

An Analytical Example for Developing Countries: The More Amounts in Budgets, the More Poverty Reduction in Bangladesh

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Abstract

The study gives the grievous concerned about the national budgets in Bangladesh that have a positive effect on poverty reduction process in developing countries all over the world. Recently, Bangladesh has been performing well from the growth perspective (e.g., GDP growth rate was on average 5.8% per year during 2000-2010 by CDP, 2011). This research provides the last seven fiscal years' national budgets that are increasing in amounts in regard to public demands and national growth. The study also deals with the current status of poverty rate in Bangladesh. This shows that how fiscal policy could play vital roles in the poverty reduction process. As a result, if the National budgets are bigger in amounts, well-designed and effectively implemented in a country the poverty will be reduced gradually. Finally, based on the findings, this study a number of suggestive policy measures that the planners and implementers of fiscal policy may consider for the future development of the developing countries in the world like Bangladesh.

Keywords: Developing Country; Poverty Reduction; GDP rate; Budgets; Fiscal Policy; Per Capita Income; and Growth rate

1. Introduction

The word "Budget" is derived from the old French word "Bougette" which means purse (BNPS, 2012). A Budget is a financial plan and a list of all planned Governmental expenditures and revenues. Governmental expenditures and revenues for the ensuing fiscal year are forecasted by national budgets. As a result, the budget is the prime element in the execution of government economic policies as well as the focus on completing political interests. A government budget is a legal document that is often passed by the legislature and approved by the executive or the President (The constitution of Bangladesh, chapter II, Legislative and Financial Procedure, Article 80-92, 87- Annual Financial Statement). Budgets are covered in Bangladesh by a specific period of time that is a financial year (It starts on 1 July of a calendar year and ends on 30 June of the next calendar year). Recently, the economic condition in Bangladesh has been increased by the National income, rural development, self-reliant in food, and industrial production. This economic growth is not rapidly change because of political turmoil, poverty, and untamed of hazards and natural hazards. However, Bangladesh has been able to transform her economic growth to a modest reduction in the headcount poverty rate. Poverty reduction has been at the core point of Bangladesh's development policy by The Poverty Reduction Strategy Paper (PRSP), Sixth Five Year Plan (SFYP), and the Outline Perspective Plan for 2010-2021. This study is based on the developing countries by focusing fiscal years and/or national budgets of Bangladesh.

2. Literature Review

Recently, Fiscal policy has become a burning issue in developing countries like Bangladesh. As a result, there are some sorts of articles about budget in Bangladesh from some organizations, students, teachers, and some prominent writers. But there is no specific research about this issue which this study provides here. Partially, there are some books, journals, newspapers which could be related to this study- An Analysis of the National Budget. Allocation for the Ultra poor-by Centre for Policy Dialogue (CPD), 23 March, 2011. This study identified about the budgetary and fiscal measures which can be registered at poverty reduction, development of the ultra-poor, national growth as well as a set of proposals. Budget not Big- reported on The Daily Star, 9 June, 2012. The report claims implementation capacity has grown extraordinarily. The Budget and the Poor (2nd Impression) - written by Shamunnay, IDPAA, and Proshika (The University Press Limited, First published in 2000). Economic Growth, Poverty and Inequality Trend in Bangladesh- by Samiya Ferdousi and Wang Dehai, February, 2014. This study also indicated about the poverty trend in rural, urban and national levels, and decomposes inequality in Bangladesh. Analysis of the National Budget for FY 2009-10, 2010-11, 2011-12, 2012-13 and 2013-14- by Centre for Policy Dialogue (CPD). These series of analysis published results about the National budgets in Bangladesh by some critics and suggestive measures. National Report Bangladesh- by UNICEF, Global study on Child Poverty and Disparities, November, 2009. This analysis provides the child sensitive poverty reduction strategies and policies for Bangladesh. TK 3 Lakh Crore Budget to be placed today-theindependentbd.com, 4 June, 2015. The report identified about the national budget for Fiscal Year 2015-16 through a digital presentation. However, this manuscript is in unique in the matter of poverty reduction by Fiscal Policy and/ or Government Budget.

