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FROM THE EDITOR

Bangladesh's economic growth story has been noteworthy over the past decade. In a report by Goldman Sachs, following in the footsteps of the BRICS countries, Bangladesh was included in a group of eleven countries termed the Next 11. While the countries in the Next 11 are unlikely to have the same transformative impact, their growth stories are interesting and insightful, including that of Bangladesh, for which J.P. Morgan categorized Bangladesh in a group called the Frontier Five.

According to the Ministry of Commerce in Bangladesh:

- Bangladesh has made remarkable progress in raising incomes, reducing poverty and improving social indicators and has been upgraded as a “Lower Middle-Income Country” by the World Bank under the dynamic leadership of the current Prime Minister Sheikh Hasina.
- Bangladesh has experienced average GDP growth rate of 6 percent over the past decade. The seventh five-year plan has forecast the average economic growth rate of Bangladesh over the next five years will be 7.4 percent.
- Middle-class people [are] rising rapidly and would be 25 percent of the total population by 2025. The huge demographic dividend has created [a] window of economic opportunity for Bangladesh. Poverty has been reducing [by] about 2 percent per year and the prediction [is] that it will come down to 8 percent by 2021.

Along with the economic indicators, and while some social indicators of Bangladesh are noteworthy, it is now time to focus on specific social and political indicators of development. For example, the place of women in the public sphere has grown significantly; focus on their status and rights has also gained steadily in emphasis (especially on education, emancipation, equality, and employment) over the years. Yet, women face formidable challenges in a male-prerogative society which effectively curbs women from achieving their potential. According to the Mahbulul Haq Center (2016), “Women are excluded from social, economic and political opportunities, with some of the worst form of discrimination in South Asia.”

Of late the media has brought to our attention the extent to which violence has grown against children, women, and minority groups. The matter of discrimination by

gender, race, religion, and disability is also of concern, suggesting the state of disrepair in these areas. In an era of the Social Development Goals (SDGs) that have been set to be attained by 2030, there is still much work to be done on healthcare, education, housing, food security, water security, clean energy, healthy ecosystems, etc.

From a demographic perspective, Bangladesh's population can be its most vital asset. In this regard, there is much talk about a “demographic dividend.” According to some quarters, this dividend, if not managed effectively, could turn in to a “demographic disaster” from which it may be difficult to emerge unscathed unless appropriate steps are taken now.

Finally, I must recall the six-point policy perspective that emerged from the Harvard conference of 2007 organized by Bangladesh Development Initiative. The following priorities were highlighted:

1. Ensure human rights, establish democratic practices, improve governance, and establish rule of law;
2. Generate employment;
3. Achieve adequate and long-term food security;
4. Increase investment in infrastructure and energy;
5. Invest in education and develop human resources; and
6. Manage the nation's health and population

These priorities remain as relevant today as they were ten years ago and are clearly reflected in the Social Development Goals (SDGs). It is vital for Bangladesh's policy makers to consider the proposed priorities seriously to lead the country into middle income status that the country's leadership, as well as its people aspire to attain by 2021. The leadership must be fully cognizant of the emerging challenges to be able to put in place policy measures to address them and make Bangladesh prosperous economically, socially, intellectually, health-wise and politically.

In this issue of JBS, we bring five considered articles and a book review to our readers. The first article, *The Subject and Numeracy: Economics and Development*, by Farida C. Khan, addresses two specific concepts underlying economic thinking that inform development studies and practice - methodological individualism and numeracy. Methodological individualism is the notion that “economic analyses and models are based on

voluntary individual choice-making by informed and rational subjects.” Their actions are then aggregated in the economy to make national policy choices where there will be winners and losers; for any change in economic policy, one group can compensate another. Numeracy is seen as the subject's numerical aptitude, as well as a measure for economic development which, however, could overlook certain complexities and nuances in different contexts. Numerical indices attempt to portray economic success, but in the process many developing countries find themselves ranked low and feeling compelled to follow global policies regardless of whether they are appropriate for a particular country. This raises a pertinent question: whether playing to global indices is the optimal approach for development or whether countries like Bangladesh ought to identify and prioritize their own agenda for development.

The second article, *Does Remittance affect Local Democracy in Developing Countries? Evidence from Local Elections in Bangladesh*, by Shafiqur Rahman contends that “outward emigration and remittance income have become two of the main drivers of socio-economic change in Bangladesh in the last few decades.” What are the effects of such large transnational movement of people and wealth is an interesting question. Using the elections results of the first three phases of the 2014 Upazila elections, it was found that, controlling for party preference, increase in emigration and remittance level increases the probability of incumbent turnover at the local level. This finding has interesting implications for political strategy that could be at odds with national policy formulation.

The paper by Farzana Noor Bindu and Rahim Quazi provides a progress report on improvements in the readymade garments (RMG) sector, especially after the Rana Plaza disaster in 2013 where 1136 garments workers lost their lives. While progress has been made in the areas of detailed engineering assessments (DEA), fire design and drawing, remediation process, etc., challenges still remain. Not all factories have been diligent in meeting timelines, government's limitation to enforce building regulations, frequent political unrest, unauthorized subcontracting, and lack of transparency and accountability.

The need to introduce more extensive labor laws and enforce them is recommended strongly by the author.

Tasnuva Ahmed and Mohammad Muaz Jalil examine the economic empowerment of women in the northern char areas employed in the handicrafts sector. Based on regression techniques, the authors found a statistically significant relationship between women's independent income earned through handicraft work and their economic empowerment.

Ashikur Rahman examines the performance of the lower courts of Bangladesh, especially from the standpoint of its' operational efficiency. The overall findings suggest that “i) Bangladesh's performance across different rule of law index across countries (and even within South Asia) has been less than impressive; ii) The problem of case backlog has been acute; iii) Some district courts act as a “pipeline” through which cases cumulatively accumulate; iv) Low case disposal rate has contributed towards the backlog; v) There is a large variation in “case disposal rate” and “case disposed per judge” across district courts; vi) District courts with similar case load per judge experience wide variation in “disposed cases per judge” – indicating that there is room for improving efficiency; vii) There is a negative association between case load and civil case disposal - indicating that increasing the number of judges can mitigate the problem of low disposal rate; viii) Resource allocation must take account of regional variation in judge level productivity across district courts.” Overall, the author concludes that delays in disposal of cases render justice meaningless. This insight is not new; however, it is important enough to repeat in various fora, multiple times, to improve the state of justice in Bangladesh.

To our readers, we owe an apology for falling behind on bringing out the JBS issues on time. With many demands on academic enterprise, as they continue to evolve in the new dynamic of the Fourth Industrial Revolution, we have been challenged in getting the requisite quantity and quality of articles. Rest assured, we are working on the issue to mitigate delays.

Syed Saad Andaleeb, Ph.D.
Editor

The Subject and Numeracy: Economics and Development

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Abstract

This paper addresses two specific concepts underlying economic thinking that inform development studies and practice - methodological individualism and numeracy. Methodological individualism is the notion that economic analyses and models are based on voluntary individual choice-making by informed and rational subjects. This subject (agent) is then carried over to the aggregate economy to make national policy choices, with the caveat that there will be winners and losers for any economic change, and one group can compensate another. This paper shows that this is not a random process, but instead a systematic problem is present in that predictable beneficiaries exist, as do groups who bear the costs of development policies. Numeracy refers to both the numerical aptitude of the subject (agent) as development occurs, and the problem of using numerical measures for economic development, flattening out the complexity and nuance of inquiry and relevant conclusions in different contexts. Numerical indices attempting to capture economic success creates national hierarchies such that many developing countries find themselves to be given a low rank measure and feel compelled to follow policies that are considered to be efficacious globally, regardless of whether they are appropriate for a particular country or not. Although these arguments are general, examples from Bangladesh provide pertinent context.

Introduction

Economics can appear to be a contradictory discipline because it is based on the notion that the consumer “reigns sovereign” and the very existence of an economic equilibrium requires the presence of the consumer’s preferences, and yet the consumer is so abstracted into a mathematical entity that (s)he is almost absent. Such a contradiction is barely perceptible when theory and practice are built on layers of assumptions and concepts.

This paper is a modest attempt to examine a problematic foundation on which economic theory rests and provides a basis for policy decisions. It also evaluates the manner in which applications are made for policymaking. Both of these are examined with particular reference to developing countries, with examples from Bangladesh.

The paper first enquires into the ‘subject’ of economics, by which is meant the agent taking wilful actions. After tracing this idea and its critique, the implication of defining a universal subject for developing societies is considered. It is found that in pre-modern contexts, even during the transition to modernity, there are multiple subjectivities that are tied to functions, communities, or other allegiances. The paper then examines a related tendency for empiricism and scientism within economics, critically presenting one aspect of the many quantitative applications in the field of development that is defined in this paper as numeracy.

Economic policy is based on historically developed disciplinary knowledge. Policy is considered to be more credible when it is founded on established theory, and the methods employed to generate the policy are rigorous. John Maynard Keynes’s famous quote is relevant here. “The ideas of economists and political philosophers, both when they are right and when they are wrong are more powerful than is commonly understood. Indeed, the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually slaves of some defunct economist.” (Keynes, 1936).

Keeping in mind the importance of economic ideas and methods, the resulting implications for development policy are considered by focusing on the two specific points mentioned above.

The Subject of Economics

Within the social sciences, neo-classical economics has a strong fidelity to the idea of a cohesive, unified, subject. Resting solidly on this theoretical foundation, economics defines a homogenous subject who is rational and intentional, maximizes utility and profits, and subscribes to economic growth for his or her nation. The use of a consistent agent to form a central core of analysis has been called methodological individualism. Schumpeter first used the term “methodological individualism” (Udehn, 2002, Hodgson, 2007) and recognized it as belonging to the “pure theory” of economics.¹ The term

was further used and developed by Popper and his student Watkins for whom “the ultimate constituents of the world are individual people who act more or less appropriately in the light of their dispositions and understanding of their situation. (Hodgson, 2007).

One might say that economics became an individualistic science with the arrival of the marginalist revolution in the late 19th Century. Whether we look at the English Utilitarians such as Jevons and Mill, Austrians such as Von Mises and Hayek, or general equilibrium theorists such as Walras or Arrow, we see the adherence to methodological individualism being widespread in the field.

Arrow (1994) explains this concept as “a touchstone of accepted economics that all explanations must run in terms of the actions and reactions of individuals. Our behavior in judging economic research, in peer review of papers and research, and in promotions, includes the criterion that in principle the behavior we explain and the policies we propose are explicable in terms of individuals, not of other social categories. ... In the usual versions of economic theory, each individual makes decisions to consume different commodities, to work at one job or another, to choose production methods, to save, and to invest. In one way or another, these decisions interact to produce an outcome that determines the workings of the economy and the allocation of resources. It seems commonly to be assumed that the individual decisions then form a complete set of explanatory variables. A name is even given to this point of view, that of methodological individualism”.

Arrow further says and others (Udehn, 2002; Agassi, 1960; Wettersten, 1999) concur that the methodology of individualism has pervaded much of the social sciences, with the adoption of the scientific methods in Sociology, Anthropology, and other fields. Karl Popper and Max Weber are both credited with subscribing to methodological individualism but Popper is the stronger adherent. Popper distinguishes his version of individualism from the “psychologism” of John Stuart Mill, showing the distinctions that evolved as this type of thinking moved outside of economics. The accusation of “psychologism” involves an antipathy to psychological explanations of social phenomena on the part of economists while at the same time maintaining implicit psychological assumptions in economic theory. This has been called Sen’s paradox (Hudrik, 2011).

There have been numerous discussions of methodological individualism, leading to a plethora of literature on the topic. The ontology of society – whether only individuals exist and carry out actions or whether they exist and act as groups has led to debate on this chicken-and-egg problem among sociologists (Agassi,

1960 and Toboso, 2001). Concepts such as institutionalism, holism, or even institutional individualism have been coined as a result of these discussions. According to Toboso (*ibid.*), institutional individualism applies when individual actions can only be understood as elements or components of some other entity. For instance, a thrust for individual action may come from churches, political parties, groups, associations, corporations, states, or other institutions of which individuals are members.

While there is an excellent compilation of the many uses and interpretations of methodological individualism by Hodgson (2007), and others (Bouvier, 2002; Hudick, 2011), we will follow the common understanding of this term, as laid out by Arrow.

Within the discipline of economics, the very existence of a theory without micro-foundations is impossible: all microeconomic analysis begins with individual agents responding to boundary conditions and then continues with aggregated responses to determine a relevant market, which is the common domain of economic analysis. Microeconomics is, by its very definition, the framework used to study individual behaviour. However, that same study must be generalizable to a universal agent, without a face or name. In every economic sphere, this abstracted agent optimizes and reaches maximum utility derivable from given circumstances. The deployment of methodological individualism is not confined to microeconomics. It is also assumed to be present in macroeconomic theory since the New Classical revolution of the 1980s, after which economists began to require macroeconomics models to have micro-foundations (Mankiw, 1991; Rosenberg, 1995).

The individualism of microeconomic theory is resolute, even when the context presents a problem with assuming individualism. An example can be found in the theory of public goods that are non-excludible or cannot be provided to some consumers without being provided to others². In a world of individuals, no one has an incentive to pay for such goods in the hope that others will do so, providing the good to non-payers for free. Since all individuals are capable of reasoning in this manner, in many cases we should not expect public goods to be provided. However, it is obvious that many such goods are provided. One could explain the provision of public goods by appealing to the preference of the community or the coercion of individuals by the group to pay for the good. But these explanations are not consonant with methodological individualism. Instead the appeal to voluntary individual choice leads to the well known “free rider problem” and an indeterminate solution to the provision of public goods by rational agents in society.

The Subject of Development

The subject of economics is the implied subject in development theories and models. A properly developed modern subject who comes about through the development of societies breaks with his past, and with the doctrines of personhood and socio-political standing of the kind that dominated Europe until the 18th Century or dominates those parts of developing countries that we now consider backward. Weber (2007, pg. 463) details this promised evolution as “the experience of the individuated juxtaposition of the solipsist observer and the surrounding world for which her/his standpoint becomes also the vanishing-point, the point at which all axes of vision and time syncretise, is generally interpreted to signal the emergence of qualitatively new possibilities of human social being.” Charles Taylor outlines this transition from the institutional order of the middle ages and an ethics of “honor” to one where there is a new, inclusive, and flattened order of individuals. The subject is the source of rationality and universality as well as the subject of empiricism and inquiry. When development policymakers talk about patron/client relations, nepotism, or corruption, their frustrations double because the modern subject who supposedly will bring about a new societal order and a consummate work ethic is absent in the chaotic, half-baked transformations that are instead found in developing countries.

Not all writers have welcomed this new subject. Those who espouse Feminist economics have called into question the idea of an autonomous abstracted subject. England (1993) considers this formulation as “the separative self” – one that has no connections with anyone – and shows how it results in the inability to make interpersonal utility comparisons as well as the exogenous determination of preferences and tastes. Both of these are inherent in methodological individualism. Feminist economists say, “objectivity, separation, logical consistency, individual accomplishment, mathematics, abstraction, lack of emotion, and science itself have long been culturally associated with rigor, hardness and masculinity” (Nelson, 1995).

Other thinkers have expressed similar reservations about the possibilities that modernity offers the economic subject. Theodore Adorno, (1997, 12-13) who writes that “enlightenment dissolves the justice of the old inequality but... Men are given their individuality as unique in each case so that it might all the more surely be made the same as any other”. In other words, the subject renders human into hordes or herds, with a false sense of the collective, and a tendency to converge to fascism. Adorno’s well-known critique of the Enlightenment and modernity is considered to be a necessary part of a liberal culture that ought to have a “medium of therapeutic self-critique” (Honneth, 2000, pg. 122).

The question we may ask is whether such a subject is relevant in developing countries. Who is the subject of development and can we apply methodological individualism to her/him? Note that there is no steady subject during the process of social change. The subject is likely to be displaced from his/her community and village, urbanized, and subscribing to individual aims and gains. The anthropologist will attest to changes in values, morays, and kinship associations that occur with development; the breakdown of old hierarchies and emergence of new aspirations and relationships.

James Scott and Samuel Popkin both have written extensively about peasant behaviour. Scott (1977) attempted to explain what appeared to be irrational behavior exhibited by peasant households. He maintained that peasants were primarily motivated by subsistence and argued that a fear of food shortages explained production, social, and moral arrangements in peasant society, in addition to “puzzles” such as resistance to innovation and the desire to own land despite the adverse effect on income of such ownership. The ‘moral economy’ of the peasant also determined his relationships with other people, and with institutions, including the state. Scott studied agrarian society in Burma and Vietnam to demonstrate how transformations during the colonial period systematically undermined the moral economy of the peasant.

Samuel Popkin represents an opposing strand in this argument, suggesting that the Asian peasant is no different from anyone else and is just as rational (and capable of development). Popkin (1979) presents a model of rational peasant behavior, which illustrates how village procedures result from the self-interested interactions of peasants, in contrast to a model in which a distinctive village community is primarily responsible for ensuring the welfare of its members.

The recent *World Development Report* (World Bank, 2015) takes up the question of economic behavior and applies behavioral and experimental economics to development policy. The report is replete with examples of policy interventions primarily in Africa and South Asia, showing that behavior anticipated by standard microeconomic theory did not set optimal policy. Instead, economists undertook experiments in local contexts to determine why a particular program did not work and found that specific *socially determined* barriers including cultural cognition had to be taken into account. These contextual nuances suggest no universal guide, and show that different heuristics inform economic choice. The report recommends changing social norms, mindsets, and building skills incrementally among the poor, in addition to addressing many biases that development professionals bring to development policy. In other words, the aim of these adaptations in approaching development is to make interventions more efficient.

Whether we subscribe to an always rational subject or one that is yet to blossom as progress occurs, analyses conclude that the subject is expected to benefit from economic development policies. An additional implication is that the individual is likely to accelerate that process through her/his own development. However, this may not be the case in most instances as many development policies cause changes that people are not adequately prepared for, in addition to redistributive effects that are addressed below.

A Theory of Sacrifice

The subject (agent) of development is carried over to the aggregate economy under the assumption that national economic policy reflects a homogeneous individual or a set of similar individuals who can be aggregated to provide a social welfare function which meets the same consistency requirements that the individual does. However, the redistribution that occurs during any economic change, including those engineered through policy, indicates that not everyone will benefit from such a change and therefore they are unlikely to subscribe to the same policy.

Sectors of the economy may decline and others expand in the name of efficiencies or modernization. Depending on the specific model of development, there will be winners and losers. Income inequalities may be affected in any given direction but there will always be beneficiaries of a new economy in addition to those whose livelihoods are being negatively effected.³

In the past two decades or more, the developing world has seen that trade liberalization policies which are designed to provide uniform incentives to businesses result in price reductions for import competing goods that are made by small or medium producers. These producers are unable to compete with the low price products offered by large-scale producers abroad. The businesses that must close down because of competition from imports result in many job losses, particularly since those disproportionately affected are small and medium industries which tend to provide more employment than larger capital intensive firms. How are these workers compensated? The assumption in economics is that their skills are somehow transferable and they find jobs elsewhere or that someone else gets a new job and that in the aggregate, one person's loss is compensated by another's gain. The problem of distribution is thereby skirted through the aggregation of the concept of methodological individualism. All people are the same and one person's loss of a dollar is symmetrically opposite to another person's gain of a dollar. In sum, all have gained if more have gained than lost or the total gain exceeds the total loss, even by a small margin.

But, this argument is problematic since poverty generation for one group is not compensated by wealth creation for another. An example is shrimp farming in Bangladesh, which is considered a development activity, generating exports, foreign exchange for development, and growth for the economy. However, the process of shrimp farming has resulted in the loss of rice production for many small farmers whose lands have been acquired often through distress sale. Does the flourishing of one industry at the cost of asset losses for farmers be considered as development? Is everyone better off? How are they compensated if they are not? This kind of question is not limited to shrimp farming but for any development activity that requires the acquisition of land.

In addition, public lands are often used by the poor and forest dwellers who informally live near or within the forests. The proposed 1,320 MW Rampal and the 565 MW Orion coal based power plants are to be located within 14km of the Sundarbans, a 3,860 square miles mangrove forest listed as both a UNESCO World Heritage site and a Ramsar-protected wetland. The location of this project will not only cause environmental degradation, but also cost the livelihoods of those who have little voice.

Groups that rely on existing natural resources for a large share of their income (Anglelsen, et. al, 2014) will be the ones that are affected adversely from the common forms of development policies mentioned above that are prevalent throughout the world. These are referred to as "environmental income" and refer to extraction from non-cultivated sources such as natural forests, other non-forest wild lands such as grass, bush and wetlands, fallows, as well as wild plants and animals harvested from croplands. In addition policies that restrict the access of the poor to natural resources such as forests but allow the state to exploit these same resources does not give priority to the needs of their citizens.

Providing infrastructure such as power, gas, and communication inside cities in developing countries enhances rural-urban migration. The price of land tends to increase substantially during such a development process aptly termed "urban biased" (Lipton, 1977). The benefits of such asset price increases go to the existing elite or newly emerging beneficiaries of growth, usually limited in number, and having some connection to the elite. Real estate based wealth is the major source of wealth in Bangladesh and the prices of an average apartment in an affluent area has increased five fold over the past decade (Financial Times, 2014) Such wealth, which primarily consists of capital gains, is not taxed, further encouraging investment. Very frequently the state itself stands to gain if the value of land and other physical assets increases, thus creating little incentive to tax this form of wealth. The vast proportion of the

population that have come from rural areas usually holds jobs in the informal sector and lives in peripheral areas or slums. When a calamity such as a flood hits Dhaka or Chittagong, it is usually this group that is directly and most severely affected.

Too often development involves adjustments by vulnerable groups, those at the fringes of society – urban migrants who have become landless or indigenous peoples who live in areas that are being deforested through plantation, mining, and other commercial schemes.

As the groundwater is depleted and floodplains reclaimed for industries or housing for some groups, flooding and destitution occurs for groups who must live in slums that are often in the low lying areas of newly growing urban refugees.

The losers in the process are not picked randomly. They are predictably those who are not among the landed and educated groups and benefitted from nations that came about when colonial powers left or from communities who are unable to represent themselves adequately in the political process. How does development theory provide a justification for such policies and why citizens should to these policies? Why should the self-interested rational individual subscribe to an aggregate good if it harms her? This would require a theory of why a person would want to forego his own welfare or a theory of sacrifice.

Developing Numeracy

Connected to the formulation of the subject is the logic of scientism and positivism that allows the underlying rationality assumption to corroborate with techniques in economics. Therefore, the topic that naturally next enters our concern is mathematics, more particularly measurement, and its application in development.

As societies develop, they become more mathematically capable. The ideal subject of development is also a mathematically developed subject, one that works readily and swiftly with mathematics, calculations, and science. The term "numeracy" is described as comprising those mathematical skills that enable an individual to cope with the practical demands of everyday life. Indeed, in countries all over the world, the principal purpose of primary education is to achieve a minimal acceptable level of literacy and numeracy (Steen, 1990, pg. 212). As modern life has progressed, the expectations for numeracy have risen at least as fast as have the demands for literacy. Daily news is filled with statistics and graphs, with data and percentages. From bank finance to sports, or tax policy to demographics, citizens are bombarded with information expressed in numbers, rates, and percentages.

Take this report from Daily Star (June 8, 2015), which demands a requisite ability to do some calculations to follow the argument:

“Bangladesh had to forgo \$136.8 billion of its gross domestic product in 2013 due to cumulative under-performance since 1980, according to a new study.... Dhaka city had the highest average monthly income of Tk 55,086, much higher than Tk 18,349 in rural areas and Tk 24,031 for other urban centres. In 2012-15, the average monthly household income rose 15.9 percent across the country. It, however, would fall by 5.2 percent if the income is adjusted for inflation....If adjusted for inflation, the income would fall by 4.8 percent in Dhaka city and 9.73 percent in rural areas, but would rise 0.9 percent in other urban centres. Of household expenditures in Dhaka, food expenses accounted for 20.1 percent, housing 18.9 percent, lifestyle 10.9 percent, healthcare 9.1 percent, education 8.1 percent and transport 4.4 percent. In rural areas, food accounted for 40.7 percent of expenditures, housing 13.9 percent, lifestyle 11.9 percent, healthcare 10 percent, education 6.9 percent and transport 4.7 percent. The study also painted a gloomy picture of income disparities: the top 10 percent held income shares of 46.2 percent, the middle 50 percent held 40.4 percent and the bottom 40 percent only 13.4 percent. In Dhaka, 26.2 percent households owned flats or houses compared to 96 percent in rural areas.”

The extent of numeracy required to understand this news item apparently designed for the ordinary reader is likely to be beyond the average level of literacy in the country. Only the ideal subject of development is prepared to make sense of it.

In the workplace, numeracy is often used to screen applicants for desirable jobs. Today, the rapid emergence of computers has spawned an unprecedented explosion of data. Thus, what sufficed for numeracy just four decades ago is no longer at the same standard. Numeracy is not a fixed entity to be earned and possessed once and for all. For instance, few need to calculate square roots by hand, even though such methods were emphasized in school arithmetic classes for nearly four centuries.

