint into account in order to ensure its sustainability. Efforts to reduce the growth of population will help, but better management of land is of paramount importance for sustaining rapid GDP growth in Bangladesh. Sound land management also has a direct effect on people's welfare and poverty reduction. Landless farmers are amongst the poorest of the poor. Land is also essential for housing. The rapidly expanding slum population and rising land prices in urban areas are indications of increasing difficulties Bangladesh faces in providing people with proper shelter.
- 7. Managing the spatial dimensions of growth:** Growth experiences in Bangladesh and elsewhere show both a tendency towards urbanization as well as uneven pattern of regional growth. The urbanization problem has become particularly acute in Bangladesh owing to the primacy of Dhaka. The unbalanced growth of Dhaka shows both a large concentration of wealth and income as well as unsustainable pressure on Dhaka's already fragile infrastructure. Concerning regional disparities, the divisions of Dhaka, Chittagong and Sylhet seem to do better in terms of both growth and poverty reduction as compared with Rajshahi, Khulna and Barisal. The Sixth Plan will make efforts to address both these spatial dimensions of growth. On the urbanization front the strategy will emphasize a more balanced

growth of urban centers across the entire country through proper institutional reforms that involves the establishment of locally elected and accountable municipalities and city corporations. Property tax base will be reformed to strengthen the financial autonomy of these entities along with block grants from the budget based on principles of equity and population.

- 8. Reducing income inequality:** Inequality emerges from a combination of greatly unequal distribution of physical assets as well as human capital. Lack of factor endowment such as land, capital, credit and skills has been preventing poor people in Bangladesh to participate in productive economic activities and has compelled them to remain in a disadvantageous situation. Opportunity to break the low factor endowment trap through utilizing essential public services (such as education, training, safe drinking water, sanitation and other health facilities) has not been effective due to poor people's limited access to those provisions. Access to these essential services for the majority of the population depends not only on their income levels but also on the quality and efficiency of the service delivery through the publicly funded and operated systems. Accordingly, the Sixth Plan's strategy to reduce income inequality will follow a two-prong strategy. First, it will include efforts to increase the access of the poor to assets and means of production. And second, it will strengthen the delivery of human development services to the poor.
- 9. Ensuring social protection for the under-privileged population:** Even with higher growth, better jobs and better access to essential services, a part of the under-privileged population will likely be left out. Additionally, substantial risks are posed by natural disasters and climate change for this vulnerable population. To address this challenge, the Sixth Plan aims at significantly strengthening the social protection programs. The strategy will be to design and implement a range of social protection programs that meets the needs of this under-privileged group. In this regard, existing programs will be reviewed and reformed to establish better targeting with a view to ensuring that all under-privileged groups including the disable, the elderly, the tribal population, and children and women at risk are given priority in the distribution of benefits. Particular attention will be given to strengthening the underlying institutions.
- 10. Ensuring Gender Parity:** The National Policy for Women's Advancement 2011 provides for the elimination of all forms of discrimination against women and ensure their rights and equal partnership in development. Accordingly, establishing equal opportunities for women in all sections of the society with an objective of integrating them into social and economic sphere is a major strategic element underlying the Sixth Plan. The Sixth Plan strategy embeds the critical role of women in nation building and thus ensures that their needs, rights, entitlements and contributions are appropriately reflected in the Plan document. The human development and social protection strategies underlying the Plan will place particular emphasis on gender aspects of development. It is also recognized that women are a heterogeneous groups such that their situations, deprivations, and needs vary according to their locations within various communities, religions, and regions. Thus, along with promoting rights and entitlements of women, Sixth plan envisages to cater to all these differential and specific requirements.
- 11. Ensuring environmental sustainability:** A key element of the strategy of the Sixth Plan is a firm commitment to pursue an environmentally sustainable development process. Natural resources like land and water are limited and their per capita availability is diminishing due to rising population on the one hand and also due to excessive use of common pool resources on the other hand. Excessive and indiscriminate use of our natural common pool resources has degraded them to an unusable state. The degradation of natural resources reduces the wellbeing of people; especially the poor and women suffer more, as they depend much more on natural common property resources for fuel and water. Thus, the focus of the Sixth Plan's environmental protection strategy would be the conservation and maintenance of natural resources, reducing air and water pollution, and liberating encroached rivers, water bodies, forest areas and khas land.
- 12. Improving governance:** Along with sound development strategy, good programs and good policies, the

ability to implement the Plan and evaluate the results of the Plan are critical determinants of the success of the planning effort. Proper implementation of the Plan requires attention to good governance, public administration capacity and monitoring and evaluation. The challenge of ensuring good governance in Bangladesh is well known. Low public administration capacity, occasional weaknesses in economic management and persistent corruption lie at the heart of the overall shortcoming in national governance. As a result, the public sector has not been able to play as effective a role as could have been the case in providing services and creating an environment for growth.

- 13. Enhancing administrative capacity:** The Government recognizes that administrative capacity is a serious constraint to the efficient delivery of basic services. Accordingly, several areas of intervention will be made to enhance capacity and bring efficiency, transparency and accountability in public service management. The Sixth Plan's strategy for public administration capacity development and efficiency improvement consists of four pillars: strengthening the civil service; promoting devolution to local governments; strengthening public-private partnerships; and strengthening planning and budgetary processes.
- 14. Strengthening the civil service:** The strategy is to develop a long-term program for rebuilding the civil service with emphasis on quality, performance and accountability. International experience suggests that one size fit all strategy for reforming the civil service does not work. The system must evolve from home grown experiences from within Bangladesh about what works and what does not. The basic features of the reform strategy includes merit-based recruitment and promotion; strong training; ensuring a proper incentive and work environment; establishing and enforcing clear rules of business and codes of conduct; and seeking feedback on performance through a citizen's charter.
- 15. Establishing strong local governments:** The strengthening of local governments is a key institutional development challenge for Bangladesh. International evidence suggests that properly instituted and accountable local governments can play a major role in spreading the benefits of development. While the lessons of experience from other countries can play an important role in helping the design and implementation of a proper system of local government, successful local governments must be based on the realities of the underlying political, social, administrative and economic realities of Bangladesh. The Government is committed to instituting an effective and accountable local government to help implement Vision 2021 and the programs of associated development plans.
- 16. Strengthening Public Private Partnerships (PPP):** The Government recognizes that strong public private partnerships can play a catalytic role in mobilizing additional resources as well as creating additional capacity and help for implementing public programs. Accordingly, the Government has put emphasis on PPP to ensure expeditious development of infrastructure and utility services by attracting local and foreign investment and improving the expertise and technology. Through a well-defined policy framework, private initiatives would be encouraged to promote quality service delivery in the area of essential economic infrastructure. The Government is keen to encourage private investments in energy and power, roads, waterways, railways, ports, water and sanitation, telecommunications/ICT, housing and tourism. The Government will also consider expanding the scope of PPP further in the social sector. The positive experience of collaboration with NGOs in the delivery of basic education, health and population management services will be further enhanced.
- 17. Improving the planning and budgetary processes:** In an environment of weak administrative capacity and limited budgetary resources, efficient planning and budgetary systems can play an important role in helping improve the efficiency of public spending. The Government has been taking a number of steps to improve planning and budgetary processes. One major initiative is the implementation of a move away from the traditional incremental budgeting towards a medium term budget framework (MTBF) process. The MTBF is intended to support the implementation of development plans by (i) ensuring that the government's fiscal management contributes to macroeconomic stability and supports an enabling environment for economic growth and poverty reduction; and (ii) adequate public resources are allocated