3. Methodology of the Study

The prime objective of this study is to identify how national budgets are contributing to reduce the poverty problem in developing countries; especially Bangladesh. The study also provides information about the GDP, GDP Growth Rate, GDP Annual Growth Rate, Per Capita Income, and Poverty Rate. This study involved the analysis of secondary data collected from different sorts of sources, analysis of published results, reports on journals and newspapers and different government agencies in Bangladesh. Basically, the collected data are based on informative way by the Ministry of Finance (MoF), Bangladesh Bureau of Statistics (BBS), Daily Newspapers, Local and National Organizations, World Bank and UNICEF, etc. The collected data were searched and reviewed on the websites of the numbers of potential journals, bulletins and reports. The collected data are presented by Statistical Package for Social Sciences (SPSS), and MS-word program.

4. Findings and Implications

4.1: Fiscal Policy and/or Government Budgets in Bangladesh:

Bangladesh is a developing country in the world people's map. From the birth of Bangladesh (16 December, 1971), she has faced an economic struggle by many natural hazards, political turmoil, poverty, over-loaded population, and traditional economy. However, Bangladesh has announced the 44th national budget by the fiscal year 2015-16, recently (The Daily Independent, 4 June, 2015). The first budget was announced by then Finance Minister on 30 June, 1972. From the First budget (30, June, 1972) to the present budget (4 June, 2015), we have seen different amounts in budgets in different fiscal years with a target GDP growth rate. For example, the national budget for fiscal year 2015-16 announced with an outlay of TK. 295,272 crore to achieve a target growth of 7.1% (MoF, 2015). Based on the announced budgets, the amounts of budgets are increasing by a target GDP, Growth rate for over-loaded population in every fiscal year. The collected data (**Table: 01 and Chart: 01**) are presented below from fiscal year 2009-10 to fiscal year 2015-16 for better understanding the study.

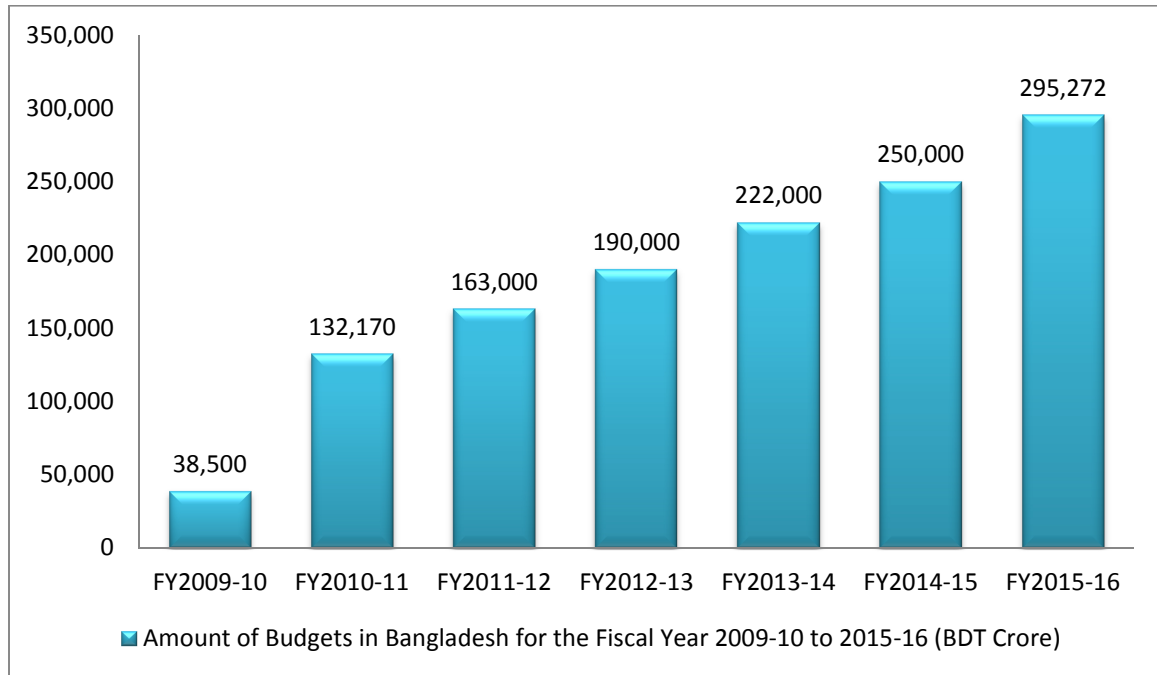
Table: 01. Several Fiscal Years Government Budgets in Bangladesh

