



# Conclusion: Bangladesh's Development— Challenges to Sustainability and the Way Forward

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## INTRODUCTION

The economic and social progress that Bangladesh has achieved should not puzzle pundits as this has not happened organically in a void. The present transformation has become real because of the working of both positive internal and external factors. In the discussion throughout this book, we have included a number of internal beneficial factors like robust economic growth for an extended period of time, the developmental role of the central bank for pushing inclusive and sustainable finance, mass access to finance from microfinance institutions, poverty reduction through inclusive growth policy and climate-resilient development, the impressive growth in the agricultural sector, the increase in the export of ready-made garments, the labor migration led growth in foreign remittances, the broad participation of non-governmental organizations (NGOs) in economic and social activities, public and private investment in

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human development initiatives, and the economic and social empowerment of the underprivileged (particularly of women). In these, the evolving roles of NGOs, from the minimalist approach of offering microcredit to larger credit and social development with a host of programs that contribute to reductions in borrowers' poverty levels, skill development, health-care, basic education, and awareness creation on various social and human rights issues, have been highlighted with due weight. The agriculture sector has responded to these with productivity growth supported by policy reforms, irrigation expansion, widespread mechanization, and technological advances in the harvesting process. At the same time, Bangladesh's development run has been very well supported by a relatively long-term stable macro-economy and a reasonable level of political stability.

But development programs and intervention measures of various governments in Bangladesh have remained necessary. They include a constant attack on poverty through various financial and non-financial interventions, giving access to finance to the people who are at the bottom of the pyramid in a benign and supportive way, creating social safety nets, providing education privilege to the poor and girls in particular, ensuring the economic and social empowerment of the underprivileged, giving conducive working space to NGOs and the private sector with various initiatives, offering a favorable industrial policy for the development of labor-intensive garments and the textile sector, and so on. In all of these areas, interestingly, Bangladesh has seen the use of the state apparatus to direct development activities and the retention of the government's power to constrain, undermine, or facilitate broader development objectives. This has been done in a loose setting, though, as the state has not become omnipotent or omnipresent in every development direction. In this context, the Chinese (state-led) development model (CDM) could be an interesting reference. As Spence (2019) puts it, "Without question, the state has been integral to China's development, not only by investing in areas like infrastructure and technology but also by serving as a backstop as nascent markets and private-sector institutions developed. State involvement is also needed to help manage inequality and ensure that growth patterns are inclusive, which markets alone cannot be counted on to do." Even advocates of the decisive role of markets and the private sector in the economy admit the state's role in Chinese development and its effectiveness. But they also emphasize the role of the private sector in innovation, productivity growth, and overall growth in the Chinese development model (Spence 2019).

Arguably, the role of the state in Bangladesh, in contrast to that in China, has been more of wavering between the neoliberal pressures to open up markets and privatizing state functions versus that of retaining its hold over the private sphere. So, the state seems to have developed two kinds of identities, 'a swing state' and 'a *dirigiste*,' at the same time. Its swing state identity is reflected by its ideologies and how they are manifested in policies, interventions, and their execution. On the other hand, it has the character to be *dirigiste* with its power and influence over the private sphere.

Here, the participation of ordinary people in the inclusive development process of Bangladesh needs to be highlighted with due importance. At the very beginning, a vast majority of poor and needy people participated in all activities, either government-initiated or privately promoted, for their survival and living. Development initiatives by the government, NGOs, or private bodies faced little organized public opposition for long, except for some projects like the Rampal Power Station and the Phulbari Coal Project that we mentioned earlier. Maybe, we can use Maslow's Hierarchy of Needs Theory (1943) to argue that they, being bottom of the ladder, had both first- and second-order needs that needed to be fulfilled before anything else. Indeed, it is natural for every individual to do something good for improving their own life, the households they live in, and the periphery they are surrounded by. This realization might have ensured their participation at the initial stage. But, at the same time, the social, cultural, and linguistic homogeneity of the people is recognized to have played a critical role in their overall participation in various activities.

All these factors in the end, as we have argued in the first chapter, have helped Bangladesh develop a 'Solidary Economic Development Model' where the government, private sector, NGOs and households participate simultaneously in activities that are bringing progress in economic and social arenas. We have also acknowledged the role of external stakeholders but argued that this has been internalized and reflected by the intentions and activities of one or more entities presented in the flow chart of Fig. 1.7.

Nevertheless, following the model, Bangladesh seems to have closed the relative development gap with some of its neighbors in some economic and social fields. Not only that, in some areas, it has excelled and bettered its position. Table 13.1 shows that during 2013–16, Bangladesh's compound annual growth rate (CAGR) has accelerated to go to the highest among the listed countries of India, Pakistan, and China along with itself. Its per capita income has also been growing at a faster rate, life expectancy at birth has

**Table 13.1** Bangladesh—closing the gap

<i>Economic</i>				<i>Social</i>
Historical trends in GDP growth (CAGR Growth in %, current prices in USD)	1970–2010	2010–16	2013–16	Life expectancy at birth (years)
				2016
Bangladesh	7.6	11.6	12.9	72.5
India	8.7	5.4	5.6	68.6
Pakistan	6.7	8.4	8.6	66.5
China	11.1	10.8	5.2	76.3
Trends in per capita income (US\$)				HD indicators (Infant mortality rate, per 1000 live births)
	2012	2014	2016	2016
Bangladesh	828	1086	1355	28.2
India	1473	1576	1706	34.6
Pakistan	1206	1342	1462	64.2
China				8.5

Source: Kant (2018, May 28). Data from UNCTAD, UN Stat and World Bank, for 2016

passed the 70-year mark, and the infant mortality rate per 1000 live births is much better than that of India and Pakistan.

This progress is also reflected by the supplementary indicators about perceptions of well-being, shown in Table 13.2 for three countries. Interestingly, most of the people in Bangladesh are satisfied with health-care, education quality, and social security provisions, and have trust in the national government. In contrast, perceptions of the Pakistani population on their well-being look to be low in all the areas.