through a more strategic and policy-led budget planning process directed towards priority programs identified in the context of the approved medium-term development plan. A second initiative is to move away from the traditional public-investment focused plans to more strategic and indicative planning that puts emphasis on strategies, programs and policies for the entire economy. A third initiative is to link better the medium-term development plans to the MTBF process by making the plan a living document with annual review of performance.

5.5. Population policy

Socio-economic development for all citizens is the cornerstone of Bangladesh's constitution. According to the articles 15, 16, 17 and 18 of the constitution, the state has the responsibility to ensure to its citizens the certain basic needs such as food, clothing, habitual place, health, education, and security. Population Policy in 1976 had identified population problem as the national problem. The 1976 Policy Outline incorporates population and family planning program as the integral components of overall national development and social reformation programs to ensure improved living standard of the people and to make family size smaller, improved health status for mother and child, family welfare. The objectives of the National Population Policy are to improve the status of family planning, maternal and child health including reproductive health services and to improve the living standard of the people of Bangladesh through making a desirable balance between population and development in the context of Millennium Development Goals (MDGs).

5.6. Population of Bangladesh

Population is an important factor for the economic and social development of a country. If population is more than the resources of a country, many people become unemployed. Commodities and services fall short and these create food deficit. These problems create economic and social disturbances and hamper economic development. On the other hand, if there is a balance between population and wealth, the supply of labor increases, proper use of resources becomes possible, commodities and services per head increases and standard of living becomes high. So, population of a country should be in harmony with its resources.

So the aspects of population is analyze from different points of view. It is necessary to know what role population can play for the development of the economy and for raising the social standard of life of the people of Bangladesh. For this purpose it is necessary to analyze the aspect of population of this country from different viewpoints.

- **Size of population:** The area of Bangladesh is equal to one three thousandth of the total land area of the world, but as regrets population its place is eighth in the world, in this sense, Bangladesh is one of the densely populated countries of the world. According to World Bank, in 2009 the population of Bangladesh was 162.221 million and it is just increasing every moment. At that time the rate of population growth was 1.1; the population will be 233.2 millions in the next 40 years if the current trend continues. Such a large number of population in a small country like Bangladesh has made it an over populated country. The table given below shows the size of population of Bangladesh at different times:

Table-1
Population of Bangladesh at different times

Years	Population (in millions)
1971	71
1980	90.4
1990	115.6
2000	140.8
2004	150.7
2008	160
2009	162.221

- **Ratio between Male and Female:** According to the population census of 1991 the ratio of female to male was 100:106.04. These ratios in urban and rural areas are 100:126.3 and 100:102.8 respectively. The death rate of female being higher, the ratio of female to male is lower in Bangladesh. In the developed countries the ratio of female to male is much higher. As for example, the ratio of female to male is 100:96.2 in Japan. It is 100:99.7 in USA and 100:94.3 in England. It is a matter of great sorrow that in 2011 we still have not found a huge change in the ratio of female and male. According to “wikipedia.com” we found that the ratio of Bangladesh is 1.04. where higher than 1 denotes more female than male and less than 1 denotes less female than male and equal 1 means equal number of male and female.
- **Distribution of population between villages and town:** The socio-economic condition of a country can be known from the distribution of its population between villages and towns. In Bangladesh 27% people are living in the city areas and the rest are living in the villages. In the developed countries the majority of the people live in town. As for instance, percentage of people living in towns is 77 in Japan, 79 in France and 78 in England. Where as in Bangladesh 80 percent people live in villages.
- **Distribution of population according to labor force:** In Bangladesh labor force is very small compared to the size of population. The work force of Bangladesh is 70.86 million. 63% of the total work force is engaged in agriculture, forestry and fisheries. And 11% is engaged in manufacturing and the rests is engaged in different sectors.
- **Distribution of population according to profession:** The majority of people in Bangladesh are engaged in agriculture. But in recent times as a result of development of the process of urbanization the transfer of labor force from agriculture to non-agriculture sectors has been increasing. Here we can see that around 65 percent of people are engaged in agriculture where around 25 percent people are engaged in non-agriculture sectors.
- **Birth rate and Death rate:** The birth rate in Bangladesh is pretty higher where we see a difference in the rate of death. The birth rate is 24.68 persons in per thousand and the death rate is 8 persons in per thousand. Though the birth rate is higher but the death rate is pretty lower respectively. So the population is increasing rapidly but it is not actually deducting through the decent way.
- **Literacy rate:** According to World Bank 43.1% people over age 15 can read and write. This rate of literacy is very low compared to the other countries. For instance, the literacy rate is 73 percent in Srilanka, 60 percent in Myanmar and 99 percent in France.
- **Rate of dependency of population:** People under 15 and over 64 years of age are regarded as dependents. According to the World Bank, 5.95 people among 100 working people are dependent over others in Bangladesh. So if we wish to count the total dependency, undoubtedly it is a very large percentage. And it is around 50 percent.
- **Rate of population increase in Bangladesh:** Bangladesh is one of the densely populated countries of the world. The high rate of population increase during the last few decades has created this situation. Though at percent the rate is high, it was very low in the past. The rate of population

increase in Bangladesh is given below:

Table-2
Rate of population increase in Bangladesh at different times

year	Rate of population increase(percent)
2005	2.09
2006	2.09
2007	2.06
2008	2.02
2009	1.29
2010	1.55
2011	1.57

Source: CIA World Fact Book

It is seen from table 1 that the rate of population increase during the last few decades was very high in comparison with that in the past. For this vary reason the population of this country which was only 2 cores and 49 laces in 1991, increased to 11 cores 94 laces in 1991. The rate of population increase in some other countries of the world may be observed side by side with the rate of population increased in Bangladesh. The rates of population increase in some countries of the world including Bangladesh are shown in the following table.

