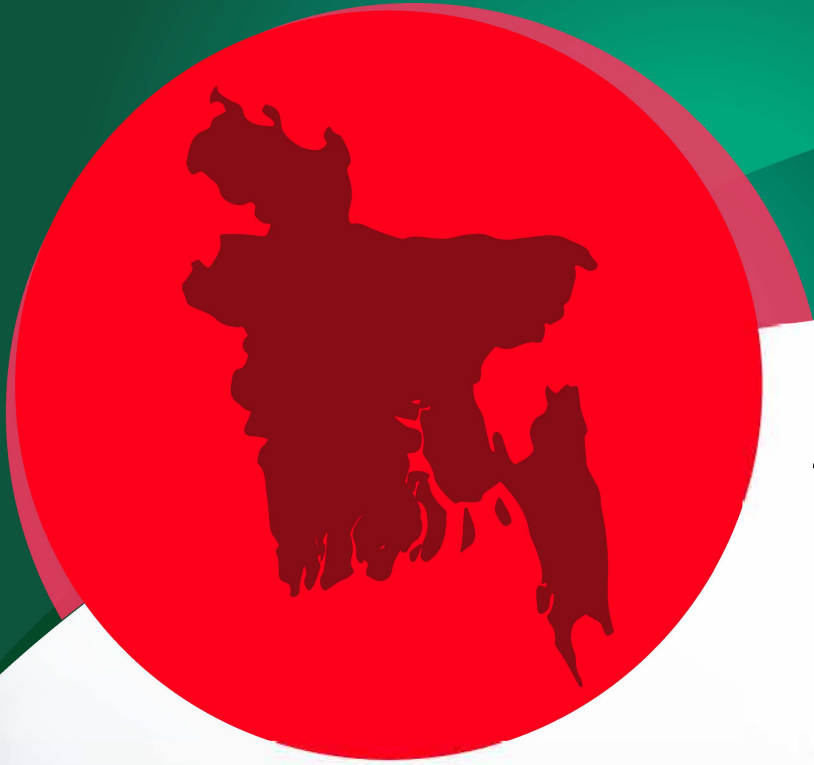


Volume 15  
Number 1  
Year 2013  
ISSN 1529-0905



Journal of  
**BANGLADESH  
STUDIES**



# JOURNAL OF BANGLADESH STUDIES (ISSN 1529-0905)

## Editor

Syed Saad Andaleeb, Ph.D.  
Sam and Irene Black School of Business  
The Pennsylvania State University, Erie  
5101 Jordan Road, Erie, PA. 16563-1400

## Editorial Board Members

Ahrar Ahmad, Ph.D.  
Dept. of Political Science  
Black Hills State University  
Spearfish, SD 57783

Sadiq Ahmed, Ph.D.  
Policy Research Institute  
Express House, No. 16, Road 16-A, Block H  
Banani, Dhaka 1213

Ashraf Ali, D.Sc.  
Bangladesh Development Initiative  
15160 SE 54th Place, Bellevue, WA 98006

Farida Khan, Ph.D.  
Dept. of Economics  
University of Wisconsin-Parkside  
900 Wood Road, Kenosha, WI 53141

Munir Quddus, Ph.D.  
College of Business  
Prairie View A&M University  
P O Box 638, Prairie View, TX 77446

## Subscriptions and Public Relations

Sukomal Modak, Ph.D.  
3938 Stoneridge Dr., #1  
Pleasanton, CA 94588  
Email: *Sukomal\_Modak@yahoo.com*

Halimur R. Khan, Ph.D.  
U.S. Air Force Academy  
2354 Fairchild Drive  
Colorado Springs, CO 80840-6258

## Typography and Graphics

Sukomal Modak, Ph.D.  
3938 Stoneridge Dr., #1  
Pleasanton, CA 94588  
Email: *Sukomal\_Modak@yahoo.com*

Partha Modak  
Graduate Student  
Department of Mechanical Engineering  
BUET, Dhaka-1000, Bangladesh

## Cover Design

Nazia Andaleeb Preema  
Visual Artist, Preema's Atelier  
Dhaka, Bangladesh

## Web Site Design and Administration

Parhez Sattar, BSBA  
400 Walnut Street  
La Grande, OK 97850

## EDITORIAL ADVISORY BOARD

*Manzoor Ahmed*

Senior Adviser, Institute of Educational  
Development, BRAC University, Bangladesh

*Sajeda Amin*

Senior Associate  
Population Council, New York

*Debapriya Bhattacharya*

Distinguished Fellow  
Center for Policy Dialogue, Bangladesh

*Saleemul Haque*

Senior Fellow, International Institute for  
Environment & Development, United Kingdom

*Rounaq Jahan*

Distinguished Fellow  
Centre for policy Dialogue, Bangladesh

*Haider A. Khan*

Professor of Economics  
University of Denver, Colorado, USA

*Zillur R. Khan*

Professor Emeritus  
University of Wisconsin, Oshkosh, USA

*Habibul H. Khondker*

Professor, Humanities and Social Sciences  
Zayed University, Abu Dhabi

*Sufian A. Khondker*

Director & Department Manager, Water Resources  
Engineering, Dewberry Engineers Inc, New York

*David Lewis*

Professor, Department of Social Policy  
London School of Economics, United Kingdom

*S. Akhter Mahmood*

Lead Investment Policy Officer  
The World Bank

*Wahiduddin Mahmud*

Professor of Economics  
University of Dhaka, Bangladesh

*Tazeen Murshid*

University of Brussels &  
University of Cambridge

*Hossain Zillur Rahman*

Executive Chairman, Power and Participation  
Research Centre (PPRC), Bangladesh

*Saifur Rahman*

Joseph R. Loring Professor & Director  
Virginia Tech Advanced Research Institute, USA

*Salim Rashid*

Professor Emeritus (Economics)  
University of Illinois at Urbana-Champaign, USA

*Ali Riaz*

Professor and Chair, Department of Politics and  
Government, Illinois State University, USA

*Yana Rogers*

Professor & Director of Women and Gender Studies  
Rutgers University, USA

*Zaidi Sattar*

Chairperson  
Policy Research Institute, Bangladesh

*Sanchita Saxena*

Associate Director, Center for South Asian Studies  
University of California, Berkeley, USA

*Forhad Shilpi*

Senior Economist  
The World Bank

*Rehman Sobhan*

Chairperson  
Center for Policy Dialogue, Bangladesh

# PARTNERS OF JOURNAL OF BANGLADESH STUDIES

Pennsylvania State University, Erie  
*psbehrend.psu.edu*

American Institute of Bangladesh Studies  
*www.aibs.net*

Policy Research Institute  
*www.pri-bd.org*

---

## CONTENTS

---

From The Editor	
Syed Saad Andaleeb . . . . .	vi
Fractured Nation, Fractured Identities: Quest for a National Reconciliation in Bangladesh	
Sayeed Iftekhar Ahmed . . . . .	1
Aid Effectiveness: Research versus Practice: <i>Never the Twain shall Meet?</i>	
M. G. Quibria . . . . .	9
Can Bangladesh Grow Faster than India?	
Biru Paksha Paul . . . . .	15
A Note on the Export Performance of Bangladesh During the Recent European Recession	
M. A. Taslim and Amzad Hossain . . . . .	28
Public Perceptions of Television News in Bangladesh: A Benchmark Study	
Syed Saad Andaleeb, Sabiha Gulshan, Mehdi Rajeb, Nasrin Akhter, and Anis Rahman . . . . .	35
Dynamics of Survival Strategies: Perspectives from the Indigenous People of the Chittagong Hill Tracts	
Ala Uddin . . . . .	50
Opportunities and Challenges of the Pharmaceutical Sector in Bangladesh	
Shirin Sharmin . . . . .	63
Understanding the Dynamics of the Furniture Sector in Bangladesh	
Mohammad Muaz Jalil and Mohammad Behroz Jalil . . . . .	71

---

## FROM THE EDITOR

---

Elections in Bangladesh, unfortunately, have a way of being disruptive of civic life and basic sensibilities. The recent election brought to a grinding halt a relatively positive and ambient environment of economic and social progress. Intransigence of the politicians, across the spectrum, to agree on how the elections would be held, resulted in terrible and unconscionable repercussions: charred human beings, vandalization and destruction of property, the immense suffering of the day laborer, school and work closure, the slowing of economic activity and much more. Even the dead and dying were not spared. One international leader commented on the state of law and order in the country: *“Any violence, disappearance or repression on civil society and press is contrary to democracy and rule of law.”*

Prominent leaders from across the world urged all political actors in Bangladesh to come together, engage in constructive dialogue, strengthen the roots of democracy, and build Bangladesh into a prosperous nation. And what did the politicians do? They went on their merry way, holding the entire nation hostage to their whims and fancies.

The exhortations of world leaders, consonant with the wishes and aspirations of a great majority of the citizens of Bangladesh, have continuously been ignored. Such wishes have resonated in the country over years, if not decades. For example in 2000, Rehman Sobhan, a civic leader, wrote in the *Journal of Bangladesh Studies*: *“It was at this stage, with elections imminent and the threats by the opposition to boycott these elections, that voices were raised around the country for some effort to try and bridge the gulf between the government and opposition. It was felt that a last attempt be made to mediate an agreement for bringing all parties together to work out a formula which would permit for a free and fair election.”*

That formula is yet to be found to the satisfaction of the citizenry. Similarly, at a conference at Harvard in 2008, Bangladesh Development Initiative (BDI) articulated a six-point policy framework for economic growth and social progress in the country. In this policy prescription it was stated that: *“The people of Bangladesh have also been historically deprived of democratic values and practices that have been replaced by despotic and dictatorial regimes. Re-establishment of democratic values must become a priority of the present government from the party, to the community and to the national levels.”*

Most sane people understand these oft-repeated words, especially the need for politicians to transcend animosities, foster cooperation, and enable Bangladesh to grow unencumbered. Unfortunately, these words have not been heeded. And the common people have had to endure the immaturity, intransigence, and power struggle within the political class. Consequently, the emancipation of 160 million people of a nation of huge potential and possibility have been on hold, much to the pleasure and satisfaction of other nations who see the rising economic strength, innovative capabilities and competitive prowess of Bangladesh as a veritable threat.

It is important to remind our political leaders that each act of theirs is recorded in the annals of history. They will surely resurface at another point in time to be parsed and examined dispassionately for how the gift of leadership was exercised. Thus they must ponder, *“How will I be remembered”* — as iconic figures of great vision, wisdom and intellect, with statesman-like caliber and committed to steadfastness of principles or as a mindless, corrupt, brutish, selfish and incompetent lot, conniving constantly to achieve the twin goals of personal advancement and aggrandizement?

A reflexive stance would perhaps dissuade them from pursuing paths that ordinary citizens detest. It would nudge them to pursue dialogue and peaceful co-existence, not violent and confrontational policies; it might make them look to the future, not retribution. It might even steer them into pursuing honorable lives that could bring them closer to the people they lead, not push them further away from their hearts and minds.

It is in this context that the first article of this issue addresses the contested and opposing views the two main political parties — the Bangladesh Awami League (AL) and the Bangladesh Nationalist Party (BNP) — have held on every significant national and international issue. This lack of consensus has been the bane of a smoothly functioning democracy and the continual reinforcement of this ideological chasm has completely fractured the nation into two main opposing camps. The author urges the construction of a space for reflexive, discursive, and deliberative local-level dialogues to engage the government, opposition political parties, and civil society activists at the Zilla, Upazilla, and Union levels, in a much-needed public examination of Bangladesh's national identity. Notwithstanding the fact that such an exercise will be difficult and

fraught with many unknowns, it must begin earnestly in the quest to find shared space; perhaps the process will generate the trust that has been so sorely missing for the past four decades. The alternative, the politicians must understand, is the type of disruption and mayhem that is prevalent today, a condition that is deeply detested and has onerous implications.

The next article involving foreign aid argues that there is a huge disconnect between empirical research and policies and praxis. While a large body of sophisticated empirical work has emerged over the years, the methodological glitz has not provided effective guidance on the design, allocation, and delivery of foreign aid. The emphasis on the “average” and a one-size-fits-all approach, according to the author, needs to be discarded in favor of “a more nuanced, tailor-made strategy that is grounded in a comprehensive understanding of individual countries.” Fortunately for Bangladesh, the need for aid has diminished over the years; hopefully the trend will continue.

The third article raises an interesting question: Can Bangladesh grow faster than India? This question concerns the two fastest growing economies of South Asia. Using the Solow model and the Cobb-Douglas production function, the study suggests that Bangladesh has to increase capital formation to surpass or at least to catch up with India in growth. Institutional bottleneck is another area in which Bangladesh requires massive improvements. This study may guide other emerging markets to take lessons on how growth might be pursued under conditions of low capital formation and institutional bottlenecks.

The fourth article examines whether and how the recent recession in the European Union affected the export trade of a large number of countries. The authors show that the export performance of Bangladesh was relatively stable and supports the hypothesis that one of the main reasons for such performance was the composition of the export basket of the country containing mostly manufactured consumer goods.

The fifth article examines the perceived credibility of TV news in Bangladesh, a vital source of information for the citizenry. It also examines how independently TV news is produced, its objectivity, its social role, and competence, all of which influence credibility perceptions of the audience. Policy implications are discussed so that TV news can play a more important role in Bangladesh by promoting greater civic awareness and building democratic processes, instead of being driven solely by special interest coteries.

The next article examines the situation of the indigenous people of the Chittagong Hill Tracts (CHT) and how

they have dealt with many groups of “intruders” who have routinely disrupted their way of life that is distinctly different. According to the author, their situation has worsened with the state-sponsored and military-assisted transmigration programs and the apparent connivance of the security forces of Bangladesh. In this milieu, recently, Bengali settlers have forcibly displaced many indigenous peoples from their homes and land, a situation they encountered two decades earlier during the construction of Kaptai hydroelectric dam. Already in duress, they employ diverse strategies to manage their survival in their own land. The painful insights of this anthropological study provide lessons for the government to be more inclusive in their national strategies and to redress prevailing social injustices.

The next two papers deal with sectoral strategies. The first addresses the pharmaceutical sector which has an annual turnover of around BDT 840 million (as of 2011) and is one of the fastest growing sectors in the country. It is nearly self-sufficient in producing pharmaceutical products, especially deriving significant benefits of producing and marketing drugs in the TRIPs-related patent regimes. The potential for export from this sector is also immense. But the patent benefits will expire in 2016, posing serious threat for pharmaceutical companies in Bangladesh. The findings of the study are expected to help potential investors and stake-holders of the pharmaceutical companies in Bangladesh find answers to the looming threat.

The furniture sector of Bangladesh has the potential for promoting pro-poor growth with its high absorption capacity of low-skilled labor. It also has the potential of diversifying the country's export and manufacturing base. Using a market system approach the authors find major constraints affecting this sector in the areas of skilled labor force, low level of mechanization, limited access to finance, and lack of effective governmental support. These constraints give rise to developmental problems of the sector that require immediate redress if the sector is to make a significant impact on the country's economic growth trajectory.

With this issue we bring a new offering to our readers: a fresh cover of JBS to reaffirm our abiding faith in remaking Bangladesh through the fresh thinking of scholars that is honest, incisive, imaginative, and futuristic. We continue to toil with a clear objective: to bring research articles of substance, relevance, and quality to our readers on issues pertinent to Bangladesh. We ardently hope to deliver on this promise.

Syed S. Andaleeb  
Editor

# Fractured Nation, Fractured Identities: Quest for a National Reconciliation in Bangladesh

Sayeed Iftekhar Ahmed

School of Security and Global Studies, American Public University System, Charles Town, WV, USA

## Abstract

In Bangladesh, the two main political parties — the Bangladesh Awami League (AL) and the Bangladesh Nationalist Party (BNP) — have held contested, opposing views on every significant national and international issue, and except for two years in 2007–2008, they have been in power in every consecutive term since 1991. This has led to the absence of even a minimal ideological consensus — an essential component for any smoothly functioning democracy. This ideological chasm is rooted in the failure of the nationalist elites to develop a unified discourse that is based on a shared identity and national imagery; this in turn has led to the development of two parallel nationalisms in both the elite and the subaltern domains which has fractured the entire nation and created dual identities. This study urges the construction of a space for reflexive, discursive, and deliberative local-level dialogues that could engage the government, opposition political activists, and civil society activists at the Zilla, Upazilla, and Union levels, in a much-needed public examination of Bangladesh's national identity. It would help to deconstruct these projects through dialogical and democratic means rather than forcing their totalizing claims upon each other.

## 1 Introduction

Once again, the Bangladesh Awami League (AL) and the Bangladesh Nationalist Party (BNP) have taken an antagonistic position on the issue of the parliamentary election scheduled for 2014. The BNP stands for the restoration of the non-partisan, non-elected, “neutral” caretaker government; they have demanded, like before, that the caretaker government should replace the elected one during the time of the election.<sup>1</sup> Meanwhile, rejecting the idea of the caretaker system, the AL has proposed to form an “interim government” from the elected members of the leading parties in the parliament. It is interesting to note that they both shifted their preferences when their roles switched from the ruling to the opposition party — in the opposition, they supported the caretaker system, but then as the ruling party, they opposed it.<sup>2</sup> Even though the two parties have served (except in 2007 and 2008) as the ruling party and the main opposition in every consecutive term since 1991, they have not been able to establish even a minimal ideological consensus — an essential component for any smoothly functioning democracy. As a result, the AL and the BNP hold contested, opposing views not only on the issue of a caretaker system but on every significant national and international issue, including the basic concepts of national identity, the role of religion in the state, and the nature of their relationship with India.

This ideological chasm between the AL and the BNP has led to mutual distrust and disbelief; hence, they do

not believe that they would be able to come back to power through a free and fair election if their opponent retained power during the time of the election. Therefore, despite the fact that the state faces no direct military intervention, the political parties have failed to institutionalize the democratic system through fair elections and a legitimate succession of power under the leadership of a political party.

The antagonistic position between these parties has caused numerous street confrontations that have claimed many lives, especially in 1996 and in 2006.<sup>3</sup> In addition, the enduring chasm between them has created an opening for the military for indirect intervention into the political system, which has further deteriorated the possibility of institutionalizing democracy in the body politic of Bangladesh. For example, confrontations between the AL and the BNP on the issue of a caretaker chief in 2006 encouraged the military to intervene in the state once again and the outcome of this was the Fakhruddin interregnum, which despite its civilian faade, was basically a military government in a civilian cloak.

The root of the ideological chasm between the AL and the BNP appears to be the failure of the nationalist elites to develop a unified discourse of nationalism that is based on a shared identity and national imagery; this has led to the development of two parallel nationalisms in both the elite and the subaltern domains — a unique phenomenon in South Asian history.<sup>4</sup> Further, this dual



“nation-building” process has fragmented the elites and the subalterns on the issues of identity, nation, and nationality and planted disbelief and distrust among the AL and the BNP leaders and activists, which has resulted in their inability to take a unified stand on the important issues. In the post (internal) colonial state of Bangladesh, “imagined” within the available set of colonial modules, the elites have reconstructed two parallel nations — the secular, linguistic-based Bengali (AL) and the territory and Islam-based Bangladeshi (BNP).<sup>5</sup> Both parties have endeavored to implement the totalizing claims of their own nationalist project while denying the multiple “fragments” within the nation; and both parties, when in opposition, have obstinately avoided attending sessions of parliament or engaging in any kind of dialogical deliberation, which has further exacerbated their failure to institutionalize democracy in the body politic of Bangladesh.<sup>6</sup> The failure to develop a unified nationalist discourse ultimately fractured the entire nation and created dual identities within the framework of the nation-state.

This paper takes a brief historical view to gauge how the making and remaking of identity and nationalism in the political discourse of the nation has resulted in this enduring chasm between the AL and the BNP, and has fragmented both the elites and the subalterns on the issue of identity, nation, and nationalism. One possible policy recommendation is that the civil society should take the initiative to create a space for a local-level reflexive, deliberative dialog in order to engage the leaders and activists of the AL and the BNP in frequent discursive deliberation. The goal would be to deconstruct their nationalist projects through dialogical and democratic means rather than forcing their totalizing claims upon each other. This deliberation should not be restricted to the top-brass leaders in the capital but should also include the civilians and party activists at the grassroots — e.g. the Zilla, Upazilla, and Union levels.

## 2 Genesis of the Present Cleavage

The elite historiographies, both the nationalist and the leftist, have construed the “Bangladesh revolution” (Maniruzzaman 1980) as a secular, elite nationalist project. This was the major point of contention between the emerging Bengali elites with their Pakistani counterpart, the state established in 1947 for the Muslims of colonial India on the basis of the “two-nation” theory, where the elites of the Pakistan movement, who mainly belonged to the Muslim League, imagined that the Muslims and the Hindus in British India were two antagonistic nations and hence, they would not be able to live together in an independent state.<sup>7</sup> Therefore, they thought it necessary to create a separate state for the Muslims of colonial India. The two-nation theory gained popularity with the Mus-

lim elites and the subaltern domains in Bengal, which was known as East Pakistan. Most of the Bengali Muslim elites imagined themselves as a nation and felt associated with the people living in the Western wing of Pakistan; they believed that the Hindus, the religious minorities, and the Adivasis were the “others,” the outsiders of this nationalist project.

Unable to create their own independent political domain, the majority of the subalterns who came from Muslim backgrounds had no choice other than to accept the imagination of the elites as their own. In Bengal, as the “subaltern conscience [was] subject to the cathexis of the elites” (Spivak 1988, p. 11), independent of the elite domain, they were unable to develop a distinctive view of the nation, nationalism, and identity. Therefore, on the issue of imagining the nation, the subalterns accepted the religio-identity of the elites’ as their own, despite its origination in a domain where they did not belong.

However, within a very short period after the creation of Pakistan, the “two-nation” theory lost its popularity in East Pakistan. The Muslim elites could not establish hegemony over the civil society of Bengal on the basis of this theory. In the meantime, their identities had already transformed to the Pakistani national identity from the Muslim national identity. Their failure to establish hegemony resulted in what Guha (1998) and Bates (1975) defined as “dominance without hegemony.” Among the various possible reasons they could not succeed was their apathy toward establishing democratic norms and practices, which ultimately resulted in long-term military rule, the perception of economic exploitation by the Pakistani leading classes among the minds of both the Bengali elite and the subalterns, and the distinct cultural praxis between the West and the East wings of Pakistan.

The Muslim elites in Bengal found themselves highly circumscribed in the economic and political structures in Pakistan. Their sense of exclusion from the economic and political lives of Pakistan vis-à-vis the failure of the Pakistani nationalist elites to establish hegemony over the civil society of Bengal encouraged them to seek a counter ideology through which to assert their economic and political interests in a unified Pakistan. As a result, to counter religion-based nationalism, a section of the Bengali elites came out from the Muslim League and formed a different party, the Awami League (AL).<sup>8</sup> In this new reality, like the Muslim elites in British India, in their “cultural domain,” they (re)imagined that all the inhabitants of Bengal regardless of their religious differences were a nation. They upheld secular Bengali nationalism in order to accommodate people from different religions in their nationalist project, which quickly gained popularity among the subalterns in East Pakistan.<sup>9</sup> The party was easily able to convince the economically exploited and politically sup-

pressed destitute masses that in order to be emancipated from their extreme cornered conditions in the state and society they needed to organize a freedom movement and create a nation of their own on the basis of secular nationalism.

Despite their conscious resistance to the internal colonial structure of Pakistan as a result of the absence of what Gramsci (2011, p. 196) called the “multiple elements of ‘conscious leadership’,” the subalterns could not independently develop their own domain of politics; hence, they had to rely on the elite’s imagination of nation as their own.<sup>10</sup> Despite their dependency, the subalterns had aspirations disparate from the elites about the creation of the new nation. Whereas for the subalterns the creation of the new nation-state would lay the groundwork for socio-economic equitability as well as increasing their political “capabilities,” for the elites it was a struggle to secure their class interests.<sup>11</sup>

The “Bangladesh revolution” was thus not a unified project, and the participants in the revolution were not motivated by similar aspirations. Instead of a “collective consciousness” (Durkheim 1997, pp. 38–39), where both the elites and the subalterns were guided by the “subjective will,” there were intragroup contestations in both the elite and the subaltern domains regarding the nature of the body politic of the new nation.<sup>12</sup> For example, they were fragmented not only on the role of religion in the state but also on whether the new nation should adopt the path of socialism or follow the path of capitalism.

Among the Bengali nationalists those who belonged to the AL camp believed that the body politic of the new nation should be secular and that capitalism and democracy should be the guiding principle of the state, although later because of the pressure from the leftists inside the party, they adopted socialism as their guiding principle. The leftists — both the “pro-Moscow” and the “pro-Peking” — wanted to establish a socialist and secular Bangladesh. Meanwhile another major political party, the National Awami Party (NAP, Vashani faction), believed that Islam should be an integral part of the identity formation of the Bengali nation, and also that Islam should play a central role in the new state, although they did not stand for the Sharia state, like the Islamists who believe that Sharia law should be the guiding principle of Pakistan. All the Islamists regardless of party affiliation have stood for a united Pakistan because they believe that secular nationalism is antithetical to the idea of religio-nationalism and hence, against the ideal of Islam.<sup>13</sup>

Despite its marginalization in East Pakistan civil society, religion-based identity and politics did not completely fade away. For the Islamists, the syncretistic cultural tradition of Bengal practiced in the cultural domain of the Bengali nationalists was associated with the cul-

tural traditions of the Hindus — the “enemy,” the “outsiders” of the Pakistani nationalist project. In their narratives, the movement for Bangladesh was a conspiracy by India with the aim of disintegrating Pakistan for the strategic advantage of India. The Hindus and the Communists were in the forefront of implementing this conspiracy theory. Hence, during the time of the Liberation War in 1971, all the Islamist parties actively opposed the separation of East Pakistan; they equated the identity of Pakistan with the identity of Islam. They believed that the state of Pakistan “was under constant threat and that the threat came from India” (Haqqani 2005, p. 14). They were afraid that in the secular new state, the people of Bengal could not retain their Islamic identity. Therefore, to protect the integration of Pakistan and their Islamic identity, they equated “Maulana Maududi’s notion of the defense of Islam” (Haqqani 2005, p. 24) with that of Pakistan.

All of the Islamist parties, especially the Jammāt-i-Islami, actively participated with the Pakistani army in brutally crushing the Bangladesh movement, committing heinous atrocities in the name of Islam in order to protect the integrity of the Pakistan and Islamic identity. However, all of their efforts were in vain, and the new state, Bangladesh, was born through a bloody civil war in 1971. The disintegration of Pakistan completely shattered the ideological foundation of the Islamists. It was beyond their imagination that linguistic, secular, ethno-nationalism could override religio-nationalism. They had been protgs of the (Islamic) state; now they were in the periphery of the (secular) state, which made them extremely frustrated about the future of Islamic identity and religion-based nationalism in Bangladesh.

### 3 One State: Two “Nations”

The creation of Bangladesh opened up an avenue for the secular nationalist elites to reconstruct the identity of the nation on the basis of secular nationalism. Like the Pakistani nationalists, under the leadership of Sheikh Mujibur Rahman, they also faced counter-hegemony during the course of implementing their project — mainly from the fragments of the ethnic minorities and Adivasis, who since the beginning of independence had refused to accept the Bengali nationalists’ identity as their own. Further, the desperate Islamists did not want to renounce their Islamic identity and wanted to incorporate it into the identity of the new nation. In the changed situation, they deconstructed the two-nation theory in order to rebuild the identity of the Bengali nation by incorporating the elements of religion into the “nation-building” process.<sup>14</sup>

Being highly cornered in the body politic of the new state, it was initially difficult to carry out their deconstructed nationalist idea, which caused despair. In

this context, the NAP (Vashani) came forward to ease their abysmal crisis. They demanded the renaming of Bangladesh as Muslim Bengal. Regardless of the ideological differences, all the Islamists almost immediately supported the demand. This was the first serious counter-hegemonic challenge to the notion of secular nationalism and it was the embryo of the future Bangladeshi nationalism, which emerged within a very short period of time after the tragic assassination of the architect of the Bangladesh revolution, Sheikh Mujibur Rahman. It gained popularity among the subalterns and elites who believed that the new state should not completely abandon religion in their process of nation building.

For various reasons, however — such as rampant corruption, the 1974 famine, the deterioration of law and order, cronyism, and international isolation — the secular elites could not establish hegemony over civil society. In addition, they faced challenges from various fragments of the nation to their secular nationalist project. In this context, it is ironic that they took the same path of coercion to establish their domination over the new nation that the Muslim nationalists had taken in united Pakistan, against which they struggled throughout the period of united Pakistan. Failing to establish hegemony through democratic means, in order to maintain their rule, the Bengali elites resorted to coercive measures and established a one-party dictatorship, which eventually led to “domination without hegemony,” the same scenario that Pakistani elites faced in East Pakistan.

In January 1975, in an unexpected move in the parliament, the AL passed a resolution establishing Soviet-style, one-party rule that banned all the political parties and groups. The AL renamed their party as the Bangladesh Kriśok Sromik Awami League (BAKSAL, Bangladesh Peasants and Workers Awami League) whereby abolishing their previous organizations. The two relatively small parties, the “pro-Moscow” Communist Party of Bangladesh (CPB) and the NAP (Mujaffar faction), joined with the new party.<sup>15</sup> Their excessive reliance on the state’s apparatus and coercive measures to advance the reconstruction process isolated them further from the masses, which complicated their attempt to implement their nationalist agenda. This sharpened the contestation between the elites who supported the secularist project and those who opposed it. The disenfranchised subalterns simply fractured their own domain along the lines of their elite counterparts.

Instead of the masses, the secular elites now shifted their dependency to the civil-military bureaucrats in order to maintain their power-base. However, what they could not realize was that most of the civil-military bureaucrats they inherited from Pakistan were trained in various Pakistani academies, and nevertheless had a positive

outlook towards secular Western democracy and followed Western lifestyles. Like Jinnah, they believed that the nation should not abandon Islam in the process of their identity formation. A good number of them however believed that although secular democracy was good for the Western states, it was not suitable for their own country. Many of the inherited bureaucrats (both civil and military) joined the cause with the secular nationalists, but a significant number also opposed the idea of disintegrating Pakistan for the sake of linguistic, secular nationalism and they worked with the Pakistani military junta to crush the freedom struggle of the Bengali nationalists. However, regardless of their orientation, the Mujib government incorporated them all into state structures. Therefore, like the elites and the subalterns of the nation, the bureaucrats were also fragmented on the issue of nationalism and identity; even their cohesive, hierarchical organizations could not subdue their internal contestation regarding the remaking of the nation.

The ideological contestation inside the military became bloody, especially when the junior Islamist officers decided to forcefully overthrow the rule of the secular nationalists, which resulted in the tragic demise of the Mujib regime. During 1975, a series of coups and counter-coups finally brought power to General Ziaur Rahman, the *primus inter pares*. He reinterpreted the national identity and categorically subverted the entrenched meaning of secular identity, nation, and nationalism in order to reintroduce the discourse of Islamism into the restructured body politic of the state. About the motives and the nature of Zia’s reconstruction of both the identity and the state, Riaz (2004, p. 25) wrote that “it involved both the manipulation/modification of constitutional procedure and the construction of a new ideology that would undermine the ideology of the former regime and justify its takeover.”

To counter this secular linguistic nationalist ideology, Zia effectively deconstructed the two-nation theory and successfully reinvented territorial nationality by incorporating Islamic components into the national identity — what he identified as Bangladeshi nationalism. As an exclusionist project, the religious “minorities” and the *Adivasis* were considered as “outsiders” and were excluded from the re-created nation as well as from the process of Islamizing the state and civil society. Zia’s Bangladeshi nationalism officially disintegrated both the elites and the subalterns, and since then, the secularists have usually identified them as Bengalis while the Islamists call them Bangladeshis.

The AL and the leftist parties in general aligned themselves with the secular Bengali camp whereas the BNP — the party Zia established to “quest for [his] legitimacy” (Riaz 2004, p. 24) through advancing his agenda of remaking the nation with Islamic fervor — and the

various factions of the Islamists identified themselves as Bangladeshis.<sup>16</sup> Zia showed a “softy attitude toward Pakistan” (Ahmed 1981, p. 137) and successfully eliminated and killed a good number of military officers who belonged mainly to the Bengali nationalist camp. Further, the political activists of the AL and the JASOD (National Socialist Party) faced severe persecution from the Zia regime. Then to advance his nationalist ideas and embolden his power-base, Zia took an “overtly pro-Islamic stance” (Ahmed 1994, p. 692) and established good ties with the Jammāt-i-Islami. Bangladesh in fact began its “shift from the secular values [toward] the vulnerability to Islamism” (Milam 2009, p. 11) during the time of Zia’s *metapolitefsi* when he reconstructed nationalism with an Islamic component and moved towards a façade of democracy.

Both parties, the AL and the BNP, have endeavored to implement the totalizing claims of their nationalist project and have considered each other as the major rivals of their project. When they were in power, they persecuted the other party’s activists, which widened their mutual distrust and disbelief. Despite organizing a joint movement (from a different platform) against the last military dictator of the country, General Hussain Mohammad Ershad, they could not overcome their problem of mutual distrust. Since the overthrow of General Ershad in 1990, one of these two parties has been in power for all but 2 years. Instead of reconciling, they have both tried to advance their own totalizing claim of nationalism, which most of the time has resulted in confrontation instead of contestation. Their contentious relationship has not only hindered institutionalization of the democratic system but is also one of the major obstacles preventing economic development.

The nationalism debate thus originated in the elite domain, and their failure to speak for the nation as a whole fractured the identities of the nation and placed them in contentious relations. At the national level, the elites could not develop even a minimal value consensus on the important issues. As a policy recommendation, this paper therefore argues that it is time for the civil society to intervene in order to create an atmosphere of reflexive, discursive, deliberative discussion at the local level in order to engage the government and opposition political activists in a much-needed public examination of Bangladesh’s national identity.

#### 4 Grassroots Dialogues: Quest for a National Reconciliation

The notion of reflexivity embraces two meanings: organized inputs and “conscientious self-introspection” (Jun 2005, p. 12). It engages actors with contradictory values in an examination and reevaluation of existing systems,

rules, and paradigms (adapted from Grin and et al. 2004). In the course of engagement, power “struggles (among the different actors) may involve enacting reflexive” deliberation (Hendriks and Grin 2007, p. 333). The idea is to reach minimal consensus about some fundamental issues within the framework of reciprocal reflexivity while taking into account the divergent inputs from different actors positioned in contradictory locations. Informal organizations, such as civil society groups, local NGOs, and women’s groups, and informal networking can play an important role in developing the networks of reflexivity between the contradictory actors.

According to Grin (2006), the concept of reflexivity also takes into account the conversion of the governance system itself. Reflexivity therefore infers that nothing is static — praxis, paradigms, or systems — all are subject to deliberation, altercation, and reconfiguration. Therefore, the role of civil society groups is to create a space for the confronting political actors (local-level AL and BNP activists) where they can engage in dialogical deliberation and move from confrontation to contestation in order to reach an agreement on basic values. This would eventually help institutionalize the democratic system without abandoning their antagonistic nationalist projects. Such reflexive networks emphasize “the right of participation, empowerment, process monitoring and conflict settlement” (Meer and et al. 2004).

The working definition of a reflexive network here is a strategy for creating a space to establish recursive responsive networks for the political actors who possess antagonistic political values. The goal of establishing the network is to engage in a dialogical process through open deliberation, creating an environment of democracy from below, or a grassroots democracy, which has been missing in the political culture of the state of Bangladesh since its establishment in 1971. The network of reflexivity would empower the grassroots party activists, those who were usually marginalized in the party structures of both the AL and BNP, and enhance their political capabilities.

Establishing grassroots democracy would work as a catalyst for bridging the chasm because it would open up an avenue for local-level leaders and activists at the Zilla, Upazilla, and Union levels to engage in frequent discursive deliberation. Discursive deliberation — argument and counter-argument — would help generate an environment of mutual respect and constructive interaction among the actors situated in contradictory, different locations.

The practice of discursive deliberation in the reflexive networks would ensure multiple inputs from divergent actors, achieving what Sen (2005, p. 163) mentions as important for obtaining the political capabilities of individuals, what he refers to as “public discus-

sion — between persons and across borders.” Discursive deliberation would engage the antagonistic actors in what Bohman (1997, p. 90) describes as “argument and counter-argument” in an environment of mutual respect among the different party members who are holding contrasting views about the fundamental issues of the state. Despite incongruity and aversion for the others, a “virtuous deliberator respects other group members” (Crocker 2006, p. 6). Moreover, it helps to generate “a favorable attitude toward, and constructive interaction with the persons with whom one disagrees” (Gutmann and Thompson 1996, p. 79). Therefore, creating a space for frequent discursive deliberation for the AL and BNP activists would assist them in interacting with each other through dialogical and democratic means rather than trying to implement their political agendas through street battles.

The major challenge of creating space for reflexive, discursive deliberation lies in the profound mutual distrust between the party activists which originates from different imaginations of the nation. Further, the lack of democratic practices inside both party structures has resulted in a patron-client relationship, where the activists are “politically poor” (Crocker 2006, p. 6) and are relegated to party henchmen, where instead of being an active catalyst their role is to simply carry out the orders of their leaders. However, if local civil society activists can successfully create an avenue for frequent deliberation between the party activists and local leaders, their newfound skills of dialogical deliberation would ultimately enhance their political capabilities. If minimal consensus about the major national issues were established at the grassroots level, the enhanced political capabilities of the local-level activists would help them to shape the policies at the national level through exerting their influence on the national elites. This would ultimately establish minimal consensus on the fundamental issues without abandoning their vision of remaking the nation in accordance with their own narratives of nationalism.

## 5 Concluding Remarks

The antagonistic chasm between the AL and the BNP is rooted in differing nationalistic “imaginings.” The subalterns, who have been unable to establish their own independent political domain, have largely subscribed to the same imaginations. The elites in the two parties have tried to impose their own imagined process upon each other, sometimes by undemocratic means, which several times has led to mutual persecution or street battles. Both camps of elites (Bengali and Bangladeshi) have used the state apparatus to subdue the other in order to carry out their imagination process. As a result, two parallel, antagonistic nations have emerged within the structure of the same

nation-state. This ultimately divides the entire nation on the major issues and fractures their identities.

As the national elites have failed to speak for the nation as a whole, a reflexive, discursive, deliberative local-level dialog is required that would engage the government, opposition political activists, and civil society activists in a much-needed public examination of Bangladesh’s national identity. However, the root cause of the problem, which originates from the parallel nation-building project, would not be resolved through this dialogue, although it would help to deconstruct these projects through dialogical and democratic means rather than forcing their totalizing claims upon each other.

## Endnotes

1. After the overthrow of the military dictator General Ershad in 1990, a nonpartisan caretaker government was installed to fill the vacuum and to conduct a parliamentary election. Later, in 1996, this system became constitutionalized by the sixth, BNP-dominated parliament. For details about the caretaker government, see Chapter II A, “Non-Party Care Taker Government, Articles 58 (B), (C), (D), and (E),” in The Constitution of the People’s Republic of Bangladesh (as modified up to May 17, 2004). Since 1991, all parliamentary elections in Bangladesh have been held under the supervision of a caretaker government. The AL-dominated parliament abolished the caretaker system in 2011 by amending the constitution (the 15th amendment), but ironically, for the two terms (in 1996 and 2008) when the AL came to power, after the tragic bloody overthrow of the Awami League government in 1975, caretaker governments were in charge of conducting the elections.
2. Except in 2001, when despite being the ruling party the AL did not advocate for conducting the election under the current, elected government. However, unlike the AL, as the ruling party in 1996 and 2006 the BNP insisted on conducting the election under the partisan government.
3. At least 70 people died in various street fights, just in 2006, related to the issue of the caretaker government. These data were compiled from various Bangladeshi newspapers published from October 29, 2006 to December 21, 2006.
4. I have adopted the following concept of the subaltern for this study: “In the context of Bangladesh, the term ‘subaltern’ refers to various marginalized groups and underclasses, workers, day laborers, middle and small peasants, the rural proletariat, women, various native and ‘tribal’ peoples, and

‘minority’ religious groups and communities. The position of subalternity is relational and relative; therefore in some local or regional situations or under certain circumstances any of them could act as or for the ‘elite.’ Like the elites, there are fragments within the various subaltern groups. The relationships between and within the various subaltern groups and fragments are both contentious and harmonious, depending upon the context, locality, and situation. In the questions of nation, nationality, identity, secularism, and religion, the subalterns are also divided, like their elite counterparts. Subaltern cultural practices in the Bengal region are generally syncretic; that is, in their everyday lives, Hindu and Muslim and other minority and local religions and practices are all intermingled. Subalterns are also divided on the role of religion in the state and civil society and there is no apparent homogenous or monolithic subaltern culture in Bangladesh” (Ahmed 2006, pp. 159–160).

The term elite signifies powerful groups, classes, or persons. In Bangladesh, the capitalist class, high-ranking government officials, political leaders, lawyers, doctors, bureaucrats, and technocrats are known as elites. Most of the political leaders from the major political parties are from elite backgrounds. Despite similar class/group affiliations, they do not agree on nation, nationality, or identity. They are also divided on the role of secularism and Islam in the state. This division clearly reflects that like their subaltern counterparts, instead of being guided by “collective consciousness” as a class or a group, they are also motivated by the “subjective consciousness.” As a result of the failure of the elites to speak for the nation as a whole, the nation of Bangladesh remains fragmented.