Moreover, the feeling of well-being of the people of Bangladesh on technology adoption appears to be quite surprising. In fact, the adoption and penetration of technology in Bangladesh can be seen in the areas that have more interface with the public; information and communication, agriculture, and transportation. Indeed, the feel-good perception of well-being has shown a clear-cut jump, and people now have faith in the future of the country.

Nonetheless, is all going well for Bangladesh on its path of development? Though not an inclusive list, the people's perceptions in Table 13.2 should also lead us to realize that there may be some troubling issues in the context of the development debate. Not only that, the sustainability of economic and social progress in Bangladesh may depend on how well and

**Table 13.2** People's perception of well-being

	<i>Quality of education</i>	<i>Quality of healthcare</i>	<i>Standard of living</i>	<i>Feeling safe</i>	<i>Trust in the national government</i>	<i>Confidence in the judiciary</i>
Bangladesh	87	59	80	81	72	72
India	69	58	58	52	73	67
Pakistan	53	39	57	50	43	57
<i>Bangladesh—Feelings about progress</i>						
<i>Good progress</i>			<i>Areas</i>	<i>Need to progress</i>		
Life expectancy				Increase in per capita income		
Child and maternal mortality				Employment generation		
Adoption of new technology				Reducing income inequality		

Source: *The Daily Star* (2015, December 21). Based on the 2015 Human Development Report (HDR) released by the United Nations Development Programme

diligently these are being addressed. So, what are the challenges Bangladesh must overcome to make development more sustainable and genuinely inclusive? What is the way forward for it to take the development to the next stage—the efficiency-driven stage—and then to the innovation-driven stage so that its dream of transforming into a developed nation is fulfilled? In the context of Bangladesh's development, this discussion is critical and we have devoted this concluding chapter to addressing some vital issues in this area.

## CHALLENGES TO THE SUSTAINABILITY OF DEVELOPMENT

Indeed, there are a number of concerns that may pose a threat to the sustainability of development that Bangladesh has achieved so far. As a prelude, let us have a look at a scenario put forward by the economists of the Public Choice Approach (PCA), otherwise known as the new political economy approach (NPEA). The NPEA, in fact, finds fault with the government for doing nothing right. These theorists have advanced four points to support their claim: (1) politicians utilize public resources to strengthen and sustain themselves in power; (2) top government representatives take advantage of their positions to extract bribes (10 percent contract commission) from citizens and run protected own businesses on the side; (3) the state uses the means at its disposal to track and intimidate potential detractors (critics, opponents) and in extreme cases deprive them

of their properties and jail them; (4) citizens use the political influence of friends or relatives to obtain special benefits from government policies (import licenses) (Oumar and Sama 2015: 124). Thus, as Stigler (1971) argued, “Government is always captured by special interest groups. To be sure, there are incentives for producer special interest groups to try to capture, for instance, the regulatory process” (Hoff and Stiglitz 2000: 415).

Like many developing countries, Bangladesh seems to resemble this description to a large extent at the present time. Indeed, this situation may be one of the dimensions of the various challenges Bangladesh is facing in going forward with its economic and social progress. Let us discuss some of them.

### *Governance, Corruption, and Fragility of the State*

In the development discourse, effective governance occupies the central stage and is considered a crucial component of any development strategy (Hye 2000). The World Bank (1992: 1) defines governance as the “use of power in the management of a country’s economic and social resources for development.” According to the United Nations Development Programme (UNDP) (1997), governance “encompasses the state, but it transcends the state by including the private sector and civil society organizations” (UNDP 1997). As per the UNDP, there are three domains of governance—the state, the private sector, and civil society, and each must play its unique role in achieving sustainable human development (UNDP 1997). Public corruption, on the other hand, is a phenomenon broadly defined as the use of government officials’ authority for private gain in designing and implementing public policies (Tanzi 1997). To be sure, corruption is also a governance issue and all the governance issues together from key obstacles to sustainable and equitable development.

Unfortunately, governance and corruption have been a continuing problem in Bangladesh for quite a long time. It routinely finds itself among the not well-governed and most corrupt countries in the world in the rankings of the major rating institutions. Column 2 of Table 13.3 includes Governance Indicators for Bangladesh for 1996–2017. Evidently, between 1996 and 2017, among the six indicators, Bangladesh only registered reasonable improvement in two of them, namely ‘Voice and Accountability’ and ‘Political Stability and Absence of Violence/Terrorism.’ Improvement in ‘Political Stability and Absence of Violence/Terrorism’ happened after a massive deterioration in 2014 because of the

**Table 13.3** Governance indicators and fragility index of Bangladesh

Year	Governance indicators, 1996–2017						Fragile States Index 2017	
	V&A	PS&AV/T	GE	RQ	RL	CC	BD Rank	Total countries
1996	50.00	26.60	27.32	17.93	20.10	17.74	–	–
2000	44.78	24.87	30.77	18.46	22.28	10.66	–	–
2005	30.29	4.37	19.12	15.69	17.70	3.41	–	–
2010	36.97	9.95	26.32	22.01	25.59	14.76	24	177
2011	36.15	9.00	24.64	22.75	27.70	14.22	25	177
2012	34.74	9.00	24.17	18.96	18.31	21.33	29	177
2013	34.74	7.58	23.70	21.33	21.13	20.85	29	178
2014	32.02	16.67	22.60	17.79	23.56	19.23	29	178
2015	30.54	10.00	24.04	18.27	25.96	22.12	32	178
2016	30.54	10.95	25.48	22.12	28.37	18.75	36	178
2017	30.05	10.48	22.12	20.67	28.37	19.23	39	178

Sources: World Bank (2019b) and Fund for Peace (2019)

