Prescribed Text Book on Economics for Classes IX-X introduced from 1996 in original version (Bangla) by the National Curriculum and Text Book Board, Dhaka.

SECONDARY ECONOMICS

[For classes IX & X]

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Preface

Education is the key to development. A progressively improved education system largely determines the pace and the quality or national development. To reflect the hopes and aspirations or the people and the socio-economic and cultural reality in the context of the post independent Bangladesh, new textbooks were introduced in the beginning of the 1980s following the recommendations of the National Curriculum and Textbook Committee.

In 1994, in accordance with the need for change and development, the textbooks of lower secondary, secondary and higher secondary were revised and modified. The textbooks from classes -VI to IX were written in 1995. In 2000, almost all the textbooks were rationally evaluated and necessary revision were made. In 2008 the Ministry or Education formed a Task Force for Education. According to the advice and guidance of the Task Force, the cover, spelling and information in the textbooks were updated and corrected.

To make assessment more meaningful and in accordance with the need of the curriculum, Creative Questions and Multiple Choice Questions are given at the end of each chapter. It is hoped that this will reduce the dependency or students on rote memorisation. The students will be able to apply the knowledge they have gained to judge, analyse and evaluate real life situation.

In a developing country like Bangladesh. Economics is a very important subject. The curriculum of Economics has been modernised and practical and vocational classes have been included. The book has been written keeping the objectives and outcomes in mind. Apart from that, the learners are introduced to the Economic productus and application of the knowledge of Economics in solving our problems.

This book of Economics for class IX & X is the English Version of the original textbook entitled 'Maydhamic Arthaniti' written in Bangla.

We know that curriculum development is a continuous process or which textbooks are written. Any logical and formative suggestions for improvement will be considered with care. On the event of the golden jubilee of the Independence of Bangladesh in 2021, we want to be a part of the eacless effort to build a prosperous Bangladesh.

In spite of sincere efforts in translation, editing and printing inadvertent errors and omissions may be found in the book. However our efforts to make it more refined and impeccable will continue any constructive suggestion towards its further improvement will he gratefully considered.

I thank those who have assisted us with their intellect and efforts in the writing, editing and rational evaluation of this book. We hope that the book will be useful for the students for whom it is written.

Professor Md. Mostafa Kamaluddin
Chairman
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Chapter One

Definition and Subject Matter of Economics

1.1.1 Introduction
Man is confronted with innumerable wants from the cradle to the grave. If one want is satisfied, other wants emerge in succession. To satisfy these wants man is engaged in different activities in the society. But the means are limited in relation to unlimited wants. So man is constantly striving to satisfy unlimited wants with limited means. The nature of human wants and the efforts to satisfy them are the same today as it was during the earliest stage of the creation of the world. But at present wants have increased manifold and the means to satisfy have expanded as compared to before. Due to the scarcity of resources economic problems have also increased unlike what was before. The science of Economics or economics has emerged as a discipline to discuss how men are engaged in different activities to earn money and how do they endeavour to satisfy unlimited wants with limited means. The knowledge of economics is indispensable to know about how best to solve the manifold economic problems by the proper utilization of resources in the society.

1.1.2 Economic Activities
Human wants are unlimited. If one want is satisfied, other wants appear successively. In his daily life man faces the unlimited wants of goods like food, clothing, housing, medicine etc. To buy these goods money is needed. Again, he spends his earned money to buy essential goods to satisfy his wants by the consumption of those goods. In this way men are engaged in activities related to earning money and spending those earned money to satisfy their wants. Those activities are economic activities. So, the economic activities of man are of two types: (A) Money earning related activities and (B) money spending related activities. The main objects of economic activities are to satisfy wants by the consumption of goods and services. Barring money earning and money spending activities, all other activities like singing as hobby, nurturing and nursing of babies etc. are not economic activities. Because, those activities are not related to earning and sending of money. Again, earning of money by either stealing or begging is not considered as economic activities. Because, these activities are unethical and socially undesirable. So, in economics, economic activities mean those activities related to money earning and money spending which men do in their day to day life. For example, farming, jobs in the factories and offices, business and commerce, activities of fishing, livestock, blacksmith, pottery and other professions, buying and selling of goods etc. are included in economic activities.
Economic activities depend on the socio economic condition of the country. Due to changes in the life styles at present, our wants and demands are gradually increasing unlike the past time. But as compared to this, the supply of resources is relatively scarce. As a result at present the scope of economic activities is expanding. A man is to be engaged in more activities to satisfy his ever increasing wants. As for example, it is seen in many cases that a man is engaged in other activities like business after finishing his daily work in the factory or office. Again, a farmer tries to earn to increase his income by fishing or by running business side by side with his farming profession. In the society people spend their earned money to buy necessary goods and services. All such activities of earning and spending of money are their daily economic activities. Human beings are constantly doing different activities in order to satisfy their multifarious wants.

1.1.3 Economic Activities of the People of Bangladesh

The nature of economic activities of a country depends on the geographic and economic condition, ethnic characteristics, population, rate of literacy, stage of development and the overall socio-economic condition. Most of the people of a poor and developing country are engaged in primary occupation. On the other hand, most of the people of the developed and the industrialized countries are employed in the jobs of the industries and factories and other organizations, trade and commerce, different technical professions etc. Bangladesh is a developing and agricultural country. It is industrially under developed and its literacy rate is low. For these reasons most of the people of Bangladesh are engaged in agriculture, poultry and livestock, fish cultivation, small cottage industries. Besides, people earn their livelihood by doing other economic activities. The main economic activities of the people of Bangladesh are discussed below:

1. **Agriculture**: Bangladesh is an agricultural country. The occupation of the 70% people of this country is agriculture. They grow different crops on land and earn money in exchange. So, agriculture is the main economic activities of this country.

2. **Trade and commerce**: Large number of rural and urban people of Bangladesh earn their livelihood by running small and medium scale businesses. Beside this in urban area a large number of people are engaged in large trade & commerce.

3. **Service**: Job in the offices and courts, educational institutions, different govt. and non-govt. organizations is one of the important economic activities. A large number of labourers, employees and officers work in those places and earn money.

4. **Works in small and cottage industries**: There are different types of small and cottage industries in the rural and urban areas of Bangladesh. Many people of the
country are engaged in the production of different goods and earn their livelihood. So, such activities are important economic activities of this country.

(5) **Fish cultivation and catching of fish**: In Bangladesh fish is cultivated on commercial basis in the places like ponds, tanks etc. Moreover, our fishermen catch fishes in canals, beels, rivers, seas etc. and they earn money from its sale. So, cultivation and catching of fish is an important economic activity of this country.

(6) **Running of transports**: Many people in Bangladesh earn their livelihood by running and managing their transports on the roads and sea-routes. Earning income by running transports like buses, trucks, scooters, rickshas, push-cart, bullock cart, launches, boats etc is also important economic activity.

(7) **Poultry & livestock**: In our country earning of livelihood is done on a limited scale by means of poultry and livestock business. Money is earned by raising farms of cattle, buffalo, sheep, and poultry. In recent times many have come forward to take up trade of poultry and livestock as means of self-employment.

Besides, many other petty professions are included in the economic activities of Bangladesh. For example, washer men, tailors, blacksmiths, potters, cobblers etc earn money from their professions across the villages and towns of Bangladesh. In addition, there are activities of flowers and vegetable cultivation, contractual business, masonry and carpentry. In fact, there is a variety of economic activities in a developing country like Bangladesh.

**1.1.4: Definition of Economics**

The English term ‘Economics’ is derived from the Greek word ‘Oikonomia’. Its meaning is ‘household management’. Economics was first read in ancient Greece. Aristotle, the Greek Philosopher termed Economics as a science of ‘household management’. But with the change of time and progress of civilization, the economic condition of man changes. As a result, an evolutionary change in the definition of Economics is noticed. Towards the end of the eighteenth century Adam Smith, the celebrated English Economist and the Father of Economics, termed Economics as the “Science of Wealth”. According to him, “Economics is a science that enquires into the nature and causes of the wealth of nations”. In other words, how wealth is produced and how it is used, are the subject-matter of Economics. For the first time, Adam Smith gave a separate and formal status of science to economics. In the subsequent period Alfred Marshall defined Economics by saying, “Economics is a study of mankind in the ordinary business of life”. ‘Ordinary business’, according to Marshall, means ‘money earning’ and ‘money spending activities’. In other words,
according to Marshal, Economics studies not only the wealth but also the activities centering the wealth.

In modern times more realistic definitions have been given to economics. In social life human wants are unlimited, but the means to satisfy those wants are scarce. Economics studies how to use the limited resources to satisfy the unlimited wants of men. In the words of Lionel Robins, the modern economist, “Economics is a science which studies human behaviour as relationship between ends and scarce means which have alternative uses.” Prof. Robins has termed economics concisely as “the science of scarcity.”

So, Economics as a social science studies how people perform economic activities and how they try to satisfy unlimited wants by the proper use of limited resources.

1.1.5 Different Issues Relating to the Definition of Economics

In discussing the definition of economics, some points are observed. It is necessary to explain those points for easier understanding of the definition and nature of economics.

Human wants are unlimited: There is no end to the limits of human wants. When one or two wants are satisfied, more new wants are felt successively. For example, when a man satisfies his basic wants like food, clothing, housing etc, he will then feel the wants of different goods to lead a better standard of living. Gradually that man will feel the need for consuming better goods. In this way the number of human wants increases unending.

Means to satisfy the wants are scarce: To every man in the society the means or resources to satisfy wants are limited. In other words, men do not get the resources which are needed to satisfy the unlimited wants. This is a problem not only to the poor, but also to the rich as well. The wants of a rich man are more than those of an ordinary man and such wants go on increasing. So, the resources are always scarce in relation to the wants of the individuals, the state or the govt.

The satisfaction of unlimited wants with limited means: It is the problem for every man in the society as how to satisfy the unlimited wants with the limited means. At a particular time a man cannot satisfy all his wants with the money he has. Under this situation he is to choose the more urgent wants and tries to satisfy those wants with the limited means first, leaving all other wants for subsequent period to satisfy.

Alternative use of resources: Since the means are scarce in relation to wants, no man can satisfy all his wants with a given means at a particular time. In such case, he can use his scarce means to satisfy the prioritized wants only. Let us take a hypothetical case. A man feels the wants of both motor cycle and electric fan at the same time. But with the
money he has, he can buy either of the two. If he thinks that want of cycle is more necessary, he can use his given money to buy the bicycle. In that case, his want for electric fan will remain unsatisfied. Thus a limited or given resource can be put to satisfy one want as alternative to the other. This is known as ‘alternative use of resources’. In the field of agriculture one piece of land can be used for the cultivation of rice as an alternative to that of jute.

1.1.6 Subject Matter of Economics

Economics is a social science. The subject matter of economics deals with the analysis of economic problems of men in the society and the satisfaction of their wants. With the evolutionary changes of the society and its civilization, the subject matter and scope of economics have expanded. The subject matter of economics is discussed below:

1. As social science economics deals with the economic activities of man. His day to day money earning and money spending activities constitute the subject matter of economics. For example, parents’ affection and nursing service for their children are not the subject matter of economics. But the service of a salaried nurse in the hospital is included in the subject matter of economics. In this regard the economist Cairncross said, “Economics studies the part played by money in human affairs”.

2. Resources are needed to satisfy human wants. So, the availability of resources and their use are important subject matter of economics. Adam Smith, the father of economics, has termed economics as the “Science of Wealth”.

3. Human wants are unlimited. But the resources to satisfy the wants are scarce. Economics discusses how man can get the maximum satisfaction by using the scarce means to satisfy wants on the basis of priority. So, as subject matter of economics, the scarcity of resources is considered very important.

4. Economics discusses human welfare. How properly the scarce resources are used for the attainment of maximum welfare of individuals and the society is the subject matter of economics.

5. Human wants are related to production, exchange, distribution and consumption. Again, currency, banking system, public finance, trade etc are also parts of economic activities. Economics discusses these issues also. Besides, how economic development of the country is achieved through the means of economic planning is also included in the subject matter of economics.
6. Economics discusses the economic problems and economic activities and indicates proper solution to these problems. Economics also discusses about the value judgment of human actions and behaviour.

It appears from the above discussion that the subject matter of economics is vast. So, Professor Viner has rightly said, “What the economists discuss come under the subject matter of economics”.

1.1.7 Necessity/Importance of the Study of Economics

In modern times the importance of the study of economics is infinite. It not only provides us knowledge, but also helps to solve the different problems in real life. The importance of economics in different areas of human life is discussed below:

1. **In the daily life of man**: Man is confronted with manifold wants in his/her daily life. But the resources to satisfy those wants are limited. By studying economics we can know the use of limited resources to satisfy alternative wants on the basis of priority.

2. **In the proper use of resources**: We can learn about the use of resources with the knowledge of economics. Study of economics helps us to understand about how to produce the maximum output by the proper use of the limited resources.

3. **To the business community and to the industrialists**: Problems of demand, supply, pricing, risk taking etc emerge in the areas of trade, commerce and industrial production. The leaders of business can solve these problems and take correct decisions for the future by applying the knowledge of economics and its theories.

4. **In state management**: The knowledge of economics is indispensable to manage the economic and development activities of a state. For this reason the politicians and the govt. officers need to have proper knowledge of the currency system, banking system, tax system, industrial and trade policy, budgeting etc. The Knowledge of economics helps in managing the state affairs.

5. **To social workers**: Economic causes lie at the roots of maximum social problems. The social workers need to have knowledge of economics to diagnose and solve the problems of poverty, unemployment, illiteracy, excessive growth of population, lack of housing and medical facilities etc.

6. **To the labour leaders**: The leaders of the workers should have the knowledge of economics for improving their bargaining capacity in respect of the formation of trade unions, the increase of wage and other benefits, the improvement of their working conditions etc.
7. **In economic Planning:** It is necessary to have sound knowledge of the economic problems and the available resources for the formulation and implementation of economic plans for the country. For this reason the knowledge of economics is indispensable.

8. **Acquisition of knowledge of international issues:** The knowledge of economics is necessary to know and understand the socio economic events of different countries, international relationship, commerce etc.

9. **Development of intellectual faculties and the attainment of civic qualities:** The study of economics helps to develop the intellectual faculties and thought processes of the people. It further helps in the development of their social values and civic qualities.

So the importance of the study of economics in different aspects of human life can hardly be denied. Economist Barbara Wootton has rightly said, “Barring the minimum knowledge of economics no man can be the good citizen in the true sense of the term.”

### 1.1.8 Importance of the Study of Economics in the Context of Bangladesh

Bangladesh is a developing country. Here we have the problems of poverty, unemployment, over population, food deficiency, under development of agriculture and industry, shortage of capital etc. The knowledge of economics is needed to identify properly the causes of these problems and to suggest their solution. Knowledge of economics is further necessary to know about how to increase agricultural production and to control population explosion, how to increase the efficiency of labour and how to increase the scope of self-employment in agriculture and industry.

In Bangladesh economic development is indispensable to increase per capita income and the standard of living. Active participation of people in the development activities is necessary. People of all stages are to be educated with the awareness of economics. Then they will know about the economic problems of the country and they will be aware of the necessity of economics.

Unlike the developed countries the economic problems of Bangladesh are many. So, the study of economics is very important in this country to solve these problems. Economic development through proper and planned utilization of the limited resources is to be accelerated. So, the knowledge of economics is highly important to all concerned with the state management, trade & commerce, production management, development planning etc.
1.2.1 Basic Economic Problems

Human wants are unlimited. If one want is satisfied, then many other wants follow in succession. If a man satisfies his basic wants like food, clothing, housing, he then feels the wants of better food, better cloth and many other things to get more satisfaction. But the means or the resources to satisfy the unlimited wants are scarce. Due to scarcity of the resources he cannot satisfy all of his wants at the same time. In the course of satisfying unlimited wants with the limited means or resources, man faces two basic economic problems: namely, (1) problem of the scarcity of resources and (2) problem of choice of wants.

(1) **Problem of the scarcity of resources**: Scarcity of resources is the root cause of all economic problems of man. In all areas of individuals or the state, resources are scarce in relation to their demand. If the resources were freely and abundantly available side by side with the unlimited wants, no economic problem would emerge. So, scarcity of resources is behind all economic problems.

(2) **Problem of the choice of wants**: Wants are many and means are few. For this reason man cannot satisfy all his wants at a time. In this situation he is to think, out of unlimited wants, what wants he has to choose first and what others next. Here comes the problem of choice or selection. Naturally he will first select the more important wants and try to satisfy them with the limited resources. Thus, the selection or the choice of wants appears as a basic economic problem.

Another two important basic economic problems emerge out of the two main problems-scarcity of resources and the choice or the selection of wants.

A. **What are to be produced?**

B. **How is to be produced?**

C. **For whom it is to be produced?**

A **What is to be produced**: It is not possible, with the limited resources, to produce all the necessary goods of the society at a time. For this reason we have to decide how much of what goods is to be produced and the production of what goods are to be deferred. In this regard relative importance of wants, demand of the people etc are taken into consideration.

B **How is to be produced**: How will the selected goods be produced is a basic economic problem. A particular product can be produced using different methods. As for example, a particular product may be produced with either more of capital or less of labour or with less of capital more of labour. Now; under what method the goods will be produced depends on the supply of capital and labour, their relative prices and the state of technology.
C. **For whom it is to be produced:** To increase production of goods is not the only problem in the society. Rather it is the problem to decide for whom it is to be produced or in other words, who and in what amount will consume the produced goods. Produced goods should be distributed in the society in a way that maximizes the welfare of the society.

### 1.2.2 Proper Utilization of Resources

In every society the resources are scarce in relation to demand. The scarce resources should be utilized in such a way as to maximize the welfare of the society. In production, resources should be employed in such a way that they give maximum output at a minimum cost. This is called the proper utilization of resources. Proper utilization of resources is necessary for solving the economic problems of the society.

In our country resources are scarce in relation to our needs. Right decision is needed to ensure proper utilization of the scarce resources. For example, a given amount of money or resources should be spent in constructing a road in stead of a park. Again, our natural gas should be used in the generation of electricity instead of its being used in burning the bricks. Because, roads and electricity are more needed for economic development than the park or the building constructed with the bricks. In this way proper use of resources ensures maximum economic welfare. Even in the personal life, scarce resources should be used for meeting the necessaries of high priority in order to get the highest satisfaction.

### 1.2.3 Price System

In the capitalistic economic system there is no govt. embargo on or interference in the economic activities like production, distribution, consumption etc. Individual producer or firm can independently decide what, how and how much to produce in their individual production sector. In the case of consumption, the consumer decides, according to his desire, choice and taste, what goods and how much of it he will consume. In that sector the govt. sanction or control is absent. In the capitalistic society such economic activities may apparently lack in any discipline, but they actually run well automatically by the direction of an ‘invisible force’. This invisible force is the price-system. Demand and supply are the keys to free economy. The determination of price of a good by the interaction of the joint forces of demand and supply is known as the automatic price system. For example, if the demand for a good in a market is more in relation to its supply, then its price will rise. Again, if supply of that good is more than its demand, then its price will fall. In this way, the price is determined at a point where demand and supply are equal. Again, if for any reason,
the equality between demand and supply is disturbed, that would lead to changes in the price. In capitalism producers produce for profit. So, the volume of production will depend on the price of the product. Further, consumers’ consumption is determined by the price. When the price of a goods falls, the consumers increase their consumption and when the price increases, the consumption falls. Thus the price system controls and guides the economic activities under capitalism.

1.2.4 Solution of Economic Problems by the Price System

Firstly, under capitalism production is guided by the consideration of profit. In case of high price of goods, the producers will try to produce more and thereby sell more of their goods. If the supply is higher than the demand, the price falls resulting in low profit and production is decreased. But in the long run the price of lower priced goods may rise and the price of high priced goods may fall. In this way, amount of goods to be produced is determined by the prices.

Secondly, how goods will be produced is determined by the price system. Factors of production (land, labour, capital etc) are bought with prices. So, when the price of labour is cheaper than that of capital, the producers will employ more labour than capital. This will lower cost of production and increase profit.

Thirdly, for whom goods will be produced or who will consume and how much will also depend on the price system. Generally when the price increases, amount consumed decreases and when the price decreases, the amount consumed increases. When the consumption of a goods decreases, its production also decreases. Again, when the consumption increases, the production will then increase. Thus, the price system determines the volume of production by its impact on consumption. We are to accelerate economic development by the proper utilization of the limited resources. For this reason, the importance of the knowledge of economics is very vital to all concerned with the state management, trade and commerce, organization of production, development planning etc.

1.2.5 Planning

Economic planning is necessary for improving the standard of living of the people, the solution of economic problems and for economic development by the conscious utilization of the resources. Because, nowhere, be it in the family, or in the society or the state, the proper utilization of resources and the achievement of the targets and objectives, is possible without planning. For this reason, in almost all the countries of the world economic planning is adopted as a tool for achieving for economic progress.
Different economists have defined economic planning in different ways. But, in simple words, it can be said that economic planning means the undertaking of a programme of activities to achieve definite social and economic objectives by the utilization of the available resources within a definite period of time. Let us assume that in Bangladesh within the next five years we will construct or renovate some industrial plants, schools, colleges, research centers, hospitals, electricity generation centers, some roads, bridges, railways and dams/embankments. Programmes for agricultural development, population control, and provision for health services etc. will need to be undertaken. Economic planning will mean formulation of total blueprint of prioritizing & listing the development activities, financial provision & fund allocation, implementation process etc. According to Prof. L. Robbins, “To plan is to act with a purpose, to choose and choice is the essence of economic activities”.

In a developing country like Bangladesh there are various problems like low production, under-utilization of resources, population explosion, food deficiency, unemployment, under developed infrastructure etc. Economic planning is of immense importance in ensuring speedy economic development by addressing those problems.

1.3.1 Different Economic Systems

One of the main aims of the people of all countries of the world is to achieve maximum economic welfare by solving economic problems. Under what method economic problems can be solved depend on the economic system of the country. The totality of economic laws and the environment which guide the overall economic activities of the country is known as economic system. Different types of economic systems prevail in different countries of the world. They are: (A) Capitalism, (B) Socialism, (C) Mixed Economic System and (D) Islamic Economic System.

1.3.2 Capitalism/Capitalistic Economic System

Under capitalism the means of production are under private ownership. All economic activities including production, exchange and consumption are guided by the private initiative. The producers and business men (firms) produce and exchange goods according to their desire for profit. In case of consumption every individual enjoys complete freedom. There is no govt. control over these sectors. So, these economic systems are called free economy. Salient features of capitalism are described below:

1. **Individual ownership of property**: In the capitalistic system land, factories and other properties are owned by the private individuals. Individuals can freely own and transfer his properties.

2. **Private initiative**: All individuals in the society can earn properties by doing
activities like production, establishing factories, running business etc according to their desire and convenience.

3. **Automatic price system:** Under capitalism all economic activities are guided by the automatic price system and so production and consumption depend on the price system.

4. **Freedom of consumers:** Every consumer can freely consume any goods according to his ability, desire and choice. Producers produce goods according to the demand of the consumers.

5. **Free competition:** Under capitalism free competition exists among the unlimited producers. This competition tends to keep the prices of goods low and makes new innovations possible.

6. **Earning of Profit:** To earn profit is the aim of all productive activities under capitalism. The scope of higher profit promotes higher investment. As a result, the volume of production of some goods may be large and that of others may be small.

So, under capitalism or free economic system all activities of production, trade, commerce etc. are guided by the private initiative. No govt. controls exist. These activities run on automatic price system with the aim of earning profit.

### 1.3.3 Socialism

Under this system land, factories, mines and other resources are owned by the state. In absence of private ownership of properties, there is no private initiative in production, trade & commerce etc. In this system there is a central planning authority. The decisions on what is to be produced, how is to be produced and how will it be distributed, are taken by the central planning authority. Under socialism there is no scope of earning personal profit. Production, distribution and consumption are controlled on the consideration of total social demand.

Karl Marx and Angels are the main founders of socialism. Even after the fall of socialism in Russia, socialism still exists in some countries of the world. The form of socialism is not the same in all countries. But, under socialism there are some common characteristics. These are:

1. **Public ownership of property:** In the real socialistic countries there is public or social ownership of land, factories, mines and other resources. The people of the country or the state are the owners of all properties or resources. Income from these properties is spent for the society.
2. **Absence of individual/private ownership:** Initiative means to undertake steps for starting production or business. In socialism resources or the means of production are owned by the state. So, there is no individual initiative in the setting up of the industries, commerce etc. As a result, there is no scope for earning personal profit. Industry, agriculture, trade and commerce etc, are guided or run by the state initiative.

3. **Central planning:** All economic activities in the pure socialistic country are managed by the central planning authority. What goods in what amount and by what method will be produced, are decided by the planning authority.

4. **Limitations of the consumers’ freedom:** In the socialistic country only under govt. initiative goods are produced and imported according to the society’s needs. Here the consumers do not have the freedom to buy and to consume any goods. So, it is said that in socialism consumers’ freedom is limited.

In the socialistic economic system the resources and the means of production are under the ownership of the state. What goods, of what quantity and by what method will be produced are decided by the central planning of the govt. Productive activities, trade and commerce etc are run at the state initiative, but not by the individual initiative.

### 1.3.4 Mixed Economic System

The economic system where the public and private ownership of resources and the public and private initiative are present is called mixed economic system or mixed economy. Under this system, capitalism and socialism are adjusted. Like capitalism, here the private ownership of property, earning of profit and individual initiative prevail. But, there is also govt. control over the economic activities at the private level. Besides, some large scale and basic industries and important commercial venture are run in the public sector. Some of the characteristics of the mixed economic system are:

1. **Co-existence of both the public and private sector:** Under mixed economic system, as the private ownership of property and private initiative are recognized, so, side by side, some industries and commerce are run under public ownership. For example, in spite of the predominance of the public sector in Bangladesh, a large number of big industries and financial institutions are managed under private ownership.
2. **Govt. control:** Some govt. controls are imposed, when necessary, on the production and business run under private ownership. Particularly, the govt. control is imposed on the monopoly business.

3. **Price system:** In a mixed economy, like capitalism, production and consumption are determined by the automatic price system.

4. **Freedom of the consumers:** In the mixed economic system goods are produced according to the demand of the consumers. The consumers consume those goods according to their ability and choice. But, the govt. sometimes controls the production and consumption of some particular goods for the greater interest of the people.

5. **Earning of profit:** Under this system the objective of earning profit is present due to the presence of full freedom under private initiative. But, in consideration of the welfare of the people, the govt. controls price and profit to some extent.

Therefore, under mixed economic system, both the public and the private initiatives are present in the sectors of industries, trade and commerce, banking, insurance etc. These activities are not completely free and in some areas there are some govt. controls. But, the freedom to earn profit is allowed under this system.

### 1.3.5 Islamic Economic System

Islam is a complete code of life. The solution to the total problems of human life lies in the Islamic way of life. The economic system where the livelihood is earned and all economic activities are done according to the laws of Allah, is called Islamic Economic System. Islamic Economics is not a study of a separate part of human life; rather it is linked to the totality of life. In the holy Quoran it is said, ‘the ownership of the sky (universe) and the earth does exclusively belong to Allah. In view of this ownership of Allah, man will perform the activities in production, earning of livelihood and distribution of resources according to the dictates of Allah.’

This is the essence of Islamic Economics. The main features of Islamic economic system are the following:

1. Allah, as the Creator of the entire Universe and the mankind, has created all goods and material resources. So, under this system the earning of people’s livelihood and economic activities will be done within the concept of the sole entity and sovereignty of Allah.

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Source: (1) Al-Quran-Shura Bakara-1st ‘para’ (107 Aiyat)
2. In this system every man is given the position and the right to earn livelihood. So, there is no scope of any conflict, disparity and discrimination among the people.

3. In this system opportunities are created for the use of natural power and material resources for the welfare of man.

4. Under this system emphasis is given on moral development side by side on the material development. Strategy of coordination between the two is also indicated.

5. According to the Islamic rules, Allah is the Owner of all kinds of basic resources. In using these resources human beings consider themselves as the custodian of the Creator. For this reason, economic prosperity does not create corruption and vanity in the character of man.

6. In the Islamic economic system ordinarily no economic right or right to consume is recognized other than labour. In the holy Quoran, right to consume was given to men and women against their labour. Rasul-e-karim (Sm) attributed high position of respect to labour. Nabi karim (Sm) said in this regard, ‘None can eat more improved food than the food earned by doing work with own hands.’

7. This system does not approve misuse/wastage or luxury. Islam does not approve the earning of livelihood and the accumulation of wealth by unfair means. But it provides with the system of giving financial assistance and help to the distressed, helpless and disabled people in exchange of no labour from them. This provision helps in the reduction of inequality in the distribution of income on the one hand and helps in fostering human values on the other.

8. Islamic economics has compulsorily provided for an obligation to pay Zakat and Ushar\(^{(3)}\) at the rate of 2.5% on the accumulated wealth and savings so that resources and income do not concentrate in the hands of few people. Money collected on this head is distributed among the distressed, poor and disabled people to satisfy their needs.

9. In Islamic economic system, interest-based transaction is strictly prohibited. Under this system necessary fund for the large scale industries are available from the interest free banking system.

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(2) Sahi Al-Bukhari-II volume, page 309, Hadith no. 1927

(3) ‘Ushar’ means receipts from levy on the assets above a certain maximum level
So, in Islamic economic system production, consumption, distribution etc are guided by the prescriptions of Allah. Under this system the production process is better for the society and it is devoid of exploitation as well. The aim of production is to produce and consume ‘halal consumer goods and services. For this reason, Islamic production system and its organization are different from the western capitalist production system.

