



# Economic and Social Development of Bangladesh Miracle and Challenges

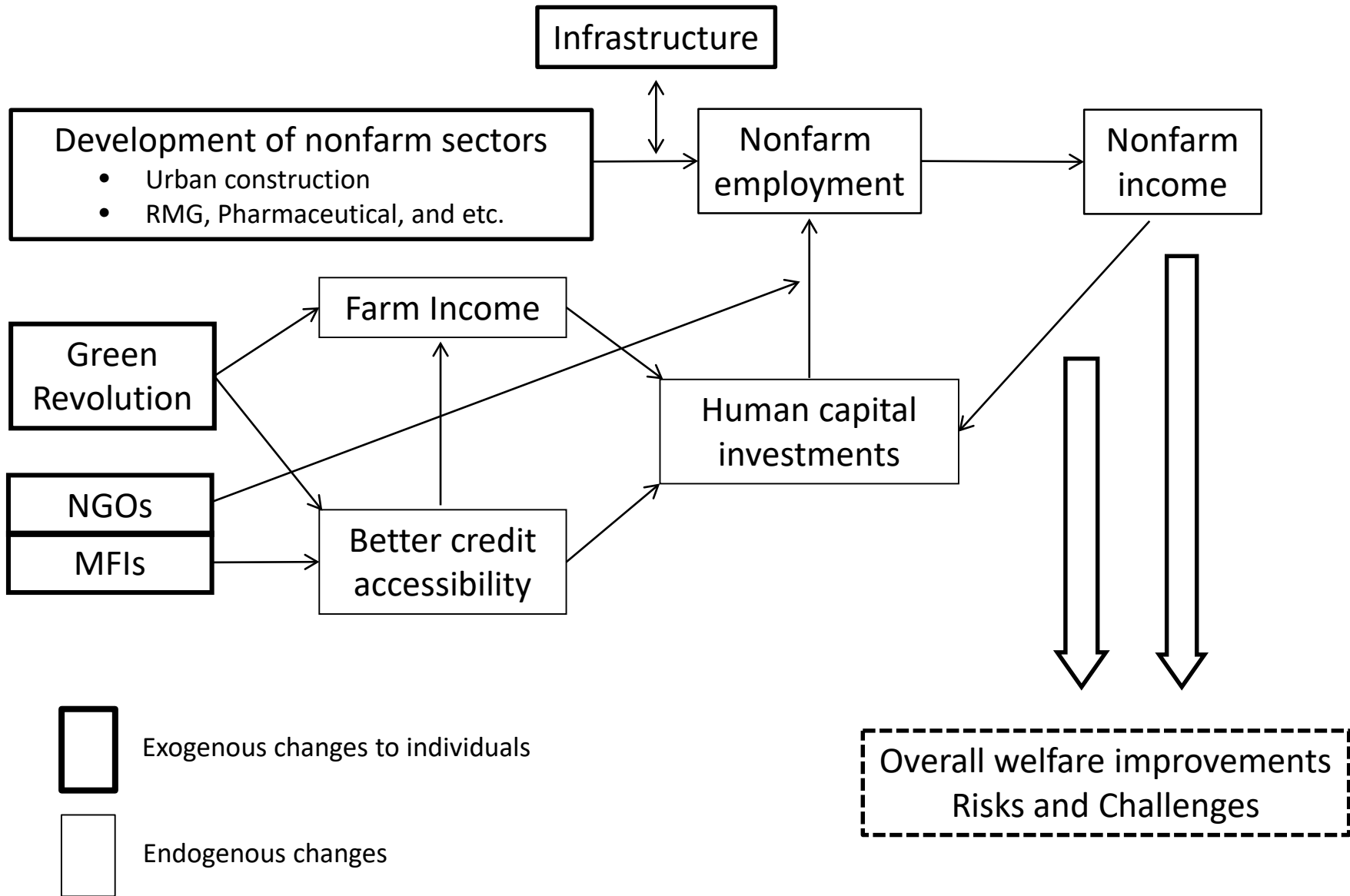
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*Bangladesh Institute  
of Development Studies*

# Purpose

- To describe Bangladesh's miracle and challenges in development
- Miracle: mechanisms of structural transformation
  - Industrialization success
  - Infrastructure
  - Microfinance
  - Women empowerment
- Challenges:
  - Urbanization
  - Disasters
  - Economic and political risks
  - Inequalities