Notes: V&A = Voice and Accountability; PS&AV/T = Political Stability and Absence of Violence/Terrorism; GE = Government Effectiveness; RQ = Regulatory Quality; RL = Rule of Law; and CC = Control of Corruption. Figures indicate the percentile rank among all countries (ranges from 0 (lowest) to 100 (highest) rank).

pre- and post-election violence in that year. ‘Government Effectiveness’ is another area where only marginal improvement has been recorded. Unfortunately for Bangladesh, its scores on the indicators of ‘Regulatory Quality,’ ‘Rule of Law’ and ‘Control of Corruption,’ have rather declined from 1996. Going further with corruption, we find that Transparency International’s 2017 Corruption Perception Index ranks Bangladesh 143rd out of 180 countries (TI 2017). Most of the corrupted sectors of the country are public sectors under government control. Interestingly, results for all the indicators in 2005 showed a much-improved position in governance that the immediately preceding and succeeding years for some unexplained reasons.

Similarly, we have included the Fragile States Index that shows Bangladesh ranked 32nd in 178 countries in 2015 but had gone further down to the 39th position in 2017, marking a worsening of the situation (Fund for Peace 2019).

While in all these crucial indicators Bangladesh has found itself in the lower rank of nations, its high economic growth rate vis-à-vis weak governance has remained a development puzzle. In fact, poor governance, corruption, and a fragile state apparatus have not been able to bar the path

of growth and development. In previous chapters, we have seen an explanation for this. But we should not and cannot be oblivious to the fact that for long-term sustainable development, the governance and corruption level problems of the state must be tackled. The scale of the challenge that weak governance poses to gains in development can be understood from the findings of a firm-level survey of common sectors in Bangladesh, the People's Republic of China (PRC), Ethiopia, and Pakistan. This study found that if Bangladesh could have matched the investment climate of the PRC then, on average, its total factor productivity (TFP) would be 110 percent higher, its return to capital 80 percent higher and its output growth 3.7 percent more (Roy 2006: 4). A more recent study by Rahman (2018) found that reducing corruption to the level of Scandinavian countries could add 2.1–2.9 percent to Bangladesh's annual per capita GDP growth.

### *Infrastructure Development*

Bangladesh is still a hugely infrastructure-deficit country. Andrés et al. (2013) showed that infrastructure bottlenecks are among the largest inhibitors of economic growth in Bangladesh. Back in 2013, their study estimated that the country would need to spend \$7.4–\$10 billion (7.4–10.0 percent in GDP terms) a year until 2020 to bring its power grids, roads, and water supplies up to the standard needed to serve its growing population. During this period, the transportation sector alone would require between \$36 and \$45 billion to be invested. Water supply and sanitation, solid waste management, and telecommunications were the priority areas (Andrés et al. 2013: 12–13).

The infrastructural development need has been underscored by the poor performance Bangladesh has shown in several annual Global Competitiveness Reports (GCR) by the World Economic Forum (WEF). The GCR 2013 ranked the overall infrastructure quality in Bangladesh at 134th out of 142 countries. The resulting problems, such as electricity shortages, were seen as significant across the nation. Only 47 percent of the population had access to electricity. This report also showed that the various modes of transport within Bangladesh lack integration, creating an overdependence on road transport. Though Bangladesh has improved significantly in respect of electrification, roads have emerged to be the major bottleneck. In terms of both connectivity and quality values, roads have remained very low. While Bangladesh has emerged to be the 39th biggest economy in the



world (International Monetary Fund 2019), a 121 ranking on the road connectivity index gives a poor picture of this critical infrastructure, which happens to be the primary component of transportation in Bangladesh. As a reference, from 1975 to 2005, road transport's modal share rose from 54 percent to 88 percent for passenger traffic and from 35 percent to 80 percent for freight in Bangladesh (Asian Development Bank 2019). Table 13.4 shows that Bangladesh is ranked 109 among 140 countries in 2018 overall in terms of available infrastructural facilities.

Noticeably, in recent years, public investment in infrastructure development has increased, including 10 mega projects to address these issues. Improving the investment climate for private investment in infrastructure is necessary to keep up with the current growth trend. As we know, growth is one of the results of infrastructural investment while the sustainability of growth and development is dependent on the state of the infrastructure of a country.

### *Human Capital Development and Job Creation*

Creating quality human capital and generating jobs for them have continued to be two areas of concern for Bangladesh. In the organizational context, human resource development means a process by which employees

**Table 13.4** Infrastructure standing of Bangladesh, 2018

<i>Index component</i>	<i>Value</i>	<i>Score</i>	<i>Rank/140</i>
Infrastructure 0–100 (best)	–	53.4	109
1 Road connectivity index 0–100 (best)	34.3	34.3	121
2 Quality of roads 1–7 (best)	3.1	35.2	111
3 Railroad density km of roads/square km	19.2	48.0	40
4 Efficiency of train services 1–7 (best)	3.2	36.3	68
5 Airport connectivity score	48,504.1	51.4	63
6 Efficiency of air transport services 1–7 (best)	3.7	45.5	109
7 Liner Shipping Connectivity Index 0–157.1 (best)	10.8	10.8	81
8 Efficiency of seaport services 1–7 (best)	3.5	40.9	93
9 Electrification rate % pop	75.0	75.0	108
10 Electric power transmission and distribution losses % output	11.0	92.7	71
11 Exposure to unsafe drinking water % pop	41.0	60.2	126
12 Reliability of water supply 1–7 (best)	3.9	48.0	106

Source: WEF (2018)

**Table 13.5** Health and skills standing of Bangladesh, 2018

	<i>Index component</i>	<i>Value</i>	<i>Score</i>	<i>Rank/140</i>
Pillar	Health 0–100 (best)		71.2	96
1	Healthy life expectancy years	62.8	71.2	95
Pillar	Skills 0–100 (best)		44.0	116
1	Mean years of schooling years	5.2	34.7	119
2	Extent of staff training 1–7 (best)	3.3	38.2	126
3	Quality of vocational training 1–7 (best)	3.4	39.5	122
4	Skillset of graduates 1–7 (best)	3.4	40.1	121
5	Digital skills among population 1–7 (best)	3.3	38.9	120
6	Ease of finding skilled employees 1–7 (best)	3.7	44.4	105
7	School life expectancy years	11.7	65.0	105
8	Critical thinking in teaching 1–7 (best)	2.9	31.9	107
9	Pupil-to-teacher ratio in primary education ratio	33.9	40.2	114

Source: WEF (2018)

of an organization are continuously facilitated to acquire the capabilities (skills, knowledge, perspective, attitude, and values) necessary to perform various tasks or functions associated with their present or future expected roles (Lakshmi 2005).