1.4.1 Underdeveloped, Developing and Developed Economy

The economic condition of all countries of the world is not the same. In some countries, industry, agriculture, trade and commerce etc are more developed and per-capita income and standard of living of the people are high. Again, many other countries are backward economically. Their per capita income and standard of living are low. So, on the basis of degree and stage of economic development the countries of the world are divided into three types, namely, (A) Under developed countries, (B) Developing countries and (C) Developed countries.

A. Under Developed Countries

The countries where no economic development took place and the per capita income & standard of living of the people are low, are called under developed countries. In such economies primary occupation is dominant, capital is low, unemployment is high and most of the basic wants of the people remains unsatisfied. According to Collin Clark, majority of the people of underdeveloped countries earn their livelihood by doing activities in primary occupations.

The characteristics of the underdeveloped countries are described below:

1. **Low per-capita income and low standard of living:** In the underdeveloped countries due to low production in the field of agriculture, industry etc, the standard of living of the people is very low. Most of the people are poor and deprived of the minimum basic requirements and facilities for subsistence.

2. **Over dependence on agriculture:** The economy of an underdeveloped country is predominantly dependent on agriculture. In these countries majority of the people depend on agriculture in view of its industries, trade, commerce and other occupations being under developed. But the agriculture is also under developed and its productivity per acre is much lower than that of the developed countries.

3. **Underdevelopment of industries:** Most of the under-developed countries had been under foreign rule for long time. So, very few industries were set up in these countries. As a result, these countries could not develop themselves industrially.
4. **Low capital:** In the underdeveloped countries savings are low because of low income. For this reason, required investment for producing capital goods like machineries, equipments, raw-materials, factory buildings etc cannot be done. The shortage of capital, therefore, hinders the setting up of industries in these countries.

5. **Under-utilization of natural resources:** Many underdeveloped countries have natural resources like agriculture, forest, fisheries, minerals etc. But due to lack of adequate financial resources and technical knowledge, exploration and full utilization of these natural resources is not possible.

6. **Massive unemployment:** Rate of growth of population is high in most of the underdeveloped countries. But due to lack of development of industries, trade, commerce and other occupations, the employment opportunities are very scarce. As a result, massive unemployment persists in these countries.

7. **Lack of technical know-how/knowledge:** In the underdeveloped countries the technical know how and skills of labourers are low due to lack of education, training and research.

8. **Underdeveloped transport and communication system:** In the underdeveloped countries due to shortage of fund desirable development of roads, railways, embankments, bridges, power and water supply, post, telegraph, telecommunication etc could not take place. For this reason, the transport and communication system as a whole is very backward as compared to developed countries.

9. **Illiteracy:** Widespread illiteracy is an important characteristics of an under developed country. In these countries about 70% to 80% of the people are illiterate. But at present, priority is given to education to achieve the objective of economic development.

10. **Excessive dependence on foreign assistance/aid:** The underdeveloped countries strongly desire to move along the path of development. But they have deficiency of resources. As such, these countries are highly dependent on foreign aid.

11. **Uncongenial social environment:** In the underdeveloped countries lack of education, ill education, superstition, religious fanaticism, under development of science and technology etc persist for long. As a result, the social environment of such countries is not congenial to economic development.
At present, the under developed countries are marching towards economic development under the pressure of its internal forces and with the cooperation of other countries. Through different development programmes they have meanwhile achieved some success in the field of development. So, actually at present the number of under developed countries is few. Countries like Ethiopia, Male, Mozambique etc can still be called underdeveloped countries.

**B. Developing Country**

Countries where per capita income and the standard of living are increasing as a result of economic development through planned programmes, are called developing countries. In these countries the socio economic base for economic development has been built up and economies are marching along the path of development. In spite of their low per capita income and low standard of living as compared to developed countries, the potentialities for improvement have been created. The characteristics of a developing country are the following:

1. **Increasing trend of per capita income:** Although the per capita income of the developing countries is low, its growth shows increasing trend. For example, in Bangladesh the per capita income has increased by 50 dollars within the last five years.

2. **Dynamism of development programmes:** For the economic development of developing countries development programmes are being continuously undertaken. As a result, dynamism exists in the development activities of these countries.

3. **Gradual development of agriculture and industry:** Unlike the developed countries, the conditions of agriculture and industry of the developing countries are not so developed. But efforts are being made to solve the existing problems in those fields. As a result, the process of gradual development in those areas has been created.

4. **Unemployment and economic disparity:** Although the developing countries have stepped into the path of economic development, they face a lot of economic problems at this stage. Agriculture, industry, trade and commerce do not progress at the desired rates. As a result, unemployment persists. Economic disparity also appears due to the absence of fair distribution system.

5. **Planned development efforts:** The developing countries are committed to quick economic development. For this reason development efforts are taken through concrete plans.
6. **Socio economic problems:** Various socio economic problems exist side by side with the continuation of development process in developing countries. For example, these problems are the under development of agriculture & industry, high rate of population growth, unemployment, underdeveloped socio-economic infrastructure, illiteracy etc. It takes long time to solve these problems.

7. **Gradual development of social environment:** In the developing countries production and income gradually increases. Education and the degree of urbanization increases. As a result, social environment gradually improves, although at a slow rate.

Most of the countries of Asia, Africa, Latin America including India, Pakistan, Sri Lanka, Bangladesh etc are included in the category of developing countries.

**C. Developed Countries**

The countries where substantial development has occurred and where the per capita income and the standard of living of the people are very high are called developed countries. As a result of the massive application of adequate capital and improved technical knowledge agricultural and industrial production has increased and the rate of unemployment has become negligible. The supply of goods of daily use and luxury is abundant. In these countries there exist a developed transport and communication system and abundant facilities of education, health, housing etc.

**Main characteristics of the developed countries are described below:**

1. **High per-capita income and standard of living:** In the developed countries the per capita income is very high and the standard of living is very improved. As for example, per capita income in Bangladesh is 750* dollar, in India it is 2960** dollar, and in Pakistan it is 2700** dollar. But in the United States and Germany it is more than 47000* dollar.

2. **Massive development:** Developed countries are highly industrialized. In these countries larger share of national income originates from industry. Their major items of exports are industrial products or goods.

3. **Abundance of capital:** In the developed countries the production of capital goods is high. As a result of the abundance of capital, economic development accelerates.

* World population Data sheet-2010
** Bangladesh Bureau of statistics-2010
*** Bangladesh Economics survey -2010
4. **Full utilization of resources:** In the developed countries full utilization of resources is possible because of adequate capital and improved technology.

5. **Developed Technical Knowledge:** In the developed countries there is tremendous development of technical knowledge. As a result, increase in the efficiency of labour and production becomes possible.

6. **Developed Transport and Communication System:** In the developed countries the transports of roads, railways, waterways, airways and the means of communication are highly improved. This condition provides increasing facilities to improve the standard of living and also to speed up development activities.

7. **High Rate of Education:** In the developed countries the rate of literacy is very high. The rates of education in the countries of England, America, and Germany etc are within the range of about 98% to 100%.

8. **Skilled Manpower:** In view of the adequate facilities for education, training, research etc. most of their manpower is highly skilled. As a result, industrial development accelerates.

9. **Low pressure of population:** In almost all the developed countries the rate of growth of population is low. In these countries the development programmes do not face the problem of population pressure.

10. **Developed Social Environment:** In the developed countries the society becomes free of religious fanaticism, superstitions and conservatism due to massive industrialization, high rate of literacy and urbanization, high standard of living etc. It means that social environment is conducive to development.

The countries of the United States, England, Canada, Germany, Japan, Australia, France, Belgium etc. belong to the category of developed countries. The average annual per capita income of these countries fall within the range of almost 35 thousand to 55 thousand dollars. Whereas, the per capita income of India, Pakistan and Bangladesh is within* 750 to 2,960 dollars only.

**1.4.2 Is Bangladesh an Underdeveloped or Developing Country?**

Bangladesh is an agricultural country of South East Asia. Here economic problems like low per capita income, low standard of living, underdevelopment of agriculture and industry, excessive growth of population, massive unemployment, food deficiency...
& malnutrition, scarcity of capital, under developed transport and communication etc. exist. Besides, in this country the rate of education is low and facilities for health, housing and other basic facilities are scarce. There exists in the country political unrest and social chaos. In the light of these factors Bangladesh can be called an under developed country.

Bangladesh has started undertaking planned development programmes for the last three decades and by this time, the development base has been created. In spite of problems and failure even, development has received dynamism. Per capita income is increasing, though at a very slow rate. The standard of living of the people is gradually increasing. Social environment is improving as result of gradual increase in the rate of literacy. If our natural and human resources are properly utilized, the economic development of our country in the near future will be accelerated. So, from this standpoint Bangladesh can be called a developing country. But, unlike other developing countries like Philippines, Indonesia, Malaysia, Thailand, Egypt etc. the per capita income and the growth rate are very low. The per capita incomes of some developing countries including Bangladesh are the following:

<table>
<thead>
<tr>
<th>Countries</th>
<th>Per capita income (dollar)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Indonesia</td>
<td>3,830</td>
</tr>
<tr>
<td>2. Malaysia</td>
<td>13,740</td>
</tr>
<tr>
<td>3. Philippines</td>
<td>3,900</td>
</tr>
<tr>
<td>4. Thailand</td>
<td>5,990</td>
</tr>
<tr>
<td>5. Sri Lanka</td>
<td>4,480</td>
</tr>
<tr>
<td>6. Bangladesh</td>
<td>750 *</td>
</tr>
</tbody>
</table>

*Bangladesh Bureau of Statistics -2010
*Bangladesh Economic Survey-2010
*World population Data sheet-2010
1.4.3 Vicious Circle of Poverty

Poverty is the main hindrance to the economic development of the under developed and many developing countries of the world. In these countries the development efforts are disturbed by various economic problems. Professor Ragner Nurkse said, ‘The vicious circle of poverty is the constellation of such forces which, by acting and reacting on themselves, keeps a country poor.’ According to Nurkse, “A country is poor because it is poor.” The concept of the ‘vicious circle of poverty’ can be explained from both the demand and supply sides.

**Demand for capital:** The income of the people is low if the production is low. As the income is low, the purchasing power of the people is low and for that reason the demand for goods in the market is low. Low demand for goods leads to low investment. If investment is low, then demand for capital and its use becomes low. This is again the cause for low production. The circle is shown in the following diagram:
**The supply of capital**: Low income is the result of low production. People’s savings is low because of low income. Low savings leads to low investment and due to low investment the supply of capital becomes low. Lack of capital again leads to low production and low income. This is shown in the diagram below:

The diagram shows that the vicious circle of poverty, by revolving within its own orbit, tends to keep a poor country poor.

**Vicious Circle in Bangladesh**

The vicious circle of poverty persists in Bangladesh. Here, the vicious circle based on low capital and low production prevails. The low demand for goods and the low investment are the result of low production and low income. This condition again leads to the shortage of capital and low production.

To get Bangladesh out of the vicious circle and to transform it into a prosperous country, investment must be made in the production of vast capital. For this reason, higher savings is necessary for bigger investment which will help in increasing
production and income. This will in turn boost savings, investment, production and income. So, to increase savings, necessary steps need to be taken at the private individual and govt. level.

1.5.1 Basic Economic Problems of Bangladesh

In developing countries there exist some main economic problems which hinder the economic development. Such problems are called basic economic problems. As a developing country Bangladesh has some economic problems that hinder its economic progress. These problems are described below:

1. **Underdevelopment of agriculture**: Bangladesh is an agricultural country. About 75% of the people of this country depend on agriculture. But due to age-old method of cultivation lack of irrigation, fertilizer, seed, agricultural credit etc. and natural calamity etc. our agricultural production is very low as compared to a developed country. But, since the last few years production has increased as a result of the limited application of high yielding technology in agriculture (Upshi).

2. **Underdevelopment of industries**: In spite of the availability of necessary raw materials and surplus manpower, the rate of industrial development of this country is very slow due to lack of capital, improved technical knowledge, skilled manpower, developed infrastructure and proper planning. In the fiscal year 2007-2008 the share of industry in national income was 29.66%. The rate of our economic development is not satisfactory because of the underdevelopment of our agriculture and industry. But during the recent times, the ready made garment industry has an important contribution to our industry sector.

3. **Low per-capita income**: Due to low production in agriculture and industry, the per capita income in this country is low. For example, the per capita income of the United States is 46,970 dollar, of Japan 35,220 dollar, of Germany 35,940 dollar, of China 6,020 whereas the present per capita income of Bangladesh is only 750 dollar. Our per capita income is increasing, but slowly.

4. **Low standard of living**: Due to low income, 50% of the people of Bangladesh live below poverty line. They fail to procure even the minimum means of subsistence. At present more than half of 14.66 crore of people suffer from the wants of food and malnutrition, which make them suffer from diseases leading to the depletion of their working capacity.

Source
* World population Data sheet-2010
5. **Shortage of capital:** In Bangladesh savings is low due to low income. As a result, rate of capital formation is low. For want of sufficient capital our investment in agriculture and industry is low and so the production is also low. Low production is the main cause of our poverty.

6. **High growth of population:** The rate of population growth was 2.03%\(^{(1)}\). At present this has been reduced to * 1.39%. Such growth rate of population is high among many countries. The vast population of this country is itself creating many problems including food shortage and unemployment. So, Population problem has been identified as number one problem in Bangladesh.

7. **Unemployment problem:** Due to high rate of population growth and the lack of employment opportunities, unemployment problem has become acute in Bangladesh. Of the total active manpower in the country, about * 2.2 million are unemployed. Besides, ‘disguised unemployment’ exists in agriculture of Bangladesh due to the employment of more people than what is necessary. As a result, per capita agricultural productivity is low.

8. **Food deficiency:** In spite of being an agricultural country Bangladesh has been suffering from food deficiency for a long time. Underdeveloped method of cultivation, lack of improved seeds, fertilizers and insecticides, lack of sufficient irrigation facilities, incidence of natural calamities, fast growth of population etc. are the causes for the low productivity in our agriculture. As a result, our food production is low in relation to our needs.

9. **Lack of Education:** Education is the main determinant of economic development. At present, the rate of literacy in Bangladesh is **54.8%**. Because of the widespread illiteracy the social environment is not congenial to economic development. In Bangladesh skilled manpower and entrepreneur class did not grow up due to lack of education and training. As a result, our industrial productivity and the quality of our industrial products are low.

10. **Deficit in foreign trade:** In view of the low production in agriculture and industry in Bangladesh, the volume of export is low. But, to meet the multiple demands of the increasing population and also to meet the needs of development, imports far exceed the exports. As a result, in the foreign trade sector of this country import expenditure exceeds export earnings every year.

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Source: * Bangladesh Statistical Pocket Book -2007 & 2009 and Feb 2010  
* Bangladesh Economic Survey – 2003 & 2010  
* Census Burcou.09 September -2010  
* World Population data sheet-2010
11. **Excessive dependence on foreign assistance:** Due to low per capita income of the people of Bangladesh their savings are very low. As a result, the necessary fund for her economic development can not be mobilized internally. For this reason we have to depend on foreign assistance heavily. Any reduction in the quantum of foreign assistance or any delay in the flow of its disbursement, affects our development activities.

12. **Underdeveloped social and economic infrastructure:** The economic infrastructure of Bangladesh, such as roads, railways, waterways, irrigation system, river and sea ports, electricity and water supply, tele-communication system etc. are not developed. Social infrastructure such as education, training, research, public health, cultural awareness, values etc. are also not developed. The under developed infrastructure acts as constraint to the economic and social development of this country.

13. **Inequitable distribution of resources:** The lion’s share of the resources of Bangladesh is concentrated in the hands of a few people. For this reason, the standard of living of the majority of people is very low. As a result, unrest and resentment prevail in the society.

14. **Lack of proper planning:** Proper and realistic plans are not prepared for the economic development of Bangladesh. Plans can not be fully implemented also. As a result, desired progress is not achieved in agriculture, industry, education, health etc.

15. **Undeveloped social environment:** The influence of social environment on economic development cannot be ignored. In Bangladesh due to lack of education, ill education, superstition, religious fanaticism, reckless delivery of religious judgments etc. social environment is not improved. For this condition, economic development and public services are affected.

16. **Political instability:** Political stability, social peace and discipline are the pre-requisites for development. But the political unrest, movement and lack of peaceful condition affect production in the factories and thereby the normal economic and development activities of Bangladesh.

* Bangladesh Economic Review—2003
* Bangladesh Statistical Pocket book—2007
* Bangladesh Census –1991
1.5.2 Solution of Economic Problems/Measures for Economic Development

For the economic development of Bangladesh the economic problems must, of necessity, be solved. For this reason the following measures need to be taken:

1. **Agricultural development**: Bangladesh is an agricultural country. So agricultural development serves as the main factor of our economic development. Agricultural development will increase the income and the standard of living of most of the people of this country. Increased food production will bridge the food deficit also. Agricultural development will have to be ensured by modern method of farming, use of improved seed and fertilizer, expansion of irrigation facilities, adequate credit supply, flood control, cooperative farming etc.

2. **Fast industrialization**: Without industrial development no country in the world at present can achieve economic development. To increase national income and employment in our country there must be industrial development side by side with agricultural development. Such programme will lead to the proper utilization of our labour force, raw materials and natural resources.

3. **Increase of capital**: If investment is increased in the sectors of agriculture, industry, trade and commerce, production and income will increase. To increase investment and thereby to increase capital the people’s savings must be increased. Above all, good social environment will have to be maintained for increasing savings and its profitable investment.

4. **Full utilization of natural resources**: Bangladesh has fertile agricultural land, water resources, natural gas and other mineral resources. There is further the clear possibility of the discovery of a few mineral resources. These natural resources, if properly utilized, can help to increase production, income and employment.

5. **Population control**: Economic development will be impossible if the high rate of population growth is not checked. So the high rate of population growth will have to be controlled by means of family planning. As a result unemployment will decline and per capita income will rise. In recent times the people’s interest in population control has increased.

6. **Expansion of education**: Education is an important power to solve economic problems and promote economic development. The illiteracy of our people will have to be eradicated through the spread of education. This will then increase the efficiency of labour and create pro-development attitude of the people. In recent times, there is significant increase in public expenditure on education.
7. **Development of technical knowledge:** The technical knowledge of the labourers must be developed for increasing the production in the factories. It is, therefore, necessary to establish a large number of technical schools, colleges and training centres in the country to produce and train technically skilled manpower.

8. **Solution of the problem of unemployment:** Unemployment must be wiped-out in order to increase the per capita income and the standard of living of the people. For this reason labour intensive small industries and occupations need to be set up.

9. **Development of economic infrastructure:** Developed economic infrastructure is indispensable to the development of agriculture, industry and trade and commerce. In our country the basic infrastructures like roads, railways and waterways, tele communication, irrigation, electricity supply, ports, embankments etc must be developed.

10. **Proper utilization of foreign assistance:** Every year Bangladesh receives huge amount of foreign aid and grants from the World Bank, other agencies and countries. The proper utilization of this assistance will accelerate our development.

11. **Proper planning:** Proper planning is necessary for solving economic problems and for attaining quick economic development. In addition, for the development of our rural economy, rural development plans need to be formulated and implemented.

12. **Poverty Alleviation Programmes:** The unlimited number of absolute poor men and women of Bangladesh need to be given credit and supports through different governmental and non-govt. organizations in order to make provision for their self-employment. With these supports they can arrange for their self employment in poultry farm, livestock, fisheries, gardening of fruits and flowers, handicrafts, small grocery shops etc.

13. **Equitable distribution of national income:** At present resources are concentrated in the hands of a few people in Bangladesh. As a result, the number of poor people and their poverty are increasing. This is not conducive to the social and economic welfare. Equitable distribution of income and wealth must be ensured by means of suitable development policy.
14. **Improvement of social environment**: Social environment must be improved by spreading education and culture, social movement and the enactment of proper laws. The path of the process of development will be smooth if superstitions, religious fanaticism, uncongenial social rules and customs are overcome.

15. **Proper administrative system**: Our administrative system must be suitable and efficient for solving economic problems and development. It is necessary to enhance understanding and cooperation among different departments of administration.

In a word, to pursue continuous economic development is the best means to solve the economic problems of our country. With this objective, planned development programmes should be formulated and implemented.

### Exercise

**Multiple Choice Question (MCQ)**

1. **Which of the following is included in economic activity?**
   a. working in an office       b. gardening as a hobby
   c. earning by begging         d. rearing of children by a mother

2. **What may be the main role of Price System as an invisible power in Capitalistic Economic System?**
   a. regulation of economy by keeping parity in price
   b. managing the economic activities in an automatic and disciplined manner.
   c. establishing control over market system.
   d. solving basic economic problems.

3. **In the short run, as the wants of man for goods and services are unlimited, but his wealth is limited, so a man must**
   a. increase his wealth
   b. reduce his wants
   c. choose alternative goods and services
   d. decrease his consumption of goods and services
4. In the short run, the want of man for goods and services are unlimited, but his wealth is limited. What you will do if you encounter this circumstance?
   a. increase wealth
   b. reduce wants
   c. choose alternative goods and services
   d. reduce the consumption of goods and services

5. The ultimate goal of all productive activities under capitalistic system is to-
   a. generate welfare of people.
   b. maximize profit.
   c. maximize selling price.
   d. equalize income distribution

6. Some statements are provided below regarding economic development.
   i. as the economic infrastructure of developed countries is strong, they are developed.
   ii. skilled manpower is a precondition to economic development.
   iii. adequate capital accelerates the economic development of a country.

Which one of the following is correct?
   a. i
   b. ii
   c. iii
   d. i, ii and iii

7. The most significant characteristics of a developing country is-
   i. trend to increase per capita income.
   ii. gradual development of agriculture and industries.
   iii. developed socio-economic environment.

Which one of the following is correct?
   a. i
   b. i and ii
   c. ii and iii
   d. i, ii and iii

Read the following paragraph and answer the question number 8 and 9.

Mr. Rahim is a conscious citizen. After a research he has found out that a particular kind of economic condition is prevalent in his country- there is less production and so less income. Due to less income savings and investment are also low and
consequently less investment has resulted in less production. In this way the problems revolve through mutual interaction.

8. The economic condition which is prevalent in Mr. Rahim’s country is termed as vicious circle of –
   a. production          b. poverty
   c. investment          d. capital

9. What is the inevitable consequence of the prevalent economic condition of the said country?
   i. population growth
   ii. increase of food crisis
   iii. disruption in industrial development

Which one of the following is correct?
   a. i and ii          b. i and iii
   c. ii and iii        d. i, ii and iii

10. In Bangladesh the rate of poverty was 44.7% in 1999 and in 2004 the index was 42.1%. According to this index, the average annual rate of decrease of poverty over that period was -
   a. 0.43%          b. 0.52%
   c. 1.30%          d. 2.60%

11. Which of the following causes are responsible for the backwardness of the Bangladesh economy?
   i. high level of import
   ii. inefficiency in agricultural system
   iii. low rate of capital formation.

Which one of the following is correct?
   a. i and ii          b. i and iii
   c. ii and iii        d. i, ii and iii

Creative Question (CQ)
1. Malaysia is currently a most talked about country in the field of economic development and it is termed as the Asian Tiger. Thirty years ago the economy of this country was also like that of Bangladesh. But the political stability, hard and dedicated labour, appropriate planning and its effective implementation has led the
country to tremendous achievement in agriculture, industry and education sector. Especially the government has been very much active in maintaining the development trend of its small and cottage industries. Besides, in Malaysia, huge local and foreign investment are taking place in heavy and medium scale industries.

a. Based on the level and degree of economic development, which type of country Malaysia can be termed?
b. Describe one economic characteristic of a country like Malaysia.
c. Explain the causes of economic backwardness of Bangladesh in comparison to that of Malaysia.
d. Is it possible to achieve economic growth of Bangladesh by applying any experience from Malaysia? Analyze.

2. Rahim is the son of a poor Bangladeshi landless farmer. His parents took initiatives to break the circle of poverty of the family. For this they encouraged Rahim to continue in school until he completed his SSC. After finishing his school education, Rahim started a small business. From this business he was able to save a part of what he earned each week. Later he gave a part of his savings to his parents.

a. What is poverty?
b. Explain how low investment results in low production.
c. Explain how Rahim’s family could break the circle of poverty.
d. “The best way to come out of the circle of poverty is to educate more and more the young population.” Give reasons in favour of your answer.

3. ‘A’ and ‘B’ are two countries. In the country ‘A’ all the economic activities including production, exchange and consumption are administered through individual initiatives. Here the producers and businessmen produce, purchase and sell products with a view to earn personal profit. In country ‘B’ an opposite picture of country ‘A’ can be noticed. Here the wealth and the factors of production are owned by state. In this country a consumer cannot enjoy any commodity in huge quantity by spending money at his own will.

a. What kind of economic system is prevalent in country ‘A’.
b. Describe an important characteristic of the economic system of country ‘A’.
c. Find out the comparative differences between the economic system of Bangladesh and that of country ‘B’.
d. Would you support the consumer’s full sovereignty? Give reasons in favour of your answer.
Chapter Two

Some Basic Concepts of Economics

2.1.1 Definition of Wants:

In ordinary sense ‘want’ means financial stringency or financial insolvency. But in Economics, it means the human desire to get anything-material or non-material. In fact, the desire to get any good and services springs from the urge to meet the necessaries, comforts and luxuries of life. This desire or urge is ‘want’. Man becomes engaged in economic activities for the satisfaction of his wants. Wants lie at the root of all activities of mankind.

2.1.2 Characteristics Of Wants

Wants which are felt in human life have some common characteristics. They are described below:

1. **Wants are unlimited**: There is no end to human wants. If one is satisfied, another want will come in. Thus, wants are unlimited to a particular man. No man can satisfy all his wants.

2. **A particular want is limited**: Although wants are unlimited, a particular want is limited. Because, at a particular period of time the utility of a particular goods goes on diminishing as more of that good is consumed. Lastly, a particular stage is reached when the goods will have no utility to the man. That means, wants reveal a characteristics that a particular want is limited.

3. **Wants are complementary**: Man feels the want of many goods at the same time. For example, to satisfy the want of car, fuel is needed. So, many times the satisfaction of one want may necessitate the satisfaction of another want at the same time.

4. **Wants are competitive**: In view of the limited means to satisfy wants, no man can satisfy all his wants at the same time. So, he has to discard those wants which are of less priority and satisfy first those wants which are of high priority. In this sense, wants are competitive among themselves.

5. **Intensity of all wants is not the same**: Man does not feel the same intensity of all wants. There are some wants which are to be satisfied immediately and some wants which can be deferred to be satisfied later. Again, there are some wants which can be altogether deferred to be satisfied.
6. **Wants have alternative means to be satisfied**: Most of the wants can be satisfied with alternative means. For example, thirst can be satisfied by drinking water or by any beverage.

7. **Imitational wants**: Many wants are felt from the tendency of imitation. The use of fridge and color television by the neighbors can create the tendency to feel for those wants.

### 2.1.3 Classification of wants

Human wants may be classified into three types, such as (1) Necessaries, (2) Comforts and (3) Luxuries.

1. **Necessaries**: Wants which are indispensable to life are called necessaries, for example, food, clothing, housing etc. On the basis of the degree of importance necessaries are divided into three, such as, (a) necessaries for life, (b) necessaries for efficiency and (3) conventional necessaries.

   A. **Necessaries for life**: Wants which are absolutely necessary for the existence of life are called necessaries for life. As for example, food, clothing, housing etc are necessaries for life.

   B. **Necessaries for efficiency**: Wants whose satisfaction increases the efficiency of work of man are called the necessaries for efficiency. For example, nutritious food, healthy housing, education etc increase the efficiency and as such they are called necessaries for efficiency.

   C. **Conventional necessaries**: Wants which are necessary neither for life nor for efficiency, but are felt due to habit or convention, are called conventional necessaries or necessaries for convention. Wants for goods like tea, cigarette, pan etc are conventional necessaries.

2. **Comforts**: Wants of goods which add to the comforts of life are called comforts, such as better food, cloths worthy of good tastes etc.

3. **Luxuries**: Wants which are necessary neither for life nor for comforts, but whose satisfaction has a status value in the society, are known as ‘luxuries’. For example, valuable ornaments costly cars etc. In a poor country, the consumption of these goods nevertheless indicates a kind of wastage of resources.

The type of wants based on the classification as described above may change due to change in time, place and consumers’ status. As for example in a developed country motor car is necessary to a common man, and so the want of motor car will be treated as one of the necessaries but in Bangladesh, to a doctor it is comfort and to a middle class people it is luxury. So it can be said that the classification of wants of goods & services is not absolute, but relative.
2.2.1 Wealth
Goods which have utility, are limited in supply in relation to demand and can be transacted, are known as ‘wealth’ in Economics. Goods are to be transferable and external in order to be transacted in the market. From this standpoint food, furniture and houses etc are wealth.

It is to be mentioned that non-material goods, such as good will of business, services of a nurse etc. are termed as wealth as they are economic goods. Wealth satisfies human wants. So, to produce wealth is the primary objective of economic activities.

2.2.2 Characteristics of Wealth
In Economics any goods can be wealth if it has four characteristics. For example, (1) Utility, (2) Scarcity, (3) Transferability and (4) Externality. These characteristics are discussed below:

1. **Utility**: Utility is the main characteristics of wealth. The power or the capacity of anything to satisfy human wants is called its utility. Any thing to be wealth must have its utility. Things having no utility have no transaction or exchange value and so it cannot be wealth.

2. **Scarcity**: To be wealth, a thing must have limited supply in relation to demand. The water of a river, air etc. is not limited in supply and so they are not wealth. But, as rice, jute, cloths etc. have limited supply in relation to their demand, they are wealth.