Fiscal Years (FY)	Amounts of Budgets (BDT Crore)	Target GDP Growth Rate
FY2009-10	TK. 38500.0	6.0%
FY2010-11	TK.132170.0	6.7%
FY2011-12	TK. 163000.0	7.0%
FY2012-13	TK. 190000.0	7.2%
FY2013-14	TK.222000.0	7.2%
FY2014-15	TK.250000.0	7.3%
FY2015-16	TK.295272.0	7.1%

Source: Authors' calculation based on the official revised budget figures of The Ministry of Finance (MoF), 2015.

In the FY2009-10, the government announced a target growth rate of 6%, whereas the estimated average growth rate of GDP by 0.338% over the period of 1992-2009. The government announced TK.38, 500 crore, in the manifesto, targeted to increase GDP of 10% by the year 2017. With a target growth rate of 6.7%, the then Finance Minister proposed a net outlay of TK. 132,170 crore for the fiscal year 2010-11. In the FY2011-12, the then Finance Minister announced a net outlay of TK. 163,000 crore with a high projected economic growth rate of 7%, whereas, it will be challenging a growth rate between 6% to 6.5% with a realistic outcome. Another challenging budget prepared by the then Finance Minister, a net outlay of TK. 190,000 crore with a targeted economic growth rate of 7.2% in the FY2012-13. If we see the chart: 01, it will be clear that the amounts of budget are increasing gradually with a targeted economic growth rate in every fiscal year.

Chart: 01. Several Fiscal Years Government Budgets in Bangladesh



Source: Authors' calculation based on the official revised budget figures of The Ministry of Finance (MoF), 2015.

In the FY2013-14, the Finance Minister unveiled a TK.222, 000 crore National budget with a unrealistic economic growth rate of 7.2% against the backdrop of a lower- than the projected growth rate of 6% in the outgoing fiscal and an uncertain political environment prevailing in the country. Bangladesh also announced a net outlay of TK.250, 000 crore national budget for the fiscal year 2014-15 by setting the country's economic growth target at 7.3% for this fiscal year. Bangladesh Finance Minister AMA Muhith proposed the national budget for the fiscal year 2015-16, with an outlay of TK. 295,272 crore to achieve a target economic growth rate of 7.1% through a substantial rise in government spending. With a perspective plan for "VISION-2021", Poverty Reduction has been a core point in the Bangladesh's development policy. Already, Bangladesh has proposed the Sixth Five Year Plan (SFYP) for targeting a standard economic growth rate of 15% against the over-loaded population, political unrest and natural hazards. For this demand of economic growth rate and reducing poverty rate, Bangladesh is trying to propose more amounts of budget with a target economic growth rate for poverty reduction during fiscal years (See above Table:01 and Chart: 01).

4.2: Economic Status in Bangladesh.