# Structural Transformation in Bangladesh



# Book Structure

Introduction: Foundations of the Miracle

I.Economic Transformation

II.Social Transformation

III.Welfare Improvements

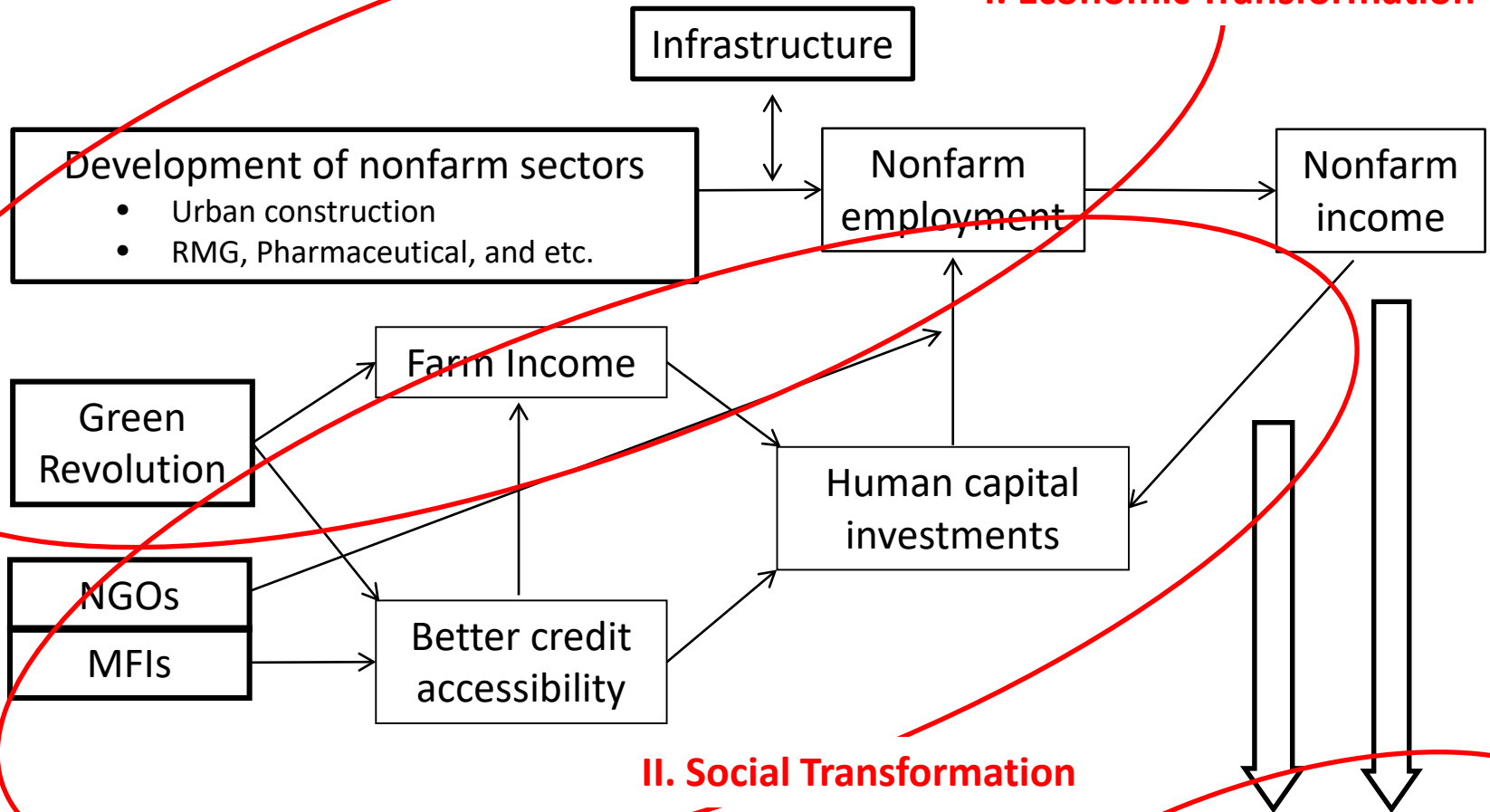
IV.Risks and Challenges

# The successful development transformation

- Three country specific mechanism:
  - The **penetration of NGOs and MFIs into rural communities** that led to relaxed credit constraints on poor households
  - The **spectacular development of readymade garment industry**, which resulted in rapid transformation of the economy from an agriculture based to an industry oriented one
  - **Significant investment in infrastructure particularly bridges**, which have helped to connect formally fragmented economy