3. **Transferability**: Another important characteristic of wealth is transferability. Transferability means the scope of changes in the ownership of goods. If a thing can not be exchanged in transaction (in buying and selling), it cannot be wealth. Land is wealth as the ownership of land can be changed.

4. **Externality**: This is another characteristic of wealth. If any goods is external, then it can be transferable. Furniture, cloths etc. being external, are transferable and as such they are wealth. On the other hand, the internal qualities of man such as talent, skills etc are not transferable as they have no external entities and so they are not wealth.

So, in Economics the goods which have utility, scarcity, transferability and externality are called ‘wealth’. Any goods lacking in any of the four characteristics is not wealth.
2.2.3 Classification of Wealth:

On the basis of source and ownership, wealth are divided into different types.

First on the basis of source, wealth is divided into three types: Such as, (1) Natural wealth, (2) Human wealth and (3) Man made wealth.

1. **Natural wealth:** The gifts of nature which satisfy human needs or wants are called natural wealth. On this meaning of the term land, mineral resources, rivers, forests etc. are natural wealth.

2. **Human wealth:** All human qualities are human wealth, such as physical fitness, talent, entrepreneurship, skills, organizational capacity etc. But, according to definition of wealth in economics they are not wealth as they have not two important characteristics-transferability and externality.

3. **Man made wealth:** Man made wealth means those wealth which are created by man by utilizing natural and human wealth. As for example, they are raw materials, machineries, factories & plants, means of transports and communication, educational institutions, health centres, irrigation system, electricity generating centre etc. Man- made wealth which is used for further production is called capital.

Secondly, from the standpoint of ownership, wealth is divided into four types, such as, (1) Personal wealth, (2) Collective wealth, (3) National wealth and (4) International wealth.

**Personal Wealth:** All wealth belonging to an individual is called personal wealth. For example, personal land, homestead, furniture, good will of business etc, are included in the category of personal wealth.

**Collective Wealth:** Wealth under the ownership of the govt. or the members of public, are called collective wealth; such as roads, parks, zoos, post offices, schools, colleges, hospitals, embankments etc. All people have equal rights over this wealth and also have equal responsibility for their maintenance.

**National Wealth:** The sum-total of personal wealth and collective wealth are called national wealth. For example, the efficiency of manpower, natural gas, water resources etc. In computing the national wealth, the wealth owned by the foreigners inside the country are deducted from national wealth and the wealth, owned by the country people staying overseas, are added to national wealth. This wealth belongs to the entire nation.
International Wealth: The wealth which is not owned by any country or by any community, but all countries can consume them, are called International wealth. The seas, the oceans, different international rivers, the United Nations etc. are examples of international wealth.

2.2.4 Natural Resources of Bangladesh

The resources which, as bounty of nature, are used in production and which come to the benefit of the people are called the natural wealth or resources. The natural wealth of Bangladesh means the climate and rainfall, the rivers, the sea areas, agricultural land, minerals, forestry, animals and power resources of this country. These resources make valuable contribution to the economic and social activities of the people of Bangladesh. The main natural resources of this country are described below:

A. Agricultural Resources:

Bangladesh is an agricultural country. Vast area of this country covers the alluvial rich fertile agricultural land. The fertility of our soil, favourable weather, rainfall, rivers etc are useful inputs for agricultural production. In this country there is about 2 crore 22 lakh acres of arable/cultivable land. Our agriculture sector produces food stuff of rice, wheat, pulses, potatoes, oilseeds, fruits etc and also produces cash crops such as jute, sugar cane, tea, tobacco, silk etc. About 75% of the people of the country directly or indirectly depend on agriculture. About 21% of national income comes from agriculture.

B. Mineral Resources

Bangladesh is not rich in mineral resources. Mineral resources which have so far been discovered are described below:

1. **Natural gas:** Natural Gas is the main mineral resources of Bangladesh. There are 23 gas fields in the eastern zone of the country. The total reserve of the gas is about 13223.149 trillion cubic feet. At present gas is extracted from 17 gas fileds only. The gas fields under production are Bakhrabad, Habiganj, Koilastila, Rashidpur, Sylhet, Titas, Belabo (norsingdi), Meghna, Sangu, Salda Nadi, Jalalabad, Beani Bazar, Fenchugonj, Moulavibazar, Feni, Bibiana and Banguna. This gas is used as raw materials in the production of chemical fertilizer. Besides, this gas is also used in the electricity generation centres, factories and domestic purpose.

2. **Lime stone:** Lime stone is used in the production of cement, glass, paper, soap, bleaching powder etc. There are reserves of lime stone in Bhangarhat and
Bangali bazaar of Sylhet, Tekerhat of Sunamganj, Jamalganj of Joypurhat and St. Martin Island of Chittagong.

3. **China Clay**: There are reserves of China Clay at Bijoypur of Mymensingh and at Patnitola of Naogaon district. It is used in the production of crockery and sanitary wares.

4. **Coal**: Coal has been found in the districts of Sylhet, Rajshahi, Joypurhat, Faridpur and at Barapukuria of Dinajpur district. But the extraction of coal from these places has not been possible. The quality of the found out coal is not high.

5. **Hard Rocks**: There are reserves of Hard rocks at Madhya para and Ranipukur in the districts of Dinajpur and Rangpur respectively. This Hard rock is used for the construction of roads, railways, embankments etc.

6. **Silica sand**: There are reserves of silica sand in Sylhet, Chittagong, Comilla and Jamalpur. This is used in the production of glass, colours and chemical products.

7. **Sulphur**: Sulphur is used in producing gun powder, safety match, oil refinery etc. There is the possibility of the discovery of sulphur in the island of Kutubdia in Chittagong.

8. **Mineral oil**: The availability of mineral oil has recently been traced out at Haripur in Sylhet. Study for its availability is also being done at the coastal areas of the country, Chittagong Hill Tracts and Sylhet.

9. **Copper**: The possibility of some quantity of copper has been traced out at Ranipukur and Pirganj of the district of Rangpur and in the hard rock layer of Madhya para in the district of Dinajpur. Copper is used in making electrical machineries, wire, coins etc.

C. Forest Resources

Forest and forest resources are very important natural resources. To maintain a good natural and environmental condition a country needs to have at least 25% of its area under forest. But the area of Bangladesh under forest is only 17%, which is lower than that of other countries. For example, the area under forest is 34% in America, 63% in Japan, 67% in Burma and 22% in India. The entire forest area of Bangladesh is divided into five zones.

1. **Sundarban forest**: This forest is located in the coastal areas of the districts of Khulna, Satkhira, Bagherhat, and Barguna. Its area is about 6,017 square k.m. In this forest zone valuable trees, such as, Sundari, Garan, Geowa, Kewra, Bine etc grow. In the Sundarban zone the world famous ‘Royal Bengal Tiger’ and different species of valuable beasts and birds live.
2. **Chittagong and Chittagong Hill Tracts Forest:** This forest is spread over the hilly areas of 15333 square k.m in these two districts. In this forest trees like Teak, Garzan, Gamari, Jarul, Shimul, Champa, Bamboo, cane etc grow in abundance.

3. **Madhupur and Bhawal Forest:** The total area of forest of Madhupurgar in the districts of Mymensing & Tangail and the Bhawalgar in the district of Gazipur is about 1064 square k.m.

4. **Forest in Sylhet:** This forest zone is located in the district of Sylhet. Its area is about 1040 square k.m. Various types of trees such as Shimul, Banjam, Bamboo, Cane etc. grow here.

5. **Forest of Dinajpur and Rangpur:** This forest is located in the Varendra Vumi of the districts of Dinajpur and Rangpur towards the north-east side of the country. Its area is about 39 square k.m. ‘Shal’, ‘Gojari’ etc. trees grow here.

**D. Animal Resources**

Different species of animals and birds are seen all over Bangladesh. Among the domestic animals cow, goat, sheep, buffalo, duck, chicken etc. are the main. Besides, in the forests of Sundarban and Chittagong Hill Tracts there are valuable animals and birds of numerous species like tiger, elephants, deer etc. Different species of fishes are available in the marshy land of our rivers, beels, haors, ponds etc. and in the Bay of Bengal. But the animal resources of Bangladesh are scarce in relation to our needs.

**E. Power Resources**

The use of power resources is indispensable in our factories, transports and communication, mechanized cultivation, household activities etc. Power is available from some selected sources. These are coal, mineral oil, natural gas, water, atomic reactor, solar power and different types of traditional fuel items.

Coal has been traced out in some places of Bangladesh, but its extraction has not yet been started. The availability of Petroleum has been traced out at Haripur of Sylhet. The required amount of petroleum is imported from the foreign countries. The generation of atomic and solar energy has not yet been possible in this country.

In Bangladesh, most of the supply of power comes from the sources of natural gas, electricity and traditional items. We use natural gas in the factories, domestic purpose and in the generation of electricity. In this country power is also generated from water. This is called ‘hydro-electricity’. The only ‘hydro-electricity’ station of the country is
situated in a place named as Kaptai on the bank of the river ‘Karnafuly’ in the district of Chittagong Hill Tracts. Electricity which is generated from gas, oil and coal is called Thermal Power.

**In the following power generation centres of Bangladesh mineral oil is used as fuel:**
1. Goalpara Thermal Power Station, Khulna
2. Bheramara Thermal Power station, Kushtia.
3. Thakurgaon Thermal Power station
4. Saidpur Thermal Power station, Nilphamari

**Following are the power stations where gas is used:**
1. Siddhirganj Thermal Power Station, Narayanganj.
3. Ghorashal Thermal Power station, Norshingdi
5. Chittagong Thermal Power station.

In this country from the various traditional items of fuel like wood, straw, cow dung, jute-straw, husk, leaf etc are used for generating thermal power.

It may be mentioned here that air, solar heat and bio-gas are being used as raw materials for the generation of power in different countries of the world. In the modern world emphasis is also being laid on the atomic power. It is hoped that in near future Bangladesh also will make efforts for the generation of power from these sources.

**F. Water Resources**

Water is a basic natural resource which is indispensable to the survival of both animals and plants. Water resources are necessary for the existence and development of agricultural, forest, animal and power resources of the country. In Bangladesh sources of water are mainly three. They are, (1) rivers, canals, ponds, and the seas. (2) rainfall and (3) underground water.

Water from these three sources is indispensable to our agriculture. Any over-supply or under-supply of water causes harms to agriculture. In the inland marshy land and the coastal areas, there are fishes and other water resources. Hydro-electricity is generated from the river currents. The transport and the trading system of this country have developed on the nucleus of innumerable rivers, canals and marshy lands. River water and rainfall exert congenial influence on the weather and environment of this country. Development of water resources and their proper use, if ensured, will help our economic development.
2.2.5 Role of Resources In Production

Resources are needed directly or indirectly in the production of goods and services. Resources are of different types such as, natural resources, man-made resources and human resources. Production activities are continuously taking place in the farm land, factories and other different fields. In these activities resources are used as one or more than one inputs of production.

The natural resources like climate, rainfall, rivers, fertility of the soil, forest, animals, birds etc directly or indirectly help in agricultural production. The climate, rainfall, rivers, soil of Bangladesh is especially suitable for its agriculture. Again, the man-made resources such as good seed, fertilizer, irrigation system, machineries, electricity etc are used as inputs of production. The initiative and skills of the farmers are indispensable to the agricultural production. It means that for the increase of agricultural production proper and effective use of various types of resources are essential.

But in industrial production coal, iron, natural gas, petroleum and other mineral resources are very much needed. The countries which are rich in mineral resources are industrially developed. Shortage of mineral resources such as petroleum, coal, iron etc. affects industrial production. With forest resources many other types of small and cottage industries can be set up. Power resources are necessary for the transport & communication system, agriculture & industry. Further, educational institutions, health centres, training and research etc. enhance the skills of the manpower. As a result, volume and quality of production increase. Man-made resources which are used for further production are called capital. Many other resources like the machineries, raw materials, buildings, furniture, transport & communication systems are used in the total production system of the country including agriculture and industry.

In Bangladesh for the increase of production in agriculture, industry and other fields, proper use of resources is to be ensured. Natural resources, such as, our fertile soil, congenial climate, animals, forest & water resources, natural gas etc. are to be properly used in production. For increasing industrial production necessary capital goods have to be adequately produced. In this way it is seen that resources play a basic role in the increase of production and thereby in economic development.

2.3.1 Utility

In general sense, utility means the usefulness of a good. But in Economics, the capacity of any good to satisfy wants is called utility. For example, as food satisfies hunger, clothes cover nudeness, housing gives shelter and nursing cures diseases, all of these things have utilities. As such, any material or non-material good which satisfies human wants are said to have utilities. Meyers says, “Utility is the quality or capacity of a good which enables it to satisfy human wants’.
While considering the concept of utility, some aspects should be kept in mind:
1. Utility is a mental feeling/psychological phenomenon,
2. Utility can be measured by money
3. There is no relation between utility and morality, because some harmful goods have also utilities.
4. The amount of utility of particular goods depends on time, place and circumstances.
5. Utility of a good diminishes to a consumer with an increase of its quantity.

2.3.2 Total Utility
The sum total of utility derived from different units of a good at a particular time is called total utility. For example, when a consumer consumes three units of ripe mangoes one after another at a particular time and if the derives satisfaction worth Tk. 5, Tk 4 and Tk 3 from 1\textsuperscript{st}, 2\textsuperscript{nd} and 3\textsuperscript{rd} unit of mangoes respectively, his total utility in that case will be (Tk. 5 + Tk. 4 + Tk. 3) = Tk. 12.00. It can, therefore, be said that the total utility of a goods consumed at a particular time will be = utility of 1\textsuperscript{st} unit + utility of 2\textsuperscript{nd} unit + utility of 3\textsuperscript{rd} unit + .............. etc. It may be mentioned that in general total utility increases at a diminishing rate with an increase in the consumption of that good.

2.3.3 Marginal Utility
An increase in total utility as a result of consumption of an additional unit of a commodity at a particular time is called marginal utility. In other words, the additional utility due to an additional unit of a goods consumed is called marginal utility. To cite an example, a consumer derives total utility worth of Tk. 9 after consuming 2 pieces of ripe mangoes. By consuming an additional piece of mango his total utility increases to the amount worth of Tk. 12 So, by consuming an extra mango(additional unit) the increase in total utility is equal to (Tk. 12-Tk.9) or Tk. 3.So,utility worth Tk. 3 is marginal utility here.

2.3.4 Difference Between Total Utility And Marginal Utility
The difference between total utility and marginal utility can be assessed by examining a utility schedule of a consumer. It is seen in the following utility schedule that the total utility is the sum of utilities derived from all the individual units of a commodity and the utility of an additional unit is the marginal utility. Total utility increases at a diminishing rate, because marginal utility gradually decreases with an increase in consumption. When marginal utility is zero total utility becomes the maximum. And when marginal utility is negative, total utility decreases.
**Utility Schedule**

<table>
<thead>
<tr>
<th>Unit of the goods</th>
<th>Total Utility (In Taka)</th>
<th>Marginal Utility (In Taka)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>2nd</td>
<td>9</td>
<td>4</td>
</tr>
<tr>
<td>3rd</td>
<td>12</td>
<td>3</td>
</tr>
<tr>
<td>4th</td>
<td>12</td>
<td>0</td>
</tr>
<tr>
<td>5th</td>
<td>9</td>
<td>-3</td>
</tr>
</tbody>
</table>

The differences between total utility and marginal utility are as follows:

1. Total utility is the sum of utilities of all units of a commodity consumed, whereas marginal utility is the additional utility derived from an additional unit of that commodity. Hence, marginal utility is only a part of total utility.
2. When consumption of a particular goods increases, marginal utility gradually diminishes. So, total utility increases at a diminishing rate.
3. Total utility is the maximum when marginal utility is zero (0).
4. Total utility diminishes when marginal utility becomes negative.

**2.3.5 Law of Diminishing Marginal Utility**

In general, human wants are unlimited. But any particular want is limited. That is, the satisfaction of a particular want is possible. When a consumer consumes more of a commodity, the marginal utility of that commodity diminishes to him. This tendency of decrease in utility as a result of increase in the units of consumption is called the Law of Diminishing Marginal Utility. In describing the law, Economist Marshall says, “The additional benefit which a person derives from a given increase of his stock of anything diminishes with the increase of the stock that he already has”.

**Assumptions of the Law:**

The Law of Diminishing Marginal Utility is based on certain assumptions:

1. Consumer behaves as a rational human being.
2. Utility of the goods consumed can be measured in terms of money.
3. Price of the commodity becomes equal to its marginal utility.
4. No change in the income, taste, choice, etc. of the consumer occurs during the period of consumption.
5. Units of the goods are of reasonable size.
6. Consumer consumes each unit of the good at a definite time.
Example of the law:

On the basis of the above assumptions, the law is explained with the help of an example.

**Utility Schedule**

<table>
<thead>
<tr>
<th>Orange (Unit)</th>
<th>Total Utility (In Taka)</th>
<th>Marginal Utility (in Taka)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>2nd</td>
<td>9</td>
<td>4</td>
</tr>
<tr>
<td>3rd</td>
<td>12</td>
<td>3</td>
</tr>
<tr>
<td>4th</td>
<td>14</td>
<td>2</td>
</tr>
<tr>
<td>5th</td>
<td>15</td>
<td>1</td>
</tr>
<tr>
<td>6th</td>
<td>15</td>
<td>0</td>
</tr>
<tr>
<td>7th</td>
<td>14</td>
<td>-1</td>
</tr>
</tbody>
</table>

It is seen in the utility schedule that a consumer derives utility from the first unit of orange equal to Tk. 5 and for this reason he is willing to pay Tk. 5 for the first orange. Then, he increases his consumption by consuming 2nd and 3rd unit of orange and he derives utility worth of Tk. 4 and Tk. 3 respectively. That is, he is willing to pay Tk. 4 and Tk. 3 for the 2nd and 3rd unit respectively. He has no desire for the 4th unit of orange and the utility from this unit i.e. marginal utility here is zero (0) with the total utility being the maximum. So, marginal utility from the 5th unit becomes negative at Tk. -3. It is, therefore, seen that with an increase in consumption, marginal utility diminishes and the consumer is willing to pay gradually less price for the marginal units. This tendency of gradual decrease in utility of additional units is known as the Law of Diminishing Marginal Utility.

Explanation of the law with the help of a diagram:

The law of diminishing marginal utility can be explained with the help of a diagram.
In the diagram, OX axis measures units of orange and OY axis measures marginal utility and price. According to the diagram, the consumer derives \( aa' \) amount of utility, i.e. marginal utility from the first orange and for this he is willing to pay Tk. 5. From the 2\(^{nd} \) unit of orange the consumer derives \( bb' \) amount of marginal utility and from the 3\(^{rd} \) unit he derives \( cc \) amount of marginal utility. That means, with the increase of consumption he is willing to pay Tk. 4 for the 2\(^{nd} \) unit and Tk. 3 for the 3\(^{rd} \) unit of orange. Here the marginal utility of the 4\(^{th} \) unit being zero and so it is indicated by point \( d \) on the horizontal (OX) axis. The marginal utility of the 5\(^{th} \) unit is negative i.e. -3 which is indicated by \( ee \). Here \( cc' < bb' < aa' \). It is thus proved that with an increase in consumption of oranges, the utility of the additional units gradually diminishes to the consumer.

Now, MU curve can be derived by joining the points \( a', b', c', d', e' \) and \( f' \). This is the marginal utility curve of the consumer. The curve is downward sloping. With an increase in the quantity of goods consumed, marginal utility gradually diminishes. Hence, the marginal utility curve is downward sloping.

**Exception to the law:** The law of diminishing marginal utility is not applicable to all cases. Exceptions can be observed in some cases as stated below:

1. At the time of consumption, if the habits and tastes of the consumer change in favour of the goods being consumed, the marginal utility will increase rather than decrease.
2. If the unit of the goods is very small or inadequate as compared to the intensity of his desire, in that case utility of the subsequent units may increase.
3. If the time lag between the consumption of different units is very long, the law does not operate. In such case the marginal utility of the second unity may increase after the consumption of the first unit.
4. In the case of fancy and narcotic goods, the marginal utility does not diminish due to increasing addiction of the consumer.
5. Desire from the hobbies of the collection of coins and other ancient and scarce materials increases gradually. The law does not hold good in these cases. As a result, marginal utility increases rather than decreases.
6. If the income of the consumer increases at the time of consumption, the marginal utility of the goods may increase rather than decrease.
7. When the consumers are in competition to buy goods in the hope of attaining social power and position, the law does not operate. In such case, the marginal utility of luxury goods increases with the increase in their buying.
2.3.6 Consumption

In ordinary sense, consumption means destruction of any goods through its use. But actually man can neither create nor destroy anything. In fact, the form of any goods is changed only by its use. Man consumes the utility of a goods for the satisfaction of his wants. So, in economics, getting utility of any good or destruction of its utility through use is called consumption. In our daily life we consume rice, fish, pen, watch, cloths. It means that we take the utility of all these goods. Actually, as a result of the consumption of these goods their utility is exhausted. Therefore, taking or consuming the utility of goods for the satisfaction of human wants is called consumption.

2.4.1 Definition of Demand

In the ordinary sense, the desire for getting goods or service is called demand. But in Economics, the mere desire for goods is not called demand. The desire for goods, backed by the ability and the willingness to spend that ability of the buyer is called demand in economics. For example, a person may have the desire for a motor car, but if he has no money or if he has money, but he is not willing to buy it, then his desire for motor car will not be a demand. Only that desire for which one has necessary money and willingness to spend that money, will be regarded as demand. So there are, three factors of demand. Such as:

1. Desire or expectation to have a good
2. Necessary money to buy the goods, and
3. Willingness to spend that money to buy the goods.

It may be mentioned that there is a close relationship between demand, time and price. Demand means the quantity of goods demanded at a particular price at a particular time. Economist Benham says, “Demand for anything at a given price is the amount of it which will be bought per unit of time at that price.”

2.4.2 Law of Demand

The demand for a commodity depends on its price. Other things remaining the same, when the price of a goods increases at a particular time, its demand decreases, again when the price decreases, its demand increases. So, a relationship is observed between price and demand. This very relationship of the dependence of demand on the price of goods is called the law of demand.

Assumption of the Law:

The presumption of ‘other things remaining the same’ in the ‘Law of demand’ means that there will be no change in any factor which can influence price and demand for the goods in question. The ‘other things’ mean the following:
1. Income of the buyers.
2. Tastes, habits and choice of the buyers.
3. Prices of other related goods.
4. Number of buyers.
5. Normal behavior of the consumers.

If these conditions or things remain unchanged, only then the Law of demand will operate.

**Exception to the Law:**

The law of demand depends on a number of assumptions. If there changes in these assumptions, the law of demand does not hold good. That is, in that case with the rise in price, the demand for the goods will not decrease and with a fall in price, the demand will not increase. The exceptions of law of demand are discussed below:

1. **Change in Buyer’s Income:** The demand for the goods bought will not decrease in spite of increase in the price of the goods if the income of the consumer increases substantially.

2. **Change in habit and tastes:** As a result of changes in habits and tastes if a consumer starts taking coffee as a substitute of tea, his demand for tea will not increase in spite of the fall in its price. It means, therefore, an exception to the law of demand.

3. **Changes in the Prices of Substitutes and Complementary Goods:** In spite of the price of a goods remaining unchanged, its demand may change with the change in the prices of its substitutes and complementary goods. For example, the substitute for molasses is sugar. Let us assume that the price of sugar increases, in that case the demand for molasses will increase even if its price does not change. Again, pen and ink are complementary goods. Let it be assumed that with a fall in its price, the demand for pen rises. Now, if the price of ink rises, its demand will not fall, rather it will rise. Again it means an exception to the law of demand.

4. **Possibility of Future Increase in the Price:** If the consumer thinks that the price of the goods he desires will increase in future, in that case his demand will not decrease if the price of that goods increase at present. His demand for the goods will rather increase on the possibility of future increase. Similarly, in case of the possibility of further decrease of its price in future, the present demand will not increase at present even if its price decreases. This is again a case of exception to the law of demand.
5. **Goods of Pomp and Grandeur:** There are some goods like diamond, gems, pearls, costly dress of the current fashion, rare paintings etc. These are the symbols of a rich man’s position, prestige and aristocracy. With the rise of prices of these goods, the demand for these goods also rises, in stead of falling. The law of demand, therefore, does not hold good here.

6. **Ignorance of the Consumer:** There are some consumers who consider a particular goods more valuable when its price rises. In that case, he demands more of that goods when its price rises. Again, when its price falls, he considers the goods as inferior. So, in case of falling price of that goods, its demand also falls. In either case, the law of demand is not operative.

2.4.3: **Demand Schedule**

The demand for a goods depends on its price. Demand for that goods changes in response to change in the price of that goods. At a given time, the schedule which states different quantities demanded at different prices is called demand schedule. From the demand schedule the inverse relationship between demand and price is known. Demand schedule has two sides with one representing price and the other representing demand. An illustration of a demand schedule is given below:

<table>
<thead>
<tr>
<th>Unit Price (in taka)</th>
<th>Quantity demanded (units)</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>4</td>
<td>12</td>
</tr>
<tr>
<td>2</td>
<td>16</td>
</tr>
</tbody>
</table>

From the schedule it can be seen that when the price of a particular goods is 8 taka per unit, a consumer demands only 4 units of that goods. When the price falls successively to Taka 6, Taka 4 and Taka 2 per unit, his demand rises to 8 units, 12 units and 16 units respectively. The inverse relationship between demand and price is expressed through the demand schedule.

2.4.4 **Demand Curve**

At a particular time when a consumer’s desire to buy different quantities of a goods at different prices is shown through a curve, it is then called the demand curve. Each point on a demand curve represents a particular quantity demanded at a particular price. It means that the demands curve is the diagrammatic representation of the demand schedule. Like the demand schedule the demand curve shows the inverse relationship between price and demand. The following is an example of a demand curve.
In the diagram X axis represents the demand for a goods and the OY axis represents the price of that goods. DD is the demand curve. At point Q, the quantity demanded is 4 units at price Taka 8 per unit. Points R, S and T indicate the quantity demanded as 8 units, 12 units and 18 units at the corresponding prices of Taka 6, Taka 4 and Taka 2 per unit respectively. It means that different points on the demand curve DD show different quantities demanded at different prices. In view of the inverse relationship between price and demand, the demand curve falls downwards to the right.

2.4.5 Drawing a Demand Curve from a Demand Schedule

At a particular time the different quantities demanded of a goods by a buyer at different prices, when shown in a table, is called a demand schedule. When this information of the demand schedule is given not in words or numbers, but in a curve, this curve is then called demand curve. So, a demand curve is drawn from a demand schedule. A hypothetical demand schedule is given below for drawing a demand curve.

**A Demand Schedule**

<table>
<thead>
<tr>
<th>Price per unit (In Taka)</th>
<th>Quantity demanded (units)</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>4</td>
<td>12</td>
</tr>
<tr>
<td>2</td>
<td>16</td>
</tr>
</tbody>
</table>

The above demand schedule shows that a consumer desires to buy 4, 8, 12 and 16 units of a goods at the corresponding prices of Taka 8, Taka 6, Taka 4 and Taka 2 respectively. Now a demand curve is drawn below on the basis of this demand schedule.
In the diagram OX axis shows the quantity demanded and the OY axis shows the Prices. When the price is 8taka, the Quantity demanded is 4 units. Now let us draw a perpendicular from the OY axis at A length of 8 units on the graph and also draw another perpendicular from the OX Axis at a length of 4 units. These two perpendiculars will intersect at point Q, which is a point on the demand curve DD.

Similarly we can get another pair of perpendiculars intersecting at point R taking the quantity demanded of 8 units at a price of Taka 6 per unit. Point R will be another point on the demand curve. In the same way, we can get points S and T by the intersection of two perpendiculars denoting price quantity combination of 4 & 12 and 2 & 16 respectively. These points lie on the demand curve. By joining Q, R, S and T we get a curve denoted by DD. This is what is called a demand curve. This curve is sloping downwards to the right.

### 2.4.6 Elasticity of Demand

According to the law of demand, ‘other things remaining unchanged’, the demand for a commodity falls with an increase in its price and rises with a fall in its price. But this change in demand due to changes in price is not same in all cases. For example, in case of necessary goods big changes in prices may bring slight changes in the demand. Again, in case of luxurious goods demand changes largely with small changes in prices. The ratio at which demand for a commodity rises or falls with the changes in the prices of the commodity is called ‘elasticity of demand’. Prof. A. Marshall says, “The degree of rapidity or slowness with which demand changes with every change in price is known as Elasticity of demand”.

The elasticity of demand can be expressed in terms of a formulae given below:

\[
\text{Elasticity of demand} = \frac{\text{Relative change in demand}}{\text{Relative change in price}}
\]

### 2.4.7 Elastic and Inelastic Demand

Elasticity of demand are mainly of two types:

1. Elastic demand
2. Inelastic demand
1. Elastic Demand: When the rate of change in quantity demanded is greater than the rate of change in its price, it is called elastic demand. Ordinarily the demand for luxury goods such as television, freeze, costly motor car, fancy goods etc. are elastic. In case of such commodities, a small fall in prices leads to big rises in the quantity demanded and small rise in prices leads to big fall in the quantity demanded.

As for example, when the price of a commodity is Tk. 20, its demand is 100 units. When the prices falls to Tk. 15, the quantity demanded rises to 150 units. In this case the rate of changes in price is 25% and change in the quantity demanded is 50%. The demand for such commodity is elastic because the rate of change in demand is higher than the rate of change in price. Elastic demand is shown with the help of a diagram below:

Quintity Demanded
In the diagram OX axis represents quantity demanded and OY axis price. When price falls from OP to OP´, the demand rises from OM to OM´. In this case change in the quantity demanded is greater than the change in price. That is, MM´ > PP´. So it is a case of elastic demand.

