
UNIT 10 ECONOMY AND SOCIETY IN BANGLADESH

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10.0 OBJECTIVES

This unit examines main features of society and economy in Bangladesh and describes some of the problems and issues confronting the youngest nation in South Asia. After going through this unit, you should be able to:

- Describe the demographic, linguistic and ethnic features of Bangladesh;
- Identify the main issues in the ethnic problems confronting Bangladesh;
- Describe the economic features and problems confronting the new nation;
- Identify the thrust and impact of economic planning; and
- Comment on the crisis of governability.

10.1 INTRODUCTION

Bangladesh is the newest country of South Asia. Formerly known as East Pakistan, it was one of the five provinces in Pakistan that was separated by about 1,600 kilometres of the Indian territory. Bangladesh emerged as an independent nation as a result of liberation war in 1971.

Bangladesh is the third largest state in South Asia with an area of 148, 393 square kilometres. It is bordered on three sides by the Indian territory of West Bengal, Meghalaya, Assam and Tripura and by Burma toward the southwest. On the south it extends to the Bay of Bengal which provides access to the high seas. Most of the land of the Bangladesh is formed by alluvial soil of two of the world's major river systems, the Ganges (called Padma in Bangladesh) and the Brahmaputra (called Jamuna). The

river Brahmaputra rises on the northern slopes in Tibet and the Ganges rises on the southern side of the Himalayan mountain range. Both these river systems are joined by the Meghna, which rises in the Assam hills. The streams that run throughout Bangladesh provide a valuable network for water transport of people and goods. The river systems are both a blessing as well as a curse to the people of Bangladesh. During the rainy season floods bring rich silt that replenish fertile soil and provide water for major crops such as rice and jute, which require large amounts of water. The damage caused by floods to crops is also substantial. In a typical year, about one tenth of the land is subjected to severe flooding and at least one half to some inundation.

10.2 POPULATION

With a population of about 130 million people, Bangladesh is the second largest country in South Asia. Population density here is among the highest in the world, though it is not uniform across the country. As in other countries of South Asia region, the most developed regions are the most densely populated one. In Dhaka and Chittagong, for instance, the population density is 4000 persons per square mile. Chittagong Hill Tract region is sparsely populated, because it is rugged and underdeveloped. About 80 per cent of the population lives in rural areas. Urbanization has been slow in Bangladesh, though Dhaka, the national capital and the principal seat of culture and Chittagong, the principal sea port and an industrial centre, have registered a high rate of population growth. Other towns with a large urban population are Narayangunj, Khulna, Barisal, Saidpur, Rajshahi, Mymensingh and Comilla.

The rate of population growth in Bangladesh is obviously very high. According to estimates, it was nearly three percent per annum at the time of its independence. Today it is little above two percent per annum. At this rate of growth, Bangladesh is by all estimates caught in a vicious cycle of population expansion and poverty. Improving the standard of living very much depends upon control of population growth. Even political stability depends upon reducing the gap between access to resources and availability of resources. Successive governments have therefore framed policies to induce people to have small families. Foreign and international organizations, including the United Nations are providing assistance to popularize family planning methods. However, because of high infant mortality rates as well as the perceived social security function of children, that is, their role in serving and supporting the old aged, small family norm has not gained currency.

10.3 SOCIETY

Though Bangladesh is the youngest nation, the region has a long history. It has been a part of successive Indian empires. It was in the 13th century that the region came under the influence of Islam. During the British colonial rule, the region formed the eastern part of a hinterland of Bengal, which was dominated by the British rulers and Hindu professional, commercial and landed elites. As the eastern wing of Pakistan, the region came under the hegemony of the non-Bengali Muslim elite of west wing of Pakistan. With its emergence as an independent nation, a new social order began to take shape.

Bangladesh has an overwhelming majority of people speaking Bengali, though it is not a monolingual state. While 98 per cent of the total population of the country speak Bengali, the Chittagong Hill Tracts are predominantly inhabited by the people who speak languages which originated from Assamo-Burman linguistic families. Though they have been grouped as tribal languages, many of them are quite developed with rich literary traditions. In Rajshahi, Dinapur and Mymensingh, there are people who speak a language of the Austik linguistic family. However, all citizens of Bangladesh understand and are fluent in Bengali.

