Economic Development of Bangladesh

Haradhan Mohajan

Journal of Business Management and Administration

31. October 2013

Online at http://mpra.ub.uni-muenchen.de/50663/
MPRA Paper No. 50663, posted 16. October 2013 07:48 UTC
Economic development of Bangladesh

Haradhan Kumar Mohajan

Accepted 23, September, 2013

Bangladesh is a developing country in the South Asia. Its illiterate and unskilled large population is a burden to the country. Agriculture is the main source of the income of the country. Government of the country is taking various steps to decrease poverty, but yet about one-third of people of Bangladesh are living below the national poverty line. More than half of the children of Bangladesh are underweight. The gross domestic product (GDP) is hovering around 6% for the last decade. Migrated labor and send remittances were on the increase. Conversely, inflation, government debt and GDP growth are nothing to write home about. Shortage of electricity and gas supplies, poor road network, bridges and ports, political unrest and natural calamities are major problems in national production and economic development. Debt burden of the government is increasing rapidly over time due to increase in the budget deficit. Both the internal and external debts of the government are increasing every year. Among the various obstacles, Bangladesh is advocating for poverty reduction by means of improving the quality of education and promoting gender equality. This has led to an achievement of reduction in child mortality and improvement in maternal health.

Key words: Capital market, deficit financing, development and non-development expenditures, GDP, inflation, remittance.

INTRODUCTION

Bangladesh is a densely populated developing country in Southern Asia and its area is 147,872 km². In 2013, its population increased to more than 160 million. The population density of Bangladesh is about 1,082/km², which is the highest in Southern Asia. About 77% of the population lives in the rural areas. Agriculture is the backbone of the economy. Thus, about 80% of the population is agrarian.

Bangladesh is the twelfth-poorest country in the world and the poorest in Southern Asia. More than half of the children of Bangladesh are underweight, which is obviously the malnutrition of the future generation. According to the latest Household Income and Expenditure Survey, HIES (2010), about one-third of people of Bangladesh are living below the national poverty line. Although global economy is facing difficulties, economic growth in Bangladesh is projected at close to 6% in FY 2013.

In Bangladesh, the real gross domestic product (GDP) is projected to grow at about 6.2% in FY 2011, up from 5.8% FY 2010. In fiscal year 2012-2013, the average exchange rate of Bangladeshi currency taka against US dollar is 80.00 than that of 81.00 in FY 2011-2012. By the end of February 2011, broad money had risen by 21.7% and reserve money by 20.8% over February 2010. Broad money rose due to the growth in net domestic assets, such as credit to the private sector, which grew by 28.3% and credit to non-financial public sector entities, which grew by 38%. The price hike of food, expenditure for fuel, oil, import of machineries for establishing new electricity plant and import of fuel for producing electricity, etc. depreciate the Bangladesh currency against US dollar.

In 2010-2011, receipt of net foreign aid is $1,049.63 million, and the net foreign direct investment is $768 million and the total amount of remittance receipt is $11,650.32 million. Hence the foreign aid is very low compared to the percentage share of remittance in GDP. It is expected that the net foreign aid and flow of remittance in FY 2014-2015 might reach $1,066.69 million and $15,309.996 million respectively. Bangladesh
is on-track to meet the Millennium Development Goals (MDGs) on poverty, education and gender equality, and has attained substantial reductions in child mortality and improvements in maternal health.

Debt burden is increasing rapidly over time due to increase in the budget deficit. Both the internal and external debts of the government are increasing every year. In Bangladesh, during 2000 to 2005, income poverty reduced from 48.9 to 40% and 2005 to 2010 reduced from 40 to 31.50%. The present government has targeted to reduce poverty rate to 25 and 15% by 2013 and 2021, respectively. Various microfinance programmes also help the poor to reduce the poverty of the country.

The main objective of the study is to evaluate food insecurity, health, education and economic situation of the citizens of the country. Our aim is also to show the obstacles of the development of the country and direction to the future development.

