

Role of Government in Economic Development: Focus on Bangladesh Perspective

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Introduction: A government is the system or group of people governing an organized community, often a state. In the case of its broad associative definition, government normally consists of legislature, executive, and judiciary. Government plays various role to state .Among various roles, economic role is one of the essential role which leads to a country apex of development. Economic development is the growth of the standard of living of a nation's people from a low-income (poor) economy to a high-income (rich) economy.

Theoretical Framework: In this area I am going to discuss what government is, what is economic development and what is meant by role of government?

Government:

1. Government is the group of people with the authority to govern a country or state; a particular ministry in office.
2. It is the system by which a state or community is governed.
3. Government is the action or manner of controlling or regulating a state, organization, or people
4. The political direction and control exercised over the actions of the members, citizens, or inhabitants of communities, societies, and states; direction of the affairs of a state, community, etc.

Economic Development:

1. Economic development is the process by which a nation improves the economic, political, and social well-being of its people.
2. Economic development is the development of economic wealth of countries, regions or communities for the well-being of their inhabitants. From a policy perspective, economic development can be defined as efforts that seek to improve the economic well-being and quality of life for a community by creating and/or retaining jobs and supporting or growing incomes and the tax base.
3. **Economic development** is the process by which a nation improves the economic, political, and social well-being of its people. The term has been used frequently by economists, politicians, and others in the 20th and 21st centuries. The concept, however, has been in existence in the West for centuries. "Modernization, "westernization", and especially "industrialization" are other terms often used while discussing economic development. Economic development has a direct relationship with the environment and environmental issues. Economic development is very often confused with industrial development, even in some academic sources.



4. **Economic development** is the process by which emerging economies become advanced economies. In other words, the process by which countries with low living standards become nations with high living standards. Economic development also refers to the process by which the overall health, well-being, and academic level the general population improves. During the development, there is a population shift from agriculture to industry, and then to services.

Role of Government:

Role of government refers to activities of government. Responsibilities of governing body of state. The government has many roles in economy. Like other businesses, the government spends and makes money, consumes goods and services, and employs people. Federal, state, and local governments raise funds directly through taxes and fees. They often borrow money from the public by selling securities, such as bonds. A bond is an investment in which people loan money to the government for a specified time and interest rate. Governments also disburse money via contracts with businesses or through social programs that benefit the public.



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The direct involvement of the government towards the country's development is summarized below:

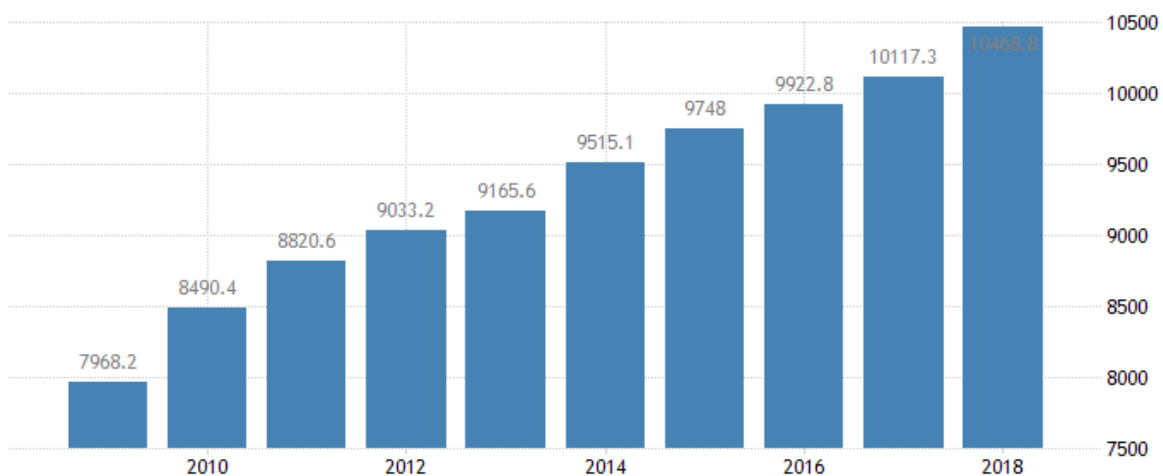
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(a) Agricultural Growth:

Bangladesh is an agro-based country. The main occupation of the Bangladeshi's is agriculture and its allied activities like farming, poultry, cattle rearing, fishing, animal husbandry etc. According to recent statistics, about 67percent of the labor force in Bangladesh is engaged in agriculture. They are producing about 22 per cent of the country's GDP (Gross Domestic Product).

