

Bangladesh Economy after 50 Years of Independence

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Abstract - Bangladesh is one of the progressive nations in South Asia which demonstrated its economic potentiality through export driven growth. In 2021, Bangladesh celebrated golden jubilee of independence with several positive aspects to cheer about. Decent value of stimulus package assisted economy to overcome the pandemic shock. The economy managed to register more than 5 percent growth in 2021 and its average per capita income went beyond \$2000 which became much higher than neighbour India. The nation showed its potentiality in export-oriented industrialisation (EOI). Bangladesh, which focuses on its traditional labour-intensive light manufacturing industry, is now the world's second-largest apparel exporter, trailing only China. Bangladesh's economic achievement reflects the country's discerning fiscal management. Bangladesh's poverty reduction relied heavily on fiscal restraint and export performance. The proximity to Bay of Bengal has put the nation in precarious position as it remains exposed to cyclonic storm which causes recurring damage to habitat, business, and economy. Despite environmental challenge, Bangladesh made a makeover in its image in international arena. From being poverty stricken backward nation in the past, it is now viewed as 'Asian Tiger' of the future.

Keywords: Economic progress, Export oriented industrialization, Fiscal prudence, Labour-intensive production, Stimulus package

I. INTRODUCTION

Bangladesh was part of India during British rule prior to partition of India in 1947. It was regarded as East Pakistan prior to its liberation. After a nine-month war in which India backed Bengali nationalists fought against Pakistan, the country gained independence in 1971. Like several nations of the world, the economic fate of Bangladesh had been orchestrated by political development. In 1973, the Awami League won a resounding triumph in the first parliamentary elections. Bangladesh constitution established a secular state, parliamentary administration, a bill of rights, and a firm commitment to local governance. Acceptance by the international community, on the other hand, was difficult. Bangladesh's original application to join the United Nations was denied by China, and Bangladesh was not accepted to the organisation until 1974. Many other issues confronted the new country, including the restoration of transportation, communication, and international commerce networks; power supply rehabilitation; education, health, and population programmes regeneration; and agricultural and industrial production revival. In 1975, a military coup killed founding president Sheikh Mujibur Rahman and most of his family, thereby ending civilian authority. In 1979, the Bangladesh Nationalist Party, led by former army chief Ziaur Rahman, was elected to power in the second legislative elections. On March 24, 1982, the country's armed forces, led by Chief of Staff Lieutenant General Huseyn Mohammad Ershad, deposed elected President Abdus Sattar in a coup d'etat. In 1983, as military authority took hold of the country,

only limited political engagement was authorised. Islam was considered as principal religion in 1988. Military rule lasted approximately a decade before Begum Khaleda restored parliamentary democracy in 1991. Zia, President Ziaur Rahman's widow, was appointed Prime Minister. During the 2006-2008 political crisis, leaders of both main parties were momentarily arrested. From 2014 to 2017, Islamists in Bangladesh waged a campaign of violence against bloggers, atheists, and secular intellectuals. Bangladesh's economy remained predominantly agrarian, with agriculture employing about half of the population in the early twenty-first century. Rice is the most important agricultural crop, but jute and tea, both substantial foreign exchange earners, are also significant. Indeed, the country is a major provider of raw jute around the world. At the juncture of golden jubilee celebration, Bangladesh was visualised as future Asian tiger which was earlier denounced as "basket case" by erstwhile US Secretary of State Henry Kissinger. Since independence, Bangladesh's national income has grown 50 times, per capita income has increased 25 times, putting it ahead of India and Pakistan, and food production rose four times. Bangladesh's population growth was restrained substantially, increasing per capita food availability. Exports have increased 100-fold, while poverty has decreased to 20% in 2021 from 60% in 1990. The average life expectancy has increased to 72 years. With the exception of Sri Lanka, most social metrics are superior to those of regional countries. The Human Development Index improved by 60% in value during Golden Jubilee Celebration time.