METHODOLOGY

We have prepared the paper on the basis of data from various sources of Bangladesh and with the practical experience of the economic development of the country. In the last decade economy, healthcare services and education have increased but the political unrest remains unchanged, which is a hindrance in the advancement of the country. Poverty and illiteracy are also two other major problems in the economic progress of the country. In this paper, we have stressed on the inflation, debt burden, social safety net programmes and collapse of the capital market. We also show the economic development of the country due to the creative activities of the government of Bangladesh and various non-government organizations (NGOs).

FOOD AND HUNGER IN BANGLADESH

During the independence in 1971, Aman was the major food crop, which was the dominant source of total rice production. At present, Aman rice occupies 50% of total rice area and contributes 38% of total production, Boro contributes about 41% of total rice area and contributes 56% of total rice production in Bangladesh and Aus rice supplies about 9% of total rice area and 6% of rice production.

Rice is the staple food of Bangladesh and among the 94% of all food grains produced annually is rice. During the last decade production of rice has remarkably increased, vegetable production was almost doubled, potato production increase 2.5 fold, fish production has increased due to increase in inland fishery, meat production has increased, superseding the rate of increase in population, egg and milk production also has increased in parallel. On the other hand, total production of pulses (one of the major sources of protein for the poor), oilseeds and fruits has gone down.

In Bangladesh, per capita average calorie intake per day is 2,238.5, of which 75% of the energy intake comes from cereals. Using the conversion factor of 3.57 Kcal/gm, the daily domestic food grain requirement can be calculated as:

\[
\text{Daily food per capita grain requirement} = \frac{75\% \times 2238.5}{3.57} = 470.3 \text{ gm/capita/day.}
\]

It can be used to calculate the annual food grain requirement and food gap in the country.

Annual food grain requirement in 2013 = Population × 470.3 × 365 days.

\[
= \frac{160 \times 470.3 \times 365}{1000000} = 27.5 \text{ mMT.}
\]

Food gap = Requirement – Domestic production.

In 2007, domestic production was 28.06 million metric ton (mMT) and total food grain requirement was 24.14 mMT.

In 2007, food gap = 24.14 – 28.06 = –3.92 mMT.

Although there is food gap every year and more than 60 million people remain hungry everyday due to food gap, the government figures do not show any food gap in the country. In Bangladesh, the government has less control over the market and the market is mainly controlled by the traders, hoarders and business syndicates.

During the food price hike, the burden increases for the lower income groups as these groups spend a larger share of their budget on food. The individuals who have irregular income from daily wage labor and lacking productive assets, such as, day laborers, fishermen, vendors and beggars, cannot have access to the food perfectly. The children, disabled, and pregnant and lactating women face the greatest nutritional risk during the food price increase (Ahmed et al., 2009).

The price hike for agricultural commodities, particularly rice and wheat in 2007 and 2008, has posed a major challenge to food security in Bangladesh. In Bangladesh, food prices are increased by 72% over a period of only 10 months from June 2007 to April 2008 at the backdrop of global food prices hike. This rising inflation has become an alarming threat to the poor and middle class people from all segments of the society. The price that drastically increased in 2007 had faced a downward trend after June 2008, but from 2009 the price has started to rise again (Bangladesh Economic Update, 2011a).
MALNUTRITION OF MOTHERS AND CHILDREN

In Bangladesh a large mass of the rural populations still live below the poverty line, heavily undernourished with inadequate access to safe and nutritious food for a healthy life. In 1970s, about 70% people of Bangladesh were under the food consumption poverty line and at present it is down to less than half of the populations but still it is far from being food secure. Food prices were more unstable during the 1974 famine due to severe rice shortages caused by drought-related production shortfalls and shortage of foreign exchange for government rice imports. At this time, Bangladesh faces a record of price hike from 9.1 to 108.6%.

In Bangladesh, 40% of the population (64 million) are categorized as absolutely poor, who fail to acquire the minimum level of food energy 2,122 Kcal/day to maintain normal health, 32 million people are categorized as "hard-core poor", who fail to acquire 1,805 Kcal/person/day, and 13 million are "ultra poor", who fail to acquire 1,600 Kcal/person/day (Bangladesh Bureau of Statistics, BBS, 2007).