According to a recent opinion poll, Bangladesh has the second most pro- capitalist population in the developing world. Between 2004 and 2014, Bangladesh averaged a GDP growth rate of 6% (Wikipedia, 2015). Bangladesh's macroeconomic performance has faced formidable problems during the 1st to 44th fiscal years. However, Bangladesh is trying to do the best in the economic perspective as a developing country in the world. The following collected information (**Table: 02**) can be cleared about the economic status in Bangladesh.

Table: 02 Economy of Bangladesh (Statistics).

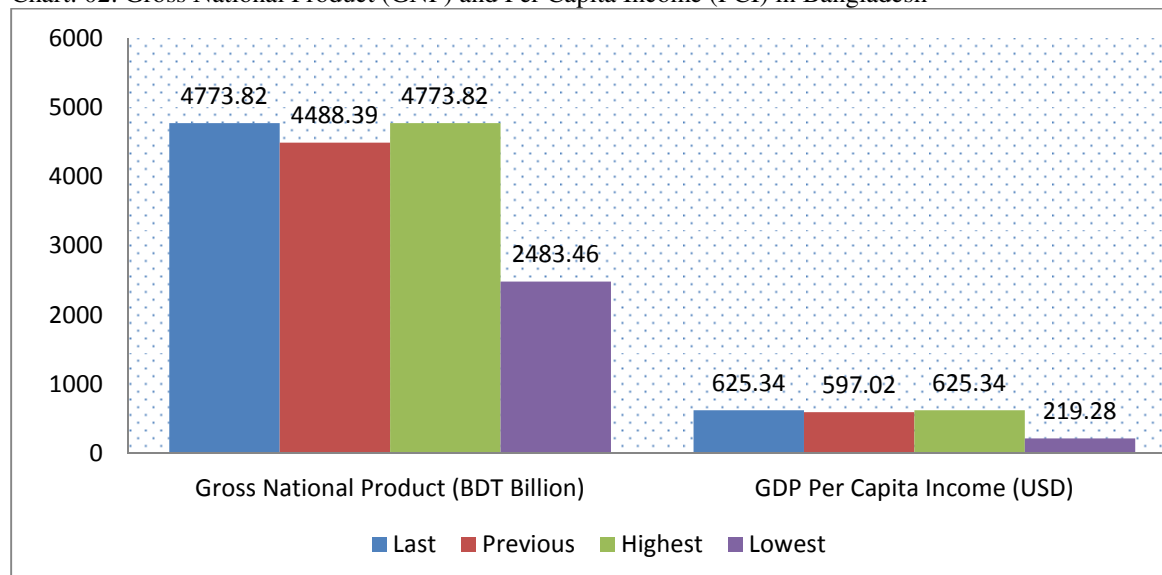
Economic Indicators	Economic Status in Bangladesh (\$USD, % Percentage)
GDP	\$655 billions (PPP), 31st, 2014 est. \$205.60 billion (nominal) 36th; 2015 est.
GDP Rank	31st (PPP) / 36th (nominal)
GDP Growth	6.51% (2014-15 est.)
GDP Per Capita	\$3,019 (PPP); (2014 est.) \$1,314 (nominal; 2015)
Inflation (CPI)	6.2% (2012)
Poverty Below Line	24% (2014)
Unemployment	4.5% (2013 est.)
Exports	\$30.1 billion (FY2013-14)
Imports	\$29.37 billion (FY2013-14)
Public Debt	22.8% of GDP (2013 est.)
Revenues	\$14.67 billion (2013.)
Expenses	\$22.15 billion (2013.)
Foreign Reserves	\$22.327 billion (Jul 2014)
Gross External Debts	\$36.21 billion (31 December 2012 est.)

Main Source: CIA World Fact Book| all values, unless otherwise stated, are in US dollars.

The collected information (Table: 02) indicated that the economic status of Bangladesh is increasing as an over-loaded populated country in the world economy. As a result, there are many constraints towards economic development in Bangladesh. Some of them are given below:

- Poor Governance.
- Inadequate infrastructure; especially powers and ports.
- Export competitiveness- boost competitiveness of domestic firms.
- Imbalanced Urbanization.
- The range of financial services is quite rudimentary.
- Gender discrimination, etc.

