

The economic problems faced by bangladesh



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INTRODUCTION

First of all, I would like to thank my lecturer Ms Oh whom guides me to do the assignment. I had done two questions from this assignment. First question is about slow economic growth and second question is private sector. From this assignment I will what the current economic growth in Bangladesh and what is private sector plus the elements. However, this demographic is fast changing and Bangladesh is seeing the growth of huge metropolises. Furthermore, private sectors consist of various type of business corporate such private limited companies, sole proprietorship, partnership, corporation, conglomerates and so on. Some businesses, especially extraction and manufacturing but also others, have a significant impact on the environment.

You are required to identify a country which you think is experiencing slow Economic Growth. What are the economic problems of the particular country facing?

Bangladesh is officially known as The People's Republic Of Bangladesh which is shown in the (appendix 1). It is a rural nation state with most people living outside of the urban areas. Dhaka, the capital, is one of the largest cities in the world; with a population over 10 million. The unit of currency used by the country is the Taka (BDT). Their foremost industries are jute, sugar, paper, textiles, fertilizers, cigarette, cement, steel, natural gas, oil-refinery, newsprint, power generation, rayon, matches, fishing and food processing, leather, soap, carpet, timber, ship-building, telephone, and so on. Agriculture generates about one third of GDP, provides work of over 60% of the labor

force and accounts for about half the value of export earnings. The services segment accounts for about 52% of value added, agriculture 31% and Industry 17%. Bangladesh import more than it exports. Aid and remittances from external works finance the external deficit. Exports of garments have enlarged significantly in recent years, but import growth has sustained unabated. Bangladesh has rare proven mineral resources, except deposit of enormous natural gas (Wiziq, 2009)

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2. 0 SLOW ECONOMIC GROWTH OF BANGLADESH

Bangladesh is one of the unfortunate countries of the world with a per capita income of US \$ 300. Bangladeshs economy has grown by over 4. 5 per year in factual terms since the middle of 1970s. With residents growth of around 2% annually per capital incomes has risen by 2. 5% per year. Also employment has been not capable to keep up with increase in the labor force. Poverty continuous to be widespread, with extra than 50% of the population estimated to be living below the poverty line. Its people have a life expectation of 58 years. Mortality rate of the children under 5 in Bangladesh is one of the premiers in the world. About 60 percent of the children experience moderate to severe malnutrition and the societies in general suffer from endemic health problems. Approximately 53 percent of the population is illiterate. The major economic problems which faced by the Bangladesh are inflation, price stability, stability of democratic institution, level of socioeconomic development, low unemployment of resources, economic performance and so on. There is an economic indicator in (Appendix 2)

2. 1 TROUBLE FACING BY BANGLADESH

Inflation

Higher price of products in international market happens from previous two or three years. The following are the explanations for higher price of products as well as decreasing the purchasing power of general people. Destructive activities of dishonest syndicates of the period of union (BNP-Jamat) government. Other than that, the investors are not financing in the country and showing signal that production will decrease in near future. For this reason, businessmen are not selling their products, storing products and creating scarcity of products to earn more money. For example, Production of rice is not as much as their expectation. Furthermore, Businessmen are not interested to import rice from abroad by investing a huge amount of money for the lack of confidence on caretaker government. Foundations are following the primitive institutional structure because care taker government has not taken any positive initiative to restructure institutional structures. Price of products has enlarged for the hindrance of supply. So, people are facing the problem of inflation.

Currency and Price Stability

The government has endeavored to control inflation. Since the 1990s the average inflation rate has been about 5.6%, remarkably low related to the second half of the 1980s, when the rate was about 8%. Inflation averaged 7.2% in fiscal year 2007, primarily due to rises in both food and nonfood prices. Among the main sources were domestic demand pressures, fed by higher incomes and strong monetary and credit evolution. However, after <https://assignbuster.com/the-economic-problems-faced-by-bangladesh/>

June of the same year, escalating international commodity prices, especially for food, were dominant, driving inflation to 11.4% (year on year) in January 2008. Near the end of fiscal year 2008 food prices diluted, thus allowing point-to-point inflation to drop to 7.5% percent in May.