The World Bank (WB), the government of Bangladesh (GOB) and the United Nations (UN) in their respective reports on millennium development goals (MDGs), express the target of 34% children being underweight as non-attainable at present rates of progress. It is estimated that girls and women are overwhelmingly more malnourished than boys and men. The poverty of Bangladesh is not decreasing due to low income of most of the populations, recurrent natural calamities, increase of population and increasing international prices of food commodities.

SOCIAL SAFETY NET PROGRAMMES (SSNPs) IN BANGLADESH

Food aid from donors is decreasing gradually every year. Hence the government of Bangladesh should take necessary steps to increase food production in future. The government of Bangladesh is trying to reduce poverty by implementing various kinds of SSN programmes since its independence in 1971. The government of Bangladesh (GOB) also allocated Tk.17,327 crore (Bangladeshi currency is Taka = Tk. and $1= Tk.80 in 2013) for the SSN in the FY 2009-2010 which is about 15.22% of total budget outlay, and 2.52% of GDP respectively, which targeted poor and ultra poor segments of the society to lift out of poverty. In FY 2010–2011, the allocation for social safety net programmes was 2.64% of GDP.

Bangladesh has a widespread portfolio of both food- and cash- based SSNPs. In 2011, about 11.38 million men and 24.05 million women were engaged in social security and social empowerment act. At present there are about 27 such programmes, which cover only about 6–7% of the poor, so that, fund and beneficiaries under this programme must be increased.

In Bangladesh infrastructure and construction programmes for SSN are Food for Work (FFW) or Rural Development (RD) programmes, the Food for Asset Creation (FFA) component of the Integrated Food Security programme, and Test Relief (TR) distribute food grains (rice and wheat) as wage payments to workers in labor-intensive public works programmes. Both men and women participate in FFW and TR, whereas in FFA at least 70% of the participants must be women. Only women can participate in Rural Maintenance Program (RMP), which offers cash wages for maintaining rural earthen roads.

The Vulnerable Group Feeding (VGD) programme in Bangladesh is the largest in the world that exclusively targets women. More than 750,000 ultra-poor rural women in the country received support under the VGD programme in 2006. Of the 750,100 women served by VGD, 640,721 women (85.4%) and their family members received Income-Generating Vulnerable Group Development (IGVGD) support and 109,379 women (14.6%) and their dependants received support under the Food Security Vulnerable Group Development (FSVGD) component in 2005–2006.

MAJOR ECONOMIC PROBLEMS IN BANGLADESH

Bangladesh faces natural disasters such as, devastating floods, cyclone, tornado, storm, draught, earth quake, tidal surge, river bank erosion, salinity expansion in coastal areas, infrastructure collapse, fire, tsunami, arsenic contamination in ground water, Monga (about to famine in north-western part of Bangladesh) which pose multiple threats to the development of the country.

Shortage of electricity and gas supplies are major problems in national production and development. So that foreign direct investment (FDI) is comparatively low due to these difficulties. Every government will face various difficulties in the Medium Term Budget Framework (MTBF) from 2013 to 2017.

The next problems are poor infrastructure of roads, bridges and ports. Inflation is another problem in the development of the country. Political instability such as, strike of opposition parties is one of the main causes of hindrance of economical improvement.

In Bangladesh export is less than import, which is a permanent problem of the country. Other obstacles of development are illiteracy and unskilled manpower and non-proper utilization of the manpower. Natural calamities and non-planned urbanizations are also affect economic development. External and internal debt and budget deficit in every year influence the economic development.
ECONOMIC DEVELOPMENT OF BANGLADESH

In recent years, Bangladesh has experienced high national growth. The rapid expansion of exports in the ready-made garment increased. The Government of Bangladesh has 2011–2015 five-year plan of economic development which prioritizes public and private infrastructure investment, and has set a target of increasing the investment rate to 32% GDP by 2015.