Historical Background of Bangladesh Hurdles and Ascendance

The country became involved in the Liberation War in March 1971, which lasted nine months. This battle was the culmination of a lengthy struggle for freedom from West Pakistan's economic, political, and cultural oppression. As a result, the Liberation War was driven by the desire to construct a country where equity and justice were the core principle of development strategies. The goal of independence was to achieve democratic, economic, social, and cultural rights. Bangladesh's people's ambitions have been translated effectively in the country's constitution. Bangladesh's post-independence experience, on the other hand, was not easy. Assassinations, coups, counter-coups, and military control all occurred in the country over the years. These issues were compounded by corruption and poor governance. Bangabandhu Sheikh Mujibur Rahman, Bangladesh's Father of the Nation, was assassinated in August 1975 by a group of junior army officers in an attempt to overturn the incumbent government, just three years after the country's independence. Following this heinous murder, a schism in political thought began to emerge in the country. Bangladesh, after a lengthy period of unsteadiness and fecklessness, began the democratic transition in 1991 with parliamentary elections. This change, however, could not be sustained because politics hindered stability and institutionalisation, and instead became increasingly contentious. So, after a few elections, the democratic process dealt another setback in 2006, when the handover of power through an election became questionable due to severe enmity among the leading political groups. This culminated in the military-supported non-partisan caretaker administration taking control in January 2007 with the intention of conducting a free and fair election. In December 2008, the Bangladesh Awami League won a landslide victory in an election, bolstered by support of vast majority. In January 2009, Sheikh Hasina Wazed, the daughter of Bangladesh's first president, Sheikh Mujibur Rahman, became Prime Minister of Bangladesh. In February 2009, border guards in Dhaka killed around 74 people, mostly army officers, in a mutiny over paltry wages and deplorable working conditions. In April 2013, Sheikh Hasina vetoed an Islamist bill that would make it illegal to disparage Islam. After a garment factory building collapsed in April 2013, killing over 1,100 people, European retailers committed to sign an accord to enhance workplace safety conditions in Bangladesh factories and industrial complexes in May 2013. Bangladesh prohibited the Islamist terrorist group Ansarullah Bangla Team to ban them in social sphere and political turf in May 2015, after it took credit for the murder and assault of several pro-secular public personalities. The Islamic State took responsibility for a July 2016 attack on a cafe in Dhaka's diplomatic area, in which 20 people were killed, including 18 foreigners, but the government denied the allegations, claiming that the terrorist group Jamaat-ul-

Mujahideen was to blame. Rohingya ethnic cleansing and genocide commenced in Myanmar in August 2017, and Bangladesh, as a neighbour nation, had to bear the burn of the influx of asylum seekers. In October 2017, it was reported that one million Rohingya Muslims fled military action in Myanmar's Rakhine state and sought sanctuary in Bangladesh. Khaleda Zia, the head of the opposition, was convicted to five years in prison for corruption in February 2018, preventing her from running in the elections subsequently that year. The ruling Awami League scored a resounding triumph in the parliamentary election in December 2018, although claims of violence, intimidation, and vote tampering tarnished the campaign. Bangladesh remained significantly reliant on relatively low-value-added ready-made garment (RMG) exports for more than four decades, accounting for roughly 84 percent of goods exported in recent time. Bangladesh is sensitive to external shocks due to its strong reliance on a single product RMG for exports and a small number of markets. Bangladesh has also failed to diversify into more value-added products using RMG as a springboard, as many other East Asian nations have done in the past. Although Bangladesh has pharmaceutical, footwear, processed food, jute goods, and shipbuilding sectors, they are mostly concentrated on the domestic market and contribute only a small amount to exports. According to research, Bangladesh has a competitive advantage in RMG, jute goods, tea, seafood, and leather, but only RMG has improved its competitiveness over time, while the others have remained unchanged. Bangladesh is also the only country in South Asia to have consistently raised its manufacturing share of GDP over the last two decades, as defined by "share of value contributed by manufacturing" in GDP. Bangladesh, on the other hand, continues to be a capital-scarce country. Inward foreign direct investment (FDI) accounts for only 1.1 percent of GDP. The UN's Committee for Development recommended that Bangladesh be removed off the list of least developed countries (LDCs). For the second time since 2018, Bangladesh met all three criteria to move from an LDC to a developing country in February 2021. Bangladesh's graduation would be recommended by the UN by 2026. Since 1975, when the country's economy was still recuperating from the disastrous Liberation War of 1971, Bangladesh remained on the list of LDC countries. Father of Nation Bangabandhu Sheikh Mujibur Rahman, envisioned about Sonar Bangla (Golden Bangladesh) which would be free from exploitation, inequality and injustice. His dream would translate into reality When Bangladesh is poised to be developing country by 2021 and a developed country by 2041.