Table-3
The rate of population increase in some countries of the World including Bangladesh

Country	Rate of population increase(in percentage)
USA	0.97
Sweden	0.49
Sri Lanka	0.47
Republic of China	0.48
Japan	-0.02
India	1.46
Bangladesh	1.67

Source: 2005-2010 list by United States

From the above table it is seen that the rate of population increase in Bangladesh is much higher than that of other countries of the world.

5.7. Causes of high rate of population increase in Bangladesh

The rate of population growth is very high in Bangladesh compared to other countries of the world. There are many social and economic causes behind this high rate of population growth. These are discussed below:

A. Social causes:

- 1. Lack of education:** The majority of the people of Bangladesh are illiterate. For this reason they are not aware of the bad effects of population increase. As a result they birth too many children.
- 2. Social superstitions:** Due to lack of education most of the people of Bangladesh are superstitious, conservative and believe in existing dogmas. As a result, they are unwilling to accept family planning measures in many cases. Consequently, population goes on increasing.
- 3. Absence of liberty of female population:** In Bangladesh majority of the women are dependent on male. So they cannot give birth to children according to their will. They do not have any right to determine the number of children.
- 4. Absence of recreation facilities:** The majority people of our country are poor. They are deprived of the minimum facilities of enjoyment and recreation. So for enjoyment they give birth too more children in a large family.
- 5. High mortality rate of children:** The death rate of children in our country is very high compared to other countries. Here, in Bangladesh 90 children per thousand die every year. So there is a tendency to

have more children by the parents in our country. As a result the birth rate is also high.

6. **Marriage at under age:** In the villages of Bangladesh girls between 14-18 years of age are given to marriage. Such under age marriage gives chances to give birth to more children.

B. Economic causes:

- a) **Poverty:** Poverty and tendency to give birth to child go side by side. A large number of people in Bangladesh live below the poverty level. So the tendency to give birth to child is very high among them.
- b) **Low standard of living:** The standard of living of the people in Bangladesh is very low due to lack of nutritious food. Medical facilities, housing facilities and education etc. The cost of bringing up a child is comparatively less here. So the majority of people are not conscious in this regret.
- c) **Agricultural economy:** Bangladesh is an agricultural country. The farmer class of this country desire to have many children as they will be helpful in their work. So the birth rate is high.
- d) **Expectation of security in old age:** For majority people in Bangladesh there is no security measure in their old age. Most of the people depend on their children at old age. Only for the sake of safety many people are willing to have more children.
- e) **Lack of dependable birth control methods:** The majority of the people of Bangladesh are illiterate and poor. They are ignorant about different methods of birth control. Moreover, different materials of birth control are not easily available. So the rate of population increases very high in this country.

5.8. Density of population

The number of people living per square kilometer is called density of population. Density of population calculated by dividing the total number of people of a country by its total area. So, by density of population we mean the ratio between land area and population. The simple equation of calculation density of population is as follows:

$$DP = TP/TA$$

Where,

D= density of population

TP= total population

And PA= total area of the country

The total area of a country remaining the same, the density of population increases or decreases respectively at the increase or decrease in the number of population. Generally, the determining factors of density of population of a country are physical feature of land, climate, soil, land area, birth rate, economic development, life style, transportation and communication system, industrial development etc.

5.9. Density of population in Bangladesh

The area of Bangladesh is 147570 square kilometers. The density of population per square kilometer is high compared to other countries of the world. The density of this country has been increasing with the increase in population. The density of population in 1974 was 497 persons per square kilometer. Later on this number increased further. It increases to 624,755 and 810 in 1981, 1991, and 1993 respectively. The density of population in Bangladesh is the highest in the world. This can be observed from the following table:

Table – 4

The density of population in some countries of Asia including Bangladesh

Country	Density of population (per square mile)
Bangladesh	2850
India	954
Japan	836
Srilanka	809
Ireland	153
Newzeland	39
Italy	512

Source: United States census bureau, International Database.

5.10. Demerits of rapid increase in population

The size of population of Bangladesh is very large compared to its land area. The birth rate is also very high in comparison with other countries of the world. For this reason there is a pressure of population upon the limited resources of the country and many social and economic problems have been created. The demerits of increase in population are discussed below:

Bad effects on society:

- 1. Low standard of living:** The majority of the people in Bangladesh are poor. The tendency of population increase is more among them. As a result of the rapid growth of population, problems of scarcity of pure water, medical facilities, education etc. has been increasing day by day. So the standard of living has been deteriorating very much.
- 2. Malnutrition:** As a result of rapid increase in population it has become almost impossible to supply milk, egg, fish, meat etc. especially for children in required quantities. So the problem of malnutrition has been created in the country. At present 80 percent children have become victims of malnutrition.
- 3. Housing problem:** It has become impossible to provide housing facilities for the surplus people in competition with the rapid growth of population consequently acute housing problem has been created in the country especially in towns. Moreover, to make houses for extra population cultivable lands are being lost.
- 4. Obstruction to human resource development:** As a result of increase in population huge amount of money is being spent on food and clothing for the surplus population. So, it has become impossible to spent money for human resource development, such as, education, health, technical education etc.
- 5. Pollution of environment:** Environment is being polluted because of rapid increase in population. The scarcity of the supply of pure water, sufficient drainage system, lack of control in the growth of factories, cutting of trees on a large scale etc. are the results of rapid increase in population. All these have polluted our environment seriously. As a result, the condition of public health has been endangered.

Bad effects on economy:

- 1. Increase of unemployment:** The rate of industrial development is very slow in Bangladesh. On the other hand there is pressure of population on agriculture. Under these circumstances, unemployment problem has been increasing day by day due to increase of population. At present about 30 percent of total workable persons are unemployed.
- 2. Food deficit:** For the last three decades there has been an acute food deficit in our country because of rapid increase in population. The amount of this deficit is 15-20 lac tons per year. To meet this deficit we are to import food grains in exchange of valuable foreign currencies. As a result the imports of necessary raw materials and machineries for industrialization are hindered. For these reasons industrialization in our country is being hampered.
- 3. Increase in the prices of goods and services:** The production of goods and services is not increasing in comparison with the growth of population. As a result, supply of these goods and services fall short of their demand. So prices of these goods and services have increased abnormally,

consequently, sufferings came in the lives of the people.