# Structural Transformation in Bangladesh

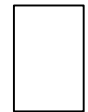
## I. Economic Transformation



## II. Social Transformation



Exogenous changes to individuals



Endogenous changes

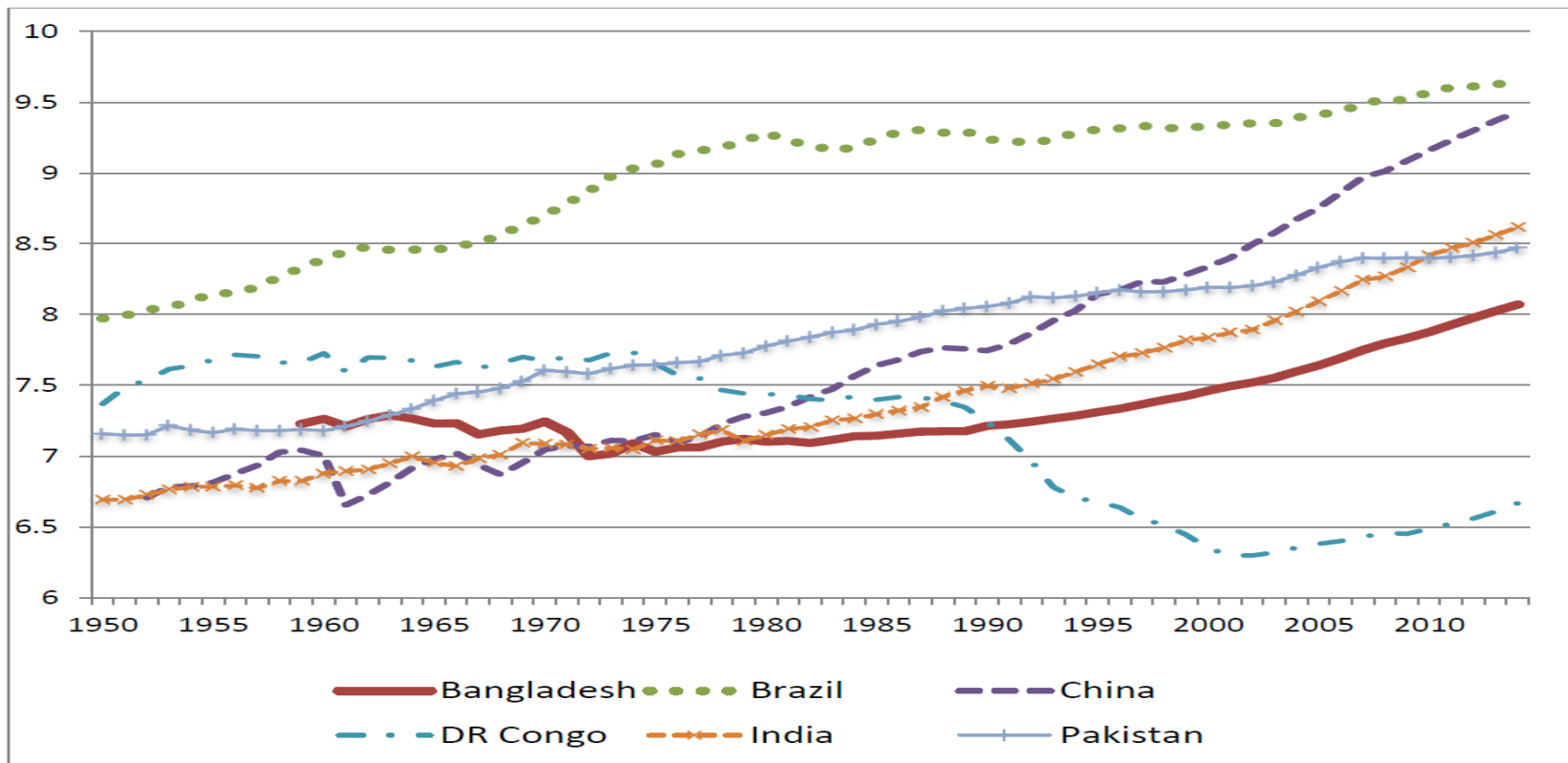
## III. Miracle IV. Challenges

Overall welfare improvements  
Risks and Challenges

# I. Economic Transformation

Chap 1: Minhaj Mahmud, Keijiro Otsuka, Yasuyuki Sawada, and Eiji Yamada  
“Development transformation in Bangladesh: An Overview”

Figure 1  
Real Per Capita GDP in Selected Countries  
(PPP)



(Data source): PWT 9.0 from Feenstra, Robert C., Robert Inklaar and Marcel P. Timmer (2015), "The Next Generation of the Penn World Table" *American Economic Review*, 105(10), 3150-3182, available for download at [www.ggdc.net/pwt](http://www.ggdc.net/pwt). The vertical axis is real GDP per capita in log.

# I. Economic Transformation

Chap 2: T. Sonobe, Khondker Abdul Mottaleb, and Md. Nurul Amin “The Miraculous Development of the Garment and Pharmaceutical Industries in Bangladesh”

## Growth of the Garment Industry in Bangladesh

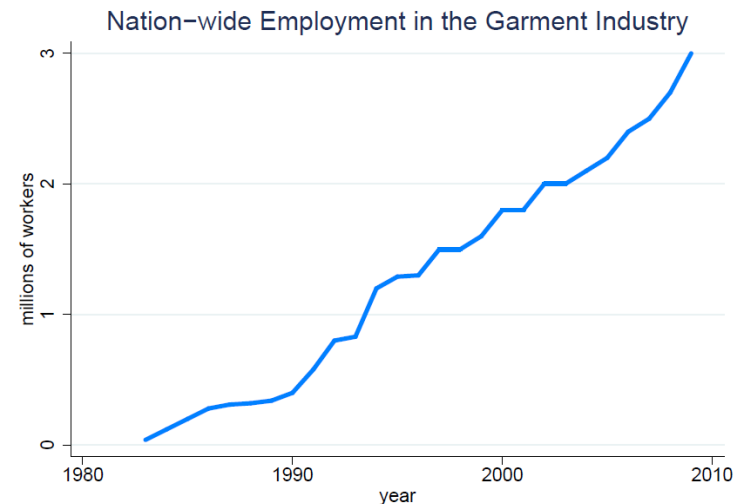
Fiscal year	# of Garment factories	Export value (Billion USD)	% of Garments in the Country's Export Earnings
1983-84	134	0.03	3.9
1987-88	685	0.43	35.2
1991-92	1,163	1.18	59.3
1995-96	2,353	2.55	65.6
1999-2000	3,200	4.35	75.6
2004-05	4,107	5.17	74.2
2007-08	4,740	10.7	75.8

Source) Mottaleb and Sonobe (2011)

### Leading Clothes Exporters in 2017 (value in bill USD)

- #1 China (158)
- #2 Bangladesh (29)
- #3 Vietnam (27)
- #4 India (18)
- #5 Turkey (15)
- .
- .
- .

(Source) World Trade Statistical Review 2018, WTO.