2. Inelastic Demand: If the rate of change in the quantity demanded is less than the rate of change in price, then it is called the case of inelastic demand. Generally, the demand for essential goods and necessaries of daily use, such as salt, rice, pulse, safety matches etc. are inelastic. If the prices of these goods increase substantially, their demand do not decrease to that extent. Again, if the prices decrease, their demand do not increase so much. For example, when the price of a commodity is Tk. 10 the quantity demanded is 100 units. If the price falls to Tk. 6, the demand increases to 120 units. In this case, the rate of change in price is 40% and the rate of change of demand is 20%. The percentage change of demand is less than the
percentage change of price. So, the demand here is inelastic. Inelastic demand with the help of diagram is explained below:

In the diagram OX axis represents demand for commodity and OY axis represents price. The price falls from OP to OP’ and demand increases from OM to OM’. Here the rate of change in price is greater than the rate of change in demand. That is MM< PP. So it is a case of inelastic demand.

2.5.1 Supply

In general terms, the marketable quantity of a commodity in a market is called supply. But in Economics, the quantity of a commodity which a seller is willing to sell at a particular price and at a particular time is called supply of that commodity to him. The quantity of a commodity supplied changes as a result of changes in price and time. For this reason, the concept of supply of a commodity is considered in the context of a particular price and time. Economist Meyers says, “We may define supply as a schedule of the amount of a good that would be offered for sale at all possible prices at any one instant of time”.

2.5.2 Difference between Supply and Stock

In Economics, supply and stock are two different concepts. The total quantity of a marketable commodity is stock. But the quantity which a seller is willing to sell at a particular price from that stock is called the supply of that commodity. For example, a seller has 500 kg. of rice in his stock and the price of rice per kg. is Tk. 15 in the market. If the seller is willing to sell 200 kg. of rice at this price, then 500 kg. of
rice is the stock and 200 kg. of rice will be its supply. So, stock means total quantity of a marketable commodity which is not dependent on price. But that portion of the stock which is ready for sale in the market at a particular price and time, is considered as supply.

2.5.3 Law of Supply

The supply of a commodity has a relation with its price. Other things remaining the same, the supply of a commodity increases with a rise in price and decreases with a fall in price at a particular time. This very relationship between price and supply is called the law of supply. Under condition of constant cost of production, if the price of a commodity rises, the seller can earn more profit by selling more. So, the supply of the commodity will increase. If the price of a commodity falls, the amount of profit will decrease and the seller will reduce the supply of that commodity. It can thus be known from the law of supply that the price and supply change in the same direction. If other factors which influence supply remain unchanged, the law of supply operates. The other factors include the availability of factors, prices of the factors, method of production, condition of nature, transport system, etc. If there is a change in these factors, the law of supply does not hold good.

Exception to the Law of Supply

The law of supply does not operate in some elected cases. That means, in those cases supply does not increase with the increase of price and vice versa. The exceptions to the law of supply are described below:

1. Limited Supply: There are some goods which cannot be produced more than once and for this reason their supply is fixed. For example, the painting of an expired artist, antique etc. Whatever may be the extent of increase in their prices, their supply cannot be increased.

2. The Possibility of change in Price in Future: If there is the possibility of further price increase in future, then even with higher price at present the supply will not increase. Again, if there is the possibility of further fall in price in future, the supply will increase at present even at lower price of the commodity.

3. The Supply of Labour: If the wages of the labourer increase, the labourers may sometimes prefer leisure to work. So, in such a situation the supply of labour does not increase with the increase of wages.
4. **Cost of Production:** Under increasing cost condition of production, profit decreases. Producer then reduces production. So, the supply does not increase even if the price of commodity increases.

5. **Natural Condition:** Because of natural calamities like flood, draught, cyclone etc, production of agricultural crops decreases. Then the supply can not be increased even though price increases.

6. **Transport Problem:** If there is any problem in transport and communication in certain areas, the supply cannot be increased during short period even at higher prices of the commodities.

In all these cases the law of supply does not operate.

### 2.5.4 Supply Schedule

The schedule that shows different quantities of a commodity which a seller supplies at different prices at a particular time, is called a supply schedule. Supply increases with an increase in price and supply decreases with a decrease in price. This change of supply as a result changes in price is given below:

<table>
<thead>
<tr>
<th>Per unit price of commodity (Tk)</th>
<th>Quantity supplied (Units)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>40</td>
<td>40</td>
</tr>
</tbody>
</table>

It is seen in the schedule that when the price of a commodity is Taka 10 per unit, the quantity supplied is 10 units. If the price increases to Taka 20, Taka 30 and Taka 40 per unit, then the supply increases to 20 units, 30 units and 40 units respectively. The law of supply is thus reflected in the supply schedule.

### 2.5.5 Supply Curve

The curve that shows different quantities of a commodity supplied at different prices is called the supply curve. The geometrical expression of a supply schedule is the supply curve. Each point of this curve shows the quantity supplied of the commodity at that price. Like a supply schedule, the supply curve also expresses direct relationship between price and supply. An example of a supply curve is given below:
In the above diagram OX axis represents quantity of supply of a commodity and OY axis the price. SS is the supply curve. At point A of this curve the price is Tk. 10 and the quantity of supply is 10 units. At points B, C and D, the quantity of supply are 20 units at price Tk.20, 30 units at price Tk.30 and 40 units at price of Tk. 40 respectively. As there is direct relationship between price and supply, the supply curve generally slopes upwards from left to the right.

2.5.6 Drawing Supply Curve from Supply Schedule

The schedule which shows different quantities of a commodity which a seller supplies at different prices in a given period is called a supply schedule. When this supply schedule is expressed with the help of a curve it is then called supply curve. So, a supply curve can be drawn on the basis of a supply schedule. A supply schedule is given below and supply curve is drawn on the basis of this schedule.

<table>
<thead>
<tr>
<th>Price per unit (Tk) aka</th>
<th>Quantity Supplied (Units)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>40</td>
<td>40</td>
</tr>
</tbody>
</table>

In the hypothetical supply schedule given above, one seller supplies 10 units, 20 units, 30 units and 40 units of a commodity at price Tk. 10, Tk. 20, Tk. 30 and Tk. 40 per unit respectively. Now based on this supply schedule a supply curve has been drawn below:
In the diagram horizontal axis OX represents the quantity supplied and the vertical axis OY represents the price. When the price is Tk. 10, 10 units are supplied. Now if two perpendiculars are drawn- one from point 10 on the OY axis indicating price and another from point 10 on the OX axis indicating quantity supplied, they will intersect at point A. A is a point on the supply curve to be drawn. When price of the commodity rises to Tk. 20, Tk. 30 and Tk. 40 the quantity supplied increases to 20 units, 30 units and 40 units respectively. In the same way perpendiculars from the points on OY axis indicating prices Tk. 20, Tk. 30 and Tk. 40 and the corresponding points on OX axis indicating quantity supplied are drawn, they intersect at B, C and D points respectively. Now joining the points A, B, C and D indicating prices and quantities of supply we get the curve SS. This is the supply curve that slopes upwards from left to right.

2.5.7 Elasticity of Supply

According to the law of supply, other things remaining unchanged, if the price rises, the quantity supplied increases and if the price falls, the quantity supplied decreases. But changes in supply and changes in prices are not same in all cases. There are commodities where small changes in price lead to big changes in the quantity supplied. Again, there are other commodities where major changes in prices lead to small changes in the quantity supplied. In this way as a result of the changes in the prices of the commodity, the rate at which the quantity supplied changes is called the elasticity of supply.

In terms of a formula,

\[
\text{Elasticity of Supply} = \frac{\text{Relative change in supply}}{\text{Relative change in price}}
\]
2.5.8 Elastic and Inelastic Supply

1. Elastic Supply: When the rate of change in the quantity supplied is greater than the rate of change in the price, it is called elastic supply. For example, ordinarily the supply of industrial goods is elastic. Because at a slight rise in the prices of these goods, large amount of supply is possible. At this the margin of profit of the seller increases. Again, at slight fall in the prices of certain commodities the producer reduces his supply and stores them. The concept of elastic supply is explained below with the help of diagram.

In the diagram OX axis represents the quantity supplied and OY axis represents price. When the price increases from OP to OP’ the supply increases from OM to OM’. Here, the change in quantity supplied is greater than the change in price. That is, MM’ > PP’.

2. Inelastic Supply: When the rate of change in the quantity supplied is less than the rate of change in its price, it is called inelastic supply. Generally, in case of agricultural and perishable goods the supply is inelastic. Because, these sorts of goods cannot be produced as much as desired within a short time and again these cannot be stored for long time. For Quantity Supplied this, even if the price increases, the supply cannot be increased. Again, with a substantial fall in prices the supply of these commodities cannot be curtailed to store them. That is, the supply of these commodities cannot be increased or decreased at the rate at which price increases or decreases. The concept of inelastic supply is explained with the help of a diagram.
In the diagram OX axis represents the quantity supplied and OY axis represents price, when the price increases from op to op’ the supply increases from OM to OM’. Here change in the quantity supplied is less than change in price. That is, MM’ < PP’. So, SS is an inelastic supply curve.

2.6.1 National Income

National income generally refers to the money value of different types of goods and services that are produced in a country in a particular year as a result of various economic activities of the people. That is, the sum total of the value of rice, pulses machinery, buildings etc. produced in a country during one year period and the money value of the medical services, teaching profession etc. will give the national income. Different types of goods and services are produced in different times to meet the unlimited demand of the society. For this reason national income is not a permanent stock, it is rather a continuous flow. While giving the definition of national income Economist P.A. Samuelson says, “National income is the money measure of the annual flow of goods and services in an economy”.

2.6.2 Different Concepts of National Income

National income can be expressed in different ways. For this reason different concepts of national income have emerged. These concepts are discussed below:

A. Gross National Product (GNP)

The total of different quantities of goods and services produced during a particular period of time, usually a year in a country by utilizing different factors of production is called gross national product. While calculating gross national product, only final goods and services are counted excluding intermediate goods and services. Intermediate goods and services are those which are used as raw materials in the production of other goods. Goods and services which are not used as raw materials in other goods and services are called final goods. For example, flour is an intermediate good and bread is the final good. In this case while calculating the total national product, only bread will be counted in the calculation. It may be mentioned that the gross national product of a country in a year is generally expressed in terms of money.

B. Net National Product (NNP)

With the passage of time there is wear and tear to those equipment and raw materials that are used in the production of gross national product. These are to be compensated in order to maintain the continuity of production capacity intact. Some amount of money is spent for this purpose. This expenditure is called compensatory expenditure or depreciation cost. The Net National Product is obtained by deducting this depreciation cost from the total national product. That is, Net National Product = Gross National Product – Depreciation Cost. The real economic conditions of a country can be known form the Net National Product. The Net National Product of a year is also expressed in terms of money.
C. Gross Domestic Product (GDP)

The total/aggregate of final goods and services produced within a country during a particular period of time usually a year is called gross domestic product. While calculating the gross domestic product, all sorts of goods and services produced within the geographical jurisdiction of the country from internal and foreign investment are counted. But production by the citizens of the country staying abroad are not included in the estimate. The annual gross domestic product of the country is generally expressed in monetary value.

2.6.3 Per Capita Income

The per capita income is calculated dividing the total national income by the total population. Therefore Per Capita Income = Total National Income ÷ Total Population. The idea about the economic conditions of the country and the standard of living of the people can be found from the per capita income. The per capita income of the people of Bangladesh is very low as compared to the per capita incomes of other countries of the world. In our country the growth rate of national income is low due to low production in agriculture and industry. So, per capita income is also low. Our standard of living is low due to low per capita income. The per capita incomes of different countries of the world including Bangladesh are shown in the table below:

<table>
<thead>
<tr>
<th>Sl. no</th>
<th>Country</th>
<th>Per-capita income(in U.S dollar)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Switzerland</td>
<td>46,460</td>
</tr>
<tr>
<td>2</td>
<td>Germany</td>
<td>35,940</td>
</tr>
<tr>
<td>3</td>
<td>France</td>
<td>34,400</td>
</tr>
<tr>
<td>4</td>
<td>United States</td>
<td>46,970</td>
</tr>
<tr>
<td>5</td>
<td>Japan</td>
<td>35,220</td>
</tr>
<tr>
<td>6</td>
<td>South Korea</td>
<td>28,120</td>
</tr>
<tr>
<td>7</td>
<td>Sri Lanka</td>
<td>4,480</td>
</tr>
<tr>
<td>8</td>
<td>Pakistan</td>
<td>2,700</td>
</tr>
<tr>
<td>9</td>
<td>India</td>
<td>2,960</td>
</tr>
<tr>
<td>10</td>
<td>Bangladesh</td>
<td>750*</td>
</tr>
<tr>
<td>11</td>
<td>Nepal</td>
<td>1,120</td>
</tr>
<tr>
<td>12</td>
<td>Bhutan</td>
<td>4,880</td>
</tr>
<tr>
<td>13</td>
<td>Uganda</td>
<td>1,140</td>
</tr>
<tr>
<td>14</td>
<td>Tunisia</td>
<td>7,070</td>
</tr>
</tbody>
</table>

Sources:  
* Bangladesh Economic Survey 2010  
* Bangladesh Bureau of Statistics 2010  
* World Population data sheet 2010
2.6.4 Distribution of National Income

In economics distribution of national income means dividing national income among the factors of production. The four factors of production viz. land, labour, capital and organization, acting together, produce a certain amount of national income in a country, generally in one year. This national income, in accordance with the economic principle, is distributed among the four factors of production. As prices of participation in production, the owner of the land gets rent, labour gets wages, capital supplier gets interest and organizer or entrepreneur gets profit. In this way national income is distributed among the factors. In any country this way of the distribution of national income among for factors of production is called distribution of the national income.

2.6.5 Income Distribution In Bangladesh

The per capita income of the people of Bangladesh is low. The tendency for the growth of income is very slow. But there exists extreme inequality in the distribution of national income among the different classes of people in the society. Most of the resources and income are concentrated in the hands of few rich people. This class of people is the owners of most of the lands, factories and business firms. On the other hand about 85 percent of rural people have very limited resources at their disposal. Although our average per capita income is $750*, the average per capita income of the poor masses is less than $ 110. This class of people is deprived of even the bare minimum requirements and facilities of life.

There is a marked disparity in the distribution of national income between urban and rural people of the country. People of upper, middle and lower middle classes including workers and employees in the urban areas get salaries, allowances and other scopes of income. As a result, their per capita income is high to some extent. On the other hand, in absence of such facilities, the per capita income of most of the rural people is low. In recent times due to lack of employment considerable number of rural families are migrating to the urban areas. Even there also without getting suitable works, they are leading life at a sub-human level. This is why, like rural areas, severe income inequality has been created in the towns. In Bangladesh about 37 percent of families who live below poverty level take only small amount of food and calorie which stands very low in relation to their requirements. Only 20 percent of the people get health care facilities and 43 percent get pure water. This sort of inequality in the distribution of national income of Bangladesh is a great barrier to our socio economic development.
2.7.1 International Trade

Exchange of goods and services between two or more sovereign states is called international trade. In other words, transaction of goods and services of one country of the world with another or more countries is called international trade or foreign trade. For example, Bangladesh exports ready-made garments, jute goods etc. to the United States or other European countries and imports machinery and other industrial goods from those countries. Similarly, Bangladesh transacts goods and services with many countries including India, China, Japan, Germany etc. This kind of trade is the foreign trade of Bangladesh. Foreign trade thus consists of exports and imports.

The people of a country need a variety of goods and services. But that country is capable of producing a few goods quite well and at less cost according to its natural and other advantages. It cannot produce other goods so easily and with less cost. Thus it is found that different counties of the world specialize in producing few specific commodities according to their comparative advantages. Ultimately different countries of the world exchange goods according to their requirements through international trade.

So, international trade helps different countries of the world to satisfy wants of various goods. As a result of this exchange of goods and services among different countries, proper utilization of resources becomes possible leading to the increase of production.

2.7.2. Exports and Imports of Bangladesh

Bangladesh has foreign trade with different countries of the world including the neighbouring countries. We earn foreign exchange by exporting those commodities which we can produce in large volume at our advantage. We import a variety of commodities form abroad. The major exports and imports are discussed in brief below:

**Items of Exports**

In a few years preceding and following the liberation, the major exports of this country were jute and jute goods. At that time from the export of these two items only, the country used to earn huge foreign currency which was as valuable as gold. For this reason at that time jute was called “The Golden Fiber”. But, recently the composition of our export trade has under gone some changes. At present readymade garment is
the most important export item of our country. In Bangladesh almost two thousand ready-made garment factories are under production. Different items of ready made garments are exported mainly to United States, Germany, France, Italy, England, Canada etc. About 58 percent of our export earnings come only from readymade garments.

Beside, these readymade garments, there are some other important export items such as jute goods, frozen prawn, leather and leather goods, raw jute, tea, newsprint, hosiery product, agricultural items, handicrafts, fruits, chemical fertilizer etc.

Bangladesh now exports more than 100 items of goods to 107 countries of the world. But among these countries, the volume of exports to 7 countries is substantial. Of these 7 countries the most important is the United States. Next to the U.S.A there are countries like Germany, England, Italy, France, Holland and Belgium.

**Items of Imports**

Bangladesh is undeveloped in industry. We are not self-sufficient in food also. Besides, we require huge amount of capital goods for our economic development. In this context, the major imports of Bangladesh are food items, industrial consumer goods, capital goods and industrial raw-materials. Among the food imports wheat, rice, baby food, edible oil etc. are the main. Consumer products include clothes, medicine, cement, fertilizer, transport vehicles, chemical products, electrical products, fuel, rail, motor cars and many industrial products. Among the industrial raw materials Bangladesh imports cotton, thread, fuel, coal, chemical goods, mineral goods, artificial fibre, rubber, colour, petroleum goods. Capital goods among the imports are iron, steel, machinery, equipment, engine, mineral goods, agricultural machinery and various types of contingency items. We import mainly from countries like United States, England, China, Japan, Russia, Germany, Canada, India, France, Hungary, Poland, Taiwan etc.
Exercise

Multiple Choice Question (MCQ)

1. Man made wealth is basically:
   a. the rivers
   b. talent
   c. irrigation system
   d. the Sundarbans

2. As a consumer consumes two mangoes his total utility becomes 10 Taka. If he consumes 3 mangoes and his total utility stands to 12 Taka then the marginal utility of the mangoes will be-
   a. 2 Taka
   b. 4 Taka
   c. 5 Taka
   d. 6 Taka

3. The characteristic of wants in human life is-
   a. ants always follow a rule
   b. ants revolve round in circle
   c. wants are mutually associated
   d. wants are unlimited but a particular want is limited

4. When the price of a commodity is 8 Taka then the demand is 4 units. If the price decreases to 6 Taka and 4 Taka then demand increases to 8 and 12 units respectively. From this we can say:
   i. the relationship between price and demand is inverse.
   ii. the demand for commodity increases as price increases.
   iii. the demand for commodity increases as price decreases.

Which one of the following is correct?
   a. i and ii
   b. ii and iii
   c. i and iii
   d. iii

5. Which of the following diagrams best represent the law of demand?
   (P = Price of commodity and Qd = Demand for commodity)

   a. 1
   b. 2
   c. 3
   d. 4
6. A fruit seller named Karim went to market with his fruits and saw that the price of a particular fruit is 5 taka higher than his expectation. Observing this situation of the market he brought more quantity of the said commodity from his godown to the market. This proves that -

i. supply always increases with the increase in demand.
ii. increased profit as a result of high price has encouraged the suppliers to supply more.
iii. other conditions remaining the same, price and supply of goods are directly related to each other.

Which one is correct?

a. i and ii  
b. ii and iii  
c. i and iii  
d. i, ii and iii

7. Shahid went to market to buy meat, he observed that the price of fish is less than that of meat. So he bought fish. In this case fish is.

a. necessary good  
b. substitute good  
c. complementary good  
d. luxury good

Look at the figure below and answer question number 7 and 8.

8. In the above figure DD is.

a. supply curve  
b. marginal utility curve  
c. demand curve  
d. marginal product curve

9. In the figure it is seen that QQ1>PP1. Which type of demand does it indicate?

a. inelastic demand  
b. elastic demand  
c. infinite elastic demand  
d. zero elastic demand
10. The quantities of goods and services produced is a country including the goods and services produced by its citizens staying abroad during a particular period of time is called-
   c. Net National Product     d. Real National Product

11. In 2007 the per capita income and gross national income of country ‘A’ was 500 Taka and 600 million Taka respectively. In that year the total population of country ‘A’ was (in million) -
   a. 1.20   b. 4.8
   c. 6.0   d. 10.8

12. Due to increase of the per capita income of the consumer, his -
   i. purchasing power increases
   ii. standard of living increases
   iii. tendency of savings increases
   Which one is correct?
   a. i and ii   b. i and iii
   c. ii and iii   d. i, ii and iii

Look at the Table below. Answer questions 13 and 14 from the information furnished in the Table.


<table>
<thead>
<tr>
<th>SAARC Countries</th>
<th>2001</th>
<th>2002</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bhutan</td>
<td>2</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>1238</td>
<td></td>
<td>2344</td>
<td></td>
</tr>
<tr>
<td>Maldives</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nepal</td>
<td>5</td>
<td></td>
<td>28</td>
<td></td>
</tr>
<tr>
<td>Pakistan</td>
<td>1571</td>
<td>1598</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>87</td>
<td>84</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2,903</td>
<td>4,057</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

   a. Nepal   b. Bhutan
   c. Maldives d. Pakistan
14. Which of the following statements are correct in the case of export of commodities to the SAARC countries in 2001-2002 and 2004 – 2005?

i. in 2004 – 2005 India was the biggest importing country among the SAARC countries.

ii. quantity of export to Sri Lanka was more in 2001 – 2002 compared with 2004 – 2005.

iii. every year there were some exports from Bangladesh to each of the SAARC countries.

Which one of the following is correct?

a. i and ii            b. i and iii

b) ii and iii          d. i, ii and iii

Creative Question (CQ)

1. As buildings, machineries have monetary economic value, so teaching, medical services have money value also. While calculating the national income of a country, the monetary value of the Gross National Product, Net National Product and Gross Domestic Product needs to be determined. In Bangladesh clear evidence is found regarding the unequal distribution of National Income. Besides in 2001 the average per capita income of our country was only 377 dollars which was lower in comparison to other countries of the world.

a. What is National Income?


c. How can the per capita income of the people of Bangladesh be increased?

d. “For the socio-economic development of a country equal distribution of national income is essential. ” Give your opinion in this regard.

2. The supply schedule of a commodity is shown below:

<table>
<thead>
<tr>
<th>Price (per unit)</th>
<th>Quantity supplied</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 Taka</td>
<td>200 unit</td>
</tr>
<tr>
<td>20 Taka</td>
<td>250 unit</td>
</tr>
<tr>
<td>30 Taka</td>
<td>300 unit</td>
</tr>
<tr>
<td>40 Taka</td>
<td>350 unit</td>
</tr>
</tbody>
</table>

a. What is supply schedule?

b. Explain the law of supply in the light of the above schedule.
c. Draw a supply curve from the above schedule and explain it.
d. How much is the above mentioned law of supply effective in the case of supply of potato in Bangladesh? Analyze.

3. There is a reputation of Romes’s sweetmeats at Savar. He has been running his business for almost 30 years with honesty. During this period through his business he increased his wealth. At present about 50 persons work at his sweetmeat shop. Out of them, some remain engaged in production and the other hand, also some in selling them. Romes’s business is influencing the economy very much. Many businessmen are expressing their deep eagerness to purchase the business of Romes.

   a. What is wealth?
   b. Explain one main characteristic of wealth.
   c. From the economic point of view, how the sweetmeat business of Romes is having impact on national economy?
   d. Is the goodwill of the business of Romes an economic wealth? Show reasons in favour of your answer.
Chapter Three
Production

3.1.1 Production
In ordinary sense ‘production’ means to create any thing or material. All kinds of materials of the world are basically given by nature. So, man cannot create any new thing. He can only change the form or shape or the place of a material given by nature and thereby create new utility on it. In this way a man, with his own intelligence and technical knowledge, can add extra utility to a material given by nature. In Economics, creation of this additional or new utility is called ‘production’. As for example, the making of cloth from cotton does not mean the creation of goods. It rather means the addition of new or extra utility to cotton. Economist Fraser says, “Producing means putting utility into”. According to Economists, this created utility must have value-in-exchange, that is to say, that must be marketable. So , in Economics, the meaning of production is not the creation of materials, rather it means the creation of extra utility of a thing which has value in exchange or price.

3.1.2 Types of Production
Production means the creation or addition of extra utility to a thing given by nature. Production or the process of creation of utility may take place in different ways. The process of the creation of utilities may be classified into five categories, viz. 1. Form utility, 2. Place utility, 3. Time utility, 4. Service utility and 5. Possession or Ownership utility.

1. **Form Utility:** Utility created by changing the form or shape of any material given by nature is called form utility. As for example, the utility of a plank of wood increases when a chair is made by changing its form.

2. **Place Utility:** The Utility of a thing increases when it is transferred from one place to another. This is called place utility. For example, the utility of wood of forest increases, when it is taken to a town.

3. **Time or Period Utility:** The creation of additional utility of a thing also depends on the time differential of its holding. The utility thus created is called time utility. For instance, the price of rice remains low during harvesting time in the months of Poush and Magh. This price becomes high if rice is stored and sold in the months of Bhadra and Ashwin.

4. **Service Utility:** Utility, created by a man with his labour or services, is called Service Utility. As for example, a singer, by singing and a doctor, by his medical services, create utilities.
5. **Possession or Ownership Utility**: Transfer of possession or ownership of a thing creates additional utilities. This is called ‘Utility by Possession’ or ‘Ownership Utility’. For example, if anybody gets the possession or ownership of an abandoned house legally, its utility increases.

3.1.3 **Factors of Production**

Materials and services which are required to produce anything are called factors of production. There are four factors of production. These are:


1. **Land**: All natural resources which help in the production of goods are called land. Land includes all free gifts of nature like soil and its fertility, mineral resources, forestry and fishery, sunshine, rainfall, climate etc.

2. **Labour**: All physical and mental efforts which are directed to the process of production are called labour. In this sense, the physical work done by a fisherman or a cart puller is labour. Similarly, the intellectual efforts of a doctor or a pleader are also labour.

3. **Capital**: The things which are made by human labour and are not consumed directly but are used for further production, are called Capital in Economics. In other words, ‘Capital is the produced means of production’. So capital is not the gift of nature. It is man made. Machineries, raw materials, factories etc. are the examples of capital.

4. **Organization**: ‘Organization’ means managing the work of production by combining and coordinating land, labour and capital in production. The person who performs this work is called ‘organizer’ or ‘entrepreneur’. So, an organizer has to perform different functions; such as, to prepare plan for producing something, combine land, labour and capital and to coordinate them. Above all, the organizer has to take risks to run the production.

The joint participation of the four factors i.e. Land, labour, capital and organization, is indispensable to produce anything. Production is not possible in absence of any one of them. Of course, all factors of production have not the same importance in production. Depending on the situations, some factors are more useful and some are less. Bangladesh is primarily an agricultural and thickly populated country. So, land and labour are more important here than capital and organization. On the other hand, United Kingdom is an industrial country, where the importance of capital and organization is more than that of land and labour.
3.2.1 Land

In its ordinary sense, land means the soil or the surface of the earth. But in Economics the term ‘land’ is used in a wider sense. In Economics, land means all kinds of natural resources including the surface of the earth. All free gifts of nature and all things which man cannot produce, are included in land. In this sense, soil of the earth and its fertility, rainfall, sunshine, humidity, rivers, seas, hills and mountains, mineral resources, forests, fishery, climate and all other free gifts of nature are land. In giving the definition of land, Alfred Marshall says, ‘Land means the materials and the forces which nature gives freely for man’s aid, in land and water, in air, in light and heat.’ So all kinds of natural resources which are used in production are called land.

3.2.2 Characteristics of Land

As original and basic factor of production land has some characteristics, such as:

1. **Land is a Gift of Nature:** Land is not made by man. It is a gift of nature. The surface of the earth, rivers, seas and oceans, light, sun-shine etc. are created by nature. So these are land.

2. **Land has no Cost of production:** Land is created without human labour. So it has no cost of production.

3. **Land is limited in supply:** Land is given by nature. So the supply of land does not increase or decrease because of change in the price of land. So it is said that the supply of land is permanently fixed.

4. **Land is not movable:** Land cannot be transferred from one place to another. It is an immovable factor of production.

5. **Land is an inactive factor:** Land itself cannot produce anything. Without cultivation no crop is produced on any land.

6. **Land is Permanent:** Land is imperishable. Land has been existing from immemorial time and will continue to exist in future too.

7. **Marked difference in the quality of Land:** All units of land are not equal in quality. Some plots of land are more fertile and some others are less fertile. Again some pieces of land are entirely barren.

8. **Land is subject to the Law of Diminishing Marginal Return:** In production the tendency of production to increase at a diminishing rate compared to the application of factors, is called the Law of Diminishing Marginal Return. Although this tendency is seen in cases of all factors, but it operates more quickly in land.
3.2.3 The Law of Diminishing Marginal Returns

To increase production an increase in the amount of factors is necessary. But production increases, in general, at a lower rate than the rate of application of factors. In other words, with the increase in factors the total production increases but at a diminishing rate. This tendency of increase in production at a diminishing rate in relation to the increase of factors is called the Law of Diminishing Marginal Returns. In stating the Law, Marshall says, “An increase in capital and labour applied in the cultivation of land causes, in general, a less than proportionate increase in the amount of produce raised unless it happens to coincide with an improvement in the art of agriculture”.