However, due to defective planning and improper implementation the productivity of Bangladeshi agriculture is very poor. Improper land tenure system, wrong landholding inadequate credit system, primitive technology and old system of ploughing and irrigation etc. are the main reasons behind low productivity of Bangladesh agriculture. To overcome all these difficulties, government adopts several measures, including land reforms, new tenancy system, economic subsidy etc. for the growth of per hectare agricultural production.

Example: GDP from Agriculture in Bangladesh increased to 10468.80 BDT Million in 2018 from 10117.30 BDT Million in 2017. GDP From Agriculture in Bangladesh averaged 8879.79 BDT Million from 2006 until 2018, reaching an all-time high of 10468.80 BDT Million in 2018 and a record low of 7017.10 BDT Million in 2006



SOURCE: TRADINGECONOMICS.COM | BANGLADESH BUREAU OF STATISTICS

Figure: Agricultural Growth in Bangladesh

(b) Industrial Growth:

In the 3rd Five Year plan the Government of Bangladesh had given huge emphasis on the development of basic and heavy industries like steel, iron, cement, power etc. Although consumer goods industries are growing up properly, but the capital goods industries have lost their momentum. Most of the industries have become sick and weak. To save these situations, in 1991 the Government of Bangladesh adopted New Industrial Policy.

By the policy of privatization, the government gives enough license to the private sectors for developing consumer goods industries along with few heavy engineering goods. However, the core basic industries like defense, railway, power and energy etc. are still under the government hand. Proper credit facilities and adequate subsidies are also provided to the industrialists to increase their scale of production.

Example: The industrial sector, whose contribution to the GDP is 33.71 percent, grew 11.99 percent against 10.22 percent in fiscal 2016-17.

There was a decrease in growth of wholesale and retail trade, transport and communication, financial intermediation, education, health and social work sectors. Only hotel and restaurants saw higher growth.

Growth in all three types of industries (large, medium and small) is quite good compared to the previous FY. The export and the domestic industries sectors both have moved forward,” said Khandaker Golam Moazzem, Research Director at the Center for Policy Dialogue (CPD). According to the source, the contribution of this sector in the GDP has exceeded 32%. Bangladesh currently has around 1,000,000 small and medium industries.

<https://www.textiletoday.com.bd/contributions-industrial-sector-gdp-growing-employment-generation-slow/>

(c) Development of Socio-Economic Infrastructures:

In order to maintain a smooth functioning between agriculture and industrial sectors, a sound socio-economic infrastructure is necessary. Thus, government is investing huge amount money of for the development of overhead capitals like energy, power, transport, communications, education, health, housing etc. Moreover, the government is also giving stress on the development of other tertiary sectors like banking finance, insurance etc.

Example: GDP growth increasing per yer. Such as-

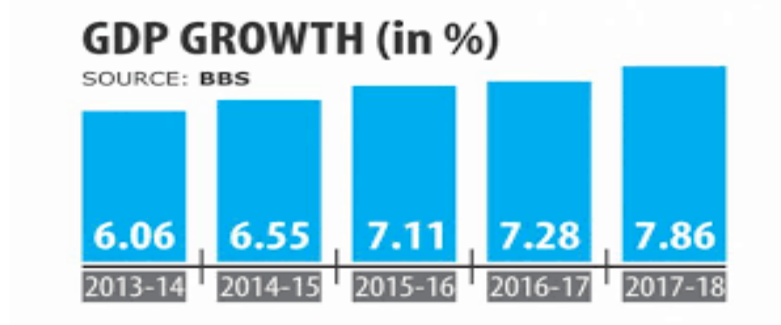


Figure: GDP growth trend of Bangladesh

- Under-five mortality rate in Bangladesh is 32 per 1,000 live births, according to new mortality estimates released by Unicef, WHO, the UN Population Division, and the World Bank Group, on Thursday. It has significantly gone down from 532,000 deaths in 1990 to 100,000 in 2017.