Source) Heath and Mobarak (2011)



# I. Economic Transformation

Chap 4: Shahidur Khandker, Hussain Samad “Bangladesh’s Structural Transformation: The Role of Infrastructure ”

Ex) Jamuna multipurpose bridge (JMB) completed in 1998 w/ \$75 bill loans

- The largest bridge in Bangladesh w/ road, railways, electricity & communication cables, and gas pipelines).
- By bridging the gap between the west and east, facilitated growth and poverty reduction (ADB, 2000; Luppino, et al., 2004; Bayes, 2007; Hossain, Sen, and Sawada, 2012) and employment (Mahmud and Sawada, 2018)

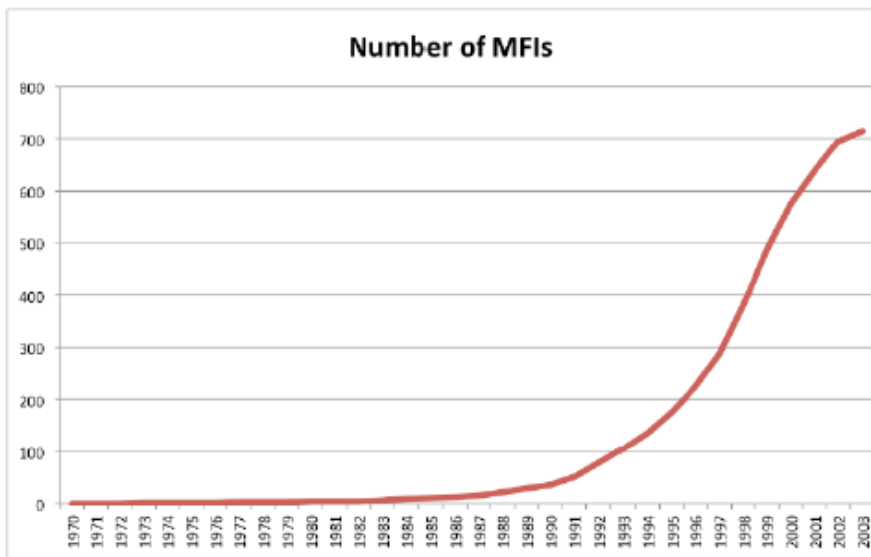
# I. Economic Transformation

Chap 4: Yuhei Miyachi, Yasuyuki Sawada, Junichi Yamasaki “Welfare Implications of Subsidies in the Microfinance Industry in Bangladesh”

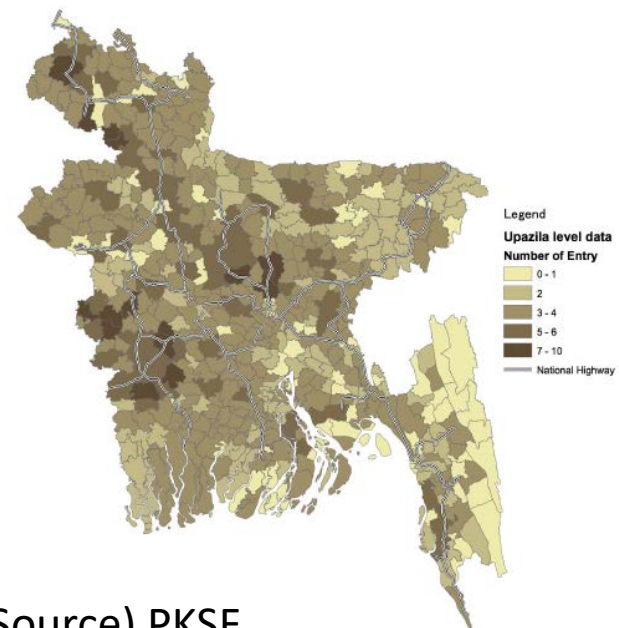
## MFIs penetrating villages

- Relaxing credit constraints for various (human capital) investments
- lease land ↑ (23% in 88 -> 40% in 04; 31% → 50% for the landless groups)
- Landless benefitted from institutional credit: 21% in 88 → 43% in 08
- Feminization of agriculture (FLFP in agriculture: 58% in 00 → 66% in 08)

Figure : Spatial pattern of penetration: Number of MFIs in each upazila



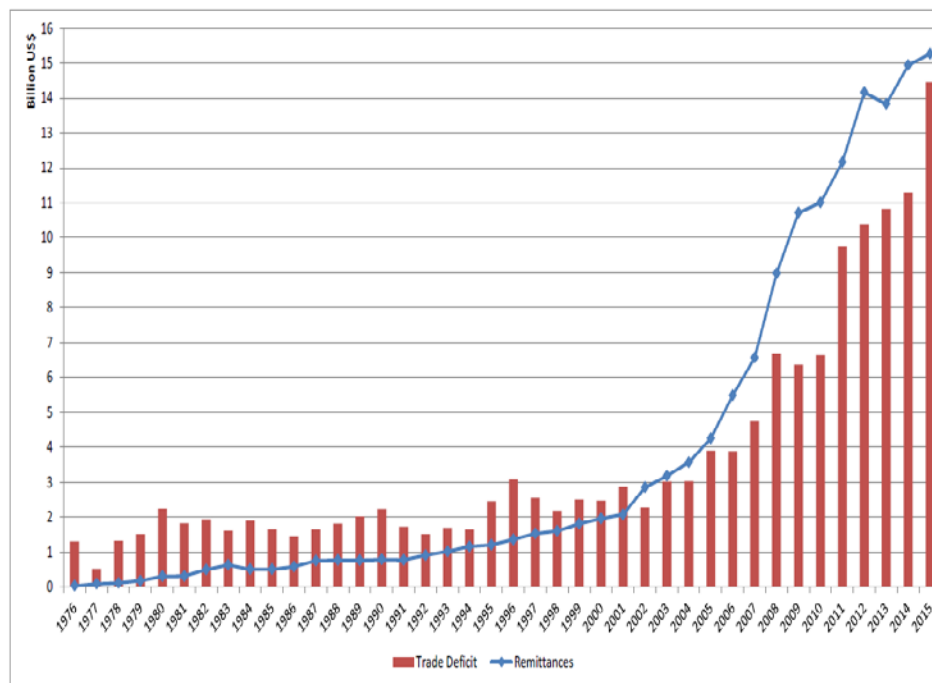
Source) authors' calculation using Credit and Development Forum (CDF) data