Generally, the application of this law is observed in the case of increasing the production in agriculture. It may be mentioned that at the initial stage, production may increase at a higher rate than the increase in the amount of factors or cost. But for increasing production, if more and more factors are successively applied, marginal production will gradually decrease. The law may be explained with the help of an arithmetical example below.

<table>
<thead>
<tr>
<th>Combination of factors</th>
<th>Land (1 hector)</th>
<th>Cost of labour and capital (Tk)</th>
<th>Total production</th>
<th>Marginal production</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>* 1 hector</td>
<td>100</td>
<td>* 10 quintals</td>
<td>10 quintals</td>
</tr>
<tr>
<td>B</td>
<td>1</td>
<td>200</td>
<td>22</td>
<td>12</td>
</tr>
<tr>
<td>C</td>
<td>1</td>
<td>300</td>
<td>30</td>
<td>8</td>
</tr>
<tr>
<td>D</td>
<td>1</td>
<td>400</td>
<td>34</td>
<td>4</td>
</tr>
</tbody>
</table>

* 1 Hectar = 2.47 acre

* 1 Quintal = 100 Kg

In the above schedule it is observed that at gradual increment of equal amount of labour and capital applied in the fixed 1 hectare of land the marginal product has increased at the earlier stage. But at a later stage it has declined gradually. To be more specific we can see that with the factor combination A i.e at a cost of Tk. 100 for labour and capital applied on 1 hectare of land both the total product and marginal product is 10 quintal of crops. With the factor combination B on the same plot of land the cost has been doubled and total and marginal production have become 22 quintals and 12 quintals respectively. In this case, the total production has increased at a higher rate than the rate of increase of the cost. Then with the third factor combination C, on
the same plot of land the amount of labour and capital has been made triple. Now the total and marginal products have become 30 quintals and 8 quintals respectively. At this stage marginal product has decreased from 12 quintals to 8 quintals which means that total production is increasing, but at a diminishing rate. From this stage of production the law of Diminishing Marginal Return has become effective. After this, when D combination of labour and capital is used, the marginal product further diminishes from 8 quintal to 4 quintals. In production this very tendency of production to increase at a diminishing rate than the increase in cost is known as the Law of Diminishing Marginal Returns.

**Diagrammatic Explanation of the Law:**

The law of Diminishing Marginal Returns can be explained with the help of a diagram below:
In the above diagram the amount of labour and capital is shown on OX axis and marginal product is shown on OY axis. Here the different units of cost of labour and capital are OA (Tk. 100.00), AB (Tk. 100), BC (Tk.100) and CD (Tk. 100) and the marginal products are Aa (10 quintals), Bb (12 quintals), Cc (8 quintals) and Dd (4 quintals) respectively. Now by joining the points a, b, c and d, we draw a curve MP. This is marginal production curve. It is seen that after the point b the curve has been falling downwards. After the application of OB units i.e. of Tk. 200 worth of labour and capital, the Law of Diminishing Marginal Returns has come into force.

**Limitations of the Law:** The Law of diminishing returns does not operate in some cases:

1. If an improved method of production is introduced along with the increase of cost of the variable factors, the law does not hold good.

2. The law may not be effective, if for some natural reasons, the fertility of the soil increases.

3. At the initial stage of production, increase in the cost of labour and capital is very helpful for the best cultivation of land. So, at the initial stage the marginal product increases in relation to the cost of factors.

**3.3.1 Labour**

In ordinary sense ‘labour’ means physical labour. But in Economics the term ‘labour’ is used in a wide sense. The physical and mental work which is used in the process of production and which is exchanged for money is called ‘labour’. Any work which is done only for the sake of enjoyment or showing affection, but with no intention to earn money, is not labour. For example, painting of a picture by an artist for sake of pleasure or nursing of the children by the parents, are not considered as labour. But the works of painting and the services of nursing for the sake of earning money are called labour. The Economist Marshall said, “Any exertion of mind or body undergone, partly or wholly with a view to some good other than pleasure derived directly from the work is called labour”.

**3.3.2 Characteristics of Labour**

As one of the basic factors of production labour has some characteristics. These are:

1. **‘Labour’ is a living factor:** Labour is a living factor as a labourer has life. Labour exists as long as the labourer survives.

2. **Labour is temporary:** Factors like land and capital can be stored if they are not used in due time. But the unused labour cannot be stored. If labour is not used at the proper time, it perishes for ever.
3. **Labour and Labourer are inseparable:** Land and capital can be separated from their owners, but labour cannot be separated from labourers. As labour is bodily connected with the labourer, the presence of a labourer is indispensable at the time of selling his labour.

4. **A labourer sells out labour, but not own self:** A labourer sells out his/her labour for wage, but does not sell own self. Buying of an animal gives ownership of both of its body and service. But in the case of labour, the buyer can get only the service of the labourer in exchange of wage without claiming any right on his body and mind.

5. **The Change in the Supply of Labour is time consuming:** The supply of labour depends on the size of population, the rate of population increase, education, efficiency of labour etc. These factors change slowly. So, it is not possible to increase or decrease the supply of labour with an increase of decrease of wage.

6. **The bargaining power of labourer is poor:** As labour is transitory and not suitable for being stored, unused labour is wasted for ever. Because of this characteristic, the labourers cannot bargain with the employer on the rate of wages. So the labourers are compelled to work even at low wages.

7. **Inverse relationship between the Supply of labour and the rate of wage:** The supply of a commodity rises with the rise of its price and falls with the fall of its price. But in case of labour, if wage rises, the labourers work less to enjoy leisure. And when wages fall, they work more to increase their income.

8. **Labour is mobile:** At higher wages labourers can move from one place to another place, from one profession to another and even from one stage to another of the same profession. So labour is mobile.

9. **Labour is an active factor:** Land and capital are considered as inactive factors since they cannot start the process of production. They can be active in production when man starts taking efforts for production. So labour is an active factor of production.

3.3.3 **Supply of Labour**

The total amount of labour which the able-bodied persons of a country are willing to sell at different wages is the supply of labour of that country. If 1 hour of work of a labourer is treated as 1 labour unit or 1 labour-hour, the total amount of labour hours which the able bodied person are willing to sell at the prevailing different wages is called the supply of labour. The supply of labour of a country depends mainly on two factors, viz, 1. total population of the country and 2. the efficiency of labour.
1. **Total population of a country:** Population is the main source of the supply of labour of a country. Generally, if the size of population is large, more will be the supply of labour. But, as the children, old and sick persons are not able to work; the total population of a country does not supply labour. Only the able persons offer their labour for different works. Naturally, in a country where the number of able persons is large, the supply of labour is also large. In our country the number of children is very high. So, in spite of large size of population, the supply of labour is small.

2. **Efficiency of Labour:** Efficiency of labour means the capacity to perform a work properly. At a particular period of time an efficient labour can contribute more to production. So in a particular country more the labourers are efficient, more will be the supply of labour. In spite of having a large size of population, the supply of labour in Bangladesh is low as most of the labourers are not efficient.

### 3.3.4 The Determinants of Efficiency Of Labour

The ability of labourer to work is known as efficiency of labour. If the efficiency of labour increases, the productivity of labour increases. In the developed countries of the world, because of high efficiency of labour both the volume and the quality of production are high. The efficiency of labour depends on the following factors:

1. **Ability to Work:** First, the efficiency of labour depends upon the ability to work. The ability to work again depends upon factors like the physical fitness of the labourer, climate, food, intelligence, moral and traits of character, technical education and training etc.

2. **Willingness to Work:** Along with ability to work the labourers must have the willingness to work. The willingness to work is influenced by some factors. These are the reasonable wage, the scope for wage increment, promotion prospect, permanency of job, leaves and retirement and other financial benefits etc. These factors increase the willingness of the labourers to work.

3. **The efficiency of the organization:** If the management system of a factory is efficient and of high quality, the ability and the willingness to work of the labourers working there easily increase.

4. **The Environment of the factory:** If the condition of the factory—both inside and its surroundings, is neat and clean with access to sufficient air and light and if there is discipline in the factory, then the labourers keep physically sound and mentally happy. As a result, their efficiency increases.
5. **Modern Machineries:** The labourers get inspiration in their work if the factory uses modern machineries and equipments and applies newer techniques in production. As a result, their productivity increases. The efficiency of the labourers in the developed countries is much high because, they work with the latest production techniques and modern machineries.

6. **Social Security:** While working in the factory, the labourers may become disabled or sick and thereby become incapable of working or even they may die due to any accident. Under these circumstances there should be provision for financial security. That is, the provision for payment of compensation, insurance, old age pension etc. dispels the sense of insecurity of the labourers. As a result, their efficiency may increase.

Besides, social and political stability of a country, the existence of healthy trade union, good relationships with the employers, continuous development of the factory etc. increase the efficiency of labourers.

### 3.3.5 Efficiency of Labour in Bangladesh

As compared to the developed countries, the efficiency of labour in Bangladesh is very low. The following factors are responsible for this.

1. Because of lack of adequate food, clothing, housing, education and medical facilities the standard of living of our labourers is very low. So their physical and mental capacity is low. Besides, the humid climate affects the ability of the labourers to work.

2. Low wage, adverse conditions of work, lack of continuity of work, lack of prospects in the service, lack of other facilities etc. create apathy to work among the labourers of this country. As a result, their efficiency does not increase.

3. Management in most of the factories or business organizations in Bangladesh are of low standard and faulty. So, the willingness and the ability to work of the labourers here are low.

4. The overall environment of factories in Bangladesh is not good enough. There is the dearth of sufficient light and air inside the factories. There is also the lack of neatness and cleanliness and the lack of discipline in work. Because of such bad environment the efficiency of the labourers is low.

5. In most of the factories in our country old and worn-out machineries and equipment are used. The production techniques are also obsolete and raw materials which are used are of low quality. For all these reasons the efficiency of labour is low.
6. For the labourer class in Bangladesh the provision of social security measures is almost absent. The labourers hardly get any help in times of accidents and other distresses. Besides, there exists social and political unrest. For all these reasons the efficiency of the majority of labourers are low.

**For Increasing The Efficiency Of Labour In Bangladesh The Following Measures Need To Be Undertaken:**

1. For improving the efficiency of labour, adequate provision for reasonable pay, allowances, facilities for housing, medical and education and training etc. should be made. As a result of this, the standard of living of the labourers will improve and their efficiency of work will increase.

2. For increasing the willingness of the labour to work, provision for maintaining the job security, prospect of promotion in the job, pension allowance, calamity support, bonus, entertainment facilities should be created.

3. Efficient management system of business organization can improve the attention of labourers to work. This will at the same time increase their efficiency.

4. For improving the working environment in the factories cleanliness, sufficient light and air and overall maintenance of healthy environment are needed.

5. Modern machines and equipments need to be installed in the factories so that the labourers can learn to use the modern techniques of production. Simultaneously, the entrepreneurs may make efforts to develop the potentialities of the labourers through the innovation of new methods and techniques of production.

6. To safeguard the interest of the labourers various welfare labour laws should be enacted. There should be scope for the formation of constructive and well organized labour unions. Social and political stability and peace should be maintained as far as possible in the country. Cordial relationship between the labourers and the employers should be created and maintained. These steps will be helpful for the industrialization of the country.

**3.3.6 Population Theory**

The supply of labour in a country, in fact, depends on the size of active population. The supply of active population, again, depends on the balance between the size of population and the available resources of a country. If the size of population is in harmony with the resources of a county, the size of active population i.e. the supply of labour increases. The theory which discusses the adjustment between the size of population and the amount of national resources is called population theory. In a
population theory: the relation between population and resources, the nature of population growth and its causes, problems of high growth of population and their solution, population control etc. are discussed. Among the theories of population the Malthusian theory of population is the main.

3.3.7 Malthusian Theory of Population


According to Malthus, population of a country, due to biological reasons, increases rapidly. If no control is imposed upon this growth, population in a country becomes double after every 25 years. But the supply of land is fixed and because of the prompt operation of the law of diminishing returns in agriculture production of food increases very slowly than that of population. According to his opinion population increases in a ‘geometrical progression’, such as, 1,2,4,8,16 and the food production increases in an ‘arithmetical progression’, such as 1,2,3,4,5 etc. The size of population, growing in geometrical progression will very soon far outstrip the food supply growing in arithmetic progression. As a result, a time will come when the balance between food production and size of population will be disturbed. Under such circumstances there will be food deficit or food problem in the country. This situation is called the condition of over population.

According to Malthus, growth of population can be checked by two ways – a. Preventive checks and b. Positive checks. Malthus terms late marriage, restraints in marital life, maintaining virginity, birth control etc. as ‘preventive checks’. These checks, by reducing the birth rate, exert an influence on the growth of population. If people do not adopt these measures, nature itself takes away the surplus population through natural calamities such as poverty, malnutrition, epidemics, famine, war etc. Malthus calls these measures of nature as ‘positive checks’. This system of measures, by increasing the death rate, restores a balance between population and supply of food. But the balance which is established between the population and the food supply by positive checks is very temporary. Apart from this, positive checks are not desirable to anybody. So, Malthus laid importance on the ‘preventive checks’ to control population growth.

Criticisms of the Malthusian Theory of Population

The Malthusian theory of population has been criticized in different ways. The main criticisms of this theory are given below:
1. According to Malthus, population grows in geometrical progression. But due to the strong tendency of birth control among the people as a result of the spread of education and rise in their standard of living, population increases at a slow rate in many developed countries.

2. Now a days as improved inputs are used in agriculture the law of diminishing return does not operate in agriculture promptly. As a result production of food in many cases increases fast and the shortage of food does not occur in spite of the increase of population.

3. Malthus considered population from the view-points of food production only. He did not compare population to the total resources of the country. If there occurs any food shortage in a country, that might be faced by importing food from other counties in exchange of other resources.

4. Malthus has considered only the horrible side of the growth of population; he did not foresee its good sides. The supply of labour increases with the growth of population and it is possible to meet the demand for increasing labour force for establishing industries and for the expansion of trade and commerce etc.

5. Malthus considered only the quantitative side of population neglecting the qualitative side. As a matter of fact, if a definite number of people are literate, active and enterprising, then they can be considered as asset of the country, but not the liability.

6. According to Malthus an increase in population always creates problems. But this is not really true. If, with the increase of population fair distribution of wealth is made effective, then the problems of over population can be avoided.

3.3.8 Division of Labour

Division of labour means to divide the process of production into several stages and distribute works among the labourers according to their ability. As for example, in a modern shoe factory some workers tan leather, some others cut it, some of them make souls, some do the work of sewing, some drive nails and some others do the work of polishing etc. This sort of division of work among labourers in any productive field is called division of labour. When division of labour is introduced in producing any commodity, a labourer produces only a specific part of that commodity. But a commodity or goods is produced with the cooperation of everybody. Division of labour is thus related to exchange, mutual co-operation and quality of production.
3.3.9 Advantages of Division of Labour

There are many advantages of division of labour. These are as follows:

1. **Increase of production:** As a result of division of labour volume of production increases largely and the prices of commodities come down.

2. **Increase of skill and abilities to work:** With the introduction of division of labour in production a labourer does the same work again and again. As a result, he gradually becomes skilled and efficient in that work.

3. **Optimum use of machines:** Because of division of labour a labourer has to use a specific machine all the time and helps proper use of the machine.

4. **Invention of new machines:** Under division of labour, a labourer, by constantly using a particular machine acquires thorough knowledge of the machine. This experience may help him to go for new invention.

5. **Use of different types of machineries:** The greater the degree of division of labour applied in production greater is the scope of using different machines by workers easily in a factory. In modern times because of division of labour the use of new and up-to-date machines are seen in factories.

6. **Proper use of time:** As a result of division of labour a worker has to do only one work and he is not to change one work for another. So proper use of time is ensured.

7. **Employment according to fitness:** As a result of division of labour, a labourer is employed in a specific work according to his fitness. It is thus possible to fully utilize his ability and skill in production.

8. **Increase of the mobility of labour:** Division of labour splits up the process of production into small parts. Consequently, many works of different factories become similar. So workers of one factory may easily get work in another factory.

9. **Increase of employment:** Division of labour increases the number and variety of works. New employment opportunities are created in the large scale industries. This reduces the volume of unemployment.

10. **Increase of wages:** Division of labour increases the efficiency and productivity of labour. This, in turn, leads to the increase of wage and the standard of living of the labourers.

3.3.10 Disadvantages of Division of Labour

Division of labour is not a fault free system of production. It has also some disadvantages which are discussed below:
1. **Creation of monotony:** As a result of division of labour a worker has to do the same work all the time. So the work becomes monotonous and unattractive to him.

2. **Absence of the joy of creation:** Under division of labour a worker is engaged in the production of only one part of a goods/commodity. As a result he becomes deprived of the joy of creation of the entire goods.

3. **Decrease of overall skill:** Under division of labour a worker has to do a definite work for all the time. Consequently, his efficiency in that work increases but he becomes unfit for other works.

4. **Creation of unemployment:** Under division of labour a labourer learns only one work. If he looses the job for some reason, he cannot find employment in other work. As a result, he suddenly becomes unemployed.

5. **Emergence of class struggle:** As a result of division of labour, the society is divided into two classes- labourers and employers. The employers want to deprive and exploit the workers. The class struggle emerges in the society when the labourers are engaged in the struggle for their existence.

6. **Pollution of environment:** As the outcome of division of labour many factories and workshops are set up in the country. These factories leave the abandoned spare parts and wastes over the surrounding areas. Moreover, in the factory areas narrow and overcrowded slums grow up. As a result, environments are polluted.

7. **Obstacle to mental development:** Under division of labour, a worker does the same work or use the same machine again and again. At this, his mental development is hampered and his outlook becomes narrow.

Division of labour has both advantages and disadvantages. But advantages are more than the disadvantages. So it is rational to introduce division of labour in production and to make efforts to remove its disadvantages.

### 3.4.1 Significance of Population in an Economy

Population is an important factor for the economic and social development of a country. If population is large in relation to the resources of a country, many people become unemployed, deficit of goods and services and food shortage occurs. These problems create economic and social disturbances and hamper economic development. On the other hand, if there is a balance between population and resources of the country, the supply of labour increases, proper use of resources becomes possible, per capita goods and services increases and their standard of living improves. So, the balance between the population of a country and its resources is desirable.
3.4.2 Population of Bangladesh

Population of any country plays a very important role in its economic and social life. So, the study of population is done from different points of view. It is necessary to know what role population can play for the economic development of Bangladesh and for improving the standard of social life of its people. With this end in view, it is necessary to analyze the population of this country from different standpoints.

Size of population:

Although the area of Bangladesh is equal to the ratio of one to three thousand of the total land area of the world, its position in terms of population is eighth in the world. In this sense, Bangladesh is one of the populace countries of the world.

According to population census report of 1991 the population of this country at that time was 11 cores and 14 lac and the rate of population growth was 2.03. At present the population of Bangladesh is 14.66 crore and the rate of population growth is 1.39. Such a large size of population in a small country like Bangladesh has turned it into a country of over population. A table given below showing the size of population of Bangladesh at different times:

<table>
<thead>
<tr>
<th>Year</th>
<th>Population (in crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1901</td>
<td>2.89</td>
</tr>
<tr>
<td>1911</td>
<td>3.16</td>
</tr>
<tr>
<td>1921</td>
<td>3.33</td>
</tr>
<tr>
<td>1931</td>
<td>3.56</td>
</tr>
<tr>
<td>1941</td>
<td>4.20</td>
</tr>
<tr>
<td>1951</td>
<td>4.42</td>
</tr>
<tr>
<td>1961</td>
<td>5.52</td>
</tr>
<tr>
<td>1974</td>
<td>7.64</td>
</tr>
<tr>
<td>1981</td>
<td>8.99</td>
</tr>
<tr>
<td>1991</td>
<td>11.14</td>
</tr>
<tr>
<td>2001</td>
<td>12.93</td>
</tr>
</tbody>
</table>

**Ratio Between male and female:**
According to the Population Census of 1991, in Bangladesh the ratio of female to male was 100:106.04. This ratio in urban and rural areas is 100:126.3 and 100:102.8 respectively. In view of high death rate of female, the ratio of female to male is low in Bangladesh. In the developed countries the ratio of female to male is much high. For example, in Japan the ratio of female to male is 100:96.2 In U.S.A it is 100:99.7 and in England it is 100:94.3.

**Distribution of Population between villages and towns:**
The socio-economic condition of a country can be known from the distribution of its population between villages and towns. In the developed countries the majority of the people live in towns. As for instance, in Japan the percentage of people living in towns is 77, in France it is 79 and in England it is 78, whereas in Bangladesh 80 percent of its people live in villages.

**Distribution of population based on labour force:**
In Bangladesh the size of labour force is very small in relation to the size of population. Because, here in Bangladesh the number of people below 15 years of age is 47 percent. According to Population Census of 1991 the total labour force of this country is about 5.07 crores. Of this labour force, about 45.1% work in villages and about 54.9% work in towns.

**Distribution of population according to profession:**
The majority of the people of Bangladesh are employed in agriculture. But in recent times as a result of the process of increasing urbanization the transfer of labour force from agriculture to non-agricultural sectors has been taking place. According to the Report of 1991 Census, 73.8% of population is employed in agriculture and 26.2% in non-agricultural sectors.

**Birth Rate and Death Rate:**
Both birth rate and death rate in Bangladesh are high. According to the Population Census Report of 1991 birth rate and death rate per thousand are 31.3 persons and 11.00 persons respectively. In 2006 birth rate per thousand was 20.6* and death rate was 5.6* per thousand. As compared to the birth rates and death rates of the developed countries, these two rates are very high in Bangladesh. As for example, the birth rates and death rates per thousand are 15 and 9 persons in USA, 14 and 12 in England, 14 and 6 in Japan and 15 and 10 in France respectively.

* Bangladesh Statistical Pocket Book-2007 & 2009/ Feb 2010
Literacy Rate:
According to a recent report of population census the literacy rate of the people above 15 years of age is 48.7 percent Bangladesh. This rate of literacy is very low as compared to other countries. For instance, the literacy rate is 73% in Sri Lanka, 60% in Myanmar (Burma) and 99% in France.

Rate of Dependency of Population:
Most of the people of Bangladesh are dependent on others. People under 15 years and over 60 years of age are regarded as dependents. According to the Census of 1991 the dependency rate in this country is about 52%. But this rate is 35% in USA, 32% in Japan and 43% in India.

3.4.3 Rate of Population Growth in Bangladesh

Bangladesh is one of the densely populated countries of the world. This situation has developed due to high rate of population growth during the last few decades. According to the Census of 19991 the rate of population growth was 2.03. At present due to the success of the programme of Population control the rate of population growth has come down to 1.39 %*. Below is shown the rates of population growth in Bangladesh:

<table>
<thead>
<tr>
<th>Years</th>
<th>Rate of population growth (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>190</td>
<td>0.90</td>
</tr>
<tr>
<td>1911</td>
<td>0.93</td>
</tr>
<tr>
<td>1941</td>
<td>0.69</td>
</tr>
<tr>
<td>1961</td>
<td>2.12</td>
</tr>
<tr>
<td>1974</td>
<td>2.70</td>
</tr>
<tr>
<td>1981</td>
<td>2.36</td>
</tr>
<tr>
<td>1991</td>
<td>2.06</td>
</tr>
<tr>
<td>2001</td>
<td>1.4</td>
</tr>
</tbody>
</table>

* Bangladesh Statistical Pocket Book-2007
From table 2 it is seen that the rate of population growth during the last few decades was very high in comparison with the past. For this very reason the population of Bangladesh, which was only 2 crores 89 lac in 1901, increased to 11 crores 14 lacs in 1991 and to 12.93 crore in 2001. The rate of population growth of some other countries of the world may be observed side by side with that of Bangladesh. The rate of population growth of some countries of the world including Bangladesh are shown in the following table.

Table – 3

The Rates of population growth in some countries of the world including Bangladesh

<table>
<thead>
<tr>
<th>Country</th>
<th>Rate of population growth (in percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>0.6</td>
</tr>
<tr>
<td>UK</td>
<td>0.4</td>
</tr>
<tr>
<td>France</td>
<td>0.4</td>
</tr>
<tr>
<td>China</td>
<td>0.5</td>
</tr>
<tr>
<td>Japan</td>
<td>-0.0</td>
</tr>
<tr>
<td>Russia</td>
<td>-0.2</td>
</tr>
<tr>
<td>India</td>
<td>1.5</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>1.39*</td>
</tr>
</tbody>
</table>

Source: http://www.* World Population data sheet -2010 * Bangladesh Economic Survey-2010

From the above table it is seen that the rate of population growth of Bangladesh is much higher than those of other countries of the world. It is to be mentioned that rate of population growth in Bangladesh is 139.

3.4.4 Causes of High Rate of Population Growth in Bangladesh

The rate of population growth is very high in Bangladesh compared to other countries of the world. There are many social and economic causes behind this high rate of population growth. These are discussed below:

A. Social Causes:

1. Lack of Education: The majority of the people of Bangladesh are illiterate. For this reason they are not aware of the bad effects of population increase. As a result they give birth to many children.
2. **Social Superstitions:** Due to lack of education, most of the people of Bangladesh believe in superstitions, conservatism and the prevailing dogmas. As a result, they express unwillingness in many cases to accept birth control measures. Consequently, population is growing up and up.

3. **Absence of women freedom:** In Bangladesh women are dependent on men. Their willingness does not get priority in the offspring of children. So, they do not have any control on the number of children.

4. **Lack of Recreation Facilities:** The majority people of our country are poor. They are deprived of the minimum facilities for amusement and recreation. Even for running after happiness within a large family they give birth to many children.

5. **High Mortality Rate of children:** The death rate of children in our country is very high as compared to other countries. Here, in Bangladesh 90 (approx.) children per thousand die every year. For this reason parents in our country have the tendency to have more children. As a result the birth rate is also high.

6. **Early Marriage:** In the villages of Bangladesh girls between 14 to 18 years of age are given to marriage. Such early marriage widens the chances of more births of children.

**B. Economic Causes:**

1. **Poverty:** Poverty and fecundity go side by side. A large number of people in Bangladesh live below the poverty level. So the tendency to give birth to child is very high among them.

2. **Low Standard of Living:** The standard of living of the people in Bangladesh is very low due to lack of nutritious food, medical facilities, housing facilities and education etc. The cost of bringing up a child is comparatively low here. So the majority of people are not careful of giving birth to children.

3. **Agricultural Economy:** Bangladesh is an agricultural county. The farmers’ community of this country desire to have many children as support to farming. So the birth rate is high.

4. **Expectation of security in old age:** For majority of people in Bangladesh there is no security measure in their old age. Most of the people depend on their children at old age. In the expectation of security many people are willing to have more children.

5. **Lack of suitable birth control methods:** The majority of the people of Bangladesh are illiterate and poor. They are ignorant of different methods of birth control. Moreover, different prescribed materials of birth control are not easily available. So the rate of population growth is very high in this country.
3.4.5 Density of Population
The number of people living per square kilometer is called density of population. Density of population is obtained by dividing the total size of population of a country by its total area. So, by density of population, we mean the ratio between land area and the size of population. The simple equation of calculating the density of population is as follows:

\[ DP = \frac{TP}{TA} \]

Where
\[ D = \text{Density of Population}, \]
\[ TP = \text{Total Population} \]
\[ TA = \text{Total Area of the country}. \]

In 2001 in Bangladesh the population of 12.93 crore and the area of 147570 square kilometer, the Density of Population = 12.93/147570 = 876 persons (per sq.k.m).

On the assumption of the total area of a county remaining constant, the density of population increases or decreases with the increase or decrease in the number of population respectively. Generally, the determining factors of density of population of a country are physical feature of land, climate, soil, land area, birth rate, economic development, life style, transport system, industrial development etc.

3.4.6 Density of Population in Bangladesh
The area of Bangladesh is 1, 47,570 square kilometers. As compared to other countries of the world the density of population of this country is very high. This has been further increasing with the increase of population. In 1974 the density of population in this country was 497 persons per square kilometer. The density of population was 624,755,810, and 854 persons in the years 1981, 1991, 1993 and 1998 respectively. The density of population of Bangladesh is very high as compared to other countries of Asia. In 2010 the density of Population in Bangladesh is 993 sq km.

3.4.7 Bad Effects of Rapid Growth of Population
The size of population of Bangladesh is very large as compared to its land area. The rate of population growth is also very high in comparison with other countries of the world. This condition is exerting pressure upon the limited resources of the country and different social and economic problems have been emerging. The demerits of the rapid growth of population are discussed below:

Social bad effects:
1. **Low standard of living:** The majority of the people of Bangladesh are poor. The trend of population increase is very high among them. As a result of the rapid
growth of population, problems of scarcity of pure water, medical facilities, education etc. have been increasing day by day. So, the standard of living has been further deteriorating.

2. **Malnutrition**: Due to rapid increase in population it has become almost impossible to supply adequate milk, egg, fish, meat etc. for the people, especially for the children. As a result, the problem of malnutrition has cropped up in the county. At present 80% of the children in the country have become the victims of malnutrition.

3. **Housing Problem**: It has become impossible to provide housing facilities to the surplus population matching the rapid growth of population. Consequently, acute housing problem has emerged in the country especially in the urban area. Moreover, making provision of houses for the extra population has reduced the area of the cultivable lands.

4. **Hindrances to the development of human resource**: Due to high growth of population a lot of money is being spent on food and clothing for the surplus population. So, it has become impossible to spend money for human resource development, such as for education, health, technical education etc.

5. **Pollution of Environment**: Environment is being seriously polluted because of rapid increase in population. Due to excessive growth of population the scarcity of the supply of pure water, insufficient sewerage & drainage system, unplanned growth of factories, large scale deforestation etc. are taking place. These problems, by polluting environment seriously, have endangered the public health.