10.3.1 Religion

Bangladesh is the largest Muslim country in the world, with over 85 percent of its population being the followers of Islam. With Hindus constituting about 12 percent, Buddhists 1.2 and Christians .01 percent of the population, Bangladesh is a multi-religious society. Muslims are dominant in all parts of the country, excepting Chittagong Hill Tracts where Buddhists are predominant. Hindus are present in all regions, though they constitute a majority in some parts of Khulna division.

The tradition of Islamic mysticism known as Sufism played an important role in the spread of and conversion to Islam, particularly in the Bengal region. Sufism is essentially a popular movement emphasizing love of God rather than fear of God. Sufism stresses a direct, unstructured, personal devotion to God in place of the ritualistic, outward observance of the faith. An important belief in the Sufi tradition is that the average believer may use spiritual guides in his pursuit of the truth. These guides - friends of God or saints - are commonly called fakirs or pirs.

The Qadiri, Naqshbandi, and Chishti orders are the most widespread Sufi orders in Bangladesh. The beliefs and practices of the first two are quite close to those of orthodox Islam; the third, founded in Ajmer, India, is peculiar to the subcontinent and has a number of unorthodox practices, such as the use of music in its liturgy. Its ranks have included many musicians and poets. Pirs do not attain their office through consensus and do not normally function as community representatives. The villager may expect a pir to advise him and offer inspiration but would not expect him to lead communal prayers or deliver the weekly sermon at the local mosque. Some pirs, however, are known to have taken an active interest in politics either by running for public office or by supporting other candidates. For example, Pir Hafizi Huzur ran as a candidate for president in the 1986 election. The pirs of Atroshi and Sarsina apparently also exerted some political influence. Their visitors have included presidents and cabinet ministers.

In spite of being a Muslim majority state, the Constitution of 1972 emphasised secularism. In the united Pakistan, Islam was divided by language and discrimination of one segment of society by another. It is therefore not surprising that there was a strong preference for secularism. After the assassination of Sheikh Mujibur Rahman in 1975, the new rulers turned towards Islamisation of the country. The first Martial Law regime, in order to establish its Islamic credentials, inserted an invocation (Bismillah ar Rahman ar Rahim) on the top of the Constitution, added new articles and clauses reposing absolute faith in the Almighty Allah and omitted all references which provided guidelines for realising secularism. In 1988, Gen. Ershad inserted an article in the constitution which declared that "the state religion of the Republic is Islam, but other religions may be practiced in peace and harmony in the Republic". Though the rights of the minorities have not been taken away, still fundamental changes in the nature of politics in Bangladesh has taken place. A number of religious parties have emerged which press the government to implement Islamic principles in governance.

10.3.2 Ethnicity

The Bengalis are the mixed people, having emerged through a continuous process of assimilation of the Aryan, Dravidians, and the Mongoloid races. But in the process of assimilation all of them lost their original identity and emerged as the Bengalis, who live not only in Bangladesh but also in West Bengal, Tripura and in parts of Assam in India. While the Bengalis constitute about 98 per cent of the population, the rest are divided small ethnic groups living in undeveloped border areas. In the Dinajpur and Rajshahi districts, there lives a small tribe, known as the Santals who belong to the Munda ethnic group. There are Khasi people in Mymensingh and Sylhet districts. There are people of Tibeto-Burma origin in the Chittagong Hill Tracts in the southeast of the country. They are divided into eleven tribes such as the Chakmas, Marwas, Moghs, Tipuras, Murungs Tanchaungs, Kamis, Ryangs, Khyangs, Bons and Pankhos.

Though Bangladesh is characterized by a high degree of homogeneity in terms of religion and language, it has not been free from ethnic conflict. Some of ethnic and tribal groups that have posed domestic problems and have been a factor in Bangladesh's relation with neighbours – Pakistan, Myanmar and India are the Biharis, Chakmas and Rohingyas.

Biharis are the Urdu speaking non-Bengali Muslim refugees from Bihar and other parts of north India. At the time of the "Great Calcutta killings" in August 1946, about 1.3 million Bengali Muslims migrated to Pakistan. Of these, about 700,000 people came to East Pakistan. Dominating the upper levels of the Bengali society, the Biharis collaborated with the Pakistani army during the 1971 civil war which culminated in the creation of Bangladesh. They have expressed the desire to migrate to Pakistan. After the Delhi Agreement in 1974 between Bangladesh, Pakistan and India, many migrated to Pakistan. Some 250,000 people who were left in the country are considered Pakistani citizens who are to be repatriated to Pakistan. Pakistan, on the other hand, has been reluctant to accept them. With the result, the Biharis are still living in camps hoping to return to Pakistan one day.