The exchange rate remained stable, but progression in monetary aggregates has started to increase. Available reports show that money growth fell in mid-fiscal year 2008, but subsequently picked up again, with broad and replacement money growth exceeding 17% in May 2008. The government has developed a culture of stability that is intensely supported by the international donor community. But because of the volatility of the political process, there are hardly any institutional safeguards that would strengthen a free culture of stability.

Stability of Democratic Institutions

In principle, democratic institutions perform their functions. But the absence of a governmental culture of tolerance and compromise has prevented the proper functioning of democratic institutions. A key essential impediment to the institutionalization of democracy is the concentration of power, whether in the hands of one or two party leaders, in the case of parties, or one or two offices such as the prime ministers office for the state apparatus. In addition, political interference, patronage networks and widespread exploitation have weakened the foundations of these institutions. The major political parties and civic associations accept democratic establishments as the legitimate political order. The main potential veto players are radical Islamist groups and parties that want to replace the democratic system with an Islamic

state. The army, as an institution, has accepted the management of elected governments thus far, although it wants to further its corporate interests and views itself as guardian of the state. A latent tension between the civil political societies and the military exists. This cause instability of democratic institution. (Infoplease, 2009)

Level of Socioeconomic Development

In the face of an uninterrupted period of high growth in recent years, socioeconomic development has not been an unambiguous boon for the majority of the residents. According to the most recent figures, 40. 0% of the population lives under the poverty line. UNDP figures indicate that 41. 3% of the population lives on less than \$1 a day, with 84. 0% living on less than \$2 a day. Female economic doings accounts for 52. 7% of the economy, but females earn less than half the income of their male counterparts. Rural areas still lack basic health care conveniences and educational institutions. Thirty percent of the total population is still regarded as undernourished. Only 39% of the population had sustainable access to improved sanitation in 2004. Minorities and women are disproportionately affected by structural underdevelopment.

Low Unemployment of Resources

On the employment side, the overall employment intensity of economic growth, as well as the employment elasticity with respect to GDP growth, is reported to be low and diminishing. With an employment elasticity of 0. 495 (during 1990s), and employment growth of 4. 4 percent (same as labor force growth), not counting current unemployment and under employment, the <https://assignbuster.com/the-economic-problems-faced-by-bangladesh/>

country would require a GDP growth of 8.89 percent per year. The lower the elasticity from the observed ones, the higher would have to be the growth rate to absorb the shock. On the other hand, the transformation of the employment configuration has been from agriculture in the direction of the services sectors rather than towards the manufacturing sector. Whatever employment has taken place is mostly in the informal sector; leading to non-formalization of the economy plus labor. It indicates the magnitude of employment tasks that Bangladesh is faced with low employment of resources. (TheDailyStar, 2008)

Economic Performance

Bangladesh's economic performance in fiscal year 2008 showed considerable resilience, although global economic challenges and domestic natural disasters. Two devastating floods and a cyclone, as well as a tidal wave, hit the country in the first half of fiscal year 2008. The combined loss was expected at \$2.8 billion, or about 4% of GDP. Yet the country's economy maintained a performance consistent with earlier years. In the years under review, the momentum for growth sustained and international reserves increased despite severe import pressures. Overall GDP growth rates were high. The GDP growth rate was 6.5% in 2007-2008. Rising inflation, high levels of underemployment, and budget and trade deficits continued the main concerns for the economy. Strong growth in overseas workers remittances has delivered a cushion to the external balance.

The economic growth and inspiring gains in several social indicators over the past decade point to Bangladesh's enormous potential. These achievements

have been made despite poor governance, an adverse domestic political environment, deficiency of infrastructure and repeated natural calamities. However, these accomplishments cannot be sustained for lengthy if the political leadership fails to address deep-seated problems. There is four issues warrant attention and action. First, a qualitative change in the political culture is required. The acrimonious politics, with utter disregard for national interests, has cost the nation dearly in recent decades. It is evident from the past two years (2007 and 2008) that reforms in major associations, including political parties, can facilitate this transformation. Constant efforts with clear objectives and well-devised strategies can bear results. This effort must be initiated from within, but external support is imperative for its success. Secondly, political violence as well as militancy must be addressed comprehensively. The sources of extremism need to be identified and addressed, a task as important in place of confrontation of the militants.

