



International Journal of Financial Management and Economics

P-ISSN: 2617-9210
E-ISSN: 2617-9229
IJFME 2018; 1(1): 12-17
Received: 10-05-2018
Accepted: 15-06-2018

Salman Khan
Department of Economics,
Notre Dame University,
Dhaka, Bangladesh

Bangladesh economy and its future prospectus

Salman Khan

Abstract

Purpose of the case study is to understand current economy scenario of Bangladesh. What all sectors contribute in growth of its economy? How we can define growth of economy?

As Bangladesh was formed in 1971 and since then its very less time for an economy to grow from stretch. However, through GDP as a parameter through which I tried analyzed the current economic situation of this country. It is country situated in South Asia. Bangladesh formed in 1971 after Bangladesh Liberation War. Its market based is 42nd largest in the world. Its economy is second fastest growing with 7.1%. Its economy is largely driven by garments, remittance and agriculture. Other sectors which contributed to country's GDP are; textile, seafood, leather goods and shipbuilding. It also helps Indian, Nepal and Bhutan with its seaports.

GDP is monetary measure of the market value of final goods and services produced in a year. Nominal GDP is calculated to determine the economic performance of a country for international comparisons.

Keywords: GDP & GNP, sector & industry, agriculture sector, shipbuilding, balance of trade, inflation, nominal & real, Bangladesh liberation war, economic, export & import

Introduction

Introduction to Bangladesh Economy

It is country situated in South Asia. Its nearby countries are Nepal, Bhutan and China, however it share borders with India and Myanmar only. Bangladesh formed in 1971 after Bangladesh Liberation War. Its official language is Bengali and it is a Muslims dominant state. Its market based is 42nd largest in the world. Its economy is second fastest growing with 7.1%. It has two stock exchanges; Dhaka Stock Exchange and Chittagong Stock Exchange. Its economy is largely driven by garments, remittance and agriculture. Other sectors which contributed to country's GDP are; textile, seafood, leather goods and shipbuilding. It also helps Indian, Nepal and Bhutan with its seaports.

Objectives

1. Study concept of GDP
2. Study current Economic Situation of Bangladesh
3. Study sectors contributing in growth of GDP
4. Identify Future prospectus

Methodology

In duration of 2 weeks, I have studied the concept of GDP.

- How it is calculated?
- What all factors impact in the calculation of GDP?
- Relevance of GDP

I have studied Economy of Bangladesh.

- What all sectors contribute in the growth of its economy?
- How it has shown growth over the period of time?

Major Sector that contributes heavily in GDP is as follows:

Shipbuilding

It is growing industry. Due to this opportunity, Bangladesh is compared to countries like

Correspondence
Salman Khan
Department of Economics,
Notre Dame University,
Dhaka, Bangladesh

China and Japan. Its low production cost and quality, it is exporting as major product of Bangladesh; that helps country to be a major competitor in the global market. It has provided jobs to 200,000 individuals. Chittagong Ship Breaking Yard is second-largest ship breaking area in the world. Bangladesh Shipbuilding industry has a wide range of ships for customers. KSY built ships for Defence sector.

Agriculture Sector

Many citizens’ living is agriculture. They majorly grow; Rice, Wheat, Maize, Vegetables & Tea. They grow maize for other economic sectors. Tea is grown due to availability of water. Due to availability of water, rice grows easily. They have worked very hard on their food grain production. Wheat grows only one third size of rice in Bangladesh; with 27.6 million metric tons produced of rice whereas wheat output was 8.79 million metric tons. Farmers are more exposed to various risks like lack of finances for new technology and turnover on their investment. However, Agriculture sector is so strong that, it can also absorb unemployment in country.