<https://www.dhakatribune.com/bangladesh/2018/09/21/unicef-under-5-mortality-rate-falls-sharply-in-bangladesh>

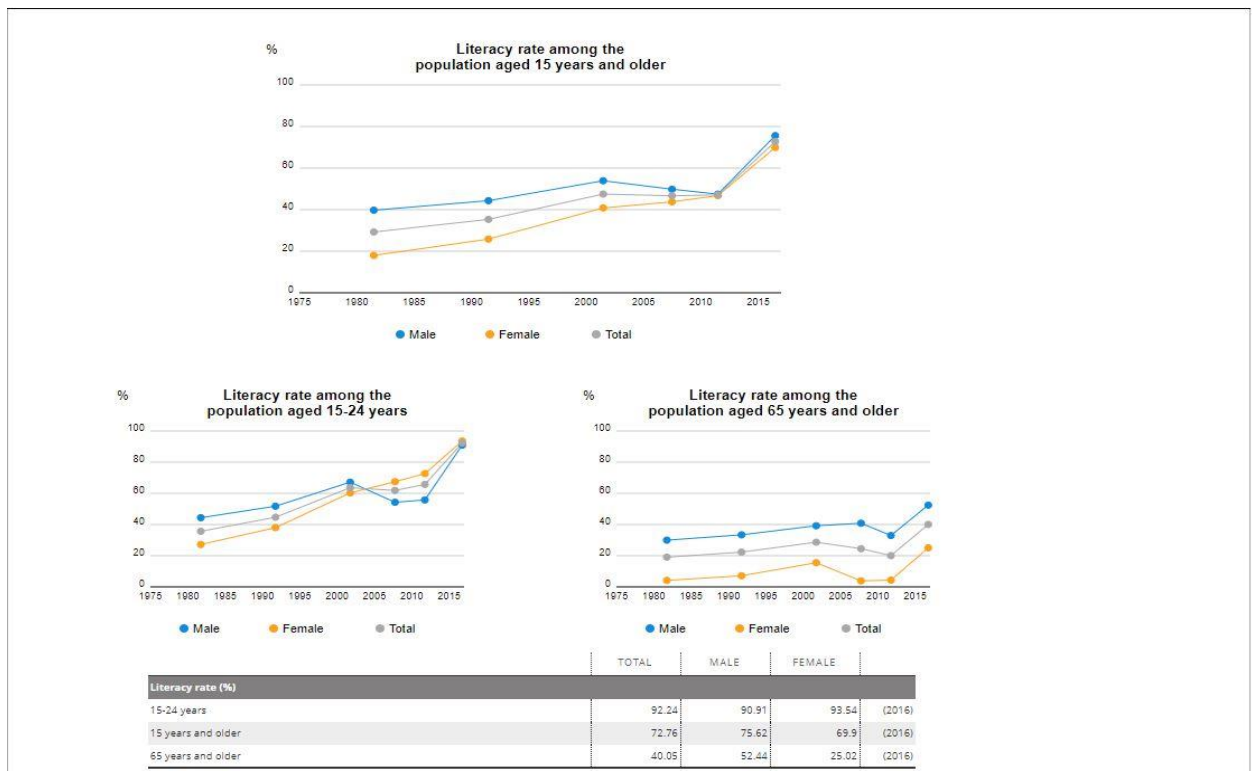


Figure: Literacy Rate

<https://www.dhakatribune.com/bangladesh/education/2018/03/21/unesco-bangladesh-literacy-rate-reaches-time-high-72-76-2016>

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(d) Efficient Utilization of Resources:

All the countries have different types of natural and economic resources for their own use. These resources are used optimally to satisfy maximum wants among the economy. This will enable the country to achieve the path of economic development. Hence, efficient utilization of domestic resources is the main role of the government.

Example: Government of Bangladesh allocates their resources (both material and human resources) to all sectors and level. Such as- In 2017-18 FY , sector-wise budget allocation plan, Muhith kept aside the biggest chunk of 14.6 per cent for education and technology, followed by 12 per cent for transport and communication, 11.1 per cent for interest payment, 7.1 per cent for subsidies and incentives, 7 per cent for local government and rural development, 6.3 per cent for miscellaneous expenditure, 5.6 per cent each for three sectors -- defense, public order and security and pension, 5.4 per cent for energy and power, 5.1 per cent for social security and welfare, 5 per cent for health, 3.7 per cent for agriculture and 3.1 per cent for public administration.