**Bad Economic Effects:**

1. **Increase of unemployment**: The rate of industrial development is very slow in Bangladesh. There is also the pressure of population on agriculture. Under these circumstances, unemployment problem has been increasing day by day due to increase of population. At present about 2.2 million of the total active population are unemployed.

2. **Food deficiency**: For the last three decades there has been an acute food deficit in our country because of rapid increase in population. To meet this deficit we have to import food grains in exchange of valuable foreign currencies. As a result, the imports of necessary raw materials and machineries for industrialization are hindered. For these reasons industrialization in our country is being hampered.

3. **Increase in the Prices of Goods and Services**: The production of goods and services is not matching the fast increasing population of Bangladesh. At this, the
supply of goods and services falls short of their demand. So prices of these goods and services have increased abnormally and created sufferings in the lives of the people.

4. **Excessive dependence on foreign aid:** For the maintenance of huge population, huge amount of resources are necessary. But our country, being poor, cannot afford such amount of resources. In this situation we are compelled to depend upon foreign aid. This dependence on foreign aid has become a constraint to the attainment of our self-reliance.

5. **Subdivision and fragmentation of holdings:** Due to the lack of industrialization there is hardly any scope for employment in the non-agricultural sectors of Bangladesh. As population increases the surplus people are bound to depend on agriculture. As a result the pressure of population on agricultural land is increasing and the holdings of those lands are being gradually sub-divided, fragmented and smaller.

6. **Problem of capital formation:** Expenditure in the unproductive sectors is increasing in Bangladesh due to its ever increasing population. As a result our savings are becoming low. Due to low savings the rate of capital formation in the country is also low.

7. **Problem of international trade:** For meeting the different needs of the vast population expenditure on imports are gradually increasing. But due to slow pace of industrialization exports also are not growing well. As a result the deficit in the balance of international payment is continuously increasing.

8. **Loss of benefit of economic development:** The additional amount of goods and services produced as the outcome of development are being distributed among the ever increasing number of population of the country. In spite of development per capita income of the people is not increasing. So we are being deprived of the benefits of development.

### 3.4.8 Measures to Solve Population Problem in Bangladesh

The present size of population in Bangladesh and its growth rate has created manifold problems. In effect, economic development is being hampered. So the solution of the problem of population is the most desirable. Different measures to solve the problem of population of the country are discussed below:

1. **Economic development:** One of the main measures for solving the problem of population is Economic development. The attainment of fast economic development is possible by increasing production of goods and services in the
sectors of agriculture and industry. The standard of living of the people will improve with the economic development and there will be change of outlook in favour of birth control. The rate of population growth will also decline.

2. **Spread of education:** Educated people are more aware of the necessity of birth control. So, to control population in the country the illiterate and superstitious people should be imparted modern education. If education brings qualitative development of the people, then they will try to keep the size of their families small in their own interest.

3. **Spread of female education:** About half of the total population of Bangladesh are women. So, they need to be motivated to control population. Through the expansion of female education, the women folk should be made aware of the necessity of birth control. As a result the programme for birth control will be successful.

4. **Proper distribution of wealth:** There exists extreme inequality in the distribution of national income in Bangladesh. Economic power is concentrated in the hands of a few persons, whereas the majority of the people are very poor. If proper distribution of the available wealth is ensured, income of every body will increase. This will raise their standard of living and the people will be eager to control population.

5. **Multifarious employment:** Multiple employment facilities for the unemployed men and women should be created in different parts of the country by setting up of cottage industries, poultry farm, dairy farm, fisheries, nurseries, orchard, garment industries etc. As a result, they will be free from the curses of unemployment and will start achieving improved standard of living. People being accustomed to high standard of living will have small families and thereby the pressure of population will decrease.

6. **Redistribution of population:** The density of population is not uniform in all the districts of Bangladesh. The density of population is very high in the districts of Dhaka, Comilla etc. whereas it is very low in Chittagong Hill Tracts, Bandarban etc. If people are transferred from the densely populated areas to thinly populated areas, the problem of population will be solved to some extent.

7. **International transfer of population:** The size of population in many countries is very small. The export of surplus manpower from Bangladesh to those countries will help to solve the problem of over population. By this time the export of manpower from Bangladesh to other countries including Middle East has significantly increased.
8. **Legislation:** If it is possible, through legislation, to curb early marriage and polygamy and to approve abortion, then birth rate will decline. Besides this, it is necessary to increase the minimum marriageable age and to execute it. Successful application of legislation is to be ensured through mass propaganda and increasing public awareness.

9. **Family planning:** Family planning means to control the number of members of a family in a planned way. This family planning programme can be made popular and successful through some measures. These are the dispelling of superstitions and dogmas through spread of education, motivating the people to keep the size of the family small, by holding mass publicity about the different methods and medicines of birth control etc.

### 3.4.9 Family Planning:

In order to control population growth, the planned efforts to keep the size of the family limited or small is called family planning. If the number of children is less and consistent with the income of the family, then that family will be well off and happy. So, the parents should have less number of children through family planning so that the family can lead solvent and happy life. If the number of members of families can be kept less, then the total population of the country will be less.

### 3.4.10 Importance of Family Planning In Bangladesh

Over population has created various economic and social problems in Bangladesh. The importance of family planning can hardly be denied to contain the growth of population and to combat the problems of population growth. These are discussed below.

If the rate of growth of population is reduced through family planning, the food deficit and unemployment of the country will be reduced. If the pressure of population on land is reduced, the subdivision of agricultural land will be reduced and production will increase. Our per capita income and savings will increase if it is possible to keep the size of population small through family planning. The standard of living of the people will improve and capital formation will increase. If we have the small size of population, the social benefits will increase. Large number of people will get educational and medical facilities. So, on the whole it can be said that by combating high rate of population growth, family planning helps to solve various socio-economic problems of the country. As a result, the pace of economic development will be smooth. So the importance of family planning in solving the problem of population in Bangladesh is immense. It is therefore necessary to remove all sorts of hindrances to successfully implement the programme of family planning.
3.4.11 Population Census

In every country after a certain interval of time, say after 10 years in general, a survey is conducted to know the different aspects of population. This is what is called population census. Statistics on the size of population, rate of growth of population, density of population, number of male and female population and their ratio, distribution of population between villages and towns, birth rate, death rate, life span, child mortality rate, dependency rate, literacy rate etc. are collected in specific formats. Before starting this work a good number of people are trained beforehand. These trained personnel are called enumerators. They go from house to house to collect different data on population. After collection of data, these are processed to prepare at first, district wise reports or parts there of and then finally a concise/summary National Report. Bangladesh Bureau of Statistics (BBS) under the Ministry of Establishment conducts the Population Census. There is an Advisory Committee consisting of a team of specialists for this work. The committee supervises and conducts the overall work of the Population Census.

Usefulness of Population Census: Population census report of a country provides different information about different aspects of the population of that country. On the basis of the census reports taken at different times some decisions are taken regarding population after certain interval. These decisions are important in the formulation of plan. The usefulness of a population census is discussed below:

1. From the Census Report, the size of population of a country and the degree of consistency of the rate of population growth with the growth of national wealth can be known. This can be said from the growth rate of population whether population is increasing in an uncontrolled way.

2. Observing death rate one can comment on the food and medical facilities of a country. If the death rate is high, it is evident that people are the victims of malnutrition and the lack of sufficient medical facilities.

3. Observing the density of population it can be said that the country is over populated or under populated. If the density of population is high, it is evident that there is housing problem in the country with the environmental pollution at the same time.

4. The distribution of population between villages and towns helps us to know whether a country is primarily rural or urban based. Moreover, if the number of urban people increases with the passage of time, it means that the degree of urbanization increases.
5. From the population census the data on the structure of population according to age can be found. This database helps to know the size of active population and the dependent population.

6. From the distribution of population according to occupation we can know whether majority of the people are employed in agriculture or in industries. If majority of the people are engaged in agriculture, the country is an agricultural one, such as Bangladesh. Again, if most of the people are employed in industries, it means that the country is industrial, such as England. In this way on the basis of population census report the different aspects of population of a country can be known. In fact, population census reports provide definite guidelines in the formulation of any social or economic development plan.

3.5.1 Capital
In its general sense, capital means the amount of cash money invested in a business. But, in economics the term ‘capital’ is used in a special sense. That part of man made wealth which is not consumed directly but used for further production is called capital. The plough which is made of coal and iron and human labour is used in agricultural production. Here the plough is capital. According to Bohm Bawerk “Capital is the produced means of production”. That is to say, the different goods and services which are produced by human labour and used for further production are capital. In this sense, machineries, raw materials, godowns etc. are called capital.

3.5.2 Savings
Ordinarily savings means to accumulate money. But in Economics it has a different meaning. The part of income which is not spent for present consumption but is kept for future is called savings. As for example, the total monthly income of a person is Tk. 2,000.00 and his monthly expenditure is Tk. 1500.00. Here his monthly saving is Tk. 500.00. If income is equal to expenditure, there will be no savings. If Y= income, C= Consumption and S = Savings, then in terms of a mathematical formula we can write : S=Y- C.

3.5.3 Investment
In the ordinary sense of the term, investment means to spend money in business or trade. But in Economics it has a special meaning. In Economics investment means the amount of new capital goods which is added to the existing stock of capital goods in a definite time period. Investment means the increase in the amount of capital goods like machines, buildings, raw materials and the stock of goods in a factory. According to economist Lord Keynes, “The amount of capital goods which is added to the amount of capital that already existed beforehand is called investment”. Let us say for
instance, at a given time a factory has capital goods of Tk. 1 Lakh. For the increasing production more capital goods of Tk. 20 thousands are added. This new addition of capital goods is called investment.

3.5.4 Relation between Saving and Investment

The part of income which remains as residue after expenditure is called savings. Savings is the difference between income and consumption expenditure. And savings, when used in production to increase the stock of capital or to create new capital, is called investment. In fact, investment originates in savings. So investment depends on savings. When the money saved is used to produce capital goods, production and income increase. As a result savings and investment increases. Savings is thus the basis of investment and effective investment increases income and thereby increases savings. So it is said that an intricate relationship exists between savings and investment.

3.5.5 Functions of Capital

The modern system of production is capital intensive. Under this system of production capital performs some important functions. These are as follows:

1. **Increase of production**: In the process of production capital goods like different kinds of machineries, equipments, raw materials etc. are used. The use of these capital goods increases the volume of production. For this reason the rate of production is high in the fields of large scale industry and mechanized agriculture.

2. **Increase of the efficiency of labour**: The use of different types of machineries in production reduces the intensity of physical labour. So they can do their respective works with more care and sincerity. As a result, their efficiency increases.

3. **Supply of factors of production**: Capital goods such as machineries, furniture, raw materials, buildings etc. are considered as very essential inputs. The increase of these inputs in production increases the volume of production.

4. **Introduction of division of labour**: Division of labour is an important method in the modern process of production. The use of increased amount of capital goods in production makes it possible to introduce the division of labour.

5. **Savings of time**: The application of capital goods like machineries and equipments in the process of production helps to produce more within less time. The savings of time in producing a given amount of goods may afford more leisure to the labourer.
6. **Decrease in the cost of production**: The application of capital goods makes large scale production possible. As a result many advantages can be enjoyed because of internal economies. So the cost of production decreases and the prices of goods in the market also decrease.

7. **Possibility of large scale production**: In large scale production the volume of production increases with high quality and standard of products. Only the use of modern and improved machineries can make large scale production possible.

8. **Increase of employment**: The total employment in the country depends on the amount of capital goods applied in the field of production. The more is the amount of capital, the more of new factories will be set up. As a result, the demand for labour will increase and more people will get employment.

9. **Continuity of production**: Investment of capital in production helps the productive process to repeat the cycle of production continuously. As a result the continuity of production is maintained and the consumers are not to wait for the goods being produced due to time lag in production.

10. **Rapid economic development**: It is possible to increase the volume of goods and services by proper use of natural resources of the country. Capital has an effective role to play in this respect. That means greater use of capital speeds up the process of economic development. So, the demand for capital gradually increases in the developing countries.

   For these functions of capital, it is possible to produce quality and standard goods at low cost.

### 3.5.6 Importance of Capital in Economic Development

The modern production system is capital intensive. With the use of increasing amount of capital in production the volume of production of goods and services increases and the rate of development is accelerated. The importance of capital in the economic development of a country is explained below:

1. **Proper utilization of resources**: Proper utilization of all resources of the country is necessary for economic development. To achieve this objective the extensive use of capital is essential. Because, only the capital intensive endeavour can make it possible to discover, extract and utilize mineral, forest and water resources properly.

2. **Building of social and economic overheads**: Transport and communication system, ports, electric power, irrigation system etc. are called economic
overheads. Educational institutions, hospitals etc. are called social overheads. For quick economic development it is necessary to build strong economic and social overheads and in this regard the use of capital is indispensable.

3. **Increase of efficiency of labour:** Efficiency of labour increases as a result of the use of increased capital of improved quality. An efficient labourer can produce more. Production of more goods and services is helpful to economic development.

4. **Creation of employment:** Capital formation helps to establish new mills and factories through investment and as a result trade and commerce expands. So, many people can get employment.

5. **Modernization of agriculture and industry:** The use of improved machineries, raw materials and improved technology modernize the system of production. As a result, production increases. So, the use of improved machineries, raw materials etc. in agriculture and industry helps to make the production system up-to-date and increases the volume of production. As a result economic development is also accelerated.

6. **More production at less cost:** The use of more capital makes large scale production possible. As a result of large scale production, cost (of production) decreases. So, more commodities are produced at less cost.

7. **Invention of new machineries and technology:** Expensive and improved machineries are used in capital intensive production. The labourers, by piloting repeated experiments with these machineries, can invent new machineries and techniques of production.

8. **Improvement of standard of living:** Use of more capital increases production per head of worker. As a result the wages of the wages of the workers also increase. So they are in a position to purchase more goods and services. Consequently their standard of living improves.

In the light of above discussion it may be said that for rapid economic development of a country the importance of capital is very high. Because of the paucity of capital the economic development of the countries like Bangladesh faces obstacles. The formation of capital and its investment at a higher rate can only make economic development possible in these countries.

**3.5.7 Capital Formation**

Capital formation means a net increase in the stock of real capital goods in a country in a definite time period. In other words, increase in the production of capital goods such
as more machines, raw material, factories, electricity, transportation materials, roads and high ways, dams etc. is called capital formation. Capital is formed when the amount of money saved by the people of a country are mobilized and invested in the production of capital goods. So, in economics the process by which money is saved, mobilized and invested in the production of capital goods is called capital formation. At the end of the process the amount of capital goods produced is called the amount of capital formed.

Let us suppose, till the month of June 1994, the amount of capital in Bangladesh was worth taka 5000 cores. But in the following year, i.e. in June 1995 the total value of capital goods stood at Tk. 5,500.00 crores. So by one year the amount of additional capital is Tk. 5,500.00 – Tk.5, 000.00 = Tk. 500.00 crores. So in this case the amount of annual capital formation is Tk. 500 crores.

3.5.8 How Capital Is Formed

Formation of capital primarily depends on savings and investment. Capital is formed when saving are collected and invested properly. In a modern and free economy the process of capital formation is divided into three stages, such as -- 1. Creation of money savings, 2. Mobilization of money savings and 3. Transformation of money savings into capital goods.

1. Creation of money savings: The primary stage of the process of capital formation is the creation of money savings. In capitalistic and mixed economic societies savings are created from individual/personal savings, corporate savings and government savings. But personal savings play the main role in the creation of savings. The personal savings depends upon the ability and willingness to save of the persons or people.

A. Ability to save: Personal savings depends also on the willingness to save side by side with the ability to save. The willingness to save in a country is influenced by some factors as stated below:

a. Foresight: The willingness to save is more intense among the persons who are conscious about the maintenance and security of their families in future i.e. who are foresighted.

b. Family affection: The persons who have more affection and love for the members of the members are eager to save money for the future happiness and comfort of their family.

c. High ambition and desire for prestige: Savings bring riches which increase social prestige at the same time. So, people with high ambition for power and prestige save more.
d. **Miserliness:** Miserly people are always habituated to save more at the expense of present consumptions.

e. **Security of life and property:** If there is peace, law and order in the country, there is security of life and property. Under such circumstances people are inclined to save curtailing present consumption for more consumption in future.

f. **Rate of interest:** Rate of interest specially influences the savers. If the banks and financial institutions pay interest at a higher rate, people’s eagerness to save increases.

g. **Taxation:** The taxation policy of the Government influences the saving habits of the people. If the rate of taxation is high, people save less.

h. **Literacy rate:** The spread of education in the country increases the awareness about their personal and social welfare. At this, their willingness to save increases to some extent. Besides personal savings, the savings of non-government organizations, profit of public institutions, revenue surplus, public debt, foreign aid etc. influence the amount of savings in a country to a great extent.

2. **Mobilization of money savings:**

The second stage of capital formation is the need for mobilizing the personal money savings in order to supply them for investment. Because, only savings is not sufficient for capital formation. For capital formation savings are to be mobilized. The isolated and idle money savings which are spread over the country have to be mobilized by the banks, insurance companies and different financial institutions and kept ready as investable fund.

3. **Transformation of money savings into capital goods:** In the last stage of capital formation, the mobilized money savings have to be transformed into capital goods by means of investment. Capital can be formed if the mobilized savings are invested to produce capital goods. But, strong economic and social overheads and favorable environment for investment need to be created.

In a capitalistic economy capital is formed in the way discussed above and as a result of this, economic development is accelerated.

3.5.9 **Problems of Capital Formation In Bangladesh**

For the economic development of Bangladesh it is necessary to form sufficient amount of capital. But the rate of capital formation in this country is quite low as compared to other developed and developing countries. The following are the problems or obstacles in the way of capital formation in this country:
1. **Low Per Capita income and poverty:** The main factor of capital formation is the growth of savings. For the growth of savings sufficient income is needed. But per capita income in Bangladesh is very low. At present it is about 520 U.S dollar. But the average per capita income of majority of the people of Bangladesh is the half of this amount. Because of this low income and pervasive poverty the rate of saving in this country is very low. So, the main problem of capital formation in our country is low income and low savings.

2. **Lack of willingness to save:** The majority of the people of the country have less ability to save and their willingness to save is also low. Due to lack of foresight & education, low rate of interest, taxation system, fatalistic attitude, the tendency to save of the people in this country is less. Rather they like to spend their small surplus money in purchasing land, ornaments and in other unproductive purposes. As a result real investment becomes very low.

3. **Difficulties in the mobilization of Savings:** The small savings of our people are not available to be mobilized through the banking system. Because, there are not still sufficient branches of banks in the rural areas of this country. The illiterate people have not yet developed the habit of depositing money in the banks. In view of the difficulties of mobilizing savings, investment is low and thereby capital formation is low in this country.

4. **Lack of efficient entrepreneur:** If the saved money is invested in factories, capital goods are produced. For proper investment efficient entrepreneur is needed. But there is the dearth of efficient entrepreneurs in Bangladesh. As a result, capital formation is hindered.

5. **Lack of technical knowledge:** The labourers of Bangladesh lack in modern and developed technical knowledge. The production techniques in this country are also old. For this reason, capital formation is hindered here.

6. **Low investment:** For various reasons there are many obstacles in the way of investment in Bangladesh. Because of low investment, production in the factories is low. Consequently the rate of capital formation is also low.

7. **Unfavorable political environment:** For capital formation continuous investment in a favourable environment is necessary. In a developing country like Bangladesh there exists political and social unrest. For this reason investment in factories suffers and also the process of capital formation is constrained.

Besides, due to scarcity of foreign aid and foreign investment, wastage of resources and underdeveloped infrastructure etc., capital formation in Bangladesh is hindered.
3.5.10 Organization

Organization means an act of management in production by procuring, combining and coordinating land, labour and capital to produce something. As a matter of fact, discharging the responsibilities such as starting from production planning to policy making & decision taking, supervision of productive activity and risk taking etc. is called organization. Economist Mr. Haney says, “Organization is a harmonious adjustment of specialized parts for the accomplishment of some common purpose or purposes”. Organization is such an active factor of production which makes other factors active and productive in production.

3.5.11 Organizer

In the process of production anybody who performs acts of organization is called an organizer or entrepreneur. To produce something he conducts and supervises all activities of production including risk bearing by making production plans, combining land, labour and capital and coordinating the factors. The entrepreneur is to take the responsibilities and risks of all activities starting from the establishment of the plant or firm to the marketing of the produced goods in the end. The entrepreneur of a firm or business organization is its owner on the one hand and he is also the organizer and risk bearer on the other hand. In view of undertaking the supreme responsibilities of production the entrepreneur is called captain. The economist Marshall termed entrepreneur as the “Captain of the Industry”.

3.5.12 Role Of An Organizer/Entrepreneur In The Process Of Production

An organizer/entrepreneur plays an important role in the process of production. Modern system of production is complex and risky. The role of an entrepreneur is supreme in achieving the target of maximum profit as far as possible by running the production system properly and efficiently.

The role of an entrepreneur in the modern production process is discussed below:

1. **Planning of setting up of a business Firm:** The entrepreneur himself plans for the establishment of the business firm. The planning of the entrepreneur includes the undertaking of a feasibility study, the preparation of necessary documents for establishing the firm, and making provision of finances to meet initial expenditures etc.

2. **Formulation of production plan and determination of policy:** The entrepreneur has to decide on different aspects of goods to be produced. The entrepreneur has to make plan and determine policy in respect of what is to be produced, how much to be produced, where to produce, what method will be applied in production and what will be the quality and price of the goods to be produced.
3. **Management of the Firm**: After the establishment of the firm, the organizer performs the essential organizational functions such as he coordinates the work of different sections, appoints the workers to the suitable places according to their fitness, ensures the operation of machines etc. Production is possible only after the completion of these works.

4. **Payments to the factors of production**: The organizer or the entrepreneur makes payments of prices for the land, labour and capital employed in the production. During the period of production he pays up the rents of land, the wages of labour and the interests of capital according to the contract.

5. **Risk bearing**: To bear risk is one of the main responsibilities of the organizer. The Organizer produces particular goods on the basis of prior forecasting. But with the changes of time, demand for the concerned goods may suddenly fall. In such a situation the fear of incurring loss comes in place of profit. The entrepreneur has to bear this risk and uncertainty.

6. **Innovation in production**: To increase the amount of profit the entrepreneur has to innovate and introduce new techniques and methods in production. To make the business or production survive he has to produce new goods, find out new sources of raw materials and widen markets for the goods.

7. **Marketing of the produced goods**: Not only production, but the marketing of goods produced is also one of the main functions of an entrepreneur. He has to be engaged in the study of the consumers’ propensity to demand, storing of goods and in preserving them for proper marketing.

8. **Earning of profit**: The main and the ultimate objective of an entrepreneur is to earn maximum profit. An entrepreneur acquires the right to get profit as his reward for taking initiative in production, running business and bearing all risks of production. He gets profit only after meeting all expenditures of production from the sale proceeds.

### 3.5.13 Different Types of Business Organization

The organizations where goods and services are produced or bought and sold are called business organizations or business firms. For example, all kinds of industries - small or big, other production units, business institutions including shops of all kinds, are generally called business organizations and business firms.

In the past in almost all the countries of the world, the forms of business organizations were plain, simple and relatively small. At that time mainly the single ownership businesses were in vogue. But the economic system of modern world is much
complex and economic activities are much wide. So in the modern times different types of business organization have developed in every country.

**Different types of business organization:**

From the view points of ownership and management the business organizations can be divided into five types: Such as,(1) Single Ownership Business,(2) Partnership Business,(3) Joint Stock Company Business,(4) Co-operative Business and (5) State Enterprise. The natures of these types of business are discussed below:

1. **Single Ownership Business:** The oldest form of business organization is single ownership business. The organization where there is only one owner who procures capital by his own personal initiative and discharges all the responsibilities of the business including risk bearing, is called Single Ownership Business. In this form of businesses the owner’s responsibilities are unlimited as he is alone to share the profit and the loss of the business. Though labourers and employees are employed in the business, the overall management, supervision and responsibilities rest on the owner alone. Generally, medium and small size businesses are based on single ownership.

Some major advantages of single ownership business are simple organizational structure, small capital, quick decision making, flexibility in business, efficient management, maintaining secrecy etc. On the other hand, there are some disadvantages of such type of business. These are limited scale, unlimited liability, insufficient supervision, single handed risks, chance of wrong decision, lack of division of labour etc. In spite of some disadvantages this form of business has been easily acceptable to the majority of people since ancient time to date.

2. **Partnership Business:** When a business organization is established and run by two or more persons, it is then called partnership business. In the contractual agreement of the partnership business, necessary issues like the assets and liabilities of the shareholders, collection of business funds, profit and loss, conditions for inclusion of new partners etc. are mentioned. This form of business organization should have at least 2 shareholders with maximum number of shareholders of 20. The liabilities of the partners are unlimited. All the partners collectively or one or two partners on their behalf, can run the business.

The notable advantages of partnership business are procurement of more funds, joint efforts, distribution of risks, joint decision making, introduction of division of labour, benefits of loans etc. On the other hand, the main disadvantages of such form of business are unlimited liabilities of individual partner, lack of
3. **Joint Stock Company**: A form of business organization, when established and run by many people, is called Joint Stock Company. Initially a few persons make a plan to form a joint stock company. In the plan the name of the company, its objectives, the amount of capital etc. are mentioned. After obtaining approval from the government, it earns the status of a legal separate organization. Then, through the sale of shares among the members of public and entrepreneurs, its capital is accumulated. Those who buy shares become the partners or owners of this business. Since there are a large number of shareholders in this business, the responsibility of its management rests with a Board of Directors. In this form of business the liability of every shareholder is limited. The profit of the business is distributed among the shareholders. If necessary, this short of business can procure funds from the institutions like Banks, Insurance Companies etc. within Bangladesh and also by borrowing from the international organizations.

Joint Stock Company is one of the most important forms of business organization in the modern world. Now days almost all large scale production firms or large scale business firms run as Joint Stock Companies. The main advantages of this form of business are large scale production, limited liabilities of the share holders, efficient management, scope for expansion of business, distribution of risks, advantages of developed technology and wide division of labour etc. Besides, the confidence of the people in these big and legal institutions is very high. In spite of these advantages, the joint stock business has some disadvantages. These are the structural complexity, misuse of power in managing the business, scope of corruption and nepotism, complexity in decision making, chance of delay, chance of deterioration in labour-management relation etc. If precautionary measures and appropriate public policy are adopted, the disadvantages of such organization can be minimized. In fact, in modern times such large scale businesses are needed more for economic development of the country.

4. **Co-operative Business**: If a number of assetless persons voluntarily and collectively, form a business organization on the basis of equal rights and responsibilities, it is called co-operative business. The principles of co-operative business are unity, discipline, sincerity and mutual co-operation. These form the foundation of co-operative business. In this business the members themselves take the initiative of business, supply capital, manage the business and take all sorts of risks. The members, being the owners of this business, enjoy its profit in
proportion to their respective shares. Co-operative business is found in agricultural farming, cottage industries, grocery of consumables etc.

Co-operative business organizations are generally small in size. Its notable advantages are the absence of intermediaries and labour problems, supply of commodity at a lower price, increase of income of lower income-group, development of moral awareness, austerity and development of outlook for self-reliance etc. Some problems of co-operative business are also noticed side by side. These are the non-abiding by the principles of cooperative, shortage of capital, lack of consensus, inefficient management and lack of incentives etc.

In a capital-poor country like Bangladesh there is the necessity of co-operatives. But in reality it is found that due to lack of teaching of co-operatives and awareness there is no expansion of co-operative business in Bangladesh. But the co-operative businesses which exist only in agriculture and other few areas are facing problems due to various reasons. For the expansion of co-operative business in this country, co-operative movement and the spread of education are indispensable.

5. **State Enterprise:** Those business organizations which are directly organized by the government or brought under the control of the government through nationalization are called state enterprises. These businesses are controlled and managed by the government. Generally the govt. with its own initiative forms and runs those businesses which are necessary for the welfare of the people and the security of the country. If these are in the private sector, then public interest may suffer. The railways, roads, post and telegraph, television, telephone, water and electricity supply, arms and ammunition factory etc. are the government organizations or state enterprises in Bangladesh.

In recent times the state enterprise is an important business institution. There are certain specific advantages of this sort of business. For example, these state enterprises can mobilize sufficient capital and can supply goods and services to the people at fair prices. Heavy and basic industries can be established through this sort of business organization. Since state enterprise is generally of large scale, it enjoys the advantages of internal economies of scale. Through this business organization, planned development of the country is possible. With the advantages of state enterprise, there are some disadvantages too. If industries are established by the government, scope for private and individual initiative becomes limited. Many times corruption and nepotism make their room in many cases due to the presence of bureaucratic practices in the state enterprises. Because of excess
number of labourers and employees, sometimes the cost of the business increases and that becomes non-profitable. Due to absence of competition some times, it turns into a monopoly business. In that case, cost of goods and services increases and quality falls. Consequently the customers suffer.

The state enterprises can turn into profitable organizations if their defects are removed. Then this kind of business organization can play effective role in the economic development of the country and protecting the interest of the people. In Bangladesh there are various types of public or state enterprises. Many mills and factories are also operating under government initiative and management. For the industrial development of the country i.e. for the overall economic development of the country these public enterprises need to be built up as defects-free, efficient and profitable concerns.

Exercise

Multiple Choice Question (MCQ)

1. The various nature of production is like this:
   i. making chair from wood
   ii. home gardening as a hobby
   iii. repairing a television set.

Which one of the following is correct?
   a. i and ii  b. i and iii  c. ii and iii  d. i, ii and iii

Read the following passage and answer question number 2 and 3.