5. For the concept of internal colony, see Gonzalez-Casanova (1965).
6. For the fragments of the nation, see Chatterjee (1993).
7. Anderson (1991) described nation as the “imagined community.”
8. The Muslim elites who came out from the Muslim League established the East Pakistan Awami Muslim League on June, 23, 1949, but later, on December 4, 1955, they dropped the name “Muslim.” The party was renamed the Bangladesh Awami League after Bangladesh gained independence. See Bangladesh Awami League, <http://www.albd.org/>.
9. The syncretistic culture that the elites and the subalterns practiced throughout the time of united Pakistan clearly reflects the reimagining process in their cultural domains. One of the examples was the practicing of Tagore’s song. The Pakistani Muslim elites believed that Rabindranath Tagore’s song was antithetical to their nationalist project and hence against the very notion of the state of Pakistan itself, because the essence of his song is against the exclusive nature of Muslim nationalism. In addition, Tagore’s Hindu background made them believe that he was an outsider to their nationalist project. Defying this hegemonic notion of the Pakistani nationalist elites, as a part of their counter-hegemonic, national reimagining process, especially the emerging Bengali nationalist elites practiced the Tagore songs or arranged festivities around Tagore about the time of internal colonial domination.
10. For the economic, administrative, and political inequalities between East and West Pakistan, see Jahan (1972).
11. For various human capabilities, see Nussbaum (2000, pp. 78–80).
12. Durkheim (1997, pp. 38–39) defined collective consciousness as “the totality of beliefs and sentiments common to average members of the same society ... it is an entirely different thing from particular consciences, although it can only be realized through them.”
13. Like their secular counterparts, who co-opted the political discourse of modernity with the syncretistic tradition of Bengal, the Islamists co-opted the religiosity of Islam with the discourse of modernity. Hence, they juxtaposed concepts like Sharia and state or Islam and nationalism (Islamic nationalism) in order to justify their politics within the framework of the postcolonial state, which was set up on the principle of Western modernity, which they considered as contradictory with the teachings of Islam.
14. In this study, I used the modernist concept of nation-building. In the context of postcolonial states, they interpreted the nation, nationalism, and nation-building in accordance with the colonial modules that the postcolonial states inherited from their colonial masters. For a modernist understanding of the nation, see Emerson (1960).
15. In a move to curtail the freedom of the press, the BAKSAL government banned all independent newspapers and nationalized the most popular one, The Daily Ittefaq. Including this one, only four government newspapers were published during the time of one-party rule by the secular elites.
16. During the Zia regime, the BAKSAL was revived as the Awami League, which later renamed itself the Bangladesh Awami League (AL).

## References

- Ahmed, E. (1981), *Society and Politics in Bangladesh*, Dhaka: Academic Press.
- Ahmed, R. (1994), Redefining Muslim Identity in South Asia: The Transformation of the Jama 'at-I Islami, in M. E. Marty and R. S. Appleby, eds, 'Accounting for Fundamentalisms: The Dynamic Character of Movements', Chicago: University of Chicago Press., pp. 669–705.
- Ahmed, S. I. (2006), 'Resurgence of Islam in Bangladesh politics', *South Asian Journal* 11(149–162).
- Anderson, B. (1991), *Imagined Communities: Reflections on the Origin and Spread of Nationalism*, London: Verso.
- Bates, T. R. (1975), 'Gramsci and the Theory of Hegemony', *Journal of the History of Ideas* 36(2), 351–366.
- Bohman, J. (1997), *Public Deliberation: Pluralism, Complexity and Democracy*, Cambridge, MA: MIT Press.
- Chatterjee, P. (1993), *The Nation and Its fragments: Colonial and Postcolonial Histories*, New Jersey: Princeton University Press.
- Crocker, D. (2006), *The Capability Approach and Deliberative Democracy*, Maitreyee 4.
- Durkheim, E. (1997), *The Division of Labor in Society*, New York: Free Press.
- Emerson, R. (1960), *From Empire to Nation: The Rise of Self-Assertion of Asian and African People*, Cambridge: Harvard University Press.
- Gonzalez-Casanova, P. (1965), 'Internal Colonialism and National Development', *Studies in Comparative International Development* 1(4), 27–37.
- Gramsci, A. (2011), *The Modern Prince*, in Q. Hoare and G. N. Smith, eds, 'Selections from the Prison Notebooks of Antonio Gramsci', New York: International Publishers, pp. 125–205.
- Grin, J. (2006), Reflexive Modernization as a Governance Issue — Or Designing and Shaping Re-Structuration, in J. Voss, D. Bauknecht and R. Kemp, eds, 'Reflexive Governance for Sustainable Development', Cheltenham: Edward Elgar, pp. 57–81.
- Grin, J. and et al. (2004), 'Practices for Reflexive Design: Lessons from a Dutch Programme on Sustainable Agriculture', *International Journal of Foresight and Innovation Policy* 1(1–2), 126–149.
- Guha, R. (1998), *Dominance without Hegemony: History and Power in Colonial India*, Cambridge: Harvard University Press.
- Gutmann, A. and Thompson, D. (1996), *Democracy and Disagreement*, Harvard University Press, Cambridge, MA.
- Haqqani, H. (2005), *Pakistan: Between Mosque and Military*, Carnegie Endowment for International Peace, Washington, D.C.
- Hendriks, C. M. and Grin, J. (2007), 'Contextualizing reflexive governance: The Politics of Dutch Transitions to Sustainability', *Journal of Environment Policy & Planning* 9(3–4), 333–350.
- Jahan, R. (1972), *Pakistan: Failure in National Integration*, Columbia University Press, New York.
- Jun, K. S. (2005), *The Reflexive Consensus System: A New Governance Model*, in '6th Global Forum on Reinventing Government: Toward Participatory and Transparent Governance', Seoul, Korea, pp. 24–27.
- Maniruzzaman, T. (1980), *The Bangladesh Revolution and Its Aftermath*, University Press, Dhaka.
- Meer, M. V. D. and et al. (2004), *Adaptive and Reflexive Governance — Changing Boundaries of National Social-Economic Decision-Making in the Netherlands*, Paper presented at IREC Conference, Utrecht School of Governance, pp. 26–28.
- Milam, W. B. (2009), *Bangladesh and Pakistan: Flirting with Failure in South Asia*, Columbia University Press, New York.
- Nussbaum, M. (2000), *Women and Human Development: The Capabilities Approach*, Cambridge University Press, United Kingdom.
- Riaz, A. (2004), *God willing: The politics of Islamism in Bangladesh*, Lanham: Rowman and Littlefield.
- Sen, A. (2005), 'Human Rights and Capabilities', *Journal of Human Development* 6(2), 151–166.
- Spivak, G. C. (1988), *Subaltern studies: Deconstructing Historiography*, in R. Guha and G. C. Spivak, eds, 'Selected Subaltern Studies', Oxford University Press, New York.

# Aid Effectiveness: Research versus Practice

## *Never the Twain shall Meet?*

M. G. Quibria

Department of Economics, Morgan State University, Maryland, USA

### Abstract

This article argues that there is a huge disconnect between empirical research and policies and practices involving foreign aid. In particular, it argues that recent years have seen the growth of a large body of sophisticated empirical work which is long on techniques and short on substance. The literature is riven by controversy and insider drama and provides little illumination on vital policy issues concerning design, allocation, and delivery of foreign aid. For enhancing aid effectiveness, one needs to go beyond the current methodology that emphasizes the “average” and promotes a one-size-fits-all approach. This will require a more nuanced, tailor-made strategy that is grounded in a comprehensive understanding of individual countries. The paper calls for the convergence of the universes of research and policies both for a sophisticated understanding of the underlying issues and for devising appropriate policies for effective use of foreign assistance.

## 1 Introduction

The debate on aid effectiveness began as soon as the International Development Association of the World Bank was established in the 1960s and aid began flowing from the rich to the poor nations (Bauer 1966). Fifty years, multi-trillion dollars of foreign aid, and hundreds of scholarly articles and books later (Hansen and Tarp 2001), the same debate continues unabated: Does foreign aid actually help economic development?

Although economic studies that investigate aid effectiveness proliferated briskly in number and sophistication, surprisingly, they have provided little illumination on the question. The state of the current literature was summarized succinctly in a recent article by Rajan and Subramanian (2011): *“this literature does not provide robust evidence of either a positive or negative correlation between foreign aid inflows and the economic growth of poor countries.”*

Yet, this deplorable state of knowledge has not catapulted economists into more in-depth examinations of the pathology of aid debacles which are often rooted in the economy, history, society and polity of aid-recipient countries. Instead, economists have continually ratcheted up the complexity of econometric methods and techniques, as if the secret of aid effectiveness will be revealed by the sheer force of the techniques. This technical doubling-down has made discussions increasingly opaque and incomprehensible, even to development specialists, let alone the larger development community. Policymak-

ers, who are presumed to be informed and guided by the literature, are largely repulsed by the obfuscations and insider quarrels over technicalities that characterize much of the current discussions. Consequently, policymakers now find the easily accessible, albeit imperfect tract of “Dead Aid” by Moyo (2009) more appealing than the obtuse, over-caveated and inconclusive “scientific works” of academic economists.

This article is organized as follows. A synoptic summary of the state of the current literature is provided next, followed by a broad assessment of the literature and an outline of a policy-relevant approach to studying aid effectiveness. The last section offers a few concluding remarks.

## 2 Literature Review

Research on foreign aid has always been marked by controversy. In the early days of foreign aid, research focused on the impact of aid on domestic saving, which then was considered the most critical determinant of economic development. While optimists held that foreign aid would lead to a dollar-for-dollar increase in savings, pessimists argued that foreign aid would lead to unproductive government expenditure, corruption, and the crowding out of private savings. Experiences varied across countries. However, the “average” results from the regression literature indicate that the truth lies in between these two extremes: while aid does increase savings, it does not increase savings dollar-by-dollar by the amount of aid. This



literature is considered crude by today's technical standard. In addition, it was believed that savings and investment as a measure of aid effectiveness was a bit narrow, because savings and investments are a means, not the end, of economic development.

The next round of research focused on the relationship between aid and economic growth. An important earlier contributor was (Boon 1996), who was applauded for his technical econometric innovation — being the first to introduce the so-called instrumental variable method to his analysis — as well as for his forceful argument in which he attributed to political-economic reasons the ineffectiveness of aid to raise growth. Boone reasoned that in a society where the political elite dominate the masses, aid is no more than an income transfer to the elite group. That transfer only increases the consumption of the rich to the exclusion of the poor, as the latter has no effective representation in the polity. Boone's conclusions apparently flounder in the face of evidence to the contrary in many aid-recipient countries that made significant strides in poverty reduction in the last thirty or so years. His conclusions, which were a broad-brush generalization of the situation in developing countries, nevertheless, resonated with many economists as well as with the development community with a reservoir of skepticism regarding the impact of aid.

The next round of studies was stimulated by Burnside and Dollar (2000) who argued that while aid is generally ineffective in promoting growth, it flourishes in good policy environments: in particular, when good macroeconomic policy prevails. This result received wide attention from both inside and outside the economics profession for its apparent plausibility.

Besides the plausibility of the message, there are other reasons for its popularity. First, it strikes an apparent balance between optimists and pessimists — between those who argue that aid is effective and those who argue that it isn't. Second, it provides clear directions for policy that are not inconvenient to donors, since it shifts the onus for aid effectiveness onto recipients. Burnside and Dollar's findings have been interpreted by donor agencies as evidence that aid needs to be allocated selectively. Indeed, *selectivity* has become the bedrock of the World Bank's aid-allocation policy, a template that has been adopted gradually by other international development institutions.

Notwithstanding its tremendous influence on donors, the Burnside-Dollar paper has been assailed for both analytical and policy reasons. The first and foremost reason is that their results are statistically fragile. East-erly, Levine and Roodman (2004) have shown that the Burnside-Dollar results tumble when the dataset is expanded by years and countries. Subsequent efforts by Dollar and his collaborators to resurrect their results with

different indicators of good policy environments have proved to be equally fragile.

In recent years, a number of authors have argued that available data is equally consistent with other plausible statistical stories, with distinctly different implications for aid allocation. One such story is that the effect of foreign aid varies across geographical locations — it is simply less effective in tropical countries. Another story is that aid is on average effective, though its effectiveness tends to diminish as its volume increases. Still another story is that aid effectiveness relates to a country's structural vulnerability to external shocks: aid flows help to foster growth — or to contain negative growth — in countries that are vulnerable to external shocks. As Roodman (2007) has shown, although the above stories are all plausible, they are fragile statistically, much like the original Burnside-Dollar results.

More recent works by Rajan and Subramanian (2007; 2011) have dwelled on the impact of foreign aid on the quality of governance and the real exchange rate. These research works suggest that foreign aid can have an adverse influence on the growth of manufacturing in developing countries through its unfavorable impact on the quality of governance and the real exchange rate. While these themes are, by no means, new to the development literature, the authors were lauded for their empirical innovations in their studies.

It may be noted that the appreciation of the real exchange rate — and the so-called Dutch disease — is by no means an automatic outcome of foreign aid. The specter of the Dutch disease can be averted by appropriate macroeconomic policy response. When aid flows to the traded-good sector or when aid is invested in the highly productive non-traded sector, the appreciation of the real-exchange rate is not an inevitable outcome of the inflow of foreign aid. As a matter of fact, as Fielding and Gibson (2012) have noted, the long-run impact of foreign aid on the real-exchange rate across Sub-Saharan Africa has been diverse and heterogeneous — indeed, some countries have experienced real-exchange rate depreciation.

Similarly, inflow of aid does not necessarily lead to lapses in accountability or poor governance. Indeed, there are many instances where aid has contributed directly to improved accountability by supporting civil society, promoting decentralization, and increasing transparency in public expenditure.

The afore-mentioned research on aid effectiveness does not distinguish between different types of aid. It seems intuitively plausible that different types of aid have different ramifications for economic development. For instance, emergency aid may not have as much impact on growth as infrastructure aid; similarly, social sector aid is likely to have a different impact on human-development

indicators than programs aid. Also, the impact of different types of aid may take different time horizons to unfold. Against such advantages of disaggregation, one needs to juxtapose the difficulties in accurately identifying the different types of aid and their time horizons. This was succinctly expressed by Rajan and Subramanian (2008) as follows:

“There is, however, a more general concern with slicing and dicing up aid; it could become a fishing expedition where the researcher hunts for any sub category that has a positive (or negative) correlation with growth, and then finds an (ex-post) rationale to focus on that sub-category, depending on the researcher’s biases. This is why the a priori theoretical rationale for focusing on a particular sub category is important. Unfortunately, fungibility renders most such rationales suspect.”

However, the above-mentioned difficulties notwithstanding, a few recent studies have differentiated among different types aid and explored their implications for growth and investment. Unfortunately, they have not yielded unambiguous conclusions. One such study is by Clemens, Radelet, Bhavnani and Bazzi (2012) which focuses on types of aid that have early-impact on growth such as project aid and aid for budget support. They find that this category of development assistance has a modest, positive effect on growth and investment. This finding, however, runs counter to another study by Rajan and Subramanian (2008) who conclude that aid, regardless of categories and timing of impact, has no significant effect on growth.

To summarize, the extant body of empirical literature that explores the macroeconomic impact of foreign aid offers few unambiguous conclusions. However, this has not deterred many economists in their efforts at teasing out more robust and definitive conclusions from the existing body of data. One recent line of empirical work of this genre is meta-analysis — “the regression of regression analyses”. Meta-analysis synthesizes the results from the existing body of empirical studies with the putative purpose of controlling for heterogeneity among studies. One presumed advantage of meta-analysis is that it can potentially overcome subjectivity to provide a more systematic and objective assessment of an existing body of findings. Even this type of meta-study has contributed little to resolving the persistent controversies or yielding useful policy insights. For example, a meta-analysis by Doucouliagos and Paldam (2009), which draws on data from sixty-eight previous studies, does not discern any significant impact of foreign aid on growth; however, Mekasha and Tarp

(2011), using the same dataset, reach the opposite conclusion that foreign aid has had a positive and statistically significant effect on growth.

### 3 Assessing the Current Literature

The aid effectiveness literature has seen a virtual hit parade of sophisticated econometrics, a gradual progression of econometric techniques from rudimentary OLS to two-stage least squares applied to cross-country panel data, to the complex dynamic panel GMM methods, with all their bells and whistles, applied to time-series data. Given the vast differences across societies, the assumption of a standard regression model with homogenous parameters appears downright disingenuous. It’s no wonder that growth regression analysis has yielded few robust *causal relationships* of any policy significance.

As the macro aid-effectiveness literature has failed to make any meaningful contribution to the understanding of the intricacies of aid effectiveness, it has led many to explore alternative, micro approaches. One such approach is the evaluation of aid projects, programs and policies through randomized control trials (RCTs). Under idealized conditions that seldom obtain, RCTs can overcome some of the methodological shortcomings of the macro aid effectiveness literature and provide impact evaluation of micro-level aid interventions. However, the RCT approach has its own limitations. First and foremost, it cannot analyze the effect of an economy-wide policy change such as trade liberalization. Second, it is now well known that there is a “micro-macro” paradox which suggests that success at the project level does not ensure success at the macro level. Even if all the projects are successful it does not mean that they will ensure success at the macroeconomic level because of the so-called fungibility issue, i.e., aid money being used for purposes other than those earmarked. Third, it provides information only about the average impact, not about when and how it works. Finally, even with their considerable expense, RCTs provide at best local knowledge that may not apply to other contexts. This issue has come to be known as the problem of external validity. All this has prompted the suggestion that the secret of aid effectiveness is more likely to be revealed by trial and errors than by randomized control trials.

Given the shortcomings of the different econometric approaches to studying aid effectiveness, the existing literature offers little illumination beyond providing statistical codification of the obvious: foreign aid has been effective in some countries and ineffective in others — even though the global average may have swayed one way or the other. For policy purposes, what is salient for an individual country is an understanding of the possible impact of aid on its economy and how policies can be designed to

maximize this impact rather than the global average effect of foreign assistance!

The current empirical literature, in its bid to derive the average results, has paid too much attention to techniques and too little to the facts on the ground. It makes little or no distinction between countries. Irrespective of the stage of development, history, culture, or the polity, all countries are simply lumped together as mere data points in a grand regression exercise. The literature tends to ignore the commonsensical intuition that the impact of aid is likely to vary between countries, since much depends on the nature and state of social and economic institutions. As countries differ in their incentive structures, norms and values, and quality of governance, so do the economic and social outcomes of foreign aid.

## 4 The Way Forward

Analysis of aid effectiveness requires more than mechanical manipulation of data. It needs broad-based country studies, which are situated in their social, economic and political contexts, and a triangulation of different methods to determine aid effectiveness. The enquiry needs to include both macro and micro dimensions of foreign assistance as well as their ramifications for institutions and policies. At the macro-level, analysis of aid effectiveness involves an examination of the metrics of development — the aggregate economic and social indicators of development such as poverty reduction, life expectancy, literacy etc. — in relation to the inflow of foreign aid. Effective use of aid should lead to steady improvements of social and economic indicators of the country. However, such improvement — or even sustained improvement — in these economic and social indicators should not be automatically equated with aid effectiveness, in the presence of other intervening factors. Take, for example, the case of Bangladesh. In the last decade or so, the country has experienced steady economic and social progress in the face of a declining flow of foreign aid (as a share of gross national income or national investment). This fact might lead one to conclude that foreign aid was highly effective in Bangladesh. However, this conclusion can be misleading. There were other intervening influences that may have confounded the impact of foreign aid such as the hefty inflow of foreign remittances, the emergence of an economically vigorous garment and apparel industry that attained global success, and a dynamic non-governmental sector that had an acknowledged effect in initiating and sustaining microenterprises and delivering social services. All of them had a salutary effect in improving the social and economic indicators of the country.

At the micro-level, analysis of aid effectiveness would entail an examination of the performance of aid-funded

projects and programs. This can be gleaned from the post-project evaluation reports and portfolio assessments of donor agencies. This body of works reviews the success and failures of completed projects and programs of donor agencies and implementation risks associated with various ongoing projects and programs. They highlight various policy constraints and implementation bottlenecks. In the case of Bangladesh, a review of the country's performance at the micro-level suggests that while the country has improved its performance in aid effectiveness over time, many problems still abound.

Finally, at the meso-level, analysis of aid effectiveness entails an examination of the impact of foreign aid on the country's institutional and policy frameworks. In this connection, it is suggested that foreign aid has an adverse impact on institutional and macroeconomic frameworks. In particular, the real exchange rate and the quality of governance suffer. In the case of Bangladesh, for example, it seems foreign aid had little or no negative effect on the real exchange rate and on the country's international competitiveness. However, in governance, the experience had been more or less in conformity with prior expectations. Indeed, data suggest that the country has experienced some serious deterioration in some dimensions of governance (World Bank 2013). In particular, corruption remains a significant issue and has shown few signs of retreating. In recent years, the government became embroiled in some serious controversies about corruption in donor funded projects. The largest aid-funded infrastructure project for the construction of the Padma Bridge, costing \$2.9 billion dollars, was defunded by the World Bank and other international donors for alleged corruption.

An in-depth country study is also an ideal vehicle for identifying various economic, social, political and cultural constraints that hinder effective implementation of development assistance. Such a study can be informed by the evaluation studies of international development agencies. These studies highlight important country-specific bottlenecks — including political-economic constraints — in the smooth implementation of foreign assistance projects and various institutional and policy improvements required to overcome them.

## 5 Conclusion

This paper argues that empirical research on foreign aid must be reframed. The focus of the research needs to go beyond the current obsession about the "average": does foreign aid work on "average"? Or what is the "average" effect of a particular aid intervention? Research needs to focus on why, how and when foreign aid has worked in particular societies. Only by finding the mechanisms and

processes that explain why and how aid works in a particular society will it be possible to design and deliver foreign aid effectively.

This discovery would require going beyond the narrow analytics of cross-country growth regressions or for that matter RCTs. As a tool, cross-country growth regressions have proved to be too coarse to capture the complex mechanisms and processes undergirding aid effectiveness. Similarly, RCTs have their own shortcomings. They focus exclusively on the average impact; they provide little or no light on causality; and they also lack external validity. All these reasons make RCTs an unreliable analytical basis for formulating robust strategy and policies at the macro-level. An effective aid policy requires country-specific insights, which can be gleaned only from in-depth country studies that capture the flavor and texture of individual countries, nuances that are lost in mechanical manipulation of data.

Currently, there is a huge disjunction between research and practice, similar to what transpired in other sciences in earlier times. According to Mukherjee (2010), little interactions took place prior to the 1960s between those who studied cancer in the laboratory and those who treated cancer in the clinic: “The two conversations seemed to be occurring in sealed and separate universes.” Researchers and the community of practice in foreign aid seem to similarly inhabit two separate universes. However, as the history of biomedical sciences suggests, the prospects of breakthroughs in intractable diseases are greatest when there is a tight feedback mechanism between research and practice. The field of foreign aid is no exception to this general rule.

Nevertheless, an enormous chasm persists between the universe represented by research and the universe represented by the community of practice in foreign aid. While the international community has embraced the millennium development goals for poor countries and adopted poverty alleviation as the overarching objective of economic development, these goals have found little reflection in the empirical analyses of mainstream economists working on aid effectiveness. The reasons for this benign neglect are manifold. Some resisted it on ideological grounds and argued that this shift of objective from economic growth to poverty alleviation was somewhat misguided.

According to Shleifer (2009), this shift would lower the accountability for donors and turn foreign aid into an international welfare program for developing countries. Some argued that growth and poverty were essentially the same — old wine in a new bottle. As Easterly (2003) puts it: “The aid bureaucracies define their final objectives as ‘poverty reduction’ (today’s more politically correct name for ‘growth’).” However, it is wrong to equate the two; in-

come and poverty indicators do not always move in synchrony. For example, even though Bangladesh has half the income of India on a per-capita basis, it outperforms India in almost all social and human development indicators (Dreze and Sen 2011). Finally, others cling to their old habits; as such a shift of focus from economic growth to poverty and human development would dislodge many economists from their academic comfort zone of growth empirics.

Nevertheless, such a reframing of the inquiry is important to make research more relevant. Economics is a social science that is meant to find cures for the economic maladies of societies, something that requires unrelenting search for answers and continuous experimentation with policies, something which is achieved through a process of trial and error. This process can be more fruitful if a closer interaction exists between research and practice.

## Acknowledgment

This paper was prepared for presentation in a session in honor of Professor Salim Rashid in the international conference of Bangladesh Development Initiative, held at the Center for South Asian Studies, University of California-Berkeley, February 22–24, 2013. The author has benefited enormously from exchanges on the topic with Nurul Islam and Salim Rashid over the years. The author also thanks the editor, Syed Saad Andaleeb, and an anonymous referee for suggestions.

## References

- Bauer, P. T. (1966), Foreign Aid: An Instrument for Progress?, in P. T. Bauer and B. Ward, eds, ‘Two Views on Aid to Developing Countries’, Institute of Economic Affairs, London.
- Burnside, C. and Dollar, D. (2000), ‘Aid, Policies and Growth’, *American Economic Review* **90**(September), 847–868.
- Clemens, M. A., Radelet, S., Bhavnani, R. R. and Bazzi, S. (2012), ‘Counting Chickens When They Hatch: Timing and the Effects of Aid on Growth’, *The Economic Journal* **122**, 590–612.
- Doucoulagos, H. and Paldam, M. (2009), ‘The Aid Effectiveness Literature: The Sad Results of 40 Years of Research’, *Journal of Economic Surveys* **23**, 433–461.
- Dreze, J. and Sen, A. (2011), ‘Putting Growth in its Place’, Retrieved August 12. <http://www.OutlookIndia.com/article.aspx?278843>.
- Easterly, W. (2003), ‘Can Foreign Aid Buy Growth?’, *Journal of Economic Perspectives* **17**, 23–48.

- Easterly, W., Levine, R. and Roodman, D. (2004), 'New Data, New Doubts: A comment on Burnside Comment on Burnside and Dollar's Aid, Policies, and Growth', *American Economic Review* **94**(June), 774–8.
- Fielding, D. and Gibson, F. (2012), Aid and Dutch Disease in Sub-Saharan Africa, *UNU-WIDER Working Paper* 26, Helsinki, Finland.
- Hansen, H. and Tarp, F. (2001), 'Aid and Growth Regressions', *Journal of Development Economics* **64**(April), 547–570.
- Mekasha, T. and Tarp, F. (2011), Aid and Growth: What Meta-Analysis Reveals, *UNU-WIDER Working Paper* 22, Helsinki, Finland.
- Moyo, D. (2009), *Dead Aid: Why Aid Is Not Working and How There Is a Better Way for Africa*, Farrar, Straus and Giroux, New York.
- Mukherjee, S. (2010), *The Emperor of All Maladies: A Biography of Cancer*, Scribner, New York.
- Rajan, R. and Subramanian (2007), 'Does Aid Affect Governance?', *American Economic Review* **97**(2), 322–327.
- Rajan, R. and Subramanian, A. (2008), 'Aid and Growth: What Does the Cross-Country Evidence Really Show?', *Review of Economics and Statistics* **90**(4), 643–665.
- Rajan, R. and Subramanian, A. (2011), 'Aid, Dutch Disease, and Manufacturing Growth', *Journal of Development Economics* **94**(1), 106–118.
- Roodman, D. (2007), 'The Anarchy of Numbers: Aid, Development and Cross-Country Empirics', *World Bank Economic Review* **21**(2), 255–277.
- Shleifer, A. (2009), 'Peter Bauer and the Failure of Foreign Aid', *Cato Journal* **29**(3), 379–390.
- World Bank (2013), 'Worldwide Governance Indicator', Web, Retrieved July 04. <http://info.worldbank.org/governance/resources.htm>.

# Can Bangladesh Grow Faster than India?

Biru Paksha Paul

Department of Economics, State University of New York at Cortland, USA

## Abstract

Bangladesh and India, the two fastest growing economies of South Asia, have displayed remarkable policy synchronization of privatization since the mid-1980s and that of liberalization since the early 1990s. Despite this policy synchronization, Bangladesh lags behind India quite substantially in economic growth. In the 1986–2010 period, Bangladesh grew at 5 percent and India 6.5 percent on average. What is behind this growth differential is the focus of this study. As this study finds, differences in capital formation appear to play the most crucial role in determining the growth differential between the two countries. India exceeded Bangladesh in economic growth whenever India's capital growth exceeded Bangladesh's. Bangladesh had been able to reduce the growth gap with India when Bangladesh's capital growth had exceeded India's. Using the Solow model and the Cobb-Douglas production function, this study suggests that Bangladesh has to increase capital formation to surpass or at least to catch up with India in growth. Institutional indicators are an area where Bangladesh requires massive improvements. This comparative study has policy implications for other emerging markets that aspire to grow fast but confront low capital formation barriers and institutional bottlenecks.

## 1 Introduction

Economists have been interested in growth dynamics. This interest has recently grown rapidly in South Asia, a region that has emerged as a new growth zone of the world. South Asian economies are not comparable when it comes to Gross Domestic Product (GDP) levels, but they are so when it comes to the first difference of GDP — the output growth rate. India's GDP, being more than 10 times larger than Bangladesh's, never comes into comparison with Bangladesh's output, but India's growth rate has always generated policy dialogue as a point of comparison with Bangladesh's. Amartya Sen often compares both countries with different rates and socio-economic indicators (Dreze and Sen 2013, p. 45).

Bangladesh's national budget and monetary policy statements always mention India's output growth rate and inflation as a point of reference (see Budget 2013–2014, MPS 2013). This comparison has become more relevant in recent years when both India and Bangladesh have appeared to be the two fastest growing economies of South Asia. There are multiple reasons as to why they grew fast simultaneously. They have numerous aspects in common including geography, institutions, demography, and recent policy synchronization on liberalization.

There are also concerns, particularly from the Bangladesh side, over the fact that Bangladesh often lags behind India in growth rates. The policymakers are aware that the size effect is not necessarily the answer to this

puzzle. Had it been so, Taiwan could never grow faster than China. Hence, real concerns remain, and this study attempts to address them.

Comparative studies with growth between countries, particularly between neighboring countries, have always drawn the attention of growth and development economists. Despite differences in the size of the economy, population, and the level of development, a comparison in growth performance has always occupied a niche in the economic literature. For example, Chow and Lin (2002) compare the growth accounting between Taiwan and China. A similar comparative study between Bangladesh and India is starkly absent. This work attempts to address this intriguing vacuum.

Over the last decade, India outperformed Bangladesh considerably: India's average output growth was 7.69 percent in the 2001–2010 period, whereas Bangladesh's 5.82 percent created a growth differential of 1.87 percentage point (WDI 2012). This gap, an amount equivalent to the annual growth figure of many developed countries, poses some concerns to Bangladesh and raises a number of questions: 1) What mainly causes this growth differential to occur? 2) Is this growth gap between India and Bangladesh gradually augmenting? 3) How can Bangladesh surpass or at least catch India in growth? Despite a number of papers on these South Asian neighbors, no work has exclusively examined the dynamics of the growth differential between Bangladesh and India, leav-

ing an intriguing gap in this regard. This study fills that gap by addressing the above-mentioned questions.

Bangladesh earned its independence in 1971 after a devastating war with Pakistan, which destroyed the infrastructure of the country almost entirely. The initial years of its capital formation displayed serious volatility and created numerous statistical outliers as expected. The Mujib administration, the first regime of Bangladesh, began its journey with massive nationalization, centralized control, and socialist planning. The results of the economic management, however, in the initial years were disturbing mainly due to lack of capital and skilled manpower. The rise of global commodity and energy prices due to the first oil shock of 1973–1974 created hyperinflation in the economy and hampered capital formation and output to a great extent. The great famine of 1974 further fueled the crisis already in place. Hence, capital formation in the country was heavily disrupted.

With the end of the Mujib regime in 1975, the Zia regime started the process of capitalist transition in the form of encouraging privatization and development of a market economy. The regime replaced the word, ‘socialism’ with ‘economic and social justice’ in the Constitution. Islam (2007) asserts that this ideological move drove the capitalist economy towards privatization. The declaration of the Industrial Investment Schedule in 1976, the withdrawal of private investment ceiling in 1978, and the promulgation of the Foreign Investment Act in 1980 are significant steps of capitalist transition during the Zia regime. Ahmed and Sattar (2004) assert that Bangladesh’s first phase of liberalization began in 1976 after the regime change in 1975.

Although the liberalization process in Bangladesh is still continuing, 1976 can be marked as the beginning of a new era that gradually enabled market forces to operate. Despite some changes in the regime since then, all subsequent governments remained committed to implementing liberalization of the economy. Hence, most time series studies on Bangladesh exclude the data of initial years not only to extricate the effects of the controlled regime, but also to avoid excessive outliers that may distort econometric estimations (see Ahmed and Uddin 2009, Mamun and Nath 2005, Paul 2012). This study examines the estimation of growth variables in a relatively liberalized regime of Bangladesh, and hence its all empirical exercises begin in 1976 as well.

To investigate whether Bangladesh can grow faster than India, this paper includes the basic concepts of the Solow model and the Cobb-Douglas production function (CDPF). Hence, the differences in capital, labor, and technology are expected to reflect the differences in output between Bangladesh and India. Time series data on the level of technology, labor productivity, or effective labor are un-

available in Bangladesh. The Solow model argues that a country’s output is mainly determined by its level of capital stock (Solow 1956). Thus, the variable of capital formation becomes most relevant for examining growth dynamics. Capital formation is derived by subtracting capital stock of the previous year from that of the current year. Thus, it is investment as well. Data on the growth rates of Gross Domestic Product (GDP) and capital formation, which begin in 1976 and end in 2010, were collected from the World Development Indicators (WDI 2012).

To preview the results briefly, this work finds that capital-formation growth affects GDP growth in a positive fashion in both countries, as the theory suggests. But the capital-growth differential between India and Bangladesh does not exhibit a consistent pattern while affecting the GDP-growth differential between them. India exceeded Bangladesh in economic growth whenever India’s capital growth exceeded Bangladesh’s, but this is not exactly true for Bangladesh. However, Bangladesh was able to reduce the growth gap with India when its capital growth exceeded India’s, suggesting that capital formation plays a dominant role in determining the growth differential between these countries. Generalized impulse responses exhibit a positive and significant effect of capital growth on output growth in both countries. The answer to the question of whether Bangladesh can outperform India in output growth depends on how effectively Bangladesh can develop the determinants of capital formation in its economy. Bangladesh should address other institutional factors such as education quality, technology, corruption, openness, and finally business competitiveness, to accelerate its growth to surpass or at least to catch up with India. Investigation of the various determinants of capital formation and institutional factors in these countries goes beyond the scope of this paper, and hence is left for a future exercise. This study has policy implications for other emerging nations that confront low investment and institutional bottlenecks.

## 2 Literature Review

Comparative studies of economic performances between economies have occupied considerable space in the literature. Different studies, however, follow different criteria to select the countries. While most studies follow the regional groups, some studies set different yardsticks. For example, Rahman and Yusuf (2013) comprise a group of 7 economies for comparison based on population and the level of development. Das and Paul (2011) make a group of 12 Asian economies on the basis of growth rates. Here I present a number of comparative studies on Asian and South Asian countries in a chronological order.

In 1993, the World Bank published a policy research report where it claimed that using a combination of pub-

lic policy and facilitating a market economy some East Asian countries have achieved growth rates which can be termed as ‘miracles’ (WB 1993). In response, Krugman (1994) argued that there is nothing special or miraculous about the high growth rates in East Asia: they all resulted from very high investment rates, suggesting that capital formation is the main engine of growth.

Easterly (1994) picked the four Asian Tigers based on almost 6 percent growth rates of output: Hong Kong, South Korea, Singapore, and Taiwan. Although these economies differ in size and population, they had several things in common: they all performed above average in the region in investment, education, financial depth, and budget management.

A study by Bashir (2000) finds that agricultural capital formation contributes to agricultural productivity growth in India. This paper shows how capital formation helps productivity although agriculture comprises almost one-fifth of the Indian GDP. Siddiqui and Malik (2001) find a nonlinear relationship between debt burden and growth performance among three South Asian countries: India, Pakistan, and Sri Lanka. Sinha and Macri (2001) make a comparative study with 8 Asian countries. They, however, find a positive relationship between financial development and economic growth only in 4 countries such as India, Malaysia, Pakistan, and Sri Lanka. Some studies (e.g. Mallik and Chowdhury 2001) show how economic growth of Bangladesh and India exhibits a feedback effect, but a comparative growth study on these economies along with the underlying capital formation is starkly absent.

In line with the Schumpeterian hypothesis, Habibullah and Eng (2006) find how financial development promotes growth in 13 Asian developing nations including India and Bangladesh over the period 1990–1998. Bhandari, Dhakal, Pradhan and Upadhyaya (2007) compare South Asian countries on the basis of rates of privatization and economic growth, and find a positive impact of economic growth on savings. In a comparison between India and Korea, Panagariya (2008, p. 123) shows how Korean investment rates exceeded India and so did its economic growth.

Working over the 1980–2002 period with South Asian countries, Parida and Sahoo (2007) find a significant impact of capital formation on economic growth. The sample, however, has only 22 years of data, and hence appears to be inadequate. A study by Agrawal, Sahoo and Dash (2009) reveals that income and access to banking institutions determine savings in South Asian nations. Although high saving does not necessarily mean high investment, this study implies that output also affects capital formation through savings in South Asia.

Kurosaki (2010) compares three South Asian

economies: India, Pakistan, and Bangladesh and finds how an improvement in aggregate land productivity helped improve output growth in these countries. Husain (2010) compares Pakistan’s performance in growth and development with India’s and asserts that Pakistan can be compared with India in development indicators and global competitiveness though these economies differ in size and population. Bano, Kumarasinghe and Tang (2011) make a comparative study with 14 Asia Pacific countries and show how stock market returns and GDP growth are linked. Working over the 1971–2009 period, Das and Paul (2011) find a positive impact of openness and growth in capital stock on output growth. They, nevertheless, work with 12 top performing Asian economies, whereas my study exclusively examines the comparative growth performance of capital and output for India and Bangladesh.

In a panel co-integration over the period of 1980–2005, Sahoo and Dash (2012) take a group of variables such as labor force, capital formation, international trade, and human capital, and find their positive impact on output in South Asia. Although this finding is useful for the current study, their exercise with observations of only 25 years requires further estimation with a longer time period.

Foreign Direct Investment (FDI) has often been perceived as a significant factor of capital formation in India and Bangladesh, particularly after liberalization. Hossain and Hossain (2012), however, do not find any cointegration between FDI and GDP in both long and short run in Bangladesh and India. This study, examining data over the 1972–2008 period, raises a question on whether FDI-driven capital formation contributes to output.

As we can see, there is no study that examines the comparative growth performance of Bangladesh and India; hence the importance of this work.

### 3 Methodology

Economic growth in continuous fashion can be expressed as:

$$\begin{aligned} g_t^Y &= \ln(Y_t/Y_{t-1}) \\ g_t^Y &> 0, \quad \text{if } Y_t > Y_{t-1} \end{aligned} \quad (1)$$

where,  $g_t^Y$  stands for economic growth,  $Y_t$  is GDP at the current year ( $t$ ), and  $Y_{t-1}$  denotes GDP of the previous year ( $t - 1$ ). The same expressions are applicable for defining capital growth ( $g_t^K$ ):

$$\begin{aligned} g_t^K &= \ln(K_t/K_{t-1}) \\ g_t^K &> 0, \quad \text{if } K_t > K_{t-1} \end{aligned} \quad (2)$$



To examine the role of capital formation in output growth, I engage the basic Solow model that focuses on four variables: output, capital, labor force ( $L$ ), and the effectiveness of labor or the productivity factor ( $A$ ). The production function takes the form:

$$Y(t) = F(K(t), A(t)L(t)) \quad (3)$$

Here  $A$  and  $L$  enter multiplicatively.  $AL$  is referred to as effective labor. Technological progress that enters in this fashion is called labor-augmenting or Harrod Neutral (Romer 2006, p. 9). Output changes over time only if inputs to production change. Ignoring the time subscript, the behavior of output in response to its inputs can be defined as:

$$\begin{aligned} \frac{\partial Y}{\partial K} &> 0 \\ \frac{\partial Y}{\partial(AL)} &> 0 \\ \frac{\partial^2 Y}{\partial K^2} &< 0 \\ \frac{\partial^2 Y}{\partial(AK)^2} &< 0 \end{aligned} \quad (4)$$

This implies the positive impact of inputs on output with diminishing marginal returns. To illustrate the basic functioning of the Solow model, I adopt the Cobb-Douglas Production Function (CDPF) as a specific example shown below:

$$\begin{aligned} Y_t &= F(K_t, (A_t L_t)) \\ &= K_t^\alpha (A_t L_t)^{1-\alpha}, \text{ where } 0 < \alpha < 1 \end{aligned} \quad (5)$$

Taking natural log of both sides, we get:

$$\ln Y = \alpha \ln K + (1 - \alpha) \ln L + (1 - \alpha) \ln A \quad (6)$$

Total differentials of both sides give us:

$$d \ln Y = \alpha d \ln K + (1 - \alpha) d \ln L + (1 - \alpha) d \ln A \quad (7)$$

Equation (7) can be expressed in the growth rates of output, labor force, and technology as follows:

$$g_t^Y = \alpha g_t^K + (1 - \alpha) g_t^L + (1 - \alpha) g_t^A \quad (8)$$

A rearrangement gives us:

$$g_t^Y = \alpha g_t^K + (1 - \alpha)(g_t^L + g_t^A) \quad (9)$$

Now output grows as long as capital growth is positive, but

$$g_t^Y < g_t^K, \text{ because } 0 < \alpha < 1 \quad (10)$$

This implies that if a country wants to grow fast, its capital formation must grow at a faster rate than the desired rate of GDP growth. Since this work wants to examine the basic forces behind the output differential between India and Bangladesh, we can subtract equation (9) for Bangladesh from a similar equation for India. Ignoring the time subscripts for the time and replacing them with country notations, we get:

$$\begin{aligned} g_{IND}^Y - g_{BD}^Y &= \alpha(g_{IND}^K - g_{BD}^K) \\ &+ (1 - \alpha)(g_{IND}^L - g_{BD}^L) \\ &+ (1 - \alpha)(g_{IND}^A - g_{BD}^A) \end{aligned} \quad (11)$$

Technological growth is computable as ‘‘Solow residual’’ as long as data on capital formation and labor force are available. In this study, while the data on capital formation are available over the entire sample 1976–2010, those on labor force are not (WDI 2012). The labor force data for both countries are missing until 1990, and the rest are not adequate to provide us with standard econometric exercises. Hence, this work follows Solow (1956) and subsequent studies that assumed technology and labor force to be constant. Practically, this is not a strong assumption mainly because of dealing with growth differentials in technology and labor force, not growth rates per se.