The Chakmas are the largest tribal group of Bangladesh living in the Chittagong Hill Tracts (CHT). They are the dominant group in cultural, educational and economic as well as political terms. Their number in 1981 was estimated at around 210,000 or 48 percent of the tribal population. Historically, the people of CHT have remained largely secluded from the plains people. In the late 18th century, they had resisted with some success the British efforts to settle Bengalis in the region. In 1900, the British granted special status to the region by which it restricted settlement in CHT and gave limited self government. At the time of partition, the CHT was allotted to Pakistan. This was opposed by the tribe's people who preferred union with India. As a Mongoloid, professing Buddhism, the Chakmas wanted to be autonomous rather than be part of a state created in the name of religion. But their protests were of no avail. Thus, from the very onset, a mutual suspicion existed between the Chakmas and the Pakistani government. With the widening of that gulf between the two, the Ayub government in 1964 withdrew the special status of the region.

During the liberation war, Chakmas supported Pakistan and many entered into India along with other refugees. India provided residence camps for Chakmas in Tripura and Mizoram. In 1972, the Chakma member of the Bangladeshi parliament, Manobendra Narayan Larma demanded autonomy and restoration of special status to the CHT. Mujib ur Rahman rejected these demands and advised the hill people to assimilate with mainstream Bengali nationalism. Consequently a revolt among the tribal people against the Bangladeshi government took place. In 1976, the Bangladeshi government used armed forces to quell the Chakma rebellion. Successive governments in Bangladesh maintained an uncompromising position on the demands of the CHT people, and as a consequence armed confrontation has continued between the government and the CHT people. Compounded with this, the demographic composition of the region has undergone change. The percentage of Bengalis increased from 11.6 per cent in 1974 to 42 per cent in 1981 and 48.5 per cent in 1991. Whenever Bangladesh tried to use force against Chakmas they crossed into the Indian territory. It is estimated that more than five lakh Chakma refugees entered illegally into India between 1971 and 1981.

Bangladesh has to deal with another ethnic problem, the Rohingyas refugees. The Rohingyas are also referred to as the Arakanese as they primarily reside in the mountainous western state of Arakan that borders Bangladesh. Historically, the relations between the Buddhist Myanmarese and the Muslim Rohingyas have been tense. During the World War II the British promised them a Muslim National Area within Burma. When the promised was not fulfilled, the North Arakan Muslim League engaged in an armed rebellion with an objective of securing the merger of the northern part of Arakan with East Pakistan. But the armed rebellion was quelled. With the military junta in Myanmar adopting discriminatory policies against religious minorities, Rohingyas were subject to restrictions including denial of citizenship rights, forced labour, excessive

and arbitrary taxes, forced relocation and restrictions on freedom of movement. These policies have resulted in mass exodus of Rohingyas into Bangladesh. In 1977, in response to the military government's attempt to identify illegal immigrants, some 200,000 people sought refuge in Bangladesh. While most of them subsequently returned, in 1981-82 there was another exodus as Rangoon implemented a new citizenship law that required residents to prove that they have lived in the country since 1824. In the 1990s, further migrations to Bangladesh occurred, many of which were reportedly due to forcible expulsions by state authorities. In 2001, there were some 20,000 Rohingyas living in the refugee camps of Bangladesh. By most accounts, the condition of these stateless people is pathetic because of deteriorating public health conditions, declining caloric intake, dispossession from their land, and internal resettlement as a result of government policies.

Check Your Progress 1

- Note:** i) Use the space below for your answers.
ii) Check your answer with the model answer given at the end of the unit.

- 1) How is population growth an issue in development of Bangladesh?
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- 2) What is the role of Sufism in Bangladesh?
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- 3) What is the root cause of conflict between the people of the Chittagong Hill Tracts and the government of Bangladesh?
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10.4 ECONOMY

When Bangladesh emerged as a sovereign independent nation, it was confronted with the highest rural population density in the entire world, an annual population growth rate of nearly 3 percent, chronic malnutrition for perhaps the majority of the people, and the dislocation of between 8 and 10 million people who had fled to India and returned to independent Bangladesh by 1972. As East Pakistan, the region's political and economic systems were dominated by elements from West Pakistan. Once they left, the new nation had few experienced entrepreneurs, managers, administrators or engineers. There were critical shortages of essential food grains and other staples because of wartime disruptions. Even jute exports which were the main source of foreign exchange earner suffered because of the disruption of supply. Bangladesh did have a large of work force, but it was largely illiterate, unskilled, and underemployed. Commercially exploitable industrial resources, except for natural gas, were lacking.