Data Source) PKSF

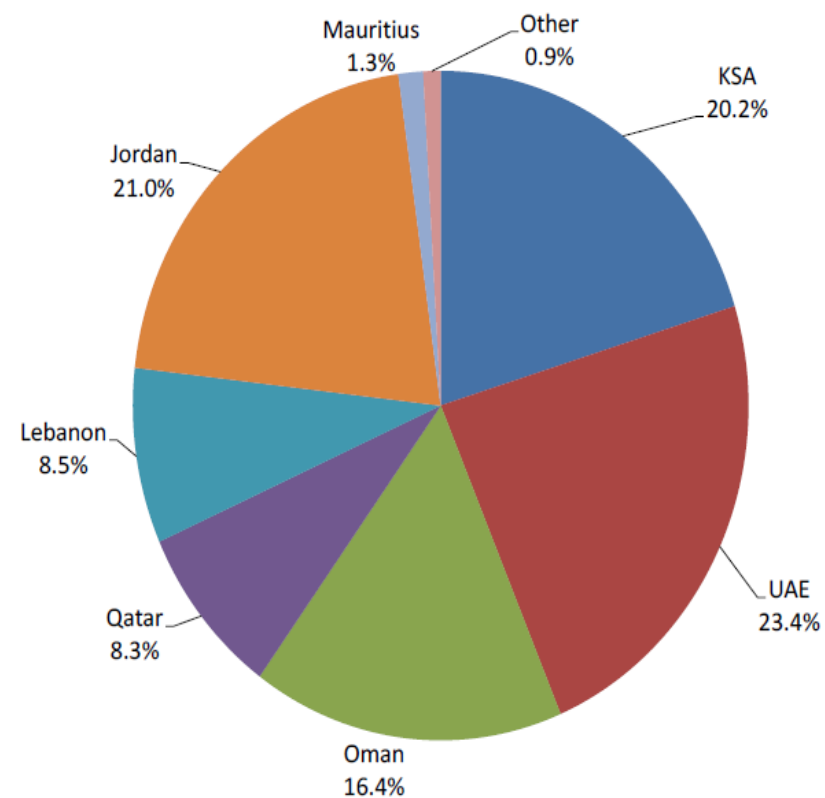
# II. Economic Transformation

## Chap 5: Akira Murata, “International Migration and Remittance for Economic Development in Bangladesh: An Overview”



**Figure 6.** Remittance Inflows and Trade Deficits in Bangladesh, 1976-2015 (Billion US\$)

Source: Bangladesh Bureau of Manpower, Employment and Training (BMET) (2016), and World Development Indicators (WDI) (2016).



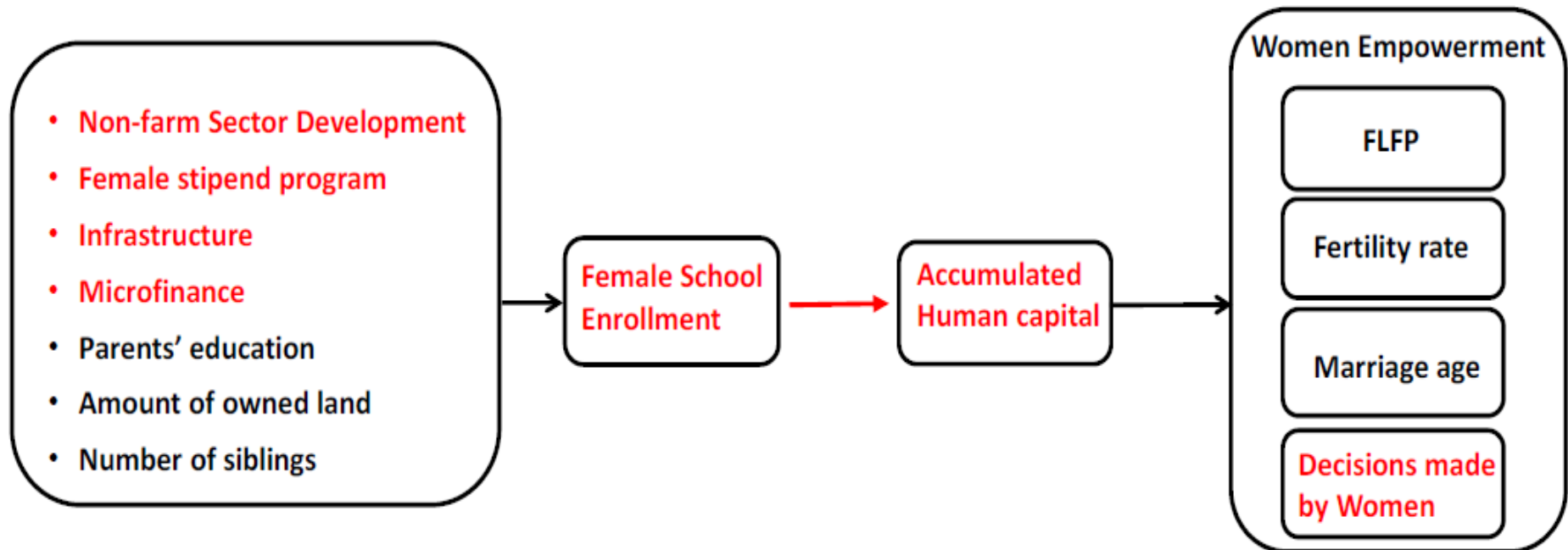
**Figure 4.** Destination countries of Bangladeshi female migrant workers, 2015 (%)