Mathematics can be considered the invisible culture of economic development. While this is evident on the surface with numbers and graphs in every newspaper, deeper insights are frequently hidden from public view. Mathematical and statistical ideas are embedded deeply and subtly into societies as they modernize. The modern subject is able to compare loans, calculate risks, estimate unit prices, or understand scale drawings, and take advantage of commercial opportunities to benefit themselves. Those who lack confidence or skills to deploy arithmetic, statistics, and geometry lead their

economic lives at the mercy of others. They may fall prey to losing their savings or land, being cheated in transactions or not finding themselves as beneficiaries of economic gains. In addition, what was previously a hierarchy of social status changes to a hierarchy of bank accounts and salaries and numbers that measure the worth of the individual as society changes and modernizes.

Along with this general thrust to enumerate and measure all form of knowledge and rely on the power of empirical observation to make truth claims in society belongs the measurement of development through numbers.

The Mathematical Formulation of Development:

If we ask a student what constitutes economic development, the “correct” answer will be raising per capita GDP. One might find it extremely efficient and elegant that economists have managed to capture the entire development of a society into one figure. Lequiller and Blades (2004) recall Paul Samuelson’s construction of GDP as “truly among the great inventions of the 20th century, a beacon that helps policymakers steer the economy toward key economic objectives”. From 1978 to the 90s, World Bank listed countries by GDP, ranking them from lowest to highest.

Bangladesh was placed among the five countries at the bottom of this list each year, adding insult to the injury already caused by being dubbed a “basket case” by Henry Kissinger in 1972. Finally, in 1990, Bangladesh climbed out of the bottom five countries after it implemented almost all of the World Bank’s recommended economic policies. Despite having a large enterprising population, increasing the education of girls, bringing down population growth rates, and sending hundreds of thousands of toiling migrant workers around the world, Bangladesh remains on the list of least developed countries as measured by the single index of per capita income – an imported construct that leaves out most of the daily efforts of the people of this country.

The following conversation from the media illustrates the point well (NPR, 2015):

GOLDSTEIN: They call this thing the Doing Business report. They do it every year now. And it actually gets a lot more attention than, you know, your sort of standard, boring World Bank report.

KESTENBAUM: And one of the reasons is that they rank the countries from, like, best to worst based on these surveys. And so people pay attention. You know, people love lists, like the U.S. News and World Report ranks colleges, and colleges are always trying to move

up the list. It is the same with this list. Rita Ramalho is the head of the World Bank group that puts out the rankings.

RITA RAMALHO: Once you start keeping scores, people actually start getting competitive and care about it, and no one wants to be last. That’s probably the powerful (laughter) - the power of rankings lies on the fact that no one wants to be last.

KESTENBAUM: No one wants to be Eritrea. Eritrea is No. 189 on the list. In case you’re curious, No. 1 is Singapore. U.S. is No. 7.

GOLDSTEIN: Countries want to beat out their neighbors. Governments start to worry that a bad showing in the rankings might hurt them with the voters back home.

RAMALHO: We met with the delegation, and their first question was, when is the report coming out? How does that match with our election time? (Laughter) That was the first thing they wanted to know.

The use of figures to measure economic performance began in the 19th Century in England. Part of this thrust can be explained by the desire to make the study of political economy into a science so as to get down to the (positive) facts (Hayek, 1942). This tendency, which went hand in hand with methodological individualism, was met with resistance from various writers. Thomas Carlyle was one such ardent critic (Welch, 2000). “Carlyle saw the focus on measurable values as part of a binding that wrapped economics, utilitarianism, and “mechanicalism” into a Gordian knot” (Welch, 2000, p. 63). He denounced the move to a mechanical approach to the realities of life as simplistic, misdirected, and ignoring the higher values on which society rested. He recognized that categories that were ascribed to “natural law” were actually devised by men. He saw the use of statistics and its collection to generate such categories as reducing society and policymakers to a state of “Paralytic Radicalism”. This paralysis explained the inability to help the poor, and changed the system of outdoor relief for the poor to one that sent them instead to workhouses, where they slaved under abhorrent conditions.

Charles Dickens, much influenced by Carlyle, also criticized this impulse by building a caricature of the economist in educator Thomas Gradgrind, “a man of realities. A man of facts and calculations... with a ruler and a pair of scales, ready to weigh any measure any parcel of human nature, and tell you exactly what it comes to “, (Henderson, 2000, pg. 53). Gradgrind’s educational failure became evident in his son Tom who becomes a thief, and a daughter who becomes lifeless and barren. Dickens maintained that the “useful truths of political economy are not based on statistical facts but something of feeling and sentiment: something of

mutual explanation, forbearance, and consideration” (*ibid.*, pg. 55).

McCloskey (2005) says that economists use mathematics to answer two questions – one, why/whether and the other how much. This paper focuses on a critique of how much as opposed to the critique of why/whether, which has been addressed well by various writers (Quddus and Rashid, 1992; Ellerman, 2000; Marchionatti, 2007). However, as Focard and Fabozzi (2010) remind us - the tendency to use numbers also determines how we think about economic evolution. Development may not be a continuous smooth dynamic process as assumed in theories, but instead economies may be driven by single large, discrete, and unpredictable events such as Nassim Taleb’s “black swans” (Taleb, 2007). In fact, such events are rationalized post hoc and the forecast of such events prior to their occurrence is usually impossible. An example is the financial crisis of 2008 for which data on derivatives was not collected because of the lack of regulation on such data. The suggestion is that it is impossible to collect data on everything that can affect economies.

Hayek (1942) takes this a step further and says that social scientists collect data on categories that they themselves design. For instance, an aneroid barometer and a mercury barometer have nothing in common except for what men think they can be used for. Hence, the “facts” of social science are subjective. “The concrete knowledge that guides the action of any group of people never exists as a consistent and coherent body. It only exists in the dispersed, incomplete and inconsistent form in which it appears in many individual minds and this dispersion and imperfection of all knowledge is one of the basic facts from which the social sciences have to start” (*ibid.*, pg. 240)

The Anxious Subject and Hysteric Collective

Countries continue to rely on spurious measures provided through statistical agencies and formulate economic policies designed to tame inflation and increase growth through profit based investments, while systematically ignoring the redistributive effects that such policies cause. Whether people lose their land from indebtedness, run out of water because it is diverted by dams, are poisoned by industrial pollutants in water systems, the collateral damage of development policies designed to benefit commercial interests are hidden under the magic of better indicators.

The use of numbers to understand and design economic development policy creates a methodological

tyranny that is systematically unleashed on predictable individuals, groups, and countries. In earlier sections, we discussed the predicaments that individuals and communities may suffer. In addition, numbers create a hierarchy so that countries that find themselves ranked low feel compelled to follow policies deemed to be globally successful, whether they are appropriate or not. The authoritative influence of these measurements, their rise and fall, can sometimes determine the public’s tolerance for their leaders, justify the absence of democratic processes, and even relegate politics to a secondary position of providing stability for private investment and economic growth.

The replacement of public assistance with private capital flows to countries makes developing countries compete for higher rankings in global indicators. The general public is not often aware of the esoteric nature of these measures. For instance, rarely do developing country media note that the corruption perception index is simply a collective perception of a state’s credibility. On the other hand, low ranks in global indicators perpetuate the poor reputation of countries where technology, infrastructure and institutions are presumably lacking. For citizens of these countries, these absences create a sense of deficit and compound a general anxiety of being inadequate.

Wide distances are created between emerging middle classes that are influenced by their global image on the one hand, and the poor for whom adequate food, water, and shelter are absent. State administrators, who are often trained in developed nations naturally cater to the former. Ironically, it is the same middle class who are most dismayed at the state of their nation and apt to blame the situation on the ordinary citizens from which they believe they are different, distanced, and superior. Those in the modern sector in these countries are agitated about lagging behind and never see their country as anything other than pale versions of industrialized market economies. More recently, the Chinese success in modernizing its economy is another source of angst for this group.

In the so-called global village where each country sells itself as a brand, the least developed countries face insurmountable marketing problems. Citizens are often ready to give up their passports and previous identities in order to become part of a new and more desirable imagined collective. They are willing to risk uncertainties as they abandon their communities and migrate to developed nations.

The lack of public services and provision on education and health are also seen as collective failures rather than a problem of shrinking state budgets and non-credibility in the presence of international donor influences. As non-governmental agencies move in with

multiple experiments that are labelled as successes without adequate considerations of scalability or sustainability, public schools and hospitals retreat further. The increasing privatization of economies is welcomed by growing numbers of youth trained in business schools. Colonial structures and practices, inherited by public administrations in many countries, are replaced with the increased monitoring and evaluation of state agencies. At the same time, deregulated private enterprises are not held accountable through adequate quality control or standards. The resulting lack of consumer safety standards is another source of the sense of collective failure in developing countries. But the causes of these regulatory absences are never examined – only the weak and unresponsive state is blamed. Recently partnerships in the private and public sectors are being carried out in the name of making the latter more efficient and responsible to citizens.

Primacy is not given to universal food security, adequate water, critical health needs, jobs that can provide a living, safe transportation and mobility, and safety in religious practice. The focus on the vital needs of individuals is sorely absent. In addition, environmental degradation and a loss of common resources are widespread as countries focus on economic growth. This is a natural consequence of the focus on abstracted numbers and the false collective that appears with the triumph of the fictitious modern autonomous individual.

Instead of the emergence of a society based on the promise of a rational agent, we note the uprooting of communities and new forms of violent sectarian divisions. We also find the stability and certainties associated with longstanding structures and commitments reduced to insignificance. The history of developing countries is recreated for a nationalist hostility towards internal and external enemies of the nation. Beyond that, the past rarely informs a design for development that is autonomous, or based on a subject that has self-confidence in both his/her history and present circumstance.

The Endnote

1. He also distinguished the expression ‘sociological individualism’ which was the doctrine that the ultimate unit of social sciences was self-governing individuals; that all social phenomena can be disaggregated into the actions of individuals and cannot/need not be analyzed in terms that are super-individual. This is closer to what we think of as methodological individualism today.
2. A common example is defence provided by the state.

3. In the development literature this is commonly referred to as intersecting Lorenz curves, meaning that income distribution changes that lead to new beneficiaries and new groups who are worse off. Ranking these different income distribution schemes is not an easy task and depends on both the specification used for measuring income distribution and the weight that a group has in the aggregated formulation of welfare (Aaberge, 2009).

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Does Remittance Affect Local Democracy in Developing Countries? Evidence from Local Elections in Bangladesh

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Abstract

Recent Political Economy studies have found evidences that higher level of international immigration and remittance income have causal effects in local democracy of the sending country. Political theorists have said that positive effects of remittance in democratization should be more pronounced in countries with 'dominant party' regimes. Outward emigration and remittance income have become two of the main drivers of socio-economic change in Bangladesh in the last few decades. We argue that monopolization of state resources and practice of widespread clientelism by the ruling party, have made Bangladeshi regimes analogous to the dominant party paradigm and thus amenable to the democratizing effects of emigration and remittance. Using the elections results of the first three phases of the 2014 Upzila elections, we ran Probit Regressions to estimate the probable effects of emigration and remittance on anti-incumbency of Upzila electorates. We found that, controlling for party preference, an upward increase in quartile rank of emigration and remittance level increases the probability of incumbent turnover. The effect remains same but less significant when additional control of poverty level and educational attainment are introduced.

Introduction

The World Bank estimates that around \$ 435 billion was officially remitted to developing countries in 2014 and in 2013, remittance was more than three times the amount of Official Development Assistance (ODA) provided to these countries (World Bank, 2015). A look in the amount of annual remittances in 2013 and its share of GDP shows that remittances have become substantial part of the national income for many of these countries. For example, Vietnam (\$11b, 6.4%), Sri Lanka (\$ 6.4 b, 9.6%), Philippines (\$26.7 b, 9.8%), Pakistan (\$14.6 b, 6.2%), Nepal (\$5.5 b, 28.8%), India (\$70 b, 3.8%), Haiti (\$1.8 b, 21.1%), Bangladesh (\$13.8 b, 10.7%). Large and increasing number of international migrant labor has also become a driver of socio-economic change. While traditionally much of the labor migration have been within regions, long distance migration has increased in the recent decades. According to a 2013 UN report on international migration, from 1990 to 2013 the number of international migrants from the developing nations to the developed countries doubled, increasing from 40 to 82 million and growing more than twice as fast as the global total migration rate.

Social scientists have long been interested in the social and economic effects in the developing countries from this large transnational movement of people and wealth transfer. A growing body of literature have

sought to evaluate social and economic impact of migration and remittances (Collier, 2013). In their study of economic effects, researchers have worked with human capital, poverty, inequality, macroeconomic stability, financial flow etc. as dependent variables while for social effects they have used family composition, gender relations, fertility etc. (Kapur, 2014). However, the political consequences of emigration and remittances in developing countries have been relatively understudied compared to social and economic effects. Only recently political scientists have begun to explore political effects of emigration and remittances; working with dependent variables like governance and institutions, regime type, clientelism, public services, voting behavior, violence and conflict etc. (Kapur, 2014). Findings in these studies present a mixed picture. While some political economists have claimed that higher household income generated by remittances empower individuals and families politically and improve quality of governance, others claim that increase in remittance flow decrease quality of governance as measured by corruption level and quality of service delivery (Ahmed, 2013). Cross-country studies have found that remittance inflow in more autocratic countries reduces the likelihood of government turnover and outbreaks of major political discontent (Ahmed, 2012). On the other hand, recent studies have also found that remittances increase the likelihood of democratic transition in party-based semi-

autocratic regimes by undermining electoral support for incumbents (Escriba-Folch & Wright, 2015). Studies focusing on one country have shown that remittances reduce an incumbent government's ability to maintain political patronage systems which help make elections more competitive at the local level (Phutze, 2012).

Effects of remittances and emigration on local democracy of developing countries with weak democratic institutions is a particularly interesting subject of study because remittance income has significantly more effect in non-metropolitan areas and usually remittance and emigration are not evenly distributed all over the regions (Lopez & Ascencio, 2010). Moreover, local level elections in these countries provide good empirical information on procedural democracy.

Bangladesh is a lower-middle income, developing country that has been experiencing high growth in remittance over the last two decades. Remittance income has grown from \$2.1 billion in 2001 to \$ 15 billion in 2014 (World Bank, 2015). While competitive local and national elections have been taking place intermittently during this period, democracy in Bangladesh has not made similar strides as the economy. Freedom House, an international organization that keeps track of political freedom of countries around the world, ranks Bangladesh as "Partly Free" in 2015 (Freedom House, 2015). According to Freedom House, Bangladesh had a Freedom Index score of 3 in 1995 while its current score is 4; 1 being most free and 7 least free in the scale. While many studies have explored economic and social impact of remittance inflow in Bangladesh, there are no studies that have looked into the effects into political arena. The objective of this study is to investigate impact of remittances on democratic politics of Bangladesh at the local level. We found that there is some evidence, although tenuous, to support that higher remittance income positively influences anti-incumbency among the electorate at local level politics in Bangladesh.

Political Economy of Remittances

Social scientists have proposed and worked with different causal mechanisms associated with the political consequences of emigration and remittances; these diverse mechanisms sometimes strengthen each other's effects, sometimes act in cross-purposes. Kapur (2014) presents a framework of four channels through which international emigration affects the country of origin; prospective, absence, diaspora, and return. The prospective channel describes how expectations of emigration affect current behavior of citizens. For example, in politics, expectation of emigration may affect investment and participation in local government.

Goodman & Hiskey (2008) found that during periods of increasing migration, people from high-migration municipalities appeared to be less politically engaged than their counterparts in towns with a smaller incidence of migration. The absence channel details effects of absence of people in migrating regions. Researchers have looked into various issues such as, whether absence of skilled individuals weakened institution building in sending countries (Kapur, 2014). Also, whether lower institutional quality compel potential institutional builders to leave and thus create a vicious circle? Researchers also have found that repressive governments use emigration as a useful safety valve by encouraging large number of youth to leave the country and thereby relieve political tensions in critical regions of the country (Castles & Miller, 2009).

The diaspora channel captures the effects on the country of origin from the people living in multiple political settings throughout the world. While the focus of the diaspora effect has been on the substantial financial contributions of remittances, diaspora can have direct social-political impacts on home country also (Kapur, 2014). Many countries allow the diaspora to vote directly in national elections. Diaspora can try to influence politics in country of origin through financial contributions to political parties, candidates, or activist and advocacy groups. More importantly, diaspora can affect politics by providing new ideas or reinforcing political ideologies. An important diaspora phenomenon that has attracted lot of interest in recent years is long-distance nationalism (Kapur, 2014) of diasporic communities. The return channel of emigration influences work on people who return to home countries. They come back with human capital, financial resources, new connections and new ideas and expectations. Researchers have found that returnees affect politics in their home countries but it depends on where they augmented their human and financial capital. Spilimbergo (2009) found that foreign-educated individuals promote democracy in their country of origin but this pattern is conditional on their education being acquired in democratic countries. Riaz (2010) pointed out that returning South Asian workers from Middle East Gulf countries brought more conservative version of Islam and social values with them and significantly influenced society and politics of rural communities.

The financial inflow in form of remittances income has been compared akin to unearned income in that it does not require active economic participation of domestic constituents (Ahmed, 2012). Several studies have found that, unearned foreign income, like resource income from mineral resources, lead to lower institutional quality and stabilization of autocratic governments. Social scientists have argued that remittances reduce political engagement of domestic

constituents because they rely more on family income and less on the state to satisfy needs (Ahmed, 2012). Moreover, remittance income is usually countercyclical to domestic economy. Thus, they insulate earning households from economic shocks and may reduce dissatisfaction with the incumbent regime and forestall political change (Escriba-Folch, 2015). More authoritarian and less accountable governments exploit this foreign-income effect on households by diverting welfare expenditure to patronage networks (a substitution effect) and thereby strengthen its survivability (Ahmed, 2012).

On the other hand, social scientists have also argued that remittance differs from foreign aid or natural resources because it is a direct private transfer from people to households and therefore its effect on society and economy is different (Escriba-Folch et al., 2015). Politically, this direct transfer can erode electoral support for incumbents in party-based regimes by undermining patronage networks of buying support through the delivery of goods and services to individuals. Escriba-Folch et al. (2015) discuss three socio-political mechanisms of remittances, income effect, contentious mobilization, and social learning, that can foster political change and democratization in recipient countries through incumbent turnover in dominant-party regimes.

The Income Effect of remittance is the direct private transfer from people to households and rise in the income and purchasing power of recipient households. This income effect makes recipients less dependent of government's clientelistic network and thus more open to political change. Using municipal elections data in Mexico, Pfutze (2012; 2014) tested both social learning and income effect mechanism of remittances but he found support only for Income effect in that remittances reduced turnout for the ruling Partido Revolucionario Institucional (PRI) in municipalities where the PRI was entrenched for a long time. Similarly, Diaz-Cayeros (2003) showed that higher remittance is associated with defection from the PRI and voting for the opposition. Contentious mobilization acts through financing political activity of opposition who are less able to tap into the domestic resources than incumbents. This makes organization and mobilization of competitive opposition more feasible. Cross-country research has found that emigrants send more money home at election time in developing countries, especially during multiparty contests (Escriba-Folch et al., 2015). However, these studies do not make clear whether the money disproportionately finances the incumbents, the opposition, or other types of groups. Thirdly remittance channel is also a vehicle for "social remittances" which entail flow of ideas, values and behaviors. Migrant workers experience more developed society and

infrastructure at their destination countries and they become less satisfied with the social, political and economic developments at home. Pérez-Armendáriz and Crow (2010) found that having migrants in familiar circles—whether friends or relatives—increases political participation as well as dissatisfaction with incumbents in Mexico.

Proponents of remittance supporting democratic change also argue that these political effects are likely to be more pronounced in Dominant-party regimes rather than straight autocracies (Escriba-Folch et al., 2015). Dominant party regimes are defined as semi-autocratic regimes in which "a party organization exercises some power over the leader at least part of the time, controls the career paths of officials, organizes the distribution of benefits to supporters, and mobilizes citizens to vote and show support for party leaders in other ways" (Geddes, 1999). The important feature of dominant party regimes is that although political opposition exists in the system, such opposition has little or no prospect of any election-induced turnover in the national government in the near future (Giliomee, 1998). These regimes rely on distribution of patronage to gain wider support than autocracies and tend to hold local level elections regularly. Therefore, the salutary effect of remittances on democratization should be more pronounced at local levels in dominant party regimes that hold local elections that are somewhat freer and fairer than national elections. Several studies have already found evidence of effect of remittance on anti-incumbency in local democracy in 'partly-free' countries like Mexico (Phutze, 2012) and Philippines (Rother 2009).

Remittance and Democracy in Bangladesh

According to World Bank online database, in 1990 Personal Remittances income in Bangladesh as percentage of GDP was 2.5%; after years of steady increase it stood 10.7% in 2012. Bangladeshi scholars have been studying social and economic effects of this significant income flow. Studies on the macroeconomic impact present a mixed picture about contribution of remittances. Paul and Das (2011) found a long-run positive relationship between remittances and GDP, but no evidence on remittance-led growth in the short run. Rao and Hassan (2012) on the other hand found no significant contribution of worker remittances to per-capita income growth. Analyzing the period 1974-2006, they found a non-linear relationship between remittance flows and per-capita GDP of Bangladesh; the growth effect of remittances is negative at first but becomes positive at a later stage. They speculate that this could be due to unproductive use of remittances in earlier periods of income and then more productive utilization later.

Siddiqui (2004) also noted that while migrant workers spent disproportionately on consumption previously, from the 1990s onwards their families invested significant amount in health, education, land purchase and financing migration of other family members.

While influences of remittances on Bangladesh society and economy have generated lot of research interests, to date no study has looked into political effects of remittances. In many ways, Bangladesh presents a good field of study for impact of emigration and remittances on politics, especially on local level democracy because there is wide regional variation in remittance income.

In Bangladesh remittance income disproportionately accrues to non-metropolitan and rural population and there is widespread disparity in regional distribution of emigrant working families. Bangladesh Central Bank statistics shows that during the period 1998-2010 more than 72% of the remittance flow came from Middle Eastern countries and Malaysia (Mamun 2010). Workers going to these countries overwhelmingly comprise of unskilled and semiskilled, rural men. Information from BMET- Bangladesh Bureau of Manpower Employment and Training (2015) show that during the period 2005-14, more than 35% of the emigrant workers came from just 5 of the 64 districts of Bangladesh.

Political scientists have argued that evolution of a rent-distributing clientelism that operate within and outside of state institutions, have underpinned the changes in political system of Bangladesh since its birth four and a half decades ago (Khan 2013). Lewis (2011; p 107) termed Bangladesh as a "Patron State" where 'loyalty to the ruling party trumps any real investment in state activity other than its use to further the interests of the party in power, thus contributing to the slowness of capitalist development'. Khan (2013) characterized the political system until 1990 as an "authoritarian clientelism" where the dominant coalition in power selectively included enough political organizers so that the threat of instability and violence is minimized. Dissatisfied political entities can organize outside the ruling coalition but near-complete control of state apparatuses by the dominant coalition mean that outsiders have little hope of turning over the hierarchy of power at the national level.

According to Khan (2013), a system of "competitive clientelism" became the order of politics after 1990 where the dominant coalition no longer had total control of the rent-distributing network but retained control over important and major sources of rent. Moreover, because of a third-party arbitration by 'Caretaker Government' during election times, there was realistic possibility of turnover at the central control of rent distribution and political organizers outside the dominant coalition could

patiently wait for their turn in power. But the system reverted to authoritarian clientelism when the ruling Awami League led government dispensed with the Caretaker Government system in 2011, held a national election in January, 2014 and established near-complete domination of government and state. According to *The Economist*, the ruling government "has continued to capture the courts, silence media critics and tinker with the constitution to perpetuate its rule" (*The Economist*, 2014). Riaz (2014) argued that while Bangladesh consistently had mediocre-to-poor record on all indices of liberal democracy except electoral competitiveness, the opposition-boycotted and ruling party-controlled national election "brought the country to the verge of de facto one-party authoritarianism". Continuously in power since 2008, the current regime in 2014 can thus be characterized as a dominant party regime because of sustained monopolization of patronage-network and state power.

Several local elections have taken place in Bangladesh during the current regime, including one countrywide local government election in 2014, the Upzila Elections. Although overall fairness of these elections has been called into questions, some of these elections showed significant incumbent turnover and were deemed democratically competitive by political observers (Dhaka Tribune, 2014). We have seen that political economy theorists have hypothesized about remittances having more pronounced effect in local democracy of clientelism-based, dominant party regimes. Since remittances flow to Bangladesh is unevenly distributed across regions, an interesting political economy problem is that whether we can distinguish any differential effect in political change at these local-level elections that can be attributed to remittances.

In this paper, we sought to find empirical evidence of causal link between remittance income and democracy at local-level politics in Bangladesh. Following the research of Escriba-Folch (2015), Diaz-Cayeros (2003), (Phutze 2012), (Rother 2009), we take incumbent turnover as the dependent variable. From the previous discussion of the three socio-political mechanisms; income effect, contentious mobilization, and social learning, we identify variables that constitute and affect these mechanisms in Bangladesh's context. These variables can lead to more demand for democratic accountability at the local level and more incumbent turnover in local elections.