Inflation, especially for essential consumer goods, was as high as 300 percent. Moreover, the new country was yet to recover from the damage inflicted by the severe cyclone of 1970. Foreign exchange resources were minuscule, and the banking and monetary system was unreliable. In addition to domestic crisis, the global economic environment of sharp increase in oil prices in 1973, deterioration of terms of trade, fall in commodity prices, recession in world economy, and decline in volume of international development assistance exacerbated the economic problems of the new nation

India was the first nation to come forward with massive economic assistance to the tune of US\$232 million mostly in the form of 900,000 tons of food grains. The United States and the World Bank thereafter became leading foreign aid donors, and the World Bank organized a consortium known as the Bangladesh Aid Group, comprising twenty-six international financial institutions and foreign governments interested in assisting Bangladesh's development.

10.4.1 Economic Policy and Planning

Bangladesh ranks as the eight largest country, in terms of population. According to World Bank estimates, the per capita income ranging between \$ 130 and 140 in the 1980s, Bangladesh is ranked second from the bottom. With nearly two-third of the population living below the poverty line, Bangladesh is the "largest-poorest" nation and is categorised as "least developed nation".

Sheikh Mujibur Rahman, the first president of Bangladesh, set up a national-level Planning Commission to direct economic priorities. As in India, the Planning Commission of Bangladesh drafts development plans for five year periods. But unlike in India, the drafting of the five year plans is undertaken exclusively by technocrats with very little input from the political and bureaucratic establishment.

The principal objectives of the five-year plans have been to reduce poverty, bring down the annual rate of population growth, increase exports and domestic savings, attain self-sufficiency in food production, and realize around five percent growth of annual gross domestic product. These goals have been ambitious to say the least, given the predominance of the agricultural sector, wide-spread poverty and limited mineral resources. In the early 1980s, the Ershad government introduced land reforms which reduced the land ownership per family from the earlier 33 acres to 20 acres. But this has meant very little, as only 0.4 percent farmers held land in excess of 25 acres. The 1980s also witnessed a greater thrust towards industrialization. Both Gen Zia and Ershad have diluted the socialist thrust of the 1970s by denationalisation of industries and encouraging private investment. In addition, attempts were made to attract foreign investment. But liberalisation of the economy did not achieve much owing to lack of infrastructure and resources. Bangladesh stepped into the 1990s as a predominantly rural economy, with agriculture contributing nearly 50 per cent of the value of gross domestic product. Approximately 82 percent of the country's population lived in rural areas, virtually all of them making their living exclusively or substantially from agriculture. Though domestic production increasing at a relatively steady rate, it was not fast enough to close the gap created by the continuing rapid growth of population. Bangladesh continued to import food grains to meet minimum needs for the subsistence of the population.

10.4.2 External Dependence

Bangladesh's economy is heavily dependent on foreign aid. The dependence is not a recent origin but that can be traced to the days of pre-liberation. At that time it was a net exporter of capital to West Pakistan and a net importer of foreign aid. After independence, the war ravaged economy made Bangladesh to depend on foreign aid. What initially began as a necessity for the rehabilitation of millions of refugees displaced by war soon became a pattern of dependent development.

For more than a quarter century Bangladesh has been receiving aid bilaterally well as multilaterally. Normally aid is received in the form of grants, loans, food aid, commodity aid and project development aid. Main donors include Japan, US, Canada, UK, Saudi Arabia, Germany, Netherlands and India. Japan is the largest bilateral aid donor. All these states account for nearly fifty per cent of aid Bangladesh receives. Bangladesh also receives aid from multilateral agencies such as the World Bank, Asian Development Bank, OPEC and the European Union. Between 1971 and 1989, it received \$ 19 billion in aid and loans. The external aid is about nine per cent of GDP, and 116 per cent of annual development plan. About 55 percent of the funds for the Third Five Year plan (1985-90) came from foreign sources, including private investment, the aid programs of international financial institutions, and bilateral donor nations.