Finance

Financial sector of Bangladesh was dominated by state-owned banks. After financial reforms in 90’s private commercial banks were open through privatization. With focus on the development of financial institutions, finance reforms were introduced after first phase and as on date; 4 government-owned specialized banks, 39 private commercial banks and 9 foreign commercial banks

Manufacturing Sector

Major manufacturing they do is of garment industry, which grows in double figures. This sector is major employment sector after agriculture. This sector majorly employs women. Other manufacturing area is Leather which is specifically used to shoe making. Bangladesh produces muslin and silk of very fine quality. Machine-made textiles introduced in 18th century from England were considered as boon for manual process. There was a labour unrest in 2006, minimum wage rate increased to USD 50 from USD 24 on monthly basis. Key points of this industry are:

- Knitwear and ready-made garments - 80% of Bangladesh's total exports
- The industry employs nearly 4.75 million workers.
- Wages in Bangladesh's textile industry were the lowest in the world.
- Politics has political influence on textile industry

Information and Communication Technology

It consists of workforce from private sector and freelance industry. It contributes to Bangladesh’s economic growth. In recent years Bangladesh has shown impressive growth in this sector.

- Bangladesh has a market of 160 million people which spend on phones and internet. It has 26.7 million active Facebook users
- It exports software, games, outsourcing and services of worth USD 843m; to European countries, Canada and Russia.
- Government is planning to raise export from this sector to USD 5b by 2021.

Top 10 companies of Bangladesh are as follows, they are

from different sectors.

Top 10 Companies	Trading Value
Bangladesh Thai Aluminium Ltd	99.769
City Bank Limited	78.601
Dragon Sweater and Spinning Limited	129.403
Golden Harvest	76.671
Grameenphone Private Limited	106.866
Ifad Autos Limited	117.537
IPDC Finance Limited	67.043
Olympic industries limited	60.557
Shahjalal Bank Private Limited	53.171
Square Pharmaceuticals Limited	449.888

Gross Domestic Product (GDP)

Gross domestic product is monetary measure of the market value of final goods and services produced in a year. Nominal GDP is calculated to determine the economic performance of a country for international comparisons.

GDP Based on Production

It’s a kind of reverse calculation. It measures value of economic output after deducting cost of intermediate goods and services which are used in the process. The production approach constitute national income. There are some factors which doesn’t forms part of Production approach but used here like Tax, depreciation looks backward from the vantage of a state of completed economic activity.

GDP Based on Income

It is based on score of the national income. Income earned by all the factors of production in economy; it includes the wages paid, the rent earned, the return on capital, entrepreneur’s profits. All this are factors used to constitute national income. There are some factors which doesn’t forms part of Production approach but used here like Tax, depreciation.

Gross Domestic Product and Gross National Income

GDP of a country is calculated as follows:
 National income + Indirect business taxes + Depreciation + Net foreign factor income
 This way GDP can also be referred to Gross Domestic Income (GDI), or Gross National Income (GNI).

Balance of Trade and GDP

Balance of trade is an important key component of GDP. GDP increases export is more than import or vice versa; when import is more than exports than it is known as trade deficit.

Impact of Inflation and GDP

GDP figures as reported to investors are already adjusted for inflation. In other words, if the gross GDP was calculated to be 6% higher than the previous year, but inflation measured 2% over the same period, GDP growth would be reported as 4%, or the net growth over the period.

Standard of Living and GDP

The major advantage of GDP per capita is; it is an indicator

of standard of living. It is measured often in countries to provide information on GDP in time to time. It provides us information on trends to be seen quickly. It is measured widely in that some measure of GDP is available for almost every country in the world, allowing inter-country comparisons. It is measured consistently in that the technical definition of GDP is relatively consistent among countries.