According to literature, these variables should include, level of per-capita remittance income, overall per-capita income, strength of political patronage networks, proportion of ex-immigrants in population, level of education, employment, historical political preference, and others. Our main explanatory variables

of interest are remittance income and emigration level. For control variables, we consider per-capita Income, education level, employment rate and party preference. There are many other variables affecting turnover at local elections but we think these variables are more significant for the mechanisms described above. Also, we couldn't find reliable upzila-level data for other variables, their proxies or their appropriate instruments. Therefore, our test hypothesis is as follows,

Hypothesis: *Local government elections in Bangladesh will show higher turnover of incumbent party in areas with higher emigration and higher remittance income when controlled for party preference, income, unemployment rate and education level.*

Data and Empirical Method

To test our hypothesis, we estimate the effect of explanatory variables on incumbent turnover in the first three stages of the 2014 Upzila Elections. Since our objective is investigating probability of incumbent turnover in a dominant party regime, we are going to use a generic Probit model of estimation. There are several reasons for selecting only first three phases of 2014 election. Before laying out the reasons we need to have few words on the political and administrative context of upzila elections.

Administratively Bangladesh is divided into seven divisions, which are composed of 64 districts. The 64 districts are subdivided in 488 upzilas. Upzilas are the most important unit of local administration and politics. Bangladesh national politics map is composed of 300 parliamentary constituencies; each constituency has one or more upzilas inside. The first upzila elections were held in January 22 and April 6 of 2009. But we have decided not to include these election results for our analysis for two reasons. First, the 2009 Upzila Elections were held immediately after the December, 2008 National Parliamentary Elections in which the current incumbent party won an overwhelming victory. Until a couple of months before that election, Bangladesh was governed by a military-backed caretaker government during which all kinds of political patronage networks in rural and urban areas were severely disrupted. Thus, we can safely conclude that the party of the newly installed government did not have enough time to develop and spread patronage networks in the few months. Secondly, the 2009 Upzila elections were marred by low turnout of voters and allegations of widespread rigging (Liton and Islam, 2009). Immediately held after the national elections in which opposing parties took a heavy drubbing, opposition contest in the Upzila elections 2009 was half-hearted and scanty. The incumbent party AL won 316 out of 473 upzilas where election was held.

The second Upzila elections were held in five phases from February to June 2014. This time the incumbent party AL was in power for more than five years and had ample time to develop the characteristic patronage networks throughout the country. The party and its patronage network dominated politics and administration of nearly all upazilas of the country. The regime and political environment of Bangladesh in 2014 render it very close to the 'dominant party regime' discussed in literature (Riaz, 2014). Also, the first three phases of the Upzila elections, in which 294 of the 488 Upzilas held elections, were regarded by observers as overall freely-participated by voters with only sporadic irregularities. The later phases of the elections were discredited by observers because of widespread irregularities and voter intimidation (Dhaka Tribune, 2014b). Therefore, we can regard the first three phases generally representing people's democratic preferences. We now describe operationalization of the variables.

Incumbent Turnover: In the first three phases, elections were held in 294 upzilas, but results in some of those elections were withheld for irregularity. We are taking results of 261 upzilas where elections were deemed regular and acceptable as our data sample. We have also excluded upzilas in the three Chittagong Hill-Tracts districts because we reasoned that the ethnic and political dynamic of those regions are markedly different from rest of the country. The 261 upzilas are spread more or less evenly throughout the country; 57 of the total 64 districts are represented. The ruling AL won 111 out of these 261 upzilas (42.5%) in 2014 (Dhaka Tribune, 2014c). Since our main interest in Incumbent Turnover in Local elections, we are regarding AL as the incumbent in the dominant party regime. Thus, our Incumbent Turnover is a binary variable called Turn. Upzilas where AL won is termed as 1 and Upzilas where a party other than AL won is given a 0. Thus 0 means incumbent turnover while 1 mean incumbent reelected.

Remittance Income and Emigration: Our main explanatory variables of interest are remittance income and emigration at the unit (upzila) level. Unfortunately, we could not find any data on remittance income at district level let alone at Upzila level. But we can find district-wise number of people going overseas for employment purpose from Bangladesh Bureau of Manpower Employment and Training (BMET). The BMET website provides district-wise overseas employment numbers from 2005 to 2014 (BMET, 2015). The ten-year district-wise data shows that 5 of total 64 districts are very prominent in the overseas employment market. These districts constitute about 40% of the total overseas migration. Comilla tops the list (11.06%), followed by Chittagong (9.97%), Dhaka (4.52%), Brahmanbaria (5.18%), Tangail (5.08%). From the total number of emigrant workers in a district and its

population in the 2000 census we get emigrant workers per thousand for a district. We can assume that this ratio represents the upzilas constituting a district as well.

The BMET emigration numbers only reflect people who are going for overseas employment through official channels and do not account for skilled and high educated professionals who work abroad and send money back at home. But we still think that emigrant workers per thousand from BMET data is a good approximate index of both remittance income and emigration level for non-metropolitan areas for a couple of reasons. Diaz-Cayeros, Magaloni, and Weingast, (2003) argued that percentage of people in a municipality working abroad (international migration) is a good indicator of capital flows in the form of remittances sent by migrant workers back home. Moreover, the overwhelming portion of the remittance flow going into non-metropolitan area come from unskilled and semi-skilled labor emigrants who work in the Middle-East (Mamun, 2010).

We converted the emigration ratios into a categorical rank variable 1- 4 by quartile range. Rank 1 represents quartile of districts with lowest emigration level and rank 4 the highest quartile of emigrating districts. We used quartile rank rather than direct ratios because these ratios do not exactly represent emigration numbers and remittance income in an upzila, therefore using very fine-grained data rather than approximate coarse-grained data may give us misleading results. We adjusted ratios for districts with major metropolitan centers because these districts contain large cities with millions of people, thus biasing the ratio of emigration in the non-metropolitan parts downwards. Local elections take place in non-metropolitan areas and remittance income affect rural areas more than economically developed cities.

Party Preference: Clearly past political preference in elections has a large impact on a constituency's current voting. As we mentioned before, the only other Upzila election took place in 2009 where ruling AL won 317 of 473 upzilas and the voting was not regarded as free and widely participated. Bangladesh had national Parliamentary elections under caretaker governments in 1991, 1996, 2001 and 2008 (Amardeh, 2015). These elections were generally accepted as passing the threshold of democratic norms. A local region's voting record over these four elections spread over two decades should be reliable indicator of political preference of that region. Parliamentary constituencies generally consist of two or more upzilas. Unfortunately, we could not find upzila-wise voting information for these elections. We

therefore assumed that voting record of a parliamentary constituency reflects voting preferences of the upzilas inside the constituency too. Since we defined incumbent turnover in upzila elections as voting against Awami League, we defined Party Preference as a 0-4 numerical variable that reflects how many times an upzila voted for AL in the 1991, 1996, 2001 and 2008 elections. Thus a 0 score means least preference and 4 means maximum preference for the incumbent party AL.

Income, Employment and Education Rank: The mechanisms discussed earlier, show that in underdeveloped countries with dominant party regimes, higher income communities will be less dependent on the incumbent's patronage network and therefore will show more anti-incumbent preference. In the same way, the more poverty-stricken communities should be more dependent on incumbent patronage network and more susceptible to 'vote-buying' before elections. Educational attainment of an upzila should also affect incumbency in election through increased social and political awareness. Similarly, employment rate affects dependence on political patronage network. Again we could not find any district-wise or upzila-wise data on income, education or employment rate. Center for Policy Dialogue (CPD), a Bangladeshi think tank, published a paper in collaboration with The Bangladesh Agricultural Research Council (BARC), Local Government Engineering Department (LGED) and Bangladesh Bureau of Statistics (BBS) titled 'Geographical Concentration of Rural Poverty in Bangladesh' (CPD, 2004). The paper surveyed households in 425 upzilas according to measures in Poverty, Inequality, Education, Labor and Infrastructure. The paper ranked the upzilas in these indexes by quartiles, 1 be the top 25% and 4 the lowest 25%.

From the CPD paper we took Pov, Poverty Head Count Index (HCI_p) which counts percentage of poor households as a rank order of Poverty and Aduldedu, which ranks according to average years of schooling for adult household members. We also assumed Poverty rate as a proxy measure of employment rate because rural poverty is often highly correlated with rural unemployment level. But we reversed the rank order in the CPD survey, 1 is the lowest quartile and 4 is the highest quartile. Thus 1 represents highest quartile of poverty incidence and lowest quartile of adult educational attainment.

To recapitulate, our dependent variable is Turn, a binary variable. Explanatory variables are RemitQ a 1-4 categorical rank variable, PP (Party Preference) a 0-4 numerical variable, Pov and Aduldedu are two 1-4 categorical rank variable.

Table 1: Summary Statistics of Variables

Variable	Type	Total, N	Mean	St. Dev
Turn	Binary	261	.421	.495
PP	Numerical, 0-4	261	1.78	1.18
RemitQ	Quartile, 1-4	261	2.42	1.12
Pov	Quartile, 1-4	243	2.44	1.09
Adultedu	Quartile, 1-4	243	2.44	1.09

Literature suggests that Remittance income has significant effect on local poverty, employment, education levels and vice versa because of the endogeneity of emigration and remittance with the social indicators. Therefore, this model specification would be highly susceptible for multicollinearity of dependent variables. Following is the correlation matrix of Poverty, Adult Edu and Remittance,

Table 2: Correlation matrix of Remittance, Poverty and Adult Education

	Poverty	Adult Edu	RemitQ
Poverty	1		
Adult Edu	0.7773094	1	
RemitQ	0.22681	0.20294	1

We can see that although Poverty and Adult Education are highly correlated, there is not high correlation between Remittance and the other two variables. Therefore, for now, we persist with the simple model without treatment for multicollinearity. So, our model specification is,

$$T_i = c + \alpha R_i + \beta C_i + \varepsilon_i$$

Here T is the turn variable, R remittance and C control variables.

Results and Analysis

We used a probit model to estimate the effect of explanatory variables in election turnover. First we ran a probit regression with only remittance and party preference as dependent variable (Table 3). Then we ran probit again adding Poverty and Adult Education as control variables (Table 4). The results are shown below.

Table 3: Determinants of Incumbent Turnover; Remittance and Party Preference

Probit regression		Number of obs = 261	LR chi2(4) = 26.72
Log likelihood = -164.31771		Pseudo R2 = 0.0752	Prob > chi2 = 0.00
Turn	Coefficient	Std Err	Z
PP	.3527788 ***	.0726821	4.85
RemitQ			
2	-.3727558	.2331701	-1.60
3	-.2053769	.2446457	-0.84
4	-.1527999	.2322177	-0.66
_cons	-.6496813 ***	.2053553	-3.16
			P> Z
			0.000
			0.110
			0.401
			0.511
			0.002

Table 4: Determinants of Incumbent Turnover; Remittance, Party Preference, Poverty and Education

Probit regression		Number of obs = 243	LR chi2(10) = 34.68	
Log likelihood = -147.62057		Pseudo R2 = 0.1051	Prob > chi2 = 0.0001	
Turn	Coefficient	Std Err	Z	P> ZI
_cons	-.6663223***	.2514225	-2.65	0.008
PP	.3102494***	.077788	3.99	0.000
RemitQ				
2	-.2855926	.2573931	-1.11	0.267
3	-.1264368	.254995	-0.50	0.620
4	-.1159221	.2624424	-0.44	0.659
Pov				
2	-.4146819	.2874283	-1.44	0.149
3	-.5432804*	.3478138	-1.56	0.091
4	-1.081343***	.4149522	-2.61	0.004
Adedu				
2	.4978917*	.2765548	1.80	0.072
3	.4680393	.3501813	1.394	0.181
4	1.067437***	.4004057	2.67	0.008

From the first estimation without control variables, we can see that going upward in a remittance quartile 2 upzila from a quartile 1 upzila decreases the probability of returning the incumbents (Probability of Turn=1) by Z-score of -.2857785 when controlled for previous party preference. This result is very nearly significant at 90% significance level (. In the same way remittance quartile 3 versus quartile 2 decreases probability of incumbent return by Z-score of -.1366711 and quartile 4 versus quartile 3 decreases z-score by -.1221092. The results are not very significant due to large standard errors. But we can consistently see that coefficients for remittance are negative. The Likelihood Ratio Chi-square of 26.2 with p-value of .001 show that the model overall is statistically significant, i.e., it is better than a model with no predictors.

When we add the control variables for poverty and adult education we see similar results but with larger standard error. The coefficients for remittance are consistently negative but they are not significant. Therefore, the results only very weakly support the hypotheses that higher level of international labor emigration decreases the likelihood of incumbent return in Bangladesh local elections. There are several reasons that can explain the very weak support for the hypotheses. First, although we have used emigration per

thousand populations as a measure for both emigration and remittances, their effect on democratization may not be completely complementary. We have seen theories and evidence suggesting that high emigration can lead to less political engagement (Goodman & Hiskey, 2008). Moreover, although the three mechanisms propose positive effect of remittance on incumbent turnover, there are disagreement (Ahmed 2012) on that causal link also. More importantly, the measures we have used for remittance, party preference use very coarsely granular data. They do not capture upzila-wise information very faithfully because there is considerable variation in these measures within districts and parliamentary constituencies. Party preference of a constituency do not often reflect preference of upzilas as there are considerable variation in upzila election results within many constituencies.

We get a very curious result from Poverty and Adult education variables. We see that as we go up in the quartile rank of Upzilas according to poverty, less poor Upzilas are significantly less likely to return the incumbents to power. This directly supports hypotheses that income increases anti-incumbency in local democracy. But we see the reverse results from educational ranking. We see that upzilas with more educated adults are significantly more likely to return

incumbents to power. This may reflect a particular socio-political dynamic playing in Bangladesh, problem with data or something else. But investigation of effects of social variables on politics in Bangladesh is a relatively unexplored research area.

Conclusion

We discussed causal mechanisms through which high level of remittance flow into a developing country like Bangladesh could affect the local-level democratic politics of recipient communities. From discussion in the literature on political economy of remittances, we proposed that current Bangladesh political system is analogous to a 'dominant party regime' and therefore society and politics at local level are particularly amenable to effects of direct remittance flow. We then looked for evidence of democratizing effects of remittance and emigration in Bangladesh from the results of upzila Elections of 2014.

A probit model was estimated to determine the probability of incumbent turnover at the upzila elections. We found that, when controlled for electoral history of party preference of an upzila, higher level of emigration and remittance increases the probability of incumbent turnover, although the coefficients are not very significant. A similar positive probability of incumbent turnover with remittance flow was found with additional specification of social variables poverty and adult education into the model but the effect became still less significant. We think that coarse granularity of the data is one of reasons why the estimated effects were not found to be significant. Moreover, existing theory is not clear and conclusive about the effect of remittance and emigration on democratization in developing countries.

Since reliable, long-term and fine-grained data on politics, economy and society at the regional level is hard to come by in Bangladesh, we think randomized survey of households can offer more significant evidence for effect of remittance. Such a study would show whether citizens from remittance-receiving households have markedly different political views and voting history from citizens without remittance income. We also need more detailed economic analysis of how remittance flow affects clientelistic networks in local politics of Bangladesh. As a preliminary study of political effects of remittance in Bangladesh, this paper opens ground for investigating a very important part of Bangladesh's political economy. With nearly \$15 billion worth of annual foreign remittance, comprising more than 10% of GDP, that is mostly flowing into the non-metropolitan economy of Bangladesh, the evolving local politics of Bangladesh will be increasingly affected by this remittance income.

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Examining the progress towards sustainability in the Bangladesh RMG sector in the aftermath of the Rana Plaza tragedy

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Abstract

The devastating collapse of Rana Plaza in 2013, which cost 1,136 lives, brought Bangladesh in sudden unwanted limelight and posed an ominous question about the sustainability of its Ready-Made Garments (RMG) sector. However, as part of the rapid response in the tragic aftermath, 3,632 RMG factories have been inspected as of 2015. Among these, 1,549 factories have been inspected by the National Tripartite Plan of Action (NTPA) undertaken by the Government of Bangladesh with support from the International Labour Organization (ILO). The remaining 2,083 factories have been inspected by the two initiatives representing international brands and retailers viz. the landmark Bangladesh Accord and the Alliance for Bangladesh. This study explores the process and the number of Corrective Action Plans (CAP) and Detailed Engineering Assessments (DEA) conducted by the two international initiatives and the challenges of the remediation. It also takes a look into the Better Work Bangladesh program designed to improve working conditions and promote competitiveness in the global RMG sector.

1 Introduction

Bangladesh is the second largest exporter of RMG products in the world, which has enjoyed phenomenal growth over the past few decades. More than 80% of Bangladesh's total export earnings come from the RMG sector, which employs more than 4 million workers in its 4,328 factories. The EU, Canada and the US imported over US \$28 billion worth of RMG products from Bangladesh in 2016. The EU is Bangladesh's largest export market for RMGs followed by the US. The EU and US account for 75% of RMG exports from Bangladesh (BGMEA, 2016). However, the fire related accident in Tazreen fashion in November 2012 resulting in the loss of 112 lives and the devastating collapse of Rana Plaza in 2013, which cost 1,136 lives, brought Bangladesh in sudden unwanted limelight and posed an ominous question about the sustainability of its RMG sector.

The international outcry following the tragic events, particularly the Rana Plaza tragedy, resulted in commitment by western buyers to extensive inspection of the apparel factories to ensure the safety of their workers. It was obvious that business cannot be conducted as usual and massive efforts should be made to implement a system that ensures workers' health and safety, achieves an acceptable level of working conditions and empowers the workers. However, it is

easier said than done. Bangladesh lacks proper infrastructure and worker training capacity, and moreover lingering political unrest creates roadblocks hindering any initiative for development in any sector. Given this situation, the Government of Bangladesh (henceforth GOB) asked for assistance from ILO to combat the situation and to implement a system to achieve and maintain a number of goals critical for the sustainability of the RMG sector (ILO, 2016). As part of this initiative, both public and private sectors have joined hands to inspect 3,632 RMG factories as of December 31, 2015. The GOB, with support from the ILO, launched the National Tripartite Plan of Action (NTPA) that covered the inspection of 1,549 factories; and Bangladesh Accord and Alliance for Bangladesh, two initiatives that represent international brands and retailers, covered the inspection of the remaining 2,083 factories.

This study explores the process and the number of Corrective Action Plans (CAP) and Detailed Engineering Assessments (DEA) conducted by Bangladesh Accord and Alliance for Bangladesh and the challenges of the remediation. The article also takes a look into the Better Work Bangladesh program designed to improve working conditions and promote competitiveness in global RMG sector. The rest of the article is organized as follows: section 2 briefly discusses the National Tripartite Plan of Action on Fire

and Safety; section 3 provides a short narrative on the history and objectives of Accord and Alliance; section 4 provides the status of CAPs and DEAs conducted for fire, electrical and structural safety; section 5 describes the progress in remediation process; section 6 discusses the initiatives undertaken for worker empowerment and training; section 7 provides a short description about the Better Work program and the TREES program for resource efficiency; section 8 describes several formidable challenges that still remain in the RMG industry, and section 9 provides the concluding remarks.

2 Strengthening the National Tripartite Plan of Action on Fire and Safety (NTPA)

In the aftermath of the Rana Plaza tragedy, the ILO responded quickly and agreed to work with the GOB and employers’ and workers’ organizations to carry out urgent and medium-term actions. The NTPA was developed after the fire related accident in Tazreen Fashion encompassing three critical areas: policy and legislation, administration, and practical activities. The Rana Plaza collapse resulted in the signing of a joint statement of the partners involved in the NTPA (government, workers and employers) covering broader areas for action (Ministry of Labour and Employment, 2015). It identified critical areas for action such as the assessment of structural integrity of RMG factories, labor inspection reforms, occupational safety and health, rehabilitation and skill training and the launch of a new initiative named Better Work Bangladesh (ILO, 2016).

3 The Birth of Accord and Alliance

Two of the biggest upshots in the aftermath of the Rana Plaza tragedy were the formation of the two international initiatives, the Accord and the Alliance, representing international brands and retailers. The Accord is formed by European companies, while the Alliance is an agreement formed by its North American counterparts. Both agreements are legally binding and aim to improve

health and safety measures and ensure worker empowerment. However, while the Accord works with trade unions, the Alliance does not include the trade unions as part of its process.

3.1 Formation of Accord

Two global unions viz. IndustriAll and UNI Global and more than 150 international brands and retailers and trade unions signed a five-year independent, legally binding agreement designed to ensure health and safety measures in the RMG sector on May 15, 2013 (Bangladesh Accord Secretariat, 2015). The landmark Bangladesh Accord Foundation was incorporated the same year in the Netherlands. The agreement contained six key factors:

1. A five-year legal agreement between brands and trade unions to safeguard worker safety in the RMG sector.
2. An independent inspection program carried out by brands. The trade unions and workers are also involved.
3. Public disclosure of the list of sourcing factories, inspection reports and Corrective Action Plans (CAP).
4. A commitment to ensure availability of sufficient funds to carry out the remediation process.
5. Formation of health and safety committees in all related factories to identify and mitigate health and safety risks.
6. Ensure worker empowerment through extensive training and implementing a complaint mechanism ensuring the right to refuse in unsafe working condition.

The three programs carried out by the Accord are:

- Inspection
- Remediation
- Worker participation and training

As per the agreement by Accord, company signatories promise to disclose their supplier factories. The publicly available list is updated every month (Bangladesh Accord Secretariat, 2015).

Table 1: Key Information Included in Public Disclosure

<ul style="list-style-type: none"> ○ Factory name and address ○ The number of stories of each structure ○ If a building includes multiple apparel factories ○ If a building accommodates other types of businesses ○ The number of workers in each factory ○ The number of Accord Company signatories in each factory

Source: Bangladesh Accord Secretariat (2015)

3.2 Formation of the Alliance

On July 10, 2013, the Alliance for Bangladesh Worker Safety was established by 26 North American retailers and brands. Similar to the Accord, the Alliance is a legally binding and five-year agreement to improve worker safety in the Bangladesh RMG sector. The vision of Alliance is to improve worker safety in the RMG industry by upgrading factories, educating workers and management, empowering workers, and building institutions that can enforce and maintain safe working conditions throughout Bangladesh (Alliance for Bangladesh Worker Safety, 2015). The five strategic areas/programs for Alliance include:

- Standards & Inspections
- Training
- Remediation
- Worker Empowerment
- Sustainability

4 Inspection process

All factories producing for Accord and Alliance signatory companies are subject to independent

inspections on:

- Fire
- Electrical
- Structural safety

Factories are inspected against the established building standards, which are largely based on the Bangladesh National Building Code and the agreement made by the ILO between the Accord, NTPA, and Alliance (Ministry of Labour and Employment, 2015).

4.1 Corrective Action Plans (CAP)

After the factories are inspected for fire, electrical and structural safety, the inspection reports are prepared and shared with factory owners, the signatory companies of Accord/Alliance and also worker representatives. The factory owners and the company signatories then work together to develop a Corrective Action Plan (CAP) that includes the following:

- The remedial actions to be taken
- The specified timeline within which it will be completed
- A financial plan to carry out the process

Table 2: Common Safety Hazards Reported in Published CAPs

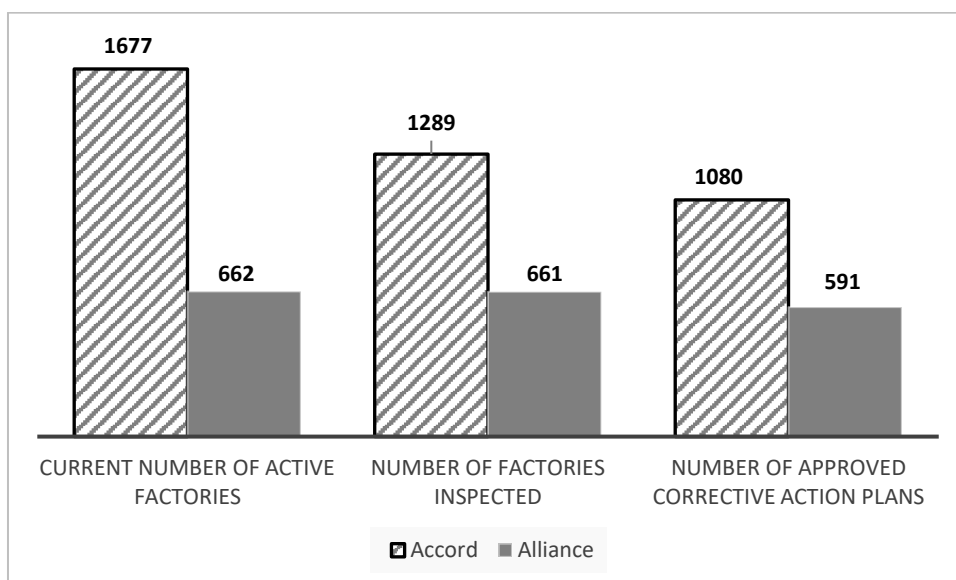
<ul style="list-style-type: none"> ○ Lack of certified fire doors in stairwells ○ Inadequate automatic fire alarm system ○ Inadequate fire separations and protected exits ○ Loose electrical connections and inadequate earthing system ○ Accumulation of dust and lint on electrical wiring ○ Negligence toward electrical systems ○ Lack of accurate structural drawings ○ Lack of plans to avoid excess weight in certain parts of the building

Source: Bangladesh Accord Secretariat (2015)

Table 3: Factory Status Designation on CAP

	Accord		Alliance
Completed	All issues identified in the Accord CAP have been resolved and verified by the Accord engineering team.	Completed	Factory has completed initial Alliance Requirement.
On Track	The CAP is in implementation and all agreed timelines are being met.	On Track	Progressing adequately with Alliance Requirement.
Behind Schedule	The CAP is in implementation, but some timelines have not been met.	Needs Intervention Critical	Falling behind or refusing to Alliance Requirement. At risk of being removed from Alliance compliant factory list based on lack of progress with Alliance Requirement.