4. **Dependence on foreign aid:** For maintenance of the increased population huge amount of resources are required. As our country is poor, it cannot supply that amount of resources. Being compelled we are to depend upon foreign aid. This dependence on foreign aid stands against self reliance.
5. **Subdivision and fragmentation of holdings:** Bangladesh is industrially backward. There is little scope for employment in other fields than agriculture. As population increases the surplus people are bound to depend on agriculture. So the pressure on agriculture is increasing. As a result, the holdings of the land are being subdivided and fragmented.
6. **Problem of capital formation:** For the ever increasing population expenditure in unproductive sector is increasing. So the amount of saving is not increasing. Thus the rate capital formation is low because of low savings.
7. **Problems of international trade:** The increase in population increases the demands for different commodities. The rate of industrial development is very low. So exports are not increasing. The deficit in the balance of payment gradually increasing.
8. **Loss of benefit of economic development:** As a result of economic development the additional amount of goods and services produced and distributed among the gradually increasing number of population of the country. In spite of economic development per capita income of the people not rising. So we are being deprived of the benefits of development.

5.11. Measures to solve population problem in Bangladesh

The present size of population in Bangladesh and its growth rate has created many problems. Hence economic development is being hampered. So the solutions of these problems are most desirable. The different measures to solve the problem of population of the country are discussed below:

1. **Economic development:** Economic development is one of the main ways to solve population problems. Rapid economic development can be attained through the development of agriculture and industries. Rapid economic development is also possible through increase of services. As a result economic development and the standard of living of our people will be high. They will develop their outlook in favor of family planning. The rate of population increase will also decline.
2. **Spread of education:** Educated people are more aware of the necessity of birth control. So to control population the illiterate and superstitious people should be imparted modern education. If their outlook is developed through education. They will try to keep the size of their families small for their own interest.
3. **Spread of female education:** Half of the total populations of Bangladesh are women. So, they should be motivated to control population. The women folk should be made conscious about the necessity of birth control consequently the program for population control will be successful.
4. **Proper distribution of wealth:** There exists extreme inequality in the distribution of national income in Bangladesh. Wealth has been concentrated in the hands of a few persons. The majority of people are very poor. If income is distributed properly, income of the poor will increase. Their standard of living will be high. As a result, they will be eager to control population.

5. **Multiple employments:** Multiple employment facilities should be created in different parts of the country. Facilities to establish cottage industries, poultry firms, dairy firms, fisheries, nurseries, flower gardens etc. should be made throughout the country. As a result of these, the people of Bangladesh will be free from the curses of unemployment and will be accustomed with high standard of living. People of high standard of living will have small families. So, the pressure of population will decrease.
6. **Redistribution of population:** The density of population is not uniformed in all the districts of Bangladesh. The density of population is very high in the district of Dhaka, commilla etc. where as it is very low in Chittagong hiltax, bandarban, etc. if people are transferred from densely populated areas to thinly populated areas, the problem of population will be solved to some extent.
7. **Transfer of population internationally:** The size of population in many countries is very small. Surplus man power of Bangladesh may be exported to those countries. This will help to solve the problem of over population. Of course, in the mean time the export of man power from Bangladesh to many other countries including Middle East has increased.
8. **Promulgation of law:** If laws can be promulgated to stop early marriage, marriage more than once and for approval of abortion, the rate of population growth will decreased. Moreover, the age limit of marriage should be extended and maintained. These legal measures will help to decrease the birth rate. Only passing of laws is not sufficient. The application of laws through wide propaganda and mass consciousness should be ensured.
9. **Family planning:** Family planning means to control the number of members of a family in a planned way. This family planning program can be made popular and successful through some measures. These are removal of superstitions are dogmas through spread of education, motivating people to keep the size of the family small, announcement and propagation about the different methods and medicines of family planning.

5.12. Need for human resource training and development in Bangladesh

The importance of population for economic development of Bangladesh can hardly be denied; especially the skilled manpower is an indispensable factor for economic development. The technological knowledge of the people, awareness for development, natural resources of the country, financial capability and mechanized measured and a proper and pragmatic economic plan can ensure economic progress of the country.

Generally, labor force of any economy is termed as human resource. Land and capital of a country is known as physical resources and their proper utilization depend on human resource. For economic development of Bangladesh requires development of human resource for following reasons-

1. **Increase in production:** Increasing production requires increasing efficiency of labor force. Training and development of workforce can enhance technical knowledge of operating machines, increase speed, sophistication etc.
2. **Increasing employment:** Developing country like Bangladesh most of the unemployed people are unskilled. We have to training them, human resource training and development can enable them to get job that will reduce unemployment problem.
3. **Synonymy of economic development and Human Resource Development (HRD):** Economic development and HRD closely interconnected to each other. Economic development means improvement of standard of living. HRD requires ensure of education, medical, housing and training facilities for enhancing capabilities of work. The Economic development is a sum of contribution of

each and every people's economic affair.

4. **Reducing inequality of income distribution:** Increase of income of few people does not indicate economic development. Reducing inequality of income distribution requires enhancing living standard through HRD in all levels of people.
5. **Export of human resource:** We have scarcity of resources but have a huge population. If we able to make this huge population into human resource than demand for labor force will increase in domestic market as well as abroad. So foreign flow of remittance will contribute to our economic development.
6. **Solution of population problem:** The main obstacle to our economic development is population problem. If we able to convert them factor of production through training and education than they will take family planning for their own betterment.

So we have to take proper steps for economic development through human resource development because some countries even with adequate wealth cannot properly tap their available resources due to lack of skilled manpower, while the countries with over population also cannot achieve development. For this reason it is necessary to have a harmonious balance between resources and population.