Bangladesh started microfinance system successfully which help the poor and the ultra poor to develop their financial conditions. The Grameen Bank is the first microfinance institution in Bangladesh, which was established in 1976. It gives loan to those people whom the government or any commercial bank will not give loan facility. At present, Grameen Bank is the largest microfinance bank in Bangladesh and probably the biggest micro credit organization in the world. At present, it provides small loans of about $600 million to more than 10 million rural poor (95% are women) of Bangladesh (Islam et al., 2012). Some other institutions such as BRAC (Bangladesh Rural Advancement Committee), ASA (The Association for Social Advancement) etc. also provide microfinance facilities to the poor.

Recently some banks including Bangladesh Bank are giving loans to agriculture, small and medium sized enterprises (SMEs), in renewable energy and other productive sectors. Bangladesh exports readymade garments mainly to the USA, Canada and many countries of Europe. The country also exports shrimps and leather. Bumper production in crops and vegetable has advanced the country in food sector.

REMITTANCE FLOW IN BANGLADESH

The remittance is a driver of growth of the economy of a country. It develops volatility in the exchange rates, and plays an important role in the macroeconomic stability. Bangladesh is considered as one of the major labor exporting countries of the world. Since independence over 7.4 million labors went abroad. In FY 2010-2011, flow of remittance increases by 6.03% over that of previous fiscal year and reaches at $11.65 billion while foreign currency reserve increases by only 1.50% and reaches $10.91 billion. It is forecast that in FY 2014-2015, remittance might reach $15.31 billion and foreign currency reserve would reach $14.64 billion.

Current account balance is not satisfactory in Bangladesh. Remittance plays an important role for a positive current account balance in any economy. Bangladesh is considered as a trade deficit country in the Asia but current account balance since FY 2005-2006 remains positive due to high remittance inflow. In FY 2010-2011, remittance inflow is $11,650 million while the trade deficit is $7,328 million, service deficit is $2,398 million and income deficit is $1,354 million and as a result the current account balance in FY 2010-2011 is only $995 million. Current account balance in FY 2009-2010 was $3,724 million which was high during the last decade.

Migration of labor

The remittance of Bangladesh increases by the earnings sent by the migrated labors. In FY 2010-2011, a total of 0.45 million people have migrated from Bangladesh to various countries which was 6.04% more than that of FY 2009-2010. In 2007-2008, about 0.98 million people migrated from Bangladesh which is the highest in the migration history of Bangladesh.

The ten highest labor migration destination countries from Bangladesh are Saudi Arabia, United Arab Emirates (UAE), Qatar, Oman, Bahrain, Kuwait, Iraq, Singapore and Malaysia. These countries hold about 96.83% of total labor supplied from Bangladesh for last 31 years. Although the remittances are developing the economy of the country but the migrated labors are increasing the risk of Human immunodeficiency virus (HIV) and Acquired immune deficiency syndrome (AIDS) in the country.

In the recent years, labor migration has dropped because of global economic crisis, Middle Eastern political unrest and decrease in the demand of labor markets. It is forecast from the current scenario that labor migration in FY 2014-2015 may increase to 0.55 million. In FY 2010-2011, the flow of remittances decreases from all the countries of Middle East. For example, in FY 2001-2002, 46% ($1,147.95 million) of total remittance receipt from Saudi Arabia, which fell to only 29% ($3,290.03 million) in FY 2010-2011.

On the other hand, receipt of remittance from United Kingdom (UK) and The United States of America (USA) has increased by 761.08 and 418.89% respectively in FY 2010-2011 than FY 2001-2002. The receipt of remittance from Malaysia and Singapore has increased by the highest 1,402.09 and 1,318.79% respectively in FY 2010-2011 than that of FY 2001-2002 (Bangladesh Economic Update, 2011c).

In 2010, out of the total number of labor migrations, 73.52% were less-skilled, 3.19% semi-skilled, 23.19% skilled and 0.1% professionals. On the other hand in 2000 about 0.22 million labors migrated, among them 38.6% were less-skilled, 11.89% semi-skilled, 44.72% skilled and 4.79% professionals. The number of unskilled migrated labors are increasing and in the coming years the tally will be higher. It is estimated that in 2015, less-skilled labor migration might total 81.08%, semi-skilled only 1.31% and skilled 18.52%. The government of Bangladesh must be conscious and active to search labor market efficiently to increase flow of remittance in future and on the other hand it will try to create skilled labors in the country.
Table 1. GDP and remittance as a percentage share of GDP.