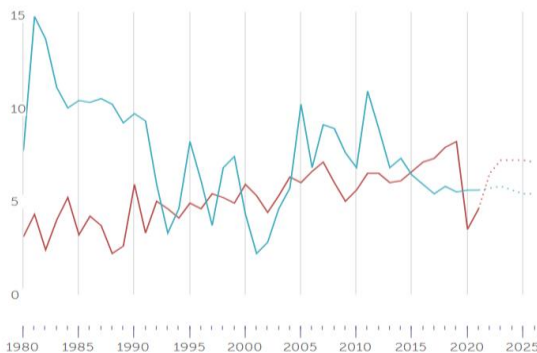
Economic Situation After Fifty Years of Bangladesh Independence

In 1971, Bangladesh inherited a war-torn economy. With an unfilled treasury, the country began its voyage. The economy was caught in a vicious cycle of poverty due to two decades

of Pakistani colonial exploitation. Bangladesh made exceptional economic progress over the five decades despite inadequate resources. In the last decade, the GDP growth rate surpassed all previous records. The per capita income has been continuously increasing. It has one of the strongest poverty-reduction records in the world. For its 170 million people, the country has attained near-self-sufficiency in food production with significant progress in agriculture. The country hosted the world's largest refugee population, with over 1 million Rohingya refugees escaping persecution in Myanmar. It has developed into a model export powerhouse as well.

Bangladesh has made remarkable economic and social progress during the preceding five decades, despite trying situations and resource limits. Its Gross Domestic Product (GDP) has grown at an astounding rate. Bangladesh's GDP has climbed from under 3% in the 1970s to 7% in the 2010s, crossing 8% just before the Covid-19 outbreak. Despite the fact that the epidemic has delayed Bangladesh's economic expansion, the country's GDP growth is expected to outpace that of other countries. Per capita income was expected to be 23 times more in 2020 than it was in 1973, thanks to rapid development. Gradually, the features of a modern economy—that is, a transition from agricultural dependence to growth through industry and services appeared in full view. Agriculture accounts for about a third of Bangladesh's GDP, while industry and services account for about 35 percent and 52 percent, respectively. The economy has also become more integrated with the rest of the world. Exports, imports, and remittances have all increased their share of GDP over time. Furthermore, substantial imports are possible thanks to a strong remittance flow. However, reliance on foreign aid for development work has decreased by over half in terms of its percentage of GDP in 2020 (compared to 1973), showing a somewhat more self-reliant growth effort. The outbreak of COVID 19 brought challenges for overseas workers as many faced job losses and that resulted into reduction in remittance during pandemic time. The economic situation is depicted through following diagrams.

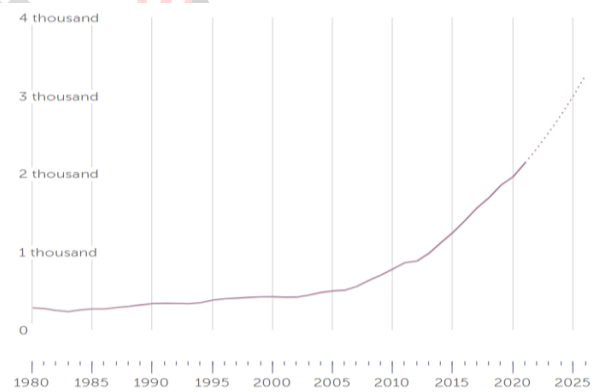
Diagram I: Real GDP growth (Annual percent change) and Inflation rate, average consumer prices (Annual percent change)



Source: IMF DataMapper, Country Data- Bangladesh, October 2021

In the above diagram, it is observed that real GDP growth rate presented in red line demonstrated upward rising trend since 2002 and reached and registered all time high 8.2 percent in 2019. It had been one of the greatest achievements of Bangladesh as it portrayed economic growth much greater than neighbouring South Asian nations. Export driven economic growth did marvellous job and took economy on higher trajectory of prosperity. Bangladesh, like many other economies, faced a difficult task in fully recovering from the COVID-19 epidemic, which hampered economic activity and reversed some of the achievements made in the previous decade. In 2020, the COVID-19 epidemic slowed economic growth. Poverty reduction halted, exports fell, inequality worsened across multiple dimensions, and the poverty rate rose to 18.1 percent in 2020, up from 14.4 percent in 2015. Nonetheless, robust remittance inflows and a recovery in the export market aided the economy's steady recovery. Inflation situation moderated in the economy since its peak time in 1980s when it used to register about 15 percent of price rise. Inflation rate was on a decline since 2011 and became 5.6 percent in 2020. As Bangladesh itself started to act as supply hub, global turmoil didn't cause much of supply constraint for the economy. The following diagram depicted the economic upliftment expressed in rising GDP per capita in current prices.