Question 2

Explain the various types of business organizations existing in the private sector.

A business is an organization designed to afford goods, services, or both to consumers. They are the units that perform most of the economic movement in our economy. Most businesses happen to generate a profit. There are some businesses that exist to perform a function other than profit, such as cooperatives and non-profit organizations. The traditional classification of a business is an entity that brings together time, effort and capital in order to produce a profit. Businesses can either be privately owned or publicly owned

by the government. Government usually standardizes business for a variety of purposes. This will include collecting corporate taxes. Also definite business pose a risk to the public and so must be regulated. If they were left unregulated, they could, while carrying out their functions for profit, do permanent harm to the environment. Others, such as drug companies and pharmaceuticals must be regulated so that safety and health standards can be sustained. Drugs must be monitored so that any that begin to cause thoughtful side effects are quickly taken off the market (Wikipedia, 2009)

3. 0 PRIVATE SECTOR

Private sector encompasses of various businesses owned and managed by one or more private individuals or organizations. These all range from the small business sector, partnerships, limited companies and public limited companies. Individuals can now get government grants or loans to set-up their own corporate. This inspires growth within the small business sector. Balanced interest and expansion of the Internet, e-commerce and computer technology have also seen the growth of the private sector. At the same time, Unifications of companies in the banking and finance world give the opportunity for the company to offer more products to its customers and still be competitive. Furthermore, private sectors consist of various type of business corporate such private limited companies, sole proprietorship, partnership, corporation, conglomerates and so on. An example of Malaysians private organization is Tanjong Private Limited Companies. It is an investment holding company of a group of divisions involved in power generation, gaming, leisure and property investment. The Companys principal operating and reporting sectors comprise power generation and

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gaming, which includes the numbers forecast totalisator (NFO) and racing totalisator (RTO) businesses. Its straight subsidiaries are Pan Malaysian Pools Sdn Bhd, Daya Mahsuri Sdn Bhd.

3. 1 Private Limited Companies

Private limited companies are viewed as firms under the law and share several common characteristics with all corporations. However, private corporations are possessed and operated by a small group of people. Because of their structure, private limited corporations operate in a set of limitations not imposed on public corporations. As a corporation, a private limited company is viewed as a distinct legal entity from the individuals who form the corporation. This provides what is known in the law as limited liability, or a shield for the personalities within a company against liability for obligations incurred by the corporation. A private limited company is comprised by a small assembly, often members of a single family that requirements to limit the influence of outsiders on its company. Because private limited companies are run by a minor group, they are usually not subject to takeovers and other challenges faced by public companies. Unlike public corporations, private limited companies may not trade their shares on a stock exchange. They are also barred from offering shares for sale to the general public. Stockholders in a private limited company may not compromise their shares for sale without first offering them to other stockholders within the company for purchase. The number of members allowed within a private limited company is limited by regulation, most often to no more than 50 because they are corporations under the law, private limited companies must pay auditors, hold conferences as other corporations

do and share profits among all stockholders. They can be expensive to establish because of the regulations involved (Malaysiaco, 2007)

3. 2 Sole Proprietorship

A sole proprietorship is a type of business entity that is owned and run by one individual and in which there is no legal dissimilarity between the owner and the business. The owner receives all profits subject to taxation specific to the business and has unlimited accountability for all losses and debts. Every asset of the business is owned by the property owner and all debts of the business are the proprietor's. This means that the owner has no less liability than if they were acting as an individual instead of as a business. It is a "sole" proprietorship in contrast with partnerships. A sole proprietor may use a profession name or business name other than his or her legal name. In many authorities there are rules to enable the true owner of a business name to be ascertained. For example, In the United States there is generally a obligation to file a doing business as statement with the local authorities while in the United Kingdom the proprietor's name must be displayed on business stationery, in business emails and at business premises, and there are additional requirements (Wikipedia, 2009)