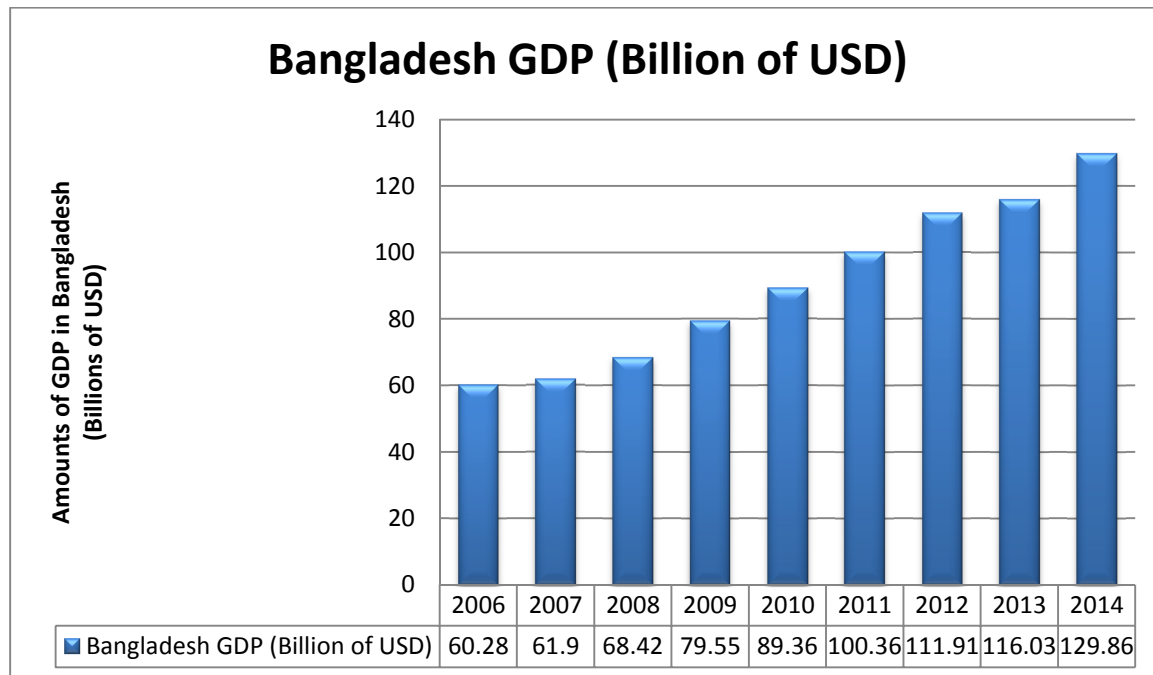
Chart: 02. Gross National Product (GNP) and Per Capita Income (PCI) in Bangladesh



Source: Authors' calculation from the collected data www.tradingeconomics.com|World Bank, 2015.

However, with a hope of hitting economic goals, Bangladesh is achieved GNP and Per Capita Income as a rising indicator during the previous fiscal years. The collected data (Chart: 02) indicated that the lowest Gross National Product (GNP) was TK.2483.46 billion, whereas the lowest GDP Per Capita Income was USD \$219.28. The last and highest GNP is TK.4773.82 billion, whereas the last and highest GDP Per Capita Income is USD \$625.34. However, with a hope of hitting economic goals, Bangladesh is achieved GNP and Per Capita Income as a rising indicator during the previous fiscal years. The collected data (Chart: 02) indicated that the lowest Gross National Product (GNP) was TK.2483.46 billion, whereas the lowest GDP Per Capita Income was USD \$219.28. The last and highest GNP is TK.4773.82 billion, whereas the last and highest GDP Per Capita Income is USD \$625.34.

Chart: 03. Gross Domestic Product (GDP) in Bangladesh.