The river Jamuna is called the sorrow of Sirajganj. In spite of that the water of this river overflows its two banks and leaves sediment on the field. As a result crops grow well. Many people earn their livelihood by fishing in this river throughout the year. On the other hand this fish compensates the deficiency of protein in the country.

2. The river Jamuna is called land. Because it-
   i. helps in production
   ii. is a gift of nature
   iii. has no production cost.
Which one of the following is correct?

a. i and ii  

b. i and iii 

c. ii and iii  

d. i, ii and iii 

3. The economic importance of the river Jamuna is that-

i. roads are constructed by its sand 

ii. crops grow well in its sediment 

iii. its fish fulfils the protein needs of the country to a great extent. 

Which one of the following is correct?

a. i and ii  

b. i and iii 

c. ii and iii  

d. i, ii and iii 

4. Which one of the following indicates the trend of the present population of Bangladesh?

a. population is decreasing 

b. population is static. 

c. population is increasing at a diminishing rate. 

d. population is increasing at a gradual increasing rate. 

The following Table shows the Crude Birth Rate and Crude Death Rate for three countries in 2006. Answer question number 5 to 7 seeing the table.

<table>
<thead>
<tr>
<th>Country</th>
<th>Crude Birth Rate</th>
<th>Crude Death Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>12.1</td>
<td>7.5</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>29.8</td>
<td>11.4</td>
</tr>
<tr>
<td>Italy</td>
<td>8.7</td>
<td>10.4</td>
</tr>
</tbody>
</table>

5. In 2006 the rate of population growth in Australia was-

a. - 4.6  

b. 4.6  

c. 7.5  

d. 12.1 

6. Which of the following statements can be proved from the data provided?

i. the population of Australia is larger than that of Italy 

ii. the population of Italy has decreased. 

iii. the growth rate of the population of Bangladesh in the highest.
Which one of the following is correct?

a. i and iii  b. ii and iii  
c. iii  d. i, ii and iii

7. Which of the following factors comparatively had more influence for the high crude birth rate in Bangladesh in 2006?

i. high density of population
ii. high child mortality rate
iii. the lowest average age for marriage of girls.

Which one of the following is correct?

a. i and ii  b. i and iii  
c. ii and iii  d. i, ii and iii

8. Due to adoption of family planning in Bangladesh-

i. per capita income and savings will increase
ii. standard of living will increase
iii. production will increase

Which one of the following is correct?

a. i  b. i and ii  
c. ii and iii  d. i, ii and iii

9. The following changes may occur if the standard of living increases. Out of them, which one is the most appropriate?

a. the opportunity of employment increases
b. the rate of overall education increases
c. the rate of the growth of population decreases
d. the average life expectancy of people increases

10. Shafali has adopted birth control measures to keep her family small. In their family they have only two children. They will not go for any more children.

According to Malthus their system is called-

a. preventive checks  b. positive checks  
c. adoption of family planning  d. limiting the number of child
11. Increase of production due to addition of new capital goods with the stock of capital is called-

12. Robin is a carpenter. He purchases wood from market, he and his son make chair, table by it. He maintains his family expenditure from the profit of the sale of furniture. Carpenter Robin can be called a good organizer because he-
   i. formulates plan for production
   ii. coordinates between land, labour and capital
   iii. markets the produced goods.

   Which one of the following is correct?
   a. i and ii  b. ii and iii  c. i and iii  d. i, ii and iii

13. A man performs multifarious business. Such as (a) makes furniture with the wood, (b) sells shrimps of Cox’s Bazar carrying to Dhaka (c) preserves potato, tomato etc and later sells those at an opportune time. In this way he earns a lot of profit in business. The cause of such behaviour of the man is to-
   i. increase the utility of goods
   ii. earn profit
   iii. bring diversity in business

   Which one of the following is correct?
   a. ii  b. i and ii  c. ii and iii  d. i, ii and iii

Creative Question (CQ)

1. Farmer Ramjan Ali cultivates potato in his one acre of land. In the first year he has produced 40 kg of potato by investing one unit of labour. Similarly, for increasing production, he had been increasing additional labour at the rate of 1 unit in the following years. His production of potato is shown in the Table below:
a. The above Table reveals an important law of Economics. What is the name of this law?

b. Explain the main concept of this law.

c. Fill up the three blank columns of the above table.

d. Does this law apply in Bangladesh? Why or why not?

2. The density of population of some of the Asian countries in 2004 is shown in the table below:

<table>
<thead>
<tr>
<th>Country</th>
<th>Density of Population (Per square km)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>985</td>
</tr>
<tr>
<td>India</td>
<td>336</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>316</td>
</tr>
<tr>
<td>The Philippines</td>
<td>277</td>
</tr>
<tr>
<td>Vietnam</td>
<td>254</td>
</tr>
<tr>
<td>Pakistan</td>
<td>198</td>
</tr>
<tr>
<td>China</td>
<td>137</td>
</tr>
<tr>
<td>Indonesia</td>
<td>117</td>
</tr>
<tr>
<td>Malaysia</td>
<td>77</td>
</tr>
</tbody>
</table>

According to the table the density of population of Bangladesh in 2004 was 985 per square kilometre. Some steps were taken to reduce the density of population.
a. What is population density?
b. On the basis of the given information in the above Table, compare the population density of Bangladesh with that of other Asian countries.
c. Explain the main causes of the high density of population in Bangladesh.
d. Analyze the influence of the dissemination of female education on the density of population.

3. According to Malthus, due to high productive capacity of human being population increases rapidly but food production increases very slowly than the rate of population increase. So, very soon population exceeds the increased quantity of food production. As a result disasters like famine, malnutrition, epidemics etc. will occur. These types of disasters are not desirable for any country. Therefore, to put equilibrium between population and food production, as a permanent measure, it is imperative to adopt birth control measure along with other preventive measures.

a. What did Malthus call the disasters like famine, malnutrition and epidemics etc.?
b. Explain one preventive measure that is helpful to maintain a balance between population and food production.
c. How birth control system, i.e., family planning can be effective in solving the problem due to increased population in Bangladesh Explain.
d. How far do you think the said statement of Malthus is acceptable in the case of Bangladesh? Give reasons in favour of your opinion.
Chapter Four
Agriculture of Bangladesh

4.1.1 Agriculture or agricultural activities
Agriculture means the production of plants and animal resources to meet the daily needs of human life. Therefore agriculture is such a creative activity that involves the production of crops, raising domestic birds and animals, pisciculture, aforestation etc. At present agriculture is considered as the main occupation in most of the developing countries of the world. The main occupation of the Bangladeshis is also agriculture.

4.1.2 Subsistence agriculture and agriculture for commercial production:
Agriculture has two objectives: Agriculture for subsistence and agriculture for commercial production.

1. Agriculture for subsistence: Agriculture which helps a farmer to produce agricultural products to meet the bare subsistence of his family is called agriculture for subsistence. As the amount of cultivable land is small, such agriculture has little scope for surplus which a farmer can barely reinvest in agriculture. Besides this, landless farmers take others’ land on lease and engage in cultivation for subsistence. Agriculture for subsistence has a few characteristics as below:

a. Agriculture for subsistence is, in fact, undertaken to sustain living for self and the family. Hence this type of agriculture basically aims at domestic consumption.

b. In this kind of agriculture the farmer engages only the members of his family. He does not engage any hired labourer from outside.

c. The owner of the land himself takes part in this type of agriculture.

d. In this type of agriculture the farmer produces only those crops which come to the use of the family.

2. Agriculture for commercial production: Agriculture for commercial production means production and sale of agricultural commodities for making profit. The amount of cultivable land here is large. Agriculture is conducted here so that the farmer can sell his product in the market and earn profit. Besides growing crops, fish-culture, raising poultry and livestock, horticulture and arboriculture, aforestation etc are also conducted on commercial basis. Agriculture for commercial production has the following features.
a. The land owner does not directly cultivate the land; he rather employs hired labour.

b. The main purpose of this cultivation is not consumption but profit-making. So the production and marketing of agricultural crops under this type of agriculture are directed to earn profit. The family may or may not consume the produced crops. So, the question of family consumption is not so much important in this agriculture.

c. Such agriculture is pursued basically for commercial purpose; hence those items are produced mainly which bring larger amount of profit.

From the above discussion we can conclude that agriculture for commercial production is better than agriculture for subsistence on the grounds of efficiency, certainty and effectiveness.

The majority of the farmers of Bangladesh are engaged in agriculture for subsistence. This is why there is almost no surplus in agricultural commodities. Consequently farmers’ income does not increase. To create wider scope for investment in agriculture and thereby to create bigger surplus products in agriculture, we should give more importance to agriculture for commercial production than to agriculture for subsistence.

4.1.3 Importance of agriculture

The importance of agriculture in the economic development of an agrarian country is immense. Bangladesh is mainly an agrarian country. So her economic development depends mainly on the development of her agriculture. The importance of agriculture viewed from different angles is described below:

1. **Main occupation**: About 75% people of Bangladesh are directly or indirectly dependent on agriculture for a livelihood. This fact proves the importance of agriculture in the country’s economy.

2. **Contribution of agriculture to national production**: The volume of our national production depends upon the agricultural production. About 21% of the GNP (Gross National Product) comes from agriculture. So, the contribution of agriculture as an individual sector is very important in our national production. The greater the volume of our agricultural production, the higher the national and per capita production.

3. **Food supply**: Different agricultural commodities such as food grains, fishes, mutton, milk, eggs etc meet our people’s demand for food. Increase in
agricultural production will make it possible to supply more food for the people. It will remove the deficit of food in the country.

4. **Supply of raw materials for the industries:** Raw materials for most of the industries, already set up or going to be set up, come basically from agriculture. Industries have developed based on the raw materials like jute, sugar, tobacco, tea etc all of which come from agriculture.

5. **Help to set up agro-based industries:** With the development of agriculture, the demand for agricultural implements like fertilizer, pesticides, shallow and deep tube-well, power tiller, tractor etc also increases. As a result, mills and factories manufacturing those implements develop. So if agriculture in Bangladesh develops, mills and factories producing fertilizers, pesticides, shallow and deep tube-wells, power tillers, tractors etc will also grow up. Consequently, quick industrialization in the country will be possible.

6. **Supply of cloths:** Agriculture help our people by providing them with cotton, silk, fleece etc from which different kinds of cloths are produced. Much of our demand for cloths is met with those products. Besides, high quality carpets and curtain cloths are also produced from jute.

7. **Supply of building materials and energy:** Dwelling houses in rural Bangladesh are built mostly with bamboo, straw, hemp, leaves, cane, wood etc. These materials come from agriculture. Besides, trees, dry leaves, jute sticks, rice bran, cow dung etc meet a great buck of our demand for energy. These also come from agriculture. So agriculture helps us by providing materials not only for building houses in the rural areas but also lessening our energy problems.

8. **Setting up drug industries:** We get raw materials for life saving drug from agriculture. Different kinds of herbs and plants are available in every nook and corner and in the forest areas of this country. Depending on these, a herbal medicine system has been developed. Our rural people have been using herbal medicine as curatives from the ancient time.

9. **Contribution to foreign exchange earnings:** A substantial portion of the foreign exchange earnings of Bangladesh comes from the export of various agricultural products. So more foreign exchange may be earned by increasing the volume of agricultural products and exporting them. Then it will be possible to import the raw materials for essential industries, machinery as well as fuel with the foreign exchange so earned. This will make the country’s industrialization speedier.
10. **Increase of public revenue:** A great buck of public revenue comes from agriculture. Government earns a large amount from land revenue, agricultural income tax, transportation of agricultural products, customs and excise on agricultural merchandise etc. The government can spend the increased revenue for administration and development of the country.

11. **Creating market for industrial products:** Farmers’ income increases with the development of agriculture. As a result their demand for industrial products also increases. To meet this demand more industries grow and new factories are set up. So the development of agriculture is essential for the development of industries.

12. **Fast economic development:** As an individual sector, agriculture contributes substantially towards the national production. Through the development of agriculture, our internal wealth will increase and it will enable the government to meet the cost of various development projects with that internal wealth. It will, therefore, be possible to bring about economic development through the development of this sector.

**Conclusion:** From the fore-going discussion we can understand that the importance of agriculture in the economic development of Bangladesh is immense and our overall economic progress depends on the development of agriculture.

**4.2.1 Characteristics of Agriculture of Bangladesh:**

Bangladesh is mainly an agricultural country. The system of agriculture is not developed. All the characteristics of backward system of agriculture are present here in his country. That is why agricultural production here is much lower than that of the developed countries. The main characteristics of the agriculture of Bangladesh are discussed below:

1. **Backward methods of cultivation:** Most of the farmers in Bangladesh cultivate their land in ancient and unscientific methods. They have little familiarity with the developed methods and implements of cultivation. The system of cultivation here is still backdated, undeveloped and faulty.

2. **Lower productivity:** Although an agricultural country, Bangladesh is one of the lowest productive countries of the world. While Japan produces 2 tons of rice per acre, Bangladesh produces a little more than only half a ton.

3. **Agriculture for subsistence:** The farmers of this country cultivate basically for
subsistence. So the sellable surplus is almost negligible. Of course efforts are going on to increase production by applying high yielding technology.

4. **Subdivision and fragmentation of land:** Most of the farmers of this country own small plots of land, scattered over the field. Mechanized methods of cultivation are not possible in those detached and small plots of lands. This is a great obstacle to the modernization of agriculture.

5. **Landless farmers:** Most farmers of Bangladesh are landless. They cultivate on others’ land either as lease-holders or day-labourers. Not being the real owner, they feel less interest in cultivation. As a result production is low.

6. **Fallow land:** A substantial portion of the cultivable land still lies out of cultivation for want of adequate irrigation and drainage system. So the total actual production is less than expected.

7. **Dependence on nature:** Agriculture in Bangladesh still depends mainly on natural rainfall. There will be a good harvest if there is timely and adequate rainfall. Otherwise the harvest is affected very adversely. As a result national production decreases.

8. **Maximum land is engaged in food-grain production:** 80% of the cultivable land of the country is used for producing food-grains. As a result the production of raw materials for industries is less in agriculture.

9. **Defective ownership of land:** There is inequity in the ownership of arable land in Bangladesh. 30% farmers – big and small – own 80% of the cultivable land. On the other hand about 70% marginal farmers own only 20% land. As a result the lion’s share of the farmers do not feel encourage in cultivation.

10. **Absentee landlordism:** Many people residing in towns own notable amount of cultivable land. In their absence, there is minimum supervision of cultivation. The result is low production.

11. **Share cropping system:** About 25% of the total cultivable land of Bangladesh is cultivated under the system of lease or share cropping. The production under share cropping is less than what would be if the lands are cultivated by the owners themselves. As a result, agricultural productivity is much lower here.

12. **Poor, sick and illiterate youth:** Farmers of this country are mostly weak and unenterprising for want of proper food, cloths, health facilities and shelter etc.
Lack of general education has made them bigots, fatalists and superstitious on the one hand and the lack of education in agriculture has kept them ignorant of and indifferent to the modern techniques of cultivation on the other hand.

**Conclusion:** For the above mentioned characteristics of agriculture in Bangladesh, productivity in agriculture is low, farmers’ income is small and the standard of their living also very low. Hopefully, at present modern technology and implements are being used in our agriculture. As a result the yield per acre is on the rise and agriculture is making progress.

4.2.2 **Causes of Backwardness of Agriculture in Bangladesh:**

Bangladesh is mainly an agricultural country. But her agricultural system is very backward and faulty. The causes of that backwardness are discussed below:

1. **Age-old methods of cultivation:** Agriculture in Bangladesh is still grappling with the age-old methods of cultivation. For increased production, the use of modern, scientific methods of cultivation and implements are yet almost absent here. The result is low production.

2. **Sub-division and fragmentation of land:** Most farmers of Bangladesh have sub-divided and fragmented plots of land scattered at different distances. In such fragmented lands introduction of scientific and mechanized methods is almost impossible. It is also difficult to conduct and supervise the agricultural activities for smooth production and a good harvest.

3. **Problems of credit:** Most farmers of this country are poor. So they cannot but take loan for agriculture. But the greater part of that loan comes from private sources which is both uncertain and risky. Loan given from government sources is not sufficient and the lending process is complex and hazardous. That is why the farmers cannot invest as much money on the land as is necessary. So the volume of production does not increase.

4. **Unequal distribution of land ownership:** In Bangladesh the distribution of land ownership is very unequal and defective. Only 30% farmers own about 80% of the total land. More than 50% farmers are landless. Such unequal distribution of land ownership is a hindrance to increased production.

5. **Lack of better seeds and fertilizer:** Better seeds and fertilizers are very important for better production. But in Bangladesh both these implements are scarce. Moreover our farmers are too poor to buy those. The use of low quality seeds and insufficient fertilizer results into a bad harvest.
6. **Lack of irrigation facilities:** Regular irrigation is essential for better and smooth production in agriculture. But scientific methods of cultivation in a wider scale are still almost absent in this country.

7. **Natural calamities:** In Bangladesh, large scale damages are caused by natural calamities like floods, cyclones, tidal boars etc almost every year. As a result the farmers get poorer harvest than they expect.

8. **Diminishing fertility of the land:** Agricultural lands in Bangladesh are cultivated year after year and the crop is almost the same. As a result particular chemical elements in the soil fall short. For want of proper fertilization, this short-fall cannot be compensated. Consequently, the land is becoming unfertile and yielding poorer harvest.

9. **Attack of pests and crop diseases:** Attack of locusts and pests as well as crop diseases damages a large amount of crops every year. As a result the harvest is less than expected.

10. **Water-logging and salinity:** Excessive rainfall and lack of proper drainage system make many cultivable lands water-logged. Moreover many lands in the coastal areas become unfit for cultivation due to salinity. As a result the cultivable land area is shrinking.

11. **Poor rural infra-structure:** For the development of agriculture, rural infra-structure such as drainage and sewerage system, roads, power supply, health facilities, supply of drinking water etc is very important. But these are very scarce in rural Bangladesh. As a result the process of agricultural production cannot be conducted with proper skill.

12. **Defective marketing system:** In Bangladesh, the marketing of agricultural merchandise is very defective. In this marketing system, farmers are compelled to sell out their agricultural products at a lower price soon after the harvest owing to the existence of middlemen, dire financial constraint, want of storage system, under-developed transport and communication system etc. As a result they do not get a fair price.

13. **Farmers’ poverty and illiteracy:** Most farmers of Bangladesh are poor and aloof from the light of education. So most of them are bigots, fatalists and superstitious. They are not only ignorant of but also opposed to introducing new techniques in agriculture.
14. **Lack of subsidiary occupation:** In the rural areas there is no scope of subsidiary occupation for the farmers. So they have limited scope for increasing income. This hinders their economic development. That is why they cannot be so active in cultivation.

15. **Lack of proper organization:** Farmers of Bangladesh cultivate their fragmented and small plots of land in unplanned and ordinary management. Lack of agricultural implements and proper co-ordination among different stages hold them from conducting agricultural activities smoothly.

16. **Lack of well-coordinated agriculture policy:** In our agricultural activities, no well-coordinated strategy is followed. This is why, in our agriculture, there is no desired structural change happening.

**Conclusion:** With so many problems, agriculture in Bangladesh is more or less backward though Bangladesh is mainly an agricultural country. Therefore productivity in agriculture here in much lower.

4.3.1 **Modern Technology in Agriculture:**

The scientific technique and implements with which production activities are conducted is called technology. And modern technology in agriculture implies to conduct agricultural activities with the help of modern machinery, high-yielding variety of seeds, chemical fertilizers, pesticides, proper irrigation etc. The main purpose of using this technology is to increase agricultural production.

4.3.2 **Using Modern Technology in Agriculture:**

Agriculture in Bangladesh is very backward and faulty. This is why productivity in agriculture is low and so is the income of the farmers. To improve the situation, agriculture should be so conducted that it can bring better harvest, income of the farmers rises and more investment in agriculture becomes possible. For this, the use of modern technology in agriculture is essential. The uses of modern technology in agriculture are discussed below:

1. **Use of modern machinery in agriculture:** For higher production the use of modern machinery such as tractor, power tiller, harvester etc is essential. Recently this machinery have come to use in Bangladesh in a limited scale. Most farmers of Bangladesh are poor, their lands are fragmented and scattered; so it has not been possible to employ those machinery on a wide scale.
2. **Use of High Yielding Variety (HYV) seeds:** For increased production the use of HYV seeds is very important. To meet food deficit, HYV seeds of both paddy and wheat have been in use in Bangladesh for quite some time. Bangladesh Rice Research Institute (BRRI) has innovated 22 items of HYV seeds during the last 25 years since 1967. The HYV paddy seeds have yielded 40 to 80 maunds per acre depending on seasons. At present HYV paddy is cultivated in 30% land every year which brings 70 lac tons of surplus rice. The role of HYV wheat seeds is also unique in wheat cultivation. The yearly production of wheat during the pre-independence period was only about 1.0 lac ton; but now it has risen upto 7.37 lac metric ton.

3. **Use of fertilizer:** Experience shows that the optimum use of fertilizer can increase production several times. To maximize fertility of our soil, cow dung as a good manure has been in use in our country since long. But with the increasing demand for fertilizer, different kinds of chemical fertilizers viz, urea, TSP, phosphate, gypsum etc are being used in a larger scale since early sixties. The additional cost of fertilizer is redeemed through the increase in total income. Moreover, with the optimum use of fertilizers much more crops can be produced annually on the same plots of land through multiple crop system.

4. **Use of pesticides:** In Bangladesh, pest attacks and crop diseases cause widespread damage to the crops every year. To save the crops from those damages, it is necessary to apply different kinds of pesticides in the crop fields. In fact IRRI cultivation has enhanced the use of pesticides at an increasing rate.

5. **Use of modern irrigation machinery:** For smooth production in agriculture proper irrigation in the field is needed as and when necessary. Especially the HYV seed cultivation needs irrigation most. But in our country agriculture is mainly dependent basically on rainfall. This rainfall is often irregular – either scanty or excessive. As a result production is hampered. To get rid of this situation in agriculture, it is necessary to conduct irrigation in a scientific method. At present irrigation is conducted in this country with the help of shallow and deep tube-wells, power pumps etc. Besides, irrigation is also done by digging canals from rivers, ‘beels’ ‘haors’ etc or with the help of ‘doans’ or ‘dongas’ etc.

4.3.3 Co-operative
When several persons voluntarily join their hands to form an association on the basis
of co-operation and empathy to improve their lot, it is called a co-operative. With their joint efforts, several people can easily do what is impossible for an individual. Poor and destitute people of the society can engage themselves for the well-being of one another on the basis of unity, co-operation and sympathy. The association they form for this purpose is called a co-operative. Basically a co-operative is an organization where the poor and the neglected voluntarily join hands with equal rights to improve their condition. ‘Unity is strength’ and ‘All for one and one for all’ are the fundamental theme of a co-operative.

4.3.4 Role of co-operatives in the agriculture of Bangladesh:
Bangladesh is basically an agricultural country. In spite of that her agriculture is fraught with various problems. This is why this country is backward in agriculture and the productivity is very low. Co-operatives can play a vital role in production by doing away with the existing problems in agriculture. The role of cooperatives is described below:

1. **Unification of plots of land:** Most plot of land in Bangladesh are fragmented and scattered over different places. Laws of inheritance, frequent sale of land, population boom etc are mostly responsible for this. Cultivation cannot be conducted smoothly on such fragmented lands. To do away with this problem the co-operatives can bring the plots of land together and introduce modern scientific methods of cultivation for better production.

2. **Mechanized cultivation:** In Bangladesh cultivation is conducted in the age-old method and in most cases, without the help of modern machinery. As a result, it wastes both time and labour on the one hand and the production is also low on the other. To solve this problem mechanized cultivation should be introduced. But to do this the plots of land should be bigger in size. Co-operatives can bring the fragmented plots together to make them bigger in size and mechanized cultivation can be introduced for better production.

3. **Supply of agricultural loan:** Most farmers of Bangladesh are poor. The small income they make from cultivation can barely enable them to make both ends meet. It cannot help them making a surplus. This situation compels them to borrow money on high interest rates from different sources to conduct cultivation. In many cases they are deceived. In his situation hey can form village credit co-operative societies which can help them to conduct cultivation smoothly by granting them credit on easy terms and lower interest rate.
4. **Providing irrigation:** Irrigation is essential for unhampered cultivation. This can be done by sinking shallow or deep tube-wells and also by digging canals from rivers, lakes etc. But such a system of irrigation is costly and Bangladeshi farmers are too poor to adopt this system with individual efforts. In such situation, they can make it possible through co-operatives and conduct cultivation all the year round.

5. **Purchase of agricultural implements at low price:** Different kinds of implements are necessary for proper cultivation. Especially, improved cultivation requires heavy and expensive machinery. Many farmers cannot afford to buy this machinery at retail price. To overcome this difficulty, farmers can buy fertilizers, seeds, pesticides, machinery etc at low price through their co-operatives.

6. **Introduction of crop insurance:** In Bangladesh, natural calamities cause great damage to crops every year. As a result, not only many farmers become destitute but also the total production falls low. To combat this problem, introduction of crop insurance is necessary. City-based insurance companies cannot help so many farmers in the rural areas. In this situation village co-operatives can save them from the loss caused by natural calamities and accidents by introducing crop insurance.

7. **Storage of crops:** Crops can be preserved by storage and gradual supply can be possible. This can make possible to get reasonable price. For this purpose sufficient number of stores and barns should be built. But there is little scope for storage of agricultural crops in the rural areas. This situation compels the farmers to sell out their crops soon after harvest at a lower price. In these circumstances they can build stores and barns in the villages through co-operatives and get a fair price in due time.

8. **Getting a fair price of agricultural merchandise:** There should be an arrangement so that the farmers can get a fair price of their crops and increase their income. For this, there should be an improved marketing system. Bangladeshi farmers do not get a fair price because the marketing system here is very faulty. Middlemen like brokers, ‘farhias’ and traders cheat farmers in different ways in purchasing agricultural merchandise from them. In these circumstances, the farmers can be saved from the exploitation of the middlemen and helped for getting fair price of their crops through forming sale committees.

From the above discussion we can understand that the importance of co-operatives is
very great in the agriculture of Bangladesh. If the agriculture of Bangladesh can be reorganized on the basis of co-operatives, many problems in agriculture will be solved. Consequently, agricultural production will increase side by side the farmers’ standard of living will also rise.

4.3.5. Importance of Co-operative Farming by Using Modern Technology in Agriculture

When the land owners of an area voluntarily unite their plots of land for cultivation, it is called cooperative farming. Farms thus formed are called co-operative farms. In co-operative farms the individual ownership of land is retained; but the control of implements of production is left with the co-operative. The produced crops here are distributed among the members of the co-operative according to quality of their land and labour. To speak of modern technology in agriculture, the method of co-operative farming comes into relevance. Because the implements of modern technology such as HYV seeds, chemical fertilizer, pesticides, tractor, power tiller, harvester, shallow and deep tube-wells for proper irrigation etc are very expensive. But most of our farmers are poor. It is impossible for them to buy those implements in their individual capacity. If the farmers unite their lands for co-operative farming, they can collectively buy and use the necessary modern agricultural implements. Then, the use of modern technology in a wider scale will be possible in the country. So we can conclude that in the matter of using modern technology in agriculture, the importance of co-operative is immense.

4.4.1 Self-employment

In spite of having competency for a job on a fixed remuneration, many do not get any job. They are called unemployed. Such unemployed people in agriculture are too many. When unemployed, people find employment without depending on others it is called self employment.

4.4.2 Various Means of Self-employment in the Agriculture of Bangladesh

In Bangladesh, many people dependent on agriculture are directly or indirectly unemployed. Unemployment can be done away with by creating employment opportunities in the agricultural sector. Self-employment is possible by using the premises of dwelling houses, small plots of land owned by self or taken on lease, using ponds and ditches etc. Now-a-days self-employment is possible by raising poultry, fish cultivation, nursery, fruit or flower garden, cattle breeding etc. Various private aid organizations, NGOs, Grameen Bank, commercial as well as specialized banks are extending counseling and credit to such enterprises undertaken by
individuals or co-operatives. Different means of self-employment in the agricultural sector of our country are described below:

1. **Raising poultry:** Self-employment is possible by raising poultry in and around our homesteads. It possible to raise poultry with only one cock and 8-10 hens at the initial stage. It is possible to start a poultry farm with a small capital.

   To develop a poultry farm as a means of self-employment, we can set up a broiler farm or a layer farm. Mutton-giving chickens are called broilers. To set up a broiler farm we can procure healthy and strong chicks from a chicken producing farm. 6-8 week old broiler chicks can be sold; thus we can recover the invested capital with profit within a short period of time. Besides, this type of farm does not need large investment. Egg-producing hens are called ‘layers’. With that also, we can set up a poultry farm. This type of farm is called ‘layer farm’. We can start such a farm usually with 8 or more week old growing up hens. A layer hen gives 270-280 eggs annually under improved management. Keeping in view the high price of eggs, layer farms can be a very profitable enterprise.

2. **Raising ducks:** From time immemorial, almost every family in rural Bangladesh has been raising ducks. The environment with ponds, ditches, tanks, ‘haors’ etc around the dwelling places are especially suitable for raising ducks. Ducks can be raised by making permanent or floating platforms by or on ponds, tanks, ditches etc.

   ‘Khaki campbel’ and ‘ziding’ variety of improved foreign breed give 200-250 eggs yearly. They put up well in our environment. This type of duck farm can be started usually with 90-100 days old growing up ducks.

3. **Fish cultivation:** In rural Bangladesh fish cultivation can be an important source of self-employment. With the passage of time, many unemployed youths in rural areas are getting involved in this occupation. Fish can be cultivated in both confined and open waters. Ponds, tanks, ‘haor’s are called confined waters while rivers and lakes are called internal open waters.