Though Bangladesh has consistently improved its score in the UNDP's human development index and its HDI score of 0.608 in 2017 (UNDP 2018) puts it in the middle-ranking countries; from the quality perspective soul searching may be needed. As we know, health and skills are considered to be the pillars of human resource development. Table 13.5 gives the value, score, and rankings of various components of the health and skills of the Bangladeshi population according to the 2018 Global Competitiveness Report of the WEF. Though Bangladesh has risen to a relatively better position in terms of healthy life expectancy, its population has to cover a lot of ground in various skill sets. When it comes to the questions of critical thinking in teaching, quality of vocational training, the skillset of graduates, and digital skills among the population, the respective area ranks for Bangladesh have remained below 100 among the 140 listed counties.

Though Bangladesh should have initiated programs to address this issue through the allocation of resources for education and health, in practice that seems to have not been the case. Table 13.6 gives the budgetary allocation for education and health for the five years since 2014–15. It looks like that the education budget has stagnated at around 2.1 percent

**Table 13.6** Budgetary allocation for education and health, 2014–15 to 2018–19

<i>Fiscal year</i>	<i>Education</i>		<i>Health</i>	
	<i>Share of budget</i>	<i>Share of GDP</i>	<i>Share of budget</i>	<i>Share of GDP</i>
2014–15	11.7	1.85	4.35	0.69
2015–16	14.3	2.18	4.76	0.73
2016–17	16.1	2.19	2.46	0.34
2017–18	12.6	2.09	5.39	0.89
2018–19	11.4	2.09	5.03	0.92

Source: Compiled and calculated. Data from Ministry of Finance (MoF) (2019)

of GDP. In fact, the allocation for education as a proportion of the total budget has dropped to 11.4 percent from 12.6 percent in FY2017–18. Bangladesh's budget allocation for education in terms of percentage of GDP has it investing the second-lowest share among countries, according to a survey conducted by ESCAP (2019). In contrast, Bhutan, Maldives, and Nepal, all spend nearly 5 percent of their GDP on education.

Similarly, the share of health allocation in budgets has remained less than 1 percent of GDP. In fact, the share of GDP given to health in Bangladesh fell from 1.1 percent in 2010 to 0.9 percent in 2017 and is now the lowest among the 21 countries of south, southwest and southeast Asia (Economic and Social Commission for Asia and the Pacific 2019). However, Bangladesh signed the Dakar declaration in Senegal in April 2000, committing to spend at least 6 percent of its GDP or 20 percent of the national budget on education. UNESCO's Education 2030 Framework for Action recommends spending at least 4–6 percent of GDP on education (Chaity 2018). This is very much needed for the creation of quality education and training standards and infrastructure to support them.

We came across two areas where the results of the quality of higher education in Bangladesh and its level of vocational training are probably reflected. Be it public or private, technical or general, not a single university from Bangladesh could reach a rank lower than 1000 on any of the lists prepared by various organizations. Likewise, the composition of Bangladeshi migrant workers shows that they massively form the unskilled and semi-skilled groups in their overseas employment, whereas migrants from India, Vietnam, and the Philippines are much better skilled and hold higher-level overseas jobs.

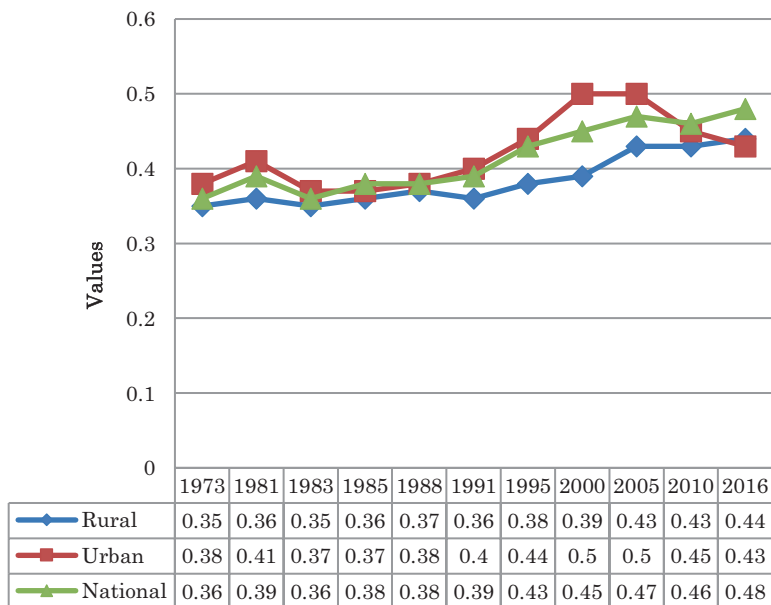
Again, the importance of the creation of quality human capital is felt when it comes to the question of job creation in the country. Currently, 58.7 percent of the total population of Bangladesh is active (MoF 2019). Not only that, 2 million youths are entering the job market every year (World Bank 2018). This has placed job creation as the country's top development priority. As we saw in Chap. 1, the sectorial job structure has developed a sort of anomaly as well. This is to say that the agriculture sector, the smallest among all the sectors in terms of its GDP contribution (13.1 percent in 2018), has the highest level of share of employment in the economy (40.2 percent in 2018). This may have two facets—either most of the employment seeking workforce are not skilled or educated enough to move to the secondary and tertiary sectors of the economy for job seeking, or the upper-level sectors are not getting enough skilled labor for their expansion and growth.