Source: Authors' calculation from the collected data www.tradingeconomics.com World Bank, 2015.

In every Fiscal year, GDP is increasing minimally by its Ready-made Garments (RMGs) Industries, Agriculture, and Remittance by Labor force in the economy of Bangladesh. From 2010 to 2014, Bangladesh's GDP increased by \$129.86 billion. With a hop, Bangladesh is trying to hit her economic goals by targeting values of economic indicators. The Government of Bangladesh has also emphasized the development of ICTs by software services and the hi-tech industries under the 'Digital Bangladesh' scheme. While achieving Bangladesh its macroeconomic stability, she is facing basically two fold of challenges:

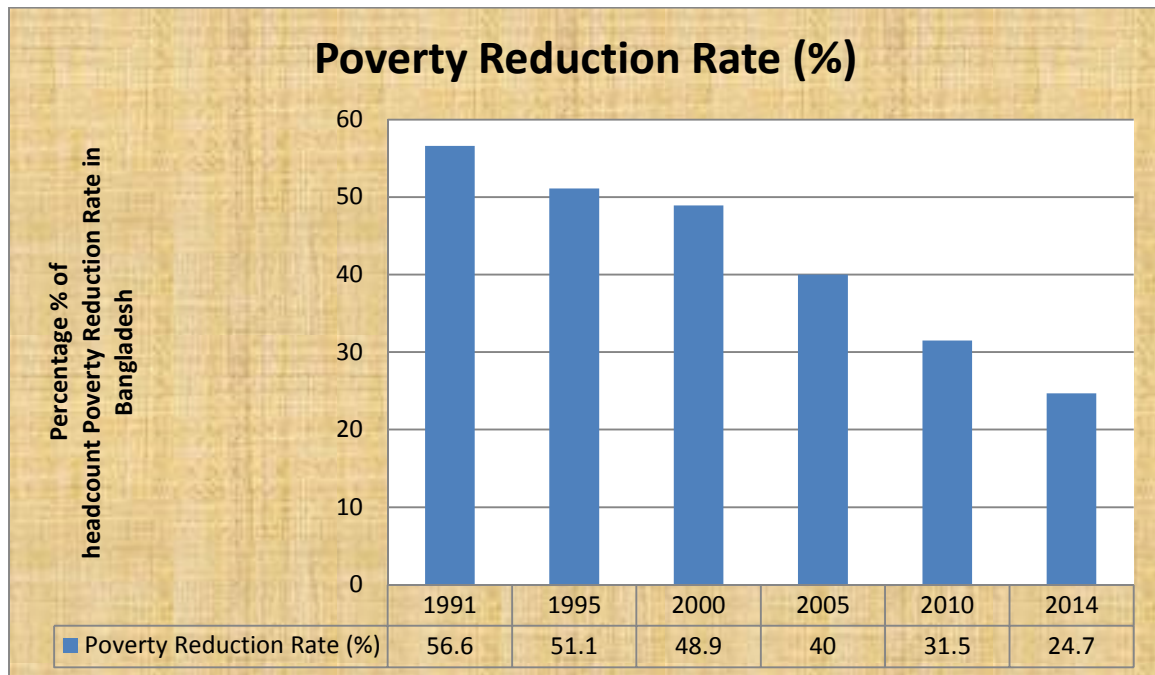
- How to ensure the sustainability of growth rate 6.5%-7% over the long term.
- How to raise the GDP growth rate of 10%-15% range, which is identifiable to meet the government's poverty reduction goal.

As a closed economic country in the world, Bangladesh followed a socialist economy by nationalizing all industries after its independence; it suffered a slow growth of producing experienced entrepreneurs, administrators, managers, engineers, doctors, scientists, and technicians. At present, the government seems to believe some change is essential to exist in the competitive world market economy. Aftermath, Bangladesh has made significant strides in its economic sector's performance since independence in 1971.

