

1971-2021: How Bangladesh transformed from its challenging beginning into a middle-income country

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On the occasion of the golden jubilee of Bangladesh's independence and the 100th birth anniversary of the Father of the Nation, Bangabandhu Sheikh Mujibur Rahman, it is an opportune time to discuss how the country has transformed itself since its very challenging beginnings—from being a “bottomless basket” to “the test case for development” to finally a middle-income country.



The expansion of the RMG sector has been a major growth driver in the overall industrial sector. Source: Star File Photo

Since its independence in 1971, Bangladesh's gross domestic product (GDP) has increased manifold, from less than USD 6 billion to around USD 350 billion, and its per capita GDP has increased from less than USD 90 to USD 2,227. In PPP terms, the GDP is USD 953 billion, and the per capita GDP is USD 5,811. Bangladesh is projected to be the world's 28th largest economy by 2030 and the 23rd largest economy by 2050. The GDP (PPP) is expected to grow to USD 1,324 billion in 2030, and USD 3,064 billion by 2050.

The major drivers of our economic growth are: (i) growth in the agriculture sector, (ii) growth in the industrial sector, (iii) expansion in the services sector, (iv) export earnings from the RMG sector, and (v) remittances sent by the migrant workers. Also, our economic growth has been helped by a decline in the population growth rate.

At the time of independence, agriculture contributed around 50 percent to the GDP, and the industry and services sectors contributed 13 percent and 37 percent respectively. In 2020, the relative shares of these sectors were 13.3 percent, 51.3 percent and 35.4 percent respectively.

The agriculture sector has witnessed remarkable progress with a four-fold increase in food grain production. Rice production increased from 9.78 million metric tons (MT) in 1971-72 to 37.40 million MT in FY 2018-19—and wheat production from 0.11 million MT to around 1 million MT. The increase has been made possible by the liberalisation of input markets and expansion of irrigation, encouraging farmers to adopt the new seed-fertiliser technology. Also, during the last 3.5 decades, fish production increased around six times to 4.6 million tons. Fish products are exported, although it's still quite low (only around 3 percent of fish production is exported).

Bangladesh inherited a low industrial base at the time of independence. Beginning in the late 1970s and early 1980s, Bangladesh achieved considerable growth in its industrial sector. The open market policy followed by the government resulted in appreciable industrial growth in the 1990s. Since then, growth in the sector has been quite remarkable, except in a few years.

The expansion of the RMG sector has been a major growth driver in the overall industrial sector. It is the most important industry employing around 4.5 million people. Other industries include the pharmaceuticals, leather goods, ship building and breaking, food processing, ceramics, fertilisers, chemicals, etc. In addition to large industries, there are cottage, minor, small and medium enterprises (CMSMEs) that play a vital role in promoting economic growth, poverty reduction, and employment generation in Bangladesh.

There has been a wide range of policy reforms to facilitate the growth of the services sector including reforms in trade policy, industrial policy, monetary policy, fiscal policy, and promotion of foreign direct investment. Liberalisation of the services sector—particularly the telecommunication and financial sectors—received considerable importance. The services sectors are increasingly becoming the core of the national economy. A striking feature of Bangladesh's growth performance has been the strength of its services sector.

In 1972/73, exports were only around USD 380 million. It witnessed a ten-fold increase to USD 40.5 billion in 2018-19. However, it declined to USD 33.67 billion in FY 2019-2020, and it was USD 28.92 billion during the July 2020-May 2021 period due to the adverse effect of the Covid-19 pandemic. The RMG sector accounts for around 82 percent of the total exports of the country. Garments exports increased from USD 6.8 billion in 2005 to around USD 35 billion, but then declined to USD 29.8 billion during July-March FY 21 due to the adverse effect of the pandemic.

The RMG sector brought about three important structural transformations in the economy: (i) increasing reliance on export earnings compared to the declining dependency on foreign aid; (ii) complete change in the export structure that is largely dominated by manufactured goods, in a shift from earlier dependence on primary goods; and (iii) providing wage employment to the female workforce, which, in turn, has contributed to the process of empowerment of women in the country.

Being a labour-surplus country, about half a million Bangladeshis migrate abroad annually in search of jobs. There were around 13 million labour migrants until February 2021. With the increase in the number of migrant workers, the amount of annual remittances increased considerably, from only USD 339 million in 1980 to USD 21.7 billion in 2020, and further to USD 22.8 billion during the July 2020-May 2021 period. Remittances as percentage of export earnings and import payments were over 50 percent and 40 percent respectively in FY2019-2020. Remittances increase the country's foreign currency reserves, and contribute to the process of economic development and poverty reduction in the country.

There has been considerable reduction in poverty, from around 80 percent in 1971 to around 22 percent, which, however, increased to around 30 percent following the pandemic. Further, there is concentration of income among the richer households, and growing inequality in income distribution.

Looking at some key social indicators, there has been a sharp decline in the annual population growth rate—from around 3 percent to 1.1 percent. Both fertility and mortality rates declined quite appreciably. Life expectancy increased to around 73 years from 46 years in 1971. Also, considerable success has been achieved in health and nutrition, although there are inequities by the socio-economic status of the population. Further, there has been an increase in the availability of drinking water; better access to, and use of, toilets; and an increase in the net attendance of children in

primary and secondary schools. Gender parity has been achieved at both primary and secondary levels. The human development index (HDI) increased from 0.394 in 1990 to 0.632 in 2019.

The country's growth and development have been, however, constrained by various impediments including infrastructural deficits; near-stagnation in investment-GDP ratio, especially affecting the private sector; inequities in income and healthcare outcomes; poor quality of education; inadequate coordination among implementing agencies; weak monitoring and supervision; and insufficient accountability and transparency.

Growth and development are being further hindered by the crisis resulting from the pandemic, as in other countries as well. Economic growth has declined to around 5 percent; unemployment has increased to around 25 percent; poverty has gone up (with around 2 million more people being added to the ranks of the poor); and the healthcare delivery system is constrained in providing general health care services to the population in addition to those suffering from Covid-19 as well as those suffering from serious non-Covid diseases such as cardiovascular, diabetes, and mental health conditions. The government's generous stimulus packages of over Tk 1 trillion (about 3.5 percent of GDP) and the Bangladesh Bank's refinancing and credit guarantee schemes are directed towards addressing the needs of those affected. However, the problem of implementation continues to hinder desired outcomes.

To thrive as a middle-income country and to become a developed country by 2041, the government needs to undertake appropriate measures on an urgent and priority basis to remove the various impediments to development.

Barkat-e-Khuda

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- Barkat-e-Khuda, PhD, is a former Professor and Chairman at the Department of Economics, Dhaka University, and Dr Muzzafar Ahmed Chair Professor at the Bangladesh Institute of Bank Management (BIBM). This is a highly summarised version of a paper presented on May 29, 2021 at a webinar organised by Dhaka University as part of its centenary celebrations.