<https://www.thedailystar.net/bangladesh-national-budget-2018-19/jatiya-sangsad-passes-national-budget-for-2018-19-fiscal-year-1596727>

(e) Maintain Law and Order:

The government or the state plays an important role in maintaining peace law and order within the economy through effective administrative system. The state runs defense, police and court to maintain peace and order both externally and internally.

(f) Social Distributive Justice:

To implement social distributive justice, i.e., to reduce inequalities between rich and poor, the government plays a vital role in an economy. The government takes several measures in this context, such as; Government have taken some crucial steps for ensuring reduce poverty and also has taken some steps for self-employment of man and women. Government allocates 5162 cr tk for development of 1 lakhs 20 thousand villages. Vital steps are given below:

- One House, One Firm.
- Giving loan or grant to poor people with few interest rate or not.
- Given fertilizer by the Agriculture Office to poor farmers.
- Monthly 400/- allowance poor old age people.

(i) Progressive Taxation:

Here rate of taxation increases along with the increase in income. For example, rich or high income earning people will give more taxes, while poor people will either pay low taxes or no taxes at all.

(ii) Economic Subsidy:

The state gives economic subsidies to the poor people for the consumption of necessary goods. Again, it also gives subsidies to the poor farmers for buying their seeds, fertilisers, pesticides etc. during the time of cultivation.

(g) Control of Monopoly:

The state adopts several controls to give benefits to the citizens. The Government of Bangladesh took the policy of MRTTP (Monopolies and Restrictive Trade Practices) Act to control the economy from the hand of few monopolists and also to stop consumers, exploitation. Moreover, the state also adopts social monopoly like Bangladesh Railway, Post & Telegraph to give a bit of relief to the common mass.

(h) Active Participation:

The state actively participates into the economy on the following grounds:

- (i) To maintain price stability or to control inflation;
- (ii) To stop black marketing, by the policy of price ceiling;
- (iii) Direct intervention during the time of political disorder or chaos;
- (iv) Direct participation during financial or economic crisis,
- (v) Sole intervention during the time of war emergency or natural disasters,
- (vi) Regular supply of essential commodities to the weaker section of the society through effective Public Distribution System (PDS).

i)Energy For All: Ensure access to affordable reliable sustainable and modern energy for all. Between 1990 and 2010, the number of people with access to electricity increased by 1.7 billion all over the world.

In Bangladesh 90% people have access electricity. The utility electricity sector in Bangladesh has one national grid with an installed capacity of 16048 MW as of July 2018. And government also take some steps for ensuring clean energy.

2. Indirect Role:

In spite of several direct roles, the government also plays different indirect roles for the rapid economic development of the country.

These indirect measures or roles are briefly given below:

(a) Fiscal Policy:

All the government policies related with public revenue and expenditures, i.e., taxes and subsidies, are related with fiscal policies. With the proper implementation of these policies the state tries to raise economic development of the country.

It helps to perform following functions:

- (i) To control inflation,
- (ii) To increase capital formation,
- (iii) To maintain equalities of income and wealth;
- (iv) To stabilize market.

(b) Monetary Policy:

The government along with the Central Bank with the help of this policy controls the money market. In Bangladesh , Bangladesh Bank (BB) along with all the commercial banks tries to control and regulate the money supply. During the time of inflation, i.e., excessive rise in price level, the government with the help of BB checks the money supply and credit creation. On the other hand, during deflationary situation money supply increases.

(c) Price Measures:

The main objective of the state is to safeguard the common mass from the exploitation of private entrepreneurs. In this connection, the state sometimes adopts the price measures of essential commodities and services through the policies of price ceiling and price flooring.

(d) International Trade Policy:

According to Simon Kuznets, "Trade is the engine of economic growth." The government controls and regulates the trade policies by imposing tariffs, quotas, duties etc. The main intention of the trade policies to regulate exports and imports for improving the Balance of Payment (BOP) situations and increasing the stock of foreign exchange reserves. All the above measures, i.e., both direct and indirect roles, are performed by the government to achieve economic development and to create the concept of Welfare State.

Conclusion: In the final analysis, it can show that government plays various role to state among those roles one of the crucial role is economic development .Like all other state, Government of Bangladesh also emphasize on economic development which is already discussed in above.

Rferences

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2. Bangladesh Economic Review 2018
3. <http://www.bbs.gov.bd/>
4. <https://www.textiletoday.com.bd/contributions-industrial-sector-gdp-growing-employment-generation-slow/>
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