Moreover, the education industry has experienced a slowdown in job creation between 2010 and 2015 (World Bank 2018). Raihan (2018) argued that “The current level and quality of human capital in the country discourages enhanced private investment in high valued and diversified sectors. The country, therefore, needs to emphasize the improvement of the existing low level of human capital by enhancing investment in education, skill development, and health facilities.”

### *Rising Inequality*

The impressive progress Bangladesh achieved in poverty reduction, in fact, meant that it was beyond the Millennium Development Goals' (MDG) target of halving poverty well ahead of time. Bangladesh's success in poverty reduction is similar (though not as dynamic) to what some of the East Asian countries were able to achieve during the days of their economic miracles. But a by-product of this success, again similar to the East Asian experience, is that income inequality has been rising in Bangladesh. This rise may pose a serious question about the inclusivity of development it supposedly wants to achieve.

Figure 13.1 shows three trends in the Gini coefficient measuring income inequality for Bangladesh for a period of 43 years. Analysis of the table further indicates that between 1973 and 2016, all the Gini values for all three categories went up by 0.09, 0.05, and 0.12 for rural, urban, and national levels, respectively. In other words, we get an annual average growth rate in inequality of 0.62 percent for rural areas, 0.50 percent for urban areas, and 0.76 percent at the national level.



**Fig. 13.1** Index of income inequality for Bangladesh, 1973–2016. (Source: Constructed. Data from Chowdhury and Hossain, <https://arxiv.org/ftp/arxiv/papers/1812/1812.09385.pdf>)

The analysis in Chap. 2, for instance, shows that the Gini coefficient rose from 0.458 in 2010 to 0.483 in 2016. Though this seems like a marginal increase, alternate measures indicate that the rise in inequality is far more pronounced. In 2010, the bottom 5 percent of the rural population received 0.88 percent of national income, but this went down to a mere 0.25 percent in 2016 according to the latest round of Household Income and Expenditure Survey (HIES) (BSS 2016). At the other end of the income scale, the top 5 percent of rural households' share of income rose from 22.93 percent in 2010 to 24.25 percent in 2016. Further analysis of the latest HIES shows similar changes in the share of income that are leading to higher inequality. The bottom 40 percent of the population earned only 14.32 percent of total income in 2010.

This situation reflects the overall impact of economic growth and structural change on poverty and the distribution of income within the country. Bangladesh's success lies in the consistency of its track record on poverty and social development. However, evidence suggests that

inequality has fluctuated far more. In Bangladesh, the first decade of the 2000s registered a decline in income inequality as measured through the Gini index. Since 2010, however, income inequality is on the rise again.

The policy planners should also be mindful of the fact that corruption can affect income inequality and even poverty “through various channels, including overall growth, biased tax systems, and poor targeting of social programs as well as through its impact on asset ownership, human capital formation, education inequalities, and uncertainty in factor accumulation” (Gupta et al. 1998: 6). Indeed, Bangladesh experienced its highest rate in the increment of wealthy people for the last two decades. This, in a sense, is posing a threat to the inclusive nature of its economic growth. If the benefits of growth become skewed or are channeled mainly to particular segments of the society in a country like Bangladesh, the development of such economic stratification is neither healthy nor desirable. Moreover, this may also sow the seeds of social unrest, an area where Bangladesh has had plenty of previous experience.

### *The Rise of Religious Extremism*

Bangladesh is experiencing the rise of several religious militant groups that are opposed to many of the values, ideas, beliefs, and faiths that constitute the fabric of its social foundation. Those groups are also against the concept of female empowerment, secularism, and multi-religious cohabitation. Obviously, any increase in their presence may pose a serious threat to the development process and prospects of Bangladesh. Pakistan is the best case example in this regard; for it, many hopes for development turned out to be false due to the rise of religious extremism and intolerance.

The question that bothers many is how come Bangladesh has reached a level that these forces can gain a foothold in the country. In this section, we trace a number of developments that might have created the space for their birth and growth. After the assassination of the Father of the Nation in 1975, all military governments or military-backed parties which were in power until the end of 1990 courted far-right parties and religious ideologists in the power structure of the state. Also, a subsequent development that has not been discussed much in the literature is the influence of returnee migrants mainly from the Kingdom of Saudi Arabia (KSA) and other Middle East countries. Social scientists in Bangladesh have missed exploring the correlation between the rise in influence of a brand of Islam called Wahhabi Islam<sup>1</sup> associated with returnee migrants in Bangladesh.

The link of migration and remittances combined with this religious phenomenon is direct and has had a far-reaching social impact with cross border implications. An elaboration may be of help.

The Arabian Gulf countries were flush with petrodollars in the 1970s, and they have been employing a large number of workers from Bangladesh since that time. The KSA has remained the top destination for Bangladeshi laborers for a quite long time and now houses the highest number of Bangladeshi workers outside the country. However, the exodus and subsequent return of these laborers from the gulf countries created a group in Bangladesh that fall into the same class as 'Eid,' a character from the area of Nashawy in Egypt in the famous literary work 'In an Antique Land' by Amitav Ghosh. The writer says, "Eid had been away in Saudi Arabia for some three or four years, and had done very well for himself, working in the construction industry. He had come back with a color television set, a fridge, a washing machine and many other things of that kind. On top of that, he had also saved a lot of money and was soon going to buy his family a tractor: 'Eid is soon to be married. He is going to pay a large sum of money as a marriage-payment'" (Ghosh 2009: 185).