Diagram II: GDP per capita, current prices (U.S. dollars per capita)

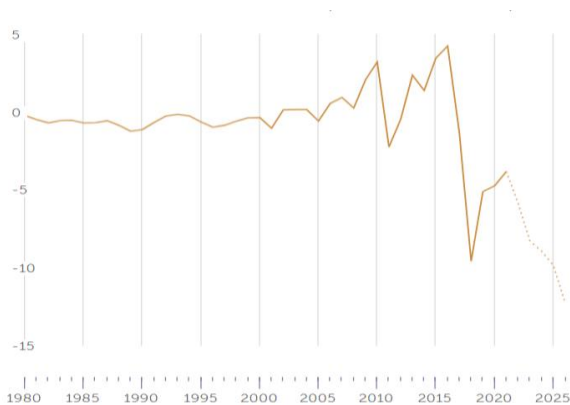


Source: IMF DataMapper, Country Data- Bangladesh, October 2021

In the above diagram, the economic benefit for inhabitants is displayed through upward rising graph of GDP per capita in US dollar term. It is evident from the graph that up to year 2000 the growth in per capita was nominal. The military rule up to 1990 thwarted any betterment in purchasing power ability. After restoration of democracy and switching to parliamentary system of government country started showing improvement in income earning potentiality. Bangladesh GDP per capita surged ahead and reached \$2.14 thousand in 2021 and as per IMF estimation it can reach about \$2.99 thousand in 2025. Strong export driven manufacturing activities and participation of women in production process catapulted per capital income of

Bangladesh workforce to great extent. The following diagram highlights the trade potentiality of the export driven economy. Although the rate of economic growth had been high, qualitative investments would be required in the future. Lack of energy infrastructure, property ownership uncertainty, slackness in experimentation and innovation in non-RMG sector were all significant impediments to private investment. Energy conservation and measures to boost long-term energy supplies would be vitally needed. Inadvertently, the RMG sector's success came at the expense of slow expansion and restricted opportunities to move into other industries. Non-RMG sectors had anti-export bias, which inhibited competition and product variety. The following diagram features current account situation of Bangladesh.

Diagram III: Current account balance U.S. dollars (Billions of U.S. dollars)



Source: IMF DataMapper, Country Data- Bangladesh, October 2021

Despite its tremendous industrialization, Bangladesh's terms of trade deteriorated dramatically (ToT). Between 1980 and 2019, Bangladesh's average ToT for the base year of 2000 was 99.91 percent, with a low of 57.47 percent in 2011 and a high of 162.26 percent in 1985. In 2019, the most recent figure was 65.4. The current account balance as a proportion of GDP reflected Bangladesh's lack of competitiveness. Between 1997-98 and 2019-20, Bangladesh's average current account balance as a percentage of GDP was 0.6 percent. This statistic peaked at 3.3 percent in 2009-10 and fell to a new low of -3.7 percent in 2017-18. The deficiency of Bangladesh's international competitiveness became evident from the data.

Bangladesh made agriculture and the rural economy a cornerstone in order to secure food security for its citizens. The country reached food self-sufficiency in 2021. Food grain, fish, poultry, and meat production all saw massive increases in the agricultural sector. Total food grain production peaked at 9.9 million metric tonnes in 1972, and by 2020, it had risen to 45.4 million metric tonnes. Bangladesh is the world's fourth-largest rice producer and third-largest producer of freshwater fish. Despite its dense population, shrinking farm land, and frequent natural