Source: Bangladesh Bureau of Manpower, Employment and Training (BMET) (2016).

# II. Social Transformation

Chap 6: Minhaj Mahmud, Keijiro Otsuka, Yasuyuki Swada, Mari Tanaka, Tomomi Tanaka “Non-farm Sector Growth and Female Empowerment in Bangladesh ”

## Models of non-farm sector development and women’s empowerment



# II. Social Transformation

Chap 7: Hisaki Kono, Yasuyuki Sawada, Abu Shonchoy “Primary, Secondary, and Tertiary Education in Bangladesh: Its Achievements and Challenges””

- Bangladesh was one of the countries on track to achieve MDG #2 for universal primary education.
- Yet, the country faces a number of challenges in education including access and quality

**Table 2. Number of applicants and seats in public and national universities in 2014**

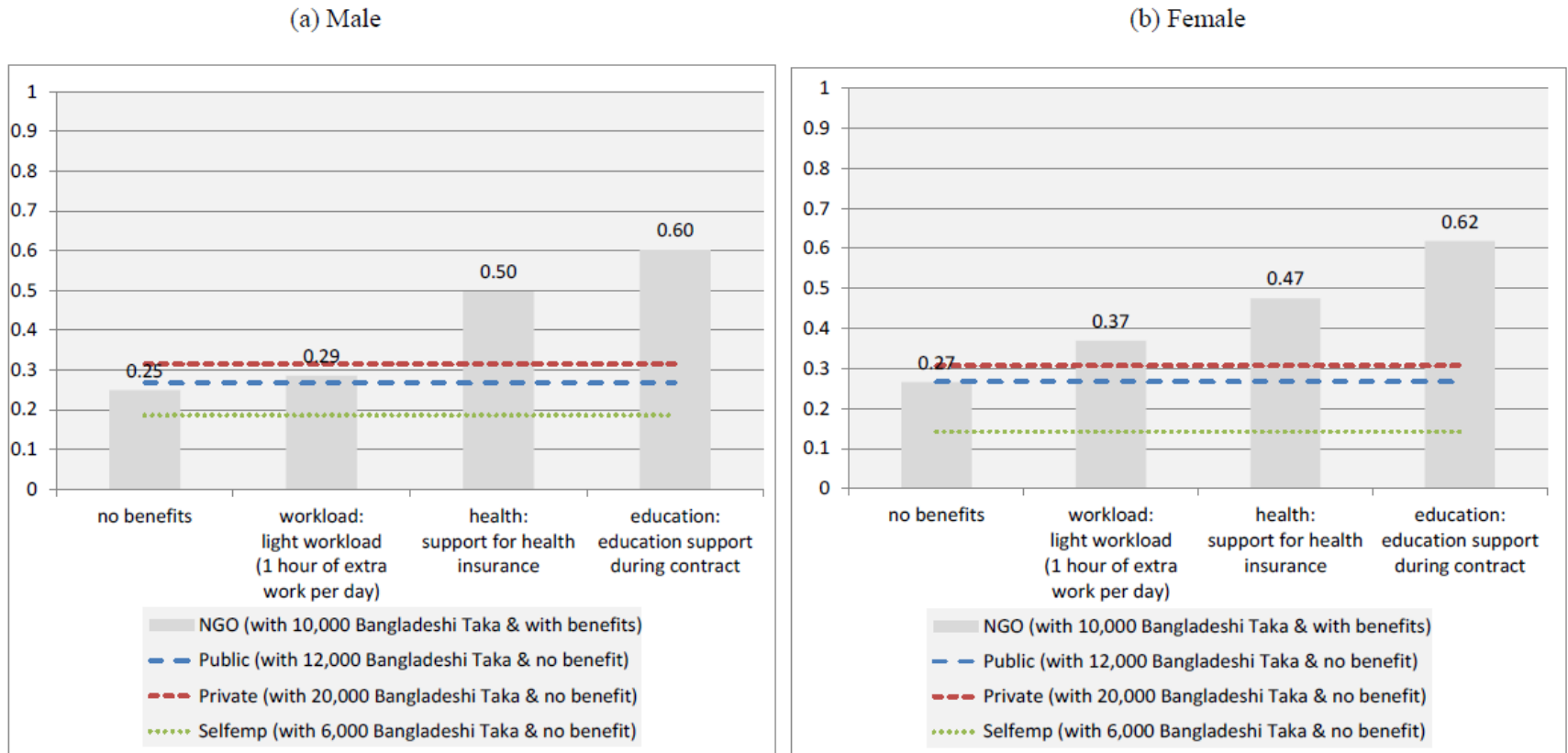
Name	Number of Applicants	Number of seats	Applicant-seat ratio	Application fee
Dhaka University	244,937	6,540	37	BDT 350
Jahangirnagar University	219,151	2,110	104	BDT 350
Jagannath University	186,764	2,760	68	BDT 350
BUET	9,111	1,000	9	BDT 600
Rajshahi University	168,224	3,310	51	BDT 450
SUST	49,442	1,400	35	BDT 700
BAU	9,575	1,000	10	BDT 600
JSTU	11,438	610	19	BDT 450
Chittagong University	146,295	3,985	37	BDT 475
Comilla University	36,341	700	52	BDT 550
Khulna University	39,793	979	41	BDT 425
Begum Rokeya University	71,079	1,260	56	BDT 350
Islamic University	74,529	1,465	51	BDT 500
National University	413,454	172,582	2	BDT 200