In reality, the first-time expatriates from Bangladesh in that region, particularly in the KSA, were mostly unskilled and illiterate and they came back not only with their fortunes like 'Eid' but were also carrying the influence of the Saudi brand of Wahhabi Islam. During their stay in the KSA, this form of Islam seems to have influenced their religious faith and cultural behavior. Over the years, an amalgamation of political and religious powers based on these people has created a course for Bangladesh opposite to the one for which it fought the independence war in 1971.<sup>2</sup> A favorable international environment due to developments in some Middle East countries and Afghanistan helped their rise as well. The problem is that their growth has ultimately influenced the shrinkage of the public sphere for democratic rights and societal tolerance to religious and cultural diversity in Bangladesh. A thorough study should be devoted to examining the depth and true nature of the socio-political changes due to increasing Islamization of the society and the role of remittances, *inter alia*, in this regard.

Nonetheless, in development theory, Rostow and others suggested that the attitudes of the members of the society or citizens of the state toward life are an important determinant of that society's and state's development (Gow and Mallick 2005; Rostow 1959, 1960). Drawing the rise of religious fanaticism in Pakistan as an analogy, Basu (2018) warns that

Bangladesh faces a risk to its development. According to him: “there is an even deeper threat posed by orthodox groups and religious fundamentalists who oppose Bangladesh’s early investments in progressive social reforms. A reversal of those investments would cause a severe and prolonged economic setback. This is not merely a passing concern: vibrant economies have been derailed by zealotry many times throughout history” (Basu 2018).

### THE WAY FORWARD

We have just identified some of the critical challenges to the sustainability of economic and social development in Bangladesh, and many more could be added to that. The government of Bangladesh needs to face and address them appropriately to sustain the progress it has achieved so far. However, for the future orientation of the economy toward a developed nation, Bangladesh needs to chalk out a broader strategy to handle some other important issues that are expected to have a profound impact on the future development path and destiny of the nation. These issues are vital for its graduation from the first stage to the second stage and then to the final stage of development, a fully developed country. We will now try to identify some of the issues Bangladesh should adhere to so that it can progress on the path to reach this destination by 2041.

#### *Creating Human Capital for the Future to Encash the Demographic Dividend*

For a population-rich developing country, human capital is expected to become the most powerful resource in this century. This assumption is gaining ground as all the northern hemispheric countries are turning gray and increasingly becoming human deficit zones. The replacement of human workforces with artificially intelligent (AI) devices and robots looks to be a possibility, but it will take time for those elements to become an effective replacement of educated and skilled human assets.

For Bangladesh, its large population has so far remained a burden on the limited national resources and is putting pressure on all infrastructural facilities. Ironically, the population is the best possible asset Bangladesh has for the future. For that, Bangladesh must turn its people into human assets and then encash this demographic dividend fully. The initial change



in the age structure of the population may, therefore, have offered Bangladesh a space to reap the benefits.

The concept of demographic dividend is related to “the potential economic benefit offered by changes in the age structure of the population, during the demographic transition, when there is an increase in working-age population and an associated decline in the dependent age population” (Khan 2012). Demographically, Bangladesh is passing through a transition and seems to have been experiencing a demographic dividend whereby the working-age population is increasing while the dependency ratio is declining. All the indicators for Bangladesh support the view that the first demographic dividend started in 1980 and will continue for 60 years up to 2040 (Khan 2012). As a result, there is a possibility of a second dividend in the form of gains in per capita income, rises in productivity, and an increase in the standard of living for generations. However, to materialize the economic benefits of this demographic dividend, Bangladesh must have an adequate investment in education, public health, and physical capital to support building this human capital. Flexibility in labor market policies, incentives for investment and savings, lowering the cost of employment-related overseas migration, and so on, will enhance the volume of this dividend (Khan 2012).

Has Bangladesh already started to derive a dividend in the forms of a growing class of entrepreneurs, an educated workforce, or migrant workers? If so, then to the extent the economic and social impact is due, this dividend needs investigation and estimation. First, external migration is undoubtedly an area where Bangladesh may have been reaping the benefits of the demographic dividend. The benefits here are of two types—employment generation of the surplus labor force and the net wealth added to Bangladesh from their remittances, for which the figure has become substantial (Fig. 13.2).

On the contrary, if appropriate policies are not formulated, the demographic dividend might, in fact, be a cost, leading to unemployment and an unbearable strain on education resources, healthcare systems, and old age security. So, a note of caution should be sounded here as the potential ‘demographic dividend’ may turn into a national nightmare. Strategic initiatives to improve and transform the current low level of human capital into a futuristic workforce are needed. For that, enhancing investment to an adequate level for education, skill development, health, and infrastructural facilities cannot be avoided.

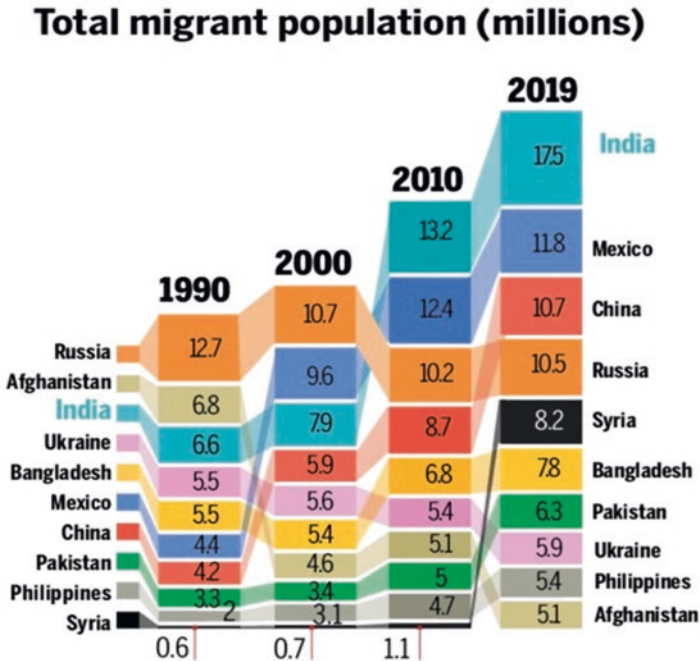


Fig. 13.2 Top migrant originating countries, 2019. (Source: *The Times of India* 2019, September 23. Data adopted from UN Department of Economic and Social Affairs)