Nominal vs. Real GDP

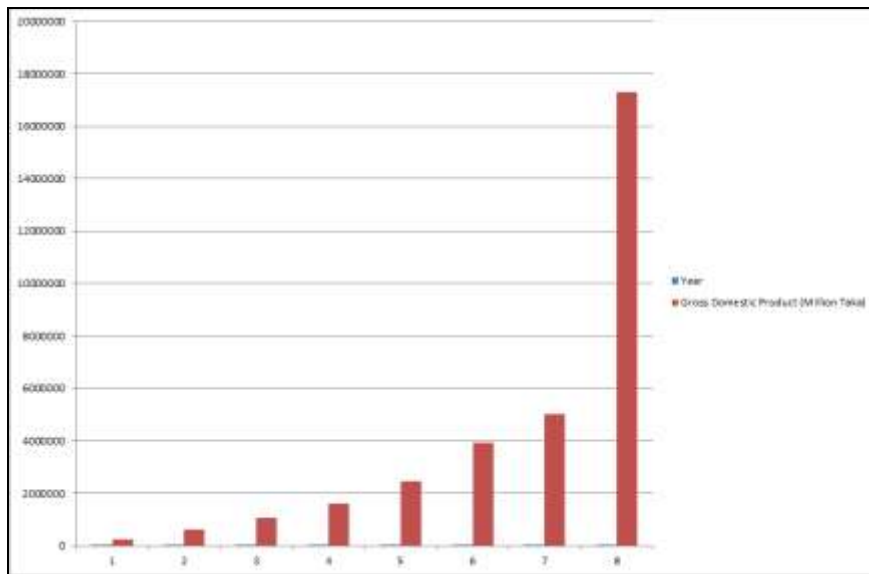
GDP is based on a monetary value of an economy’s output and it is subject to inflation as well. Over a period of time, prices typically tend to go up in an economy and this is reflected in the GDP. So, its very difficult to identify GDP exact increase of decrease without adjustment. That is why we adjust inflation to have real value of GDP instead of reviewing nominal GDP. By adjusting the output in any given year for inflation so that it reflects the price levels that prevailed in a reference year, called “the base year,” economists adjust for the inflation effect. This way, it is possible to compare a country’s GDP from one year to another and see if there is any real growth. Real GDP is calculated using a GDP price deflator, which is the difference in prices between the current year and the base

year. Nominal GDP is usually higher than real GDP because inflation is typically a positive number. It is used when comparing different quarters of output within the same year.

Bangladesh GDP

Bangladesh is a developing economy. Its one-third of population lives in extreme poverty. In the last decade, the country has recorded GDP growth rates of 5% due to development of microcredit and garment industry. Three fifths of Bangladeshis are employed in the agriculture sector, three quarters of exports revenues come from producing ready-made garments.

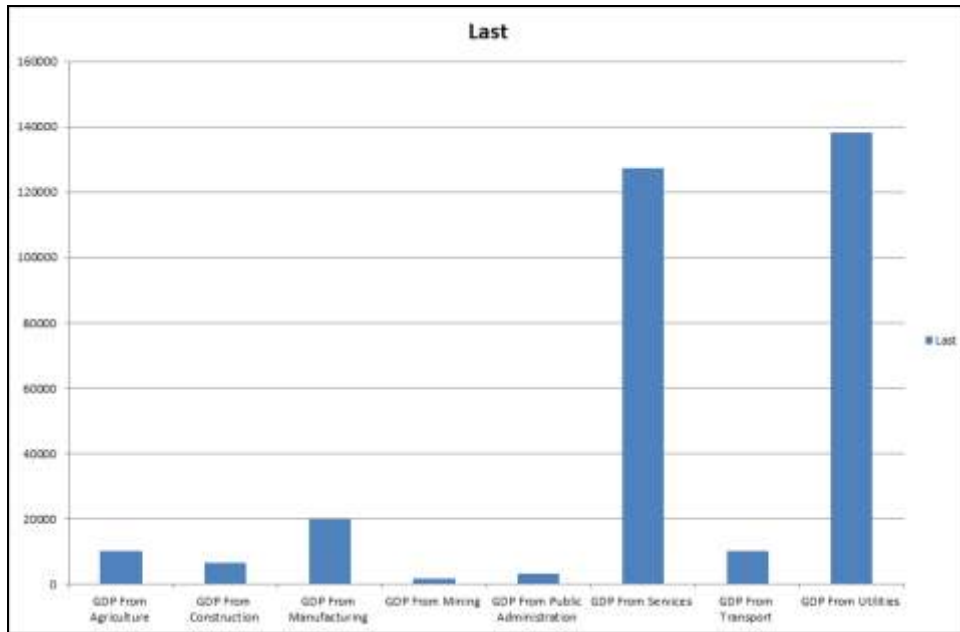
Year	Gross Domestic Product (Million Taka)	US Dollar Exchange
1980	250,300	16.10 Taka
1985	597,318	31.00 Taka
1990	1,054,234	35.79 Taka
1995	1,594,210	40.27 Taka
2000	2,453,160	52.14 Taka
2005	3,913,334	63.92 Taka
2008	5,003,438	68.65 Taka
2015	17,295,665	78.15 Taka