5.13. Summary of Questions

Questions:

- | | |
|--|---|
| 1. (a) Define economic planning. | 4 |
| (b) Why need for economic planning in Bangladesh? Explain | 6 |
| 2. (a) Classify economic plan. | 3 |
| (b) Critically discuss 1 st /2 nd /3 rd /4 th /5 th /6 th five years planning in Bangladesh. | 7 |
| 3. (a) What is vision-2021? | 3 |
| (b) What we want to see in 2021? Explain. | 7 |
| 4. (a) What is population policy? | 3 |
| (b) Describe the characteristics of population of Bangladesh. | 7 |
| 5. (a) What is density of population? | 2 |
| (b) What are the causes of high population growth rate in Bangladesh? | 4 |
| (c) How to solve population problem of Bangladesh? | 4 |
| 6. (a) How does excess pressure of population creates obstacle to the path of development? | 4 |
| (b) Why need for human resource training and development in Bangladesh? Explain. | 6 |

Chapter: 06

Resource for Development

6.1. Procurement of resources for development

Development of a country depends on procurement and exploitation of its internal resources. The magnitude of a country's development can be viewed from the volume of resources and its scientific utilization. It also a pre-requisite for development to preserve the accurate statistics of main resources of a country. Developed countries of the world achieve their development largely on the basis of their own resources. The countries which utilize much of their own resources, gain achievement to that extent. Procurement of resource and capacity to utilize the same are completely different issues. If available resources cannot be tapped due to inability of any country, she cannot be treated as developed one and the country without resources, on the other hand, can develop itself. Thus these two areas are intimately linked with each other. The African countries can be cited as examples. The countries like Ethiopia, Cameroon and many others in spite of abundantly possessing mineral resources are regarded as third world countries since they are unable to exploit these resources. Singapore and Hongkong, on the contrary, although are not resourceful in minerals, forestry or agriculture; reached the level of developed nations through properly tapping the sea port, external trade, and man power.

Now turning to Bangladesh, we can see that she is lagging behind very much in agriculture, natural and mineral resources; but yet frequently falling back in the race of development. After long time of 40 years of independence we have been addressing our self as the poor and new nation after the world bodies.

6.2. Necessity of resource mobilization for development

Economic development with unlimited resource cannot be ensured. For making speedy improvement in all sectors of Bangladesh, resources mobilization is an urgent issue. From different viewpoints, the necessities of resource mobilization are discussed below:

1. **To build socio economic infrastructure:** Socio-economic infrastructure is the combination of school, college, bridge or condition of different sector of economy. For improving socio-economic infrastructure, resource mobilization is so much necessary.
2. **To establish mills and factories:** To establish mills and factories additional capital as well as resources is necessary. So for establishing small, cottage and large industry, resource mobilization is become so much urgent.
3. **To increase investment:** For the developing country like Bangladesh need large investment in different sectors. For increasing the investment rate, substantial capital is necessary and capital can be formed rapidly by resource mobilization.
4. **To develop standard life:** In order to enjoy standard of life, improvement of different sectors is necessary. For ensuring standard life resource mobilization became inevitable.
5. **To increase per capital income:** In order to increase per capital income, the amount per capital should be increased, and for increasing capital, resource mobilization techniques should be emphasized.
6. **Decrease foreign aid:** Foreign aid is necessary and there is no confusion for the developing country like Bangladesh. But, actually foreign aid makes a country lame and sometimes influence negatively. So, for avoiding the foreign negative influence internal resource mobilization is necessary.

The importance of resource mobilization is so much important which cannot be discussed with a narrow range. To keep racing with the modern competitive world, resource mobilization is so much more necessary.

6.3. Classification and source of resources for development of Bangladesh:

The additional resources for development may be collected from different sources. According to nature of sources, resources may be classified into two categories -

1. **Internal resources**
2. **External resources**

1. **Internal resources:** The savings of public and private sectors created within a country's economic

condition is called internal resources. Internal resources may be divided into two types-

- a. Public sector savings
 - b. Private sector savings
- a) **Public sector savings:** Savings created in public sectors if public revenue is greater than revenue expenditure. So revenue surplus is called savings of public sector which includes-
- o Tax revenue
 - o Fees of fine
 - o Interest due on govt. fund
 - o Profit of state organization etc.
- b) **Private sectors savings:** Savings is created in private sectors from household savings & corporate savings. Corporations may create savings by preserving a portion of distributable profit.

2. External resources: The resources which come from different countries as donation, loan or investment are called external resources. Foreign aid is the main sources of external resources which are used for development. The types of foreign aid are-

- A. **Grant & loan:** The interest less fund which are non-returnable in nature form foreign govt. or organization is called grant. On the other hand, the funds which are in condition of return with interest within a specific time period is called loan.
- B. **Soft & hard loan:** Low rate of interest with long maturity period is called soft loan. On the other hand high rate of interest with short maturity period is called hard loan.
- C. **Untied and tide loan:** If the donor country impose conditions with sanctioned loan is called tide loan. Like-
 - Fulfilling the political preference of donors country
 - Purchasing fixed amounted goods from donor country etc.
 The loan without any condition is called untied loan.
- D. **Food, commodity & project aid:** When a country is aided by food, commodity is called food or commodity aid. And when any donor countries implement any project in host country like building bridge, culvert etc. is called project aid.
- E. **Monetary aid & Technical aid:** If the required money is denoted for the implementation of any project is called monetary aid. On the contrary, if engineer and technology are supplied for project implementation is called technical aid.
- F. **Bilateral & Multi-lateral aid:** When agreement is created between the donor country and host country is called bilateral aid. And when any international organization aids any country by the combination of various donor countries is called multi-literal aid.
- G. **Foreign direct investment:** FDI refers to long term participation of foreign country in management, joint venture, transfer of technology and experience .FDI is the investment of foreign asset into domestic structure, equipment and organizations which provide an inflow of foreign capital and fund in addition to an increase in the transfer of skills technology and job opportunities.

6.4. The methods for mobilization of domestic resources

Strategy for increasing resource mobilization in Bangladesh: Bangladesh is a developing country and trying to improve its economic condition by developing different sectors of economy. For developing the different sectors, resource mobilization steps as well as techniques should be taken effectively. In order to take the strategy for increasing resource mobilization, our first focus on current scenario of resource mobilization on public sector

Present position of resource mobilization in the public sector of Bangladesh

The main sources of resource allocation in public sectors are –

Tax revenue: tax revenue contributes public sectors by the rate for about 80% which contributes

12% on GDP.

VAT: Contribution of Value Added Tax is less significant compared to other countries.

Indirect tax: Contribution Indirect tax is less significant in public sectors.

Strategy for increasing resource mobilization in public sector: There is a great opportunity to increase resources mobilization in public sector. Now a day the rate of tax or GDP is lower than other developing countries. Besides, this is a disadvantage that decreases public revenue. The following strategies should be adopted for increasing resource mobilization in public sectors.