Source: Authors' survey

# II. Social Transformation

## Chap 8: Akira Murata, Naoki Nishimura “Employment Creations through NGOs in Bangladesh”

Figure 1: Job uptake rates among Bangladeshi NGO staff aged 29 years old and less, by gender in 2014



Notes: (a) the types and levels of job attributes used in the analyses are defined in Murata and Nishimura (2016); (b) *education* is a dummy variable that takes a value of one if a specified job offer education opportunities/possibility of upgrading qualifications, and zero otherwise; (c) *workload* is a dummy variable indicating whether a specified job requires, on average, 3 hours or 1 hour of extra work per day; and (d) *health* is a dummy variable denoting whether a specified job provides support for health insurance.

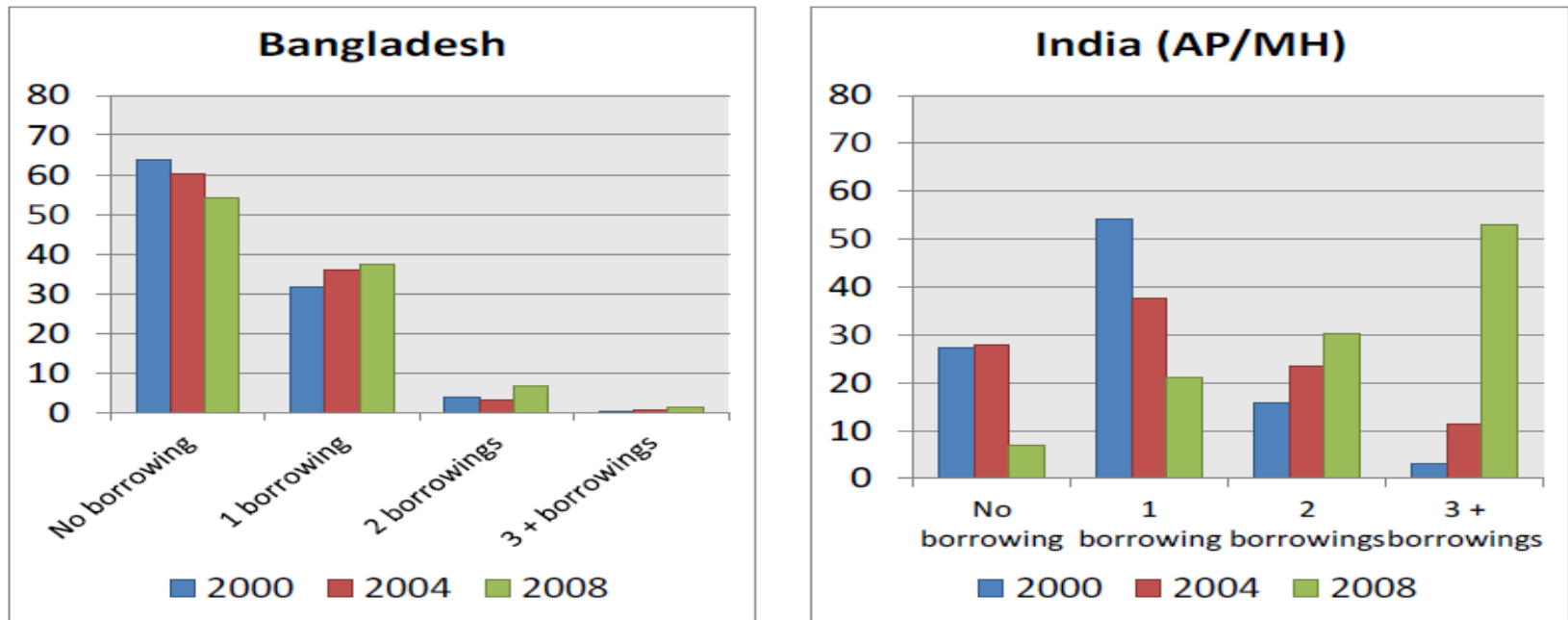
Data Source: 2014 JICA Job Preference Survey in Bangladesh.