In recent decade, it has shown huge growth in comparison to previous decades and from 2008 to 2015 it has shown huge growth of 250% approx. However, yearly growth of GDP is

7.11% in 2016. GDP Growth Rate in Bangladesh averaged 5.69 percent from 1994 until 2016.

Bangladesh GDP	Last	Previous	Highest	Lowest	Unit
GDP Annual Growth Rate	7.3	7.2	7.3	4.08	percent
GDP	249.72	221.42	249.72	4.3	USD Billion
GDP Constant Prices	9478.98	8830.54	9478.98	2372.59	BDT Billion
Gross National Product	9872.56	9350.98	9872.56	2483.46	BDT Billion
Gross Fixed Capital Formation	7043.96	6028.3	2829687	6028.3	BDT Million
GDP per capita	1093.05	1029.6	1093.05	317.7	USD
GDP per capita PPP	3523.98	3319.4	3523.98	1287.9	USD
GDP From Agriculture	10117.3	9922.8	10117.3	7017.1	BDT Million
GDP From Construction	6695.1	6155.2	6695.1	2982.5	BDT Million
GDP From Manufacturing	19776.5	17822.3	19776.5	7383.4	BDT Million
GDP From Mining	1633	1499.7	1633	700.9	BDT Million
GDP From Public Administration	3361.5	3079.6	3361.5	1408.9	BDT Million
GDP From Services	127417	118665	127417	62352	BDT Million
GDP From Transport	10246.3	9597.2	10246.3	4649.7	BDT Million
GDP From Utilities	138196	127422	163812	69975	BDT Million



If we in graph above in GDP major contributors are:

1. Utilities
2. Services
3. Manufacturing
4. Agriculture

In recent past Service sector also emerged as a great contributor in GDP, as main reason is western countries are looking for back office support in South Asian countries for cheap labour.

Future Prospectus of Bangladesh Economy

1. New Mode of Transport: Bangladesh is covered with so many water streams and mostly flows through Bay of Bengal. They are planning to introduce new water transport to utilise water streams and reduce use of land for transportation. This will give a boost to other sectors in the economy: riverside forestation, commercialisation etc.
2. Power Generating Modes: Three forms of energy are abundant in Bangladesh: Water, Wind and Sunlight. All three forms of energy can be converted into electricity through setting up all kinds of power plants: Hydro power plant, wind farm and solar panels.
3. Urbanisation: As agriculture is a major sector in the economy of Bangladesh, with this they have to cater to the problem of growing population which is an opportunity as well for the country to develop its infrastructure to accommodate both agriculture and urbanisation. This new opportunity will create employment within the country and it will lead to economic development.
4. Tourism: With so much forestation, rivers and greenery, the country should promote tourism in their country to attract foreign tourists, which in turn will help them to grow their foreign reserves as well.

References

1. Leonard AG, SJ. Tamil Nadu Economy, Published by Rajiv Beri Macmillan India LTD, New Delhi, 2006.
2. Ahluwalia IJ. Industrial Growth in India: Stagnation Since the Mid-Sixties, Oxford University Press, New Delhi, 1985.