3. 3 Partnership

A partnership is an arrangement where individuals agree to work together in order to improve their interests. In most situations, a partnership that is formed between one or more businesses in which the sole owners co-labor with others to achieve and share profits or losses. Partnerships occur in many occasions regardless the sectors that an individual involves. A non-
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profit organization, for example, many partners is being organized to increase the chances of achieving their missions. Partnerships will have widely varying results and can present partners with special challenges. Levels of give-and-take, areas of responsibility, lines of authority, and principal goals of the partnership must all be negotiated. While partnerships stand to increase mutual interests and success, some are considered ethically problematic. When a politician, for example, partners with a formation in an organization to advance the business's interest in exchange for some benefit, a clash of interest may make the partnership challenging from the perspective of the community good. Developed countries often strongly standardize certain partnerships via anti-trust laws, so as to prevent dominant practices and temporary free market competition. Among settled countries, business partnerships are often favored over corporations in taxation policy, since dividend taxes only occur on profits before they are distributed near the partners. However, be contingent on the partnership structure and the rule in which it operates, owners of a partnership may be exposed to greater private liability than they would as shareholders of an organization. (Undp, 2009)

3. 4 Corporation

A corporation is a legal entity that is shaped under the laws of a State designed to establish the entity as a separate legal entity having its own privileges and accountabilities distinct from those of its members. The structure of a corporation is complex. It is more exclusive to organize this type of business compared to the other two business entities. Corporate control lies with the person who has rights of the most shares of stock. If a <https://assignbuster.com/the-economic-problems-faced-by-bangladesh/>

single stockholder or a group of stockholders own at least 51% of the stock they can make decisions of the policies that will be offered. Corporations will have an annual meeting of stockholders and regularly scheduled meetings for the board of directors with proceedings kept to document their decisions. The size of the corporation will affect how formally or informally it can operate. Smaller corporations might operate less officially, but still need to keep proper documentation. In those kinds of cases stock ownership is generally where the liability is limited to lest there was a fraud committed. For example, DiGi is a homegrown brand but is financially backed up by a foreign company, Telenor ASA from Norway, which holds more than 60% of the company portion. DiGi is the first company in Malaysia that introduced GPRS and EDGE technologies into the country. DiGi is famous and well-known for its yellow man icon (Pip, 2008)

3. 5 Conglomerates

Conglomerates in business, a corporation formed by the procurement by one firm of several others, each of which is engaged in an activity that generally differs from that of the original. The organization of such a corporation may wish to expand its field of operations for a number of reasons: making additional use of existing plant facilities, refining its marketing position with a broader range of products, or decreasing the inherent risk in depending on the request for a single product. There may also be financial advantages to be grown from the reorganization of other companies. As an example, when retail conglomerates convey popular products, like Apple brand computers and iPods, they often select to become authorized resellers. Essentially, they are inflowing into a partnership in which the manufacturer endorses the

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retail store as an accepted source for purchasing its product. Other than that, Renong Berhad is Malaysia's largest diversified establishment with corporations involved in a wide range of industries covering financial services, infrastructure, media, hotel and property. It is defined as a Major Shareholder pursuant to Paragraph 10.02(f) of the Kuala Lumpur Stock Exchange Listing Requirements. (Work, 2008)

Business is energetic globalization and business is the primary source of economic growth, employment creation and public returns that pay for national development programs. As significance, more and more business is expected to deliver in new areas and against a wide range of social medians.

4.0 CONCLUSION

This assignment consists of two questions. First question is slow economic growth and second is private sector. Furthermore, from first question I had learned National, regional and extra-regional actors are the support of the conflicts. Therefore, the issue cannot be left to a single set of actors, whether national, regional or international, for resolution. Infrastructure improvement, particularly road networks and electricity supply, for moving the country forward both in the short and long term. And from second question, trade is an economic system in which goods and services are exchanged for one another or money, on the basis of their perceived worth. Every business involves some form of investment and a satisfactory number of customers to whom its output can be sold at profit on a consistent basis. In today's borderless world, business resolutions can and do have a greater

impact on people's welfare and the environment, than the decisions of most governments.