In spite of massive aid flow, there appears to be little discernible improvement in the economy. It not only failed to improve the standards of living of people, eradicate poverty but its external dependence seriously distorted the development pattern. This in turn widened the gap between rich and poor. The increasing dependence on external aid resulted in the decline of domestic savings. When per capita foreign aid went from TK 840 in 1981 to TK 2,720 in 1987, domestic savings went down from 3.4 per cent in 1981 to 1.1 percent in 1988. It is also alleged that the conditions attached to aid are curtailing Bangladesh's sovereignty and freedom to be self-reliant. The media calls the dependency as "neo-colonialist". According to some studies, external aid helps the donors more than the receivers as most of the money goes back in some form or the other. Shoban Rehman and Ifftekharuzzaman have estimated that 75 per cent of aid goes to the donors in the form of costs for procurement of project inputs and consultancy fees to foreign experts.

Heavy dependence on aid has its impact on domestic front. Decline of domestic savings resulted in low investments in capital goods sector, and irrigation. It means growth in the productive capacity of the economy-recorded contraction. The economic growth rate averaged only 4 per cent during 1973 and 1993. This in turn influenced the nature and stability of the political system.

Aid has become a soft option for the political leadership to avoid hard decisions on the economic front. Some times donors had the dubious distinction of influencing even the political process. For example, it is reported that in 1990 the Japanese and the British threat to withdraw all aid put additional pressure on Ershad to resign from office. This paved the way for the conduct of elections, which in turn restored parliamentary democracy in Bangladesh.

10.4.3 Liberalisation and Foreign Direct Investment

Faced with a huge external public debt of 37 per cent of the GNP, Bangladesh abandoned the import substitution policies in the late 1980s. In consultation with international financial institutions, Bangladeshi initiated market oriented reforms to revitalise the economy. These included export promotion schemes, liberalisation of exchange rates, reform and privatization of state owned enterprises, removal of price controls and subsidies, restructuring of the financial sector, and tax reforms. These were aimed at encouraging domestic and foreign investment in the private sector. In addition, import liberalization was undertaken and an abundance of imported goods were made available to both consumers and producers. Foreign aid in the form of both loans and grants were used to finance these imports.

Though there are infrastructural bottlenecks, the market oriented reforms have resulted in substantial increase in the flow of FDI in the 1990's. It increased from \$ 60.27 million in 1990 to \$ 804 million in 1993-94 and to \$ 2,119 million in 1999-2000. Most of the FDI was in the form of joint ventures. A number of multinational national companies collaborated with local investors to start joint ventures. Global companies such as General Electricals, Reckit & Colman, Glaxo, Berger paints, Singer, Ptizer, Coca-Cola, Pepsi, Siemens, Philips invested in Bangladesh. Significantly, unlike in the past

when foreign investment was dominated by Western nations, the newly industrialized economies (NIEs) of East Asia made significant strides by investing more in Bangladesh in the 1990s. Most of the FDI is concentrated in the sectors like garments, textiles, and knitwear operating in the export processing zones. It is also observed that the FDI is generating greater employment opportunities, as it is largely labour-intensive because of availability of cheap labour in Bangladesh. It is said that there are 100 per cent equity, 'non-equity' and 'licensing' forms of foreign investment.

One of the greatest attractions for FDI is the oil and gas sector. It is estimated that Bangladesh is having 13.74 trillion cubic feet of natural gas. International agencies like World Bank and Asian Development Bank claim that the natural gas reserves range from 30 to 80 trillion cubic feet. To exploit these resources Bangladesh government has shown keen interest in collaborating with India and US in helping it pump its natural gas. The US too has shown considerable interest in Bangladesh's energy sector. Its companies have already made investments in the gas sector to the tune of about \$ 250 million. But there is domestic opposition for co-operation with India.

The market oriented reforms are seen as being important in sustaining growth in the future. While the reforms have generated employment, growth, and development in Bangladesh, critics of the new economic policies argue that they have not encouraged an autonomous domestic industrial capability.