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Remittance (in crore taka)</th>
<th>% change in remittance</th>
<th>Remittance as % of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001–2002</td>
<td>14,377.03</td>
<td>40.17</td>
<td>5.26</td>
</tr>
<tr>
<td>2002–2003</td>
<td>17,728.82</td>
<td>23.14</td>
<td>5.898</td>
</tr>
<tr>
<td>2003–2004</td>
<td>19,869.8</td>
<td>12.15</td>
<td>5.97</td>
</tr>
<tr>
<td>2005–2006</td>
<td>32,275.68</td>
<td>36.49</td>
<td>7.76</td>
</tr>
<tr>
<td>2006–2007</td>
<td>41,298.53</td>
<td>27.96</td>
<td>8.74</td>
</tr>
<tr>
<td>2008–2009</td>
<td>66,675.85</td>
<td>22.8</td>
<td>10.85</td>
</tr>
<tr>
<td>2009–2010</td>
<td>76,010.96</td>
<td>14.15</td>
<td>10.95</td>
</tr>
<tr>
<td>2010–2011</td>
<td>82,992.89</td>
<td>9.04</td>
<td>10.54</td>
</tr>
<tr>
<td>2011–2012</td>
<td>89,853.16</td>
<td>8.27</td>
<td>9.98</td>
</tr>
<tr>
<td>2012–2013</td>
<td>96,713.43</td>
<td>7.63</td>
<td>10.86</td>
</tr>
<tr>
<td>2013–2014</td>
<td>1,03,573.70</td>
<td>7.09</td>
<td>10.99</td>
</tr>
</tbody>
</table>

Source: Bangladesh Economic Update (2011c).

Remittance, Inflation and GDP

In FY 2010-2011, migrant citizens of Bangladesh sent $11,650.30 million as remittance that is 11.12% of GDP. According to the World Bank, Bangladesh is the 7th largest economy of remittance receiver in the world in FY 2010-2011. In FY 2010-2011, the growth rate of remittance is 9.04% while the growth rate of GDP remains at 6.66% and rate of inflation increases to 8.8%. In FY 2010-2011, the food inflation is 10.65% and non-food inflation is only 3.92%. The GDP of the country is decreasing due to inflation and decrease of remittance receipt. In Table 1, we display GDP and Remittance as a percentage share of GDP from fiscal year 2001-2002 to 2014-2015.

In Bangladesh major portion of the remittance spends to buy food and basic consumption goods, housing, children’s education and health care. A total of 43% of remittance receipt is spent on food consumption nationally while only 19.2% is spent on cash savings, 6.4% on investment in business. As a result, higher growth rate of remittance may induce the rate of inflation.

DEBTS AND DEFICIT IN BANGLADESH

In Bangladesh, there are two sources of deficit financing: i) internal debt, and ii) external debt. The government mainly borrows both from the Bangladesh Bank and the commercial banks. In FY 2001-2002, government has borrowed an amount of Tk.2,534.9 crore from banking sector and Tk.4,711.47 crore (1 crore =10,000,000) from non-banking sectors. In FY 2010-2011, the government has borrowed Tk.11,240.5 crore from banking sectors, which is 4.43 times higher than that of FY 2001-2002. The public debt of Bangladesh is increasing continuously, which is creating serious pressure on the macro-economic stability of the country. The government borrowing from banking sector in FY 2010-2011 was 1.43% of GDP while it was 0.45% from non-banking sectors.

Total debt of Bangladesh in FY 2010-2011 is $23,322.417 million that is 22.21% of GDP. Total domestic debt in FY 2010-2011 is $1,974.97 million that is 1.88% of GDP. Total domestic borrowing as percentage of GDP remains 1.5 to 3.0% of GDP over the last ten years. In FY 2010-2011, total external debt of Bangladesh amounts to $21,347.44 million that is 20.24% of GDP. The government may have to borrow Tk.17,755.76 crore from domestic sources and $23,475.68 million as external debt in FY 2014-2015 (Bangladesh Economic Update, 2011b).