3. Amartya Sen. India, Economic Development and Social Opportunity, University Press, Delhi. 1995.
4. Bawer PY, Yane BS. The economics of underdeveloped countries, Chicago, 1957, 235.
5. Dhingra IC. Indian Economy, Sultan Chand & sons Educational Publishers, New Delhi, 2009.
6. Dhingra IC. The Indian Economy, Environment and Policy, Sultan Chand Publication 19th Edition, 2005.
7. Gupta KL, Harvinder Kaur. New Indian Economy and Reforms, Deep & Deep Publication Pvt. Ltd, 2005.
8. Iswar C Dhingra. Indian Economy Resource Planning, Development and problems, Sultan Chand Publication, 1st Edition, 1981.
9. Jagdish Gandhi P, Ganesan P. Services sector in the Indian Economy, Deep and Deep publication, New Delhi Kewal, Khanna, Parmala Khanna (2001), Indian Economy Towards, 2007.
10. Globalization, Raj Publishing House, 1st Edition.
11. Lewis WA. The Theory of Economic Growth, Homewood III, 1955, 277
12. Michio Morishima. Theory of Economic Growth, Clarendon Press Publication, Oxford Publication, 1969,
13. Misra SK, Puri, Indian Economy, Himalaya Publishing House, 1983.
14. Reddaway WB. The Development of the Indian Economy, R.D. Irwin Publication, Homewood, 1962.
15. Renuka Mahadevan. School of Economics, University of Queensland, Australia- Productivity Growth in India, 2003.
16. Robert EB, Lucas, Gustav F Papanek. Indian Economy, Oxford University Publication, Bombay, 1988.
17. Rudrani Bhattacharya. Planning Unit, Indian Statistical Institute, Agroindustry, Inequality and Sectoral growth, 2004.
18. Singh RB, Kumar P, Woodhead T. Smallholder Farmers in India: Food Security and Agricultural Policy, Rap Publication, 2002.
19. Studipto Mundel. Trade policy, industrial performance, and private Sector Development in India by Asian development Banks, 2008, Oxford University press, 2008.
20. Vijay Joshi MD. Little India's Economic Reforms,