1. **Personal income tax:** It is seen in different surveys that about one percent people pay income tax return among the people who are defined under income tax. As a result many people avoid income tax. If the government pursues individuals, income tax pay may increase.
2. **Corporate Income tax :** The government income become limited for the sake of Corporate Income tax .Because Corporate Income lessen the tax .The business concern get the opportunity of lessening tax through tax . But lessening tax is not effective for increasing invest. So now a day's Bangladesh try to increase government revenue by avoiding tax holiday, depreciation, and allowance like other developing countries.
3. **Taxation in agricultural sectors:** Land tax is used as an alternative way of taxation in agriculture sectors. Recently public revenue has increased for minimizing land tax. For increasing government revenue, one proposal is proposed to impose tax based on the price of corps in per acre .Besides tax is also imposed on the storable agricultural commodities.
4. **Customs Duties:** Now a day's custom duties are not so much effective in Bangladesh. But by simplifying and the process of collecting custom duties and through rationalizing the rate of custom duties collection tax may be increased.
5. **Value added tax:** Now a day there is no opportunity to increase value added tax in our country. The uses of computer have to increase for investigating and auditing about vat.
6. **Revenue:** The sources government revenue are financial and non-financial organization's dividend, profit, interest, deposit and income.
7. **Curtailement of Govt. expenditure:** It is necessary to reduce govt. revenue expenditure for increasing revenue. Now a day there is no opportunity to decrease the lam sum of amount of expenditure of various public sectors. So govt. expenditure can be reduced by increasing the efficiency of different sectors

Present position of resource mobilization in the private sector of Bangladesh

Now a day's private sector is progressing rapidly. The present statuses of resource mobilization of private sector are –

1. **Low personal saving:** Sometimes individual invest by personal savings. Generally personal savings is deposited on bank and it is handover to the investor.
2. **Loan provided by financial organization:** The commercial bank and specialized bank grant loan for investment. This investment creates through resources mobilization. BSB, BSRS, BKB etc. sanction loan for investor.
3. **Selling share in stock market:** Business organization mobilize the resources thorough selling share. Individual and financial organizations invest through purchasing share.
4. **Bond issue:** Bond issue helps to mobilize resources. BTTB, DESA ,PDB, city council etc. mobilizes resources through the issue of bond.
5. **Undistributed profit:** Corporations may not distribute the total revenue among the shareholder and a part of profit is reserved for reinvestment.

Strategy for increasing resource mobilization in private sectors

There is also great opportunity to increases resources mobilization in private sector. So govt. should take necessary steps for increasing investment to mobilize domestic resources. Some strategies are given below:

1. **Development Bank service:** Development Bank service is very important for public resource mobilization in free market economy. If Bank service becomes available, then the people will easily

deposit their savings. Besides savings is also increased by raising interest rate on their savings.

2. **Developing share market:** At present, the share market of Bangladesh is underdeveloped. Recently Investor becomes disappointed by the ups & downs of share market. So share market must be developed so that investor can get opportunity for capital investment through purchasing share.
3. **Financial organization:** The activities of financial organization (commercial bank, stock exchange, insurance companies etc.) should mobilize savings dynamism. So government should encourage to financial organizations for increasing savings and investment.
4. **Monetary policy and Fiscal policy:** For encouraging private savings, the monetary policy and Fiscal policy should be applied properly.

For the development of our country, resource mobilization is necessary, the upper mentioned strategy may be helpful in this regard.

6.5. Foreign Aid

The gap between both savings-investment and import-export is acute in Bangladesh like many other developing countries in the third world countries. Since independence implementation of development program in various sectors becomes inevitable, this necessitated rising national savings. But here in Bangladesh it is almost impossible to strengthen economic foundation which resources to be accrued from national income. Therefore external trade is adversely affected almost every year by some problems. This regards the slow growth rate and is gradually making the import trade dependent on foreign aid. In this turn hampers economic dynamism and thus leads to an aid-based economy. Not only Bangladesh but also many third world countries are still implementing their development programs with external debt and relief assistance. The aims of this assistance are to develop harmonious relationship between the poor and rich countries.

Foreign means abroad or not home and aid means donation or grants. Foreign aid means donation or grants from abroad. So the loan and grants which get from various donor countries and organizations for continuing economic development process is called foreign aid.

In others words, Foreign aid can be defined as grants loans which is given for development and betterment to the host countries by the foreign countries or organization.

According to H. Chencry, “For achieving aim in developing countries face two problems such as lacking saving and lacking foreign currency. So foreign aids are needed to fulfill these problems.”

According to United Nations, “Foreign aids are given in two ways (1) loan and (b) grants. Loan is long term but both interest and loan must be paid after specific period. But grants are not repayable.”

There must be stated two elements for foreign aid transaction:

- i. The main objective of this transaction debtor must work for development of the country.
- ii. 25% Grants must be allowed for charitable characteristics.

So foreign aid is a voluntary transfer of resources from one country to another given with the objectives of benefiting the recipient countries. So an aid is the means of economic development of host country.

6.6. Methods of foreign aid

Foreign aid is generally provided in three ways:

- a) Relief;
- b) Grant and
- c) Loan.

a) Relief: Relief is provided for meeting emergent rehabilitation works caused by famine, natural calamities etc. this is provided by the friendly countries and relief organization/ institution of different countries of the world. Relief is given only on humanitarian ground.

b) Grant: Grant money is not refundable or recoverable. This is provided for maintaining good ties between two countries. This is given sometimes at government level, sometimes through agencies and personal initiatives. Grant is provided for financing development projects of a country.

c) Loan: Loan is advanced on certain terms and conditions. Loan money is repayable or has to repay with in specific time; interest is charged against it on compound rate.

6.7. Sources of foreign aid

The principal sources of foreign aid for Bangladesh are-

Friendly countries:

United States of America (USA)	Japan
Canada	United Kingdom (UK)
Australia	France
Saudi Arabia	Germany
United Arab Emirates (UAE)	Sweden

International Organizations:

World Bank	OIC
Asian Development Bank	OPEC
European Union (EU)	UNICEF
United Nations	International Monetary Fund (IMF)
Islamic Development Bank	

6.8. Types of foreign aid

Foreign aid has been considered as the more prominent source of capital formation in Bangladesh than foreign investment. The donors generally commit to provide aid for following notable sectors:

- Technical assistance:** since developing countries are backward in technological education, the donor countries/ agencies send experts for different projects.
- Project aid:** project aid also includes necessary equipment and spares, raw materials and other ancillaries or implementing any special types of project in developing countries.
- Commodity aid:** apart from economic complications, most of the developing countries have food shortage. Foodstuff which is supplied by developed countries for consumption is considered as a part of loan. In addition to this, aid is supplied through medicine, raw materials, equipment or ingredient to be used in the laboratories.
- Cash aid:** cash money also provided as project aid to strengthen the economy and expedite development activities of aid-receiving countries.