4.3: Poverty Reduction in Bangladesh:

Unfortunately, the real annual GDP growth, averaging around 6% between the 2004 and 2014 (Wikipedia). It has not been sufficient to meet much of a dent in the poverty that pervades Bangladesh. It cannot escape from the fact of poverty through Bangladesh has a huge population of 14.23 crore (BBS, 2010). As a result, Poverty is the single most core points in the socioeconomic problem of Bangladesh.

Chart: 04. Poverty Reduction Rate in Bangladesh



Source: Authors' calculation from the collected information of the HIESs of Bangladesh Bureau of Statistics, 2014.

In recent years, Bangladesh has made the dramatic change in reducing poverty. The present government aims at reducing poverty rate at 22% and 15% by 2015 and 2021 respectively. Aftermath, Poverty reduction rate came down to 51.1% in 1995, from 56.6% in 1991 (**Chart: 04**). Under the Millennium Development Goals (MDGs), the government is determined to come down poverty rate as soon as possible by increasing the budget amounts in this issue. The poverty reduction rate also reduced to 40% in 2005, from 48.9% in 2000. The poverty reduction rate also came down to 26.4% in 2013, from 31.5% in 2010 (The Daily Star, 8 June, 2014). In the year of 2014, the poverty reduction rate came down at 24.7% because of expansion of industrial and service sectors by increasing the amount of Budgets. The rate of decline was 1.70 percentage points a year (The Daily Star, 8 June, 2014). According to Household Income and Expenditure survey (2010), Poverty fell 1.8% points annually between 2000 and 2005, and 1.70% points annually between 2005 and 2010.

The rates of poverty and extreme poverty went down to 26.4% and 11.9% in 2013, from 33.4% and 19.3% in 2009 (MoF, 2014). There is also the continuing decline of the number of poor people from nearly 63 million in 2000, 55 million in 2005, and then 47 million in 2010 (MoF, 2014). Economists and analysts said the rate of poverty reduction is not enough to pull the country out of poverty in the near future through on Bangladesh is on track to meet the Millennium Development Goals (MDGs). However, the rate of poverty reduction is reducing with the rising amount of budgets in every fiscal year in Bangladesh.

5. Suggestive Measures and Concluding Remarks

The study attempted to mark the development of economy in Bangladesh by analyzing the amount of budgets as well as poverty reduction rate status during fiscal years. The announcement of budgets, with big amount which refers to the economic growth rate and poverty reduction rate in Bangladesh. After analyzing, the study indicated that the economic status in Bangladesh is rising gradually with big amount of budgets. For this reason, Bangladesh is being tagged globally as “the land of impossible attainments” for poverty and extreme poverty reduction. The country has already achieved the targets meant for a hunger and poverty free society under the Millennium Development Goals (MDGs). The success in poverty reduction has been well acclaimed by the international community (Bangladesh Awami league Official Site, 24 June, 2014). It can be said that the more amount in budgets, the more poverty reduction in the perspective of socioeconomic development during the fiscal years in Bangladesh. For continuing this achievement, Bangladesh needs to focus the following measures:

- Setting the target people, especially the poor and ultra-poor with special allowances.
- Enhancing the capacity of technicians, rural entrepreneurs, and women for future policy.
- Providing more micro-credits programs for self-employment in the poor people.
- Improving the technological sectors for the industrial sectors, especially in RMGs sector.
- Providing food assistance at a nominal cost for food security for hardcore poor in the slums and rural areas.
- Maintaining the VAT rate for the poor consumer people.

- Finally, announcing the more big amounts of budget with a target economic growth rate to reduce poverty continuously.

Most of the poor and ultra-poor people live in Africa, Latin America and Asian countries in the world economy map. In these developing countries can reduce their poverty rate by a big amount of budgets with setting economic growth rate like Bangladesh. As a result, it can be analyzed that the poverty reduction rate is reduced by announcing the big amounts in budget in every fiscal year of Bangladesh.

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