- 1991-2001. Oxford University Publication, 1996.
21. Vijaya Kumar. A December Services sector in India- Published by New century publications -Recent Policy initiatives, 2008.
 22. A survey of the information technology, telecommunications and electronics sector in Latvia - Riga: Phare, 2000.
 23. A survey of construction sector in Latvia - Riga: Phare, 2000.
 24. Adult Education Yearbook, Riga, 1999.
 25. Career Counselling Centre, Report 1999, Riga, 2000.
 26. Demographic yearbook of Latvia, 1999. Central Statistical Bureau of Latvia. Riga, 1999.
 27. Education institutions in Latvia at the beginning of school year 1999/2000. Statistical bulletin. Central Statistical Bureau of Latvia. Riga, 2000.
 28. Education institutions in Latvia at the beginning of school year 1998/99. Statistical bulletin. Central Statistical Bureau of Latvia. Riga, 1999, 117.
 29. Koroleva, Rungule, Sebre. Trapenciere: A Sociological Portrait of Latvian Youth - Riga; University of Latvia Institute of Philosophy and Sociology, 1999.
 30. Prognosis of demographic development of Latvia: years 1998-2025. Informative material. Red. P. Zvidriņš. Riga: University of Latvia, 1999.
 31. Latvian Monthly Statistical Bulletin Central Statistical Bureau of Latvia. Riga, 2000; 6(73)
 32. Labour force in Latvia. Labour force survey data, November 1999. A statistical bulletin. Central Statistical Bureau of Latvia. Riga, 2000.
 33. Labour force in Latvia. Labour force survey data, May 1999. A statistical bulletin. Central Statistical Bureau of Latvia. Riga, 1999.
 34. Labour force in Latvia. Labour force survey data, November 1998. A statistical bulletin. Central Statistical Bureau of Latvia. Riga, 1999.
 35. Report on the development of National Economy. LR Ministry of Economics
 36. Lee, James, Wang Feng. 'Malthusian models and Chinese realities: The Chinese demographic system 1700-2000'. Population and Development Review 25 1999; (1):33-65.
 37. Leeson, Peter T. An-arrgh-chy: The Law and Economics of Pirate Organization'. Journal of Political Economy. 2007; 115(6):1049-94.
 38. Leibbrandt, Murray, Ingrid Woolard, Arden Finn, Jonathan Argent. 'Trends in South African Income Distribution and Poverty since the Fall of Apartheid'. OECD Social, Employment and Migration Working Papers, No. 101. Paris: OECD Publishing, 2010.
 39. Levitt, Steven D, John A. List. 'What Do Laboratory Experiments Measuring Social Preferences Reveal About the Real World?'. Journal of Economic Perspectives. 2007; 21(2):153-174.
 40. Lindert, Peter. Growing Public: Social Spending and Economic Growth since the 18th Century. Cambridge: Cambridge University Press, 2004.
 41. Lorenz, Max O. 'Methods of Measuring the Concentration of Wealth'. Publications of the American Statistical Association. 1905; 9(70).
 42. Lucas, Robert. 'In defence of the dismal science'. The Economist. Updated 6, 2009.
 43. Malkiel, Burton G. 'The Efficient Market Hypothesis and Its Critics'. Journal of Economic Perspectives. 2003; 17(1):59-82.
 44. Malthus, Thomas R. An Essay on the Principle of Population. London: J. Johnson, in St. Paul's Church-yard. Library of Economics and Liberty, 1798.
 45. Malthus, Thomas R. A Summary View on the Principle of Population. London: J. Murray Marshall, Alfred. 1920. Principles of Economics, 8th ed. London: MacMillan & Co, 1830.
 46. Martin, Felix. Money: The Unauthorised Biography. London: The Bodley Head, 2013.
 47. Martinez-Bravo, Monica, Gerard Padró i Miquel, Nancy Qian, Yang Yao. 'Political reform in China: the effect of local elections'. NBER working paper, 18101, 2014.
 48. Marx Karl. Capital: A Critique of Political Economy. New York, NY: Random House. Marx, Karl. 2010. The Communist Manifesto. London: Arcturus Publishing, 1906.
 49. Mazzucato, Mariana. 'Government – investor, risk-taker, innovator'. McNeill, William Hardy H. 1976. Plagues and Peoples. Garden City, NY: Anchor Press, 2013.
 50. Mencken HL. A Little Book in C Major. New York, NY: Kessinger Publishing, 2006.
 51. Mian, Atif, Amir Sufi, Francesco Trebbi. 'The Political Economy of the Subprime Mortgage Credit Expansion'. Quarterly Journal of Political Science. 2013; 8:373-408.
 52. Micklethwait, John, Adrian Wooldridge. The Company: A Short History of a Revolutionary Idea. New York, NY: Modern Library, 2003.
 53. Milanovic, Branko. Worlds Apart: Measuring International and Global Inequality. Princeton, NJ: Princeton University Press, 2007.
 54. Milanovic, Branko. The Haves and the Have-Nots: A Brief and Idiosyncratic History of Global Inequality. New York, NY: Basic Books, 2012.
 55. Mill, John Stuart. Principles of Political Economy. New York: Oxford University Press, 1994.
 56. Mill, John Stuart. On Liberty. Mineola, NY: Dover Publications, 2002.
 57. Miller, Grant. 'Women's suffrage, political responsiveness, and child survival in American history'. The Quarterly Journal of Economics. 2008; 123(3):1287-1327.
 58. Miller RG, Sorrell SR. 'The Future of Oil Supply'. Philosophical Transactions of the Royal Society A: Mathematical, Physical and Engineering Sciences. 2006, 2013, 372.
 59. Minsky, Hyman P. John Maynard Keynes. New York, NY: McGraw-Hill, 1975.
 60. Minsky, Hyman P. Can 'It' Happen Again? Essays on Instability and Finance. Armonk, NY: M. E. Sharpe, 1982.
 61. Mokyr Joel. The Gifts of Athena: Historical Origins of the Knowledge Economy, 5th ed. Princeton, NJ: Princeton University Press, 2004.
 62. Morduch, Jonathan. 'The Microfinance Promise'. Journal of Economic Literature. 1999; 37(4):1569-1614.
 63. Moser, Petra. 'Patents and Innovation: Evidence from Economic History'. Journal of Economic Perspectives. 2013; 27(1):23-44.
 64. Moser, Petra. 'Intellectual Property Rights and Artistic Creativity'. Voxeu.org. Updated, 2015.