Technological growth differentials between developing countries have always been negligible, and this is more so between two neighboring countries like India and Bangladesh. The labor-force growth rate in both countries follows a similar pattern due to similar pattern of population growth and other demographic features between these two neighbors. Hence, the differential in labor-force growth rates becomes negligible, enabling us to drop the last term on the right-hand side of equation (10). Thus, we end up with:

$$g_{IND}^Y - g_{BD}^Y = \alpha(g_{IND}^K - g_{BD}^K) \quad (12)$$

Following equation (12), this work examines how capital-growth differential between India and Bangladesh can explain GDP-growth differential between them. None of the variables in this exercise is exogenous. Since theory suggests that both GDP and capital growth have a feedback effect, OLS estimations with them will not be a valid approach. To address this issue of endogeneity, VAR models are used in this regard to see their interactions. The most basic form of a VAR treats all variables symmetrically without making reference to the issue of dependence or independence (Enders 2010, p. 272).

The results of VAR estimation are sensitive to the lag length and the ordering of the variables. For determining the lag length, the most common procedure is to estimate an unrestricted VAR with the variables, and to use the Akaike information criterion (AIC) or Schwartz

Bayesian criterion (SBC) to decide on the lag length (Enders 2010, p. 402). VAR results are sensitive to the orderings of the variables. There is no guideline on which variable is to be put first in the order. However, the issue with the ordering of the variables will be inapplicable in this exercise since impulse responses will be generalized. Pesaran and Shin (1998) first proposed the generalized impulse response analysis for unrestricted VAR models. Unlike the traditional impulse response analysis, their approach does not require orthogonalization of shocks and is invariant to the ordering of variables in the VAR.

Sims, Stock and Watson (1990) argue that the goal of a VAR analysis is to determine the interrelationships among the variables, not to determine the parameter estimates. As Enders (2010, p. 272) asserts, the impulse response analysis can be helpful in understanding the interrelationships among economic variables and in the formulation of a more structured economic model. As Hamilton (1994, p. 291) asserts, impulse response functions are used to summarize the dynamic relations between variables in a VAR.

Although this work examines Bangladesh's growth differential with India, the role of capital formation in economic growth will be examined individually within each country in the first place. Next the growth differentials of capital and GDP will be used to justify the role of capital in output growth for both countries.

## 4 Estimation and Analyses

The series of the growth rates of capital formation and output are plotted in Figure 1 (WDI 2012). The series are found to be stationary for both countries, as shown in Table 1. Thus, they are ready for estimations in OLS or VAR models. The top panel that plots the growth rates of GDP and capital for Bangladesh does not show any consistent pattern of relationship between capital growth and output growth until the mid-1980s. The capital growth line shows a drastic collapse until 1983. Bangladesh's first decade after independence experienced high volatility in capital formation, which is likely for a war-ravaged country. The relationship between capital growth and GDP growth appears to be positive since the mid-1980s. In contrast, the bottom panel of Figure 1, which depicts capital and output growth for India, shows some degree of co-movement between the variables.

Before the estimations begin, a table of comparative growth statistics can be used for primary motivation. Table 2 presents a summary of GDP-growth and capital-growth differentials between India and Bangladesh over different periods. A closer examination of the table will substantiate the role of capital formation in output growth, although there is no strong pattern of relationship, at least,

apparently. The upper part of the table makes periods having a fixed endpoint at 2010. Except for the first row of numbers, which defines the most turbulent period of capital formation for Bangladesh, the rest three rows show that Indian capital growth differential is on the rise and so is its GDP growth differential. Over the last decade of the sample, 2001–2010, India's capital grew faster than Bangladesh's by a differential of 4.62 percent. The corresponding output-growth differential of India over Bangladesh was close to 2 percent in the same period.

The lower part of the table compares these differentials over 5-year windows in a progressive fashion. One pattern is obvious that India had output growth higher than Bangladesh whenever India had exceeded Bangladesh in capital growth, but that is not true for Bangladesh at least up to the mid-1980s for reasons discussed earlier. Although India had a lead in GDP growth over Bangladesh in every period after the mid-1980s, the growth-gap decreased remarkably whenever Bangladesh outperformed India in capital growth, suggesting that capital formation has been a vital factor for Bangladesh to supersede or, at least, to catch up with India in economic growth. VAR estimations will substantiate this point to a great extent.

The upper two diagrams of Figure 2 present the case with Bangladesh. They sketch the generalized responses of one variable due to one standard deviation shock in the other. Shocks are the exogenous impulses or the sudden unexpected changes of a variable in an economy. While the response of capital growth to output growth is insignificant, the reverse is significant with a lag between one and two years, suggesting that capital growth played a significant role in economic growth over the last 35 years in Bangladesh. The results for India, as shown in the lower panel of Figure 2, confirm the same finding as expected. They show a significant impact of output growth on capital growth as well.

Since capital growth has a significant effect on output growth in both countries, the answer to the question on whether Bangladesh can grow faster than India will depend on whether Bangladesh's capital can grow faster than India's. The capital-growth differential between Bangladesh and India should be able to explain the output-growth differential between them. Hence, I further extend this study by including the estimations on both differentials between two countries.

I derive the series of 'IND-BD GDP-growth differential' by subtracting Bangladesh's GDP growth from India's. The similar method is followed to derive the series of 'IND-BD capital-growth differential.' The results exhibit a considerable degree of co-movement most of the time. The scatter plot along with the regression line vindicates this pattern of co-movement. The correlation co-

**Table 1:** Phillips-Perron unit root tests with output growth and capital growth of Bangladesh and India: 1976–2010

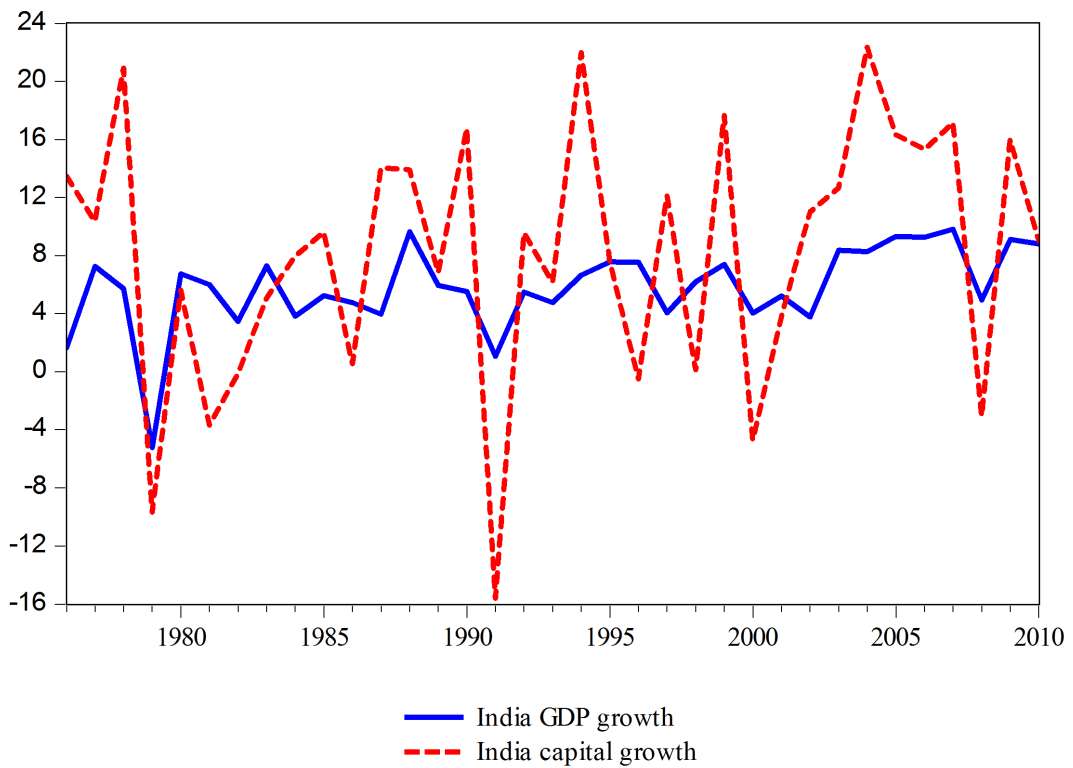
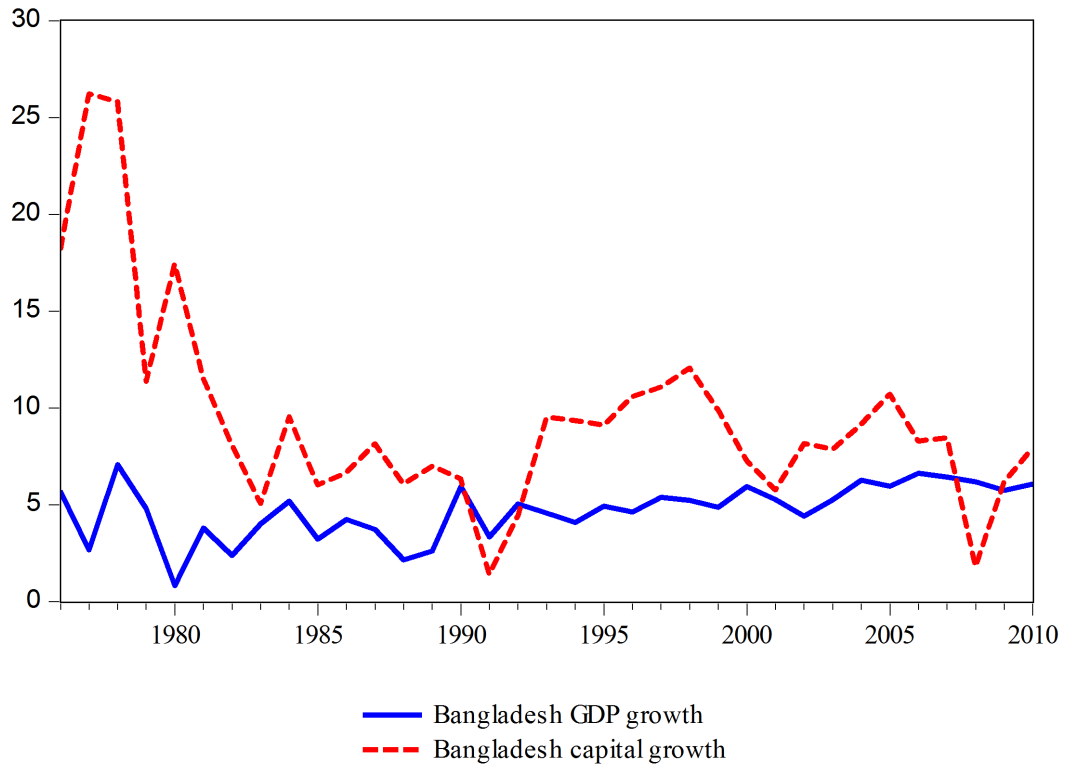
Series	In levels		Integration
	Model A	Model B	
Bangladesh:			
GDP Growth	-4.52 (0.00)	<b>-6.79</b> <b>(0.00)</b>	I(0)
Capital Growth	<b>-2.72</b> <b>(0.08)</b>	-2.68 (0.25)	I(0)
India:			
GDP Growth	-5.40 (0.00)	<b>-7.84</b> <b>(0.00)</b>	I(0)
Capital Growth	<b>-6.55</b> <b>(0.00)</b>	-8.09 (0.00)	I(0)
Differential Series:			
GDP Growth	<b>-7.51</b> <b>(0.00)</b>	-8.41 (0.00)	I(0)
Capital Growth	-5.12 (0.00)	<b>-6.38</b> <b>(0.00)</b>	I(0)

Note: Model A includes intercept, and Model B includes both intercept and trend. The null hypothesis states that the variable has a unit root. *p*-values are shown in the parentheses under each adjusted *t*-statistic. The critical values and details of the test presented in Phillips and Perron (1988). The bold items under any model is actual model as per the estimation results. Bangladesh's capital growth is stationary at the 10 percent level. Source: WDI (2012)

**Table 2:** Comparison of output growth and capital growth between Bangladesh and India: 1976–2010

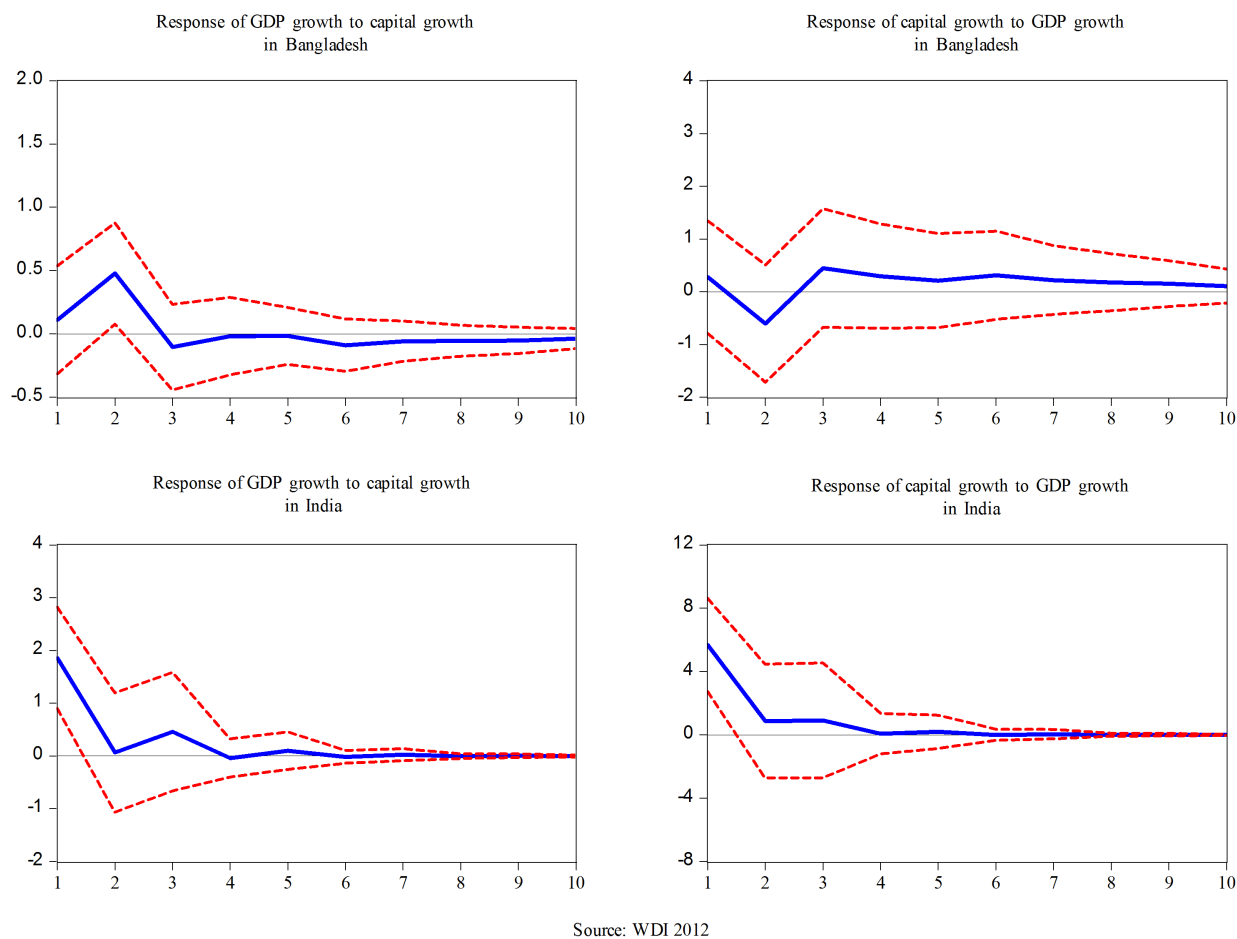
Periods	GDP Growth			Capital Growth		
	Bangladesh	India	Differential	Bangladesh	India	Differential
Fixed endpoint:						
1976–2010	4.70	5.81	1.11	9.51	8.19	-1.32
1981–2010	4.78	6.24	1.46	7.79	8.19	0.40
1991–2010	5.31	6.58	1.27	7.95	8.75	0.80
2001–2010	5.82	7.69	1.87	7.43	12.05	4.62
5-year window:						
1976–1980	4.21	3.23	-0.98	19.82	8.13	-11.69
1981–1985	3.72	5.16	1.44	8.05	3.76	-4.30
1986–1990	3.74	5.97	2.23	6.85	10.42	3.57
1991–1995	4.39	5.11	0.71	6.77	5.59	-0.82
1996–2000	5.21	5.84	0.63	10.18	4.94	-5.24
2001–2005	5.43	6.99	1.56	8.33	13.23	4.89
2006–2010	6.21	8.39	2.17	6.54	10.87	4.34

Note: The figures are averages of the period. First four periods have the fixed endpoints at 2010 while the starting point is moving forward. The periods under 5-year window divide the whole sample into seven segments. Differentials are calculated by subtracting Bangladesh's value from India's, suggesting that it would be optimal for Bangladesh to minimize the differential values. Source: WDI (2012)



Source: WDI 2012

Figure 1: Growth rates of capital formation and output for Bangladesh and India: 1976–2010



**Figure 2:** Response to generalized one S.D. innovation (shock)  $\pm 2$  S.E. in 10 years

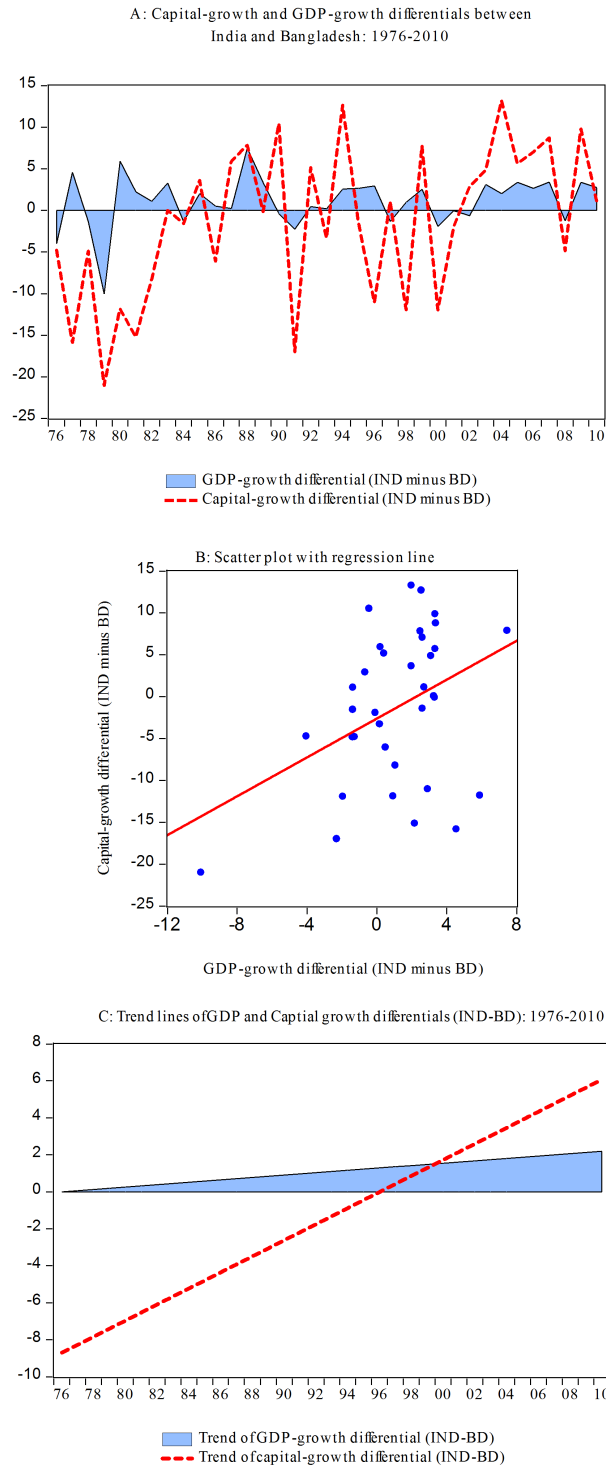
efficient of these differential lines is highly positive, 0.39, and significant at the 1 percent level.

An upward trend of these series is fairly visible in Panel A of Figure 3 (WDI 2012). To examine this observation, trend estimation in OLS is used. GDP-growth differential is regressed on trend, and capital-growth differential is regressed on constant and trend. In both cases the trend coefficient is significant at the 5 percent level. The trend values are plotted in Panel C of Figure 3. Although the trend term of GDP-growth differential is much smaller than that of capital-growth differential, it implies that Bangladesh is lagging behind India in output growth, and the gap is slowly increasing over time. Bangladesh's distance with India is augmenting much faster in capital growth than that in output growth in the long run. I argue that the rising capital-growth differential is eventually contributing to the slightly rising tendency of GDP-growth differential, suggesting that faster capital formation is crucial for Bangladesh to catching India in the race of economic growth.

Both the differential series are found to have stationarity, as shown in Table 1. Thus, we can put them in a VAR model to check the generalized impulse responses. Figure 4 (WDI 2012) shows the results: they affect each other. The positive effect is strongly significant in the first year for both types of interaction. If Bangladesh outperforms India in capital growth, Bangladesh's economic growth will be close to India's, or it will outperform India's growth. Thus, Bangladesh can exceed India in output growth by enhancing its capital formation at a higher rate than India. It implies that the factors affecting capital formation must be improved in Bangladesh to make the country grow faster than India.

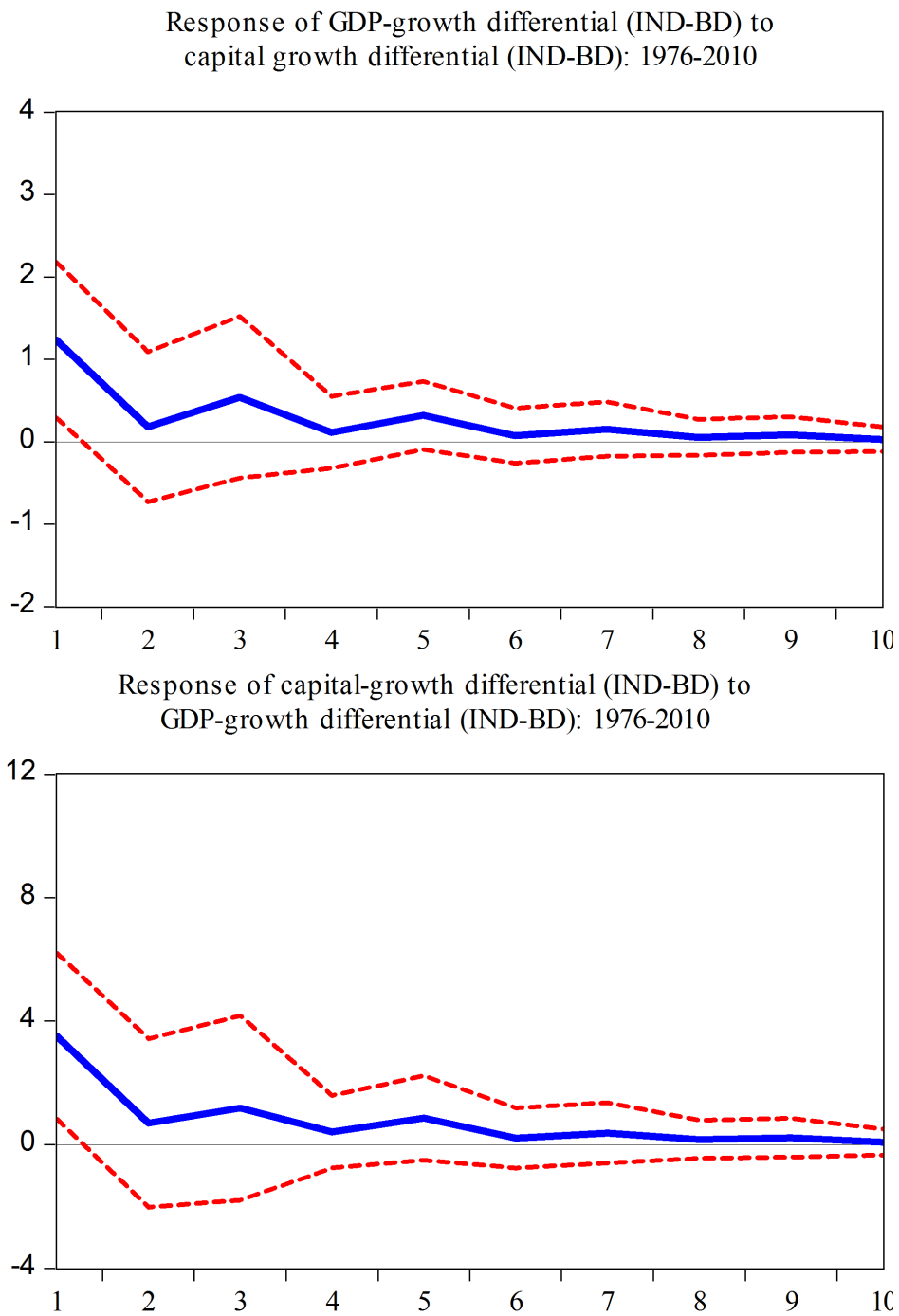
## 5 Productivity and Institutional Factors

Equation (6) in the methodology part lays out the role of effective labor as well as capital formation in economic growth. Not only is defining effective labor in quantita-



**Figure 3:** Capital-growth and GDP-growth differentials: India and Bangladesh: 1976–2010

FIGURE 4  
Response to Generalized One S.D. Innovations  $\pm 2$  S.E. in 10 Years



Source: WDI 2012

Figure 4: Response to generalized one S.D. innovation (shock)  $\pm 2$  S.E. in 10 years

tive research a problem, but time series data on this item are also unavailable. Labor productivity and other institutional factors are likely to influence effective labor to a great extent. While investment works as a necessary condition to affect output differentials, productivity and institutional factors act as a sufficient condition in this case. Unfortunately, time-series data on these items over the sample 1976–2010 are conspicuously absent.

It is, however, not very difficult to show how Bangladesh lags behind India in some vital institutional indicators. A snapshot of institutional comparison between these countries, as shown in Table 3, portrays India's advancement in human development, combating corruption, and liberalization. In the table, India's lower rankings than Bangladesh's, which imply India's better positions in these institutional factors, have arguably further contributed to India's growth acceleration. In the 'Doing Business Index,' Bangladesh is slightly above India. I have also included the 'Failed State Index' because it also considers the level of public services and human rights, which affect institutions.

Although Sen (2013) observes that Bangladesh has left India behind in many social indicators, particularly of gender equality, these achievements have not done enough to make Bangladesh supersede India in the overall human development index. Bangladesh still belongs to the 'Low Human Development' category, as calculated by UNDP, while India belongs to the 'Medium Human Development' group. Rahman and Yusuf (2013) identify factors that inhibit growth spurts in Bangladesh: low levels of human capital, poor infrastructure, market failures specific to individual industries, low levels of international trade, corruption, and cumbersome regulations. Of these, they argue, tackling infrastructure bottlenecks, promoting trade, and carrying out regulatory reforms should be the top priorities for the policymakers in Bangladesh.

In 1972, India's GDP was almost 8 times bigger than Bangladesh's. In 1991, it became 9 times bigger — a 12.5 percent increase in the relative size in 20 years. In 2010, India's GDP became almost 12 times bigger than Bangladesh's — a 33 percent increase in the relative size in the last 20 years. This implies that despite starting at the same time, India benefited more from liberalization than Bangladesh. Put differently, India's liberalization has been faster than Bangladesh's, as vindicated by the indices of economic freedom and global competitiveness. Over the last decade, Bangladesh mostly remained in the lowest category of the economic freedom index, which the HF (2013) termed as "Repressed." India, in contrast, stayed one level up, termed as "Mostly Unfree." Even some apparently closed African countries such as Ghana, Libya, Zambia, and Gabon rank higher than BD in global competitiveness.

As Mujeri and Sen (2003) observe, Bangladesh entered a new era in 1990 when crisis-driven reforms began to march. This era necessitated institutional changes more remarkably than ever before. Rahman and Yusuf (2013) mark 1990 as the beginning of economic acceleration due to a remarkable turnaround in the growth of multifactor productivity. Hence, institutional aspects played a role in Bangladesh's growth although data availability is still an issue in this regard. Addressing these aspects of institutions as well as investment is likely to propel Bangladesh to catch up with or surpass India in economic growth.

## 6 Conclusion

While India and Bangladesh are the two fastest growing economies of South Asia, the growth differential of Bangladesh with India is remarkable. It was 1.87 in percentage point over the last decade from 2001 to 2010. Both countries share many commonalities such as geography, institutions, demography, and recently policies on liberalization. But the growth gap shows a little divergent pattern on the trend, which is of serious concern for Bangladesh. The main aspiration of this paper is to find the answer to the question on whether Bangladesh can surpass India in the race for growth. Working on the 1976–2010 period, this paper finds that it is capital formation that can mainly contribute to faster growth for Bangladesh. Historically, India had higher output growth than Bangladesh whenever India's capital growth had exceeded Bangladesh's. Although that was not always true for Bangladesh, its output growth came much closer to India whenever Bangladesh outperformed India in the growth of capital formation. Bangladesh could minimize its growth differential with India whenever Bangladesh outperformed India in investment. Hence, Bangladesh has to accelerate its investment at a much faster rate than India to supersede or at least catch India in GDP growth.

Labor productivity and other institutional factors such as combating corruption and opening up the economy are other areas where India left Bangladesh behind in a remarkable way. Addressing these aspects can arguably reinforce the quality enhancement of capital formation in Bangladesh.

This work raises some additional questions such as: 1) What are the main factors that contribute to faster capital formation? 2) How to develop a time series on technological differences between these countries? 3) Why is India's growth higher than Bangladesh's in some years when India's capital growth has not been higher than Bangladesh's in those years? These questions require further investigation and hence are left on the agenda of future study.



**Table 3:** Comparison of institutional factors between India and Bangladesh

Indices:	India	Bangladesh	Countries
Human Development Index(HDI) 2011	134	146	187
Corruption Perception Index(CPI) 2012	94	144	176
Economic Freedom Index (EFI) 2013	119	132	177
Global Competitiveness Index (GCI) 2013	59	118	144
Doing Business Index (DBI) 2013	132	129	185
Failed State Index (FSI) 2013	79	29	178

Note: The lower the ranking, the better the position, except for FSI. The last column shows the total number of countries the respective surveys included. Sources: UNDP (n.d.) for HDI, TI (2012) for CPI, HF (2013) for EFI, WEF (2013) for GCI, IFC (n.d.) for DBI, and FP (2013) for FSI.

## Acknowledgment

The author is thankful to the participants of the International Conference on Bangladesh held on Feb 23, 2013 at University of California-Berkeley for their useful feedback. The author is also thankful to two anonymous referees whose valuable comments helped improve the earlier version of this study.

## References

- Agrawal, P., Sahoo, P. and Dash, R. K. (2009), 'Savings Behaviour in South Asia', *Journal of Policy Modeling* **31**(2), 208–224.
- Ahmed, H. A. and Uddin, M. G. S. (2009), 'Export, imports, remittance and growth in Bangladesh: An empirical analysis', *Trade and Development Review* **2**(2), 79–92.
- Ahmed, S. and Sattar, Z. (2004), Trade liberalization, growth and poverty reduction: The case of Bangladesh, Technical report, World Bank, Washington.
- Bano, S., Kumarasinghe, S. and Tang, Y.-P. (2011), 'Economic Performance and Stock Market Performance: Some Evidence from the Asia-Pacific Region', *Asian Journal of Finance and Accounting* **3**(1), 103–24.
- Bashir, Z. (2000), 'The Role of Agricultural Growth in South Asian Countries and the Affordability of Food: An Inter-country Analysis', *Pakistan Development Review* **39**(4), 751–75.
- Bhandari, R., Dhakal, D., Pradhan, G. and Upadhyaya, K. P. (2007), 'Determinants of Private Saving in South Asia', *South Asia Economic Journal* **8**(2), 205–17.
- Budget (2013–2014), Annual Budget Speech, Technical report, Ministry of Finance, Government of Bangladesh, Dhaka. [http://www.mof.gov.bd/en/index.php?option=com\\_content &view=article &id=235 &Itemid=1](http://www.mof.gov.bd/en/index.php?option=com_content &view=article &id=235 &Itemid=1).
- Chow, G. and Lin, A.-L. (2002), 'Accounting for Economic Growth in Taiwan and Mainland China: A Comparative Analysis', *Journal of Comparative Economics* **30**(3), 507–30.
- Das, A. and Paul, B. P. (2011), 'Openness and Growth in Emerging Asian Economies: Evidence from GMM Estimations of a Dynamic Panel', *Economics Bulletin* **31**(3), 2219–28.
- Dreze, J. and Sen, A. (2013), India in comparative perspective, in 'An Uncertain Glory', Princeton University Press.
- Easterly, W. (1994), Explaining miracles: growth regressions meet the Gang of Four, Policy Research Working Paper Series 1250, World Bank, Washington.
- Enders, W. (2010), *Multiequation Time-Series Models*, Vol. Applied Econometric Time Series, third edn, John Wiley and Sons, NJ.
- FP (2013), 'Failed State Index (FSI)', Foreign Policy, Failed States Interactive Map. [http://www.foreignpolicy.com/articles/2013/06/24/2013\\_failed\\_states\\_interactive\\_map](http://www.foreignpolicy.com/articles/2013/06/24/2013_failed_states_interactive_map).
- Habibullah, M. S. and Eng, Y.-K. (2006), 'Does Financial Development Cause Economic Growth? A Panel Data Dynamic Analysis for the Asian Developing Countries', *Journal of the Asia Pacific Economy* **11**(4), 377–394.
- Hamilton, J. (1994), *Vector Autoregression*, Vol. Time Series Analysis, Princeton University Press.
- HF (2013), 'Economic Freedom Index', The Heritage Foundation in partnership with the Wall Street Journal. <http://www.heritage.org/index/ranking>.

- Hossain, A. and Hossain, M. K. (2012), 'Empirical Relationship between Foreign Direct Investment and Economic Output in South Asian Countries: A Study on Bangladesh, Pakistan and India', *International Business Research* **5**(1), 9–21.
- Husain, I. (2010), 'Pakistan's Growth Experience: 1947–2007', *Business Review* **5**(2), 11–33.
- IFC (n.d.), 'Doing Business Index', IFC, World Bank. <http://www.doingbusiness.org/media/GIABW/Doing%20Business/Documents/Annual-Reports/English/DB13-full-report.pdf>.
- Islam, M. R. (2007), 'The Growth of Privatization in Bangladesh: An Overview', *Journal of the Asiatic Society — Bangladesh* pp. 1–9. also from [asiaticsociety.org.bd/journals/Dec\\_2007](http://asiaticsociety.org.bd/journals/Dec_2007).
- Krugman, P. (1994), 'The Myth of Asia's Miracle', *Foreign Affairs* **73**(6), 62–78.
- Kurosaki, T. (2010), 'Long-Term Agricultural Growth in India, Pakistan, and Bangladesh', *Economic Review (Keizai Kenkyu)* **61**(2), 168–189.
- Mallik, G. and Chowdhury, A. (2001), 'Inflation and Economic Growth: Evidence from Four South Asian Countries', *Asia-Pacific Development Journal* **8**(1), 123–135.
- Mamun, K. A. A. and Nath, H. K. (2005), 'Export-led growth in Bangladesh: A time series analysis', *Applied Economics Letters* **12**, 361–364.
- MPS (2013), 'Monetary Policy Statement for July–December 2013', pp. 1–16. <http://www.bangladesh-bank.org>.
- Mujeri, M. K. and Sen, B. (2003), A Quiet Transition: Some aspects of the history of economic growth in Bangladesh 1970–2000, Bangladesh Country Paper, Global Research Project, World Bank.
- Panagariya, A. (2008), *India: The Emerging Giant*, Oxford University Press, New York.
- Parida, P. C. and Sahoo, P. (2007), 'Export-Led Growth in South Asia: A Panel Cointegration Analysis', *International Economic Journal* **21**(2), 155–175.
- Paul, B. P. (2012), 'Inflation-growth nexus: some bivariate EGARCH evidence for Bangladesh', *Macroeconomics and Finance in Emerging Market Economies* pp. 1–11.
- Pesaran, M. H. and Shin, Y. (1998), 'Generalized Impulse Response Analysis in Linear Multivariate Models', *Economic Letters* **58**(17–29).
- Phillips, P. C. and Perron, P. (1988), 'Testing for a Unit Root in Time Series Regression, *Biometrika*', *Biometrika* **75**(2).
- Rahman, J. and Yusuf, A. (2013), 'Economic growth in Bangladesh: Experience and policy priorities', Web. <http://www.hks.harvard.edu/fs/drodrik/Growth-Diag.html>.
- Romer, D. (2006), *The Solow Growth Model*, in *Advanced Macroeconomics*, 3rd edn, McGraw-Hill, Boston.
- Sahoo, P. and Dash, R. K. (2012), 'Economic Growth in South Asia: Role of Infrastructure', *Journal of International Trade and Economic Development* **21**(2), 217–52.
- Sen, A. (2013), India: A Defense and a Critique, in 'G.L. Mehta Memorial Lecture', Indian Institute of Technology, Bombay. The Hindu, <http://www.thehindu.com/news/national/bangladesh-ahead-of-india-in-gender-equality-amartya-sen/article4277151.ece>.
- Siddiqui, R. and Malik, A. (2001), 'Debt and Economic Growth in South Asia', *Pakistan Development Review* **40**(4), 677–88.
- Sims, C., Stock, J. and Watson, M. W. (1990), 'Inference in Linear Series Models with Some Unit Roots', *Econometrica* **58**, 113–144.
- Sinha, D. and Macri, J. (2001), 'Financial Development and Economic Growth: The Case of Eight Asian Countries', *Internazionale/International Economics* **54**(2), 219–234.
- Solow, R. (1956), 'A Contribution to the Theory of Economic Growth', *Quarterly Journal of Economics* **70**, 65–94.
- TI (2012), 'Corruption Perception Index', Transparency International. <http://cpi.transparency.org/cpi2012/>.
- UNDP (n.d.), 'Human Development Index (HDI)', Web. <http://hdr.undp.org/en/reports/global/hdr2011/>.
- WB (1993), *The East Asian Miracle: Economic Growth and Public Policy*, A World Bank Policy Research Report, The World Bank, Oxford University Press.
- WDI (2012), 'World Development Indicators', World Bank. <http://data.worldbank.org/data-catalog/world-development-indicators>.
- WEF (2013), 'Global Competitiveness Index', World Economic Forum. <http://reports.weforum.org/global-competitiveness-report-2012-2013/#>.

# A Note on the Export Performance of Bangladesh During the Recent European Recession

M. A. Taslim Amzad Hossain

Department of Economics, University of Dhaka, Dhaka 1000, Bangladesh

## Abstract

The recent recession in the European Union (2012–13) adversely affected the export trade of a large number of countries. However, the export performance of Bangladesh was relatively stable. This note provides evidence in support of the hypothesis that one of the main reasons for the good performance is the composition of the export basket of the country that contains mostly manufactured consumer goods.

## 1 Introduction

A subprime mortgage crisis in the housing sector of the United States in 2006–07 brought about a financial meltdown, which in turn led to a deep recession in the western world during 2008–09. The USA recovered well from that recession, but the European Union (EU) did not fare as well; its recovery was both lukewarm and short-lived.<sup>1</sup> It fell into another recessionary spell toward the beginning of 2012, which is still continuing. However, the depth of the current recession is much less severe than the previous one; its economy shrank by 0.4 percent in 2012 (Figure 1). It is expected to shrink a further 0.2 percent in 2013.<sup>2</sup>

Import of EU, being strongly related to the health of the economy, decelerated with the decline in the GDP. The growth rate of EU import had jumped from an abysmal 22 percent decline during the previous recession (2009) to a whopping 24 percent growth in 2010. However, the import growth rate decelerated to 13 percent in 2011 and to less than 4 percent in 2012. But import actually fell thereafter, and during the first nine months of 2013 the value of EU import declined by more than 5 percent of what it was during the corresponding period of 2012.<sup>3</sup>

Since EU is the largest export market of the world, a deceleration of EU income has a significant negative impact on the export earnings of the rest of the world. Forecasts for the EU economy are not encouraging. With unemployment at record high levels and the economy expected to further shrink in 2013, it might take considerable time to recover from the current economic crisis.<sup>4</sup> Export earnings of many of the major exporters to EU such as Brazil, Canada, China, India, Japan and Australia fell in 2012 at varying rates (Figure 2). Indeed about half of the exporters to EU suffered negative import growth in 2012.