6.9. The role of foreign aid in economic development of Bangladesh:

Bangladesh is an agro based developing country. So foreign aid is necessary for rapid economic development. The per capita income of people is low. So the rate of saving and capital is also low. Therefore the developing countries like Bangladesh need foreign aid for performing different task effectively. The roles of foreign aid are discussed below:

- Lack of internal resource mobilization:** The internal resources of Bangladesh are so much limited. There exists many differences among investment and savings and to recover this difference, foreign aid is necessary.
- Trade deficit:** Bangladesh is suffering from trade deficit continuously. Bangladesh imports different items like food, capital commodities, agricultural goods and volume of export is lower than volume of import.
- Lack of capital:** Huge amount of capital is required for developing country like Bangladesh. Bangladesh cannot require amount from its resources because of low per capita income and low savings. So foreign aid is necessary to recover that.
- To solve unemployment problem:** Unemployment problem in Bangladesh is very acute. At present about three core people are unemployed. There is no available capital investment in Bangladesh for creating employment opportunity. That why foreign aid is necessary for establishment of mills and

factories.

5. **Rapid industrialization:** At present it is not possible of any country of the world to attain economic progress without industrial development. But sufficient amount of money is not available in our country. So foreign aid is necessary for rapid industrialization.
6. **To create skilled entrepreneur:** There is a lack of skilled entrepreneur in Bangladesh. The entrepreneur of Bangladesh does not agree to invest on the important sectors by taking risk. In this circumstances if the foreign efficient and skilled entrepreneur stay besides Bangladesh, rapid industrialization will be increased frequently.
7. **To prevent inflation:** At present two digit inflation in Bangladesh. In this situation if the foreign aid adds on total income of Bangladesh, the inflation and the price of commodity will be decreased through enhancing productive capacity of agriculture and industry.
8. **Gaining foreign currency:** There is a lack of foreign currency in Bangladesh. So foreign aid and loan help to fulfill the demand for foreign currency.
9. **Need for big push:** Industrialization is necessary for development. But there exists some small industries. But establishment of heavy industry required substantial amount cannot be supplied primarily by owner's own resources. In this situation, the need for big push of foreign aid towards the establishment of this small and heavy industry is much important.
10. **Building infrastructure:** Building infrastructure is a prerequisite for development, which is so much expensive for Bangladesh like construction of Jamuna Bridge could not possible for Bangladesh alone. So foreign aid is necessary for building infrastructure facilities.
11. **Spread of technical knowledge and experience:** Spread of technical knowledge and experience is very important for the development of developing country. To recover the cost of technical knowledge and experience, foreign aid is necessary.
12. **Natural calamities:** Every year Bangladesh faces various natural calamities and need much money for rehabilitation. Foreign aid plays important role in this hard situation like in 1998 foreign aids plays high role for flood affected people.
13. **Food problem:** Every year Bangladesh has to import 30 lace ton which is so much expensive. Import is higher than export. In this situation foreign aid so much necessary.

Above all, foreign aid plays significant role in different sectors of Bangladesh. For rapid development foreign aid is necessary. Foreign aid stays besides Bangladesh in well and woe. So, we should proper utilization of foreign aid for the betterment of Bangladesh.

6.10. Why aid dependence is not decreasing?

The dependence on foreign aid is not decreasing in Bangladesh which affects the economy negatively. Different approaches are taken for decreasing foreign aid but it become ineffective. The causes of aid dependency are noted below.

1. **Limited internal saving:** The saving of Bangladesh both govt. & non-Govt. sectors is limited so, foreign aid become necessary and dependency on aid cannot be reduced.
2. **Deficit in foreign aid:** Bangladesh need to import many materials & commodities and for that reason it is necessary to reserve huge foreign currency but Bangladesh suffer for foreign currency and mostly depend on foreign aid.
3. **Food deficit:** In Bangladesh the annual food deficit is about thirty lace metric ton. For recovering the deficit, foreign aid is necessary. Food deficit is an important cause for dependence on foreign aid.
4. **Natural calamities:** Natural calamities like flood, cyclone are recurrent phenomena in Bangladesh. Due to climate change foreign aid becomes so much necessary in the time of disasters management. So, aid dependence cannot be reduced.
5. **Self facilities of government:** If foreign aid is given then inefficient govt. of the country remains sound and safety. So they are pleased on foreign aid.
6. **Necessity of higher economic growth:** Now in Bangladesh the savings& investment is low, so economic growth is also low. In order to increase economic growth, foreign aid is necessary for attaining economic growth.
7. **Luxurious consumption:** In Bangladesh, some people who prefer western culture and they want to

consume luxurious commodities. So Bangladesh has to import unnecessary luxurious commodities by incurring higher cost. So the dependency on foreign aid cannot be released for unnecessary expenditures.

8. **High price:** Due to inflationary effect the price of commodity is high in Bangladesh. But the per capita income of the people is low. So, they cannot fulfill their demand with high price rate. For this reason foreign aid is necessary for boosting purchasing power of people.
9. **High rate interest:** The rate of interest on foreign loan is increasing day by day. At the time of paying principal amount & interest, Bangladesh suffers financial crisis. In this way Bangladesh depends on foreign aid gradually.
10. **Dependency on others:** People of Bangladesh reluctant to do work; spend their most of time idly. So they are dependant with others. That's why, foreign aid is not decreasing.

For the above mentioned causes of dependency on foreign aid cannot be reduced. For reducing dependency on others, it requires internal resource mobilization, exploitation of natural resources and logical use of these. On the basis of that, there should be focus on employment generation, poverty alleviation and national self sufficiency through proper economic planning and its execution.

6.11. Foreign Direct Investment (FDI)

FDI stands for Foreign Direct Investment. Foreign direct investment (FDI) refers to long term participation by country A into country B. It usually involves participation in management, joint-venture, transfer of technology and expertise. Foreign direct investment is investment of foreign assets into domestic structures, equipment, and organizations. Foreign investment can be a significant driver of development in poor nations. It provides an inflow of foreign capital and funds, in addition to an increase in the transfer of skills, technology, and job opportunities. Many of the East Asian tigers such as China, South Korea, Malaysia, and Singapore benefited from investment abroad. The Commitment to Development Index ranks the "development-friendliness" of rich country investment policies. The foreign direct investor may acquire voting power of an enterprise in an economy through any of the following methods:

- by incorporating a wholly owned subsidiary or company
- by acquiring shares in an associated enterprise
- through a merger or an acquisition of an unrelated enterprise
- Participating in an equity joint venture with another investor or enterprise.