The reforms have led to some resource shifts in the economy, but the growth and diversification in the industrial sector has been limited. Given the low per capita income and low purchasing power of the people, the domestic market is not large enough to absorb a substantial increase in industrial output. The only option is to tap the export markets. However, the country's access to foreign market is limited and limited to low value added products. For instance, Bangladesh has encouraged the growth of garment industry since the late 1970s. This industry which is primarily geared to Western market has emerged as a major source of foreign exchange. But reliance on garment industry as a source of foreign earning has left the country vulnerable to the mercy of the same countries which influence international donor agency policies. A small number of electronic and plastic firms have come up in the export processing zones, but these rely little on domestic inputs or human capital. The lack of a large entrepreneurial base and skilled labour force has been a problem as has been an absence of familiarity with international technology and marketing standards.

In the early phase of the reforms, resistance to change has come from labour unions in the public sector and a variety of civil society groups. The resistance was one of the factors that caused the Ershad government to fall in 1991. When the BNP government came to power and continued the liberalization, it also lost to the opposition led by the Awami League which received support from labour unions and anti-reform groups. While resistance from interest groups such as selected producer groups or unions remains, today there is a general consensus in the public and media that Bangladesh is too small to be insulated and must integrate with the global economy. However, the nature of this integration is said to be passive, superficial, and with little linkage to the bulk of people and economic activity in the country.

The market reforms undertaken to integrate with the world economy have resulted in reallocation of resources away from public expenditure for the provision of health, education, and other services. There was a general perception that the earlier emphasis on poverty alleviation had shifted to a more strict focus on market determined economic efficiency. A simultaneous rise in democratic and popular movements has led to a search for alternative approaches to poverty alleviation and the provision of basic needs. This is seen in the expansion of non-governmental organizations (NGOs), both local and international, which have concentrated on empowerment, health, education, and micro-enterprises. In the long run, better social services and greater participation of the people in development can lead to a greater success of market based policies.

10.4.4 Environmental Challenges

Bangladesh faces alarming environmental problems affecting its economic activity. Most of the problems lie beyond its own control because of its geographical position. These include deforestation in the Himalayan range, rise in sea level due to global warming, floods, cyclones and drought, deterioration in water and soil quality and waste dumping. Some of the Bangladesh scholars opine that these not only have impact on the economic activity of the people but also raise the question of viability of the country.

Floods cause immense damage to crops, displace thousands of people every year. It is estimated that floods affect 18 per cent of the total land area in Bangladesh. There have been fourteen devastating floods in the last forty years. This is affecting employment and agricultural production forcing the country to import food grains.

Global warming, too, would affect the future of Bangladesh in a serious manner. According to scientists that one meter rise in sea level would result in displacement of eleven per cent of population and complete inundation of 17.5 per cent of the total land area. In order to off set the effects of global warming; Bangladesh would have to spend ten billion dollars. Everyone knows that Bangladesh do not have that much money. Only international help and assistance can help in addressing the problem.

10.5 CRISIS IN GOVERNANCE

Governance is a new criteria adopted by scholars and activists to understand and analyze the social, political and economic performance of a state. In a sense, governance is the function of the institutional capacity of the state to provide political stability, maintain social peace and optimal economic development through efficient use of available resources.

The performance of public institutions and government in Bangladesh is mixed one: normal to poor. At worst, it is dismal in many areas of governance. The principal challenge being faced by government is ungovernability – gradual declining capacity of governments to perform basic functions. Ungovernability is manifested in three forms: first, the complex social, political and economic problems have accumulated over a period of time and have no easy solutions; second, governments are not willing to confront them to avoid political costs; third, they have become stubborn. Some of the problems of governance in Bangladesh are the existence of corruption at every level and every sphere of national life, failure of the state to protect the life and property of people, denial of rightful place to women in society, and incapacity of the state to deliver basic services and amenities to the people.

The crisis in governance is not unique to Bangladesh. Most developing countries have been facing this crisis. In the case of Bangladesh, it is the result of the circumstances in which the new nation was born and the euphoria and uncertainties that accompanied it. Political culture and social conditions tolerated concentration of powers under the charismatic political head, subsequently sustained by successive military regimes. The undivided Pakistan's inability to come to terms with the electoral verdict exposed the flaws in the political system. Mujib's own authoritarian tendencies led to unrest and dissatisfaction with the masses, military rule and the elections that lacked legitimacy further exposed the weakness of constitutional government. The rivalry and competitive politics of the two major parties under Sheikh Hasina and Khaleda Zia resulted in frequent 'hartals' and 'strikes' disturbing civic life. Low literacy and state controlled media forces the opposition parties to take the issues to streets to mobilize masses to win their support to their programs. Thus, democracy has to go a long way in Bangladesh.