65. Mowery, David C, Timothy Simcoe. 'Is the Internet a US Invention?—an Economic and Technological History of Computer Networking'. *Research Policy*. 2002; 31(8, 9):1369-87.
66. Murphy, Antoin E. 'Money in an Economy Without Banks: The Case of Ireland'. *The Manchester School* 1978; 46(1):41-50.
67. Naef, Michael, Jürgen Schupp. 'Measuring Trust: Experiments and Surveys in Contrast and Combination'. IZA discussion. 4087, 2009.
68. Nasar, Sylvia. *A Beautiful Mind: The Life of Mathematical Genius and Nobel Laureate John Nash*. New York, NY: Simon & Schuster, 2011.
69. Nelson, Richard R, Gavin Wright. 'The Rise and Fall of American Technological Leadership: The Postwar Era in Historical Perspective'. *Journal of Economic Literature*. 1992; 30(4):1931-1964.
70. Nickell, Stephen, Jan van Ours. 'The Netherlands and the United Kingdom: A European Unemployment Miracle?'. *Economic Policy*. 2000; 15(30):136-180.
71. Nordhaus, William D. 'A Review of the Stern Review on the Economics of Climate Change'. *Journal of Economic Literature*. 2007; 45(3):686-702.
72. North, Douglass C. *Institutions, Institutional Change and Economic Performance*. Cambridge: Cambridge University Press, 1990.
73. Norton, Michael I, Daniel Ariely. 'Building a Better America—One Wealth Quintile at a Time'. *Perspectives on Psychological Science*. 2011; 6(1):9-12.
74. Nuffield Foundation, The. 'Mirrlees Review of tax system recommends radical changes'. Updated 10, 2010.
75. Brien O, Patrick K, Philip A. Hunt. 'The rise of a fiscal state in England, 1485–1815'. *Historical Research*. 1993; 66(160):129-76.
76. Reilly O, Tim, Eric S, Raymond. *The Cathedral & the Bazaar: Musings on Linux and Open Source by an Accidental Revolutionary*. Sebastopol, CA: O'Reilly, 2001.
77. OECD. *Employment Outlook 2010: Moving Beyond the Jobs Crisis*, 2010.
78. OECD. *Programme for International Student Assessment*, 2015.
79. Open Secrets.org. 'Lobbying Spending Database Chemical & Related Manufacturing, 2015.
80. Ostrom, Elinor. 'Collective Action and the Evolution of Social Norms'. *Journal of Economic Perspectives*. 2000; 14(3):137-58.
81. Ostrom, Elinor. 'The Challenge of Common-Pool Resources'. *Environment: Science and Policy for Sustainable Development*. 2008; 50(4):8-21.
82. Ostrom, Elinor, James Walker, Roy Gardner. 'Covenants With and Without a Sword: Self-Governance is Possible'. *The American Political Science Review*. 1992; 86(2).
83. Owen, Nick A, Oliver R, Inderwildi, David A, King. 'The Status of Conventional World Oil Reserves—Hype or Cause for Concern?'. *Energy Policy*. 2010; 38(8):4743-4749.
84. Pareto, Vilfredo. *Manual of political economy: a variorum translation and critical edition*. Oxford, New York, NY: Oxford University Press, 2014.
85. Pencavel, John. *Worker Participation: Lessons from the Worker Co-ops of the Pacific Northwest*. New York, NY: Russell Sage Foundation Publications, 2002.
86. Phillips AW. 'The Relation Between Unemployment and the Rate of Change of Money Wage Rates in the United Kingdom, 1861–1957'. *Economica*. 1958; 25(100):283.
87. Pigou, Arthur. *Wealth and Welfare*. London: Macmillan & Co, 1912.
88. Pigou, Arthur. 1932. *The Economics of Welfare*. London: Macmillan & Co, 1920.
89. Piketty, Thomas. *Capital in the Twenty-First Century*. Cambridge, MA: Harvard University Press, 2014.
90. Plant E, Ashby K, Anders Ericsson, Len Hill, Kia Asberg. 'Why study time does not predict grade point average across college students: Implications of deliberate practice for academic performance'. *Contemporary Educational Psychology*. 2005; 30(1):96-116.