# III. Welfare Improvements

Chap 9: Shahidur Khandker, Hussain Samad “Bangladesh’s Achievement in Poverty Reduction: The Role of Microfinance Revisited”

Chapter 10: Yasuyuki Sawada, Minhaj Mahmud, Mari Tanaka “Are Multiple Borrowings Bad Signs? Evidence from Bangladesh and India”

**Figure 1. Households’ borrowings from multiple sources**



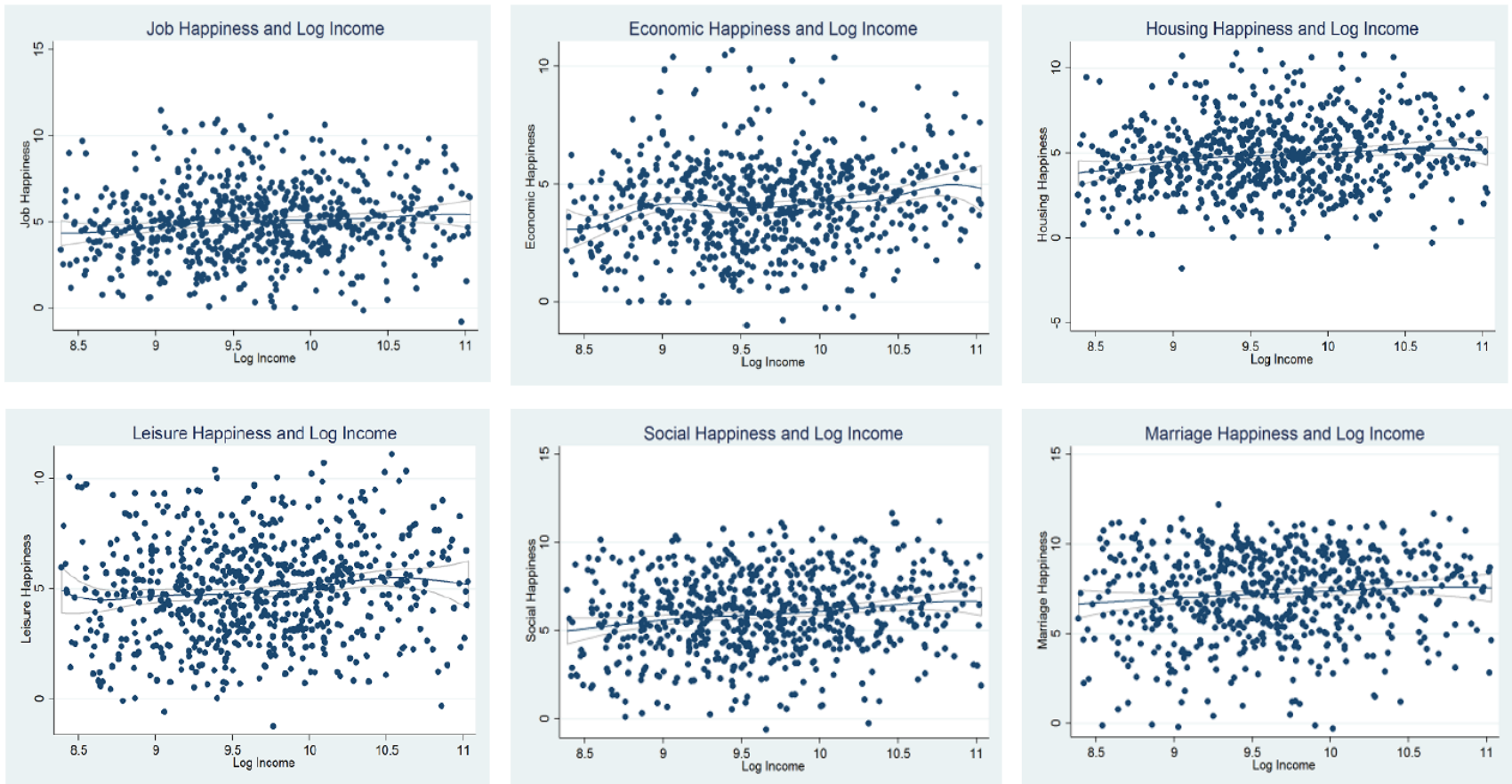
Notes: Source of data – Livelihood System of Rural Households Panel Data for Bangladesh and ICRISAT second generation survey data for India

# III. Welfare Improvements

Chap 11: Minhaj Mahmud, Yasuyuki Sawada “Urbanisation and Subjective Well-Being in Bangladesh”

Chap 12: Minhaj Mahmud and Yasuyuki Sawada “Happiness in Life Domains: Evidence from Rural Bangladesh”

Figure 3. The Domain-Specific Happiness and Income Relationship





# IV. Challenges

Chap 13: Masahiro Shoji, Akira Murata “Challenges for Reducing the Number of Disaster Victims in Bangladesh”

Chap 14: Minhaj Mahmud, Yasuyuki Sawada, “Governance Challenges: Institutional Quality and Trust in Bangladesh”

- **Sustainability of the miracle?**
  - Inequalities in employment, income, and education opportunities
  - Energy and infrastructure constraints (power, road, railways, port, air)
- **Urbanization risks**
- The downside of increased density- congestion and pollution cannot be ignored
- - impact on economy and human wellbeing
- **Potential disasters**
  - Vulnerability in terms of human lives and property
  - Sub-optimal emergency preparedness; socioeconomic mechanisms
- **Issues around governance**
  - Weak governance indicators
  - Institutional quality(corruption) erodes trust in institution affecting generalized trust– implications for development

# Conclusions

- Government need to act as a catalyst for development in a much more active manner than before
  - It is government's economic and social policies that will ultimately determine the sustainability of “Miracle” i.e. economic development of the country
- The government need to seriously implement carefully designed industrial polices that nurture entrepreneurship and build upon the valuable experience gained from miraculous development of garment industry
- The government should Investment in infrastructure to support the development of industries
-