With EU import actually falling, the outlook is not bright for this year.

However, all the countries that export substantially to EU-27 did not suffer equally during the recession. Some countries actually enjoyed fairly robust growth in export earnings from Europe during this period. Bangladesh is a case in point. Its export to EU increased by about 7 percent in 2012. This compares rather well to the large reductions in export suffered by major exporting countries such as those shown above.<sup>5</sup> A similar situation had also prevailed during the global recession of 2008–09 when import of most developed countries including both USA and EU nosedived. Bangladesh experienced modest growth of export to EU and USA, but the exporting giants of the world experienced a sharp decline in their export revenue.

The reasons behind the relatively good export performance of Bangladesh during the 2008–09 global recession became a subject of much public controversy in Bangladesh. This paper revisits the controversy and examines if the explanation advanced by Taslim (2010) for the stable export performance is supported by the more recent data on its export trade with EU which is currently in a recession.

## 2 Theoretical Considerations and Empirical Evidence

The surprisingly good export performance of Bangladesh at the beginning of the 2008–09 global recession led some people to hypothesize that consumers are compelled to switch from more expensive to cheaper goods during times of economic difficulties. Since Bangladesh exported mainly cheap basic goods, such as basic apparel

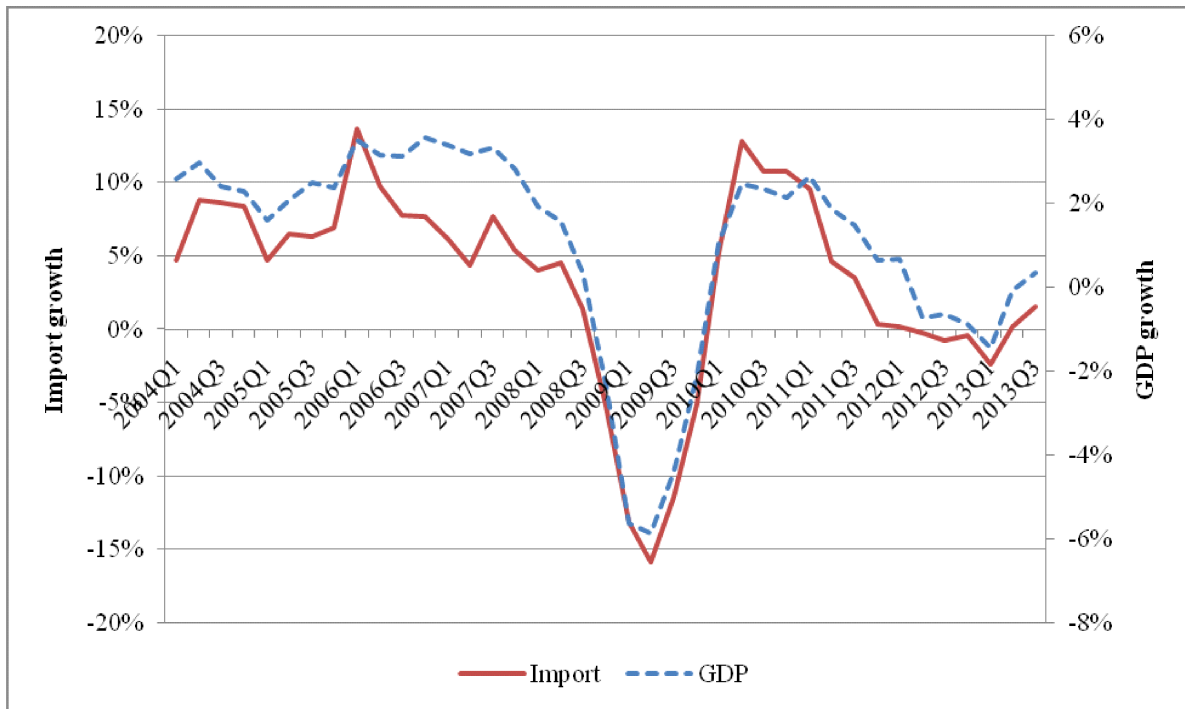


Figure 1: Quarterly growth rates of import and GDP of EU

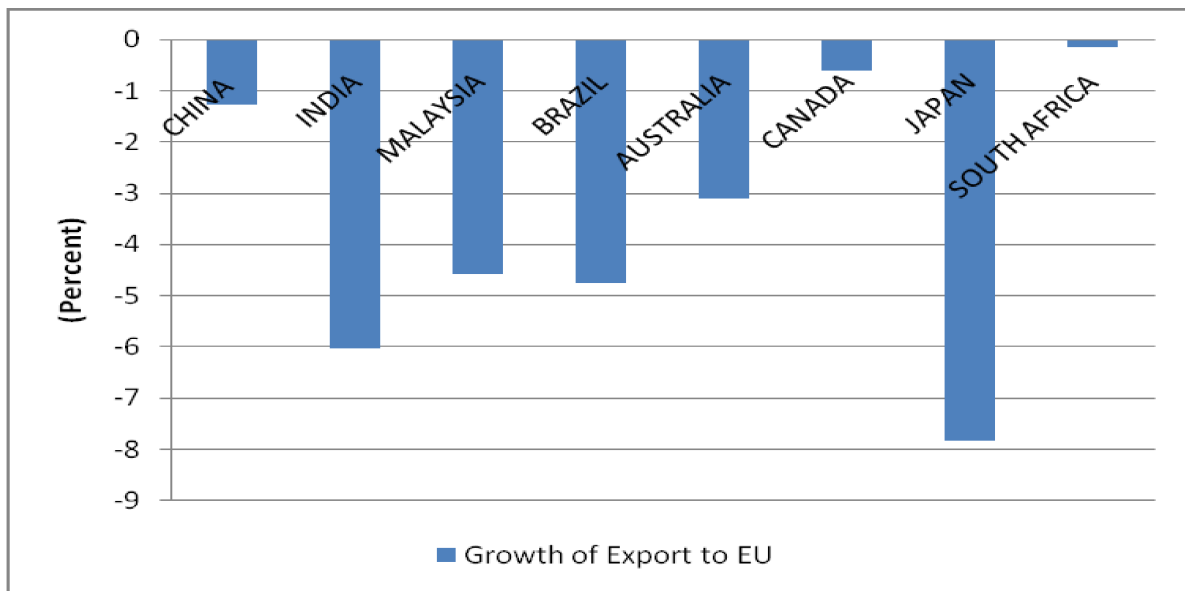


Figure 2: Growth of export to EU of major exporters

items, it gained as the consumers in recession-hit western countries switched to Bangladesh as a source of import of cheaper goods.

Taslim (2010) took a critical view of this hypothesis and attempted an alternative analysis of the reasons behind the relatively stable export performance of Bangladesh in the European and US market (which account for more than 85 percent of its total export) during the global recession of 2008–09. He refuted the cheap goods hypothesis above as being flawed and inconsistent with data. He invoked the well-known theories of consumption to advance the proposition that the secret behind the stable export performance of Bangladesh lay in the composition of its export basket and the nature of the demand for different types of commodities.

The theories of consumption suggest that the demand for consumer goods is determined by permanent or life cycle income rather than the actual income (Ando and Modigliani 1963, Friedman 1957). However, the demand for non-consumer goods such as raw materials, intermediate inputs and capital machinery are more directly related to the current level of consumption, investment and export, and hence, depends on current production or income.

The permanent (or life cycle) income, being in the nature of a trend, is typically less than the actual income during economic booms when income is higher than its normal level and greater than the actual income during slumps when income is lower than normal. This implies that permanent income fluctuates less than the actual income. Consequently, the demand for consumer goods is likely to fluctuate less than the current income, i.e. the elasticity of demand for such goods with respect to observed income will be relatively low. This is clearly borne out by Figure 3 which shows (year-on-year) quarterly real GDP and consumer expenditure growth in EU. The amplitude of fluctuations of growth of consumer spending is far less than the variations in real GDP growth.

If there exists a stable relationship between the imported and domestic components of a tradable good as postulated by Armington (1969), then the import of consumer goods such as apparels should fluctuate less than the import of non-consumer goods such as iron and steel since the demand for the latter, which are producer goods, responds to current production or income.

Figure 4 shows the growth in EU import of goods by broad economic category — consumer goods, intermediate goods and capital goods — during the last several years. It is rather evident that import demand for consumer goods has lower amplitude of fluctuations than that of the non-consumer goods. Thus the pattern of import demand of EU appears to be supportive of the contention above.

This is also borne out by the pattern of EU import in recent years. The Commodities whose imports have declined most during the current recession (2012) are mostly non-consumption goods. Table 1 shows the top-20 commodities (by HS code at 2-digit level) that suffered the largest decline in import growth. It will be seen that only 2–3 of these HS codes could be said to represent consumer goods. Significantly, the import of these commodities had also suffered badly during the previous recession. However, during the intervening two years, when the economy was out of recession, their import had bounced back very robustly.

When the foregoing argument about the nature of the demand for consumer and non-consumer goods holds, we should find countries with a large share of consumption goods in their export basket experiencing less severe fluctuations in their export earnings over the business cycle. Figure 5 below shows the scatter plot of the share of consumption goods in total export basket of 159 countries against the fluctuations of the growth of their exports, as measured by the standard deviations of their export growth during 1999–2012. There is a pronounced negative relationship between the two variables. The slope coefficient of the regression line fitted to the data is negative and highly significant. It suggests that 1 percent increase in the share of consumer goods in the export basket reduces export instability by 0.25 percent.

The analysis above clearly suggests that countries with export baskets dominated by consumer goods will be relatively stable while those comprising mostly non-consumption goods or producer goods will suffer from greater instability. We suggest herein lies the main reason for the relatively stable performance of the export sector of Bangladesh.

The composition of the export basket of Bangladesh is shown in Figure 6. Almost 98 percent of the export of Bangladesh to EU comprises consumer goods. Most of these are manufactured goods such as apparels. This particular characteristic of the composition of the export basket of the country implies, according to the hypothesis mentioned above, that its export will suffer less during a recession than the export of a country that sells overseas mostly non-consumption goods. Thus, the composition of the export basket of Bangladesh can be said to be one of the main driver of its relatively good performance in exporting to EU during the last as well as the current economic slumps in Europe.

A large part of the export products of important trading nations of the world such as China, Australia and Japan etc. are non-consumption goods (see Table 2). As explained above, the demand for such goods tends to fluctuate with the current state of the economy. Hence, the exports of most of these countries to EU suffered relatively

**Table 1:** EU import growth by 2-Digit HS Code, 2008–2012

HS Code	Product	2009 (%)	2010 (%)	2011 (%)	2012 (%)
79	Tin and articles thereof	-46	87	33	-26
52	Cotton	-21	33	22	-23
72	Iron and steel	-61	58	30	-23
78	Zinc and articles thereof	-37	87	-5	-21
75	Nickel and articles thereof	-54	107	10	-19
18	Cocoa and cocoa preparations	17	14	9	-15
51	Wool, fine or coarse animal hair	-38	49	36	-14
66	Umbrellas, walking-sticks	-12	19	11	-13
88	Ships, boats and Floating structures	9	60	-37	-13
40	Rubber and articles thereof	-28	47	33	-12
77	Lead and articles thereof	-38	56	11	-12
74	Copper and articles thereof	-42	57	22	-11
26	Ores, slag and ash	-46	85	20	-11
55	Man-made staple fibers	-21	30	20	-10
25	Salt; sulphur; earths and stone; lime and cement	-44	32	15	-10
76	Aluminum and articles thereof	-41	56	18	-9
48	Paper and paperboard; Articles of paper pulp	-8	11	2	-9
94	Toys, games and sports requisites; Parts and accessories thereof	-15	4	-1	-9
17	Sugars and sugar confectionery	-13	0	66	-8
63	Other made-up textile articles; sets; worn textile articles; rags	-5	17	10	-8

Source: *Eurostat***Table 2:** The share of consumer goods in total export to EU

Country	2009	2010	2011	2012
Bangladesh	98	97	97	98
Japan	8	7	7	7
China	39	34	34	34
India	39	33	31	30
Australia	16	12	10	10
Brazil	17	13	12	12
Canada	10	9	8	8

Source: *Eurostat*

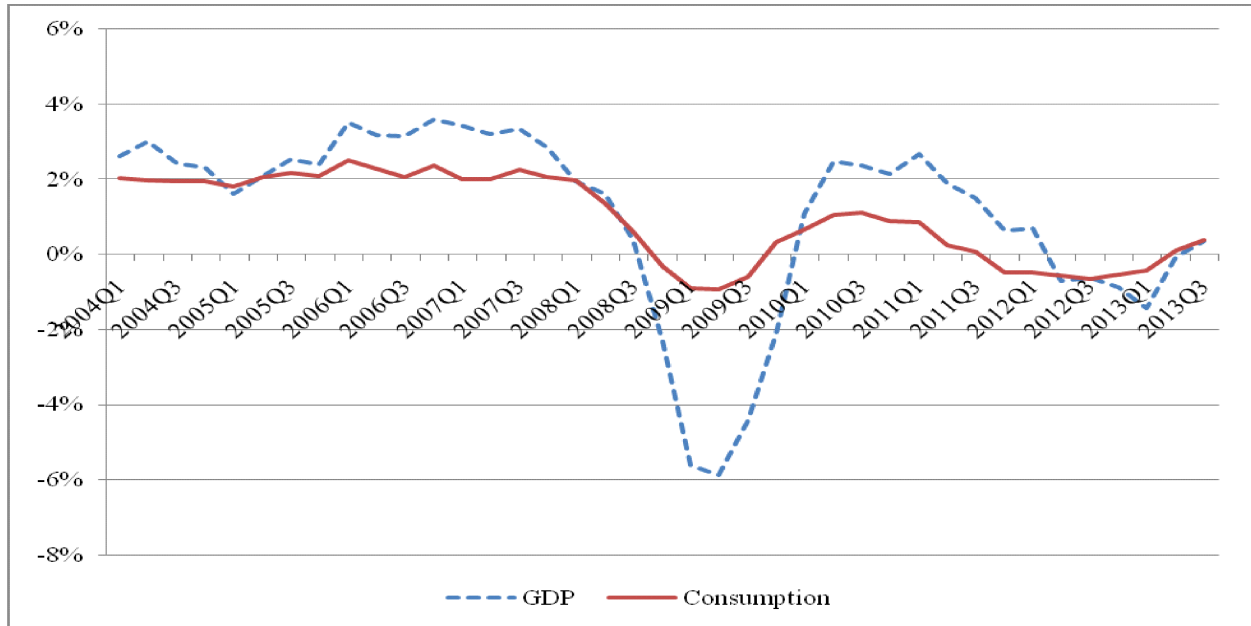


Figure 3: Quarterly growth rates of consumption and GDP of EU

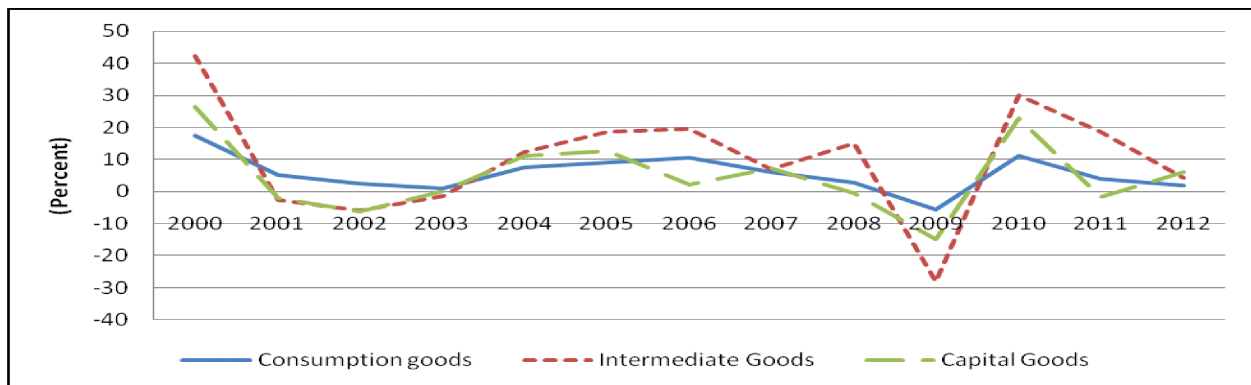


Figure 4: Growth rates of import of EU by broad economic category

more during the recession as shown in Table 1.

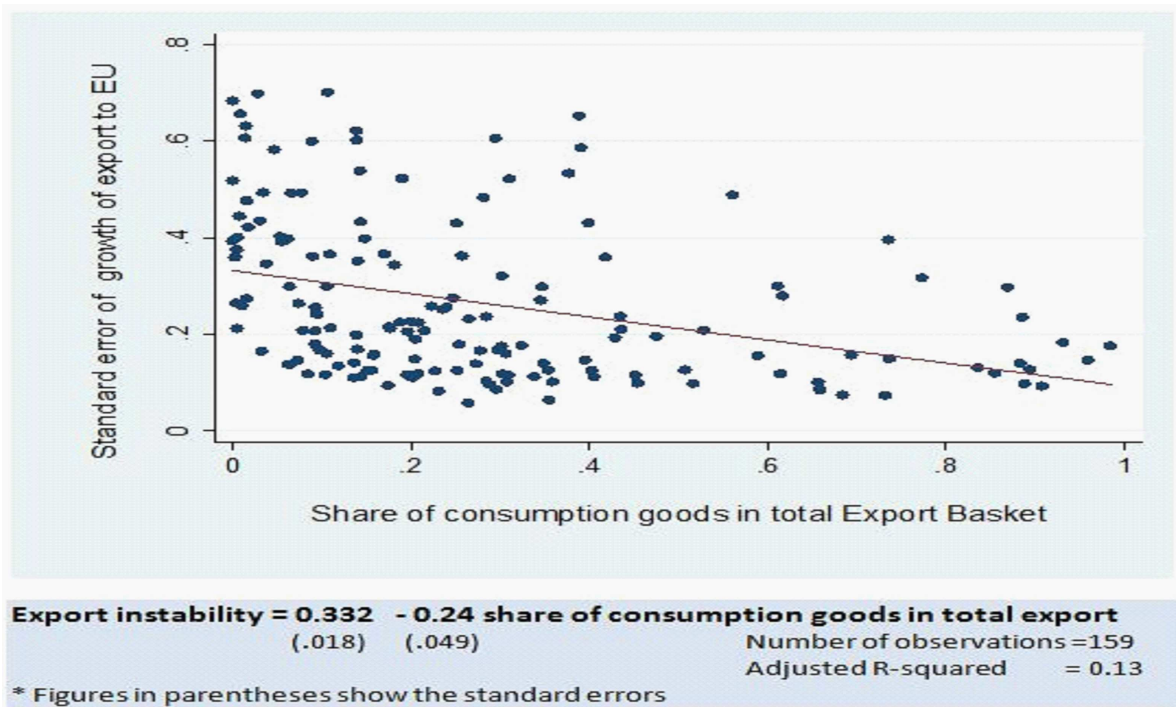
### 3 Competitive Strength

While the predominance of consumption goods, especially apparels, in the export basket explains the relative stability of export earnings of Bangladesh over the business cycles, it does not fully explain why it has outperformed many other countries including the major exporters of apparels to EU over a fairly long period. Obviously other factors were at play.

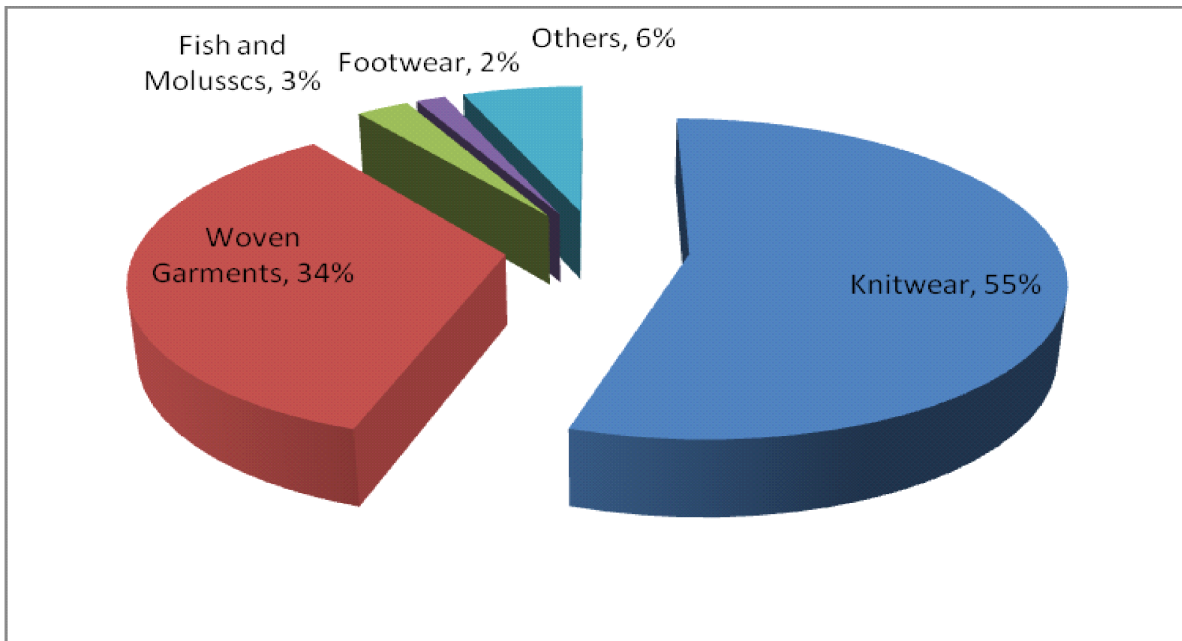
Since nearly nine-tenths of the total export of Bangladesh to EU comprise clothing items (HS61 and HS62), the growth of total export of Bangladesh closely follows the growth of apparel export. The export of ap-

parel, a consumer good, withstood the EU recession well, and hence, the growth of total export was also fairly robust. An important feature of the time trend of apparel import of EU from Bangladesh and the rest of the world is that the share of Bangladeshi apparel in total EU apparel import has been increasing steadily over a long period. But the rate of increase accelerated sharply since 2007. The share was 7.6 percent of the total EU apparel import from the rest of the world in 2007, but by 2012 it jumped to 12.7 percent. Bangladesh is now the second largest source of apparel import of EU behind China.<sup>5</sup>

Such a feat required that apparel export of Bangladesh grow considerably faster than the growth of EU import of apparels. This was indeed the case. Apparel export of Bangladesh to EU far exceeded the growth of EU apparel



**Figure 5:** Relationship between the variability of export growth and the share of consumer goods in total export to EU by country, 2012



**Figure 6:** Composition of export of Bangladesh to EU, 2012



import during each of the last five years. Since the recession of 2008–09 Bangladesh apparel exporters also outperformed most other competing exporters, especially the major competing exporters such as China, Turkey, India, Vietnam and Pakistan.

The competitive strength of Bangladeshi apparel exporters derives from the innovativeness of the domestic entrepreneurs, duty-free access to developed country markets (except the USA), and most importantly an abundant supply of cheap labor, which allow the exporters to offer prices for apparel products much cheaper than that offered by the exporters of competitor countries.<sup>6</sup> Several surveys have found the labor cost to be the lowest in Bangladesh even in comparison to other least developed countries such as Cambodia. According to *Eurostat* data, the cost to EU of import of apparel per kilogram is the lowest when sourced from Bangladesh. The competitiveness of the apparel industry of Bangladesh and the composition of the export basket worked together to keep the export earnings of the country buoyant during the recessions.

## 4 Concluding Remarks

The preponderance of consumption goods in the export basket of Bangladesh works as an automatic stabilizer in reducing the fluctuations of its export earnings. By developing an export sector specializing in basic manufactured consumer goods over the last three decades, Bangladesh has largely avoided instability of export earnings that characterized so many less developed countries which exported mostly agricultural and mineral products.<sup>7</sup> A steadily increasing export income (as well as remittances) has enabled the country to maintain a positive current account balance over almost a decade, which led to the build-up of a comfortable international reserve position. The other side of this story is that the exports of countries with a large share of non-consumption goods in the total export basket is likely to bounce back strongly when the EU economy recovers whereas Bangladesh will experience a slower increase in the growth of its export earnings due to the very same reasons that prevented a large fall in it during the recessions.

## Acknowledgment

The authors wish to gratefully acknowledge the comments and suggestions of two anonymous referees.

## Endnotes

Throughout this paper EU refers to the 27 countries in the European Union, i.e. EU-27 in *Eurostat*.

1. UNCTAD (2013), p.1–2.
2. Since December 2012, EU import decreased every month year-on-year.
3. <http://business.time.com/2013/05/03/eu-predicts-eurozone-recession-to-continue-in-2013/>; (IMF 2013).
4. EU import payments increased by 3.7 percent in 2012, but import volume declined by 12.8 percent.
5. *Eurostat*.
6. See Taslim and Haque (2010) for more on this issue.
7. See Kenen and Voivadis (1972), MacBean (1966).

## References

- Ando, A. and Modigliani, F. (1963), 'The 'Life Cycle' Hypothesis of Saving: Aggregate Implications and Tests', *American Economic Review* (March).
- Armington, P. (1969), 'A Theory of Demand for Products Distinguished by Place of Production', *International Monetary Fund Staff Papers XVI*(1).
- Friedman, M. (1957), *A theory of the Consumption Function*, Princeton, Princeton University Press, NJ.
- IMF (2013), *World Economic Outlook*. July.
- Kenen, P. B. and Voivadis, C. S. (1972), 'Export Instability and Economic Growth', *Kyklos* **25**(4).
- MacBean, A. I. (1966), *Export Instability and Economic Development*, George Allen & Unwin, London.
- Taslim, M. A. (2010), 'Exports from Bangladesh During Recession', *Economic & Political Weekly XLV*(48).
- Taslim, M. A. and Haque, M. S. (2010), 'Global Recession and Export Performance of Bangladesh', *Middle East Journal of Economics and Finance*.

# Public Perceptions of Television News in Bangladesh: A Benchmark Study

Syed Saad Andaleeb\* Sabiha Gulshan<sup>†</sup> Mehdi Rajeb<sup>‡</sup> Nasrin Akhter<sup>‡</sup> Anis Rahman<sup>¶</sup>

\*Sam & Irene Black School of Business, Pennsylvania State University, Erie, USA

<sup>†</sup>Regulatory Affairs, Innovative Labs, LLC., New York, USA

<sup>‡</sup>University of Liberal Arts Bangladesh, School of Business, Bangladesh

<sup>¶</sup>School of Communication, Simon Fraser University, Canada

## Abstract

The TV medium has experienced unprecedented expansion in Bangladesh in the past several years. Given its popularity and influence, and with more people getting their information from this medium, there is very little research regarding perceptions of TV news in the country. In this descriptive study, we examine the perceived credibility of TV news, as well as related constructs including the independence of TV news, its objectivity, its social role, and expertise, all of which influence credibility perceptions of the audience. Using factor analysis and descriptive statistics, we establish perceptual benchmarks, especially concerning the role of television news programs. Policy implications are discussed so that TV news can play a more important role in Bangladesh by promoting greater civic awareness and building democratic processes, instead of being driven solely by special interest coteries.

## 1 Introduction

Television has become the most global, as well as national form of all media, transcending linguistic and geographical barriers. In South Asia, the audio-visual market is one of the world's biggest and most promising (Thussu 2007). In Bangladesh, particularly, the seventh most populous country in the world, with an estimated population of around 159 million people, there has been a phenomenal growth of the TV medium with impressive advancements (Reza 2012).

The number of television viewers has jumped to more than 40 million, a significant number for a country with per capita GNP equivalent to \$840 in the period 2009–2013 (World Bank 2014). The growth in TV viewership is largely driven by satellite television. This trend in cable and satellite viewing is on the increase after the Government of Bangladesh (GOB) permitted the operation of private satellite TV channels in 1997, when massive investments began to flow into this sector facilitated by the dominant political and commercial elites of the country. The number of television channels as of today is 43 (Prothom Alo 2013) with additional private satellite TV channels preparing to join the airwaves in the near future.

Concurrently, the reach of radio programs has begun to decline substantially. From available studies it is clear that listeners of radio programs have decreased sharply from 42% to 24% in the period 1998–2002. In the same

period, TV viewership increased from 42% to 61%. According to the National Media and Demographic Survey, TV now reaches 70% of the population (Hasan 2010).

With such rapid growth of TV viewership, it may be argued that, within a decade, television has altered the media industry in Bangladesh. It has also changed the habits of how the audience gathers information and engages with daily news. On this matter Bourdieu (1998) opines, "Television enjoys a de facto monopoly on what goes into the heads of a significant part of the population and what they think." Bourdieu here talks about French television's influence where a high proportion of the population relies on television as their daily news source. Similarly, in other West European countries and in North America, television sets the agenda for political and cultural debates and influences other social fields such as politics and economics (Benson 1999). In Bangladesh, too, the dominant role that television has begun to play has far reaching consequences for the evolution of society because of its purported ability to shape minds and public thinking.

It is in this context that this study was designed: to determine how credible the TV news media is to its audience. In addition we examine related constructs including the independence of TV news, its objectivity, its social role, and expertise, all of which influence credibility perceptions of the audience.

## 2 Background

As a political agency (Corner 1999), television is often regarded as a window to the world. However, during periods of crises its potential to become a source of facts can be compromised not just by the nature of the medium itself, but also by the curtain of darkness which a government or some special interest group can draw across it, institutional exigencies and self-censorship behaviors.

Television theorist Whittaker (2008) indicates, “Although TV news had its moments of glittering success, over the last few decades the credibility of TV news in general has declined. TV news no longer reflects public interest programming the way it once was. It is now a moneymaking endeavor driven by ratings.” Since rating points translate into profits, maximizing audience size has recently been a significant driving force behind most TV news. This has resulted in a shift away from stories which have social and political significance to stories that are “more engaging” to viewers. With the popularity of tabloid TV shows, news values are being distorted. If one reads the signs carefully, TV news in Bangladesh may, in all likelihood, go down a similar path.

The political involvement of the owners of TV channels, by reigning in the independence of TV news, has had an especially important effect on TV news credibility, often engaging in a crass display of commercialism. In one prime time news slot, for example, 20 minutes were devoted to advertisements out of the total available slot of 47 minutes. Such displays include “Eastern Bank break,” “Citycell News” “Green Delta Insurance Business News” and “National Financial News.” (Haq 2011).

Since the Government of Bangladesh permitted private satellite TV channels a decade ago, its systematic domination by political and commercial elites has led to a ‘clientalism’ relationship (Haq 2011) that has hurt independent and objective reporting. Such relationships have also been noted by Hallin and Mancini (2004).

The media’s increasing association with big business (Curran 2002, Haq 2011), the targeting of viewership, and the growth of the advertising sector has stimulated a new phenomenon: ‘market-oriented journalism.’ According to Beam (1998), during the last decade, newspapers have adopted a stronger market-orientation, concentrating on two customer groups — advertisers and readers — finding ways to meet their wants and needs. Market-oriented journalism tends to generate news that is simplified, personalized, and decontextualized. It stresses action rather than process, visualization rather than abstraction, and is stereotypical rather than reflecting human complexity (Curran 2000, pp. 128-129).

Critics feel that such journalism downplays serious and objective content in favor of frivolous, entertaining

information and that it fails to live up to social obligations by disseminating public-affairs information essential to democratization and civic participation in affairs of statecraft. This is apparently intended. As Newton (2003) suggests, the media has assumed new roles — one is to depoliticize people and the other is to create a consumer culture for the capitalist system to flourish. McChesney (2001) is in accord with this view, asserting that a capitalist society works most efficiently when the bulk of the population is depoliticized.

Market-oriented journalism thus works closely with the collaboration of political and business elites and with state-disciplined news sources. Therefore “private, corporate media and governments are far better seen as partners, and both far more adept at serving those who sit atop the social pyramid than those who are found closer to the bottom” (McChesney and Schiller 2003).

In Bangladesh, this partnership has not only formed an elite-bias but has also created a rift between the actual role of television channels and the role it could play in a progressive society. Research suggests that corporate-media partnership trends have influenced the content and process of news production (Rahman 2007). Khan (2007a) and Ferdous (2007) argue that the trend towards commercialization in news production has undercut the independence and impartiality of the media. Ferdous (2009) also argues that mass media in Bangladesh is more like a class media, and additionally that it is a male media. Rahman (2009) found that among 1,653 reporting assignments of a leading television channel in Bangladesh, 68 per cent were biased in favor of the government and of a market-driven agenda, whereas only 16 percent of the assignments were related to the public good. Such market-driven trends may be affecting the objectivity and impartiality/independence of news directly and indirectly and could result in a loss of credibility.

Moreover, even scholarly articles depict, “... a growing trend in yellow journalism over the years ... to contemplate plans to introduce new law to target yellow journalism because of newspapers and television and radio channels that are making false and misleading news to tarnish the image of ministers, lawmakers, the government and the country are in fact doing yellow journalism.” (Alam 2012, p. 5).

Given the proclivity of the media to bend the truth, as gleaned from the above discussion, The Bangladesh Press Council (BPC) Act of 1974 entrusted the BPC with responsibility for devising a code of conduct for maintaining high professional standards. That provision is articulated in Article 12(1) of the BPC Act (Alam 2012):

“Where, on receipt of a complaint made to it or otherwise, the Council has reason to believe that a newspaper or news agency has

offended against the standard of journalistic ethics or public taste or that an editor or a working journalist has committed any professional misconduct or a breach of the code of journalistic ethics, the Council may warn, admonish or censure the newspaper, the news agency, the editor or the journalist, as the case may be.”

Given this scenario, this study is expected to make an important contribution by examining the perceived credibility of the news media in Bangladesh from the perspectives of its largest constituency: the audience. Our focus is on TV news. In addition, this study is also designed to establish a benchmark of public perceptions of TV news.

### 3 The Constructs in the Study

Credibility is considered to be a valid reflection of reality. What makes credibility a focal point of mass communication is that it can be considered as an index of the effectiveness of media. As Golan (2010, p. 3) notes, “The mass media serves as an important forum in which journalists, public relations professionals, advertising practitioners, politicians, and issue advocates (as well as many others) try to educate, inform, persuade, and influence media audiences.” In order for the senders to achieve these goals, it is very important that the receivers believe the message. Public perceptions of credibility of the media can shape their behaviors: from political orientation and voting patterns to social motivations, resource allocation decisions, and consumption styles. For those involved with the media industry, credibility can spell the difference between success and failure.

Credibility is defined as a valid reflection of reality. Trustworthiness is an integral component of credibility (Barlow and Bakir 2007, McQuail 2005, Waisbord 2006). For Waisbord (2006), trust is a relational process between journalists and audiences. It is also a result of the pact or contract between news producers and consumers. Dependability was also introduced as a measure of credibility in view of the idea that, “Trust indicates a positive belief about the perceived reliability of, dependability of, and confidence in a person, object, or process” (Tseng and Fogg 1999). A third measure used directly was credibility itself, the focus of the study. Finally, we included a measure, recommendation, because when a person finds a source credible, (s)he would feel confident to recommend it. See Table 3 for the measures of credibility and other constructs.

Independence of TV news is defined as a TV channel’s freedom from influence of various stakeholders; it is operationalized as being free from political bias, from owners’

influence, from the interest of its shareholder/partner and having reporters who are not politically motivated.

The social role of TV news is defined as the role that raises awareness and social consciousness of the viewers and is operationalized in terms of TV news playing an important role in improving society; contributing to solving political, social and economic problems; building awareness of the dominant issues; and campaigning for the right social causes.

Objectivity is difficult to define in simple terms, but is linked to our operationalization in terms of presenting facts, precise information, in-depth information, and information from reliable source. If TV news presents the facts as it is rather than being biased, provides precise rather than unclear and inaccurate information, and reflects in-depth and investigative information from reliable source, it will be perceived as credible to the audience.

Expertise is defined as skill or knowledge in a particular field (TV news reporting) and was operationalized as skilled reporting, with TV news providing immediate information and regular updates to an evolving situation, and doing so expertly.

## 4 Research Method

The research method is described next which involved conducting secondary research, questionnaire design and pre-testing, sampling, and data collection.

### 4.1 Secondary Research

Research on source credibility in Bangladesh is scant. Thus, insights were obtained from research conducted in other countries to assess the characteristics of the selected constructs. Adjustments appropriate for Bangladesh were made subsequently. The findings are expected to improve the perceived credibility of TV news in the country, with its informational, developmental, and entertainment implications.

### 4.2 Questionnaire Design and Pre-testing

A preliminary questionnaire was first developed in English, based on the literature review, as well as in-depth interviews of the TV news audience. It was constructed using 7-point Likert scales and then translated into Bengali (the local language) and retranslated for clarity, conciseness and ease of communication. The wording, format, and length of the questionnaire were adjusted after it was pre-tested on a small set of randomly selected respondents.

### 4.3 Sampling and Data Collection

Bangladesh is a densely populated country. People from every part of the country and from different socio-economic segments (education, income, profession, etc.) live in Dhaka City that had a population of roughly 12.6 million in 2005 with a growth rate of 3.2% (<http://web.worldbank.org>). Thus, the residents of Dhaka City were deemed as fairly representative of the nation, serving as the target population for our study.

To select a representative sample, multistage cluster-sampling was used. The city was divided into several clusters according to the Dhaka Chamber of Commerce's allocation of different police stations (or Thanas). From these clusters, ten police stations were selected randomly. The entire area under each police station was considered as a cluster. From each cluster, one ward (the next level of administration) was selected randomly and from each ward, thirty households were selected randomly. Responses were solicited from the head of the household. In their absence, the next available adult person was selected as a replacement. There was no attempt to identify the respondents, who were guaranteed anonymity. In so doing, respondents would feel freer to provide unbiased responses. According to research protocol, respondents were offered the option to withdraw from the study at any point.

Data were collected from 300 respondents via face-to-face interviews. Prior to the interview, the field staff explained the study and asked the interviewee to self-administer the questionnaire; occasionally, the interviewers filled out the questionnaire based on respondents' verbal responses.

### 4.4 Analysis

Factor analysis (a data reduction technique) using principal components analysis with varimax rotation was conducted first to group the variables measuring the four main constructs of the conceptual model - independence, social role, objectivity, and source expertise. A final factor structure was retained consisting of 16 items and four factors that were easy to interpret and that explained 58% of the cumulative variation (see Table 1). Credibility was assessed separately and resulted in a four-item construct.

## 5 Results

Reliability of each factor was assessed using Cronbach's. To be reliable, the value of ought to equal or exceed the value of 0.7 (Nunnally 1978). Only one factor had a value slightly less than 0.7 (see Table 2). Frequency analysis was performed next to obtain measures of central tendency, variation, and distribution values, shown in Tables 2 and 3.

### 5.1 Composite Scales

Overall credibility, after combining the four scale items and measured on a 7-point scale, obtained a mean score of 5.45 ( $s=1.16$ ). Similarly, independence had a mean of 3.23 ( $s=1.58$ ); social role had a mean of 5.90 ( $s=1.01$ ), objectivity had a mean of 5.28 ( $s=1.03$ ), and source expertise had a mean of 5.55 ( $s=2.08$ ). Overall, TV news earned favorable ratings on all the composite measures except for independence, which had the lowest mean and the greatest variation.

Next each factor was broken down into its component items to examine both central tendencies and frequency distributions to gain additional insights. The findings are presented in Table 3.

### 5.2 Perceptions of TV News Credibility in Bangladesh

Credibility was measured using four items: dependability, trustworthiness, credibility and recommendations. The respondents offered varied opinions on each of these components (Table 4 and Figure 1). Only 53.4% of the respondents expressed that they find TV news in Bangladesh highly dependable (scores of 5 and 6). In terms of trustworthiness, 58.2% of the respondents showed a high level of trust regarding TV news in Bangladesh. Similar distributions are evident in terms of credibility (55%) and recommendations (58%).

### 5.3 Perception of Independence of TV News

Independence of news is an important factor influencing audience perceptions of TV news credibility and was measured using four items: owner's influence, serving the interests of shareholders, political bias and reporters' political motivations. The mean scores and standard deviations of the individual items are shown in Table 3. It is clear that each item was rated below the mid-point value of 4: Owner's influence, serving the interests of shareholders, political bias and reporter's political motivation have mean scores 3.03, 3.31, 3.06 and 3.49 respectively, which reflects that TV news is not perceived as independent.

Respondents indicated the relative lack of freedom of TV news from owners' influence, while serving the interests of shareholders. Since many TV channels are owned by the politically influential, respondents seem to believe that some political bias creeps into TV news and may also influence hiring patterns since news reporters also are not free of political bias.