Sources: Bangladesh Accord Secretariat (2015) and Alliance for Bangladesh Worker Safety (2015)



Source: Bangladesh Accord Secretariat (2015) and Alliance for Bangladesh Worker Safety (2015)

Figure 1: Accord vs. Alliance – A Snapshot

Table 4: Status of Corrective Action Plans in Accord and Alliance

	Accord		Alliance	
	Number	Percentage	Number	Percentage
CAP not implemented	12	1%	0	0%
CAP not finalized	243	15%	73	11%
CAP behind schedule	1,346	81%	557	84%
CAP on track	58	3%	25	4%
CAP completed	2	0%	6	1%

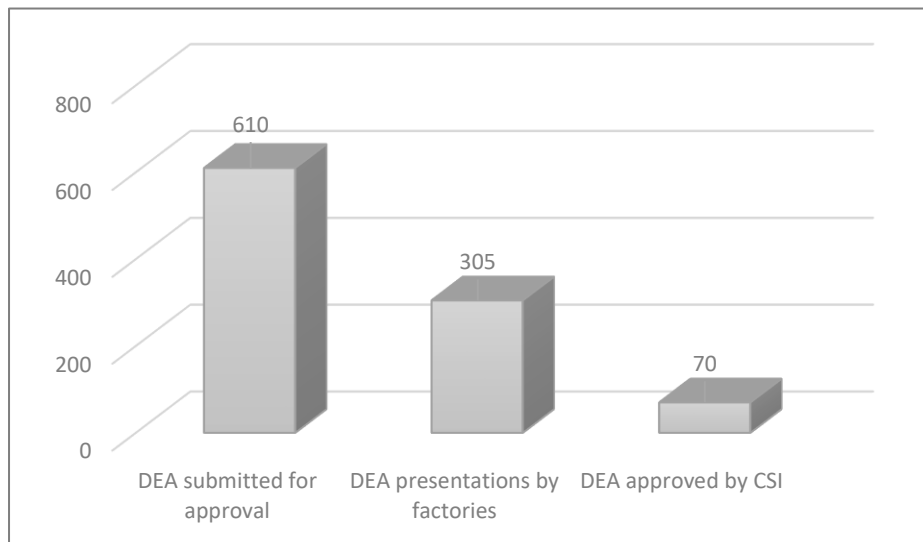
Source: Bangladesh Accord Secretariat (2015) and Alliance for Bangladesh Worker Safety (2015)

The inspection process under the two initiatives has seen significant progress in terms of the total number of factories inspected and the total number of approved CAPs. As of November 2015, 76% of 1,677 factories covered by Accord have been inspected and 65% of CAPs have been approved by Accord. As of September 2015, 100% of 662 factories covered by Alliance have been inspected and almost 90% have been approved. However, the remediation phase has shown slower than expected progress for both initiatives. Figures presented in Table 4 show that about 95%-96% of the factories in both Accord and Alliance programs are either in the CAP Behind Schedule or Not Finalized category. However, a CAP is marked Behind Schedule even if just one item fails the specified deadline for correction. For that reason, even if factories are behind schedule that does not necessarily imply that no progress has been made. In fact, more than half of all factories Behind Schedule have more than 50% of the CAP issues

pending verification or verified (Ministry of Labour and Employment, 2015).

4.2 Detailed Engineering Assessment (DEA)

If initial inspection of a factory building indicates any potential structural weakness, more in-depth structural Detailed Engineering Assessment (DEA) is required for all parts of the building. A qualified structural engineer hired by the factory conducts the DEA. The DEA involves preparing as-built drawings, conducting engineering tests like sampling and testing concrete strength, assessing actual loading, preparing load plans and developing retrofitting drawings. The DEA is then submitted to Accord/Alliance for review. Usually it is a repetitive process and may require 2 or 3 reviews and presentations before the approval takes place for further work (Ministry of Labour and Employment, 2015).



Source: Bangladesh Accord Secretariat (2015)

Figure 2: Detailed Engineering Assessment – Accord (November 2015)

The DEA process has improved over time as engineers are gaining valuable experience in the complex technical discipline. However, a few bottlenecks still remain in the process that pose significant challenges. The biggest challenge faced in the initial stages of the DEA process is to find experienced structural engineers to carry out the DEAs. Another challenge is a long waiting time for concrete tests to be conducted in the authorized testing laboratories.

The figure above shows that 610 DEAs have been submitted for approval and so far, 70 have been approved by the Chief Safety Inspector (CSI).

Although Alliance requests its factories for DEAs and structural drawings for approval before beginning the remediation process, it has not yet reported the number of DEAs submitted for approval.

4.3 Fire Design and Drawing

The inspection may require a factory to install fire protection systems, such as fire alarm systems, automatic sprinkler systems and hydrant systems. These designs need to be approved by Accord/Alliance prior to installation.

4.4 Review Panel Submission

If the inspection team identifies a severe and imminent risk of structural failure, Accord and Alliance need to submit their inspection results to the GOB's Review

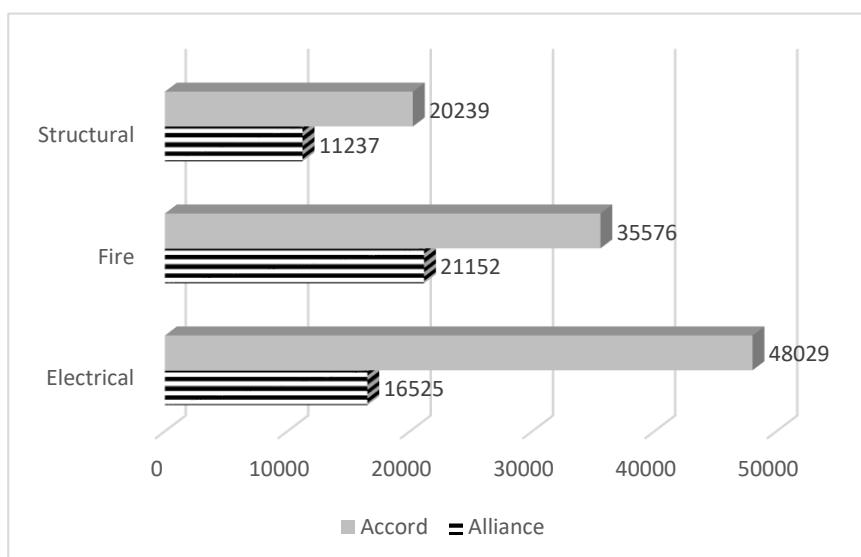
Panel. The Review Panel team consists of 4 engineers – 1 from Accord, 1 from Alliance, and 2 from GOB or Bangladesh University of Engineering Technology (BUET). It is the job of the Review Panel to determine if a building needs to be evacuated or suspended due to weak structural integrity of a factory building (Ministry of Labour and Employment, 2015).

5 Remediation process

Once the CAPs are in place, the remediation process is started. Engineers from Accord and Alliance conduct Remediation Verification Visits (RVV)/Follow-up Inspections as part of the remediation process. The objective of these visits is to validate progress reported by factory managers and to make sure that the remediation efforts match the standard set by Accord and Alliance. Once a factory reports that all issues have been corrected, an independent contractor carries out the final inspection (Ministry of Labour and Employment, 2015 and Bangladesh Accord Secretariat, 2015).

5.1 Status of Safety Findings

The fire, electrical and structural findings from the inspections are the main components of the Corrective Action Plan. Figure 3 represents all reported findings in published CAPs (Alliance as of September 2015, and Accord as of February 2016).



Source: Bangladesh Accord Secretariat (2015) and Alliance for Bangladesh Worker Safety (2016)

Figure 3: Total Reported Findings by Accord and Alliance

Table 5: Follow Up Inspections – Accord and Alliance

Accord	Alliance		
Special inspections	163	Final inspection passed	6
Follow up urgent structural inspections	413	Final inspection process completed	8
Fire, Electrical and Structural Combined	918	2 nd follow up visit	17
		1 st follow up visit	528
		No follow up visit yet	102

Source: Bangladesh Accord Secretariat (2015) and Alliance for Bangladesh Worker Safety (2015)

5.2 Follow-up Inspections

Apart from the follow-up inspections for fire, electrical and structural issues to confirm the CAP implementation, one team of structural engineers inspects factories with major structural issues requiring immediate action. The objectives of the structural follow-up inspection are as follows:

- To verify if required immediate actions were taken
- To verify if the information provided in the DEA is correct
- To verify retrofitting work

The Accord also carries out special inspections in case of safety complaints and fire incident investigations. The Accord and Alliance carried out special inspections in response to a 7.9 magnitude earthquake in Nepal on

April 25, 2015, as the tremors were felt in Bangladesh.

After the follow up inspections, the engineers of Accord/Alliance generate a detailed report with the revised CAPs. This report is sent to the factory management, company signatories and union representatives. The revised CAP is published on the Accord and Alliance websites respectively which shows the progress status of each finding and includes any new findings.

If the Accord/Alliance engineers are not satisfied with the remediation process or find non-cooperation to meet the expectations, they issue a non-compliance letter to the factory, the company signatories and labor representatives. If no actions are taken following the letter or factories do not properly engage to make enough progress, those factories are required to be removed from the compliant factory list.

6 Worker Empowerment and Training

Both Accord and Alliance address worker empowerment and training through a number of initiatives. The subsections below briefly discuss how Accord and Alliance have undertaken several initiatives to ensure that workers and factory owners actively participate in such programs (particularly on health and fire safety) to create a safe work environment.

The Accord Team

Accord has a worker participation program with workers and factory owners. The objective of this program is to create a safe environment and to create a culture of ownership by empowering workers and supporting factory owners.

Accord has implemented a system to address safety concerns which are not properly handled at the factory level. Workers have access to this complaint mechanism. The job of the complaint handling team is to investigate and solve or facilitate issues regarding health and safety. If it is a technical complaint, Accord engineers are involved in the remedial process. The mechanism protects the workers from discrimination for submitting a complaint to Accord.

Accord also facilitates the election of safety and health committees in each factory that it covers to address the health and safety issues on a day-to-day basis.

The Alliance Team

The Alliance has started some comprehensive initiatives toward ensuring worker empowerment and training. It established the following:

- A labor committee consisting of local labor leaders has been established which advises on labor issues and labor engagement strategies.
- The establishment of a Worker Displacement Fund which pays 50% of worker salaries for up to 4 months when workers are displaced due to safety issues.
- The largest initiative for worker empowerment was the launch of “Amader Kotha” or “Our Voice” – a helpline for workers to anonymously report immediate safety concerns. As of September 2015, 414 factories have been covered and on average 1,700 calls were received per month.
- Alliance has trained 1.1 million workers under the Basic Fire Safety Training Program, which

until now is the largest training program on fire safety in Bangladesh.

- Alliance has launched a Security Guard Training program focusing on fire safety and the role of security guards in case of emergency. As of September 2015, Alliance has trained 13,800 security guards in 650 factories.
- Alliance has teamed up with the University of Texas Health Science Center in Houston in partnership with Dhaka University to carry out a comprehensive impact assessment of the safety training methods to measure their effectiveness and recommend improvements. The assessment concluded that knowledge and awareness has increased among the workers after participating in the Alliance training (PRNewswire, 2015).

7 Better Work Program and TREES Program

Better Work Bangladesh (BWB)

The Better Work is a joint collaboration between the ILO and IFC (ILO, 2016b). Its objective is to improve working conditions and foster competitiveness in the global garment industry. The Better Work Bangladesh program started its operation in Bangladesh in late 2014. The model’s ultimate objective is to encourage factories to take full ownership of compliance concerns. Each factory carries out a self-evaluation process with the guidance of enterprise advisors and then moves to the steps of creating factory improvement plans, identifying compliance deficiencies and the ability to resolve compliance issues. As of October 2016, it has introduced the Work Progress and Productivity Toolkit (WPT) project. The goal of this training project is to strengthen the competitiveness of the RMG sector through strategic interventions to enhance productivity, provide access to better jobs for female workers, strengthen the supply chain and improve working conditions. This program is implemented with joint collaboration with IFC and IPA (Innovation for Poverty Action) in certain factories in order to provide technical and soft skills training to female operators and managers to facilitate their career progression and foster productivity.

- As of October 2016, Better Work Bangladesh (BWB) has provided training to 1,677 participants on sexual harassment prevention, supervisory skills, financial literacy, maternity protection and work place cooperation.
- A total of 102 factories are currently in the program and more than 215,000 workers are employed by these factories.

TREES Program

There has been some progress in the environmental sector as well. Bangladesh Garment Manufacturers and Exporters Association (BGMEA), in partnership with GIZ Bangladesh, has started a new program, Towards Resource Efficiency and Environmental Sustainability (TREES) (Al-Muti, 2016). The program uses a cluster-based approach to improve environmental performance of the non-wet processing methods in certain member factories, and plans to extend the program to wet processing industries. One of the main objectives of the program is to motivate factory owners to adopt energy and resource efficient production technology.

- 28 factories have so far obtained LEED certifications, of which 10 have received platinum-level certification.
- Around 100 factories have registered to “Go Green” – a credit based system allowing projects to earn points for adopting eco-friendly policies and actions during construction phase and operational phase.
- The major motivational factor for factories to adopt more eco-friendly practices has been the emergence of a global market niche that values factories that adopt higher environmental standards.

8 Challenges

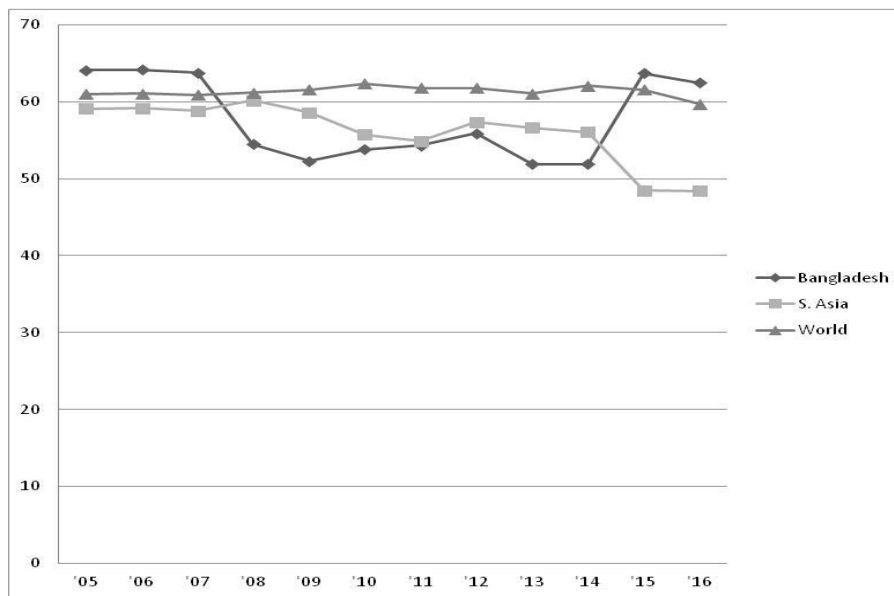
Despite the multi-faceted and comprehensive initiatives by Alliance and Accord along with the government led NTPA, formidable challenges remain in this sector, which need to be overcome to keep the efforts sustainable in the long run. This section briefly discusses some of these challenges.

A significant number of factories have failed to make progress on remediation within the specified timeline making the remediation process slower than expected. The slow pace of remediation progress can be attributed to a number of factors, such as the limited number of experienced structural engineers to carry out the DEAs; limitation of the government to enforce building regulations; absence of local manufacturers of fire doors, sprinklers or fire safety related accessories; low quality or counterfeit equipment and accessories, etc.

Frequent political unrest makes the day-to-day operations in RMG sector difficult and in some cases risky. The culture of confrontational politics in Bangladesh has exacted a heavy toll not only on the RMG sector, but also on the broader national economy. Several studies on the toxic impact of political instability have found that by creating an unfavorable economic climate and bringing about fear of an uncertain future in Bangladesh, political instability reduces the national savings rate by nearly 1.5%, causes about \$1 billion in annual capital flight, reduces foreign direct investment inflow by about 50%, and reduces GDP growth by about 0.9% (Quazi, 2012). Unless the political rivals make genuine efforts to mend their differences, the political culture of confrontation is likely to loom large on the country’s long-run horizon and the prospect of achieving the RMG sector’s full potential will remain an elusive dream.

Despite repeated efforts, unauthorized subcontracting has remained a continuing problem in Bangladesh, which is creating roadblocks in establishing an accountable and transparent RMG sector. Furthermore, the government led initiative NTPA has seen much slower progress in implementing the system of CAP and DEA. To address these issues, the country needs more extensive labor laws and strict enforcements (Ministry of Labour and Employment, 2015 and Bangladesh Accord Secretariat, 2015).

It should be noted that in the last few years, Bangladesh has made notable progress in terms of ensuring labor freedom. The *Index of Economic Freedom*, published by the Heritage Foundation and Wall Street Journal, ranks countries on the basis of their free market policies, including the labor market environment. The publication defines *Labor Freedom* as “a quantitative measure that considers various aspects of the legal and regulatory framework of a country’s labor market, including regulations concerning minimum wages, laws inhibiting layoffs, severance requirements, and measurable regulatory restraints on hiring and hours worked” (Heritage Foundation, 2016). The graph below (Figure 4) compares the *Labor Freedom* score of Bangladesh vis-à-vis its South Asian neighbors (India, Pakistan, Sri Lanka, and Nepal) and the world average. Since 2015, Bangladesh has outperformed its neighbors and the world average, a feat that it had achieved once before (2005-07).



Source: *Labor Freedom Index*, Heritage Foundation (2016)

Figure 4: *Labor Freedom* in Bangladesh vs. South Asia and the World

9 Concluding Remarks

The inspection process under the Accord and Alliance has seen significant progress in terms of the total number of factories inspected and the total number of approved CAPs. However, the remediation phase has shown slower than expected progress for both initiatives. The remediation process needs significant funding and long-term commitment to be successful. It is estimated that \$400 million is needed to carry out the CAPs under the Accord and Alliance supervision. International Finance Corporation (IFC) has approved \$10 million Global Trade Supplier Finance Program to assist the factory owners for the remediation process. However, IFC requires loan guarantees by retailers and majority of the buyers have not agreed yet to meet that requirement. The RMG manufacturers and the retailers should work with Bangladesh Government, foreign governments and development organizations to successfully finance the remediation process (Labowitz, 2014).

While both Accord and Alliance have launched programs for the enhancement of worker empowerment and training, the launch of “Amader Kotha” or “Our Voice” by Alliance has been a crucial and impressive addition – a helpline for workers to anonymously report immediate safety concerns. The largest training program on fire safety in Bangladesh by Alliance for 1.1 million workers was also a great achievement in preparing the workforce for future safety. These programs should be continued and well maintained to establish a culture of accountability.

Appropriate policies should be designed to remedy the limited availability of experienced structural engineers to carry out the DEAs and the absence of local manufacturers of fire doors, sprinklers or fire safety related accessories. For example, universities that offer programs in Structural Engineering should be provided with more resources for student enrollment and faculty development; local manufacturers of fire safety accessories should be provided with adequate support (e.g. tax rebates, easy credit financing, workers training, etc.); heavy penalties should be imposed on production and distribution of counterfeit fire safety accessories, etc.

Unauthorized subcontracting has become an established source in the RMG sector in Bangladesh as a means of increasing production capacity and profits (Morgan Stanley, 2015 and Labowitz and Baumann-Pauly, 2014). Obviously, this is a major obstacle for establishing an accountable and transparent RMG sector. If this shady practice is not brought under close scrutiny, further tragic events will be difficult to prevent.

The Bangladesh government needs to revamp its regulatory system and strictly enforce building and structural regulations. The Accord and Alliance only cover a fraction of the total RMG factories in Bangladesh. The remaining factories, many of which are unregistered, should be brought under the supervision of regular inspection to conform to established industry standards. The government should also work with the Accord and Alliance to complement each other through effective cooperation, which will enable all parties to achieve their common long-term objectives.

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Understanding the Economic Empowerment of Women: A Study of the Handicrafts Sector in the Chars and Surrounding Areas of Bangladesh

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Abstract

Bangladesh has made significant advances in the area of pro-poor growth and human capital development. This has been recognized globally and is reflected in our achievement viz-a-viz Millennium Development Goals (MDGs). However much work still remains, especially in the area of women's empowerment. This is critically important in remote areas where the benefits of economic growth have yet to percolate down fully. The present research focuses on the handicraft sector and potential economic empowerment that provides to the women artisans involved in the sector. The study was undertaken in northern char districts and other adjacent areas of Bangladesh. The paper uses logit model to estimate the impact of earning from handicraft on empowerment after controlling for other exogenous variables such as marital status, education and experience. The key finding of the paper is that there seems to be a statistically significant relationship between independent income earned through handicraft work and the economic empowerment of women.

Introduction

Bangladesh, as a Less Developed Country, faces some of the characteristic problems that are ubiquitous among countries in this group. Its economy is vulnerable and characterised by high population density, low natural resource base and prone to frequent disruption due to natural disasters like flood, cyclone, river erosion, drought, etc. The country is one of the most densely populated countries in the world with over 150 million people living in a land area of 56,977 square miles¹. Demographic trends indicate that this number will grow to around 220 million by 2050, threatening to outpace food production². Around 30% of people in Bangladesh cannot afford subsistence level of income thus residing below the extreme poverty line. Although in terms of poverty alleviation Bangladesh has made significant progress still there are around 47 million people living below the poverty line³. World Bank (2005) studies indicated that out of the 14 countries in the study, Bangladesh had the fourth highest growth rate (after Vietnam, India and Uganda), but only the seventh highest drop in the poverty rate. Rural poverty in particular remains very high, and the number of poor, in absolute terms, has actually increased over time.

Bangladesh also ranks in the top category in terms of the total number of disasters over the last 30 years; the

most lethal windstorm of the last few decades was in Bangladesh in 1991 which killed over 130,000 people. Because of its geographic position it is also prone to recurrent floods which causes an estimated annual loss of 5% of the country's GDP (Sapiret al, 2004). In last 20 years it is estimated that nearly 135 million people were affected by natural disasters in Bangladesh (UN, 2012). Moreover, the geographical location of Bangladesh in the confluence of the delta of three mighty rivers—Ganges, Brahmaputra and Meghna—at the head of the Bay of Bengal, and downstream from the eastern Himalayas, makes the country extremely vulnerable to floods and cyclones. The northern and southern regions of Bangladesh are highly disaster prone with floods and cyclone occurring regularly, magnified by climate change, and having higher poverty and malnutrition rates compared to other parts of the country.

In this context it is crucial to understand how to increase resilience towards such vulnerability. Research shows that an increase in income is often a necessary condition for improving resilience to external shocks (Haneef et al, 2014). In doing so, it is important to understand the household dynamics of the families (possible victims) who are most likely to be affected by such external shocks. A household is comprised of men, women and children, where in Bangladesh, men play a dominant role, given the society is still patriarchal. As

such in recent decades promoting women's empowerment, as part of the Millennium Development Goals (MDGs and the most recent Sustainable Development Goals (SDGs), has been a major development objective for the Government, development organizations and Civil society.

It is obvious that Bangladesh has recently witnessed large increases in female participation in the labour force, which increased from 16% in 1995 to 36% in 2010.⁴ A striking feature of women's employment in Bangladesh, compared to other contexts, is that very few women formally own their own businesses and only 25.1% of women classify themselves as self-employed.⁵ These facts underline the reality that women are predominantly clustered in the lower tiers of the income pyramid. Factors inhibiting women's self-employment include very low levels of asset ownership particularly land,⁶ limited access to formal credit mechanisms, low skills, capacity and knowledge levels as well as restricted access to markets.

This is due to domestic responsibilities and social norms restricting physical mobility.⁷ Table 1 illustrates women's and men's participation in the labour force as both workers and entrepreneurs, with women strongly clustered in the unpaid family labour category at the bottom of the empowerment pyramid emphasizing the importance of integration work in core sectors:⁸

Poverty in Chars and Surrounding Areas

The context of Char

The three major rivers of Bangladesh, Jamuna, Padma and Teesta, flow through north-west Bangladesh depositing silt from the Himalayas. The islands formed from silt deposition and erosion – the chars – have an average life expectancy of around 30 years. Chars are geographically diverse, and far from uniform in soil type and agricultural fertility. Some are seasonally attached to the mainland while others are islands. All char dwellers are at the mercy of seasonal flooding, which inundates homesteads threatening assets, food stocks and livestock. During the dry season, conversely, many char suffer from drought due to low water retention in silty/sandy soils. It is estimated that char households migrate up to five times a generation, with poorer households moving more than the estimated number (Conroy et al, 2010). The geographic vulnerability of the chars and its remoteness from the mainland hinders economic growth in - these areas.