### *Playing Wise with Its Geostrategic Location*

Bangladesh is strategically located between a ‘flying dragon’ China and a running elephant, India. China is now the second-largest economy in the world. They are also rivals. The Indian footsteps are also getting louder in the regional and international areas. So, the physical location of Bangladesh itself is a challenge, as well as an opportunity. At the same time, Bangladesh is also the South Asian gateway to South East Asia. So, playing the location card to its advantage becomes an important challenge too. Thus, Bangladesh should follow such steps that can make it more integrated into the regional economic infrastructure and reap the future benefits of trade and economic expansion out of those arrangements:

- *Regional Connectivity*: Though as a regional organization, the South Asian Association for Regional Cooperation (SAARC) was never a cohesive body, several South Asian regional connectivity initiatives under SAARC have been implemented in the region. Indeed, the 16th Summit in Thimphu, Bhutan, in 2010, member countries<sup>3</sup> declared 2010–20 as the ‘Decade of Intra-regional Connectivity’ in SAARC. The importance of developing transport infrastructure and transit facilities, especially for landlocked countries, as a means to promote intra-SAARC trade was the force behind this. In cooperation with India, Nepal, and Bhutan, Bangladesh is also implementing several projects under the financial support of ADB and the World Bank;
- *AIIB and the Chinese BRI*: The Asian Infrastructure Investment Bank (AIIB) and the Belt and Road Initiative (BRI) are the two Chinese strategic moves with potentials to change the economic landscape of Asia, Europe, and Africa. Though BRI has become a contentious issue between China and India, the AIIB has been grown to be approved by 100 countries so far. Bangladesh, being a partner in both the initiatives, needs to position itself in a manner to reap the future economic benefits of these moves.
- *Indian Backyard Markets*: Though trade flows from Bangladesh have been mainly moving toward mainland India, the ‘seven-sister states’<sup>4</sup> of the Indian North East look to be the natural backyard markets for Bangladeshi products. Reaching a population of over 46 million, which mainland Indian manufacturers have huge logistic problems to reach, could play a positive role in the future economic expansion of Bangladesh.

The World Bank under the ‘One South Asia’ program, supported by five other trust funds, has been promoting regional connectivity and integration through improving transportation and border infrastructure (World Bank 2019a). This should be utilized to build trade and investment relations with other regional members and benefit economically in the future. A study by Kathuria (2018) estimates that intraregional trade could increase almost threefold, from the present \$23 billion to \$67 billion, among the South Asian countries. Along with India, Bangladesh is well placed to benefit from this increase.

### *Technology Adoption and Reducing the Gap in Digital Divide*

In Table 13.2, we saw that Bangladeshis are happy with the level of technology adoption in their society. But that should not create any complacency as technology is going to a crucial part of every aspect of life everywhere in the future. Being a developing country, Bangladesh has financial constraints as the major disadvantage on its way to the technologization of the country. But at the same time, Bangladesh has young people who can quickly adopt and adapt newer technology devices. The rapid spread of mobile banking in Bangladesh could be an eye-opener in this regard. Thus, the areas where Bangladesh should be focusing more on a future ‘tech-savvy’ nation should be to reach people with more education and internet facilities, create further clusters of techno-parks, encourage tech startups, and put more investment into Research and Development. Falling behind in this area may perpetuate Bangladesh’s status as a supplier of the unskilled labor force in the international market. Not only that, the relative abundance of the population may then never be turned from a burden into a powerful asset to reap the benefits of the ‘demographic dividend.’

### *Advance ‘Growth and Development Facilitators’ in the Next Stages of Development*

We would like to develop our argument for the future development of Bangladesh here based on the Global Competitive Report 2013–14 of the World Economic Forum on global competitiveness identification for nations. Following this report, we have slightly modified and identified two categories of factors, viz., growth contributors and growth modifiers which influence the economic development of three types of economies—factor-driven (primary), efficiency-driven (secondary), and innovative driven (Fig. 13.3).

Looking at all the elements, we can still align Bangladesh with a factor-driven economy, though in some sectors, like garments and pharmaceuticals, it may have just reached the gate of the efficiency-driven stage. So there is no debate that Bangladesh should now draw a development strategy to move to the second stage of development with more focus on manufacturing sector building. The modifiers of growth at this stage would be higher education and training, product-market efficiency, labor market efficiency, and financial market development. We have vigorously

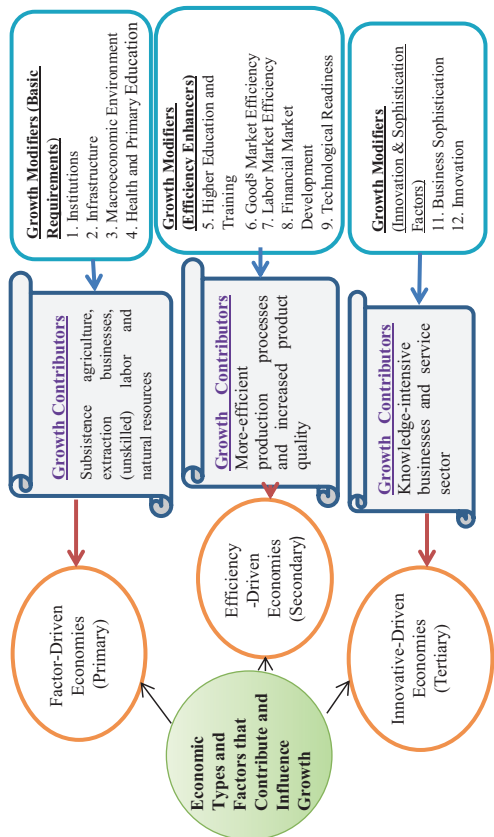


Fig. 13.3 Growth contributors and growth modifiers. (Source: Modified. Adopted from WEF's GCR 2013-14)

argued for human capital development. Hopefully, a simultaneous development may be followed by efficiency and quality improvement of products and production processes to affect economic development ultimately.