From the distribution of responses (Table 5 and Figure 2), 48% of the respondents (with scores of 1 and 2 on the 7-point scale) seem to believe quite firmly that TV news is not free from owner's influence. A similar percentage (47.3%) of people thinks that TV news is not free

**Table 1:** Factor analysis results: Rotated Component Matrix

Measures	Component			
	Independence	Social Role	Objectivity	Expertise
News of the TV channel is free from its owners' influence.	<b>0.843</b>	-0.015	0.128	0.062
The TV channel's news serves the interests of its shareholders/partners.	<b>0.817</b>	-0.067	0.092	0.026
TV news presented by the news channel. is free from political bias.	<b>0.738</b>	0.075	0.140	0.004
TV news reporters are not politically motivated.	<b>0.698</b>	-0.061	0.091	0.244
TV channel's news plays an important role in improving society.	0.037	<b>0.824</b>	0.028	0.089
TV news builds awareness on the dominant issues.	-0.087	<b>0.814</b>	0.102	0.171
TV news contributes to solving political, social, economic problems.	-0.053	<b>0.771</b>	0.120	0.060
TV news campaigns the right social causes.	0.041	<b>0.602</b>	0.146	0.202
TV channel's news presents information from reliable sources	0.118	0.045	<b>0.803</b>	0.039
TV channel's news provides precise information.	0.273	0.110	<b>0.736</b>	0.188
TV channel's news presents facts.	0.037	0.132	<b>0.666</b>	0.074
TV channel's news presents in-depth information.	0.099	0.143	<b>0.542</b>	0.392
TV channel's news provides regular updates to an evolving situation.	-0.045	0.128	0.064	<b>0.750</b>
TV channel's news provides immediate information.	0.057	0.159	0.037	<b>0.731</b>
TV channel's news reporters are expert in reporting.	0.224	0.119	0.194	<b>0.633</b>
TV channel's news presents skilled reporting.	0.141	0.114	0.359	<b>0.507</b>

Extraction Method: Principal Component Analysis.  
 Rotation Method: Varimax with Kaiser Normalization.  
 a. Rotation converged in 5 iterations.

**Table 2:** Descriptive statistics on composite variables

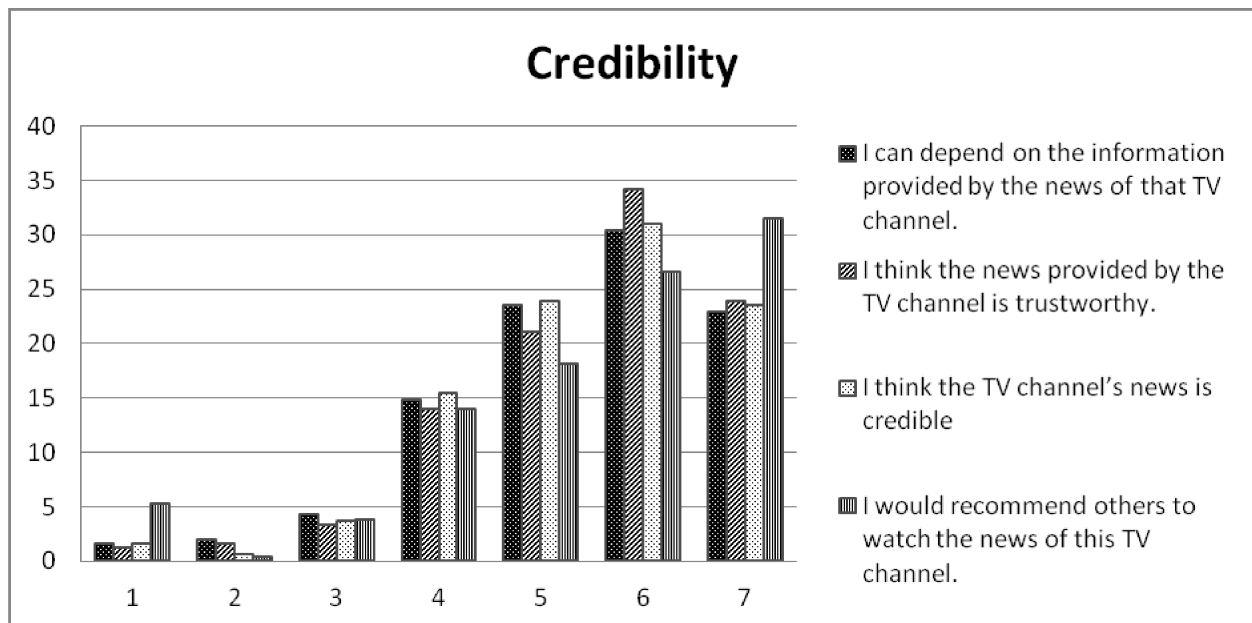
Constructs	N	Mean	Std. Deviation	Reliability Alpha
Credibility	300	5.45	1.16	0.86
Independence	300	3.23	1.58	0.84
Social Role	300	5.90	1.01	0.77
Objectivity	300	5.16	1.10	0.74
Expertise	300	5.55	1.08	0.68

**Table 3:** Central tendency and dispersion: individual items

Constructs	Measures	N	Mean	Standard Deviation
Credibility	I can depend on the information provided by the news of that TV channel.	296	5.40	1.36
	I think the news provided by the TV channel is trustworthy.	297	5.51	1.30
	I think the TV channel's news is credible.	297	5.46	1.29
	I would recommend others to watch the news of this TV channel.	285	5.46	1.58
Independence	News of the TV channel is free from its owners influence.	288	3.03	1.96
	The TV channel's news serves the interests of its shareholders/partners.	260	3.31	1.88
	TV news presented by the news channel is free from political bias.	294	3.06	1.97
	TV news reporters are not politically motivated.	296	3.49	2.04
Social Role	TV channel's news plays an important role in improving society.	295	6.12	1.23
	TV news builds awareness on the dominant issues.	295	6.06	1.21
	TV news contributes to solving political, social and economic problems.	297	5.75	1.37
	TV news campaigns the right social causes.	293	5.65	1.43
Objectivity	TV channel's news presents information from reliable sources.	290	5.17	1.42
	TV channel's news provides precise information.	298	5.04	1.57
	TV channel's news presents facts.	293	5.40	1.31
	TV channel's news presents in-depth information.	296	5.04	1.55
Expertise	TV channel's news provides regular updates to an evolving situation.	291	5.56	1.55
	TV channel's news provides immediate information.	296	5.75	1.55
	TV channel's news reporters are expert in reporting.	295	5.38	1.47
	TV channel's news presents skilled reporting.	290	5.50	1.41

**Table 4:** Distribution of ratings on credibility

	Credibility							Total (%)
	Likert Scale							
	1	2	3	4	5	6	7	
I can depend on the information provided by the news of that TV channel.	1.7	2.0	4.4	14.9	23.6	30.4	23.0	100
I think the news provided by the TV channel is trustworthy.	1.3	1.7	3.4	14.1	21.2	34.3	23.9	100
I think the TV channel’s news is credible	1.7	0.7	3.7	15.5	23.9	31.0	23.6	100
I would recommend others to watch the news of this TV channel.	5.3	0.4	3.9	14.0	18.2	26.7	31.6	100



**Figure 1:** Bar chart of distribution of ratings on credibility



from political bias. It is also of some concern that only 37% of the respondents disagree rather strongly that the reporters are “not” politically motivated, and only 38% think that TV news does not serve corporate interests.

#### 5.4 Perception of Social Role of TV News

The average scores on the individual elements of social role of TV news in Bangladesh are particularly insightful. On whether TV news plays an important role in improving society, the mean score was 6.12 (Table 3). Mean score on building awareness of the dominant issues was 6.06, on providing solutions to political, social and economic problem was 5.75, and on social campaigns, the mean was 5.65. The social role of TV news is very positive in the eyes of the Bangladeshi audience.

The mean scores on the elements of the social role factor reflect higher scores than the measures of the other factors. Table 6 and Figure 3 show that around 78% of the respondents (with scores of 6 and 7 on the 7-point scales) think that the TV news channels are playing an important role in improving society. On providing solutions to social, economic and political challenges, 64.7% believe that the TV news plays an important role. Also, around 75% feel that TV news builds awareness on dominant issues, while only 63% feel that TV news champions the right social causes. These are insightful results that merit further discussion.

#### 5.5 Perception of Objectivity of TV News

Objectivity of TV news is a combination of presenting facts, precisely, and in-depth, while drawing upon reliable sources. These elements do not differ greatly in their mean scores (see Table 3), reflecting a consistent rating pattern. Regarding presentation of news facts the mean score was 5.40. Both preciseness of news and in-depth coverage obtained a mean score of 5.04, while reliability of the news had a mean of 5.17. Each of the elements has scope for improvement.

From the frequency distributions (Table 7 and Figure 4), it was found that 50.9% of the respondents believe that TV news presents facts (with scores of 6 and 7 on the 7-point scales) while 45% considers that the information was precise or accurate. Regarding the in-depth quality of the news 43.9% of the respondents felt the news provided in-depth coverage. On reliability, 46.5% felt the news to come from reliable sources.

The distribution of the scores illustrates audience perceptions of each element of news objectivity in Bangladesh more vividly. Though the ratings are relatively high, yet roughly 20% of the audience is absolutely satisfied with the objectivity of the TV news. Clearly, TV channels need to present more objective news to improve

audience perceptions of objectivity and thus news credibility.

#### 5.6 Perception of Source Expertise

In the context of Bangladesh, source expertise was reflected on four items: immediacy of information in the news, regular updates on an evolving situation, expert reporting, and skilled presentation. The respondents provided a mean score of 5.56 on regular updates of the TV news, which indicates that the news updates could be more frequent. Almost similar ratings were obtained on immediacy of information (5.75), expertise in reporting (5.38), and skilled reporting (5.50). These average scores suggest that there is room to develop further in the area of source expertise and its elements.

The distribution of the responses indicate (Table 8 and Figure 5) that about 41% of the respondents feel that the level of reporting skill needs to be raised, while about 49% feel the reporters' expertise could be improved (scoring 1–5 on the 7-point scale). Also, about 43.7% of the respondents believe that TV news needs to provide more immediate information, while 37.4% of the respondents feel that there is a need for more regular updates. On these items, reporting efficacy of TV news does not seem to be very satisfactory.

From Figure 5, while the immediacy of TV news appears to be in better shape than the other elements of the source expertise, it is evident that three of them can be improved further, that can affect the overall credibility of TV news in Bangladesh positively.

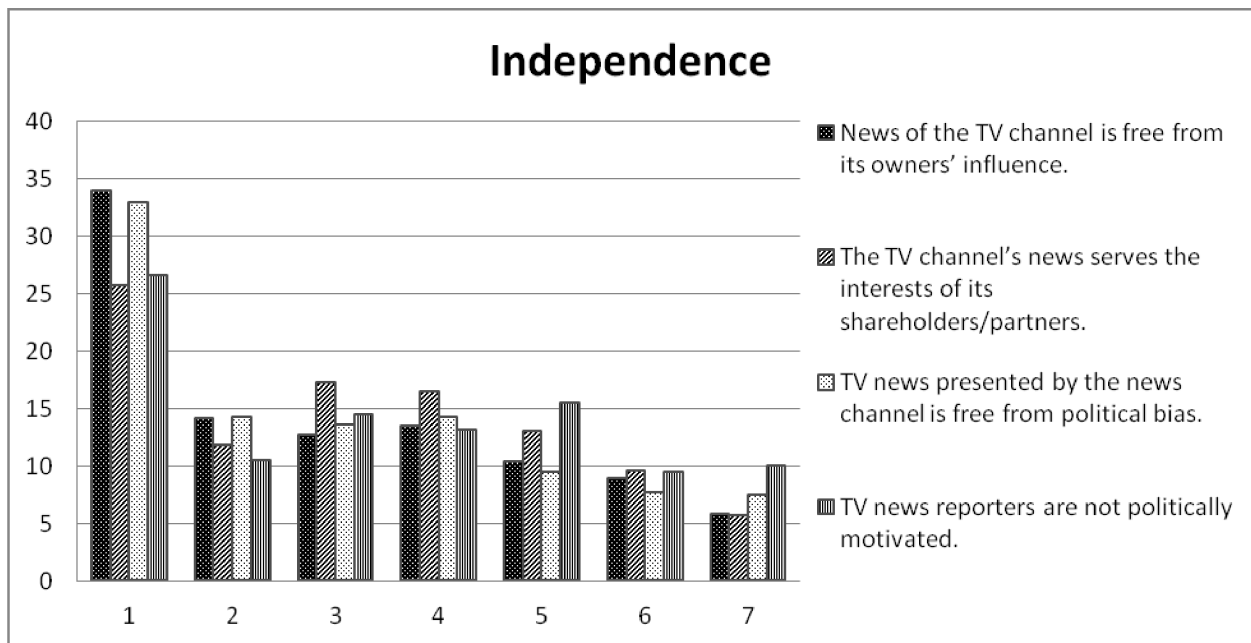
## 6 Conclusions

Television is the most popular medium in Bangladesh today; it is also potentially the most useful vehicle for carrying important messages to the masses. Despite having a plethora of TV channels, there is a clear dearth of studies that address the issue of their credibility and related factors. In fact, research on media and journalism has probably been one of the most neglected areas in Bangladesh.

While accessibility and utilization of TV as sources of information have increased markedly, people do not trust or believe everything the TV medium presents. Thus credibility remains a challenging issue for democratic processes such as formation of public opinion, elections, and public diplomacy.<sup>1</sup> For example, efforts at public diplomacy, no matter how richly funded, can be fruitless, if it is not credible to the public in the first place. Several studies conducted in the Middle East showed that when comparing the performance of regionally owned transnational television channels like *Al-Jazeera* and *Al-Arabiya*, the U.S. sponsored channel *Al-Hurra* is suffering a serious deficit of credibility, hampering its role as a public

**Table 5:** Distribution of ratings on independence

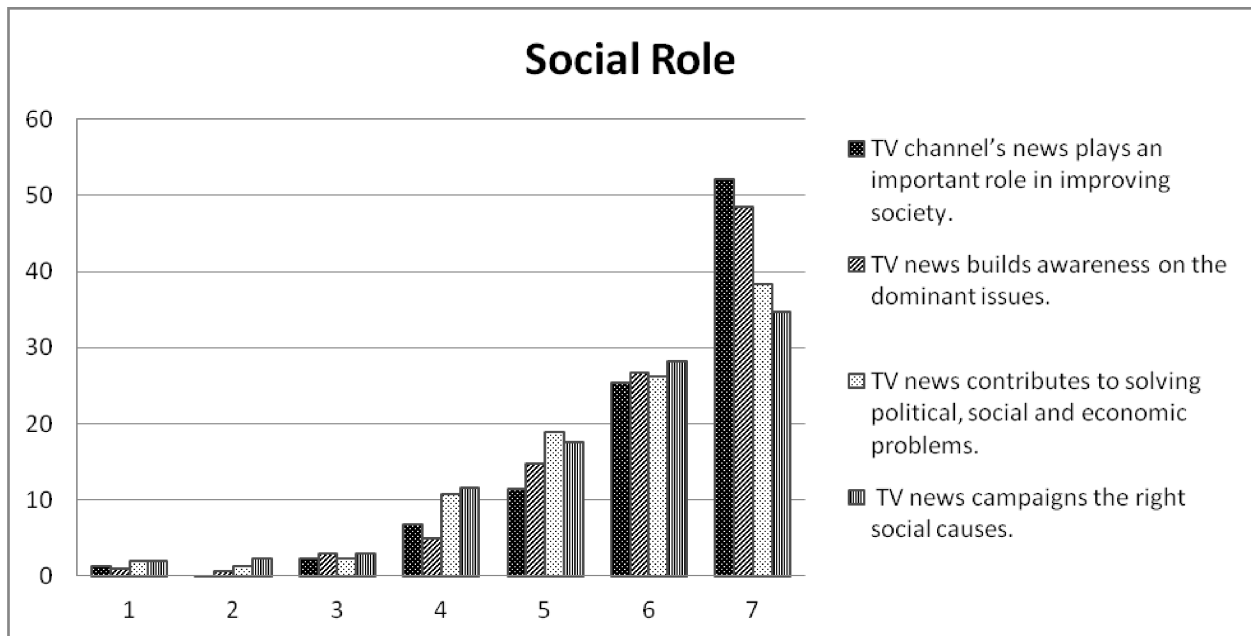
	Independence							Total (%)
	Likert Scale							
	1	2	3	4	5	6	7	
News of the TV channel is free from its owners influence.	34.0	14.2	12.8	13.5	10.4	9.0	5.9	100
The TV channel’s news serves the interests of its shareholders/partners	25.8	11.9	17.3	16.5	13.1	9.6	5.8	100
TV news presented by the news channel is free from political bias	33.0	14.3	13.6	14.3	9.5	7.8	7.5	100
TV news reporters are not politically motivated	26.7	10.5	14.5	13.2	15.5	9.5	10.1	100



**Figure 2:** Bar chart of distribution of ratings on independence

**Table 6:** Distribution of ratings on social role

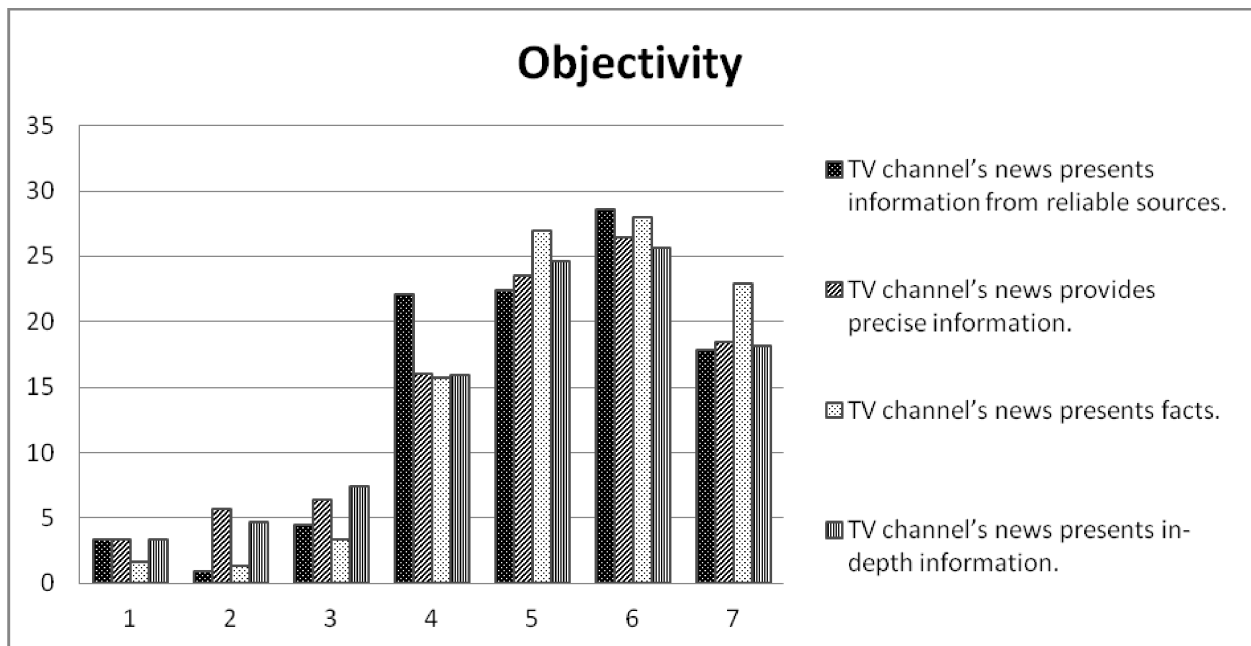
	Social Role							Total (%)
	Likert Scale							
	1	2	3	4	5	6	7	
TV channel's news plays an important role in improving society	1.4	0.3	2.4	6.8	11.5	25.4	52.2	100
TV news builds awareness on the dominant issues.	1.0	0.7	3.1	5.1	14.9	26.8	48.5	100
TV news contributes to solving political, social and economic problems.	2.0	1.3	2.4	10.8	18.9	26.3	38.4	100
TV news campaigns the right social causes.	2.0	2.4	3.1	11.6	17.7	28.3	38.4	100



**Figure 3:** Bar chart of distribution of ratings on social role

**Table 7:** Distribution of ratings on objectivity

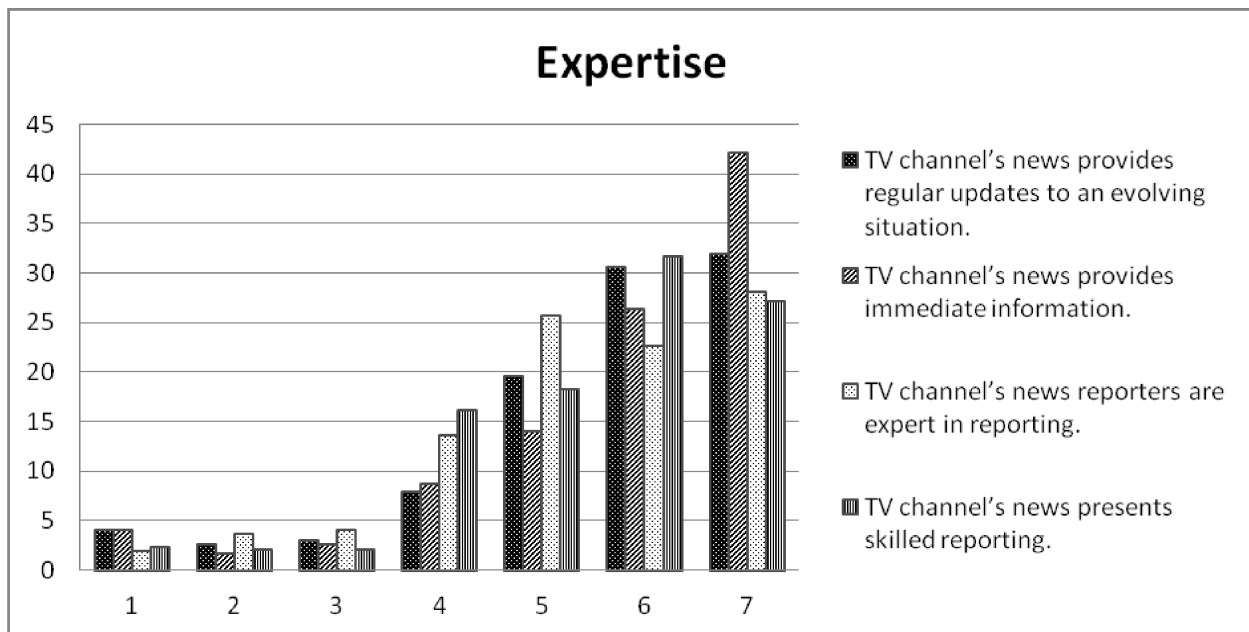
	Objectivity							Total (%)
	Likert Scale							
	1	2	3	4	5	6	7	
TV channel's news presents information from reliable sources	3.4	1.0	4.5	22.1	22.4	28.6	17.9	100
TV channel's news provides precise information	3.4	5.7	6.4	16.1	23.5	26.5	18.5	100
TV channel's news presents facts	1.7	1.4	3.4	15.7	27.0	28.0	22.9	100
TV channel's news presents in-depth information	3.4	4.7	7.4	15.9	24.7	25.7	18.2	100



**Figure 4:** Bar chart of distribution of ratings on objectivity

**Table 8:** Distribution of ratings on expertise

	Expertise							Total (%)
	Likert Scale							
	1	2	3	4	5	6	7	
TV channel's news provides regular updates to an evolving situation	4.1	2.7	3.1	7.9	19.6	30.6	32.2	100
TV channel's news provides immediate information	4.1	1.7	2.7	8.8	14.0	26.4	42.2	100
TV channel's news reporters are expert in reporting	2.0	3.7	4.1	13.6	25.8	22.7	28.1	100
TV channel's news presents skilled reporting	2.4	2.1	2.1	16.2	18.3	31.7	27.2	100



**Figure 5:** Bar chart of distribution of ratings on expertise

diplomacy tool for democratization (Dabbous and Nasser 2009, Douai 2011, El-Nawawy 2006, Johnson and Fahmy 2008).

However, in the era of neoliberal marketization, the public role of television news has been challenged by the rise of market-oriented journalism as, in most parts of the world, the news medium has become more market-driven and entertainment-centered.<sup>2</sup> Market-orientation has become one of “the principal dimensions of journalism cultures” (Hanitzsch 2007, p. 371).

This study provides audience perceptions of TV news credibility which is fairly positive and suggests that TV news may still retain a fair amount of influence in shaping public opinion. Interestingly, the audience provided low ratings for the Independence factor. This response reflects how the political elites and owners undercut the independence of TV news (Ferdous 2007, Khan 2007b). Clearly, TV owners must reduce their influence in the newsroom and let the journalists to do their job.

The study also indicates that the audiences of TV news think that TV news plays a significant social role instead of being purely market driven. From the distribution of the scores it is evident that people are satisfied with the role that TV news is playing in improving society and building awareness of the dominant issues. One might conjecture, however, that the audience expects TV news to play a greater role in solving political, social and economic problems as well as campaigning for the right social causes. Regardless of being market-oriented, if the TV channels pay more attention to contemporary crises, constraints, aspirations, and hopes of society with a constructive approach to solving these problems, they would tend to be perceived as more credible by the audience. By providing information that will encourage development and spur social awareness among the audience, by disseminating information among the public, TV news can play a credible social role and help in the process of economic advancement and accelerate the pace of cultural and social development.

Ratings for objectivity and source expertise are similar to the ratings for social role. In fact, despite being market-oriented TV news can be still perceived as credible to the audience in a dialectic way. This also suggests there is a gap between the critique of media commercialization and market-orientation (Haider 2007, Haq 2002, Rahman 2007; 2009) on one hand and audience perceptions on the other. Media researchers need to consider this dialectic relationship while building theoretical models.

## 7 Limitations

Our study is limited in some ways. For example, it does not represent the perceptions of the rural audience. This

audience is less scattered and tends to view television in a community neighborhood (Rahman 2009). This communal nature of viewership may change the entire dynamics of how credibility and its factors are perceived as interpersonal communication and group persuasion factors come into play.

Furthermore, a comparative analysis of cross-media credibility perceptions regarding print, television, radio, and Internet media could also be undertaken. This study provides a preliminary look at citizens’ perceptions of TV news credibility in Bangladesh only and may be considered as an effort to provoke further explorations surrounding the unexamined issue.

Based on this study, similar studies may be repeated not only for TV news, but also for other news media to follow emerging credibility trends in journalistic reporting. This is important as a social control mechanism to exert external influence on an industry about which Gaziano (1987, p. 267) wrote: “Public inability to believe the news media severely hampers the nation’s ability to inform the public, to monitor leaders and to govern. Decreased public trust also can lead to diminished freedom of the press and can threaten the economic health of some media.”

## Endnotes

1. From the U.S. perspective, empirical research shows that if the public are suspicious of the media, they tend to reject the opinions that are created by the mediated climate. On the contrary, when people trust the media, they are more likely to converge with the media’s election predictions (Tsfati, 2003).
2. James Curran and colleagues explains that “this is the consequence of three trends that have gathered pace since the 1980s: the multiplication of privately owned television channels, the weakening of programme requirements on commercial broadcasters (‘deregulation’) and a contraction in the audience size and influence of public broadcasters” (Curran, Iyengar, Brink Lund, & Salovaara-Moring, 2009, p. 6).

## References

- Alam, G. M. S. (2012), ‘Recriminations against Journalists in Bangladesh: Indication of a Deep-rooted Problem’, *Journal of Bangladesh Studies* 13(2), 5.
- Barlow, D. M. and Bakir, V. (2007), *Communication in the Age of Suspicion: Trust and the Media*, Palgrave Macmillan, NY.
- Beam, R. A. (1998), ‘What it means to be a market-oriented newspaper’, *Newspaper Research Journal* 19(3), 2–20.

- Benson, R. (1999), 'Field Theory in Comparative Context: A New Paradigm for Media Studies', *Theory and Society* **28**, 463–498. <http://archive.thedailystar.net/forum/2012/May/television.htm>.
- Bourdieu, P. (1998), 'In Front of the Camera and Behind the Scenes', *New York Times*. <http://www.nytimes.com/books/first/b/bourdieu-television.html>.
- Corner, J. (1999), *Critical Ideas in Television Studies*, Oxford Television Studies, Oxford University Press.
- Curran, J. (2000), Rethinking Media and Democracy, in J. Curran and M. Gurevitch, eds, 'Mass Media and Society', pp. 120–154.
- Curran, J. (2002), *Media and Power*, Routledge, London.
- Dabbous, Y. and Nasser, K. (2009), 'A Waste of Public Diplomacy? The Performance of Al-Hurra TV Among Lebanon's University Students', *Middle East Journal of Culture and Communication* **2**, 100–114.
- Douai, A. (2011), 'Media research in the Arab world and the audience challenge: Lessons from the field', *Journal of Middle East Media* **7**(1), 1–26. <http://www2.gsu.edu/~wwwaus/Douai.pdf>.
- El-Nawawy, M. (2006), 'US Public Diplomacy in the Arab World: The News Credibility of Radio Sawa and Television Al-Hurra in Five Countries', *Global Media and Communication* **2**(2), 183–203.
- Ferdous, R. (2007), National Broadcasting Policy: Rationale and Challenges, in 'Keynote paper of the roundtable titled "National broadcasting law: Why is it necessary?"', MMC, BNNRC and UNESCO, Dhaka.
- Ferdous, R. (2009), 'Political Economy of the Mass Media and Question of Power (Gonomadhomeer Rajnoitik Arthaniti O Khomota Prosno)', *Communica (Journal of Communication and Media)* **1**(1). BCDJC, Dhaka.
- Gaziano, C. (1987), 'How credible is the credibility crisis?', *Journalism Quarterly* **65**, 267–278.
- Golan, G. J. (2010), 'New Perspectives on Media Credibility Research', *American Behavioral Scientist* **54**(1), 3–7.
- Haider, K. M. (2007), 'A Critical Evaluation of the News Presentation in the Private TV Channels', *Yogayog (A Journal of Communication and Culture in Bangla Language Medium)* **8**, 185–229.
- Hallin, D. and Mancini, P. (2004), *Comparing Media Systems: Three Models of Media and Politics*, Cambridge University Press.
- Hanitzsch, T. (2007), 'Deconstructing Journalism Culture: Toward a Universal Theory', *Communication Theory* **17**(4), 367–385.
- Haq, F. (2002), Market Leaning Bangladeshi Media and Alternatives Thoughts, in 'Paper Presented in Bangla language at Communication Study Circle, November 13', University of Dhaka, Dhaka.
- Haq, F. (2011), 'Selling audience: The Role of Media in Creating Consumer Culture in Bangladesh', *Media Asia* **38**(4), 200–204.
- Hasan, K. (2010), "TV 2010" [Based on National Media and Demographic Survey (NMDS) 2009 by Nielsen Bangladesh], Forum, a Monthly Publication of The Daily Star, (June 2010), Dhaka. <http://www.thedailystar.net/forum/2010/june/TV.htm>.
- Johnson, T. J. and Fahmy, S. (2008), 'The CNN of the Arab world or a Shill for Terrorists?: How Support for Press Freedom and Political Ideology Predict Credibility of Al-Jazeera Among Its Audience', *International Communication Gazette* **70**(5), 338–360.
- Khan, A. W. (2007a), 'Licenses Available in Lightning Fast Speed: The BNP-led government in Bangladesh Gave Licenses Very Quickly to Certain Private Television Stations', *The Daily Star* **March 16**. <http://www.asiamedia.ucla.edu/article.asp?parentid=65908>.
- Khan, S. E. (2007b), Liberalisation of Broadcasting Policy in Bangladesh: Present and Future Perspective, in 'Keynote paper at World Press Freedom Day 2007 Conference, May 3', Organized by MMC, Manusher Jonno, and UNESCO, Dhaka.
- McChesney, R. (2001), 'Global Media, Neoliberalism, and Imperialism', *Monthly Review*. Retrieved from <http://monthlyreview.org/2001/03/01/global-media-neoliberalism-and-imperialism>, December 23, 2013.
- McChesney, R. W. and Schiller, D. (2003), *The Political Economy of International Communications: Foundations for the Emerging Global Debate about Media Ownership and Regulation, Technology, Business and Society Program, Paper Number II*, United Nations Research Institute for Social Development, Geneva. October.
- McQuail, D. (2005), *Mass Communication Theory*, 5th edn, Thousand Oaks, Sage, CA.
- Newton, S. R. (2003), 'The political economy of print media in Bangladesh (in Bangla)', *Jogajog (Communication)* **5**.

- Nunnally, J. C. (1978), *Psychometric Theory*, 2nd edn, McGraw-Hill, New York.
- Prothom Alo (2013), 'Political License of Private TV Channels (in Bangla)', *Culture & Society* **October 20**(4). Dhaka.
- Rahman, A. (2007), 'Analyzing the Structural Factors in News-gathering and Processing: A Study on ATN BANGLA', *Yogayog (A Journal of Communication and Culture in Bengal language medium)* **8**(February). University of Dhaka.
- Rahman, A. (2009), 'A Political Economy of the Emerging Television News Industry in Bangladesh', *Revista de Economia Poltica de las Tecnologas de la Informacin y Comunicacin* **XI**(2), 1–19.
- Reza, S. M. S. (2012), 'Media governance in Bangladesh: Rhetoric and reality of broadcasting policy', *Forum, The Daily Star* **May**. <http://www.thedailystar.net/forum/2012/May/media.htm>.
- Thussu, D. K. (2007), 'The Murdochization of News? The Case of Star TV in Indian Media', *Culture & Society* **29**(4), 593–611.
- Tseng, H. and Fogg, B. J. (1999), 'Credibility and Computing Technology', *Communications of the ACM* **42**(5), 39–44.
- Waisbord, S. R. (2006), In Journalism WE Trust: Credibility and Fragmented Journalism in Latin America, in K. Voltmer, ed., 'Mass Media and Political Communication in New Democracies', Routledge, London, pp. 76–91.
- Whittaker, R. (2008), 'The Decline of TV News Credibility'. <http://cybercollege.com/tvnews.htm>.
- World Bank (2014), 'GNI per Capita, Atlas Method', Web. <http://data.worldbank.org/indicator/NY.GNP.PCAP.CD>.



# Dynamics of Survival Strategies: Perspectives from the Indigenous People of the Chittagong Hill Tracts, Bangladesh

Ala Uddin

Department of Anthropology, University of Chittagong, Bangladesh

## Abstract

The indigenous people of the Chittagong Hill Tracts (CHT) have routinely faced various intruders such as the Mughals, British, Pakistanis and Bengalis. The situation has worsened with a state-sponsored and military-assisted transmigration program that began in 1979. With the apparent connivance of the security forces of Bangladesh, Bengali settlers have forcibly displaced many indigenous peoples from their homes and lands. Two decades earlier, these indigenous peoples had been displaced by the construction of Kaptai hydroelectric dam. Already in duress because of land scarcity, they faced survival problems because of the presence of Bengali settlers. Under the circumstances, they employ diverse strategies to manage survival in their own land. The present paper is an effort to offer insights into the dynamics of the survival strategies of the indigenous people of CHT.

## 1 Introduction

The Chittagong Hill Tracts (CHT) (Figure 1) is located in the southeastern part of *Bangladesh* bordering India and Myanmar. It hosts eleven distinct indigenous groups<sup>1</sup> (in order of estimated size): *Chakma, Marma, Tripura, Mro, Tanchangya, Bawm, Pangkhao, Chak, Kheyang, Khumi, and Lushai*, each with its own history, culture, language and customs. These marginalized indigenous groups have never shared a sense of unity and do not see themselves as a single entity (Lewin 1869, Uddin 2011, van Schendel 1992). Each group identifies itself as unique and separate from other groups; however, collectively these groups are known as *Pahari* (hill people). They differ significantly from the mainstream *Bangali* (Bengali) in terms of physical appearance, culture, language, religion, dress, and other socio-political aspects. Physiologically and socio-culturally “There is a great affinity and kinship with the people of northern India, Nepal, Sikkim, Bhutan, Burma and Thailand” (Roy 2003a, p. 16).<sup>2</sup>

Since the mid-1970s, the CHT has been beset with conflict and violence between the *Pahari*, *Bangali*, and government military forces. The situation worsened when, beginning in 1979, the state sponsored a population transfer program — in-migration of landless plainsmen *Bangali* into the hills. With the apparent connivance of security forces, the *Bangali* settlers displaced many *Paharis* from their ancestral land. Less than two decades earlier, in the 1960s, many *Paharis* had already been displaced

when their valley was flooded by the Kaptai dam. Consequently, the *Pahari* who were already in duress because of land scarcity caused by the dam and transmigration faced further survival problems because they were now in competition with the incoming *Bangali* settlers.

The influx of settlers created such a pressure on the existing land that, organized by the *Jana Samhati Samiti* (JSS),<sup>3</sup> the *Pahari* provided military resistance to this influx. This resistance was spearheaded by the *shanti bahini* (peace force).<sup>4</sup> Calling this resistance an insurgency, the Government of Bangladesh deployed a huge number of military and other armed forces in this region. As a consequence, many incidents of massacre, attack and reprisal attack, indiscriminate arrest, torture, judicial and extrajudicial torture, killing, rape, sexual violence, forced religious conversion, forced marriage and abduction took place in the river-valleys, often committed by the armed/security forces and settlers against the *Pahari*. The *shanti bahini* also carried out insurrectionary activities against the state authorities that include hit and run attacks, ambush and extortion. They attacked the army, BDR<sup>5</sup> and police patrols and encampments that had been mounted (Ali 2010, p. 135). Under the circumstances, many *Pahari*, *Bangali* and security forces (military, police, BDR, VDP<sup>6</sup>, etc.) were killed in the armed conflict between the *shanti bahini*, and security forces and settlers. Following many failed initiatives, the government and the JSS finally signed an Accord, popularly known as *shanti chukti* or Peace Accord, on December 02, 1997 and ended

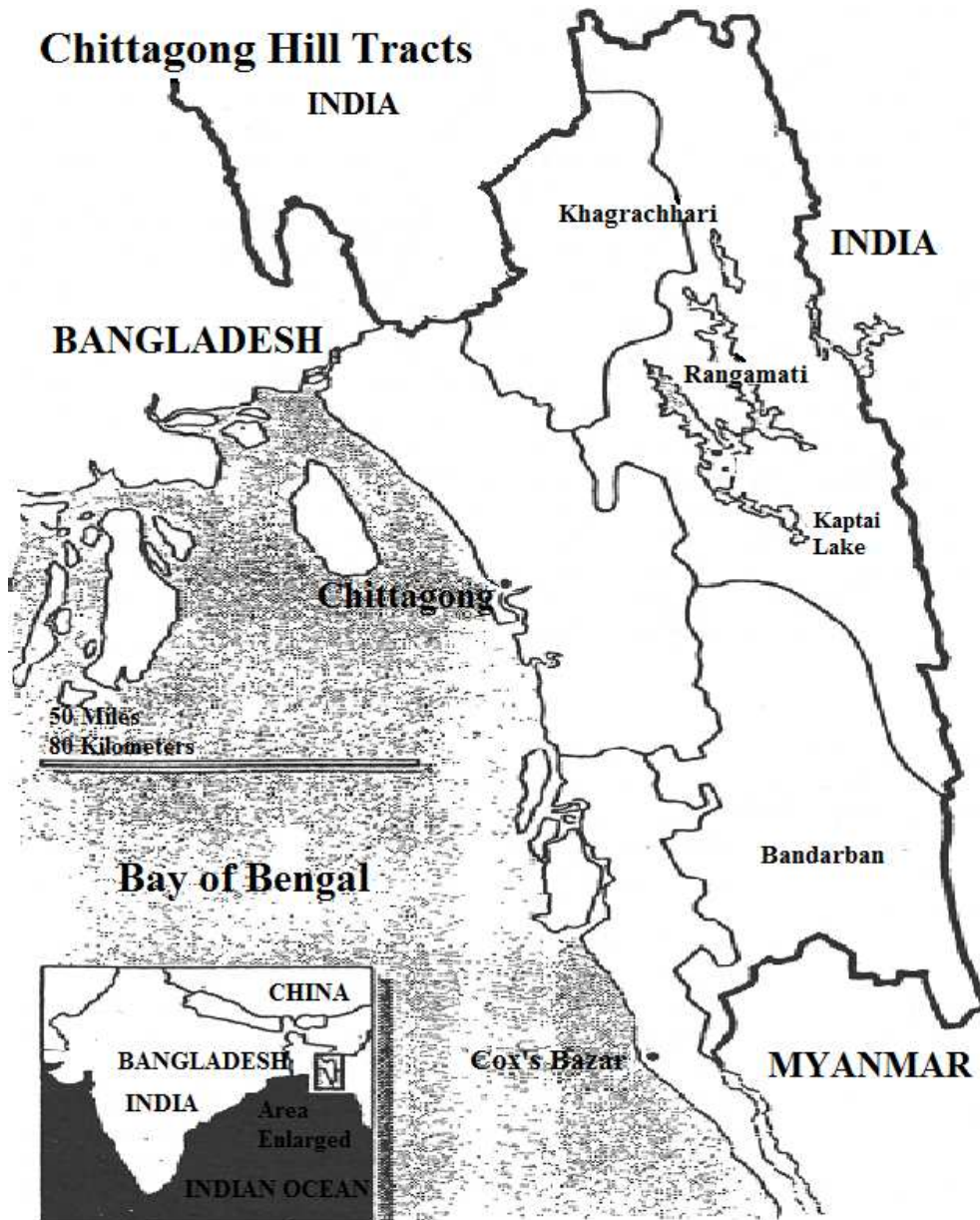


Figure 1: The Map of Chittagong Hill Tracts (Adapted from Ali, 1993, p. 164)

the two-decade long bloody conflict. Although 15 years have elapsed since the signing of the Accord, the CHT is still neither a peaceful nor a secure region for its people; locals fear for their safety at all times, both day and night, at home and outside.