The crisis in governance had its impact on the functioning of economic institutions and economic performance of the country. As the economy grew at slow pace, domestic

investment was low. Bangladesh emerged as one of the heavily dependent countries on foreign aid and borrowings.

Check Your Progress 2

Note: i) Use the space below for your answers.

ii) Check your answer with the model answer given at the end of the unit.

1) What has been impact of foreign aid on society and economy of Bangladesh?

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2) Describe the main features of liberalisation. What was its impact?

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3) What is governance? What has been the impact of the crisis of governance on the economy?

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10.6 LET US SUM UP

Bangladesh is the second largest country in terms of the size of the population and third largest country in terms of area in South Asia region. The country, as we saw, is noted for the remarkable ethnic and cultural homogeneity of its population, though it is a plural society and a home for a number of ethnic minorities, the Santals, the Khasis, the Chakmas, Marwas, Moghs, Tipuras, Murungs Tanchaungs, Kamis, Ryangs, Khyangs, Bons and Pankhos. These ethnic and tribal groups have by no means been assimilated into the new nation. Some of these ethnic and tribal groups, as we observed, have been a factor in the country's relations with neighbours.

With nearly two-third of the population living below the poverty line, Bangladesh is the "largest-poorest" nation and is categorised as "least developed nation". Planned development efforts have not made much dent in the structure of the economy which remains a predominantly rural economy, with agriculture contributing nearly 50 per cent of the value of gross domestic product. Though agricultural output has increased at a steady rate, it was not fast enough to close the gap created by the continuing rapid growth of population. The country continues to import food grains to meet minimum needs for the subsistence of the population. Market oriented reforms taken up since the late 1980s have not encouraged an autonomous domestic industrial capability. Bangladesh continues to depend on a heavy dose of foreign aid and borrowings to sustain its economic growth and generate employment opportunities.

As we saw, the crisis in governance and the environmental problems have also affected the economic performance. Some of the issues confronting Bangladesh are complex and require a lot of effort on the part of civil society and government to resolve them.

10.7 SOME USEFUL BOOKS

Hossain, A. (1996), *Macroeconomic Issues and Policies: The Case of Bangladesh*, New Delhi, Sage Publications

Maclean, S.J et al. (1997), "Structural Adjustment and the Response of Civil Society in Bangladesh and Zimbabwe: A Comparative Analysis" *New Political Economy*, Vol.2, No.1

Quibria, M.G. (ed.) (1997), *The Bangladesh Economy in Transition*, New Delhi, Oxford University Press.

World Bank, The. (1999), *Bangladesh Trade Liberalization: Its Pace and Impacts*, Washington, D.C.

10.8 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress 1

- 1) Your answer should mention the effects high rate of population growth on a rural economy characterised by widespread poverty, the political problem of reducing the gap between access to resources and availability of resources.
- 2) Sufism played an important role in the spread of Islam in the region. Most Bangladeshis are influenced by Sufi ideas. Sufi fakirs or pirs command respect in society and some of them have even shown interest in politics.
- 3) The Chakmas have largely lived a secluded life from the plains people. Though they desired a 'native state', the Chittagong Hill Tracts were made part of Pakistan. Fear of losing their life style and control over the local economy to outside settlers has made them seek autonomy or special status. As the new state of Bangladesh did not share their concerns, they took to armed rebellion.

Check Your Progress 2

- 1) Excessive dependence on foreign aid has distorted the development pattern, decreased domestic savings and even the country's sovereignty and freedom of action.
- 2) Liberalisation or market oriented economic policies were aimed at encouraging domestic and foreign investment in the private sector. It involved such policies as export promotion schemes, exchange rate liberalization, reform and privatization of state owned enterprises, removal of price controls and subsidies, restructuring of the financial sector, and tax reforms

These reforms have resulted in reallocation of resources away from public expenditure for the provision of health, education, and other services. There was a general perception that the earlier emphasis on poverty alleviation had shifted to a more strict focus on market determined economic efficiency.

- 3) Governance is the function of the institutional capacity of the state to provide political stability, maintain social peace and optimal economic development through efficient use of available resources. Slow economic growth, low domestic investment and the consequent dependence on foreign aid and investment are the adverse effects of the crisis of governability facing Bangladesh.