6.12. The positive and negative aspects of FDI in host country

Positive aspects: The important arguments in favor the FDI are mentioned here. It is claimed help the host countries in the following manner.

1. FDI help to increase the investment level and thereby the income and employment in host country.
2. The transnational corporations have become vehicles for the transfer of technology, especially to the developing country.
3. They kindle a managerial revolution in the host countries through professional management of high sophisticated management technique.
4. The FDI enable the host countries to increase their export and decrease their import requirement.
5. They work to equalize the cost factor of production around the world.
6. FDI provide an efficient means of integrating national economics.
7. The enormous resources enable them to have efficient research and development systems. Thus, they make a commendable contribution to invention and innovations.
8. FDI helps to increase competition and break domestic monopolies.

Negative aspects: The FDI have, however, been subject to number of criticisms such as those mentioned here-

1. Their technology is designed for world-wide profit maximization.
2. Through their power and flexibility, can evade or undermine national economic autonomy and control.

3. They destroy competition and acquire monopoly power.
4. The tremendous powers of the global company pose the risk that they may threaten the sovereignty of the nations in which they do business.
5. They cause fast depletion of some of the non-renewable natural resources in the host country.
6. Transfer pricing enables MNCs to avoid taxes by manipulating prices on intercompany transaction.

6.13. Foreign investment in the industries of Bangladesh

As a developing country, Bangladesh needs FDI for its ongoing development process. Since independence, Bangladesh is trying to be a suitable location for FDI. Special zones have been set up and lucrative incentive packages have been provided to attract FDI. However, the total inflow of FDI has been increasing over the years. In 1972, annual FDI inflow was 0.090 million USD, and after 33 years, in 2005 annual FDI came to 845.30 million USD and to 989 million USD in 2006.

The FDI can undoubtedly play an important role in the economic development of Bangladesh in terms of capital formation, output growth, technological progress, exports and employment. The relatively small share of FDI in GDP, however, indicates that the potentials are far from being realized in the Bangladesh experience thus far. Nevertheless, concerns remain about the possible negative effects of FDI, including the question of market power, technological dependence, capital flight and profit outflow. The limited evidence gathered above tends to support some of these apprehensions. On a positive note, service sector growth appears well correlated with FDI flow to this sector. Further, this has a linkage effect to the rest of the economy.

The government of Bangladesh provides incentives for foreign investment. This type of investment will take place either independently or jointly on the basis of mutual understanding. The Foreign Private Investment Development and Preservation Act, 1980 will remain in practice as a means of legal frame work of foreign investment. Industrial policy 1991 provides scope for investment in almost all the industries by local and foreign investors except a few ones relating to national security. Government controlled industrial sectors are arms and defense equipment, nuclear power, minting and printing of currency notes, forestation in the reserved forest areas and private airs and railway services.

The government has adopted privatization program of some industries under industrial policy. The foreign investment in the industrial sector has been encouraged under unilateral or joint venture both in the public and private sectors. Different facilities like tax holiday, depreciation in the increase rate, liberalization of import duty on imported machinery, rationalization of import duty, incentives for Bangladeshi who locate in abroad for investment etc. are being provided to encourage the local and foreign entrepreneurs.

The Chittagong EPZ and Dhaka EPZ have started working from 1083 and 1993 respectively with a view to attracting direct foreign investment. A number of 96 industrial units are in operation in these two EPZs, while another 81 are in the process of implementation. Besides this, the government has required 599 acres of land in Gazipur nearer to Dhaka for establishing another EPZ. For this purpose, about 200 acres of land has been initially developed. In addition, 214.34 acres has been required for further expansion of Dhaka EPZ. The government is further planning to establish Export Processing Zone in other areas of the country. Necessary act has been promulgated to establish private Export Processing Zones for the private sector to expedite industrialization.

The industrial units of this private Export Processing Zone will enjoy same facilities like the industrial enterprises of the government sector including exemption of duties for a period of 10 (ten) years, duty free import of 3 (three) vehicles, duty free export etc.

The investment board has been strengthened. It is observed form the statistics of the investment board that foreign investment in Bangladesh during 1996-97 was equivalent to 14.10 cores US dollars, which raise to 31.70 cores US dollars in 1997-98. A total number of 1973 industrial units were given registration during the year under review. As a result measures taken by the government, 24 countries have already come up with investment proposal. Measures have also been taken for administrative and legal forms in order to

attract local and foreign investments. The Export Processing Zone authority expanded Dhaka EPZ and also looks up necessary activities for a new project in Gazipur.

Areas of foreign investment in Bangladesh

- Export oriented industries.
- Industries in export processing zone.
- Industries will be based on improved technology.
- Industries based on natural resources with diversified use.
- Existing public and private sector industries for raising productivity and improved quality of product.

Foreign investment will be encouraged in the following areas

- Export oriented industry;
- Industries located in the export processing zone;
- Industries based on improved technology which would either be import-substitute or export oriented;
- Industries based on local raw materials; and
- Foreign investment for improvement of quality of product, its marketing and raising productivity of existing industries.

6.14. Summary of Questions

Questions:

- | | |
|--|---|
| 1. (a) What do you mean by procurement of resources for development? | 4 |
| (b) Why resource mobilization is necessary for economic development of Bangladesh? | 6 |
| 2. (a) Classify resources according to sources. | 3 |
| (b) What are the methods of mobilization of domestic resources? Explain. | 7 |
| 3. (a) What is foreign aid? | 3 |
| (b) What are the roles of foreign aid for economic development of Bangladesh? Explain. | 7 |
| 4. (a) What are the sources of foreign aid in Bangladesh? | 2 |
| (b) Classify foreign aid. | 3 |
| (c) Why aid dependence is not decrease in Bangladesh? | 5 |
| 5. (a) What do you Foreign Direct Investment (FDI)? | 3 |
| (b) What are the positive and negative aspects of FDI host country like Bangladesh? | 4 |
| (c) Draw a current scenario of flow of FDI in Bangladesh. | 3 |

This booklet is especially prepared for the student of Pabna Science and Technology University for partial fulfillment of syllabus "Bangladesh studies".

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