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Boosting BD's economic growth performance

The government of Bangladesh should take effective fiscal measures to distribute the tax burden equitably by widening the tax base or increasing the number of TIN holders. This will help augment public revenues that can be spent in priority areas. Political stability and elimination of corruption are also important for accelerated growth performance of the economy, writes M Azizur Rahman

RATE of industrialisation, urbanisation and economic growth in Bangladesh have so far been relatively good compared to the situation in its neighbouring member-countries of the South Asian Association for Regional Cooperation (SAARC). Political stability, improved industrial infrastructure and law and order as well as an independent judicial system can take the economy of Bangladesh to a higher growth trajectory. The economy of Bangladesh, according to the World Fact Book of the US Central Intelligence Agency (CIA), is a rapidly developing market.

According to the adjusted Purchasing Power Parity (PPP) in 2010, the per capita income in Bangladesh was US$ 1,700. Bangladesh was ranked as the 47th largest economy in the world in 2010 in PPP terms. Bangladesh is the 57th largest economy in nominal terms. The gross domestic product (GDP) of Bangladesh is $ 269.3 billion in PPP terms and $ 104.9 billion in nominal terms. Its annual economic growth rate has been in the range between 6.0% and 7.0% for the last few years. More than half of its GDP is produced in the service sector. Nearly half of its population have been working in the agricultural sector. Readymade garments (RMG), textiles, leather and leather goods, jute, fish, vegetables, ceramics, fruits etc, are its other important sectors. Forty-five per cent of its population are employed in agriculture, 30% in industry and 25% in the service sector. Unemployment rate, barring disguised unemployment or under-employment, was 5.1% in 2010.

As sector-wise contributions to the GDP, 18.6 per cent comes from agriculture, 28.6% from industry, 52.8% from the services sector. Inflation rate, as estimated during fiscal year (FY) 2010-2011, was 8.80%, though the rate has gone up somewhat in the first quarter of the current fiscal. The number of people lying below the poverty line is estimated at 30% (2011). Labour force has been estimated to be 73.87 million in number. Bangladesh stands at the eighth position, in terms of employing labour force. The main industries in Bangladesh include cotton textiles, jute, garments, tea processing, leather, fish, ocean-going shipbuilding, paper and newsprint, cement, chemical, fertiliser, light engineering, sugarcane etc.

Export earning stood at $ 29.93 billion in FY 2010-2011. Its major export goods are garments, textiles, jute and jute goods, ocean-going ship, leather, frozen fish and sea food, pharmaceuticals, ceramics, cement etc. Its main export partners are US (31.8% of Bangladesh's aggregate earnings), EU (12.9%), Germany (10.9%), UK (7.9%), France (5.2%), the Netherlands (5.2%), Kuwait (4.9%), Japan (4.5%) and Italy (4.42%) in 2010.

Imports of Bangladesh were valued at $ 32 billion in FY 2010-2011, which were greater than export receipts. Bangladesh is otherwise considered an import-dependent country, its import being significantly higher than export, in value terms. The import goods of Bangladesh include machinery and equipment, chemicals, iron and steel, raw cotton, food, crude oil and petroleum products etc. Its main import partners are China (11.4% of total imports in value), Singapore (9.1%), India (8.5%), Hong Kong (7.1%), Japan (6.5%) and US (5.1%). Gross external debt of Bangladesh stands at over $ 16 billion. Its aggregate public debt stood at $ 1.2 billion, public revenues at $ 19.1 billion (2008-2009) and public expenditures at $ 25.8 billion. These figures mostly relate to those of 2009 economic aid received by Bangladesh.

Remittances from Bangladeshis working overseas do mostly come from the Middle-East. As of now, exports of garments and textiles, in aggregate value terms, constitute the main source of Bangladesh's foreign exchange earnings. Shipbuilding is lately emerging as an important force of growth. People expect that foreign direct investment (FDI) will increase significantly in Bangladesh. In terms of Human Development Index (HDI), the situation in the country has greatly improved over the years. The overall literacy rate has increased to 67%. School drop-out rate has declined significantly. The situation in its health sector has also improved; the average longevity in Bangladesh has increased to 67 years, which is about to the same as that of India.

The available oil and gas resources of Bangladesh are now limited. But efforts are being made for expediting new exploration works relating to oil and gas resources. The programme for coal mining and its processing has rather been slow. The service sector has been expanding fast with its increasing contribution to the country's GDP. Industrial infrastructure has been handicapped by a number of problems like scarcity of gas and electricity supplies, lack of efficient road communication links etc. Despite this, industrial growth in Bangladesh has otherwise been promising.

Among the major problems hindering Bangladesh's accelerated economic growth performance are mainly over-population, political instability and bureaucratic red-tape, corruption, power shortage, inadequate gas supplies, inefficient transportation facilities etc. However, the potential for raising the country's GDP growth rate to a double-digit level remains high. If the problems that have been noted above are addressed properly and effectively, this potential for accelerated growth performance of the Bangladesh from the existing rate of 6.0 per cent, can be realised sooner rather than later. As far as foreign exchange earning is concerned, Bangladesh stands now on two legs: exports of garments and exports of manpower. There is a strong need for diversifying export-related activities in the Bangladesh economy.

The government of Bangladesh should take effective fiscal measures to distribute the tax burden equitably by widening the tax base or increasing the number of TIN holders. Such efforts will enable the government to increase the incentives for real investors, augment its revenue earnings and enhance its ability to meet public expenditure in priority areas in order to accelerate the overall growth rate of the economy which is required to elevate the status of Bangladesh to that of a middle income country. Political stability and elimination of corruption are also important for accelerated performance of the economy.

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