The majority of char dwellers are extremely poor people who have limited life choices. Land disappears

through erosion and “reappears” elsewhere. Ownership of this “reclaimed” land is contested and a source of conflict, where the poorest and most vulnerable lose out. The geographic vulnerability of the chars and its isolation from the mainland impedes economic growth. Jamuna Chars alone are home to approximately one million people and these isolated char communities are severely deprived; char households do not just lack of income or assets; they also experience limited access to healthcare, education services, markets and other government institutions, and inadequate infrastructure (Conroy et al, 2010). Undernutrition is also widespread in the chars and worse among the female population; DFID (2010) study showed that 61% of char children were undernourished, while 50% of char children were stunted.

Women in the Context of Chars and Surrounding Areas

The context for gender interactions in the chars is worse in comparison to other areas of Bangladesh; women in chars have unequal access to resources, unequal power relations, limited access to health services, transportation and lack of access to education. Recent studies indicate that 21 percent of char girls do not attend school regularly and girls are married off early with the idea that the rate of dowry is comparatively less at that age (Sumi, 2013). Human capital is an important source of growth in most endogenous models of economic growth and education is often used as proxy for human capital (Rahman and Yusuf, 2010). Thus lack of education can have long run impact on economic growth in the char region via low level of human capital accumulation. This situation is further exacerbated by the fact that nearly half of the char populations are women and most of the families become female-headed when the males move outside the char in search of work (Sumi, 2013).

Women play a vital role in the family economy with responsibility for child health, education, homestead production of vegetables/fruits and taking care of crop fields alongside the male household members. But empirical research shows that in rural Bangladesh, it is not employment per se but employment outside their husbands' farms that contributes to women's autonomy (Anderson and Eswaran, 2007). As Rahman and Rahman, (2011) found in their study that the participation of female char dwellers in the livelihood practices, especially in agriculture as paid or unpaid laborer, was not recognized socially as well as economically. So although char women may play a significant role in agricultural sectors as paid/unpaid laborers, it is their opportunity for independent income generation that can play a crucial role in empowering them.

Table 1: Labor participation

Employment Status	Bangladesh 2010					
	Both Sexes		Male		Female	
	#in thousands	% of total	#in thousands	% of male total	#in thousands	% of female total
Regular Paid Employee	7,879	14.6	6,440	17	1,439	8.9
Employer	119	0.2	89	0.2	30	0.2
Self Employed	22,063	40.8	17,991	47.5	4,073	25.1
Unpaid Family Worker	11,792	21.8	2,677	7.1	9,116	56.3
Irregular Paid Worker	1489	2.8	1193	3.1	296	1.8
Day Laborer (Agriculture)	5,793	10.7	5,394	14.2	400	2.5
Day Laborer (Non-Agriculture)	4,841	9	4,392	11.6	449	2.8
Domestic Worker	455	0.8	47	0.1	408	2.5
Total	54,084	100	37,882	100	16,202	100

From the above table it can be seen that while majority women are engaged as unpaid family workers, self-employed and paid employees form the next largest group. The focus of the present study is on such groups who are engaged in the handicrafts sector and can provide a pathway for Women's Economic Empowerment. Since the study particularly focuses on Chars and other nearby remote areas the next section specifically looks into char dynamics.

Thus the overall gender issue in the chars, where dowry, polygamy, child marriages, illegal divorce and female oppression are still prevalent, needs to be tackled if any real development in chars is to be achieved (Rahman and Davis, 2005). To this end the present paper explores whether the handicraft sector can be a potential sector for promoting pro-poor growth and empowerment opportunities for women in char areas. The study aims to identify the status, constraints and opportunities of the value chain players specially the female engaged in the char handicraft sector and undertake econometric analysis to show linkages between empowerment and working in the handicraft sector.

Research Framework

Research Objectives

The key objectives of this study are:

- 1) To understand the role of women in the handicraft sector in Char and other areas of Bangladesh,
- 2) The role that handicraft plays in economic empowerment of women.

Research Design

The present study uses systematic review of existing literature particularly focusing on Char related studies

conducted by DFID and SDC funded projects especially operating in the Northern Chars of Bangladesh as baseline scoping studies prior to designing interventions. The paper then employs mixed method research design, which combines elements of quantitative and qualitative data collections. To this end over 175 structured surveys of key handicraft actors (all women)-handicraft entrepreneurs, labors, artisans, were conducted. Most of the empirical researches were conducted in 2013-14 period. Non-random purposive sampling technique was used in conducting the structured survey.

Scope of Research

The present research only covers selected chars of especially Bogra and other northern regions of Bangladesh. The author wishes to acknowledge the logistical, informational and material support provided by the staff of the projects for conducting this research. The work under this assignment covered 6 craft subsectors; responded entailed artisan of Handloom and home textile, Bamboo craft, Wooden craft and Cane item, local carpet and clay and pottery subsectors. It is important to note that traveling to and from chars often required in excess of 2-2.5 hours limiting survey time to few hours due to security and safety reasons. Thus the study findings are context specific and more exploratory in nature; the conclusions drawn from it should be treated as such.

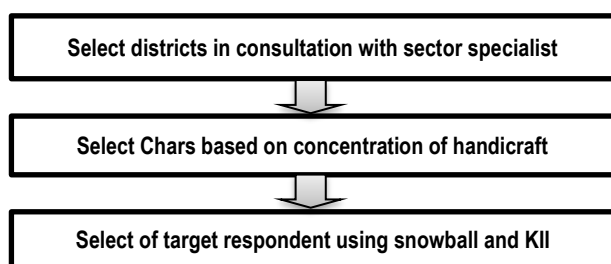


Figure 1: Research Design

Characteristics of the Char Handicraft Market System

The table below shows the summary of surveyed artisans' socio demographic profile in handicraft sectors. The key variables look in to their age, experience, marital status and their education. Total sample size 175 and includes only women artisans involved in the various handicraft subsectors.

Table 2: Socioeconomic and demographic indicators

Key Parameters	Handicraft Sub-Sectors							
	Bamboo Craft	Basketry	Cane item	Clay & pottery item	Handloom & Home Textile	Local carpet	Total	
	<i>n</i> = 30	<i>n</i> = 50	<i>n</i> = 6	<i>n</i> = 31	<i>n</i> = 19	<i>n</i> = 39	<i>n</i> = 175	
Marital Status	Divorced	0	1	1	0	1	1	2%
	Married	23	40	0	28	15	31	78%
	Separated	0	1	0	0	0	0	1%
	Single	6	4	5	2	3	5	14%
	Widow	1	4	0	1	0	2	5%
Education	Illiterate	14	19	1	12	6	7	34%
	Class V – X	11	24	4	9	9	24	46%
	Class-IV	2	7	1	8	1	4	13%
	SSC / HSC	3	0	0	2	3	4	7%
Age	0 to 20 years	5	7	6	1	2	8	17%
	21 to 30 years	11	27	0	11	9	26	48%
	31 to 40 years	9	9	0	10	5	3	21%
	41 to 50 years	5	5	0	7	3	2	13%
	More than 50 years	0	2	0	2	0	0	2%
Experience	0 to 5 years	12	13	5	3	5	29	38%
	11 to 15 years	5	10	0	6	6	3	17%
	6 to 10 years	8	19	1	6	2	7	25%
	more than 15 years	5	8	0	16	6	0	20%

From the aforesaid table we can see that it is a heterogeneous group entailing artisans from different subsectors of handicraft sector. In terms of experience we also see that while nearly a third have less than 5 years' experience but the sample also includes artisans with more than 15 years of experiences; same applies to the education level of the artisans. Bulks of the artisans are employed on a piece rate basis, as can be seen from the following figure.

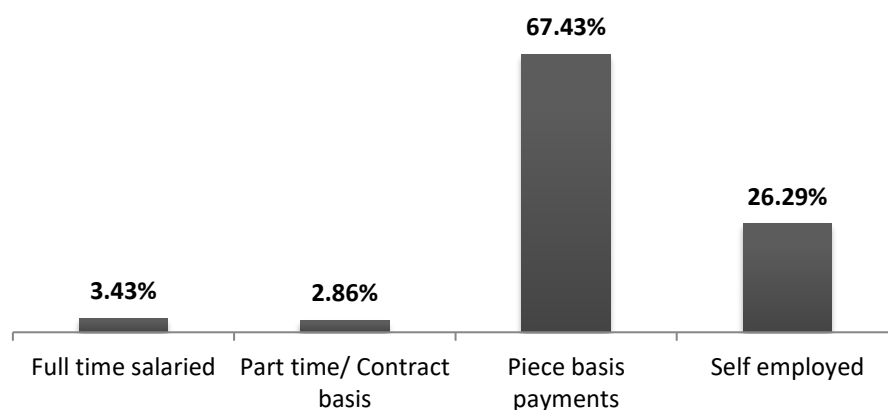


Figure 2: Type of Work

Out of these artisans, 72% work from home while 28% primarily work in the factory or workshop locations. The next section undertakes the econometric analysis to assess the link between working in the handicraft sector and economic empowerment.

Women Economic Empowerment

Concept and definition

Women economic empowerment (WEE) is considered a prerequisite for sustainable development and at the same time it is about ensuring rights and building equitable societies (Kabeer, 2012). Before we delve into the findings of the study, let us first define the concept of economic empowerment. We draw on Golla et al (2011), who defines WEE as “A woman is economically empowered when she has both the ability to succeed and advance economically and the power to make and act on economic decisions.” Since our research focuses on economic empowerment for women entrepreneurs, we will focus on the second aspect of the definition i.e. “women need to have the ability to make and act on decisions and control resources and profits.” This is in line with Anderson et al (2007), where the authors consider female autonomy as a proxy for empowerment and looks to different degrees of decision making power and control over earned income as measure for autonomy or empowerment.

One of the key variables used in the study for measuring empowerment (as reflected by agency and autonomy) is, “Major Decisions” i.e. whether the artisans (respondent) have major decision-making role such as sending children to school, their education, buying high valued assets or items, extending houses, adding new rooms etc.

The second indicator of empowerment is “Control over income earned”, which captures agency; Anderson et al (2007) were not able to measure whether women maintained direct control over their earnings but suggested that this is a crucial indicator for empowerment. Therefore the present study includes this as a separate indicator and measure of empowerment. In the next section we look at how income from handicraft sector affects these economic empowerment indicators, after controlling for other independent variables.

Analytical Framework

The paper uses logistic regression setup to estimate impact of income on empowerment, as the dependent variables i.e. measures of empowerment, are categorical variables (binary). In addition logistic regressions provide odd ratio which have useful interpretive power.

In terms of the econometric framework, more formally, let y be the binary outcome variable (in our case empowerment indicators) indicating empowered or not empowered with 0/1 and p be the probability of y to be 1, $p = \text{prob}(y=1)$; for instance if women artisans have control over income (one of the empowerment indicator)

then $y=1$ otherwise $y=0$. Let x_1, \dots, x_k be a set of predictor or independent variables such marital status, education level, income etc. Then the logistic regression of y on x_1, \dots, x_k estimates parameter values for $\beta_0, \beta_1, \dots, \beta_k$ via maximum likelihood method of the following equation⁹.

$$\text{Logit}(p) = \log(p/(1-p)) = \beta_0 + \beta_1 * x_1 + \dots + \beta_k * x_k$$

In terms of probabilities, the equation above is translated into

$$p = \frac{\exp(\beta_0 + \beta_1 * x_1 + \dots + \beta_k * x_k)}{1 + \exp(\beta_0 + \beta_1 * x_1 + \dots + \beta_k * x_k)}$$

For us the key independent variable is income from handicraft business and we want to see the impact that income has on the aforesaid empowerment indicators, after controlling for other independent variable.

Analysis and Findings

Now that we have the analytical framework we will run two sets of equation with income and other controlling variables and two different empowerment indicator variables, mentioned in section 5.1. The following table looks in to the impact of income on the first WEE indicator, namely participation in major decisions; it summarizes the key findings from the econometric analysis:

In both the aforesaid model (1.1 & 1.2) the independent variable includes log transformed annual income so that we can use percentage increase or decrease for interpretation; in addition log transformation reduces data variability and is suggested as a standard econometric procedure (Keene, 1995).

In this case pseudo or McFadden R-Squared is provided but as can be seen it is very low; for cross section data R^2 is usually very low (Gujarati, 2009; Giles, 2013). Furthermore for logit model likelihood ratio (Chi Square) is more recommended for model fit test (Kline, 2015). The assumption in chi-square test is that: H_{null} : reduced model (with just constant) is true vs. $H_{\text{Alternative}}$: current model is true. As can be seen that addition of variables in 1.2 in comparison to 1.1 improves goodness of fit based on likelihood ratio test and in both cases p value is highly significant. Model prediction or accuracy (79.4%) is same for both models.

Log Income definitely is significant in both models and implies that 1% increase in income has a statistically significant impact on improving the probability of participating in major decisions (empowerment). In model 1.2, education and experience are not significant but marital status as measured by staying single or with in-laws is highly significant. The ‘women without spouse’ indicator is a binary indicator which includes all

artisans, who are either single, widowed or divorced i.e. not staying with their in-laws, as is customary for married women in rural Bangladesh. The reason for choosing this indicator is because Anderson et al (2007) show that presence of in-laws may have negative impact on whether women can participate in major decisions.

This seems to hold true for the present study as well, since the coefficient and slope are positive. So based on this analysis we can see that earning has strong implication on economic empowerment as measured by participation in major decisions in a household. Next we examine its impact on control over income.

Table 3: Impact of income on major decisions

	Dependent Variable (Y): Participates in Major Decisions	
	Model 1.1	Model 1.2
Log (Income)	0.234*** [0.00]	0.256*** [0.00]
Experience (years)		-0.006 [0.12]
Education		0.022 [0.49]
Women without spouse		0.182** [0.05]
Number (n)	175	175
McFadden R-squared	0.09	0.14
Correct prediction	0.794	0.794
Likelihood ratio test: Chi-square	16.63*** [0.00]	26.29*** [0.00]

Note: The values represented here show the marginal effect (Slope) and should be interpreted as the effect on probability due to change in independent variables while others variable are kept at the mean. For the coefficient values of the regression see the annex.

Table 4: Impact of income on control over earned income

	Dependent Variable: Control over income earned (Y)		
	Model 2.1	Model 2.2	Model 2.3
Log (Income)	0.234 [0.35]	0.131** [0.04]	0.1022* [0.08]
Experience (years)		-0.012*** [0.00]	-0.0113*** [0.00]
Education		-0.067* [0.09]	-0.072** [0.05]
Women without spouse			
Marital Status			0.027 [0.55]
Number (n)	175	162	175
McFadden R-squared	0.09	0.06	0.06
Correct prediction	76.00%	75.90%	77.70%
Likelihood ratio test: Chi-square	0.9 [0.34]	11.17*** [0.01]	10.98 [0.03]**

Note: The values represented here show the marginal effect (Slope) and should be interpreted as the effect on probability due to change in independent variables while others variable are kept at the mean. For the coefficient values of the regression see the annex.

Table 5: Correlation between Work, Household Work and Leisure

Handicraft Work	Household Work	Leisure	
1	-0.884 (0.00)	-0.4383 (0.00)	Handicraft Work
	1	0.051 (0.53)	Household Work
		1	Leisure

The first difference to note is that the model with just log (income) fails the likelihood ratio test implying there is no additional explanative power by including the variable with the constant term i.e. the null hypothesis cannot be rejected. Model 2.2 is similar to 1.2 but the 'Without Spouse' variable has been dropped since 'Without Spouse! = 0' predicts success perfectly and therefore 13 observations were not used. However the model performs well with likelihood ratio test and log (income) figure is highly positively significant, implying that increased income increases the probability having control over the earned income. The value is highly significant in model 2.3 where instead of 'Women without spouse indicator', marital status (categorical variable) is used.

What is unique in model 2.2 and 2.3 is the fact that education (categorical) and experience (interval) are statistically significant but have negative coefficient. This runs contrary to conventional wisdom, which traditionally equates higher education and experience with improved autonomy or empowerment. There can be two explanations for this interesting result:

- I. Experience can have diminishing return and so with every additional year of experience the impact on empowerment is likely to be low. Since the slope in logit model is incremental over the mean, which in this case is 10.24 years (annex) and so is already very high. Furthermore longer experience beyond 10 years may imply they represent households with older members with more conservative views.
- II. Education is over 1.26 which implies higher than Grade IV but lower than X or SSC i.e. higher than primary education. Although the slope value is very low and so it probably has low predictive capability on control over income. This can also be a case of diminishing return to education, which can explain the low value of slope. Another reason for negative value could be because of adverse selection effect; education is a costly investment and in a patriarchal society like Bangladesh, investing in female education beyond primary schooling may be a comparative

luxury and since we already saw that social taboo is a significant challenge, it may be that higher education imply greater impact of social taboo. This is consistent with the research of Kamal and Zunaïd (2006).

Further research is required to explore these dynamics and is unfortunately beyond the scope of the present research.

The econometric analysis does show positive relationship between income and empowerment but as the literature suggests (Anderson et al, 2007), that there may be definite trade-off between independent income generating work, household work and leisure. This can be seen in the following matrix which shows the correlation between handicraft work, household work and leisure. As we can see that increased income generating work definitely (statistically) correlates with reduced time for leisure as well as household work. It is therefore possible that in households with traditional patriarchal values and conventional gendered role, the women might face significant social costs in engaging in such activities even though, on balance, participation in handicraft work is likely to increase their economic empowerment.

Conclusion

The present study focused on a sample of 175 handicraft artisans of various sub sectors working in predominantly char areas and remote locations of Bangladesh. The paper looked at key demographic and socio-economic profile of such artisans. It looked at the challenges faced by such artisans and the kind of training they aspire to receive. One of the key finding was that most of the artisans learned from other artisans (peer-to-peer) and their immediate family member typically the mother or mother-in-law. The apprenticeship based learning implies formal training is limited and as such most artisans seek training on designs and machine usage. While a third did not face any obstacle, more than 50% attributed social taboo and gendered (patriarchal) role

focusing on household work as the key challenge. Analysis also showed that there is definite statistical correlation and trade-off between work and household work/leisure.

Economic empowerment was measured in terms of participation in major decisions and control over income earned. Econometric analysis using logit regression showed that, even after controlling for other independent variables, there is a strong statistically significant relationship between income earned and empowerment. Therefore our research suggests that based on evidence gathered, independent income from engaging in handicraft business improves economic empowerment of the women artisans involved.

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Endnote

1. Population Census 2011, Bangladesh Bureau of Statistics.
2. Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, World Population Prospects: 2010.
3. Bangladesh Reduced Number of Poor by 16 million in a Decade. World Bank Press Release (2013, June 20)
4. Labour Force Survey, 2010
5. Labour Force Survey, 2010
6. While women have equal rights to property ownership under the law in Bangladesh, cultural, religious and social norms dictate that men have preferential rights to marital and family property (World Bank, 2008)
7. Source: Key findings of Labour Force Survey 2010
8. FAQ: How do I interpret odds ratios in logistic regression? UCLA: Statistical Consulting Group from <http://www.ats.ucla.edu/stat/sas/notes2/> (accessed May 23rd, 2016)

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Annexure

Variable code

Table 6: Variable code

	ILLITERATE	0
EDUCATION	Class-IV	1
	Upto Class X	2
	SSC/ HSC	3
MARITAL STATUS	Married	0
	Single	1
	Divorced	2
	Widow	3
	Separated	4

Descriptive statistics of key variables

Table 7: Descriptive statistics

Variable	Mean	Median	Minimum	Maximum
Education	1.263	2.000	0.000	3.000
Marital_Status	0.349	0.000	0.000	4.000
Not_Married	0.074	0.000	0.000	1.000
Experience	10.240	8.000	1.000	50.000
Log (Income)	10.123	10.086	8.795	11.791
	Std. Dev.	C.V.	Skewness	Ex. Kurtosis
Education	1.006	0.796	-0.135	-1.398
Marital_Status	0.787	2.257	2.566	6.188
Not_Married	0.263	3.540	3.247	8.542
Experience	8.804	0.860	1.445	2.592
Log (Income)	0.562	0.056	0.375	0.252

Regression Tables with Coefficients

Table 8: Dependent variable major decisions (with coefficient)

Dependent Variable (y)	Participates in Major Decisions (Y)					
	Coefficient	Model 1.1			Model 1.2	
Independent Variable (x)		Slope	P()	Coefficient	Slope	P()
Constant (c)	-13.773		0.00	-15.870		0.00
Log (Income)	1.501	0.234	0.00	1.722	0.256	0.00
Experience (years)				-0.040	-0.006	0.12
Education				0.150	0.022	0.49
Women without spouse				2.300	0.182	0.05
Number (n)	175			175		
McFadden R-squared	0.09			0.14		
Correct prediction	79.40%			79.40%		
Likelihood ratio test: Chi-square	16.63		0.00	26.29		0.00

Table 9: Dependent variable control over income earned (with coefficients)

Dependent Variable (y)	Control over income earned (Y)								
	Model 2.1			Model 2.2			Model 2.3		
Independent Variable (x)	Coefficient	Slope	P()	Coefficient	Slope	P()	Coefficient	Slope	P()
constant	-1.923		0.56	-4.892		0.15	-3.561		0.28
Log (Income)	0.305	0.234	0.35	0.708	0.131	0.04	0.586	0.1022	0.08
Experience (years)				-0.068	-0.012	0.00	-0.065	-0.0113	0.00
Education				-0.365	-0.067	0.09	-0.413	-0.0720	0.05
Women without spouse									
Marital Status							0.155	0.0270	0.55
Number (n)	175			162			175		
McFadden R-squared	0.09			0.06			0.06		
Correct prediction	76.00%			75.90%			77.70%		
Likelihood ratio test: Chi-square	0.90		0.34	11.17		0.01	10.98		0.03

The State of Lower Court Performance in Bangladesh

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Abstract

The principal aim of this paper is to study the performance of the lower courts of Bangladesh, especially from the standpoint of its' operational efficiency. The idea is to generate evidence-based insights on the operational efficiency of the district courts of Bangladesh. The analysis focuses on various objective indicators of district court performance in order to help understand why district court performance vary across the geographic space of the country. In particular, it empirically explores the regional variation in case-disposal rate and number of cases disposed per judge across the sixty-four district courts of the country. The overall examination offers some key insights, which are: i) Bangladesh's performance across different rule of law indexes across countries (and even within South Asia) has been less than impressive; ii) The problem of case backlog has been acute; iii) Some district courts act as a "pipeline" through which cases cumulatively accumulate; iv) Low case disposal rate has contributed towards the backlog; v) There is a large variation in "case disposal rate" and "case disposed per judge" across district courts; vi) District courts with similar case load per judge experience wide variation in "disposed cases per judge" – indicating that there is room for improving efficiency using existing resources; vii) There is a negative association between case load and civil case disposal - indicating that increasing the number of judges can mitigate the problem of low disposal rate; viii) Resource allocation must take account of regional variation in judge level productivity and case pressure across district courts. Overall, while this paper remains modest in its scope, it nonetheless offers a focused assessment of objective indicators that helps us understand why and how performance of the lower courts changes over time and space.

1 Introduction

The role of rule of law in shaping the socio-economic transformation of nations has been extensively scrutinized by scholars of social science and history. Its definitive role in facilitating economic contracts and exchange has long-run implications for the economic performance of countries (Olson, 1993; Fukuyama, 2012; Acemoglu and Robinson, 2012).¹ There is little ambiguity that countries that have modernized politically and economically on average have better rule of law. This is well illustrated in Figure-1 and Figure 2, which shows that the Rule of Law index produced by World Governance Indicator (WGI) maintains a strong positive relationship with both the level of economic and political development measured by cross country per capita income and Polity index. Furthermore, the quality of rule of law that prevails within any polity is ultimately a product of its own institutional equilibrium, and the noted cross-country variation in institutional performance has received growing attention as an explanation for the large differences in national income across countries.

In an ideal scenario, rule of law also plays a critical role in ensuring that political elites are held accountable

for their decisions and that the polity does not suffer from the adverse consequences of extreme concentration of political power.² It is, nonetheless, critical to note the quality of rule of law in any society is not only shaped by substantive content of laws and the just nature of formal institutions, but also by the operational efficiency of the judicial system - which determines if legal concerns are addressed in a timely and affordable fashion. The degree of efficiency within the judicial process also shapes people's access and reliance on the judicial system. Yet, in spite of its essential role in shaping the actual judicial service that is experienced by people, operational efficiency of judiciary has received far less attention than it merits.