disasters such as cyclones and flooding, Bangladesh made great progress toward food grain self-sufficiency and poverty reduction. Bangladesh climbed 13 places to 75th place out of 107 nations in the most recent Global Hunger Index in 2021. In the two decades from 1999 to 2019, the value of agricultural output increased at a quicker rate than most of Bangladesh's contemporaries, averaging 3.54 percent per year. In 2026, Bangladesh would be classified as a lower middle-income country. Bangladesh's capacity to leverage the opportunities afforded by the advent of the global production network and global value chain from the mid-1980s remained largely responsible for this economic transformation. Bangladesh's economic success may be ascribed to the country's ability to meet electrical demands, construct infrastructure, maintain political stability, and achieve food self-sufficiency. Health, banking, higher education, television, and even export processing and industrial zones were opened to the private sector after being held by the state sector until 1996. Sheikh Hasina successfully instilled optimism and belief in the nation's mindset. The digitization of Bangladesh's economy not only fostered domestic job prospects and accelerated economic growth, but it also proliferated innovation in the service industry. Many big firms in developed countries such as the United States, the United Kingdom, and Australia are resorting to IT outsourcing to countries such as Bangladesh in order to save costs and risks, resulting in a fresh surge in freelancing.

II. DISCUSSION

Bangladesh is one of the world's most thickly populated countries, with its inhabitants jammed into a river delta that empties into the Bay of Bengal. Although poverty is ubiquitous, Bangladesh has restrained population growth and improved health and education in recent years. Bangladesh, formerly known as East Pakistan, was formed in 1971 when the two areas of Pakistan divided after a violent conflict that dragged in India. Bangladesh was under military dictatorship for 15 years, and while democracy was restored in 1990, the political situation remained unstable. In the generally tolerant country, Islamist radicalism is also on the rise. Bangladesh is prone to flooding and cyclones due to its low elevation. Any rise in sea levels is likely to have a negative impact on it.

Bangladesh's Vision 2041 calls for the country to eliminate abject destitution and reach upper middle-income country status by 2031, and high-income country status by 2041. Bangladesh must be careful not to fall into the lower middle-income trap, as India and Indonesia did, in order to make a seamless transition to a high-income country. Bangladesh's independence and victory were won with a lot of blood, sweat, and tears. The sacrifice of freedom fighters will only be worthwhile if concrete change occurs in the lives of ordinary citizens, particularly the poorest. This necessitates a democratic and development approach that is inclusive.

The inclusion of a bigger segment of the population in the economic and political processes can enhance the significance of the country's 50 years of economic success. The country strove hard to be "Digital Bangladesh" since 2009 with free access to Information and Communication Technology for people at the bottom of pyramid. To ease Bangladesh's transition out of Less Developed Country classification and sustain competitiveness in a post-pandemic world, more significant changes are required in infrastructure facility, institutional framework, social security, market efficiency and competitiveness. Structural reforms should concentrate on improving governance, diversifying exports, raising productivity, and developing climate resilience to enable private sector-led growth, which must be fuelled by exports and investments.

III. CONCLUSION

Bangladesh at Golden Jubilee phase claimed to be the world's 37th largest economy, with a GDP of about \$409 billion (€362 billion), and predictions suggest that the size of the economy might double by 2030. While the economy was predominantly agrarian in 1971, it has evolved over the years, with industry and services now accounting for the majority of economic output. Agriculture's contribution to GDP has plummeted to just 13%. The industry employs 4 million people, the majority of whom are women, hence promoting female empowerment. Bangladeshi employees employed overseas transferred almost \$24.7 billion in remittances in fiscal year 2021, making remittances an important part of the economy.

On the 50th anniversary of Bangladesh's proclamation of independence from Pakistan, there was widespread praise for the country's remarkable economic and social development. Bangladesh in current period is viewed mostly as 'development miracle' and market comprised of 30 million middle- and affluent-class residents. The enormous geopolitical ramifications of Bangladesh's economic ascent, such as a change in South Asia's economic gravity to the east and the reintegration of an eastern subcontinent previously split by antagonism and barely penetrable frontiers, had gone largely unnoticed. Bangladesh appeared to be on the verge of a second independence. The country has started showing signs of breaking out of its relative isolation, allowing Dhaka to take a more active role in the region and beyond, while also exploring new marine opportunities in the Indo-Pacific. To meet the future uncertainties, Bangladesh would require to invest in productivity-enhancing skills development, efficient infrastructure, machinery, and technology, all of which would be backed by a well-functioning and efficient financial system. Bangladesh would also need to reorient its economy toward domestic demand while maintaining its export-oriented strategy intact.

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