Though for Bangladesh, like all other countries aspiring to develop, the ultimate goal of development is to become an innovation-driven economy, it should now try to orient this more to the manufacturing sector to push for its development. Chapter 10 of this book argued that the ‘light-engineering sector’ growth could open the immense potential for employment and exports for the nation. Looking at the availability of manpower, the potential for the scaling up of ability from the agriculture sector to the manufacturing sector, and their education and skill-wise readiness for employment, a combination of labor-intensive and capital-intensive industries may be the best focus of the development path of Bangladesh.

Developing efficiency and bringing innovation in the production factors and value chain to become more relevant and competitive should be the target goal of development. But for Bangladesh, this may take some time while the manufacturing base becomes stronger.

### *Build Institutions for a Free and Democratic Society*

For an inclusive and sustainable democracy, institutions building and their preservation become imperative for the government and the state. Bangladesh still lacks the full range of institutions, and these have to be created and developed as the nation marches forward. In fact, much of governance deficiency and corruption proliferation in Bangladesh might have been checked had there been a strong institutional base in existence. The *Global Competitiveness Report 2018* ranked Bangladesh at 108th place out of 140 countries for its institutional status (WEF 2018: 91). So, ‘institutional deficit’ is a state that Bangladesh has to overcome along with other obstacles for the immediate and future development of the country.

In the *Global Competitiveness Report 2018*, Bangladesh seems to have done reasonably well with some institutions like budget transparency, e-participation, conflict of interest regulation, the burden of government regulation, and the future orientation of government performance. But a headache remains with many of them, like the reliability of the police service, freedom of the press, the incidence of corruption, the quality of land administration, the strength of auditing and reporting standards, the efficiency of the legal framework in settling disputes, and low levels of social capital. An independent Election Commission and institutions for estab-

lishing democratic rights for opposition parties, minorities, and so on are also not the strength of Bangladesh.

We must keep in mind that the maturity of the market or economy is not the same as the maturity of a nation. The latter is also tested by the exercise and institutional protection of the rights of the residents of a country. Not only that, once a society starts developing and maturing, the urge for better civic life with more freedom may get stronger. Without a proper institutional support base, this development is bound to suffer.

## CONCLUSION

Mankind has always been involved in a search for progress since the very beginning of clustering together to form tribes and communities. There have been ups and downs in this pursuit throughout history, but it has remained a constant process. The emergence of the nation-state has added many components to development, but economic progress has continued to be the essential constituent since time immemorial. However, development cannot be treated as a purely economic phenomenon, it is more than that: “In an ultimate sense, it must encompass more than the material and financial side of people’s lives, to expand human freedoms. Development should, therefore, be perceived as a multidimensional process involving the reorganization and reorientation of entire economic and social systems. In addition to improvements in incomes and output, it typically involves radical changes in institutional, social, and administrative structures as well as in popular attitudes and even customs and beliefs” (Todaro and Smith 2015: 118).

However, development has become harder to achieve by developing countries today as there are more obstacles than ever before on the path of their economic growth. For Bangladesh to enter the middle-income bracket, it needs to follow appropriate economic, financial, and social structural policies that would boost potential growth and the living standard of all. Though it has made significant progress in many economic and social areas, in an inclusive growth and development paradigm, Bangladesh needs to increase its potential economic growth further. The World Bank (2018) stresses the need to accelerate physical and human capital growth, remove barriers to female labor participation, and improve institutions to raise potential growth and reduce inequality. In the shorter term, a possibility is there that the already achieved economic and social development

might put Bangladesh in a position to push it into a virtuous cycle of further human and social progress which would lead to higher growth. But this circling of beneficial effects is likely to suffer the inertia that occurs when various institutional, physical, human, and social barriers emerge as binding constraints.

Moreover, Bangladesh must position itself on a future growth path where economic expansion possibilities would lie across its borders. So, Bangladesh should also look beyond those borders to get connected with the countries in South and Southeast Asia as well as coping with the issues of internal origin like creating human capital, developing institutions, and changing the production process and structure. A delicate balancing act in its economic and political relationship with India and China could be vital.

To this end, this book has covered the salient factors and features of the development process and model relating to Bangladesh. It has also identified the various challenges Bangladesh is facing to sustain the development pace and suggested some future initiatives to reach its desired destination as a developed country. From this book, policy planners in developing countries will be able to answer the query of whether Bangladesh *per se* offers a realistic and feasible development model for them to follow instead of the ones already available locally or internationally.

## NOTES

1. Muhammad ibn Abd al-Wahhab (d. 1792) was an Islamic theologian who propagated the Wahhabi brand of Islam. Wahhab made the central point of his reform movement the principle that absolutely every idea added to Islam after the third century of the Muslim era (about 950 CE) was false and should be eliminated. Muslims, in order to be true Muslims, must adhere solely and strictly to the original beliefs set forth by Muhammad.
2. Bangladesh fought for independence based on four basic ideologies: democracy, socialism, secularism, and nationalism. These were enshrined in the preamble to the constitution 1972. But in the years after 1975, the principles of socialism, secularism, and nationalism were diluted to give a place for an Islamic identity of the state.
3. They are Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan, and Sri Lanka. Afghanistan has been added as the 8th member nation to SAARC.
4. These Indian states are—Meghalaya, Assam, Arunachal, Mizoram, Manipur, Nagaland, and Tripura.



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