The per capita debt burden in FY 2010-2011 in Bangladesh has increased by 8.41% over that of FY 2009-2010 ($151). Per capita debt burden in Bangladesh in FY 2010-2011 is $163 and in FY 2014-2015 it might increase to $171.83, an increase of 5.42% per annum. In FY 2014-2015, the per capita domestic and outstanding debt might be $15.79 and $156.03 respectively against per capita domestic debt of $13.87 and outstanding external debt of $149.99 in FY 2010-2011 (Bangladesh Economic Update, 2011b).

Each year the government has to borrow from domestic and external sources to cover the budget deficit, and each year a major portion of its budget expenditure gets expanded on interest payment. In case of non-development (interest, social security and welfare, and subsidies) expenditure, usually the highest allocation goes to interest payment. In FY 2006-2007, the interest payment has been 17% of its total non-development
expenditure while social security and welfare and subsidies have got an allocation of only 4 and 5.4% of its non-development expenditure respectively. In FY 2009-2010, 19.2% of total non-development expenditure has been spent for interest payment, and FY 2011-2012 it was about 15.5% (Bangladesh Economic Update, 2011b).

Total debt-GDP ratio in Bangladesh, on average, rose sharply from 33.65% during the 1970s to 56.95% during the 1980s. Over the last ten years, the debt-GDP ratio has stayed above 40% and that reflects the high debt burden for Bangladesh. The debt-GDP ratio in FY 2010-2011 has reached at 41% (Bangladesh Economic Update, 2011b).

Total external debt in FY 2010-2011 is $21,347.44 million while in FY 1972-2013 it was only $65 million. Over the time the amount of external debt has been increasing at a higher rate. In FY 2010-2011, the external debt and GDP ratio has remained at 23.1 against 30.4 in FY 2000-2001. These figures indicate that the external debt and GDP ratio has declined over time. On the other hand in FY 2010-2011, domestic and outstanding external debt burden ratio is 0.992:1. The debt burden ratio might increase further in FY 2014-2015 to outstanding external debt of Tk.100 against domestic debt of Tk.10.10. Hence, the government of Bangladesh is highly dependent on external debts and in forthcoming years, domestic debt burden might increase further.

Budget deficit in Bangladesh

Debt burden is increasing rapidly over time due to increase in the budget deficit. The deficit of budget mainly occurs for the payment of interest, principal of debt burden and the subsidies which are mainly given to non-productive sectors. During the FY 2011-2012, the total revenue collection of the government is estimated at Tk.1,18,385 crore against Tk.95,187 crore in revised budget of FY 2010-2011. The tax collection from National Bureau of Revenue (NBR) is estimated for FY 2011-2012 as Tk.91,870 crore as against Tk.75,600 crore in FY 2010-2011, that is about 21.52% higher than that of the previous fiscal year. The revenue expenditure in FY 2011–12 is estimated at Tk.1,63,589 crore. In FY 2011–12, the total expenditure for development sectors is estimated at Tk.46,000 crore and Tk.1,02,903 crore for non-development sectors. Budget deficit was Tk.31,013.2 crore in FY 2010-2011. In FY 2011-2012, the overall budget deficit is estimated at Tk.45,204 crore which is 5% of GDP and is 0.6% higher than that of the previous year. Over the past few years, the overall budget deficit registers an increasing trend that puts serious pressures on the total debt of the country (Bangladesh Economic Update, 2011b).

In FY 2012-2013, the government expenditure and GDP ratio might be 15.38 and if the current trend prevails, it might reach to 15.46 in FY 2014-2015. However, in FY 2000-2001, the government expenditure and GDP ratio was 15.5 while in FY 2007-2008 it has risen to 16.5.

COLLAPSE OF THE CAPITAL MARKET

In Bangladesh, price fluctuation in the capital market has become a major concern of many investors nowadays. Investors both institutional and individual are affected by the price fluctuation. Price fluctuation may occur both in up and down direction. An upside fluctuation may offer profit to investors while a down side fluctuation may cause significant amount of risk to investors. For this reason, investors are trying to devise out mechanisms to forecast the direction and magnitude of price fluctuation (Mohajan and Datta, 2012).