To elaborate further, the dominant discourse on judicial reforms is primarily concerned with the articulation and characterization of just institutions and their respective autonomy from political influence. In his magnum opus *A Theory of Justice*, John Rawls, the late eminent philosopher, laid an important foundation of this approach by articulating the concept of '*original position*' where everyone formulates the various principles of justice from behind a veil of ignorance (Rawls, 1971). Rawls pinpoints that the ignorance of ones' position within the social, political or economic

hierarchy will compel all selfish agents to advocate principles that are fair to all. That is, if an intelligent rational agent is unsure about how she will end up after justice is carried out, it is likely that he or she will not privilege any one class of people, but rather formulate a notion of justice that is fair to all. Thus, institutional

endeavors (or at least prescriptions guided towards formulating a just socio-political order) were mostly concerned with the characterization and formulation of just institutions, and very little attention was given to the actual societies or outcomes that emerged out of them (Sen, 2009).

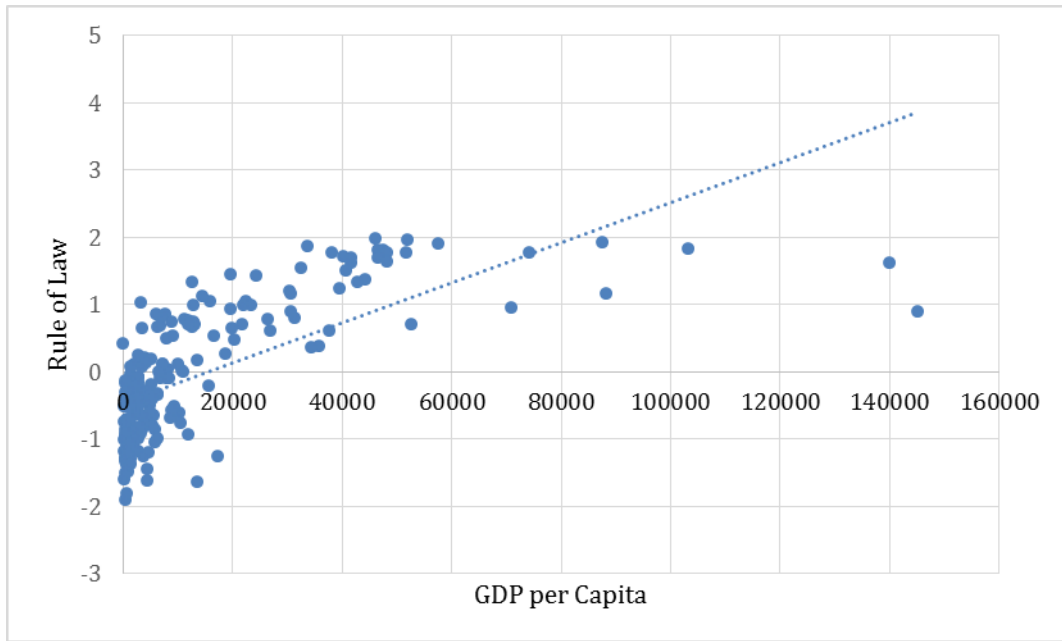


Figure 1: Rule of Law vs. GDP per Capita \$ (2010)

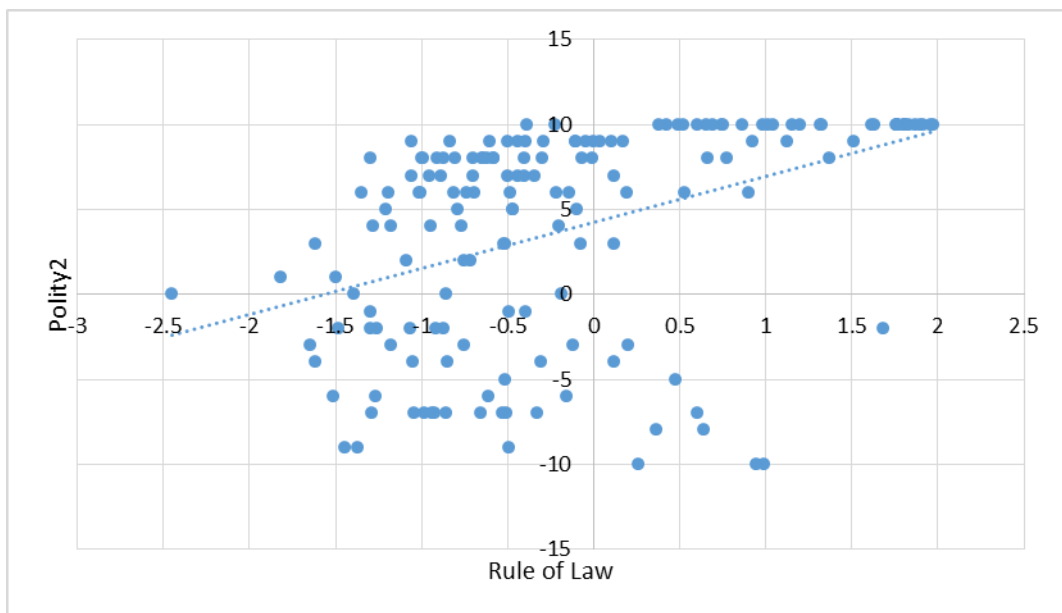


Figure 2: Rule of Law vs. Polity2 (2010)

In effect, three issues that undermined the useful formulation of formal institutions are mostly ignored, especially for the justice sector. First, institutional prescription often ignore the necessary “supporting conditions” that are required for the formal institutions of justice to operate in an effective and just manner. For instance, the judiciary cannot function efficiently if laws are well-articulated, but there are insufficient professional judges and lawyers to interpret and apply the law. It will also be futile to design good laws if key organizations such as the law enforcement agencies suffer from weak capacity and poor work ethics, which undermines the adequate implementation of such laws.

Second, formal institutional prescriptions aiming to improve the state of rule of law in any country have often ignored informal institutions that govern incentives within the society. Informal institutions constitute constraints on the behavior of individuals in the form sanctions, taboos, customs, traditions, and codes of conduct or even alternative justice systems (North, 1991; Helmke and Levitsky, 2006). In fact, the focus on informal institutions is essential since their role at times can be larger than the role of formal institutions in explaining the variation in development outcomes as they often operate as a substitute to formal institutions (Carothers and Gramont, 2011). North himself argued that same formal rules imposed on different societies produce different outcomes, since informal constraints and their role do not change drastically in the short-run especially if they are culturally derived.³

Third, the sole focus on formulating the ideal set of just laws to improve the state of rule of law in a polity is also often viewed to be futile given it ignores the political economy constraints within which the formal justice sector operates. Given legal institutions often have a close relationship with political and economic actors with whom power is concentrated, the ‘inadequacies’ in formal laws (that are viewed by experts as a driver of suboptimal outcomes) only exists in reality as they benefit those within whom power resides. Hence, it is difficult to bring change to inefficient formal legal institutions that are preferred and sustained by powerful actors. In such circumstances, the second best strategy is to identify avenues where meaningful improvements are possible, which are likely to merit the support of critical political and organizational actors.

Therefore, in recent times, some have highlighted the importance of addressing ‘remediable injustices’, and minimized the excessive focus on articulating the ‘perfectly just institutions’ which might be unfeasible due to political constraints. Amartya Sen, in his work *Idea of Justice*, categorizes this view as ‘realization-based approach’ – which is concerned with solving remediable injustices within any polity and highlights

that an elusive quest for forming just transcendental institutions is often counterproductive (Sen, 2009).⁴ Most importantly, the ‘realization-based approach’ is more concerned with the questions such as - how can justice be advanced? – and is less associated with questions such as – what would be the nature of perfectly just institutions?

Thus, this article summarizes the basic findings of a recent study for the *Centre for Peace and Justice* – Rahman (2017), “*The State of Lower Courts Performance in Bangladesh – Insights from an Empirical Examination*” – that has taken the mentioned ‘realization-based approach’ seriously. It analyses variation in indicators that are associated with the operational efficiency of the courts at the district level. The primary data that has been examined in the paper is taken from the Office of the Registrar of the Supreme Court of Bangladesh.

In particular, the paper documents and examines variation in: i) number of cases filed per year; ii) number of cases disposed per year; iii) number of cases disposed per judge; iv) number of cases pending at year end; v) number of cases pending per judge; and vi) number of judge per 100000 inhabitants. This endeavor is likely to offer practical policies that policymakers can implement, which in turn can be expected to tentatively improve the operational efficiency of lower courts in Bangladesh.

The focus on efficiency aspects of lower court performance, such as case-disposal, has some important rationale. First, in legal philosophy, there is a concern that “justice delayed is justice denied”. This concept has transformed into a legal maxim meaning that if legal redress is available for an entity that has suffered some injury, but is not operational in a timely fashion, it is effectively the same as having no redress at all. This standard is the foundation for the right to a speedy trial and comparable rights which are meant to quicken the legal arrangement, because it is discriminatory for an injured individual to have to sustain the injury with little hope for resolution (Burger, 1970). Furthermore, low case disposal rates can reduce the confidence of people in the formal justice sector.⁵ Second, in an economic environment where market led exchange mechanism shapes how resources are allocated and how goods and services are produced, legal institutions that are capable of settling disputes in a timely fashion enhances the operational efficiency of markets and improves the scope for better economic performance by securing property rights and enforcing contracts (Montesquieu 1748; Smith 1776).⁶

Third, the focus on case-disposal rate and other efficiency indicators is also important because they are relatively apolitical in nature as efficiency is a neutral area where political will for improvement is easier to

generate. Even in the 7th Five Year Plan of Bangladesh, efficiency indicators, especially case disposal rates, are identified as an important avenue where notable improvements are targeted by policymakers (GoB, 2016). As a result, there is a pragmatic expectation that policies (derived from empirical evidence) that has some scope in improving the pace of case-disposal rate will find greater traction within the policy space. Lastly, the focus on efficiency allows assessment indicators to be quantitative in nature, which facilitates an empirical examination of objective data on key indicators of judicial performance.

On the whole, this study contributes to the growing body of work that has studied issues associated with justice sector of Bangladesh. Interestingly, given the most prominent evaluation of judicial performance in Bangladesh have undertaken qualitative institutional diagnosis of the judiciary, this quantitative exercise complements the existing pool of qualitative analysis of the justice sector (Afroz, et al. 2011, IGS, 2008; UNDP 2015). The present analysis also contributes to the broader body of work that explores various issues associated with the underperformance of judicial performance (La Porta et al 1998; Chavez, 2003; Djankov, et al 2003; Fukuyama, 2011). In the next section, we discuss the basic insights that are derived from descriptive data. Section 3 summarizes the key findings and offers the concluding remarks.

2 Insights from Data

The legal system of Bangladesh maintains a dual nature. The formal system, at one hand, inherit laws, rules, and procedures from the common law tradition of its former colonial ruler (except for family law, which is governed by the religious laws). On the other hand, the informal system is based on traditional justice mechanisms, which includes village-based institutions that have historically shaped how civil and criminal disputes are resolved. In last two decades, non-governmental organisations (NGOs) have also stepped in and help provide and formalize various mechanisms and services for resolving disputes. There is little doubt, nonetheless, that both formal and informal justice systems have barriers to justice, especially for victims who are poor, women, and children or from other vulnerable groups. Also, not only is the effectiveness of the formal justice sector is weakened by poor awareness of laws and legal rights, costs and delays within the formal justice sector makes formal judicial redress time consuming, especially for civil litigations.

These issues are further complicated by poor capacity, elite bias, frequent political interference and corruption that compels the poor and vulnerable to have

little or no access to the formal justice system. The problem of poor 'access to justice' is also worsened by language barriers, low literacy, and poor infrastructure, which undermines the possibility to cope with the issue of distance from the courts and lack of childcare. The costs associated with legal redress are also often beyond the income constraints of poor and women, while rules of evidence may discriminate directly or indirectly against them. Under some circumstances, legal proceedings re-victimize citizens, often due to its insufficient capacity to protect victims or witnesses. Even when the judicial process is successful in achieving convictions, the sentencing is often disproportionately lenient and court-ordered fines may remain unpaid. In some cases, wealthy perpetrator may be even released by exploiting existing legal loopholes.

In terms of the ethical standards that are maintained and honored during judicial appointments, some research have suggested that political influence plays an increasingly important role in the selection process (IGS, 2008). Furthermore, perception surveys undertaken by Transparency International Bangladesh have also indicated that both the judiciary and the police have high rates of corruption (TIB, 2012). Consequently, the overall justice sector in Bangladesh has notable vulnerability in addressing the aspirations and expectations of ordinary citizens.

Even when we assess the state of rule of law using the rule of law index from the World Governance Indicators (WGI), the estimates cast Bangladesh in less than encouraging terms. For instance, according to the rule of law index for 2015, Bangladesh only fares better than Afghanistan and Pakistan within South Asia, while substantially lagging behind countries like Bhutan, India and Sri Lanka (Table-1). This grim regional picture is also supported by other indicators too. World Justice Project, which publishes the rule of law index for 113 countries ranks Bangladesh 103 out of 113. Moreover, within South Asia, Bangladesh comes out 4th out of 6 countries. In particular, for civil justice, it ranks fourth out of the six countries within South Asian and 103 out of 113 countries. On criminal justice, it ranks fifth out of the six countries of the region and 97 out of 113 countries.

The operational efficiency of the justice sector in addressing the case-backlog has also come under increasing attention in recent times. Between 2008 and 2015, case backlog have increased from approximately 1.7 million to well over 3 million, even though the annual growth rate of case-backlog have gone down in last three years (Figure-3). The average annual growth rate of case-back-log has been 8% between 2009 and 2015. Interestingly, if we see Figure-4 and Figure-5, it is evident that there is a positive growth in the filing of new cases and a fall in growth of disposed cases, even

though the absolute number of cases disposed in 2015 is nearly twice of what was disposed in 2008. The average annual growth in newly filed cases has been 5.2% and the average annual growth in disposed cases has been 11.8% between 2009 and 2015. Even so, the growth in overall case-disposal rate has been falling between 2011 and 2015, which reflects the poor operational efficiency of the justice sector in disposing cases (Figure-6).

A possible factor underlying this less than impressive performance of the judiciary in disposing cases in a timely manner is the severe scarcity of judicial officials (more specially, number of judges) within the justice sector of Bangladesh. As illustrated in Figure-7, Bangladesh has one of the lowest professional judge to population ratio, even when we compare the current Bangladesh data with a decade old regional data. To be specific, Bangladesh has less than 1 judge for every 100000 population whereas European countries on average has more than 10 judges for every 100000 population. The comparison is also stark if we compare our performance with India, where professional judge to people ratio is almost twice that of Bangladesh (Figure-9). This problem is perhaps even more aggravated by the fact that at present approximately 200 hundred positions (or more) are lying vacant.

Even when we evaluate the brief trend in resource allocation to the justice sector, it is evident that allocation to the justice and law division has lagged considerable behind other sectors like healthcare and education. It has also remained less than 0.5% of the overall budget between 2001 and 2015, in spite of the notable scarcity of professional judges (Table-2 & Figure-10).

To delve deeper into the issue of resource scarcity and judiciary underperformance, the study looks at the basic correlation between case load of judges and case disposal rate across districts. This is because excessive case overload can essential mean that district courts suffer from case management crisis and judges are overburdened. As a result, higher levels of pending cases per judge can result in lower case disposal rate. Moreover, if we see Figure-10, it is evident that the overall lower court in Bangladesh already entertains a very high level case burden per judge, which is more than 1800 cases per judge at the end of 2015. In addition, if we reconcile this with Figure-11 where we see that an average judge in a district court disposed only 555 cases in 2015, one can prudently infer that under the current level of case overload and court productivity, case backlog is unlikely to reduce.

Interestingly, there is also wide degree of variation in the case load of judges if we explore the variation in pending cases per judges across the 64 district courts of Bangladesh. For example, for the district courts of Feni

or Kishoreganj, there are more than 3500 pending cases per judge on the 31st December 2015. This, in practical sense, pinpoints a tremendous work load for judges that are difficult to mitigate without fundamentally increasing the availability of judges in such districts. In other district courts of Sunamganj, Sylhet, Panchagar or Nilphamari, the work load for judges is as low as less than 1000 cases per judge at the end of 2015. These differences in the caseload for judges also highlights the need to not only acknowledge the sheer scarcity of judges at the national level, but also a regional mismatch in how judges are allocated across district courts (Figure-12).

Furthermore, if the variation and relationship between the case burden of judges across district courts with case disposal rate for civil and criminal litigation is explored, then one can see few interesting insights. First, as noted in Figure-13, the average case disposal for civil and criminal litigations in district courts is noticeably different. While for criminal cases, the average criminal case disposal rate (2008-2015) is above 35%, the average civil case disposal rate for the districts is less than 20%. In other words, an average civil litigation takes approximately 5.5 years to complete while an average criminal litigation takes approximately more than 2.5 years to finish.

From Figure-14, we can also see that there is a large variation in average case disposal rate for civil litigations between 2008 and 2015 across the district courts. More specifically, districts courts of Chittagong and Cox's Bazar have an average civil case disposal rate of less than 10, while district courts of Munshiganj or Sherpur have an average civil case disposal rate of more than 30% and 50% respectively. This variation also holds for criminal cases (Figure-15). For example, the district court of Noakhali and Comilla have an average criminal case disposal rate (2008-2015) of more than 60% and 50%. On the other hand, the district courts of Bogra, Shariatpur and Sunamganj have an average criminal case disposal rate of less than 25%. It is also noticeable from Figure-16 and Figure-17 that districts with low average case disposal rate also witnessed the net increase in case backlog, indicating that low case disposal rate has contributed towards the backlog in the judiciary.

Lastly, if the relationship between the case burden of judges across district courts with case disposal rate for civil and criminal litigation is explored, then we can see from Figure-18 and Figure-19 that there is a noticeable negative relationship between case load per judge and the case disposal rate of civil litigations across districts. That is, district courts with a higher case load per judge on average have a lower case disposal rates for civil litigations for the first three quarter of 2016. For case disposal rate of criminal litigations, the relationship is less stark. Additionally, an econometric examination of

these variables of interest also noted a significant negative association between case load of judges and civil case disposal across all the district courts (Rahman, 2017).⁷ This highlights the possibility that increasing the number of judges can help the problem of low civil case disposal rate within the district courts of Bangladesh.

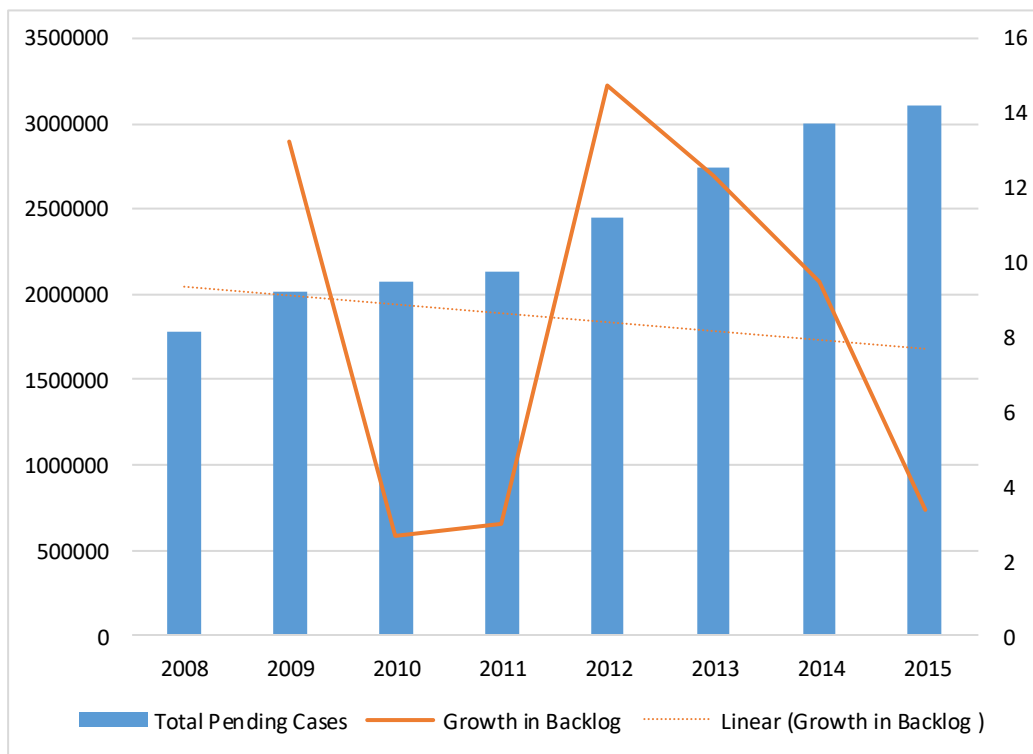
On the other hand, an issue that appears interesting is that for some district courts, a contrasting heterogeneity in performance exists. To be specific, on 31st December 2015, an average judge in the district court of Pirojpur

had over 2600 cases and an average judge in the district court of Patuakhali had approximately 1300 cases. Yet, Pirojpur, in spite of experiencing nearly twice case burden, produced better case disposal rates than Patuakhali for the first three quarter of 2016 for both civil and criminal litigations. These cases illustrate that even under the existing case burden, there is a genuine scope for some district courts to improve its operational efficiency as measured by case disposal rate. In the next section, we offer the concluding remarks and summarize the overall findings.

Table 1: Rule of Law - Bangladesh in Regional Context

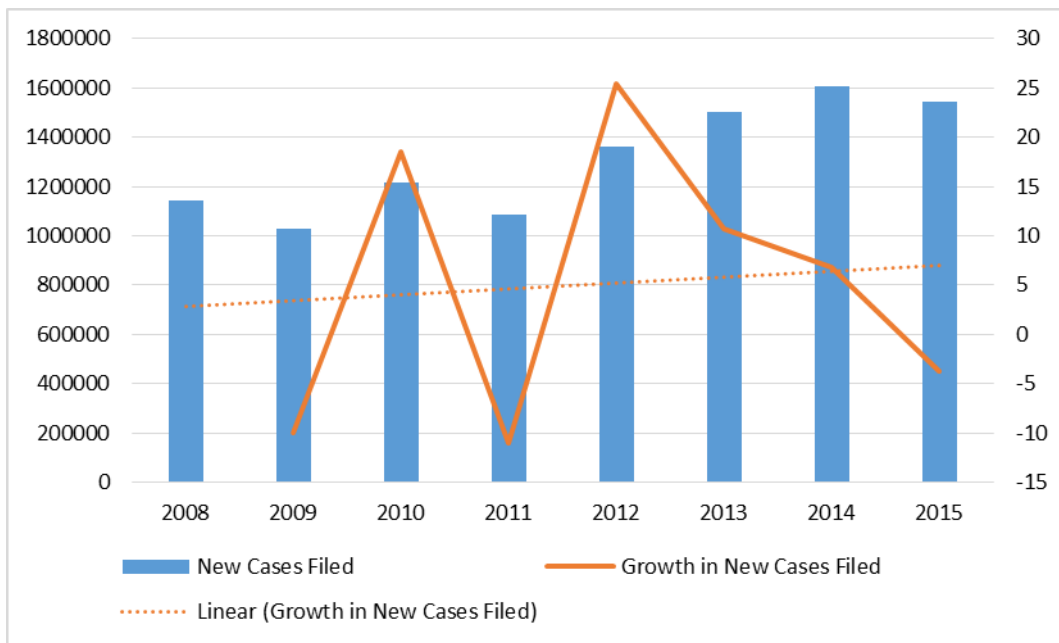
Country	Rule of Law (2015) - Score
Afghanistan	-1.59
Bangladesh	-0.7
Bhutan	0.5
India	-0.6
Nepal	-0.7
Pakistan	-0.79
Sri Lanka	0.07