Under the circumstances, the Pahari employ diverse strategies in order to manage their survival in their own land. Based on the Pahari life-experience and perceptions, strategies that have evolved from indigeneity can be seen at two levels: salient or dominant and silent or reluctant. Here indigeneity refers to local consciousness that underlines “indigenous” rights, “traditional” life-ways, associated with ancestral lands and location. They also incorporate some transethnic measures due to their relations to and interaction with the dominant Bangali in the private as well as social sphere, a situation resulting in different ways of thinking, feeling and acting from their traditional one (Anduji 1988). These transethnic measures refer to local adjustments in matter such as language and dress that must be adapted with regard to the dominant culture. There are many local versions and accounts of the history of the area, thus refuting the prevalent view that the region is homogenous. This paper attempts to provide insight into the management of survival — the ways the Pahari try to manage their survival problems, and the logic behind the strategies they employ. It frames the reality that the Pahari are not homogenous, illustrating that different indigenous groups have evolved survival strategies over time in relation to the depredations of the Bangladeshi state and society.

Drawing upon current theoretical considerations in cultural anthropology, ethnicity, and social movements, this paper addresses the survival strategies of the Pahari — how they try to manage their survival problems in the changed circumstances they face, and their shifting interethnic relationships as well as their interactions with the state. The paper is based on primary data collected through an anthropological investigation intermittently conducted in Rangamati district of the CHT between 2008 and 2012 using purposive sampling. In line with the above-mentioned objective, research tools such as observation, in-depth interview, key-informant interview, life history, case study, and focus group discussion (FGD) were applied to appropriately gauge the native point of view. Secondary sources were also used to supplement the primary information. Data analysis was supplemented by the local interpretations. To comprehend the dynamics of the hill region, the paper assesses the Accord 1997 in light of the roots of the conflict as discussed above, how the agreement was arrived at, the situation it created in, and finally, its implementation process.

## 2 The Construction of Pahari Identity

The indigenous people of the CHT speak a number of different languages, and there are wide differences in life-ways between one part of the area and another; each group refers to itself by its own/distinct identity (e.g. Chakma, Pangkhao, or Marma). They never developed a particular sense of unity, “... none of them appear to have any general term for all hill dwellers” (Lewin 1869, p. 28). Comprehending the dynamics of different ethnic groups, Lewin (1869, p. 28) classified them into two heads: (i) *Khyoungtha* or children of the river (Arakanese origin) — Paharis that reside in the river-valleys, and (ii) *Toungtha* or children of the hills (mixed origin) — Paharis that reside on the mountain-ridges.<sup>7</sup>

Among the indigenous groups, the Chakma, Marma, Tripura, Tanchangya, Kheyang and Chak who reside in the river-valleys are referred to as *Khyoungsa* (valley Pahari; *Khyoung* means river, *sa* means children).<sup>8</sup> On the other hand, the Pangkhao, Mro, Bawm, Lushai, and Khumi who reside on the mountain-ridges are referred to as *Toungsa* (mountain Pahari, *Toung* means mountain). Here the *Khyoungsa-Toungsa* dichotomy is not a meaningless classification based on their residence; it is the basis for the main arguments of this article. This category also shows the distinct socio-cultural and politico-economic life-worlds of the Pahari. In consequence, their perception toward displacement, fear, relation with insiders and outsiders, and strategies for survival are distinct. However, in this paper, the term Pahari refers to both *Khyoungsa* and *Toungsa*.

Until the 16th century, this hilly *terra incognita* was identified as *Kapas Mahal* (Cotton Territory).<sup>9</sup> It had been part of a number of political reigns: the Mughal Empire, British Empire, and Pakistan state before it became a part of independent Bangladesh in 1971. As a result, transformations in this region interspersed by external interventions did not go smoothly that eventually hindered the traditional life-ways of its indigenous peoples. The Table 1 shows the distinct worlds of the people of the CHT:

Following the Mughal period, the British East India Company took control over the area in 1757. The region then served as a buffer zone between the British Bengal and Lushai/Mizo confederacies to the east. By the 1780s, the British East India Company had converted the major chiefdoms and “tribal” confederacies of the region into British tributaries (Chakroborty 1977, Hutchinson 1906, Lewin 1869, Roy 2003a). Following the Sepoy Mutiny (*Sipahi Biplab*) in 1857, the English took over power from the East India Company in 1860, and began direct rule, renaming the region as *Chittagong Hill Tracts*, and annexed it to the colonial empire (van Schendel, Mey and Dewan

**Table 1:** An ethnic potpourri

People	Population	Percentage	Residence	Religion	Language
Chakma	2, 39, 417	24.00	River-valley	Buddhism	Chakma
Marma	1, 42, 334	15.00	River-valley	Buddhism	Marma
Tripura	61, 121	6.50	River-valley	Hinduism	Kok-borok
Mro	22, 167	2.30	Mountain-ridge	Animism	Mro
Tanchangya	19, 211	2.00	River-valley	Buddhism	Tanchangya
Bawm	6, 978	0.72	Mountain-ridge	Christian	Bawm
Pangkhoa	3, 227	0.33	Mountain-ridge	Christian	Pangkhoa
Chak	2, 000	0.21	Mountain-ridge	Christian	Chak
Kheyang	1, 950	0.20	River-valley	Buddhism	Kheyang
Khumi	1, 241	0.13	Mountain-ridge	Buddhism	Khumi
Lushai	662	0.06	Mountain-ridge	Christian	Lushai
Gurkha	900	0.08	River-valley	Hinduism	Napalese
Ahom	500	0.05	River-valley	Hinduism	Assamese
Bangali	4, 66, 276	49.00	River-valley	Islam	Bangla

Source: Population Census 1991 and local information

2000).

Strategically, the colonial administrators introduced a slow and cautious process of modernization into the region. The first and most important step that the English took was the elimination of “tribal warfare” (Ahmed 1993, p. 34). They carefully planned efforts to evolve a market economy and induced the people to give up *jum* cultivation<sup>10</sup> (farming with fire) and their unsettled life and adopt plough cultivation (farming with water) that eventually simplified the settling of Bangalis in this area. This also justified the presence of Bangali intermediaries between the English and Pahari, leading to an economic dominance of the Bangalis in the hills.

Even though the English did not consider the impact of colonization on India, paradoxically, in order to ‘protect’ the distinct life-ways of the Pahari, and to protect them from the Bangali domination and exploitation, they promulgated Regulation 1900. Although some Paharis opposed Regulation 1900 at the time, it has been regarded as an appropriate safeguard by many in the postcolonial period (Mohsin 1997). This is because the English formulated a number of administrative regulations aiming to preserve the “cultural and territorial integrity” of the Pahari, and restrict outsiders’ entry into the CHT (Roy 2000, p. 44). Likewise, the administrative system, land rights and closure to outside settlers all set it apart from the rest of the country. This status was reconfirmed in the 1930s, when the region was declared as an “excluded area”.<sup>11</sup> Thus Regulation 1900 formalized its *divide et impera* policy that in due course isolated the Pahari from the mainstream society.<sup>12</sup> Regulation 1900 recognized several groups of people who were led by the dominant Chakma who later consolidated themselves under a common platform called “*Jumma*”<sup>13</sup> in the aftermath of the

independence of Bangladesh in 1971. The government of Bangladesh did not consider the indigenous groups as *adibashi* or indigenous, as there was no special provision to do so in that constitution. In fact, 11 ethnic groups are recognized as *upajati* or tribes through the Hill District Councils (HDCs) Act 1989 and Regional Council (RC) Act 1998.

When the British colonial rule came to an end in 1947, contrary to Regulation 1900, the outgoing colonial ruler annexed the predominantly non-Muslim CHT to Pakistan in August 1947 while the British India was partitioned into two states.<sup>14</sup> Notwithstanding practically being devoid of Muslims and being largely a non-Muslim population, and though Paharis (mostly Chakmas) wanted to be a part of India, the CHT was awarded to (East) Pakistan.

There was no prior consultation with the Pahari about the partition or annexation, nor did the Paharis get enough time to form a consensus about this matter (Mohsin 1997). However, the Chakma and Marma expressed their indignation as *sons of the soil* against their annexation to Pakistan. Protesting the Radcliffe award, some Chakmas hoisted the *tricolor* Indian flag in Rangamati while some Marmas hoisted the Burmese flag in Bandarban. The Baluch Regiment of Pakistan Army overcame this resistance, and took control of the CHT, raising the Pakistani flag there on 21 August 1947 (Ahmed 1993, p. 37). The incorporation of CHT to Pakistan by the English was thus an example of disregard and indifference toward the diversified socio-cultural system of the CHT.

In the following years, the Pahari were given the message that their life would change under the new Pakistani state. The Pakistan government undertook several programs in the hills ironically in the name of “national development” and “national integration” (Bertocci 1996,

Mohsin 1997, Tripura 1991, van Schendel 2002). One such devastating project was the construction of a hydroelectric dam in the 1960s on the Karnaphuli River, occupying about 256 square miles of Rangamati district. It immediately displaced about 100,000 Paharis (mostly Chakma) and submerged 40 percent of their best cultivable lands (54,000 acres).<sup>15</sup> In effect, tens of thousands Paharis became internally displaced while many other took shelter in the Tripura state of India.

Notwithstanding the Pahari were not incorporated into East Pakistan by the Bangali, since it was relatively a “secular” state, the Pahari had great expectations from the newly independent Bangladesh. In the aftermath of independent Bangladesh (1971), some leading Paharis (both individually and collectively/group-wise) had been trying to convince the newly formed government to meet their demands including that of autonomy of CHT; however, they were refused. Their rights remained unrecognized in the newly constituted (1972) National Constitution. Moreover, the government employed huge security measures in this borderland sandwiched between Myanmar and India, from where the Pahari are supposed to have immigrated into the current areas more than three centuries ago.<sup>16</sup>

The most threatening survival problems engendered by the state-sponsored and military-assisted population transfer program began in 1979. Within only five years of this process, about 400,000 landless Bangali plainlanders, (mostly Bangali Muslims) were settled in the hills from various plains districts (e.g. Noakhali, Chandpur, Barisal, Chittagong).<sup>17</sup> As a result, many Paharis (mainly Khyoungsas) were displaced by the Bangali settlers with the apparent connivance of security forces. The Toungsas have also been affected when the internally displaced Khyoungsas had moved to settle the steep hills.<sup>18</sup> As a consequence of increased pressure on limited arable lands fallow period for juming (shifting cultivation) decreased in the hills.

In this situation, the Paharis resisted to the influx (Bangali in-migration) for two decades (until 1997). As a result, many incidents of massacre, attack and reprisal attack, indiscriminate arrest, torture, judicial and extrajudicial torture, killing, rape, sexual violence, forced religious conversion, forced marriage and abduction took place in the river-valleys, often committed by the security forces and settlers against the Khyoungsa Pahari. The government security forces as well as Bangali settlers also faced many attacks and counter-attacks carried out by shanti bahinis. In the following sections we will comprehend how the Pahari try to manage their survival problems in their own lands affected by the outsiders.

### 3 Comprehending Survival Strategies

This paper frames the dynamics of strategies for survival — how the Pahari have been trying to manage their survival problems in their own land distressed by the outsiders. In order to comprehend the strategies, a brief discussion on survival strategies elucidated by notable scholars is pertinent here. Anthony Smith’s observation on “ethnic revival” is relevant to this study. To him, “ethnic strategies” are a modern response to economic and political change (Smith 1981, p. 15) and there are a range of strategies employed by ethnic groups to survive in a given circumstance. He, however, observes six main strategies incorporated by ethnic communities in polytechnic states (Smith 1981, pp. 15–17):

*Isolation* is the most common strategy for smaller ethnic communities who choose to stay aloof from the mainstream society as a whole. *Accommodation* is when the ethnic community aims to adjust to its host society by participating in the social and political life of mainstream society and its state. *Communalism* is a more dynamic and active form of accommodation — the aim is communal control over communal affairs in those geographical areas where the ethnic community forms a demographic majority. *Autonomism* aims to secure benefits from maintaining its links with the overall state structure, while asserting the political identity of the ethnic group, which it represents. *Separatism* is the classic political goal of ethnonational self-determination, as sought by most of the East European communities in the last century, and also by the Bangali in Bangladesh (1971). In each case, the aim is to secede and form one’s own sovereign state, with little or no connection with former rulers (Smith 1981, p. 16). *Irredentism* of an ethnic community is where members are divided and fragmented in separate states and seeks reunification and recovery of the “lost” or “unredeemed” territories occupied by its members (Smith 1981, p. 17).<sup>19</sup>

There are many other forms of survival strategies such as acculturation, insurrection, negotiation, adjustment and involution. Consider, for example, Li (2010) shows indigenous identity as a “defensive” response in the context of Indonesian uplands (Li 2010, p. 385). People may even use violence as a means of their survival; it can be an instrumentally rational strategy of bargaining for power (Schmidt & Schröinger 2001, p. 8). Apart from manifested strategies, powerless peoples may employ alternative measures for survival. Power of the powerless peoples derives from their collective knowledge, experience and other qualities broadly shared by the population as well as their rulers (Skalnik 1989). In this manner, among the Russian Old Believers (*raskol’niki*), Scheffel (1989) shows how *avoidance* can be a tool to *outwit* the

state. Likewise, Scott (1985) observes *weapons of the weak* among the Sedaka peasants, who “accept their place in society more-or-less uncritically.”

In the context of CHT, as examined by van Schendel,<sup>20</sup> the dominant strategy of the Pahari is “autonomous”, while “separatism” is a second option (van Schendel 1992, p. 127). However, this paper attempts to explore the dynamics of survival strategies employed by the Pahari in the hills, where, by now, circumstanced by various intrinsic and extrinsic factors, they have become marginalized while the existence of many is at risk.

Given the distinct life-world, and life-experiences of the Pahari, it is conceivable that they employ different strategies for survival though this version has been ignored in the prevalent literatures. In the following section we will explore the dynamics of survival strategies — while the ‘dominant’ groups (Khyoungsa) such as Chakma employ dominant (salient) strategies, the ‘weak’ groups (Toungsa) employ silent (reluctant) strategies. Both the salient and silent strategies evolved from indigeneity. Besides this, both the Khyoungsa and Toungsa incorporate some transethnic measures in an attempt to ease their communication with the dominant cultures. Here it has been observed that indigeneity is connected with private possession, capitalism, and resource allocation; while trans-ethnicity is connected with marketization, NGOization, developmentalization and internationalization. However, both strategies intend the management of survival.

## 4 Survival Strategies of the Pahari

Historically speaking, the Pahari have been protesting against the ‘harmful’ policies of different rulers/governments since the pre-British periods. Although many Paharis expected their problem would be solved in independent Bangladesh, it pushed them to form a regional political party, i.e. JSS, to protest against the state policies of Bangladesh. Devastatingly, the population transfer process (1979—) pushed the shanti bahini to fight against the government security forces to save their ancestral lands and their people from the displacement and destruction often caused by the Bangali settlers and security forces. Besides the insurrectionary activities or resistance, the Pahari also incorporate peaceful negotiation i.e. Accord 1997 with the government. These activities evolved from the indigenous consciousness which is associated with ancestral land and cultures.

As a mobile term indigeneity has been articulated in relation to a range of positions and struggles (Barnes, Gray and Kingsbury 1995, de la Cadena and Starn 2007, Li 2000; 2010). However, distinct socio-cultural traits, land use and struggle for rights are its basic markers. In

this way or another, indigeneity is connected with capitalism in the context of dispossession as an external force against indigenous rights. As a result, indigeneity, capitalism, displacement, and militarization — are frequently brought together over the survival and conflicting issues. As mentioned by Li (2010), there has been a devastating threat to the lives and livelihoods of the indigenous people posed by large-scale enclosures of land for dams, logging, or plantations in the context of Indonesian highlands. This view is what exactly happened in the postcolonial CHT. In the making and unmaking of the colonial and postcolonial CHT, we observe indigeneity co-emerged with capitalism as it is connected with private possession and resource allocation. The Pahari movement however does not comprehend macro- and micro-scales of capitalism as mutually exclusive. Below we will explore how different ethnic groups incorporate indigeneity differently.

### 4.1 Salient Strategies of the Khyoungsa

Because of distinct locations (river-valley and mountain) and life-experiences (more or less adversely affected), different groups’ responses toward invasions from outsiders are distinctive. As a result, the ‘salient’ or ‘dominant’ strategies employed mainly by the Chakma were not used by all ethnic groups. This led to some tensions within the inter-ethnic relations in the hills, primarily due to the ‘inbuilt inequality’ and Chakma dominancy over other indigenous groups. In this situation, even the non-Chakma Khyoungsa (e.g. Marma, Tripura) kept them away from CHT politics since the mid-1980s, while the strategies employed by the Toungsa have been reluctant and ‘silent’ from the very beginning.

In this section, I discuss two major strategies — one is the insurrection activities spearheaded by the shanti bahini that has been in action for about two decades (till 1997); and the second is the negotiation or the signing of the Peace Accord of 1997). I also explore the dynamics or local versions within these strategies that eventually encounter the dominant strategies.

In the immediate aftermath of independent Bangladesh (1971), some Paharis (both individually and collectively/group-wise) had been trying to convince the newly formed government to meet their demands that include recognition of their identity and autonomy of the CHT; however, they were refused. Their rights remained unrecognized in the newly constituted (1972) National Constitution. Thereafter, failing to establish their rights in constitutional and democratic ways, their movement soon drifted to insurrection to press their demands; they had resisted the influx of settlers for long two decades till 1997.

Although the insurrection activities or ‘military strategy’ of the Pahari have been perceived as an armed-

struggle or militant resistance, closer observation reveals that activities of the shanti bahini were more like what Scott (1985) terms *weapons of the weak*, since the main strategy and tactics (*everyday forms of resistance*) of the Pahari insurgents were hit and run, ambush, extortion and assault on security forces that also engaged in sabotage activities. Throughout the strategy, the Pahari on the one hand wanted to draw the government's attention to their strong position, while on the other they wanted to get support of international organizations to press the government to meet their demands. Here we find different thoughts and different paths of different groups in this strategy. Besides the internal faction within the JSS, the dominance of the Chakma kept most non-Chakma Khyoungsa away from the JSS politics since the 1980s.

Apart from the military strategy, JSS also responded to the initiatives initiated by successive governments beginning in the early 1980s. After several attempts, the government and JSS reached an accord in 1997. This 'bargaining strategy' formally ended insurrectionary activities of the shanti bahini; nevertheless, the displacement and oppression against the Pahari committed by the settlers and security forces did not stop.

Although the JSS has been saying that the "*Jumma nationalism*" or insurrection activities of the shanti bahini had been operative for the greater interest of the Pahari, the groups who reside on the mountain-ridges had almost no involvement in these actions. Only the affected Khyoungsa such as Chakma, Marma, Tripura and Tanchangya — who reside in the river-valleys and came into direct contact with Bangalis on a regular basis, were involved in these actions. Further, in the Accord of 1997, a few JSS leaders (mostly Chakma) were the key persons who took part in the negotiation with the government whereas the non-Chakma and non-JSS Paharis were not well incorporated.<sup>21</sup>

Eventually, terming the Accord of 1997 as "compromise" and "sell-out" a youth group hitherto allied to the JSS explicitly condemned the JSS for the Accord of 1997, and began armed resistance against the JSS. As a result, many Paharis have been killed in the course of armed-violence between the JSS and UPDF. Consequently, the JSS become weak, the Pahari become demoralized. That led to the government not to heed the JSS demands seriously and therefore neglect the implementation of the Accord of 1997.<sup>22</sup>

Thus, it can be said that neither the military nor the bargaining strategy of the Pahari has been effective to meet major demands such as regional autonomy, constitutional recognition; rather, instead of restoring peace, conflict over the strategies complicated the circumstances. Since both the 'hard' (insurrection activities) and 'soft' (Accord of 1997) strategies were not inclusive practically,

and dominated by the majority Chakma, other groups remained absent from these strategies as well as counter strategies. Since all the Pahari necessarily do not need the same compromises and collaboration from the state, they have evolved diverse strategies for survival.

## 4.2 Silent Strategies of the Toungsa

Unlike the 'salient' strategies employed mainly by the dominant groups (Khyoungsa), the weak groups<sup>23</sup> (Toungsa) incorporated alternative measures ('silent' strategies) in order to survive in the 'hard' environment circumscribed by the Chakma as well as the Marma and Tripura<sup>24</sup> and in-migrant Bangalis. Although outsider encroachment eventually made the region 'hard' for their living, the mountain-dwelling Toungsa did not take any 'hard' action against the settlers or security forces, neither their involvement/participation in the "Chakma resistance" was remarkable. They rather prefer to employ 'reluctance' and 'cultural resistance' as defensive strategies in order to resist the Bangali hegemony and "national integration".

Although at the beginning some Toungsas had supported the JSS, they also maintained a submissive relation with the security forces that were stationed on the hilltop camps to oversee security matters and Pahari insurgents. Most of the Toungsa were reluctant because they have had no active confrontation (e.g. displacement, attack, killing, or sexual harassment) with the settlers. Some Toungsas were forcibly relocated by security forces so that the forces could attack the shanti bahini using appropriate locations from the hilltops. The establishments of new villages which have been officially claimed as an act of benevolence, such as rehabilitation, have actually been the result of strategic military decisions (Ahmed 2012, p. 189).<sup>25</sup> The military forces also wanted to dislocate the Toungsa from the Khyoungsa in order to keep them away from the insurrection activities led by the shanti bahini. Moreover, development of interventions led to the emergence of new ways of life among various groups such as the Chakma, Marma, Tripura, Pangkhao, and Mro and distanced the Toungsa from the Khyoungsa.

The Pahari have been able to maintain a distinct way of life by locating in steep high hills (average 300 feet msl), and relocating as needed. Unlike the dominant groups (such as Chakma), the less dominant groups (such as Pangkhao) do not employ 'hard' strategies. The Toungsa have juxtaposed this type of 'cultural resistance' with their reluctant disposition, and chose the preservation of their customs and traditions as a strategy for survival (Löffler 1994, p. 10). Here the cultural resistance is against the Bangali hegemony and "national integration" policy of the state. The Toungsa immerse themselves in their traditions and seek the help of their God

(*Zing Pathian*) for survival. They perceive this as “spirit of survival”. They believe that because of their vulnerable position the way out for them is to preserve their own distinctiveness, and survive in the hills.

The above discussed dynamics have been routinely overlooked by the prevalent views that envision the hill problems through Chakma and ignore those who did not take up arms against the state authorities. Moreover, the prevalent views tend to look into a nationalistic, ethnic-oriented discourse which idealizes homogeneity and authenticity of nations which are coherent with international minority laws and human rights (Shelley 1992).

Despite the Pahari project to establish an autonomous region, the Toungsa involvement in the salient/dominant strategies has almost been insignificant and not taken into account in the post-Accord developments. There are various local narratives that counter the dominant viewpoints such as Mro war against the shanti bahini, and the identity crisis of the Gurkha. Uniquely, despite the fact that initially the Mro had fought against the security forces by joining the shanti bahini, the Mro later fought against the shanti bahini. They were assisted by the government security forces following a “misunderstanding” between the Mro and shanti bahini. The Mro maintained this strategy as a means of survival as they got shelter, facilities and other forms of support from the government security forces. This case shows how the security forces utilized the Mro against the JSS, and that the JSS considered themselves different from their “primitive” neighbor. In the Gurkha case, the state has not recognized them as one of the tribal groups residing in CHT. In addition, The Khyoungsa (mainly the Chakma and Marma) do not recognize the “Gurkha” as a tribe because they have fought with the government security forces against other groups in the hills.

In addition to the salient and silent strategies discussed above, the Khyoungsa and Toungsa employ what may be called ‘trans-ethnic’ strategies through cultural attributes such as dress, food, residence, or language. They employ these strategies in an attempt to ease their communication in the dominant setting to manage their survival problems maintaining also significant distinction. Among the trans-ethnic attributes, the most significant one is dress, particularly that of the Pahari women’s.<sup>26</sup> The easiest way to separate a Pahari woman from a Bangali woman has always been her dress. However this is no more unique in the CHT headquarters where the Bangali are majority; nowadays, both the Pahari and Bangali women wear *salwar-kameez* or *sari*, which are Bangali women’s clothes.

In the plains, the Bangali are used to seeing women in covered dresses which is prescribed and admitted by the laws of Islam, but in the hills they see “bare-clothed” or “bare-breasted” Pahari women.<sup>27</sup> For this reason, since

the British period, the “tribal” (Pahari) customs and costumes have been considered “sexual behavior” and Pahari women have been attributed with an “unrestrained sexuality” (van Schendel 2002). As a consequence of these attitudes, the Bangali settlers and security forces have raped or sexually assaulted many helpless Pahari girls or women either in their home or in isolated jungles or farms.<sup>28</sup> When girls or women work alone around their locality, collecting woods from the jungle, bathing in the river, or going/returning from the school/bazaar she is unlikely to escape if a security personnel or settler attempts to sexually assault her.

This has led to Pahari girls and women feeling unsafe in public places because of the preponderance of Bangalis. They have responded by adopting the *salwar-kameez* or *sari* to make their presence in the public sphere safer.<sup>29</sup> We also observe the opposite scenario in the mountain, where the Toungsa women either wear their traditional clothes (“bare-breasted”) or western dress (jeans, skirt, etc.). The Toungsa women incorporate western dress because many of them (e.g. Pangkhua, Lushai, Bawm) embraced Christianity as their religion; moreover, they live in the mountain, away from the Bangali settlement. While the Khyoungsa women prefer to wear Bangali dress as a coping strategy in the public sphere where Bangalis are the majority, the Toungsa women who embraced Christianity have already given up their traditional dress in favor of Western outfits.

This strategy has resulted from the sexual harassment of the state security forces and majority settlers against the minority Pahari. The Pahari do not feel comfort wearing their traditional clothes even in their own lands, where, over the years, the Bangali settlers have been dominating them. Consequently, in office, schools and colleges, and even at the local bazaars, many Khyoungsa women prefer to wear Bangali clothes.

Significantly, the Pahari (both Khyoungsa and Toungsa) incorporate alternative measures in order to interact with the dominant world, which increasingly encroaches on their land. Although they would prefer to face the outside worlds without changing their habits, they must do so to cope with the threats with regard to mobility and harassment that they find themselves in. We find that the disintegration of the indigenous realms force the Pahari to integrate with the outside world, particularly as a consequence of the discordant relationships they face. The trans-ethnic strategies that they use in turn hasten the disintegration of their realms as well. These strategies are neither accepted in their own communities nor valued by outsiders (Elsass 1992, Jochim 1981, Porter III 1986). The Pahari are compelled to incorporate these strategies, along with the salient and silent strategies described above, so that they can manage their survival in



an environment where the dominant Bangali culture has an immense and adverse effect on the local cultures.

## 5 Conclusion

The CHT region is recognized as a multiethnic setting and its indigenous groups employ different strategies for their survival. Some strategies, such as military and political ones, are taken primarily by the Khyoungsa for the recognition of their identity, to establish their rights and autonomy, and from fear of uncertainties. Other strategies are adopted, mainly by the Toungsa, from fear of survival and the ability to maintain their traditional living and livelihood. Due to the diverse locations, size, and power of different groups, each must choose different strategies to manage its own survival.

Although the Pahari had demanded an autonomous region due to the dominance of the Chakmas, Toungsa involvement in the salient strategies have almost been insignificant, as have been their presence in post-Accord politics and other developments. Instead, they have retracted within their own communities and cultures, believing that cultural resistance is the only means for their survival in the hills. They perceive reluctance and cultural resistance as defensive strategies, and “primitivity” and “nakedness” as tools of resistance against Bangali hegemony and “national integration”. Therefore, juxtaposed with their reluctant disposition they immerse themselves within their traditional social arrangement in an attempt to preserve their distinct identity through cultural resistance.

Although the dominant accounts of the region focus on the Chakma insurgency and JSS politics, ignoring the groups that have been reluctant to take on these salient strategies, there are many local accounts that acknowledge these differences. The dominant accounts have not come about because the Chakma have been suffered most of the adverse consequences, but because of the existing symbiotic relationship of the Chakma with the nearby Bangali and their gradual integration into the wider nationalistic political system.

A closer look allows us to observe diverse strategies of different groups during the pre- and post-Accord periods where, for example, the Pangkhua strategies are different from the Chakma, the Mro strategies are not similar to the Pangkhua, and even within the Chakma there are several versions of why the salient strategies such as the insurrection and Accord of 1997 were adopted. At a level of generalization the Pahari live in a distinct socio-cultural and politico-economic systems compared to their counterpart Bangali settlers, and have a common core of historical experience, but they also show considerable group and individual variation in their response to historical and contemporary forces. In addition to the insurgent, the reluctant

should also be taken into consideration for building peace in the green hills of Chittagong. Therefore, this paper argues that a holistic-critical approach is needed to unveil the dynamics of CHT, not only challenging the prevalent stagnant viewpoints, but also admitting various versions of local dynamics in the region.

## Endnotes

1. “Indigenous” has a number of different meanings. Even within anthropology the concept of “indigenous” people is complex (Barnard and Spencer 2010, p. 377). In this paper it is applied to the people who have been inhabited in the CHT for a long time, earlier than the outsiders as ‘first people’. Saugestad (2001, p. 43) maintains, autochthony is one of several characteristics of the definition of indigenous peoples (Barnard and Spencer 2010, p. 77). Here, in the relation of dominance of one group over another, and especially the relation of different groups to the state, the hill peoples are indigenous, local or natives in this sense that they are not only the first people of the region, but have been engaged in the struggle for political rights, for land, for a place and space against the state authorities. Regulation 1900, which is the principal legal instrument for the region, refers to the CHT people as “indigenous hillmen” and “indigenous tribesmen” interchangeably (Roy 2000, p. 22). The state is perceived as protecting the values of non-indigenous over indigenous peoples, and it is the non-indigenous group, which, by definition, is dominant over the indigenous one (Barnard and Spencer 2010, p. 377). Notwithstanding, the *Pahari* define their needs and identities as *adibashi* or “indigenous people” (Mey 2006, Roy 2000; 2003a, van Schendel 1992), but the Bangladesh state does not accept this term and instead address them as *upajati* (tribes) or ethnic minority.
2. There is a debate about how many ethnic groups reside in the CHT. Some scholars mention the number of ethnic groups is 11, to some 13, to some others it is 12. See Ahamed (2004), Ahmed (1993), Ali (1993), Dalton (1973), Hunter (1876), Hutchinson (1906), Lewin (1869), Mey (2006), Mohsin (1997), Roy (2000; 2003a;b), Sopher (1963; 1964), Uddin (2011; 2008), van Schendel (1992), van Schendel et al. (2000) and others. Besides these 11 groups, there are two other groups, namely, the *Gurkha* (Nepalese origin) and the *Ahom* or *Assami* (Assamese origin). They have been living in this region since the British colonial period without “recognized” identity neither as “indigenous” nor as “tribe”. The CHT comprises an elongated 5,089

square miles of land strip, primarily hilly, wooded subtropical territory covering about 9 percent of the total area of Bangladesh (Ahmed 1993, p. 32); comprises three hill districts: Rangamati, Bandarban and Khagrachhari.

3. *Parbatya Chattagram Jana Samhati Samiti* (PCJSS) (The Chittagong Hill Tracts United Peoples' Party), locally known as *Jana Samhati Samiti* (JSS) — the *champion* of the Pahari — the sole political party in the CHT until the emergence of UPDF (United People's Democratic Front) in 1998.
4. An armed wing of JSS formed by the Pahari youths (mostly by the Chakma).
5. Bangladesh Rifles (BDR, a border force) was renamed as Border Guard Bangladesh (BGB) in December 2010.
6. State assisted Village Defence Party.
7. Sopher refers to the Khyongtha as "River men", and Toungtha as "Mountain men" (Sopher 1964, p. 109).
8. The Gurkha and Ahom have also been residing the river-valleys since their arrival in the hills.
9. The Chittagong Hill Tracts was called *Kapas Mahal* (Cotton Territory) and later *JumBanga* during Mughal period (Roy 2003b, p. 23).
10. Since the pre-colonial period, *jum* has been the principle livelihood means of the Pahari ties with their everyday life, livelihood and rituals.
11. To some others, however, the Regulation 1900 was the legal expression of the final destruction of "tribal" self-government (Ali 1993, p. 174).
12. The *divide et impera* (divide-and-rule) approach characterized British policy all along the empire's frontiers (Ali 1993, p. 174). Regulation 1900 gave recognition to the chiefs of the Chakma and Marma, and made chiefs of the other groups subservient to them (Mohsin 1997, p. 85).
13. The term *jum* came from the local Chakma word for swidden or shifting cultivation; Tanchangya also use the same word (*jum*) to refer to their traditional shifting (slash & burn) cultivation. The rest of the groups call this cultivation in their distinct languages, for instance, in Pangkhua language it is called *lo*, in Marma it is *yah*, the Tripura call it *hug*, and in the Mro language it is *ua*. Notwithstanding, the JSS leaders (mainly Chakmas) formed the common platform of the Pahari as "Jumma nationalism". *Jumma* or *Jumia* which means the people who cultivate *jum* (swidden or slash & burn). Later it was appropriated by the JSS in an attempt to unify all Pahari people under one socio-political umbrella as a counter to the Bangali/Bangladeshi nationalism and Bangali hegemony and establish it as a collective movement for the expected autonomy and self-determination of the region. The JSS invented the *Jumma* nationalism to strengthen the solidarity of the Pahari. It highlights Pahari's cultural separateness from Bangali, their shared possession of a *Jumma* homeland and shared history of oppression and marginalization. In the 1970s, the JSS leadership dreamt of an autonomous *Jummaland* (in place of Chittagong Hill Tracts)-the land of the *Jumma*.
14. The Two-Nation Theory was a negation of this philosophy that the Indian sub-continent has only one nation, consuming all the inhabitants of the sub-continent into one Nation. It explicates that Indian sub-continent has two large communities as Hindus and the Muslims. The Two-Nation Theory (also known as the ideology of Pakistan) was the basis for the Partition of India in 1947. It stated that Muslims and Hindus were two separate nations by every definition, and therefore Muslims should have an autonomous homeland in the Muslim majority areas of British India for the safeguard of their political, cultural, and social rights, within or without a United India.
15. The Pahari were not consulted prior the construction of the dam. The Pahari were not organized then to resist the construction. The Koel-Karo movement, however, is one of the rare examples of the successful prevention of the construction of massive dams on indigenous lands (a hydroelectric project planned on the South Koel and Karo rivers) in India in a long and rich history of determined struggles by tribal peoples against forces of displacement (Ghosh 2006, p. 502).
16. According to German anthropologist, Löffler, this multiplicity of political borders is a postcolonial artifact (Löffler 1994, p. 1).
17. This transmigration project proved popular among the plainlanders. Because, Bangladesh is an over-populated land; out of its total population of eleven million people (in mid-1970s), 6.18 million rural land-poor households belong to the category of functionally landless (0.05–0.49 acres) and marginal (0.50–0.99 acres) farmers (Sobhan 1991, p. 31). The population density in the plains in 1980 was 1400 persons per square mile; on the other hand vast tracts of land in the CHT were lying empty (Mohsin 1997, p. 113); not more than 100 per square mile. However the inhabitable and arable lands in the hills were not in plenty; cropland per capita in CHT is 0.23 acres (0.09 ha), while the national average is 0.13 acres (0.05 ha) (Adnan 2004).
18. Here it is pertinent to note that the Bangali settlers coveted the relatively level land in the hill valleys

and forcibly displaced hundreds of valley-dwelling peoples-e.g. the Chakma, Marma, Tripura and Tangchya. The Bangali are used to cultivation in the plains and fishing, they do not know how to make a 'hard' living on the steep high hills, where livelihood totally depends on shifting cultivation in the hills.

19. In this context, it is pragmatically pertinent to note the distinction between *latent* and *manifest* (visible) levels of social movements delineated by Melucci (1988).
20. A renowned scholar; he has been involved in doing research and writing on the CHT issues since the early 1990s.
21. Here it is pertinent to mention that, the Chakma are the largest and most educated among the indigenous groups; they have also been severely affected, first by the Kaptai dam, and later by transmigration and militarization (van Schendel 1992).
22. An exceptional case is found in the Indian state of Mizoram. In the first few years after the Mizoram Accord of 1986, there was some dissatisfaction but those issues were soon resolved amicably (Roy 2003a, p. 2).
23. In the changed circumstances, the mountain-dwelling Pahari (Toungsa) use some terms to denote their existing situation such as powerless, weak, small, poor, and vulnerable.
24. Because of their preponderance and political pre-eminence in the hills.
25. At present, the largest Pangkhao settlement is the Pangkhao Para in Bilaichhari upazila. The Pangkhao call this as *dinthar* (new village) as it is a relocated settlement. The Pangkhao were relocated here from different villages.
26. Although the clothes of both male and female signifies the same denotation for identity, to understand the cultural aspects of dress here we focus women's dress as a survival strategy against the Bangali hegemony, against the ethnic status quo. We focus on women's clothes since it is more visible than men's one. Most male persons have already given up their traditional clothes for modern shirts, t-shirt and trousers while the Pahari women still maintain their traditional dress at home and remote areas. They still try to preserve their traditional designs to help future generations pick up designs from it.
27. Each group has their own traditional clothes.
28. Before the Bangali settlement, rape, sexual assault, or ragging was almost unknown in the hills, what is frequent in the plain districts of Bangladesh. Lo-

cal word for rape or sexual assault is lack in their languages.

29. When several Bangali women were asked whether they would wear skirts or jeans, they said they wear whatever they like: "We are the mainstream population of Bangladesh, nobody can dominate us, and we decide our clothes".

## Acknowledgement

I am indebted to the editor, Syed Saad Andaleeb, and two anonymous reviewers for their meticulous reading of the manuscript and many suggestions. Needless to say, errors, misinterpretations, or limitations are my own.

## References

- Adnan, S. (2004), Migration, Land Alienation and Ethnic Conflict: Causes of Poverty in the Chittagong Hill Tracts of Bangladesh, Research & Advisory Services, Dhaka.
- Ahamed, F. U. (2004), Ethnicity and Environment: 'Tribal' Culture and the State in Bangladesh, Phd dissertation, Department of Anthropology, University College London.
- Ahmed, A. (1993), 'Ethnicity and Insurgency in the Chittagong Hill Tracts Region: A Study of the Crisis of Political Integration in Bangladesh', *Journal of Commonwealth and Comparative Politics* 31(3), 32-66.
- Ahmed, B. (2012), Margin, Minorities and a Political Economy of Displacement: The Chittagong Hill Tracts of Bangladesh, in R. Ganguly-Scarse and K.Lahiri-Dutt, eds, 'Rethinking Displacement: Asia Pacific Perspectives', Ashgate Publishing Ltd, UK, pp. 173-194.
- Ali, S. M. (1993), *The Fearful State: Power, People and Internal War in South Asia*, Zed Books, London & New Jersey.
- Ali, S. M. (2010), *Understanding Bangladesh*, C Hurst & Co Publishers Ltd, London.
- Anduji, E. (1988), 'Ethnic Identity of Transethnically Adopted Hispanic Adolescents', *Social Work* 33(6), 531-535.
- Barnard, A. and Spencer, J. (2010), *The Routledge Encyclopedia of Social and Cultural Anthropology*, Routledge, London.
- Barnes, R. H., Gray, A. and Kingsbury, B., eds (1995), *Indigenous peoples of Asia*, Association for Asian Studies, Ann Arbor, MI.