The crash in equity market happened since 2011 and until 2013 it remains in crash position. Widespread reports of malpractice terminated in a domestic capital market crisis in 1996 and in 2011. As a result, at present the confidence of the investor is low. Changes in political commitment, a difficult political economy, and weak institutional capacity of executing agencies often frustrate implementation of financial sector assistance. The capital market has a low level of supervision and the major market players, such as capital exchanges, brokers, dealers, and asset managers have limited professional capacity. Transparency is poor and there is inadequate disclosure both in trading and in the quality of information provided for listed companies.

It is seen in recent times that capital markets of our country has been undergoing heavy fluctuation. The frequency and magnitude of price fluctuation in the capital market is also quite high what causes individual investors to lose their capital that ultimately result in losing their confidence in the market system. If this difficulty continues for long time the market will lose its participants and trading volume will also go down significantly.

Chowdhury (1995) explains the lack of efficiency in the emerging capital markets by investigating the issue of informational efficiency in the Dhaka Stock Exchange (DSE) in Bangladesh. He argued that in an efficient market the prices of the securities fully reflect all available information; that is, capital market participants incorporate the information contained in money supply changes into stock prices. Some investors feel that inefficiency of the regulatory body is responsible for the recent fall in the equity market. The large number of investors point out gambling being the main reason for
the current downturn in the market. Few investors think that liquidity crisis and multi level marketing (MLM) business has also contributed to the downturn. The opinions of the investors are given in Figure 1.

Almost 53% of the investors are of the opinion that there prevails a strong political collusion behind the collapse in the stock market (Figure 2), 23% of them; however, do not agree with this decision. About 24% of the investors remain indifferent about political motivations. Price fluctuation in the capital market has become a major concern of many investors since 2010. Investors; both institutional and individual, are affected by the price fluctuation. For this reason, investors are trying to devise out mechanisms to forecast the direction and magnitude of price fluctuation (Mohajan and Datta, 2012b).

The Securities and Exchange Commission has withdrawn the weighted average index from Dhaka and Chittagong Stock Exchanges for its failure to reflect the fluctuation of price of securities traded on the stock exchanges.

CONCLUSION AND RECOMMENDATIONS

In this paper we have tried to discuss aspects of economic development of Bangladesh. Bangladesh is developing step by step and we hope that within the 21st century the country will reach in peak of the development. The migrated labors are sending remittance from abroad but all of them are not using the economic development. Production of electricity and gas supplies in industries,
construction of roads, bridges and development of ports, and political stability are necessary for the economic development. Inflation in all the commodities is a great problem of the economic development. Government must stress on creating efficient manpower and national production should be increased. Bangladesh is a small country but its natural resources are rich and these must be used properly.

Government and social organizations must take various steps to improve education and make the large populations as boon not burden of the country. Government should increase the fund in annual budget in education sector. At present the government budget for higher education is very low and it should be increased to create intellectual persons. The government of Bangladesh should follow the strategy of Japan. Japan has no huge natural resources, such as, mines, forests etc. as like other developed countries but it becomes a developed country due to its educated and skilled populations.

Government should take strong steps to stop corruption. Bangladesh was in top in corruption in the world for consecutive five years in the last decade. At present the corruption has partially decreased and we hope the government of Bangladesh will be more active to oust corruption completely. Political unrest is a great problem of the country. Due to political instability foreign direct investment is not satisfactory in Bangladesh. The country has two seaports and many rivers for transport and most portion of the country is plane. Hence communication is not very costly and it is a natural advantage for the country in the way of development. Government should take steps to decrease domestic and foreign debts to reduce payment of interest. The budget deficit should be decreased to reduce debts. Subsidies in non-productive sectors must be decreased step by step. The government should export skill labors to earn more remittance and skill labors must be created with various training programmes.

REFERENCES

Ahmed I, Farah QF, Salahuddin N, Chowdhury MI (2009). Inflationary trend in Bangladesh and impact on high food commodity prices, Unnayan Onneshan (The Innovators), Economic Policy Unit (EPU), Bangladesh.