Source: WGI



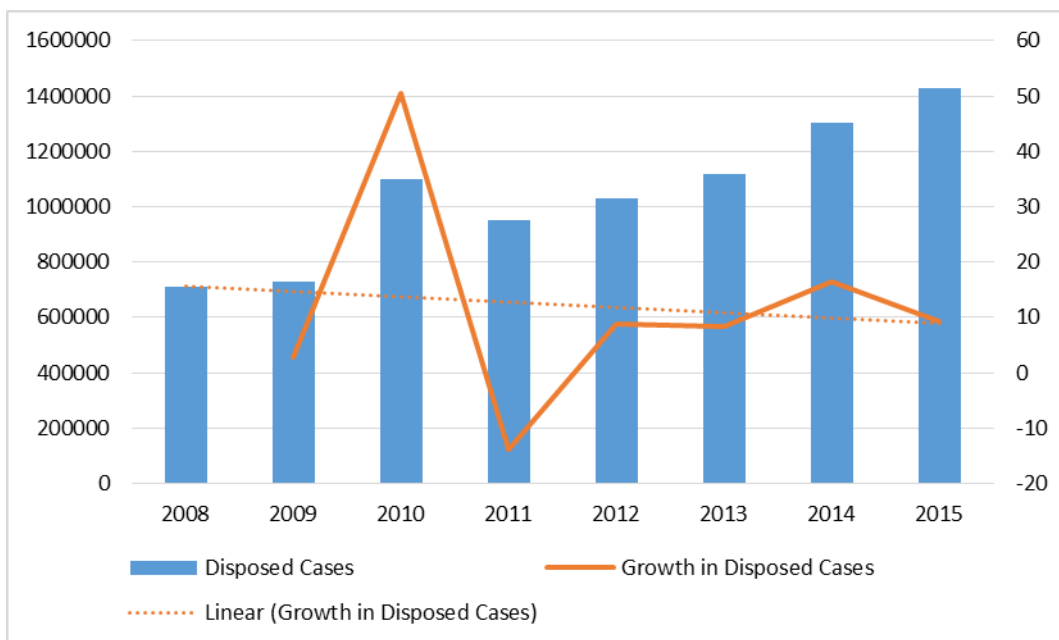
Source: Supreme Court of Bangladesh

Figure 3: Case-Backlog vs. Growth in Backlog



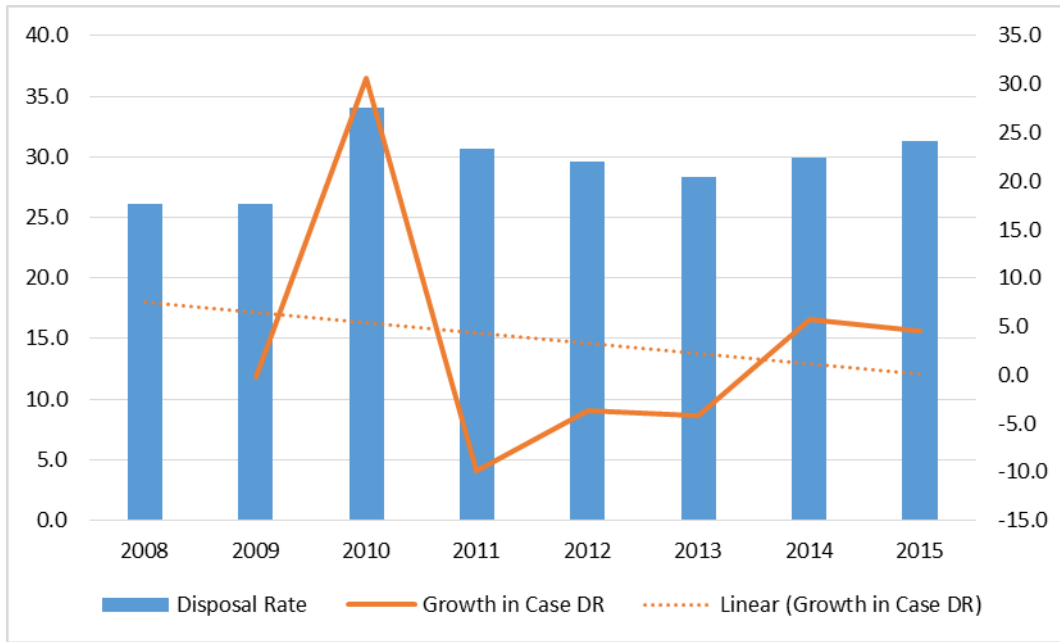
Source: Supreme Court of Bangladesh

Figure 4: New Cases-Filed vs Growth in New Cases-Filed



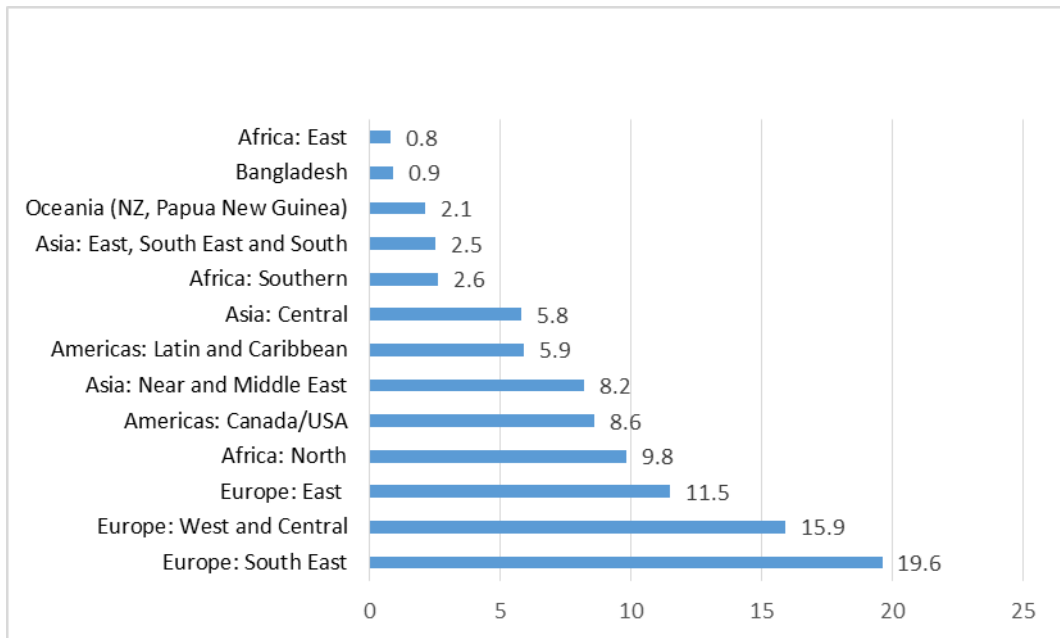
Source: Supreme Court of Bangladesh

Figure 5: Disposed Cases vs. Growth in Disposed Cases



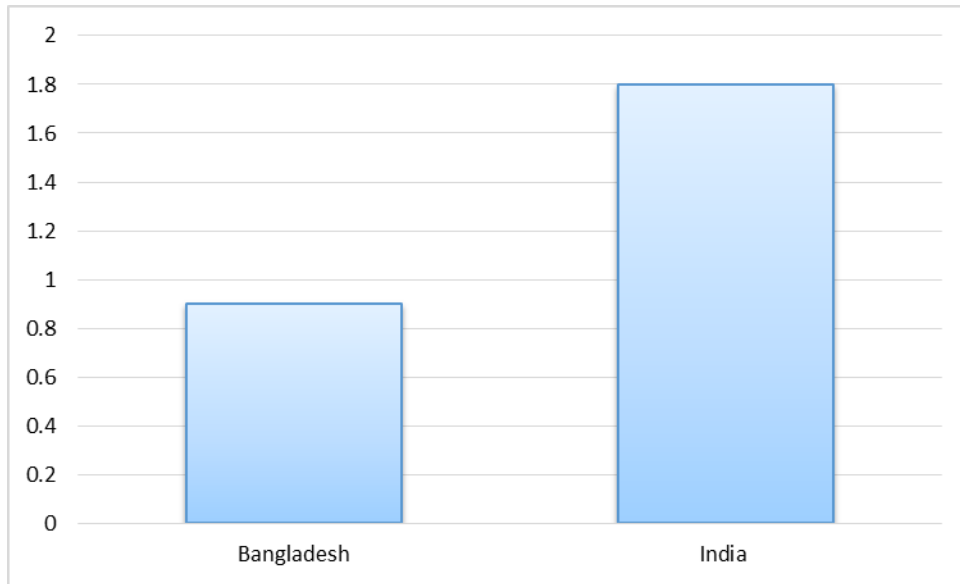
Source: Supreme Court of Bangladesh

Figure 6: Case-Disposal Rate vs. Growth Case-Disposal Rate



Source: Harrendorf, et al (2010); Supreme Court of Bangladesh

Figure 7: Professional Judges per 100000 population



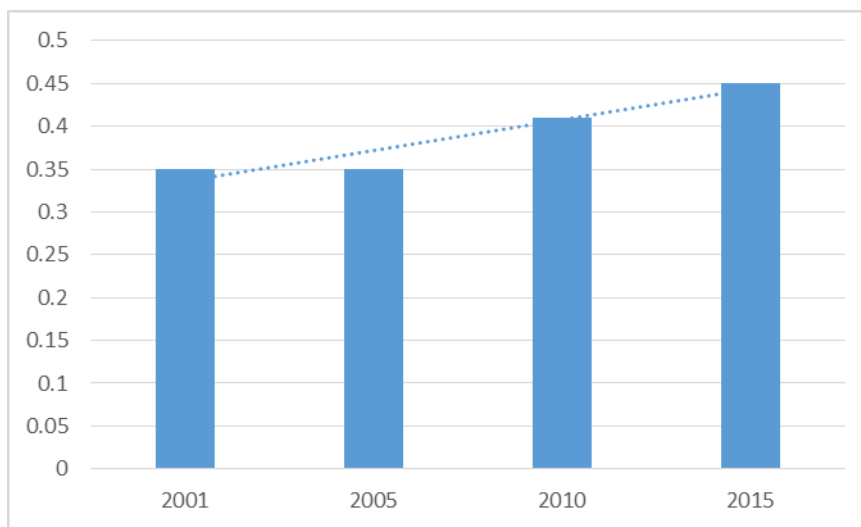
Source: Supreme Court of Bangladesh; Indian Express

Figure 8: Professional Judges per 100,000 - Bangladesh vs. India (2016)

Table 2: Ministry/Division wise Budget Allocation (Budget in crore Taka)

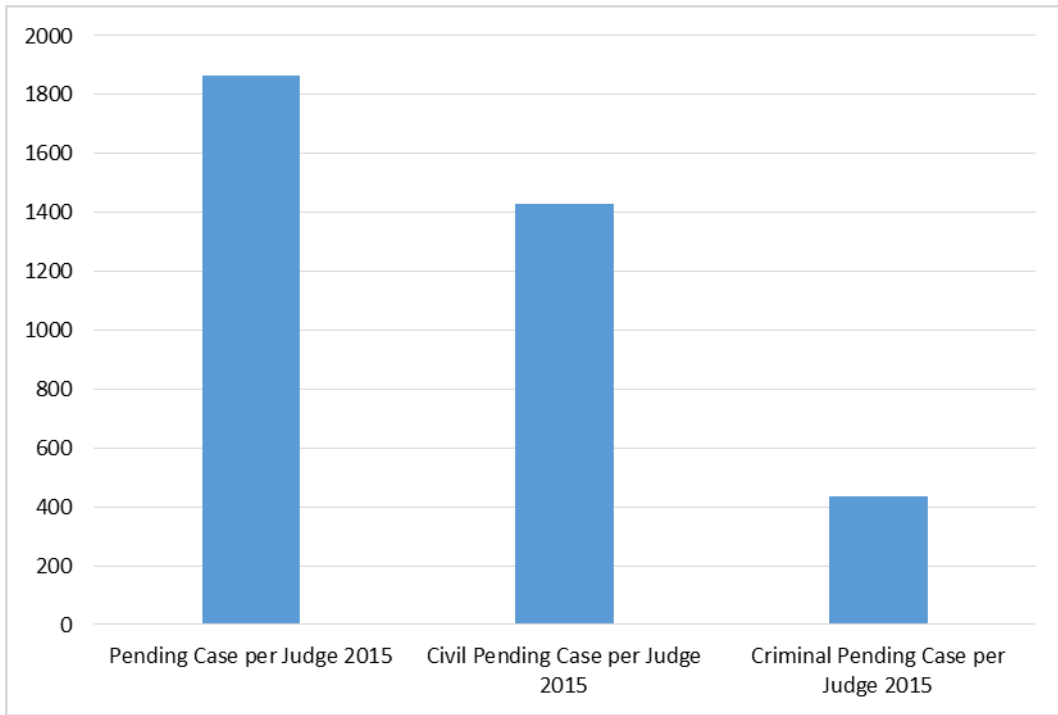
Ministry/Division	Budget 2016-17	Percentage of total budget	Revised 2015-16	Percentage of total budget	Revised 2014-15	Percentage of total budget
Law and Justice Division	1520	0.45%	1222	0.46%	948	0.40%
Ministry of Education	26855	7.88%	20266	7.66%	16206	6.76%
Ministry of Health and Family Welfare	17516	5.14%	14840	5.61%	11568	4.83%

Source: Ministry of Finance



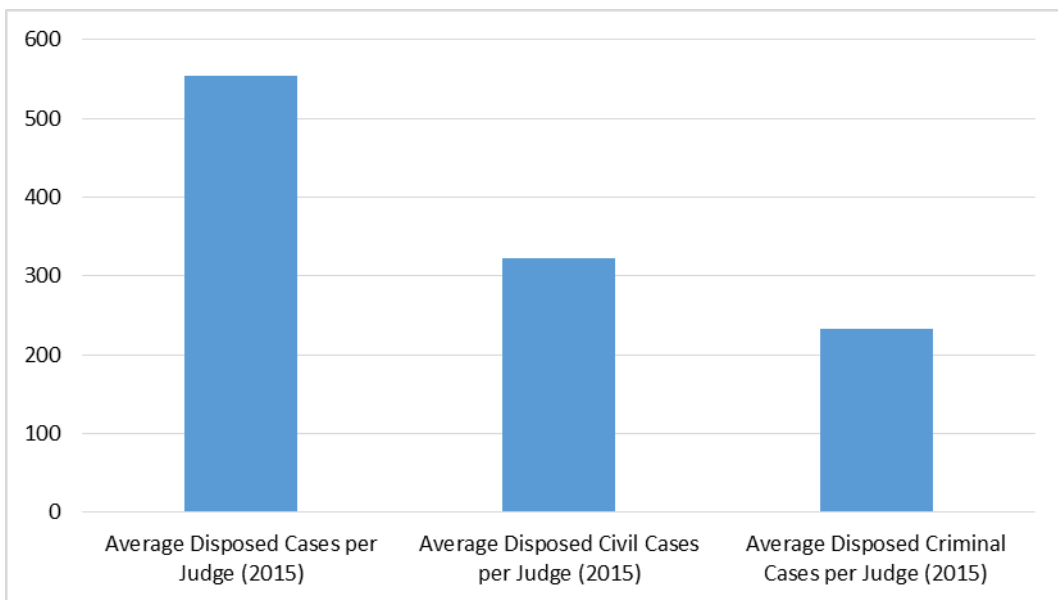
Source: Ministry of Finance

Figure 9: Percentage of Total Budget for Law Justice and Parliamentary Affairs



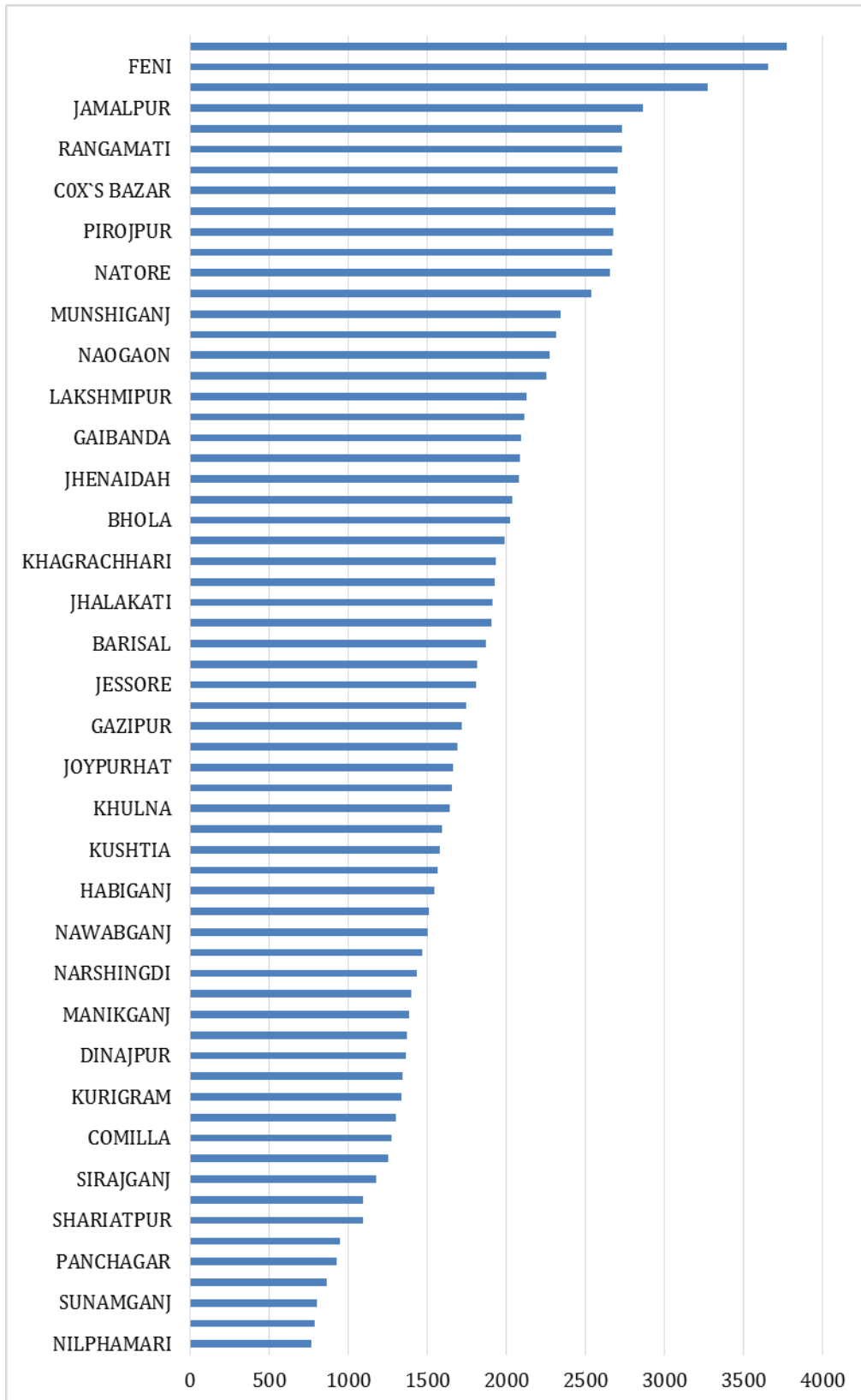
Source: Supreme Court of Bangladesh

Figure 10: Pending Cases per Judge



Source: Supreme Court of Bangladesh

Figure 11: Disposed Cases per Judge 2015



Source: Supreme Court of Bangladesh

Figure 12: Total Pending Case per Judge 2015



Figure 13: Avg. Case Disposal Rate in District Courts [2008-2015]

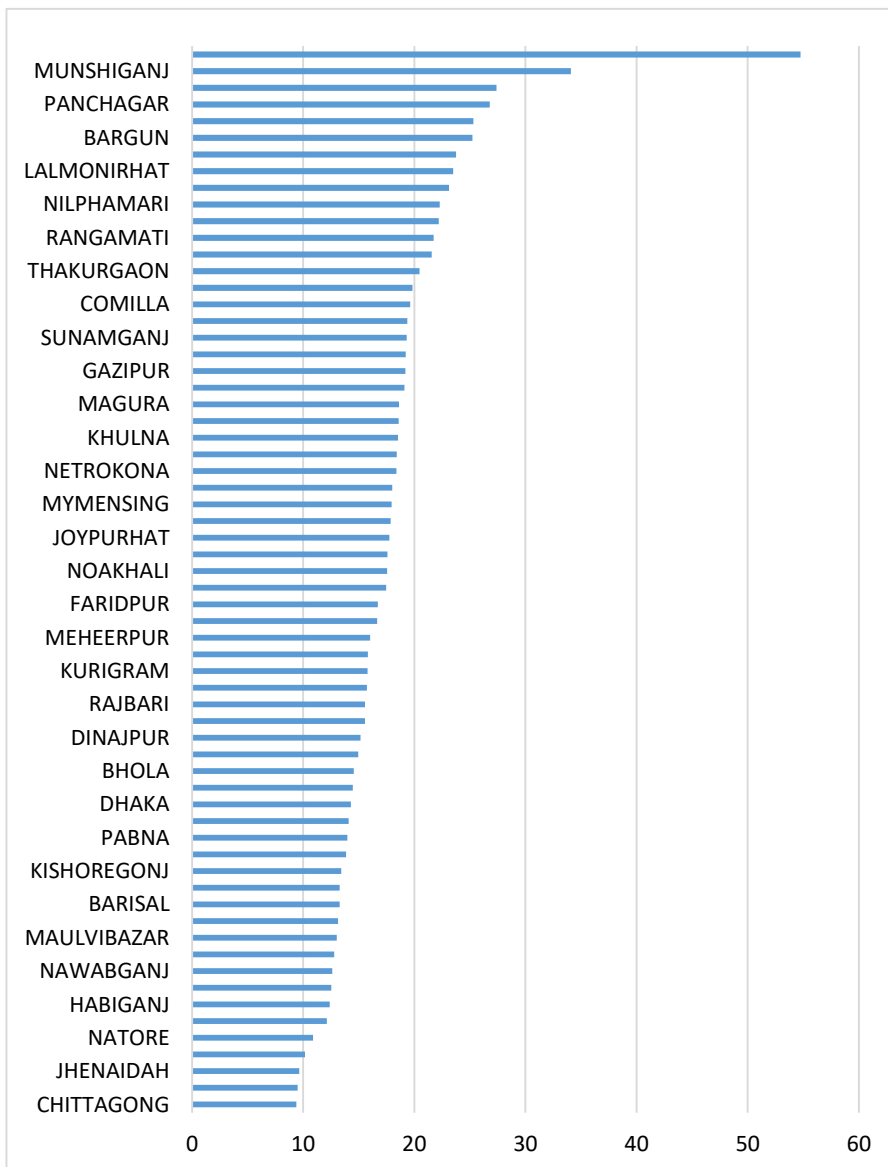


Figure 14: Average Civil Case Disposal Rate [2008-2015]

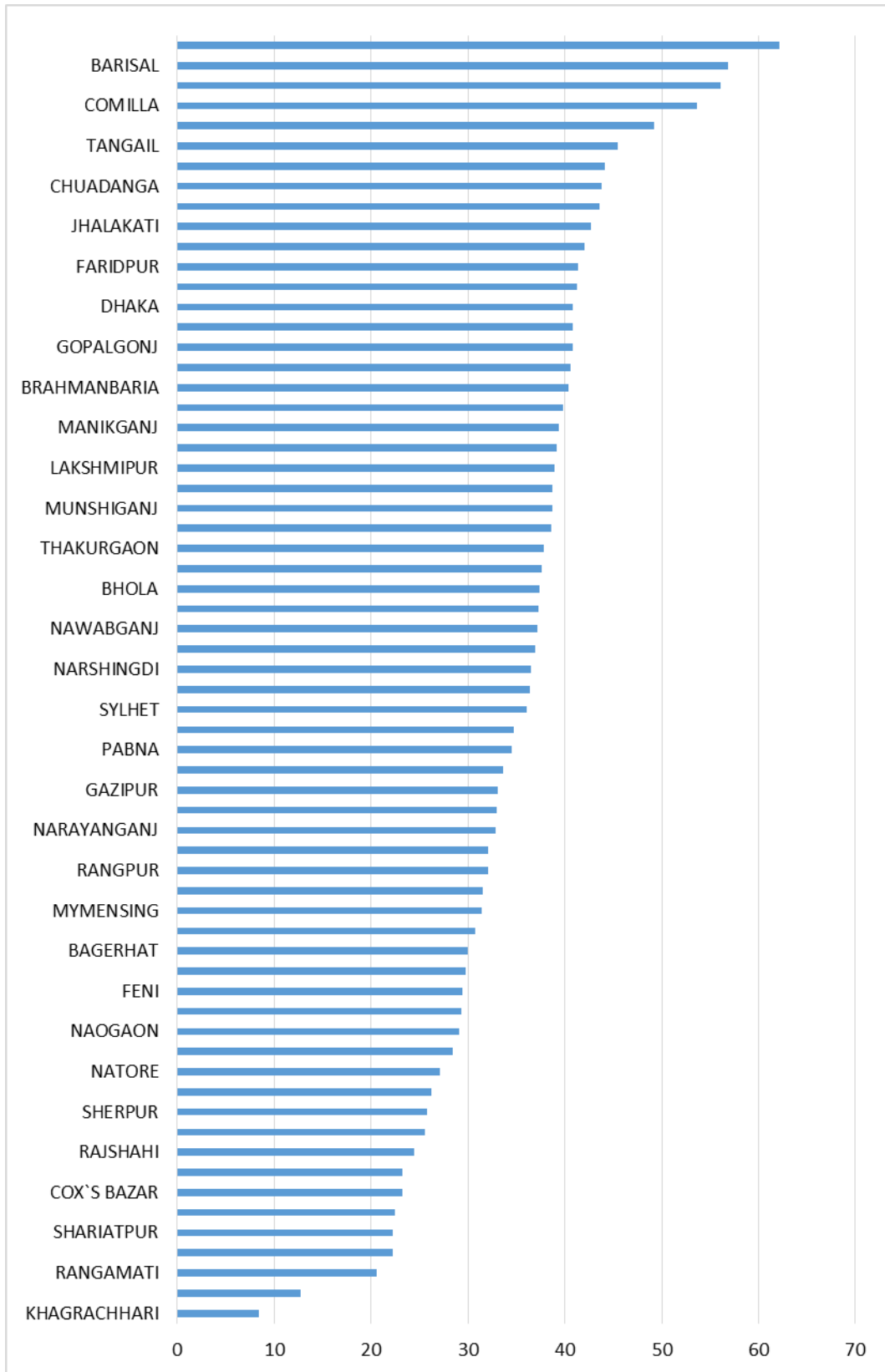


Figure 15: Average Criminal Case Disposal Rate [2008-2015]