- Bertocci, P. J. (1996), *The Politics of Community and Culture in Bangladesh*, Centre for Social Studies (CSS), Dhaka, chapter Resource Development and Ethnic Conflict in Bangladesh: The Case of the Chittagong Hill Tracts, pp. 123–160.
- Chakroborty, R. L. (1977), 'Chakma Resistance to Early British Rule: Bangladesh Historical Studies', *Journal of the Bangladesh Itihaas Samity* 2, 133–156.
- Dalton, E. T. (1973), *Tribal History of Eastern India*, Group IV, Tipperah and Chittagong Tribes, Cosmo Publications, Delhi. Originally published in 1872.
- de la Cadena, M. and Starn, O., eds (2007), *In Indigenous Experience Today*, Berg, Oxford, chapter Introduction, pp. 1–30.
- Elsass, P. (1992), *Strategies for Survival: The Psychology of Cultural Resilience in Ethnic Minorities*, New York University Press, New York.
- Ghosh, K. (2006), 'Between Global Flows and Local Dams: Indigenous, Locality, and the Transnational Sphere in Jharkhand, India', *Cultural Anthropology* 21(4), 501–534.
- Hunter, W. W. (1876), *A Statistical Account of Bengal*, D K Publishing House, Delhi. Reprinted 1973.
- Hutchinson, R. H. S. (1906), *An Account of the Chittagong Hill Tracts*, Bengal Secretariat Book Depot, Calcutta.
- Jochim, M. A. (1981), *Strategies for Survival: Cultural Behavior in an Ecological Context*, Academic Press, New York.
- Lewin, T. H. (1869), *The Hill Tracts of Chittagong and the Dwellers Therein, with Comparative Vocabularies of the Hill Dialects*, Bengal Printing Company Limited, Calcutta.
- Li, T. M. (2000), 'Articulating Indigenous Identity in Indonesia: Resource Politics and the Tribal Slot', *Comparative Studies in Society and History* 42(1), 149–179.
- Li, T. M. (2010), 'Indigeneity, Capitalism, and the Management of Dispossession', *Current Anthropology* 51(3), 385–414.
- Löffler, L. G. (1994), 'Ethnicity and Democracy: The Case of the Chittagong Hill Tracts, Bangladesh', in 'Ethnicity and Democracy: Congruence, Confluence or Contradiction?', XVIth World Congress of the International Political Science Association, Berlin.
- Melucci, A. (1988), 'Getting Involved: Identity and Mobilization in Social Movements', in H. Kriesi, S. Tarrow and V. B., eds, 'International Social Movements Research', JAI. Press, London, pp. 238–258.
- Mey, W. (2006), 'Shifting Cultivation, Images and Development in the Chittagong Hill Tracts of Bangladesh', in G. Cederöf and K. Sivaramakrishnan, eds, 'Ecological Nationalism: Nature, Livelihoods, and Identities in South Asia', University of Washington Press, WA, pp. 255–273.
- Mohsin, A. (1997), *The Politics of Nationalism: The Case of the Chittagong Hill Tracts*, The University Press Limited, Dhaka.
- Porter III, F. W., ed. (1986), *Strategies for Survival: American Indians in the Eastern United States*, Greenwood Press, New York.
- Roy, R. C. (2000), 'Land Rights of the Indigenous Peoples of the Chittagong Hill Tracts, Bangladesh', Document No. 99, IWGIA, Copenhagen.
- Roy, R. D. (2003a), 'The Discordant Accord: Challenge towards the Implementation of the Chittagong Hill Tracts Accord of 1997', *The Journal of Social Studies* 100, 4–57.
- Roy, R. T. (2003b), *The Departed Melody (Memoirs)*, PPA Publications, Islamabad.
- Saugestad, S. (2001), *The Inconvenient Indigenous: Remote Area Development in Botswana, Donor Assistance, and the First People of the Kalahari*, Nordic Africa Institute, Sweden.
- Scheffel, D. Z. (1989), 'There Is Always Somewhere to Go: Russian Old Believers and the State', in P. Skalnik, ed., 'Outwitting the State: Political Anthropology', Transaction Publishers, New Brunswick, NJ, pp. 109–120.
- Scott, J. C. (1985), *Weapons of the Weak: Everyday form of Peasant Resistance*, Yale University Press, New Haven.
- Shelley, M. R., ed. (1992), *The Chittagong Hill Tracts of Bangladesh: The Untold Story*, Centre for Development Research, Dhaka.
- Skalnik, P. (1989), 'Outwitting the State: An Introduction', in P. Skalnik, ed., 'Outwitting the State: Political', Transaction Publishers, New Brunswick, NJ, pp. 1–21.
- Smith, A. D. (1981), *The Ethnic Revival in the Modern World*, Cambridge University Press, Cambridge.

- Sobhan, R. (1991), *Report of the Task Forces on Bangladesh Development Strategies for the 1990s*, University Press Ltd, Dhaka.
- Sopher, D. E. (1963), 'Population Dislocation in the Chittagong Hills', *Geographical Review* **53**(3), 337–362.
- Sopher, D. E. (1964), 'The Swidden/Wet-Rice Transition Zone in the Chittagong Hills', *Annals of the Association of American Geographers* **54**(1), 107–126.
- Tripura, P. (1991), Culture, identity and development, in D. Roy, A. Mohsin, M. Guhathakurta, P. Tripura and P. Gain, eds, 'The Chittagong Hill Tracts: Life and Nature at Risk', SEHD, Dhaka.
- Uddin, A. (2011), Forming Indigeneity and Transethnicity among the Chittagong Hill People: The Management of Fear in the context of Displacement, PhD Dissertation, Department of Global Human Sciences, Osaka University, Japan.
- Uddin, N. (2008), 'Living on the Margin: The positioning of the 'Khumi' within the Sociopolitical and Ethnic History of the Chittagong Hill Tracts', *Asian Ethnicity* **9**(1), 33–53.
- van Schendel, W. (1992), 'The Invention of the 'Jummas': State Formation and Ethnicity in Southeastern Bangladesh', *Modern Asian Studies* **26**(1), 95–128.
- van Schendel, W. (2002), 'A Politics of Nudity: Photographs of the 'Naked Mru' of Bangladesh', *Modern Asian Studies* **36**(2), 341–374.
- van Schendel, W., Mey, W. and Dewan, A. K., eds (2000), *The Chittagong Hill Tracts: Living in a Borderland*, White Lotus, Bangkok.

# Opportunities and Challenges of the Pharmaceutical Sector in Bangladesh

Shirin Sharmin

Investment Analysis Department, LR Global Asset Management Company, Dhaka, Bangladesh

## Abstract

Pharmaceutical sector is one of the most developed sectors in Bangladesh contributing to the country's economy. With an annual turnover of around BDT 840 million (as on 2011), this is one of the fastest growing sectors in the country. Among the 49 least developed countries (LDCs), Bangladesh is the only country that is nearly self-sufficient in producing pharmaceutical products. This sector started flourishing after the 70's and its growth rate is remarkable. As a least developed country, Bangladesh is getting the benefit of producing and marketing drugs in TRIPs-related patent regimes. As this period is going to expire in 2016, a serious threat is looming for Bangladesh. The study used primary survey data collected from fifty one participants related to the pharmaceutical industry (physicians, manufacturers, pharmacists, sales persons and other stake-holders). Secondary data available from websites, books, newspaper and journals have also been used. This paper highlights the present scenario of the pharmaceutical industry in Bangladesh, emerging opportunities and the probable challenges it faces. The findings are expected to help potential investors and stake-holders of the pharmaceutical companies in Bangladesh.

## 1 Introduction

Pharmaceutical sector is one of the most developed and self-sufficient industries in Bangladesh, maintaining double-digit growth rate over the last few years. The industry tends to experience fairly steady demand and is less sensitive to changes in the business cycle because of the nature of its end-products. Companies in the sector are mainly affected by competitive market shares, diversified product lines, new product innovation, cost efficiency, pace of approvals from internationally recognized authorities, and the strength of research and development. With a history since 1950s, the industry has become one of the most successful manufacturing industries in the developing countries (Attaran 2004, Azad 2009, Chowdhury 2010, Nazmul, Mazharul and Anzir 2011, Nimalathasan 2009, Sampath 2008, Shafiuzzaman 2002).

Pharmaceutical industry in Bangladesh is contributing around 1% of GDP. There are 265 licensed pharmaceutical companies in Bangladesh among which 150 are actively in operation. The sector is highly concentrated as the top 20 companies constitute 85% of the total market. The pharmaceutical companies focus mainly on branded generic final formulations, produced from imported APIs (Active Pharmaceutical Ingredients). Generic drug is a product that is comparable to brand/reference listed drug product in dosage form, strength, route of administration, quality and performance characteristics, and intended use

(<http://en.wikipedia.org>). About 85% of the drugs sold in Bangladesh are generic drugs and the rest are patented drugs.

Bangladesh manufactures roughly 1,300 generic drugs of various registered brands. These generic drugs have different dosage forms and strengths. The wide range of generic drugs includes anti-ulcerants, fluoro-quinolones, anti-rheumatic non-steroid drugs, non-narcotic analgesics and so on. The industry now caters to 97 percent of the country's pharmaceutical needs. The remaining 3 percent includes insulin, vaccines and high-end anti-cancer drugs, the production of which is capital intensive and therefore not economically feasible for Bangladesh.

## 2 Objectives of the Study

The objectives of this research are as follows:

1. To provide a comprehensive overview of the pharmaceutical sector in Bangladesh.
2. To assess the market share of top pharmaceutical companies, their cost structures and profit margin.
3. To discuss TRIPs and its implication for Bangladesh.
4. To evaluate the opportunities and prospects of the pharmaceutical sector.
5. To study the challenges pharmaceutical companies are presently facing.

6. To recommend probable solutions to overcome the challenges.

### 3 Scope

The scope of the study is mainly concerned with the domestic pharmaceutical companies in Bangladesh. There are 265 such pharmaceutical companies listed with the Directorate of Drug Administration (DDA). To obtain the overall picture about the sector, these 265 companies were considered. Some multinational companies currently operating in Bangladesh were also taken into consideration. However, the main focus was on the top ten companies about which detailed information was collected and analysis performed.

### 4 Methodology of the Study

The research design adopted is descriptive in nature and involved data collection about the characteristics of the pharmaceutical market, competitors, as well as the different manufacturers. Primary data was collected directly and from telephone interview with fifty one officials and stakeholders engaged in the top ten pharmaceutical companies. While interviewing, both structured as well as un-structured questionnaire have been used. Secondary information was gathered from websites, newspaper articles, journals and annual reports of different pharmaceutical companies. Online sources have also been used to carry out the study.

### 5 Limitations

Every research study encounters some obstacles and constraints. These obstacles can be addressed in future studies related to this work. This study has the following limitations:

1. Many of the pharmaceutical company professionals could not provide data due to company rules.
2. Other than the listed companies, the price sensitive information like total sales, gross profit, and net profit were not available. It would have been better if exact sales, operating expense, profit margin of the companies could be compared.

### 6 Market Size and Growth

Shown in Figure 1 and Table 1, the retail market size of pharmaceutical companies has reached BDT 840 billion as on 2011 according to Integrated Marketing Services Ltd. (IMS) report 2012. The report further indicated that net turnover achieved 23.6% growth in 2011, following 23.8% and 16.8% growth in 2010 and 2009 respectively.

High growth in the last three years indicates a positive outlook for this sector. Although the IMS does not include the rural market in this survey, the actual size will vary slightly. It was estimated that the retail market represents 90% of the total market.

### 7 Major Players in the Pharmaceutical Sector

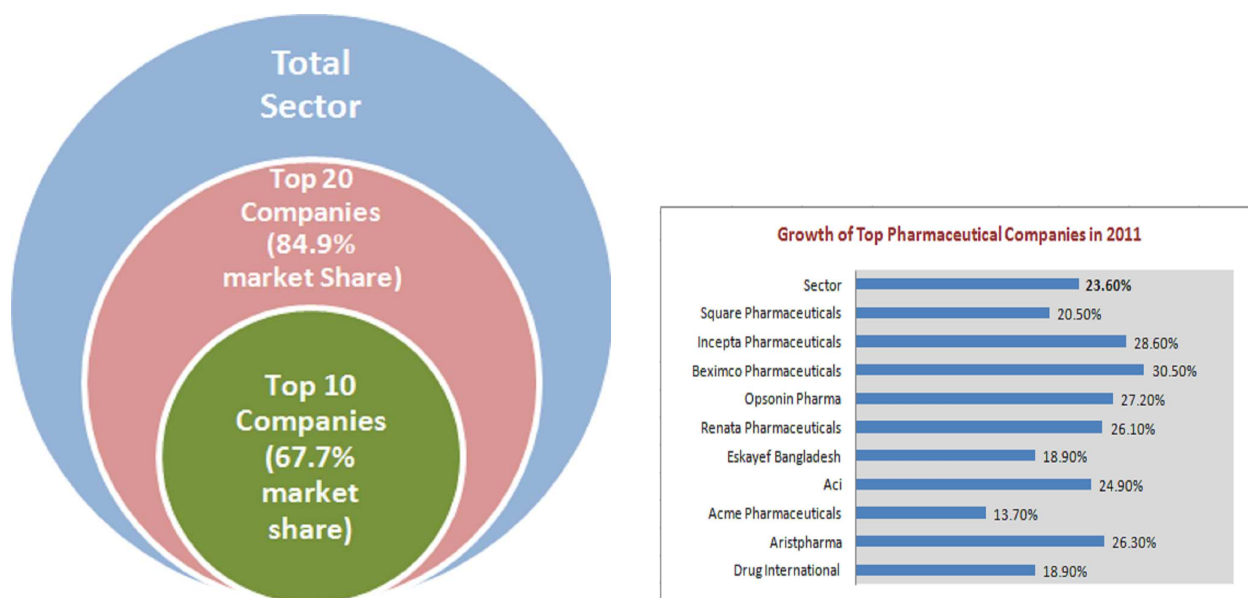
According to the data (Table 1), Square Pharmaceuticals is the market leader in the pharmaceutical sector holding 18.7% (as on 2011 data) of the market share, followed by Incepta Pharmaceuticals (9.3% market share), Beximco Pharmaceuticals (8.8% market share), Opsonin Pharma (5.1% market share) and Renata (4.9% market share). The top 5 pharmaceutical companies held 46.8% market share in 2011 among which three are listed with the Dhaka Stock Exchange (DSE) and the Chittagong Stock Exchange (CSE). Table 1 shows the market size, market share and growth of the top pharmaceutical companies:

### 8 Cost Structure and Margins of the Pharmaceutical Companies

Production cost is around 45%–55% for the pharmaceutical companies depending on the products they produce which results in 55% to 45% in gross profit margin for most of the companies (Figure 2). As nearly 70% of the raw materials (API) are imported from outside the country, this accounts for most of the cost. The rest are conversion and other supporting costs. Operating cost is roughly 24% of sales for the top pharmaceutical companies. The tax rate for the pharmaceutical companies is 37.5%, but it is 27.5% for the listed companies. Listed companies further enjoy 10% rebate for paying out more than 20% dividend. Operating margin is hovering around 15%–25% and the net profit margin is around 15% for the top pharmaceutical companies. However, average net profit margin is roughly 7% for other small companies in the sector. Figure 2 shows the financial indicators in details.

### 9 Trade Related Intellectual Property Rights (TRIPs)

Intellectual property rights were brought into the GATT/WTO framework for the first time in the Uruguay Round of negotiations (Yusuf, 2006). The TRIPs agreement permits Bangladesh to reverse-engineer patented generic pharmaceutical products to sell locally and export to markets around the world. Article 66 provides Least Developed Countries (LDCs) with breathing space before introducing full product patent protection. Bangladesh



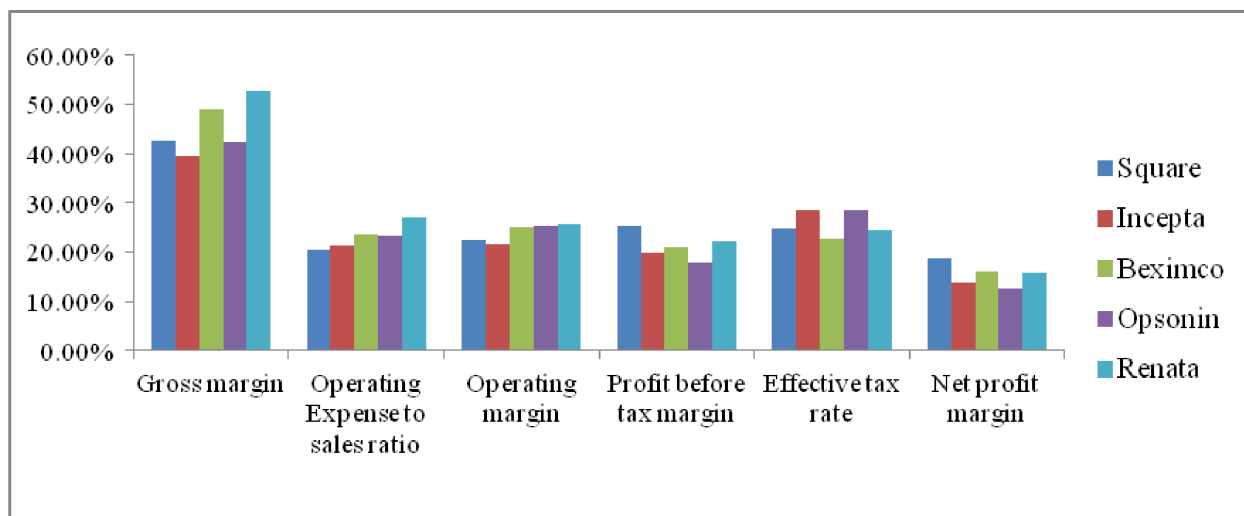
**Figure 1:** Market size and growth

**Table 1:** Market share of the top pharmaceutical companies

Company	Market Size (BDT million)	Growth in 2011 (%)	Market Share in 2011 (%)	Market Share in 2010 (%)
Square Pharmaceuticals	15,725.8	20.5	18.7	19.2
Incepta Pharmaceuticals	7,851.5	28.6	9.3	9.0
Beximco Pharmaceuticals	7,415.0	30.5	8.8	8.4
OpsoninPharma	4,275.4	27.2	5.1	4.9
Renata Pharmaceuticals	4,076.8	26.1	4.9	4.8
Eskayef Bangladesh	3,980.3	18.9	4.7	4.9
ACI	3,578.2	24.9	4.3	4.2
Acme Laboratories	3,500.7	13.7	4.2	4.5
Aristo Pharma	3,412.8	26.3	4.1	4.0
Drug International	3,070.2	18.9	3.7	3.8
Top 10 Companies	56,886.5	23.6	67.7	67.7
Top 20 Companies	71,382.5	24.1	84.9	84.6
Other Companies	12,661.6	20.7	15.1	15.4
Total Sector	84,044.1	23.6		

Source: World bank, Top pharmaceutical company websites, IMS report





**Figure 2:** Financial indicators of the top five pharmaceutical companies

is therefore exempt until 2015 from patent protection on reverse-engineered generic products destined for the local market.

Bangladesh also enjoys some advantages from TRIPs in exporting pharmaceutical goods:

- Bangladesh can export generic drugs to markets where the patent owner has not filed for protection (Most drugs on *WHO's Model List of Essential Drugs* are not patented).
- Bangladesh can export to other LDCs or non-WTO members which have not implemented product patent protection, for example Myanmar.
- Bangladesh can also export to a country which has issued a compulsory drug license and awarded the production contract to Bangladesh.

The cost of importing APIs will most likely rise as TRIPs phases in. In case the TRIPs agreement is not extended beyond 2015, the local manufacturer will face a number of constraints:

- Import costs of patented APIs are likely to increase.
- The cost of manufacturing patented drugs will also increase as the companies are likely to pay royalty to the original manufacturer.
- Export of patented products will become costly.

## 10 Strategies for the Future (After 2015)

The strategies after TRIPs waiver period may be classified into micro and macro approaches. The strategies may seem a bit costly at the beginning but it is designed to benefit the sector as a whole.

**Micro approaches:** The micro approach focuses on the industries within the geographic boundary of Bangladesh. The strategies are designed to ensure strengthening of management of pharmaceutical operations and decreasing the equity disparity arising out of implementation of TRIPs.

**Macro Approach:** The macro approach is based on strategies that can be undertaken by utilizing the strengths of the regional countries, especially the developing countries. It may be mentioned that the only way to fight the competition from the developed world is by uniting the developing world to address the needs of the pharmaceutical sector.

However, it is expected that WTO will consider extending the TRIPs waiver period an additional 10 years. The WTO Director General, Pascal Lamy, while visiting Beximco Pharmaceuticals on April 1, 2012 commented, "WTO will examine whether Bangladesh needs a waiver as the country is graduating out of the LDC status. Bangladesh's economy is growing more than the world average and so far the country is on the right track. Still the waiver period may be extended on the ground of public health and technology transfer issues." ([www.thefinancialexpress-bd.com](http://www.thefinancialexpress-bd.com), 2012)

## 11 Opportunities of the Bangladesh Pharmaceutical Industry

The pharmaceutical sector in Bangladesh has immense potential and can grow more rapidly in the coming years. There are a number of factors which are contributing to this phenomenal growth as shown in Table 2.

**Population growth rate:** Bangladesh's population growth has been on a steady increase since its birth. A direct correlation has been observed between the country's pharmaceutical sector and the population growth. Holding other variables constant, pharmaceutical market is expected to witness a steady growth with the population growth rate. The large population base of Bangladesh makes it an attractive market for Pharmaceuticals sector players.

**Health consciousness among people:** Health consciousness among people has improved significantly in the last few years. Government of Bangladesh, as well as the NGOs has taken a commendable initiative to increase awareness among people in the rural areas. These initiatives are contributing positively to the pharmaceutical sector.

**Per capita income:** Per capita income is an indicator of the standard of living of a country. Bangladesh's real GDP is growing at around 6.2% over the last decade and per capita income is increasing at 11.3%. With improved living standard, per capita expense in health care is also increasing. This is contributing positively to the growth of the pharmaceutical sector.

**Life expectancy, child mortality rate, and prevalence of chronic disease:** Over the past few years Bangladesh's health status has improved substantially as child mortality rates have decreased and life expectancy has increased. But prevalence of chronic diseases is growing at a staggering rate due to increased levels of hypertension, diabetes, and obesity. Now-a-days, the percentage of total mortalities from communicable diseases and maternal/prenatal conditions has decreased, while mortalities from chronic diseases have increased. This creates greater dependence on the pharmaceutical products.

**Emergence of a number of private healthcare services:** A number of top class hospitals have started their operations in Bangladesh. They are becoming more popular for providing quality services and contributing to increased healthcare expenditures. The people who used to travel outside the country for medical treatment are now more comfortable about obtaining services from these hospitals.

**Export to developed countries:** Healthcare expenditures have increased significantly in the developed countries in the recent years. As Bangladesh is now producing world standard generic medicines, some of the developed countries have started importing medicine from Bangladesh. It is definitely a huge opportunity for our pharmaceutical sector. ([www.koreatimes.co.kr](http://www.koreatimes.co.kr), 2011)

**New export destination:** Abdul Muktaadir, Secretary General of Bangladesh Association of Pharmaceutical Industries (BAPI) indicated that the pharmaceutical industry plans to export drug items to all 120 destinations from the existing 84 countries that is soon to propel the industry's growth. He further stated that those days are not far off when Bangladesh would earn thousands of crores of takas from export of pharmaceutical products and this is possible in the next five to seven years (<http://www.bssnews.net>, 2011).

**Local and foreign accreditation of top companies:** The top pharmaceutical companies like Square, Beximco, Incepta, Renata and SK&F received the United Kingdom's Good Manufacturing Practice (cGMP) certificate in 2011. A few more companies also have applied for this certificate an hope to get it very soon. These certificates would not only help to increase the credibility of local medicines but also expedite Bangladesh's export to potential destinations.

**Grabbing the international donor market:** Pharmaceutical exports may see a massive boom in the coming days as the local producers are preparing to join the billion dollar medicine supply chain of different international charities. Global medicine donors like the Clinton Foundation, the Bill and Melinda Gates Foundation, Oxfam and other agencies every year donate drugs worth billions of dollars to poor countries. These charitable organizations have shown interest to import generic drugs from Bangladesh as the products are complying with WHO guidelines ([www.thefinancialexpress-bd.com](http://www.thefinancialexpress-bd.com), 2011).

**Commercial production of herbal medicine:** Few of the top pharmaceutical companies (e.g., Square, Acme, IbnSina, and Radiant) have started producing herbal products. Few others like Renata are waiting to get approval from the Directorate of Drug Administration (DDA). As the side effects of herbal medicine are negligible, they are popular all over the world and their demand is increasing (<http://www.bonikbarta.com>, 2012).

## 12 Challenges Associated with Pharmaceutical Companies in Bangladesh

In spite of thriving and continuously maintaining double-digit growth rates, Bangladesh's pharmaceutical sector still suffers from a number of hindrances:

**Most of the APIs used are imported:** 70% of the APIs used for production of pharmaceuticals are im-

**Table 2:** Factors contributing to pharmaceutical sector growth

Health Indicators	2009	2008	2005	2000
Life expectancy	68.30	68.00	66.90	64.70
Govt. expenditure in health care services (%)	31.70	31.40	34.90	39.00
Health care expenditure in % of GDP (%)	3.35	3.32	3.21	2.82
GDP per capita (current US\$)	607.80	546.90	428.80	363.60
Poverty level (%)	31.50		40.00	48.90

Source: World Bank

ported. Although a few top pharmaceutical companies came forward to produce APIs in our country, yet the number is 22 up to September, 2012. The startup cost of API production is too high as each of the API molecules need separate establishment. However, the net profit margin from APIs is as high as 35% which may attract local companies.

**Competition with drugs without license:** The top pharmaceutical companies are producing drugs with approval from DDA. But many small producers don't care to take approval. They are especially active in the rural areas & selling medicines at lower price. The quality drugs producers have to face fierce competition with these companies (The Daily Inqilab, 2006).

**Substandard products:** Few small companies don't maintain quality during production of homeopathic, allopathic, ayurvedic and unani medicines. People living in rural areas being less conscious about quality are consuming these products (The New Nation, 2005).

**Lack of supervision:** Most of the pharmacies are not supervised frequently enough to ensure the quality of drugs sold there. It is alarming that out of 64 districts in Bangladesh, the DDA has no representatives in 39 districts to examine the quality of drugs being sold in the pharmacies (The Daily Ittefaq, 2006).

**Capacity of Drug Administration:** The DDA is responsible for registration of drugs marketed in Bangladesh and for inspection of premises and licensing. The DDA with its present set up and inadequate strength often finds it difficult to carry out the large volume of its assigned work. Drug testing laboratories (one in Mohakhali, Dhaka, and the other in Chittagong) are not properly equipped with skilled manpower and equipment to carry out their testing functions (The Daily Ittefaq, 2006).

Moreover, the pharmaceutical executives and pharmacists do not have enough training in assessing bioequivalence studies. In the absence of appropriate bioequivalence test facility, in-vitro study is done in Bangladesh (Yusuf M.

A., 2006). This in-vitro study is of no use when pharmaceutical companies want to have their products registered in the developed country markets.

### 13 Policy Implications

The present growth of the pharmaceutical sector can be expanded if some strategic measures are taken. To overcome the challenges of the sector as well as ensuring growth, the following strategies are recommended:

**Development of the pharmaceutical sector:** To exploit the TRIPs flexibilities, the local companies should be developed. Proper documentation, bioequivalence laboratory facility, more investment in research & development activities will improve the sector.

**More facilities to establish API parks:** Around 70% of the APIs used for pharmaceutical production is imported which incurs huge costs. This dependency can be minimized if the local companies start producing APIs. The government can provide more facilities for API producers which will eventually help the pharmaceutical sector.

**Exclusive market right:** The major companies should negotiate with patent holders for "exclusive marketing rights" for a stated period which may initially cause a certain degree of price increase but will provide benefits in the long run. Joint ventures, trade licensing, product licensing, etc., have already started which can be expanded on a priority basis.

**Encouraging mergers in the local market:** Mergers in the local market have become a need of the day. This will also ensure development of management capabilities, since the company will have to plan based on macro environmental forces.

**Increased R&D activities:** Joint R&D activity by the pharmaceutical companies with various universities and research laboratories should be initiated without delay. This will not only enhance the overall strength of the pharmaceuticals but will also develop the overall academic base of the universities,

and thus open up a new horizon for management of the pharmaceutical companies.

**Promotional activities in different destinations:**

Promotional activities of our pharmaceutical companies should be increased. The potential buyers should clearly know about our competitive advantages. Our world-class quality at significantly lower prices should be highlighted. This will certainly improve exports further which are already growing fast.

## 14 Recent Initiatives

**Fiscal budget 2012–13:** Several measures have been taken in the budget of 2012–13 to help the pharmaceutical companies in Bangladesh:

- Import duty on machineries for pharmaceutical industries (air handling unit and air conditioner) have been reduced sharply to 3% from 152%.
- Import duties on streptokinase and insulin pens have been waved.
- Import duty and taxes on 46 essential items for the pharmaceutical industries have been reduced to 29% from 59%.

Tax reduction on capital machineries will attract new pharmaceutical companies to establish business as well as encourage the existing firms to expand capacity and product lines. With significant incentives in importing raw materials, pharmaceutical companies are expected to maintain sustainable growth and increase margins in the coming days.

**Getting new boost to recent export policy:** Drug makers in Bangladesh will soon be able to send samples worth up to \$60,000 annually to prospective buyers overseas. The amount, twice the current limit, has been suggested in the export policy proposed for 2012–15 to boost pharmaceutical exports (The Daily Star, 2012).

## 15 Conclusion

Pharmaceuticals are vital to Bangladesh's healthcare sector and represent one of the most important sectors of the manufacturing industry. The sector is almost self-sufficient as 97% of the total demand is met by the local manufacturers. Yet 70% of the raw materials (APIs) used in the pharmaceutical sector are imported. Few of the local companies have started producing APIs though very little in quantity compared to the total demand. The pharmaceutical sector has huge potential to export as the developed countries have showed interest to import generic

drugs from Bangladesh. Few of the top local firms have obtained accreditations from USA, UK and Australia; a few others are waiting in the wings. Almost all the firms are upgrading their facilities and taking precautions for the post-2016 scenario, while aggressively expanding in both local and export markets. Though the TRIPs stipulations and dependence on imported raw materials have been challenging to the sector, the pharmaceutical companies are trying to develop quality products. The Government of Bangladesh, regulatory authorities, and stakeholders should come forward to help this promising sector.

## Endnotes

1. [http://en.wikipedia.org/wiki/Pharmaceutical\\_industry\\_in\\_Bangladesh](http://en.wikipedia.org/wiki/Pharmaceutical_industry_in_Bangladesh)
2. <http://www.bps-bd.org/bangladehiindust.html>
3. <http://www.thefinancialexpress-bd.com/2009/08/17/76297.html>
4. <http://www.bapibd.com/articles-president.pdf>
5. <http://www.squarepharma.com.bd/>
6. <http://beximco-pharma.com/>
7. <http://www.inceptapharma.com/>
8. <http://www.renata-ltd.com/>
9. <http://www.opsonin.com/home.php>
10. <http://www.thedailystar.net/newDesign/news-details.php?nid=239204>
11. [http://www.thefinancialexpress-bd.com/more.php?news\\_id=125297&date=2012-04-01](http://www.thefinancialexpress-bd.com/more.php?news_id=125297&date=2012-04-01)
12. [http://www.koreatimes.co.kr/www/news/special/2012/04/211\\_41986.html](http://www.koreatimes.co.kr/www/news/special/2012/04/211_41986.html)
13. <http://www.bssnews.net/newsDetails.php?cat=0&id=209804&date=2011-11-02>
14. [http://www.thefinancialexpress-bd.com/more.php?news\\_id=150226&date=2011-09-21](http://www.thefinancialexpress-bd.com/more.php?news_id=150226&date=2011-09-21)
15. <http://bangladesheconomy.wordpress.com/category/pharmaceutical-industryhealthcare/>
16. <http://www.termpaperwarehouse.com/essay-on/Bangladesh-s-Growing-Pharmaceutical-Sector/41108>
17. <http://www.thedailystar.net/newDesign/news-details.php?nid=243954>
18. <http://www.banglanews24.com/detailsnews.php?nssl=80d31519262416af565ca5d88a97b127&nttl=07082012131217>
19. [http://www.thefinancialexpress-bd.com/more.php?news\\_id=140047&date=2012-08-13](http://www.thefinancialexpress-bd.com/more.php?news_id=140047&date=2012-08-13)
20. <http://www.prothom-alo.com/detail/date/2012-08-26/news/283959>
21. <http://www.thedailystar.net/newDesign/news-details.php?nid=247574>

22. <http://www.thedailystar.net/newDesign/news-details.php?nid=255852>
23. [http://www.thefinancialexpress-bd.com/more.php?news\\_id=142434&date=2012-09-06](http://www.thefinancialexpress-bd.com/more.php?news_id=142434&date=2012-09-06)
24. [http://www.bonikbarta.com/?view=details&pub\\_no=39&menu\\_id=11&news\\_id=4145&news\\_type\\_id=1](http://www.bonikbarta.com/?view=details&pub_no=39&menu_id=11&news_id=4145&news_type_id=1)

## References

- Attaran, A. (2004), 'How Do Patents And Economic Policies Affect Access To Essential Medicines In Developing Countries?', *Health Affairs* **23**(3), 155–166.
- Azad, A. K. (2009), 'Bangladesh Pharmaceutical Sector: Present and Potential', *Bangladesh-American Pharmaceutical Association Journal* **13**.
- Chowdhury, P. M. (2010), An Overview of the Pharmaceutical Sector in Bangladesh, Technical report, BRAC EPL Stock Brokerage Ltd.
- Nazmul, H. M., Mazharul, I. S. M. and Anzir, M. (2011), 'Indigenous Resource Usage in the Pharmaceuticals Industry in Bangladesh: A Descriptive Approach to explain the Industry Scopes', *International Journal of Scientific & Engineering Research* **2**(7), 1–9.
- Nimalathasan, B. (2009), 'Profitability of listed pharmaceutical companies in Bangladesh: An Inter & Intra Comparison of AMBEE & IBN SINA Companies Ltd.', *Economic & Administrative Sciences* pp. 139–148.
- Sampath, G. (2008), Intellectual Property and Innovation in Least Developed Countries: Pharmaceuticals, Agro-Processing and Textiles and RMG in Bangladesh, United Nations University Study.
- Shafiuzzaman, S. M. (2002), Bangladesh Pharmaceutical Sector: A Vision of Success, Bangladesh Association of Pharmaceutical Industries.

# Understanding the Dynamics of the Furniture Sector in Bangladesh

Mohammad Muaz Jalil\* and Mohammad Behroz Jalil†

\*Monitoring and Results Measurement Group, Katalyst Swisscontact, Bangladesh

†School of Business, United International University, Bangladesh

## Abstract

This paper reviews the furniture sector of Bangladesh as a potential sector for promoting pro-poor growth. With increasing urban surplus labor and the recent growing negative image of the RMG industries in the global arena, it is critical that we try to ensure that sectors like furniture, with high absorption capacity of low skill labor, can grow and expand quickly so as to diversify our export and manufacturing base. The paper is based on empirical research and qualitative study conducted across major furniture clusters in Bangladesh. In depth interviews of members of Bangladesh Furniture Industries Owners Association (BAFIOA) were also undertaken; the survey was financed by *Katalyst Swisscontact*. A market system approach is utilized to identify the systemic constraints in the sector. Major constraints entail lack of skilled labor force, low level of mechanization, limited access to finance, and lack of effective governmental support. The underlying constraints that give rise to these symptomatic issues are identified and actionable recommendations are offered.

## 1 Introduction

Furniture is one of the most rapidly growing sectors of Bangladesh with over 70,000 enterprises all over the country and employing over 300,000 poor laborers (Katalyst 2012). The growth of Bangladesh's furniture industry is evident in both local and international markets (EPB 2010). The industry life cycle of the sector significantly correlates with the macroeconomic performance of the country. When the disposable income of the population increases, the demand for furniture grows as well (Katalyst 2012). This has been manifested through the real estate boom in Bangladesh, as well as the increasing number of new entrants in furniture production. The local production of furniture is around US \$ 958 million,<sup>1</sup> and \$16.84 million<sup>2</sup> worth of furniture was imported in 2009–10. The export of furniture has also been increasing at 16–19%. In the fiscal year 2009–10 furniture export was \$19 million and in 2012–13 it increased to \$31 million (Hossain 2013).

The export-oriented shipbuilding industry has also been growing in Bangladesh which requires a significant supply of furniture and this can provide an avenue for exports. With the present momentum, Bangladesh has the potential to earn \$2.0 billion by exporting ships and vessels in the next five years; the industry has already secured orders worth \$500 million (Bilkis 2013). On average, 0.15%–0.20% of the cost in shipbuilding goes to

furniture (EPB 2010) and therefore we are looking at a potential market of over \$4 million. This could be another potential area of export expansion for Bangladesh; thus the furniture industry has the potential to play an important role in the country's economy.

Furniture sector is a labor intensive industry and is one of the very few sectors that offer progressive employment opportunity to workers below the poverty line. For Bangladesh, its competitiveness lies in the abundance of affordable labor. In other contemporary Asian furniture exporting nations (China, Vietnam, Thailand, Malaysia), the cost of labor is either equal to or more than \$120 per month, whereas in Bangladesh it ranges from \$37 to \$120 per month (INSPIRED 2013). The laborers here have expertise in complex hand carving on different hardwood varieties. But due to wide availability of such skills, the carver artisans charge close to what a normal laborer is paid. As a result, labor costs account for only 20% of production cost in Bangladesh, whereas in wood furniture manufacturing worldwide, labor accounts for up to 40% of the total costs (Whelan and Maklari 2002).

Furthermore, the furniture market is linked with various other interconnected value-chains, i.e. it is connected to sectors such as sawmills,<sup>3</sup> wood processing industries, upholstery suppliers, accessories, etc. Thus growth in the furniture sector acts as a demand pull growth factor in related intermediate goods industries. This is borne out by international experience, for instance in Jepara, Indone-

sia, which is a large furniture cluster, Roda, Philippe, Philippe, Levania and Achmad (2007) found that the concentration of furniture activity and growth of the sector has stimulated a substantial regional economic boom with increased opportunity for more subsidiary activities and industries. But according to INSPIRED (2013), most furniture enterprises in Bangladesh lack efficient layout and material flow, adequate knowledge of up-to-date technologies, and labor productivity, all of which affect productivity, lead-time and overall quality. However, existence of large manufacturers who have the potential to expand their export base, and concurrent local market expansion with feasible approaches to enhance productivity for small and medium sized manufacturers can transform the Bangladeshi furniture industry and enable it to act as a major driver towards industrialization and poverty alleviation.

Hence the furniture sector has pro-poor growth potential and can concomitantly result in a poverty alleviating multiplier effect across a wide range of related sectors. The present paper, based on survey and secondary research, analyzes the furniture market system in Bangladesh and identifies the systemic constraints inhibiting the growth of the sector. The paper also posits recommendations which may stimulate systemic market changes in the sector resulting in poverty alleviation.

## 2 Literature Review

In a labor surplus economy like Bangladesh, pro-poor economic growth is strongly contingent upon evolving structural changes in the economy. Economic growth, to be poverty reducing, must ensure the generation of sufficient employment opportunities for the surplus labor in the agricultural sector (Ahmed, Bakht and Yunus 2011, Osmani 2005). Numerous cross-country studies show that countries which attained high rates of employment growth along with high rates of economic growth were also able to reduce poverty significantly (Rahman and Islam 2003). There are arguments for labor-intensive growth in a number of studies where employment expansion has been identified as the major tool of poverty reduction through economic growth (Khan 2001; 2005, Wold Bank 2005).

Employment can result in poverty reduction if there is a transformation of the structure of employment towards sectors characterized by higher productivity and returns. For Bangladesh this would mean a shift towards manufacturing and industrial sectors (Rahman and Islam 2003). Furthermore, Bangladesh's largest share of export comes from RMG, leather and shrimp processing industries. Researchers have found strong evidence that there exists a positive relationship between export and economic growth (Ahmed 2001, Mamun and Nath 2005,

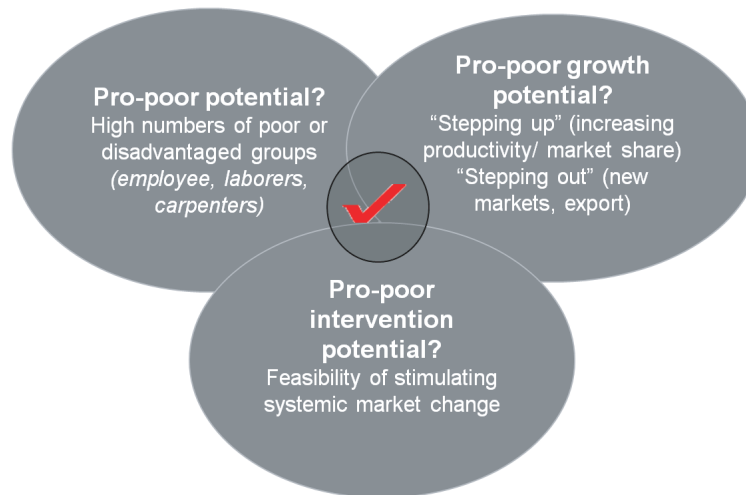
Rashid 2000). The policy environment also played a crucial role as it shifted from that of an import substitution model of the early independence years to that of an export promotion model (Mamun and Nath 2005, Uddin and Ahmed 2009). Thus ensuring growth of manufacturing sectors with export potential, which offer scope for productive employment, can be a viable strategy for poverty reduction.

But the relationship between manufacturing sector growth and improving the lives of poor workers may be less direct as the internal dynamics of a sector can act as a 'filter'. For instance, the growth of a sector may lead to more and better employment opportunities for skilled workers rather than poor ones. Even worse would be if a sector absorbs low skilled poor workers, but they can't work themselves out of poverty and are 'trapped' in badly paid jobs. Also unskilled or low skilled workers cannot find employment in every sector as they might fail to meet the minimum skill requirements (Bekkers 2009).

Thus an urban pro-poor growth strategy would look for 'entry' sectors with *low thresholds*, capable of absorbing unskilled new workers often migrating from rural areas or agriculture. However the ability to absorb low skill workers is in itself not sufficient; the sector must offer opportunity to the unskilled laborers to acquire skills while being employed in the sector. This skill development in turn, if sufficiently rewarded, may allow the workers to work themselves out of poverty (Bekkers 2009).