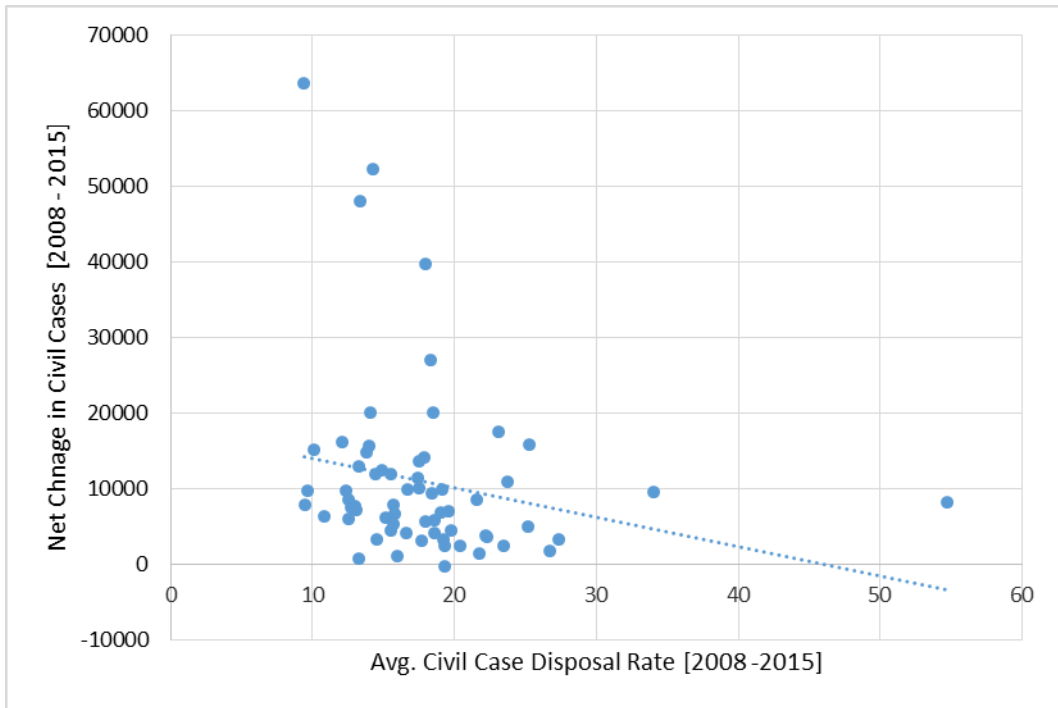


Figure 16: Avg. Civil Case Disposal Rate Vs. Net Change in Civil Pending Cases [2008 - 2015]

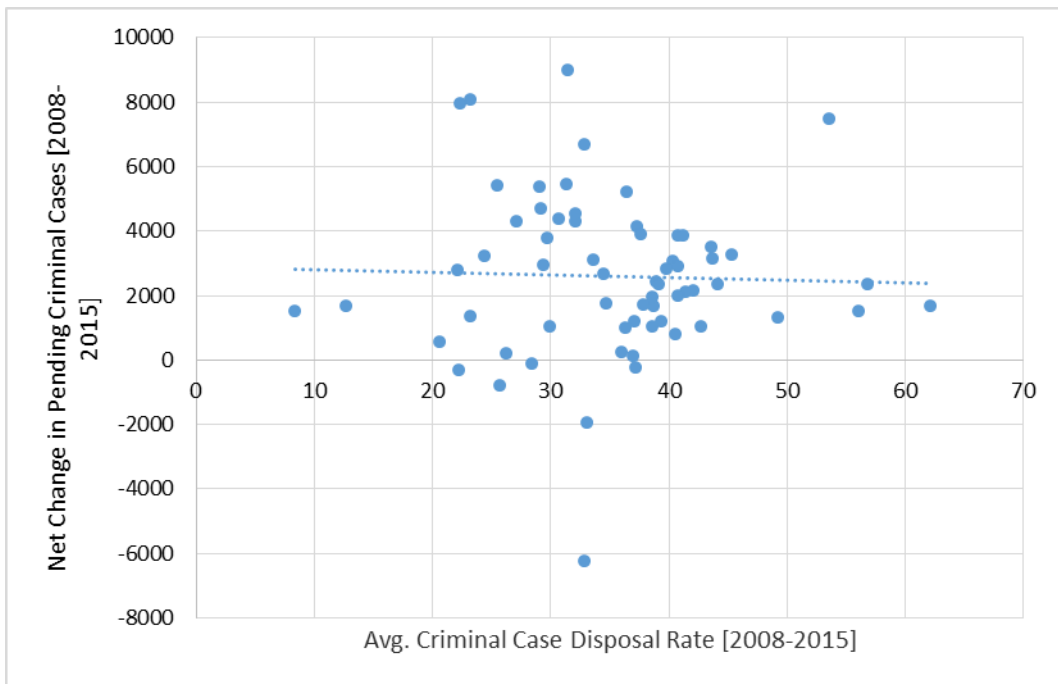
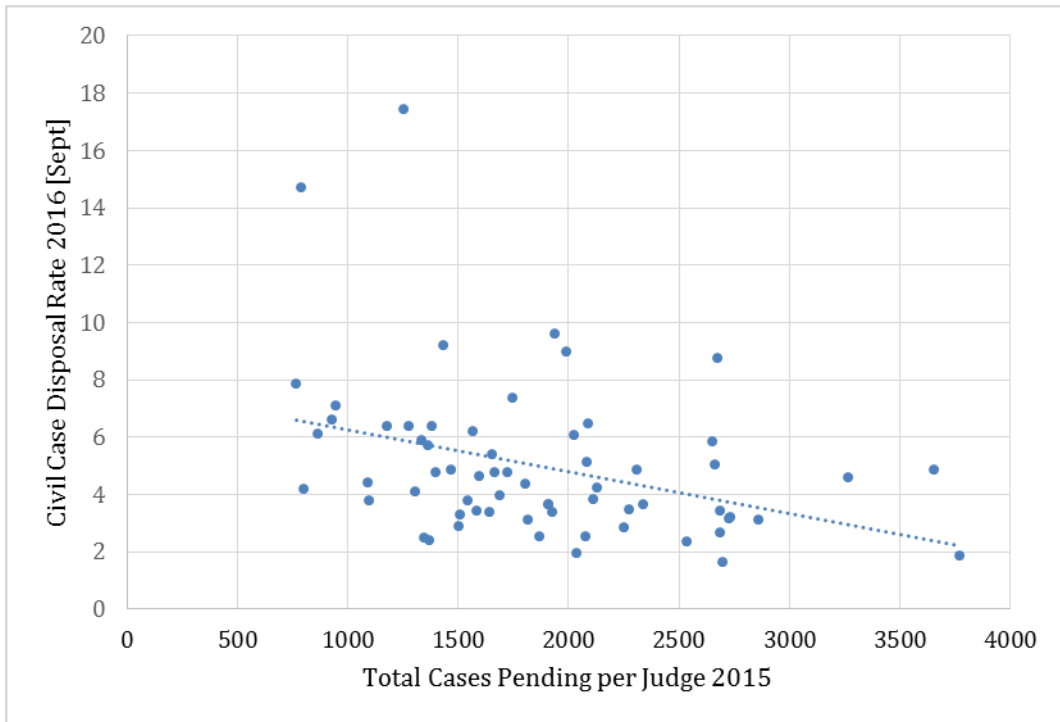
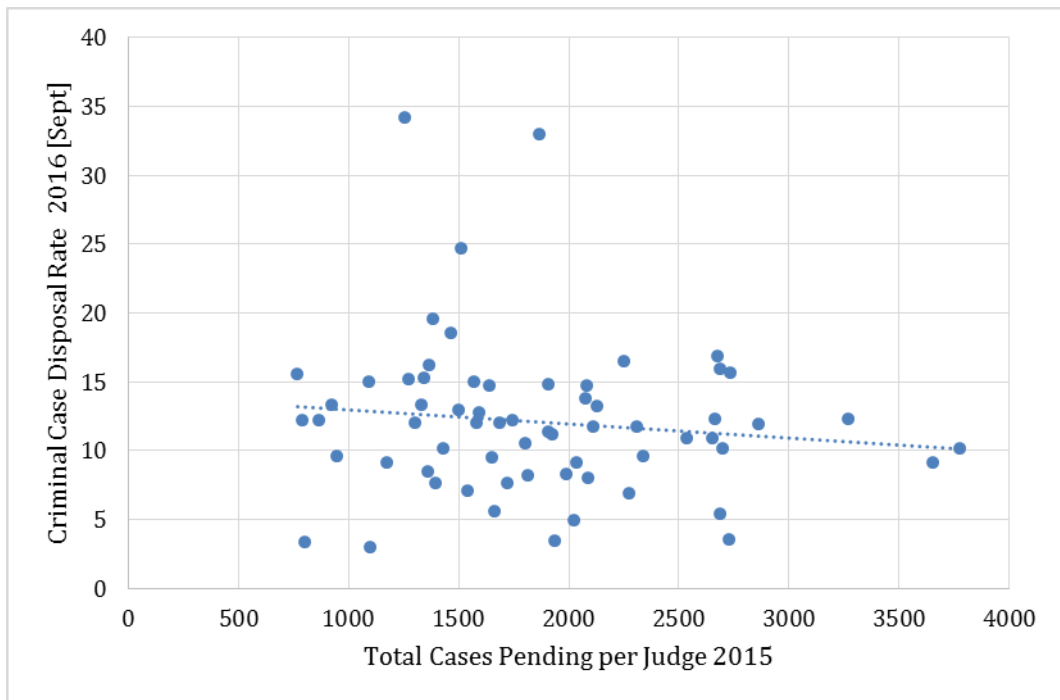


Figure 17: Avg. Criminal Case Disposal Rate Vs. Net Change in Pending Criminal Cases [2008 - 2015]



Source: Supreme Court of Bangladesh

Figure 18: Total Cases Pending per Judge vs. Civil Case Disposal Rate 2016 [Sept]



Source: Supreme Court of Bangladesh

Figure 19: Total Cases Pending per Judge vs. Criminal Case Disposal Rate 2016 [Sept]

3 Concluding Remarks

The availability of sound legal institutions that support the general ideals of rule of law has been viewed by prominent thinkers as a primary condition for shaping long-run economic and political development of nations. In that context, the journey of Bangladesh in developing sound legal institutions, which is both just and effective, has been less than impressive. This phenomenon has enhanced the importance of developing evidence-based policies that can improve the state of the justice sector in the country. Hence, to contribute toward this broader agenda, the principal aim of this paper is to study the performance of the lower courts of Bangladesh, especially from the standpoint of its operational efficiency. The idea is to generate evidence-based insights on the operational efficiency of the district courts of Bangladesh, so that effective and pragmatic policies are formulated to address noticeable weakness in its performance.

It focuses on various objective indicators of district court performance in order to help understand why district court performance vary across the geographic space of the country. The paper, in particular, empirically explores the regional variation in case-disposal rate and number of cases disposed per judge across the sixty-four districts of the country, and it studies how and why these indicators varies across districts. In doing so, the analysis documents and examines the variation in: i) number of cases filed per year; ii) number of cases disposed per year; iii) number of cases disposed per judge; iv) number of cases pending at year end; v) number of cases pending per judge; and vi) number of judge per 100000 inhabitant; and vii) case disposal rate.

Additionally, the overall examination offers some key insights that need more recognition from both researchers and policymakers concerned with the performance of the justice sector. Important among these insights are:

- i. Bangladesh's performance across different rule of law index across countries (and even within South Asia) has been less than impressive. Even subnational assessments of the justice sector have identified various key problems undermining overall performance. Prominent amongst these are: increasing case backlog, barriers to justice for victims who are poor, women, and children or from other vulnerable group, poor awareness of laws and legal rights, costs and delays within the formal justice sector, elite bias within the judicial bureaucracy, corruption and political interference in judicial appointments.

- ii. The problem of case backlog has been acute as the total backlog of cases have increased from 1.7 million to more than 3 million between 2008 and 2015. Nonetheless, after 2012, the growth in overall case backlog has fallen and there has been a noteworthy growth in the absolute number of case disposed by the judiciary between 2008 and 2014. More specifically, in 2015 the total number of case disposed was more than 1.5 million, which is nearly double of what was disposed in 2008.
- iii. Descriptive evaluation of the growth in case backlog across district courts shows that some district court works as a "pipeline" through which pending cases accumulate over time. For example, if we compare the top five district courts, which witnessed the largest net increase in pending civil cases (Netrokona, Mymensing, Kishoreganj, Dhaka and Chittagong) with the bottom five district courts with lowest net increase in pending civil cases (Panchagar, Rangamati, Meherpur, Bandarban and Khagrachari), it is observed that the top five added more than 46 times new civil cases than the bottom five district courts between 2008 and 2015. They also account for more than 30% of all the civil litigations that were added between 2008 and 2015 though the district courts.
- iv. A factor that explains the growth in case backlog is the low case disposal rate, especially for civil litigations. As mentioned above, between 2008 and 2015 – case disposal rate for all cases was below 30%. However, the case disposal rate for civil litigations has been generally low (less than 18%) and criminal litigation moderately high (more than 35%).
- v. Descriptive evaluation of civil and criminal case disposal rate has also shown that there is considerable variation in their respective case disposal rate across district courts. For example, the average civil case disposal rate between 2008 and 2015 for the district court of Sherpur is above 50% and for Jhenaidah is less than 10%. For average criminal case disposal rate, a similar variation prevails.
- vi. A similar variation also exists when we examine the performance indicators that assess average productivity of judges within district courts by monitoring the number of cases disposed per judge in each district court. As noted, the average number of case disposed per judge within district courts is approxi-

mately 555 for 2015. Yet, some district courts (like one that of Habiganj) enjoys low judge productivity where an average judge only disposed approximately 300 cases in 2015. On the other hand, the district court of Jhalokati in 2015 disposed more than 1000 cases, which is nearly twice that of the national average.

- vii. It is also noted that districts courts with similar level of case load for judges experience a wide variation in disposed cases per judge. For instance, Shirajganj and Rangpur, where judges' experienced similar case load on the beginning of 2016, produced greatly carrying outcomes for the first three quarters of 2016. More specifically, in Shirajganj the judges disposed on average 292 cases between 1st of Januray and 30th September of 2016. In contrast, an average judge in the district court of Rangpur disposed more than 680 cases in that same time interval. This underscores the necessity to explore mechanisms that can significantly enhance judge level productivity even under the existing level of resources.
- viii. The background empirical examination also explored the institutional and district level correlates of civil and criminal case disposal rate across district courts. The analysis shows that there is a significant negative association between case load and civil case disposal across all the district courts (Rahman, 2017). Moreover, while the noted paper does not use this findings to support a causal relationship, the estimations do highlight that increasing the number of judges can modestly help the problem of low civil case disposal rate within the district courts of Bangladesh. Also, it is important to keep in sight that Bangladesh has one of the lowest judge to people ratio in the world – with less than one judge per 100000. This underscores the necessity of implementing the recommendation of the Law Commission in 2015, which supported the recruitment of at least 200 additional judges per year and 4000 judges in total.⁹

On the whole, theories of justice make a compelling case that delays in disposal of cases can render justice meaningless. Hence, to attain a reasonable degree of disposal efficiency, it is essential that policymakers are equipped with an evidence-based understanding of its overall state and its performance. Thus, the discussed study contributes towards this broader agenda and offers an empirical examination of the operational efficiency of the lower courts. This, by no means, must be viewed as a comprehensive assessment of the state of lower courts, as such an endeavor necessitates a systematic

examination of both the just nature of substantive laws and the operational efficiency of the justice sector. Yet, the discussed analysis is humble in its scope and it offers a focused assessment of objective indicators that help us understand why and how performance of the lower courts changed over time and space. The discussed paper also contributes to the growing body of work that have helped assess issues associated with justice sector of Bangladesh, and offers insights for the broader intellectual discourse concerning how justice can be advanced in developing countries.

4 The Endnote

1. In effect, market economy cannot produce the optimal outcome in the presence of transaction costs and externalities without effective legal institutions.
2. It is viewed by many that political elites with concentrated political power can undermine the long-run economic potential of an economy by blocking the process of creative destruction that allows technological change to improve the productivity of physical and human capital (Acemoglu and Robinson, 2012)
3. Most importantly, he argued, "...equally important is the fact that the informal constraints that are culturally derived will not change immediately in reaction to changes in the formal rules. As a result, the tension between altered formal rules and persisting informal constraints produces outcome that have important implications for the way the economic change" (North, 1991, p.45).
4. From the pure notion of serving or facilitating justice, the case for addressing 'remediable injustices' is strong given its existence and endurance is facilitated by the inaction of relevant authorities, which amplifies the need of correcting these forms of injustices than others.
5. In India, Murthy and Rabiya (2008) offers an empirical assessment of trends in civil suits, caseload, disposal and pendency for two states: Kerela and Andhra Pradesh. In addition, their findings indicate that falling disposal rates reduce the rate of filing. In other words, there is some evidence that increasing pendency in courts can reduce the confidence of citizens in formal judiciary.
6. It is, nonetheless, important to mention that existing theories within the discipline of economics offers very limited insight on the exact nature of the legal institutions that are necessary for improving economic outcomes. Some believe reputations and informal arrangements can work as an effective

means for solving disputes (Macaulay 1963; Galanter 1981; Ellickson 1991). Adam Smith, however, believed that a government must deliver “a tolerable administration of justice” for ordinary citizen to seek justice against more powerful offenders who can manipulate private enforcement (Smith, 1776).

7. This evidence is in line with Mitsopoulos and Pelagidis (2007), which examines if staffing with respect to caseload contributes to the slow disposition of cases in Greek courts. Their analysis shows that the ratio of staff to total number of cases affects the time needed to dispose of cases in appeals courts and higher civil trial courts.
8. For more information on the Law Commission Report, please see: <http://www.thefinancialexpress-bd.com/2016/04/30/28468/Law-Commission-for-recruitment-of-more-judges>.

5 References

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The Theory and Practice of Microcredit

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by Wahiduddin Mahmud and S. R. Osmani

This is a much awaited book by two of Bangladesh's most distinguished economists on a topic of great interest to scholars and policymakers working on development, not just in Bangladesh, but globally.

In the introductory chapter, the authors explain the goal of the study: “a proper understanding of this evolution in practice of microcredit is essential for both developing theories that are relevant for the real world and adopting policies that can better realize the full potential of microcredit.” Addressing the exclusive focus on Bangladesh, they respond correctly, “No other country can match its experience regarding the maturity and the extent of outreach of the microcredit programmers.”

The book has 10 chapters and 267 pages including references and index. The chapters address many of the major issues raised in the theoretical and empirical literature on microcredit: the state of microcredit in Bangladesh, how rural credit markets work, the design and workings of the original (“classic”) microcredit model, various theories of microcredit, the role played by group lending and moral hazard, adverse selection and repayment enforcement, what happens when theory meets the real world, and testing the various theories of microcredit.

Along with others, I consider microcredit as one of the most exciting strategies in the movement for the economic emancipation of the poor, sometimes referred to as a war on poverty. As the authors point out, the genesis of modern microcredit (aka microfinance) lies in the small institutional loans, which were given collateral free based on trust, to poor households in rural communities in Bangladesh by Muhammad Yunus in the early 1970s. We know from his own writings, Yunus, a curious and determined professor of economics teaching at Chittagong University, a nearby campus, conducted his research-backed innovative social experiments with the help of his students to crack the age-old puzzle of deep-seated rural poverty. Around the same time, a non-governmental organization (NGO) called BRAC was experimenting with various models to make institutional credit available to the unbanked poor in rural Bangladesh under its visionary leader, Fazle Abed, a former accountant-turned social worker.

In my view, over the next few decades, the work and energy of this dynamic duo (and many others) transformed the goal of battling poverty, by providing institutional credit through tiny loans to the poor households, into a global phenomenon that has impacted the lives of millions in Bangladesh and across the globe. Thus at a critical moment in its history, Bangladesh was fortunate to have NGO leaders such as Yunus and Abed working on poverty alleviation strategies for the masses.

The exciting story of the microcredit revolution would be incomplete without understanding the history of Bangladesh which gave birth to this novel and impactful poverty alleviation strategy that has now spread globally. After many decades of exploitation, seeking political and economic freedom to build its own destiny, on December 16, 1971, the nation previously known as East Pakistan, succeeded in liberating itself from the clutches of the tyrannical rule by Pakistan's military. Tragically, the victorious struggle for freedom was accompanied by massive destruction in life and property, and eventually led to the devastating famine of 1974.

In the ensuing years, Bangladesh emerged from the its economic rubble – at one time dubbed despairingly by Henry Kissinger as the “International basket case” – to an economic scenario today that has pleasantly surprised many experts by the vigor, and sustained growth in its economy and success in overcoming significant poverty. Modern Bangladesh has been identified by global investment funds as one of the most promising economies in Asia today. Noble prize winning economist Amartya Sen has marveled at the progress that Bangladesh has made in development, especially as measured by social and health indicators (quality of life index) that measure the welfare of the average citizen, compared to what the experts had predicted, and what its neighbors (including, India) have been able to achieve.

The success and the promise of Bangladesh is a complex story, but the nation's path to unexpected economic success and future promise could not have happened without the spread of microcredit in the countryside. The amazing work of the organically grown (and perfected) strategy of microcredit, which over the next few decades provided a lifeline of formal credit to

millions of poor households, transforming lives of many, especially women. This experience has demonstrated to the world that with hard work, grit, innovative ideas, entrepreneurship and discipline, poverty can be overcome in vast numbers. From the village of Jobra, near Chittagong, Bangladesh - which served as the initial laboratory for Yunus's experiments - the microcredit revolution has spread across the world to benefit nearly 165 million poor.

The stunning rise of microcredit has naturally received attention of scholars and policymakers of all stripes, and also of many critics. Among the later, unfortunately, the least sophisticated views have been expressed by politicians who have felt threatened by the growing success and power of microcredit and its leaders. In striking back, these politicians have not spared even the Grameen Bank from malicious criticism, based largely on ill-informed myths and distortions. For example, the developmental microcredit institutions (NGO-MFIs) were compared to blood sucking money lenders. Mahmud and Osmani inform us that the highest rates charged by MFI organizations are limited by regulations, and are substantially below what the moneylenders charge. These inaccurate depictions were made despite the fact that the Grameen Bank and its founder, Muhammad Yunus, were honored with the 2006 Noble Peace Prize. Needless to say that as the pioneering microcredit institution, Grameen Bank is widely known and admired in Bangladesh and globally for its impact on poverty, empowering women, and improving the lives of millions of poor.

Although, vast number of articles (and a few books) have been published in learned journals on the subject by economists, sociologists, anthropologists, and political scientists, Mahmud and Osmani may have published the definitive book on the subject, one that has the potential to serve as essential reading on the subject, a one-stop source of scholarship that is both balanced and comprehensive in reviewing the origins, history, theories, practices, success and failures of microcredit in the context of Bangladesh, with lessons for a global audience.

In this book, the authors succeed where many authors failed before - to discuss ideas and concepts that are often difficult to explain theoretically, but have proven their effectiveness on the ground. MC has indeed proven to be an attractive and impactful strategy in rural communities across the developing world, and yes some parts of the rich developed world. Many believe that microcredit has been successful because the set of ideas and strategies that undergird the concept is breathtakingly fresh, adaptable and innovative in its application.

The audience for this timely book is diverse. It is not easy to package so much materials, some complex, in

one book. As the authors state, there is no single theory of microcredit but many theories. Hence the burden of proof on measuring its impact and effectiveness falls on collecting the right data and empirical testing of the various hypothesis. The central explanation is that rural credit markets are imperfect, because of a lack of complete information and the inability of agents to enforce contracts. The two biggest challenges for academics is to sort through the various theories and differing methodologies for data collection and testing, and the issue of "assessing the impact of microcredit".

Whether one agrees with the view that MC has had many positive benefits and impact, the fact is that many academics remain curious and baffled about the special features of MC model, and how these work in embracing the rural poor women who are largely excluded from the formal credit markets (banks), and yet does not seem to compromise the financial viability of the donors institutions (MFIs). For the curious social scientist and researcher, there are a number of unanswered questions - how and why does MC work, even when scaled up massively? Why the bankers cannot explain its robustness? Why do the bankers still stay away from lending to the poor? Why is that the economists and development specialists failed to take MC seriously in the beginning, and still cannot explain all aspects of it satisfactorily?

For those interested in these questions and many more related to financing the needs of the poor, this brilliant book by Mahmud and Osmani is a treasure trove of ideas, solid statistics and sound analysis. The book is not easy reading, but is well worth the effort. Generations of future authors and policymakers will depend on this study to further their own research and inquiries to unpack the mysteries of the microcredit model. They will likely find that not everything in the real world can be captured by complex models or explained mathematically. Given the right mix of ideas, leadership and discipline, sometimes two plus two can add up to more than four. There is magic in some ideas, and sometimes the genius is not so much in the ideas, as in the practice and implementation.

This is a sophisticated and balanced analysis of a subject which has generated a vast amount of theoretical and empirical research. One cannot do justice to the book in a short review such as this. Suffice it to say, that those who will take the time to invest in reading the book will not be disappointed given the careful and meticulous scholarship that underlies this book. I would highly recommend this book to undergraduate and graduate students taking courses on development and poverty, as well as scholars, researchers and policymakers interested in issues of economic development in general, and rural poverty alleviation,

social entrepreneurship, and women's emancipation in particular.

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