Thus, to ensure productive pro-poor employment, a sector must have a threshold employment elasticity of growth. Too high employment elasticity in a sector would usually imply higher job creation for any given growth by drawing less-skilled workers from the informal economy, but most likely will take place at the expense of productivity. In the economics literature we find that employment elasticity that exceeds unity is often associated with low-productivity jobs (Rahman and Islam 2003). But it has also been suggested that employment elasticities in developing economies should ideally be around 0.7 until these economies attain upper-middle-income status (Kapsos 2005, Khan 2001). Based on this that Rahman and Islam (2003) suggested that the furniture sector of Bangladesh should be identified as one of the thrust sectors for poverty reduction; the study found that it has an employment elasticity of 0.65. There are roughly in excess of 70,000 enterprises in the furniture sector, employing over 300,000 mostly unskilled laborers (BBS 2007, Khan 2011).

The furniture sector therefore offers scope for productive employment and with high presence of low skilled poor workers, it has significant pro-poor growth potential Figure 1. In the following section, we will develop the context and the framework of the study based on which we



**Figure 1:** Potential for poverty alleviation

can analyze the furniture market system in Bangladesh.

### 3 Analytical Framework and Methodology

In order to understand the dynamics of the furniture sector and the key constraints, a sector analysis using in-depth interviews with structured questionnaire was conducted covering 111 enterprises in 10 selected districts (17 Clusters) of the country, of which 91 were furniture enterprise of different categories and 20 were carpenters. Furthermore, key informant interviews of members of Bangladesh Furniture Industries Owners Association (BAFIOA) national and local chapters at the cluster level were undertaken in order to estimate the nature of distribution of furniture enterprises. The study was funded and guided by *Katalyst*; which is a development project under the Ministry of Commerce (MOC) of the Government of Bangladesh and implemented by Swisscontact and GIZ International Services. The project is jointly funded by SDC, DFID, CIDA and the Embassy of the Kingdom of the Netherlands.

*Katalyst* has been working in the furniture sector since 2004 with a cluster specific approach, mainly in Mirpur, with emphasis on productivity and domestic trade promotion. Over the years *Katalyst* has expanded its activities and has started operating nationally by working with stakeholders like Bangladesh Furniture Industries Owners Association (BAFIOA), Export Promotion Bureau, etc. *Katalyst* has already undertaken some critical work in the field and there has been significant improvement in the sector due to long and deliberate effort by the project.<sup>4</sup>

In this paper, furniture firms have been subdivided into five categories. The categories are not neatly divided and

hence some degree of judgment was involved in classification of surveying firms. The classification of firms is based on a combination of factors: size, the number and type of machinery used, and how it positions itself in the furniture market – as a brand, a generic ‘traditional’ manufacturer, or as a subcontractor (Bekkers 2009). All these factors influence a company’s absorption and scope for productive employment opportunity. Size may translate into higher demand for labor, but not always; for instance in a more modernized factory, mechanization may translate into a demand for specific technical skills and therefore may reduce the importance of manual skills (Bekkers 2009). The Table 1 portrays the salient features of the furniture firms under different classification:

Based on the study, the Table 2 provides an estimate of the scale and size of the furniture industry based on the aforesaid classification. The number of enterprises seems to be plausible because we get similar figures when we look at the Business Registry (BR) 2007 which has the only ‘nationally relevant’ estimate of the size of the furniture manufacturing industry. The values in BR 2007 are updates of the Economic Census 2001–2003. The Table 3 gives a summary of the relevant table pertaining to the furniture industry.

However, while the Economic Census-2001/2003 covered micro, small, medium and large enterprises, BR-2007 excluded micro enterprises. To address this, the micro enterprise numbers were estimated by means of extrapolation. This extrapolation is based on the observed compound annual growth rate of the number of ‘small’ enterprises, those with ‘headcount’ of between 10 and 49, and then applying that growth rate to the number for micro enterprises as of 2001/2003. As we can see, based on different classifications, the total number of furniture



**Table 1:** Classification of furniture firms

Category	No. of workers	Tools and Equipment	Annual Production	Sales (avg.) per year
Large	More than 150	Have back process facility (own sawmills & seasoning plants) and equipped with all small, medium and heavy machines.	More than 3000 Pcs of furniture	USD 1.4 million
Medium 1	71 to 150	Totally equipped with power tools and with small and some medium to heavy stationary machineries.	2000 to 3000 Pcs of furniture	USD 250 thousand
Medium 2	26 to 70	Use at least 80% power tools and some small to medium stationary machineries.	1000 to 1950 Pcs	USD 110 thousand
Small	10 to 25	Some 20% power tools (e.g. hand sanding machine, hand drills, hand routers), basic forms of stationary machines (locally produced drills, molders, sanding machine, circular saw, etc.)	Up to 1950 Pcs	USD 110 thousand
Micro	Less than 10	No power tools, only hand tools	No definite number	\$25,000
Carpentry Households	1 to 3	Hand tools Only	Order based, no showroom or works at clients home or office	No definite sale

**Table 2:** Size of furniture industry

Category	Number	Average Employment	Total Employment
Enterprises			
Micro	7,961	5.6	44,184
Small 2013	1,676	16.6	27,822
MSM2	276	39.5	10,909
MSM1	40	88.9	3,556
Large	35	524.6	18,360
All	9,913		104,830
Free Lance Carpenters	74,926	2.1	154,285
Total Employment			259,115

**Table 3:** Furniture industry as per BR 2007

Firm size classes	Micro	Small	Medium	Large	Total
Furniture making	69,695	1,258	47	34	71,034

enterprises in 2007 was around 70,000, while the current survey shows it is around 85,000. In the following section, based on the present study, we will look into key characteristics of different categories of furniture enterprises.

## 4 Characteristics of Furniture Enterprises

The enterprises surveyed were principally sole proprietorship companies (90%), apart from some partnership companies (4%) and private incorporated companies (5%). The carpenters surveyed were found to be not registered businesses. This distribution of ownership structure is common across other industries of Bangladesh, especially ones which are at a transitional phase moving from a cottage to a more industrial structure. The production spaces were found varying (on average 462, 1,583, 2,614, 9,440 and 26,000 square feet for micro, small, MSM2, MSM2 and large enterprises, respectively).

There is a significant suboptimal usage of floor space utilization in the furniture sector, even among large enterprises. In most cases it was found that locker boxes for laborer were placed on the ground. These boxes, although varying in size, individually occupied almost 2.5 square feet of space and that means in a factory of 20 workers, almost 50 square feet was lost to these boxes. Instead of lining them up on the factory floor space, they could easily have been stacked up. Similar situation was observed in regards to placement of finished or semi-finished goods. They were placed haphazardly across the floor or lined up; instead of this arrangement, the goods could have been stored in a much more optimal position. Most manufacturers raised the issue that the high cost of land, civil construction, or rental tariff are too high and they cannot afford the space they need to manufacture products conveniently. Given such wanton inefficiency in space utilization, it is no wonder that they face soaring production cost.

Furthermore the machine layout is also inefficient, which results in workers running back and forth during the production process resulting in time loss and inefficiency. Inputs are stocked haphazardly and as a result, there is significant wastage. For instance, wood and other board materials were found in most cases to be stacked together, rather than being stacked according to different sizes and types. As a result, some workers might cut a 10 feet long wood plank and take a 8 feet chunk, leaving the 2 feet as waste, where there probably was an 8 feet plank in the stack to begin with. Hence proper inventory management is a significant requirement for these enterprises.

In terms of usage of machinery in the production process, there seems to be a great dearth. Most firms still employ rudimentary technologies and only in the last couple

of years, have small power tools gained some traction in the market. Even so the distribution of such machineries seems to be highly concentrated among Chittagong and Dhaka furniture clusters. In these two clusters, almost all micro and small units use power/electricity driven drills and hand routers, but just a tiny minority of them use such powered equipment as electric planer, circular saw, joiner, etc. Medium scale (MSM1) and large manufacturers in Dhaka and Chittagong use stationery powered tools (comparatively heavy and expensive) like circular saw, zig saw and/or table saw, planer, thicknesser, sanding machine, panel saw, etc. Most of them have also increased the number of compressor supported lacquer sprayers. Katalyst played a key role in promoting the uptake of lacquer technology among manufacturers in Bangladesh. This has reduced the pressure on demand for solid wood based furniture and shifted it towards lacquer finished products. The Table 4 gives an overview of the scale of mechanization within the furniture industry.

Carpenters on the other hand mostly use indigenous developed carpentry tools (e.g. hammer, chisel, hand saw, hand planner, hand drill, screwdrivers & bits, steel tapes, wooden or steel scale, etc.). However around 25%-40% of them, with previous work experiences in larger enterprises, reported of having the skill to operate electrical router, drill, planner or thicknesser, etc. Bulk of the respondents, around 69% (33-100% depending on location), identified capital shortage as the main barrier to the use of equipment. Low level acquaintance (as reported by some 35% respondents) with the modern carpentry equipment seems to be another major cause. However, in more advanced clusters like Bogra, Dhaka and Chittagong, where machineries have been adopted on a large scale, nearly one fourth of the respondents (23.08%) blamed lack of training as a barrier to enhanced use of modern tools.

Most surveyed respondents recognized that they were getting low prices for poor or low quality of their products. The major reasons for this, according to them, were low quality input (low quality timber wood, unseasoned wood, poor or no anti-weevil treatment), minimal use of equipment, lack of designs, poor knowledge about color development or finishing/coating, lack of skilled workers, lack of knowhow regarding joinery. Another cause for failing to produce high quality products may be because they require high level skills for particular types of products. Additionally most manufacturers follow a production oriented management strategy rather than looking at the sector as a lifestyle-oriented customer driven sector. Hence with their primary focus on production, most manufacturers fail to grasp evolving customer preference and demands. In terms of lead-time (the period between order placing and delivery), the average (for average order size) was found to be increasing with company size. While this

**Table 4:** Use of equipment by enterprises<sup>5</sup>

Type of firms	Drill Machine	Jointer	Moulder	Circular Saw	Router	Zig Saw	Lacquer Sprayer	Planner	Thicknesser	Table Saw	Sanding Machine	Panel Saw	All Others
Micro	1.08	0.18	0.08	0.13	0.20	0.10	0.05	0.10	0.00	0.05	0.05	0.03	0.05
SSM	2.11	0.44	0.36	0.58	0.61	0.39	0.42	0.39	0.11	0.39	0.39	0.06	0.08
MSM2	3.14	0.43	0.86	0.43	1.14	0.57	0.29	0.71	0.43	0.57	0.29	0.14	1.14
MSM1	4.50	1.75	1.25	1.75	2.00	2.50	7.75	0.50	1.25	0.75	2.75	0.75	1.75
Large	12.75	1.50	2.00	3.00	7.75	3.25	4.75	2.00	2.25	3.25	7.25	1.75	5.00

may seem contrary to expectations, one has to take into account that larger companies usually get bulk orders and hence it takes them longer to deliver than SSM category firms. Also larger companies take more time when processing customized orders and usually discourage such behavior among customers, even though this is greatly ingrained among our customer psyche. The Table 5 gives an overall lead time scenario across categories of firm.

Most manufacturers agreed that lack of skilled workers and minimal use of machines were primarily responsible for stretched lead time apart from electricity problems and lack of supply of proper inputs. Around 60% of respondents suggested that these were also the reason for low quality of finished output. Thus availability of quality inputs, skilled workforce, and increased usage of power tools can significantly impact not only productive efficiency, but also quality of the product.

One of the major inputs in the furniture production process is labor. The industry is characterized by high degree of labor mobility. Workers often move upward from MSM2 to MSM1 and from MSM1 to large category firms. This movement is driven primarily by search for better wages and better working conditions. Typically a worker will move into the same position in a bigger company. Conversely, there is also a downward movement of mainly more skilled (assistant) operators and carpenters with exposure to new techniques from Large to MSM1 and MSM 2 category firms. These workers are typically promoted into higher positions within the small category companies (Bekkers 2009).

This movement provides a pathway out of poverty for most workers. However small and micro enterprises are disconnected from this labor movement. Thus workers in such small enterprises are usually stuck and cannot acquire the necessary skills to upgrade themselves. Hence increased usage of machinery and standardized production processes may benefit workers in the long run, as it will give them transferable and tradable skill sets. Most large, MSM 1 and 2 category firms have subcontracting arrangement with small manufacturers. This is a common practice and is even prevalent in the export oriented furniture industry of Indonesia. In line with this reality, aspirations of workers in smaller firms are not to move into

bigger firms, but to set up their own mobile work units or workshop.

Bekkers (2009) identifies carving as the most demanding section in the production process. Carving is about drawing intricate designs on wood and the workers usually learn as apprentices, taking over 6 years to become master carvers. With increasing focus on mechanization and sleek designs, the traditional carving industry in Bangladesh is rapidly becoming obsolete. Then there are the traditional carpenters who require less skill than carvers. With increasing usage of machinery and a move towards more production orientation, carpentry based furniture enterprises are losing ground. In the current scenario, workers include machine operators, helpers, lacquer painters, etc. with comparatively specialized skill sets. However, there remains a significant dearth of skilled manpower and enterprises rarely wish to invest in training as, due to stiff competition, other companies usually poach on such workers. Thus the industry is caught in a low level equilibrium trap with everybody demanding skilled workers but nobody investing in skill improvement training.

The average salary received by a worker is a little over BDT 4,600 per month. Unskilled workers' (newly recruited workers/helpers) salary is around BDT 1,800 per month. Senior and highly skilled workers/carpenters often known as Head Mistri earn BDT 8,000 to 30,000 per month. Majority of the enterprises provide a single bonus per year, which is on average 35% of the salary. More than one third of micro and small enterprises do not give any bonuses; they just give some *Bakshis* before Eid festival. No provision of participatory provident fund (PF) could be found in the enterprises. On average, the holidays are about 71 days in a year, including Fridays, festivals and national holidays. Apart from few large companies, most factories have very little HR expertise and thus employee motivation and efficiency is rarely addressed. In addition, average working hours was found to be around 10.5 hours per day and average overtime of 2.51 hours per day. Most companies also don't focus on health and safety issues related to furniture production. Thus it comes as no surprise that average absenteeism is around 19%, while labor turnover was 37%. In relation to output, it is difficult to

**Table 5:** Lead time across firms (days)

Micro	Small	MSM2	MSM1	Large
12	16	16	21	31

gather data on sales and profit margins as companies are often reluctant to share such sensitive information. Hence survey results were supplanted with key informative interviews in order to get a reliable picture. Sales growth over the last 3–4 years has been modest and has hovered around 10% annually. Average annual sales and profit margin per enterprise according to different categories are given in Table 6.

While the aforesaid information has to be taken with a grain salt because of the variation in data, it is evident that firms in this industry enjoy economies of scale with both profit and sales increasing with size. But this implies that firms will face strong entry barriers and only when they expand will they enjoy higher sales and profits. Although having 25% gross profit margin with an annual turnover of 5 million BDT is significant, one can see the potentially important role that low interest rate SME loan financing can play in this industry by encouraging small enterprises to invest more and becoming more profitable. The Table 7 shows the average annual investment (Capital Investment and Working Capital), of which working capital investment forms the larger part (63% to 91%) depending on the category of enterprises.

Fixed investments entail annual new investment for machine/tools, land/building expansion, utility connection cost, other development cost, and/or annual fixed rent, etc. As can be seen, working capital is a major component of the furniture industry and thus high cost of capital can significantly affect the operation of the sector. All micro, most of the small, and a few MSM2 units reported that they face difficulties in managing working capital financing from commercial banks and often have to resort to less secure credits from friends and family members.

In terms of customer segments, households form the overwhelmingly largest segment accounting for more than 78% of products sold. Offices, shops, schools, factories, apartment builders and other entities (except households) together purchase the rest. More than 80% of the goods purchased by various entities/organizations (other than households) are sold through furniture wholesale traders/suppliers or middlemen. Larger enterprises also have large institutional buyers and some like Otobi and Navana have niche segments like the medical furniture market. With increasing competition, driving down prices in the household market, large furniture manufacturers are now increasingly focusing on institutional buyers like ho-

tels, offices, real estate developer companies, etc. Additionally there may be scope for working with the growing export-oriented shipbuilding export industry in the country by providing furniture for ships that are being built in the country. In the following section, we will use the market system approach to analyze the furniture market in Bangladesh.

## 5 Understanding the Furniture Market System

The market system approach, or as it commonly referred to as ‘Making Market work for the Poor’ (M4P) framework, draws on learning from other areas like Value Chain Analysis, Business Development Service Framework, New Institutional Economics and others. The central idea is that the economically deprived individuals are dependent on market systems for their livelihoods. Hence transforming these market systems, so that they work more effectively and sustainably, will consequently improve the livelihoods of the economically deprived, ipso facto reducing poverty (M4P 2008). The framework has been actively applied across various regions of the world by donor agencies like DFID, SDC, SIDA, AusAID and others. They have launched numerous M4P projects around the world; Katalyst is one of the longest running and among the most successful M4P project in the world and is considered by DFID to be a flagship program (DFID 2012).

The market system approach has been found to be helpful in identifying underlying constraints in sectors, and in developing market driven solutions which can stimulate systemic change rather than distorting the market. In this paper, we analyzed the furniture market of Bangladesh from a market system point of view and offered solutions or recommendations which are sustainable and systemic in nature. Too often there has been a failure to position businesses in a market context. In most cases we have asked “what problems do businesses or sectors have and how can we solve them?” rather than the more relevant and systemic questions: “why isn’t the market environment providing solutions?” and “How can one deal with these underlying constraints that prevent it from effectively doing so?” (M4P 2008). M4P strives to achieve systemic changes, which means when donor driven support is withdrawn, there are market players who can con-

**Table 6:** Enterprise profit and sales

	Micro	Small	MSM2	MSM1	Large
Annual Sales Turnover (Million BDT)	1.88	5.12	8.57	19.35	104.10
Annual Net Profit (in %)	10%	12%	14%	15%	16%
Annual Gross Operational Profit (in %)	21%	25%	30%	33%	39%

**Table 7:** Average annual investment per enterprise (BDT)

Type of Investment	Micro	Small	MSM2	MSM1	Large
Fixed	203,959	312,278	475,833	2,012,500	3,977,000
Working (Revolving)	339,000	837,500	1,516,667	13,625,000	37,900,000
Total Investment (Fixed+Working)	540,109	1,141,444	1,992,500	15,637,500	41,877,000
Percent of Fixed investment	38%	27%	24%	13%	9%
Percent of Working Capital	62%	73%	76%	87%	91%

tinue to evolve and grow the change inspired, resulting in a sustainable inclusive market system that continues to benefit the poor at scale.

Thus a M4P project addresses symptoms of market failure by addressing the root constraint that lies in the market system. The following diagram provides a stylized view of a generic market system. There are three main elements to a market system — core, rules and supporting functions.

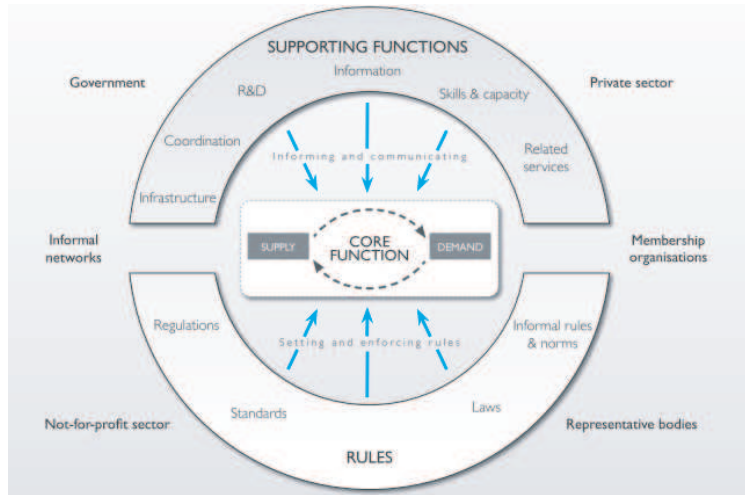
In practice, one can view all market systems through the aforesaid lens (Figure 2) consisting of different sets of functions and players. The *core* is where the transaction or exchange between supply side and demand side takes place. This could be furniture seller and buyer, if we are looking at the primary furniture market system. However markets are invariably interconnected and therefore cause of one market's weak performance frequently lies in related markets. Thus there could be a labor market system where the core comprises of individual laborers as suppliers and furniture manufacturers as buyers of this factor of production. Rules act to shape market outcomes and govern participation and behavior in markets. They can be either formal rules (policy, statutes, standards) or more informal in nature like tradition, norms, cultural values, etc. *Supporting functions* are essentially requisite for the sustenance growth and better functioning of core exchange. For example, in the core furniture market of furniture buyers and sellers, supporting functions may entail trade promotional services for sellers, engineering consultancy services for manufacturers, consumer rights related information for buyers, etc.

As discussed in the previous section, the furniture industry in Bangladesh, despite its significant pro-poor growth potential, is inefficient in nature and faces a myr-

riad of constraints. Some of the major constraints are low usage of machinery, lack of knowledge in regards to new designs and techniques, unskilled workforce, lack of finance, improper utilization of space and industrial layout. These constraints are more symptomatic in nature and are results of underlying market constraints. The Table 8 gives a snapshot of key symptoms and their major underlying constraints.

As mentioned before markets are interconnected and most often constraints in secondary markets result in inefficiency in the primary market. Thus a low skilled workforce is a result of market failure in the training system market. There are very few formal training providers in the furniture industry. Currently there are eight private institutes, providing skill development training on wood-working, The Bangladesh Sweden Polytechnic Institute in Kaptai being the best one in the field. Most vocational institutes under Bangladesh Technical Education Board (BTEB) do not offer such courses, and even if they do, few trainees take them up as they rarely advance in their careers. The critical role that vocational training institutes can play cannot be underestimated. Furniture is an over \$2 billion export-oriented industry in Indonesia. There the long standing GIZ funded PIKA Semarang, an autonomous vocational institute, has played a crucial role in being a trend setter among training institutes resulting in wide availability of trained workers. Figure 3 is a snapshot of the interconnected or supporting markets where the key constraints lie.

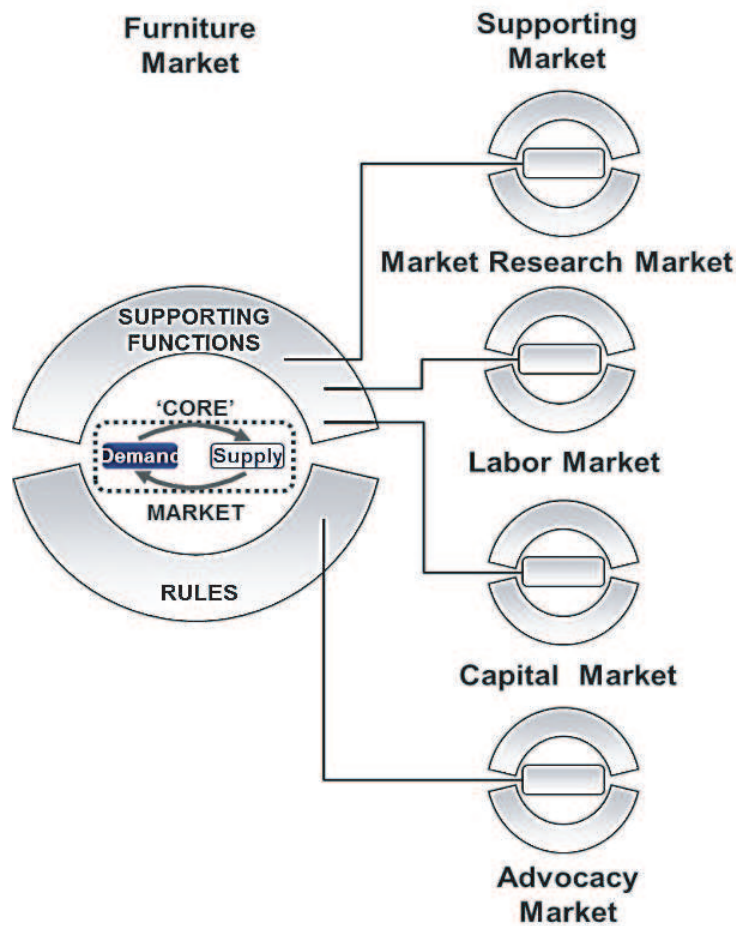
Lack of private sector friendly policy has been an impediment for many industries. The solution that often has been sought is to correct the policy; however this is myopic in nature. For any industry to thrive in this era of globalization, it has to cooperate with its government.



**Figure 2:** A schematic diagram of a market system<sup>6</sup>

**Table 8:** Symptoms and constraints

Symptoms	Initial Cause	Underlying Constraints
Low level of productive efficiency	Limited usage of machinery	Lack of knowledge regarding machine usage High cost of capital discourages investments Unskilled workforce cannot operate new machineries
	Sub optimal production layout	Absence of commercial engineering consultancy service
	Unskilled workforce	Lack of marketable and relevant training programs
	Unfavorable import tariff structure	Lack of capacity for advocacy by association
Low customer responsiveness	High cost of finance	Inability and lack of understanding of the sector by commercial banks
	Limited application of market research and trade promotional activity	Lack of linkages between marketing companies and furniture industries
Poor design	Limited understanding of customer preference	Lack of linkages between marketing companies and furniture industries



**Figure 3:** Key interconnected markets

Thus a key success factor is a well-organized and resilient association which represents its members and can advocate to the government on a regular basis. Apart from the local example of associations like BGMEA in RMG and BPGMEA in plastic, we can also cite Indonesia where the Association of Indonesian Furniture Industry and Handicraft (ASMINDO) works as the backbone of furniture export. Due to heavy dependence on imported raw materials (30 types including timber), the Total Tax Incidence (TTI) ranges from 29–91%, and thus price of locally produced furniture becomes higher than imported ones. Furniture is considered a cottage industry, but it does not receive any policy support under that category of industry. The sector is also not defined as an industry; hence it is not regulated under the National Industrial Policy and thus it is deprived from regulatory support and assistance. In some cases, the Forest Department stops the movement of finished furniture and asks for the transit pass for the wood which has been used to make that furniture, but this is absurd since they are not the collector of woods. Since government

has identified furniture as a thrust sector, it can take up a lead role in formulating better policies and mitigating these constraints.

Customer responsiveness is the core support function and requires not only understanding, but also responding to evolving customer preferences. In Bangladesh, the fast moving consumer good (FMCG) market is very well developed with multiple multinational companies operating nationwide. As such, market research related companies are numerous in number and similarly there is a plethora of activation companies who can launch and organize events. Unfortunately apart from the large furniture companies, very few are utilizing such expertise and as such find themselves out of sync with customer wants and needs. Similarly the market research and promotional companies have yet to target furniture manufacturers as a viable market for selling their expertise. This disconnect is causing serious impediment for the growth of the sector. Based on this discussion, the following section will discuss some possible solution and offer recommendations.

## 6 Recommendations

Based on the survey findings and by using the market system lens to analyze the constraints in the sector, the following recommendations are offered.

### 6.1 Introduction of Furniture Relevant Courses

Capacity of existing training institutions (Vocational institutes under BTEB) should be improved so that they can supply skilled furniture workers. New curriculum should be developed by BTEB, an apex educational body, in collaboration with BAFIOA to ensure skills acquired by the trainees are applicable in the market. Diploma courses or regular courses may be launched in engineering universities targeting furniture and woodworking industries. This may be particularly suitable for regional engineering universities, like Rajshahi University of Engineering & Technology (RUET) or Shahjalal University of Science & Technology (SUST), which have students with greater professional career plans than academic plans. Such universities can also play a role by promoting internship programs in furniture industries. Both BAFIOA and BTEB have to closely collaborate to ensure that linkages are established between the training institutes and furniture firms. Some of the specific recommendations particularly pertaining to policy issues are listed here.

### 6.2 Improving Capacity of BAFIOA for Advocacy

There needs to be a constant engagement with the government of Bangladesh. BAFIOA has to be proactive in nature and has to coordinate with relevant government institutions (NBR, EPB, Ministry of Industries, etc.) to bring about positive policy level changes. It should work with Bangladesh Small and Cottage Industries Corporation (BSCIC) to get land for its industries within BSCIC areas; for instance, in Bogra while there is a large BSCIC area, the furniture cluster lies completely outside it and therefore does not get any of the benefits accrued to enterprises located inside that area. Given rising real estate prices, having a furniture park can be a significant boon to the industry as a whole. Other policy level issues have been mentioned, which the government and BAFIOA have to jointly work and resolve.

### 6.3 Access to Finance

As mentioned before, access to finance is a critical constraint in the furniture industry. Lack of working capital limits growth of smaller furniture companies and also limits their capacity to invest in machinery, thus curtailing their productivity. Since the industry enjoys increasing returns to scale, companies become more sustainable

and profitable when they grow. Currently the commercial banks are reluctant to make loans to such enterprises, as they have limited experience in assessing and dealing with small and medium size furniture manufacturers. Furthermore, the prevalent cost of capital is too high for small and medium category furniture manufacturers, as such government may promote disbursement of SME loans which are mandated by Bangladesh Bank and have much lower interest rate. Once companies invest in machinery and expand their production base, they can then target the commercial loans. Here collaboration between BAFIOA and Bangladesh Bank can significantly facilitate the process; however, for this to work BAFIOA has to engage Bangladesh Bank proactively. For instance, associations of garments and knitwear manufactures, BGMEA and BKMEA, have jointly organized meetings with Bangladesh Banks and other commercial banks in order to discuss banking complexities pertaining to their industries (BKMEA 2013).

### 6.4 Training by Suppliers

The input suppliers of the furniture industry, such as power tools importers or distributors, Medium Density Fiber Board importers, lacquer suppliers and market research companies, should move beyond sales oriented marketing strategy and become more 'customer' responsive. They should actively engage the furniture enterprises and develop customer loyalty. One of the key reasons why mechanization is low is that manufacturers are not aware of what kind of machinery they require and how to operate them. It is the role of the machinery importers to actively train their staff who can then demonstrate the efficacy of such tools and interact with these entrepreneurs. They should organize field demonstrations of machineries in different furniture clusters and also use testimonials of manufactures that have benefited from using such machineries. Similarly marketing consultancy firms should approach these organizations with products like consumer surveys or marketing strategy specifically tailored towards individual firms. While these services may initially be bought by large firms, the linkage needs to be established between the two industries and only gradually will the service market deepen and service demanded by smaller and medium category firms grow.

The furniture sector is a promising sector for the future of Bangladesh and can one day be another RMG sector in Bangladesh. However for this goal to materialize, it requires the constructive and active role of the government and BAFIOA. As long as these two institutions remain locked in their comfort zones, the sector will take a much longer route and time to develop. Given that we have an increasing urban surplus labor and the recent growing negative image of our RMG industries in the global



arena, it is critical that we try to ensure that sectors like furniture, with high absorption capacity of low skill labor, grow and expand quickly so as to diversify our export and manufacturing base.

## Endnotes

1. National Board of Revenue, 2011.
2. National Board of Revenue, 2011.
3. According to Katalyst (2012), the total number of sawmills in the country is more than 1500 enterprises.
4. For greater details on extensive work by Katalyst in the sector, please visit [www.katalyst.com.bd](http://www.katalyst.com.bd).
5. The table refers to Equipment/Furniture Tools used Per Surveyed Unit.
6. Source: M4P (2008).

## Acknowledgement

The article is written on a personal level and views expressed are strictly those of the authors. The authors also wish to acknowledge the significant amount of information that they received from Katalyst Swisscontact.

## References

- Ahmed, N. (2001), Trade Liberalisation in Bangladesh: An Investigation into Trends, The University Press Limited, Dhaka.
- Ahmed, N., Bakht, Z. and Yunus, M. (2011), Size Structure of Manufacturing Industry and Implications for Growth and Poverty, Bangladesh Country Paper, BIDS.
- BBS (2007), 'Business Registry', Bangladesh Bureau of Statistics (BBS).
- Bekkers, H. (2009), Labour mobility in the furniture sector in Dhaka, Katalyst Working Paper.
- Bilkis, S. (2013), 'Shipbuilding industry can earn more for Bangladesh', The Financial Express. Retrieved from: <http://www.thefinancialexpress-bd.com/index.php?ref=MjBfMDJfMTdfMTNfMV82XzE2MDQzMjQ>.
- BKMEA (2013), 'Meeting on Loan Rescheduling and Other Banking Complexities', Web. Retrieved from: <http://www.bkmea.com/newlistshow/1/10>.
- DFID (2012), 'Annual Project Review', Web. Retrieved from: <https://www.projects.dfid.gov.uk/IATI/document/3544627?>
- EPB (2010), 'Export Promotion Bureau', Furniture Sector Base Paper. Supported by Katalyst.
- Hossain, I. (2013), Furniture exports on steady growth, Dhaka Tribune. Retrieved from: <http://www.dhakatribune.com/commerce/2013/jul/18/furniture-exports-steady-growth>.
- INSPIRED (2013), Furniture Sector Includes Value Chain Analysis and Proposed Action Plans, Technical Assistance to Stimulate Applications for the SME Competitiveness Grant Scheme, Technical report, European Union.
- Kapsos, S. (2005), The employment intensity of growth: Trends and macro-economic determinants, Employment Strategy Paper No. 12/2005, Employment Strategy Department, ILO, Geneva.
- Katalyst (2012), 'Furniture Comprehensive Sector Strategy', Katalyst Swisscontact.
- Khan, A. R. (2001), Employment Policies for Poverty Reduction, IEPDP 1, ILO, Geneva.
- Khan, A. R. (2005), Growth, Employment and Poverty: An Analysis of the Vital Nexus based on Some Recent UNDP and ILO/SIDA Studies, in 'Issues in Employment and Poverty, Employment Strategy Department, International Labour Office', number 19 in 'Discussion Paper'.
- Khan, N. A. (2011), Baseline Survey of Furniture Industry in Bangladesh, Katalyst Swisscontact.
- M4P (2008), 'Synthesis Paper', A publication financed by the UK Department for International Development (DFID) and the Swiss Agency for Development and Cooperation (SDC).
- Mamun, K. A. and Nath, H. K. (2005), 'Export-led Growth in Bangladesh: A Time Series Analysis', *Applied Economics Letters* **12**, 361–364.
- Osmani, S. (2005), Defining pro-poor growth, Technical report, International Poverty Centre, UNDP. November 9.
- Rahman, R. I. and Islam, K. M. N. (2003), Employment Poverty Linkages: Bangladesh, IEPDP 10, ILO, Geneva.
- Rashid, M. A. (2000), Impact of Trade Policy Reforms on Industrial Capacity and Employment in Bangladesh, Technical report, Structural Adjustment Participatory Review Initiative (SAPRI), Dhaka.
- Roda, J., Philippe, C., Philippe, G., Levanina, S. and Achmad, U. F. (2007), Atlas of Wooden Furniture Industry in Jepara, Indonesia, Technical report, French Agricultural Research Centre for International Development.

- Uddin, G. S. and Ahmed, H. A. (2009), 'Export, Imports, Remittance and Growth in Bangladesh: An Empirical Analysis', *Trade and Development Review* 2(2), 79–92.
- Whelan, M. and Maklari, S. (2002), 'US Residential Furniture, Have a Seat: The Essentials of Residential Furniture Investment', Web. Retrieved : [www.ubswarburg.com/researchweb](http://www.ubswarburg.com/researchweb).
- World Bank (2005), Pro-Poor Growth, in '1990s Lessons and Insights from 14 Countries', Agence Française de Développement, Bundesministerium für Wirtschaftliche Zusammenarbeit und Entwicklung U.K., Department for International Development, The World Bank Operationalizing Pro-Poor Growth Research Program.

---

# CALL FOR PAPERS AND SUBSCRIPTIONS

---

## CALL FOR PAPERS

The Journal of Bangladesh Studies (JBS) is inviting academics, experts, and practitioners in various fields to send scholarly papers pertaining to Bangladesh for possible publication. JBS is a peer-reviewed journal and is registered with the National Serials Data Program, Library of Congress (ISSN No. 1529-0905), USA. It is also available at Berkeley, Cambridge, Columbia, Cornell, Illinois, NYU, Princeton, Rice and others institutions of distinction. Recently JBS was released in Bangladesh with the goal of reaching the various academic institutions and research centers.

Articles are encouraged from the fields of anthropology, agriculture, basic sciences, economics, education, engineering, international relations, management, political science, psychology, sociology, and related areas. We seek this diversity of perspective because comprehensive development depends on a broad foundation of knowledge. Broadly, the articles should address Bangladeshs development problems and prospects from a theoretical or analytical perspective prevalent in academic disciplines. Authors are encouraged to prescribe actions and measures that are meaningful, practicable, and amenable to the sector(s) or issues they address. Articles must also be comprehensible to a wide audience. Thus, while technical merit of an article is important, it is even more important that authors are able to communicate lucidly with a variety of readers who may not have the technical sophistication to understand the esoteric methodology of a particular field. In addition, while the articles must be grounded in theory, analysis, and refer-

enced work, they must also communicate outside the specific disciplines of the authors without being perceived as popular, journalistic writing. The articles must be written in APA style provided at the following link: <http://www.library.cornell.edu/resrch/citmanage/apa>.

Both short communications and full-length articles may be submitted. Analysis of recent developments, short reviews of newly published books or research articles, and comments on specific issues are treated as short communications, which should be limited to about 2,000 words. A full-length article, in about 20 double-spaced and typed pages, should provide a reasonable review of the literature and clearly articulate the nature of the problem or issue it addresses as its focus. JBS also invites critiques of published articles to foster debate and discussion. Critiques may be published on the basis of space availability and the advice of the editorial board. Critiques must be about two JBS pages and must be written in a positive demeanor to foster healthy discussion. JBS will attempt to obtain responses from the authors whose articles are critiqued. Please send your manuscripts to:

Dr. Syed Saad Andaleeb  
Editor JBS and Distinguished Professor  
Sam & Irene Black School of Business  
The Pennsylvania State University, Erie  
Jordan Road, Erie, PA. 16563-1400  
Fax: (814)-898-6223  
Email: [jbstudies@gmail.com](mailto:jbstudies@gmail.com)

## NOTE TO CONTRIBUTORS

Journal of Bangladesh Studies (JBS) is a peer-reviewed publication of Bangladesh Development Initiative (BDI). The purpose of the journal is to promote the development of Bangladesh.

JBS is directed at individuals who are interested in development issues. Thus, it should be of interest to a wide audience including academics, students, researchers, policy-makers, administrators, practitioners, donors and

their agents, and others interested in Bangladesh and its pursuit of development.

Articles are solicited from a variety of fields including agriculture, anthropology, basic sciences, business, economics, education, engineering, management, political science, psychology, sociology, and related fields. This diversity of perspective is sought by JBS because comprehensive development requires a broad foundation

of knowledge. The articles should, therefore, address Bangladesh's development problems and prospects from a theoretical or analytical perspective prevalent in academic disciplines. Authors are also encouraged to prescribe measures that are meaningful, practical, and amenable to the sectors or issues they address. In addition, while the articles must be grounded in theory, analysis, and referenced work, they must also be comprehensible to an audience outside the specific disciplines of the authors without being perceived as popular, journalistic writing.

Both short communications and full-length articles may be submitted. Analysis of recent developments, short reviews of newly published books, and comments on specific issues are treated as short communications, which should be limited to about 2,000 words. A full-length article should be about 5,000 words and include a review of the literature. JBS also invites critiques or commentaries on articles published in the journal to foster debate and discussion. These may be published on the basis of space availability and the advice of the editorial board. Critiques must be about two JBS pages and must be written in a positive demeanor to ensure healthy discussion. JBS will attempt to obtain responses from the authors whose articles are critiqued. Opinions expressed in the selected articles, commentaries, book reviews, etc., are solely the responsi-

bility of the author(s).

Articles and references are to be written using the APA Citation Style. Endnotes are preferred to footnotes and references must be complete. The APA Citation Style Manual may be found at the following website: <http://www.library.cornell.edu/resrch/citmanage/apa>.

Authors must submit their articles first to the editor to initiate the double-blind review process. The authors' identification, affiliation, mailing address, and e-mail address should be presented only on the title page. An abstract must also be included with the article. The article must be submitted via email using MS Word.

Two regular issues of JBS will be published annually. Articles published in the JBS are not copyright protected. Articles recently published elsewhere may, on rare occasions, be republished in JBS at the authors' responsibility. The editorial board's decision regarding the acceptance of a submitted article is final. Papers should be submitted to the editor at the following address:

Syed Saad Andaleeb, Ph.D.  
Editor, Journal of Bangladesh Studies  
Fax (814)-898-6223  
E-mail: [jbstudies@gmail.com](mailto:jbstudies@gmail.com)

## SUBSCRIPTION INFORMATION

Annual subscriptions for two issues are \$15 for individuals and \$50 for institutions in the United States. From all other countries except Bangladesh, annual subscriptions are \$25 (USD) for individuals and \$50 (USD) for institutions. To reserve your copy or to renew your subscription, please contact Dr. Sukomal Modak ([Sukomal\\_Modak@yahoo.com](mailto:Sukomal_Modak@yahoo.com)) or visit [www.bdiusa.org/publications/jbs.shtml](http://www.bdiusa.org/publications/jbs.shtml) for subscription form and mailing address. Please send the completed form and a check payable to "BDI" by mail to the following address:

Sukomal Modak, Ph.D.  
3938 Stoneridge Dr., #1,  
Pleasanton, CA 94588  
Email: [Sukomal\\_Modak@yahoo.com](mailto:Sukomal_Modak@yahoo.com)

In Bangladesh, JBS may be availed by contacting the following address:

Policy Research Institute (PRI)  
Express House, Plot #16, Road 10A, Block-H  
Banani, Dhaka 1213, Bangladesh  
[www.pri-bd.org](http://www.pri-bd.org)