   With the advancement of science, fish culture technology has developed a lot. Fast growing new variety of fishes is being imported in the country. Fingerlings are being produced through artificial insemination, without depending on nature. Besides, fisheries department is giving both technical and financial support for fish culture. Compared to other vocations, fish culture requires small capital but yields a sizeable income. Moreover we can have a lot of leisure between working
times here and secure additional income by spending that leisure in other vocations. For these advantages, fish cultivation has become more popular than many other means of self-employment.

4. **Nursery:** The place where plants and saplings are produced, nurtured and preserved till before transplantation is called a nursery. Starting from fruit plants of mango, black-berry, jack-fruit, guava, plum, papaya, lemon etc. saplings of mahogany, teak, korhoi, saal, garjan, chapalish etc also can be produced. Nurseries are set up for collecting, distributing and planting saplings according to demand and also for making a stock of saplings of different ages. Lately, tree plantation programme has started in the country both at government and private levels. Nursery has been identified as a nice and prospective means of self-employment in the mean time.

5. **Fruit and flower gardening:** Among the different means of self-employment fruit and flower gardening demands special consideration. With the rise of people’s standard of living, the demand for flowers has also risen. Its market is also expanding. So flower gardening can be identified as a prospective means of self-employment in the near future. Horticulture is possible on commercial basis within and around homesteads and also on roofs of the buildings. Cultivation of flowers of daily demand has been proved profitable. Horticulture is possible with small capital and little labour.

If you have a pretty good amount of land or you can take that land on long term lease, you can make a fruit garden there. Now-a-days HYV seeds of guava, papaya, lemon etc are available. These give fruit in a year. Moreover, grafted plants of mango, plum, jamrul etc bear fruit within a very short time. Small scale gardening of guava, papaya, lemon etc can also be done in the yards and roofs of dwelling houses.

6. **Raising livestock:** From time immemorial, our people have been raising livestock. For the purpose of cultivation, transportation, meat and milk, making woolen cloths, etc our village people raise cattle, goat, sheep etc. For higher production of crops, transportation of grains, increase in the demand of meat and milk, the demand for cattle-heads has increased greatly. This is why raising livestock has lately become a profitable occupation. Many unemployed people of the country are choosing raising livestock as one of the attractive means of self-employment.

In our country dairy farms mainly produce milk. At the family level, 2 – 5 cattle heads
can make dairy farm. In such case one can loan from banks and counseling from the government livestock department.

4.5.1 Agricultural Crops of Bangladesh: Food Crops and Cash Crops

In agrarian Bangladesh, almost 70% of the land has come under cultivation. Different kinds of crops are grown in a wide scale all over the country. These crops can be divided into two classes: food crops and cash crops.

The crops consumed as food are called food crops. Such crops are grown to meet the demand of the family. If there is any surplus, it can be marketed for sale or exported abroad if necessary. Paddy, wheat, pulses, oilseeds, barley, maze, potato, fruit, vegetables, spices, maize etc are the main food crops of Bangladesh. On the other hand crops grown for profit are called cash crops. These crops are mainly for sale in the local market and also exported abroad. Jute, tea, sugarcane, tobacco, silk, rubber etc are cash crops of Bangladesh.

4.5.2 Food crops of Bangladesh:

Among the food crops of Bangladesh, paddy, wheat, pulses, oilseeds, barley, maze, potato, vegetables, fruits, spices etc are the main products. Below is the description of these food crops:

1. **Paddy**: Paddy is the main food-crop of Bangladesh. Rice produced from paddy is the staple food of the Bangladeshis. Paddy is cultivated in 80% of the cultivable land of this country. Muddy and silted plain land washed by rivers, 16 C – 30 C temperature and 100 cm – 350 cm annual rainfall is especially favourable for paddy cultivation. Bangladeshi soil and climate being so, paddy is widely cultivated here almost everywhere. But paddy is produced in greater quantity in Barisal, Patuakhali, Sylhet, Chittagong, Comilla, Noakhali, Mymensingh, Rajshahi, Dinajpur districts.

   Bangladesh produces mainly aus, amon and boro paddy. But apart from these three varieties, different kinds of HYV paddy are also being produced lately. Bangladesh is the 4th largest paddy producing country in the world. In spite of that, Bangladesh do not produce as much paddy as can meet her vast population. So Bangladesh has to import huge quantity of rice every year. In our country, about 2.73 crore metric tons of paddy is produced annually.

2. **Wheat**: Among the food crops of Bangladesh, wheat comes second. At resent, atta and flour produced from wheat is the second chief food of the Bangladeshis. Plain land where water does not stand, 16 C – 22 C temperature and 40 cm – 100 cm
average annual rainfall is especially suitable for wheat cultivation. Though the soil and the climate are not very suitable; yet the winter is on the whole favourable for wheat cultivation. Wheat is cultivated here on a limited scale. In Bangladesh, wheat is cultivated on an average in almost 9.88 lac acres of land. The main wheat producing areas are Tangail, Dinajpur, Khulna, Jessore, Kushtia, Pabna, Rajshahi, Bogra, Rangpur, Faridpur and Dhaka. Gradual food deficit and rising price of paddy are changing people’s food habit and for that reason, the importance of wheat cultivation is increasing day by day. The annual production of wheat is about 7.37 lac metric tons. The population of wheat in 2008-2009 was 849 thousand metric tons is the country.

3. **Pulses**: Pulses are one of the chief items on the menu of the Bangladeshis. Generally 15 C – 20 C temperature and sandy soil with drainage are especially suitable for pulses cultivation. Pulses are cultivated in about 7.69 lac acres of land on an average annually. In Bangladesh, winter and the basins of the Padma and the Jumna are especially favourable for pulses cultivation. But pulses are cultivated also in other areas of the country. Different kinds of pulses are produced in Bangladesh. Among them lentil, gram, pea, moog, kolai, khesari, arohar etc are notable. About 2.59 lac metric tons of pulses is produced here annually. The population of pulses in 2008-2009 was 196 thousand metric tons is the country.

4. **Oilseeds**: Usually vegetable oil is produced from soyabean, olive, peanut, coconut, linseed, cotton seeds, mustard, sunflower etc. Among the various oilseeds produced in Bangladesh, mustard, rai, peanut, linseed, soyabean, coconut etc are the main ones. Besides cooking, vegetable oil is used in making scents, varnish, candle, soap etc. Winter weather is favourable for producing oilseeds, so most oilseeds are produced in winter season. Larger amount of oilseeds are produced in Dhaka, Mymensingh, Rajshahi and Dinajpur districts. Still the oilseeds produced here are not enough to meet our demand; so a great quantity of oil and oilseeds are imported from abroad every year. About 0.6 million tons of oilseeds are produced in the country annually.

5. **Barley**: Like wheat barley is also a kind of grain. Barley bread and barley powder are easily digestible food. Barley is also an ideal food for patients. 10 C – 13 C temperature and 40cm – 60cm rainfall is necessary for barley cultivation. The climate of Bangladesh is not favourable for barley production; so the amount of barley produced here is not much. Barley is grown in about 20,000 acres of land of this country. Rajshahi, Pabna, Kushtia, Bogra etc are the main barley producing districts. The annual production of barley in the country is about 14,000 tons.
6. **Maize:** Atta and khoi made from maze are tasty food for the poor people of Bangladesh. It is the chief raw material for glucose production. Fertile, loamy soil where water does not stand, 100°C – 150°C temperature and 50cm - 100cm rainfall are especially suitable for maze cultivation. The soil and climate of Bangladesh is not suitable for maze cultivation; so maize cultivation is very scanty. Chittagong Hill Tracts, Bandarban, Khagrachhari, Dinajpur, Rangpur Mymensingh, Tangail, Rajshahi and Pabna are the main maze producing districts. Bangladesh produces about 522,000 tons of maize annually.

7. **Potato:** Two types of potatoes are produced here: round potato and sweet potato.

   a. **Round potato:** Round potato is used mainly for curry preparation. This kind of potato is cultivated in winter by irrigation. Round potato is cultivated almost everywhere in Bangladesh. But Dhaka, Comilla, Bogra, Dinajpur, Rajshahi, Mymensingh are the main potato producing districts. About 15 lac tons of potato is produced in the country. The production of round in 2008-2009 was 5268 thousand metric tons is the country.

   b. **Sweet potato:** Poor people of Bangladesh eat sweet potato as an alternative to the main food. This kind of potato is produced mainly in the sandy soil of the ‘char’ areas of Bangladesh. Mymensingh, Kishorganj, Comilla, Jamalpur, Dhaka, Noakhali, Barisal etc are the main producers of sweet potato. The annual production of sweet potato in Bangladesh is about 5.80 lac tons.

8. **Fruits:** Fruits increase the supply of food besides developing food habits in Bangladesh. Fruits were grown in this country in olden times to meet domestic demand. But now they are being produced on commercial basis. Mango, jackfruit, papaya, banana, guava, plum, wood-apple, pineapple, lichi, water melon, coconut, orange etc are the main fruits of this country. Varying on soil and climate, different types of fruits grow more or less everywhere in the country. Mango and lichi in Rajshahi and Dinajpur, banana in Munshiganj, pine apple in Sylhet, coconut in Khulna grow abundantly.

9. **Vegetables:** Vegetables grow almost everywhere in Bangladesh. Among them gourd, pumpkin, brinjal, cucumber, plantain, cabbage, tomato, bean, potol, jhinga etc are noteworthy. People of this country widely eat these vegetables. The annual production of vegetables is around 12.50 lac tons.

10. **Spices:** Spices are used mainly to increase the taste and flavour of food. High temperature and heavy rainfall are necessary for producing spices. The summer
climate of Bangladesh is favourable for the cultivation of spices. Different kinds of spices such as pepper, onion, ginger, garlic, coriander etc grow almost everywhere in the country. Other spices such as cardamom, cinnamon, clove, cumin etc do not grow in this country. This is why these items are imported from abroad. Around 14.06 lac tons of spices are produced in the country annually. The production of Spices in 2008-2009 was 1103 thousand metric tons in the country.

4.5.3 Cash Crops of Bangladesh

Among the cash crops of Bangladesh, jute, tea, tobacco, cotton, silk, rubber etc are the main. They are described below:

1. **Jute:** Jute is the chief cash crop of Bangladesh. About 75% of the world production of jute grows in Bangladesh. Bangladesh stands first in the world in best quality jute production. 18% of our foreign exchange comes through the export of jute and jute products. Hesian, sac, bag, carpet and curtain cloths are produced from jute. For jute cultivation alluvial light loamy soil, 200° C – 260° C temperature and 200cm – 250cm rainfall on an average are necessary for jute production. Most of Bangladesh has this kind of soil and climate; so jute is cultivated almost everywhere here. But Mymensingh, Dhaka, Comilla, Noakhali, Rangpur, Pabna, Bogra, Faridpur and Jessore are the main jute producing districts. At present jute grows in around 10.34 lac acres of land with a total annual production of about 48.84 lac metric tons annually. The production of jute product in 2008-2009 was 278,78 thousand metric tons in the country.

2. **Tea:** Tea is the second main cash crop of this country. To remove fatigue and exhaustion, tea is regarded as a beneficial soft drink. For tea cultivation, sloppy loamy soil, 16° C – 27° C temperature and 150cm – 250cm rainfall are necessary. The soil and climate of the hilly areas of Sylhet, Chittagong, Chittagong Hill Tracts are especially suitable for tea cultivation. So tea grows there in plenty. There are 158 tea gardens in the country and tea is grown in 1.30 lac acres of land. 7% of our foreign exchange comes from the export of tea. Our annual production of tea is about 56.11 thousand metric tons.

3. **Sugarcane:** Sugarcane is the third main cash crop of Bangladesh. Sugarcane is used as raw materials for producing sugar and molasses. For sugar cultivation, usually alluvial muddy loamy soil, 24° C – 27° C temperature and 100cm – 150cm rainfall are necessary. Some areas of Bangladesh have such soil and climate; so sugarcane is widely cultivated there. Sugarcane grows in abundance in Rajshahi, Rangpur, Dinajpur, Bogra, Firodpur, Mymensingh and Dhaka districts. At present sugarcane is cultivated in 3.71 lac acres of land with a total annual production of 57.70 lac metric tons.
4. **Tobacco:** Tobacco is another cash crop of this country. Tobacco is the main raw material for cigarette and bidi industries. Besides, tobacco is used in manufacturing pesticides. For tobacco cultivation light loamy soil, warm and moist climate and moderate rainfall are necessary. The soil and climate of Rangpur area is especially favourable for tobacco cultivation. 45% of our total production comes from Rangpur. Tobacco also grows in Nilfamari, Kushtia, Jessore, Rajshahi, Dhaka, Comilla, Mymensingh, Sylhet and Barisal. Tobacco is cultivated in 1,20,000 acres of land with a total annual production of 39,000 metric tons. The production of tobacco in 2008 - 2009 was 40 thousand metric tons in the country.

5. **Cotton:** Cotton is a potential cash crop of Bangladesh. Lately, a small quantity of cotton is being produced here. For cotton cultivation, fertile, slightly limy, stagnation-free loamy soil, warm climate and 75cm – 100cm annual rainfall are necessary for cotton cultivation. So a small quantity of cotton can be produced here. A small quantity of cotton grows in Jessore, Kushtia, Dinajpur, Rangpur, Pabna, Khulna, Dhaka, Tangail, Mymensingh areas covering about one lac acres of land. The annual production of cotton is here is 0.74 lac bales.

6. **Silk:** Silk is another potential cash crop of Bangladesh. The fibre produced by the worms of ‘mulberry’ trees is called silk. Very fine and costly cloths are made from silk. The cultivation of ‘mulberry’ trees in Bangladesh has not spread much; so silk production has not made much progress. 70% ‘mulberry’ trees grow in Rajshahi, and Nowabganj districts only. Besides, a small number of ‘mulberry’ trees grow also in Bogra, Kushtia, Jessore, Faridpur, Mymensingh, Sylhet districts. Bangladesh produces about 4,000 tons of silk annually.

7. **Rubber:** Rubber is a potential cash crop in the economy of Bangladesh. Sloppy, loamy soil, 20° C – 27° C temperature and 200cm average annual rainfall are necessary for rubber cultivation. The soil and climate of Bangladesh are not very suitable for rubber cultivation. Still rubber is cultivated here in the hilly and high lands of Chittagong, Chittagong Hill Tracts, Cox’s Bazar, Khagrachari, Bandarban, Sylhet, Mymensingh and Tangail districts at both private and government levels. Rubber plantation has become popular in this country in a short time. It is bringing good result also. At present rubber is being produced in about 90,000 acres of land with an annual production of 700 tons on an average.

**Source:** Bangladesh Economic Survey-2010
Multiple Choice Question (MCQ)

1. Salim has been helping his father in cultivation from his boyhood. The crops produced by them are used for their own consumption. Later on, even after obtaining highest degree from the university, Salim is rearing poultry and culturing fish, from which he is earning a lot at present. The nature of Salim’s agricultural farm is-
   i. subsistence type
   ii. commercial type
   iii. self-employment type

Which one of the following is correct?
   a. i
   b. i and ii
   c. ii and iii
   d. i, ii and iii

2. The thing most necessary for continuous cultivation in Bangladesh is-
   a. use of fertilizer
   b. use of pesticides
   c. irrigation system
   d. use of high yielding variety seeds.

3. Our economic development mostly depends upon the agricultural development, because agriculture-
   i. provides food
   ii. increases revenue
   iii. removes the problem of loan

Which one of the following is correct?
   a. i and ii
   b. i and iii
   c. ii and iii
   d. i, ii and iii

4. The main purpose of using high yielding variety of seeds in the agriculture of Bangladesh is to-
   a. increase agricultural production
   b. reduce labour of agricultural workers
   c. reduce the necessity of using fertilizer
   d. increase employment of the rural people
Read the following passage and answer question no 5 and 6.

Jafar Ali is a farmer. He cultivates rice, jute, potato, wheat, maize in his land. This year he has cultivated sugar-cane in some of his land. He uses some part of the produced crops for his family needs and sells the rest in the market.

5. The description of the produced crops of Jafar Ali is as follows:
   i. paddy, wheat and potato
   ii. maize, pulse and tea
   iii. sweet potato, vegetables and sugar-cane.

Which one of the following is correct?
   a. i  b. ii
   c. iii d. ii and iii

6. Among the crops being produced by Jafar Ali the cash crops are-
   i. jute
   ii. vegetables
   iii. sugar-cane

Which one of the following is correct?
   a. i  b. ii
   c. i and ii d. i and iii

7. In Bangladesh economy the importance of cooperative based cultivation is to-
   i. conduct production by accumulating small capital
   ii. increase production by integrated cultivation
   iii. bring economic solvency by collective farming

Which one of the following is correct?
   a. i and ii  b. i and iii
   c. ii and iii  d. i, ii and iii
Creative Question (CQ)

1. Chan Miah is a poor paddy farmer in Cox’s Bazar district. He has no land of his own. He cultivates by using traditional methods. He does not cultivate paddy using irrigation method. Besides, he cannot apply insecticides and fertilizer on the land properly. For this his land yields less crops. Many farmers like Chan Miah after taking loans from Krishi Bank, Co-operative Society and NGO, cultivate land using modern technique. As a result they have enhanced their production much. Noticing all these Chan Miah also takes loan from Krishi Bank and starts farming using new method.

   a. What is agricultural work?
   b. What is meant by traditional method of cultivation? Explain.
   c. What type of modern technology could Chan Miah apply and increase production, taking loan from the Krishi Bank?
   d. Evaluate the role of co-operative society in changing the fate of the farmers in Bangladesh, like Chan Miah.

2. Jamal and Kamal are two friends. They are highly educated youths. Failing to manage any good job after a long time endeavour, they took training from the Directorate of Youth Development on the advice of one of their friend. Afterwards, taking loan from that institution, they started integrated culturing of fish and ducks in their village pond and set a nursery on the bank of the pond. At present, ten other educated youths work in their farm. Jamal and Kamal not only solved their own unemployment problem but also put an important contribution in the economy of the country by earning sufficient profit.

   a. What it is called in Economics, the method by which Jamal and Kamal managed their own work?
   b. Describe one important advantage of this type of employment.
   c. Explain the way of self-employment for the educated unemployed youths of your own locality in the light of Jamal and Kamal’s experience.
   d. “It is possible to remove the unemployment problem in the agricultural sector of Bangladesh through self-employment.” Evaluate the accuracy of this statement.
Chapter Five
Industry of Bangladesh

5.1 Necessity of Industrialization In Bangladesh

Bangladesh is an agro-based country. But her agriculture is underdeveloped and productivity is low. Unemployment is alarming owing to its fast growing population. Per capita income and standard of living – both are low. Economic development and solution of basic economic problems cannot be solved depending on agriculture alone. For overall development of the country, development of industry is also necessary along with the development of agriculture. Actually, developed countries of the world have made progress through the development of industry. The necessity of the development of industry in Bangladesh is described below:

1. **Rapid economic development:** For rapid development it is necessary to set up more industrial plants and increase production. The overall economic development is not possible through agriculture alone; because production in agriculture is slow and production cannot be increased for various limitations. Production in industry can be increased fast and up to the desired level. So many countries have made quick economic progress by increasing production through fast industrialization. This is why the precondition of economic development of Bangladesh is rapid industrial development.

2. **To increase national income:** The role of both agricultural and industrial sector in increasing national income is important. So national income of any country cannot be increased depending only on agriculture. This is more applicable to Bangladesh as agriculture here is backward. To increase our national and per capita income, we need to increase production through industrial development.

3. **Solving unemployment problem:** As a result of high growth rate of population, unemployment problem in Bangladesh is gradually rising. Excess pressure on agriculture has created disguised unemployment. The scope for providing employment in agriculture for the surplus manpower is limited. In these circumstances, it is possible to provide employment for the surplus manpower by developing the industrial sector.

4. **Development of agriculture:** For the development and modernization of agriculture in Bangladesh, agricultural implements, chemical fertilizers, pesticides etc
are necessary. To produce these implements, industrial development is necessary. If these implements are manufactured in the country, their supply will increase and price will come down. As result it will be possible for the farmers to increase agricultural production by using these improved implements. So industrial development is necessary for agricultural development. Besides this, we need to set up processing industries to process various agricultural products.

5. **Lessening pressure of population on agriculture:** In consequence of increasing population, fragmentation of land is also increasing. As a result, cultivable lands are becoming more and more fragmented and scattered. This is making the introduction of modern mechanized cultivation impossible. Moreover, disguised unemployment in agriculture is on the rise. In these circumstances, it is necessary to shift the surplus manpower to other sectors. It is possible to create more jobs and lessen the pressure of population on land only by setting up more industrial plants. The development of industry will pave the way to adopt modern methods of cultivation.

6. **Proper use of natural resources:** Bangladesh has various natural resources. They need to be utilized through the setting up of industries. It will enhance industrial production as well as per capita income. This in turn will raise the standard of living.

7. **Certainty of production:** Agricultural production often becomes uncertain due to natural calamities like flood, cyclone, drought, tidal surge etc. But there is no such uncertainty in industrial production. So to maintain stability in our economy industrial development in the country is essential.

8. **Earning more foreign exchange:** We need lots of foreign money for economic development. Quick industrialization will increase export making it possible to earn more foreign exchange. In the recent time, development in the garment industry has increased our foreign exchange earning to a great extent.

9. **Diminishing dependence:** Bangladesh imports a variety of consumer goods, machinery, motor vehicles, raw materials etc in large volumes. The import cost of these items is higher than the export earnings. It is possible to lessen import by increasing production through industrial development in the country. Dependency will then come down and there will be a balance between income and expenditure. The developed countries of the world are less dependent.

10. **Development of transport and communication:** To expand trade and commerce in the country, the development of transport and communication system is necessary. To facilitate that, transport vehicles and communication equipments need to be locally
manufactured. Industries should be developed for that purpose. Besides, the development of iron, steel and cement industries is essential for the construction of improved roads and highways, bridges, ports etc.

11. **Strong defence system:** It is necessary to build up strong defence system in Bangladesh. Sufficient quantity of arms, ammunition, transport etc is needed for that. For manufacturing those locally as far as possible, industrial units should be set up in the country.

12. **Urbanization and social development:** It is possible to raise the standard of living through fast urbanization and increasing social facilities. In Bangladesh, offering more social facilities and increasing the rate of urbanization are possible through industrial growth. Moreover, industrial development is also necessary to increase the supply of the consumer goods for the people.

The importance of industries, therefore, in the economy of Bangladesh is immense. Industrial development is essential for the fast economic growth of the country.

### 5.2 Interdependence between Agriculture and Industry

The economy of Bangladesh is agro-based. 75% people depend on agriculture. 21% of national income comes from agriculture and 63% manpower is engaged in agriculture. But the agriculture of Bangladesh is backward, dependent on nature and low-productive though it is the largest sector of our economy. Side by side pressure of population on the limited cultivable land is gradually rising due to population boom. As a result, agricultural land is becoming fragmented and scattered. Per capita production is falling and disguised unemployment is rising. So it can be concluded that economic progress is not possible through the development of agriculture alone. For this, industrial sector needs to be developed along with agricultural sector. Industrial development will ensure the prosperity of Bangladesh by increasing national income, decreasing unemployment and helping overall improvement of the standard of living. In fact, like in all other countries, both agriculture and industry of Bangladesh are interdependent for their development. The interdependence between agriculture and industry is discussed below:

**Dependence of industry on agriculture**

1. Agriculture provides raw materials for industry. In Bangladesh, raw materials for jute, tea, sugar, paper, leather industries come from agriculture. It is, therefore easy to set up those industries depending on agriculture.
2. Bangladesh imports raw materials and machinery for industrial production. This needs a lot of foreign exchange which can be earned through the export of her agricultural commodities.

3. With the development of agricultural sector, farmers’ income and purchasing power will also rise. This will increase their demand for industrial products. As a result of this, the market of industrial products will expand and industrial production boost up.

4. Though Bangladesh is an agricultural country, it suffers from huge food deficit every year. As a lot of foreign exchange is spent to import food grains to meet the annual deficit, the import of necessary implements for industry suffers. This hampers the development of industry. So if we can attain self-sufficiency in food production, we shall not need to import food grains. The valuable foreign exchange thus saved could be invested for the development of industry.

5. Wide scale development in our agriculture will increase the income of our people. This will increase savings for capital formation and make more investment in industrial sector possible. This in turn, will remove our want of capital in industry.

6. The price of raw materials for industry will come down if production in agriculture rises. It will enable the agro-based industries to buy their raw materials at low price. As a result both production and profit in industrial sector will increase. This profit will encourage new industrial entrepreneurs to set up more industries in the country.

**Dependence of agriculture on industry**

1. For the development and modernization of agriculture of Bangladesh, the supply of different kinds of agricultural implements, fertilizer, pesticides etc is necessary. If industries producing these necessary implements grow in the country, they will be available in plenty and at a low price. As a result development of agriculture will speed up.

2. We have to import some machinery and other implements for cultivation. Development of industries in the country will enhance the export of industrial products. It will then be possible to earn more foreign exchange. We can spend that foreign exchange to import necessary implements for the development of agriculture.

3. The development and spread of agro-based industries in the country will increase the demand for agricultural raw materials. To meet that demand agricultural production will also increase. This will in turn, raise the income and the standard of living of the farmers.
4. In our agriculture, there is more manpower than necessary. This is making our land more fragmented and smaller in size. With it, disguised unemployment is growing more acute. To solve this problem, the surplus manpower engaged in agriculture should be transferred elsewhere. That can only be done through development of industry where employment opportunities can be created for the surplus manpower. Only then will the pressure on our agricultural land will decrease.

5. With the expansion of industries in the country, it will be possible to preserve the agricultural products by processing. This will prevent wastage of agricultural commodities side by side help the farmers to get fair price of their product.

From the above discussion we find that agriculture and industry in Bangladesh are interdependent and complementary to each other. For economic development, therefore, simultaneous development of both the sectors is desirable.

5.3.1 Characteristics of the Industry of Bangladesh

Bangladesh is mainly an agricultural country; still industry has great importance here. But our industry is not developed. The main characteristics of the industry of Bangladesh are described below:

1. **Contribution of industry to national income**: Bangladesh is backward in industry. Industrial sector has not flourished here because of neglect for a long period. This is why the share of industry in our national income is only about 29.66%.

2. **Industrial structure**: In Bangladesh three kinds of industry viz. large, medium and cottage industries exist side by side.

3. **Agro-based industry**: Most industries of Bangladesh are agro-based. For example jute, tea, textile, sugar, paper and many other small and cottage industries have grown up basing on agricultural products.

4. **Substandard technology**: Compared to the developed countries, substandard technology is more used in our industrial plants. This is why both our industrial production and the quality of products are low.

5. **Want of heavy and basic industry**: In Bangladesh heavy and basic industry is almost absent. Jute, textile, sugar, paper etc – all industries produce consumer goods.

6. **Place of cottage industry**: A great number of people - especially women and children - are engaged in cottage industries. Cottage industries of Bangladesh had a good reputation in the past. But at present their existence is at a stake.
7. Ownership of industry: In the industrial sector, both private and public ownership exist. Some of the heavy industries like jute, textile and a few others are there both in the private and public sector; while almost all small and cottage industries are now running under private ownership.

8. Lack of export oriented industries: There is dearth of export oriented industries in this country. Apart from jute and ready made garments industries, all other industries produce goods mainly for local consumption.

9. Export Processing Zone (EPZ): With a view to enhancing export as well as inviting foreign investment, several EPZs have been set up in Bangladesh. Industrial units set up here have been given the facilities for conducting free trade. This is a noteworthy characteristic of the industrial sector of Bangladesh.

5.3.2 Causes for Backwardness of Industry in Bangladesh

Bangladesh is backward in industry. In spite of having adequate manpower and raw materials, industry has not flourished here. The causes for the backwardness of our industry are as follows:

1. Negligence of the British and Pakistani rulers: Due to the negligence of the British rulers for about 200 years, no significant industry could grow up here. They used this as the suppliers of their raw materials and market for their industrial products. During the 24 years’ of Pakistani rule also, industry could not grow up to the desired level as a result of discriminatory administrative policy.

2. Post-liberation situation in industrial sector: After independence almost 92% of the existing industries were nationalized following socialist ideals and an embargo was imposed on the setting up of industrial projects worth more than Tk:25 lac on private entrepreneurship. Although gradual privatization programme was taken up, different kinds of obstructive rules and regulations and hazards in obtaining clearance created impediments to the development of industry.

3. Inadequacy of capital: Capital is necessary for setting up industry. Bangladesh is a poor country; so both income and savings are low. As a result the rate of capital formation is also low. Due to the scarcity of capital, local entrepreneurs cannot set up industries easily.

4. Want of mineral and energy resources: Bangladesh has no coal, fuel oil, iron etc for which industrial development is hampered. Besides, there is scarcity of power energy for industrial plants. In spite of our adequate natural gas, its use as a raw material for industry has not yet started.
5. **Lack of technical know-how:** For modern industries, industrial workers with improved technical knowledge are very necessary. But Bangladeshi workers are not so. This is why quick development of industry has not been possible in Bangladesh.

6. **Lack of education and training:** To run industrial plants smoothly, skilled workers are very necessary. Though Bangladesh has adequate manpower, her workers are less skilled due to the lack of proper education and training. Industrial development suffers for want of skilled workers.

7. **Lack of entrepreneurship:** Efficient entrepreneurs are necessary for the development of industry. But efficient entrepreneurs could not be created during the long period of British and Pakistani rules. Still industrial sector suffers from the scarcity of efficient entrepreneurs. For this reason our industries cannot make the desired progress.

8. **Problem of industrial credit:** Credit is necessary for setting up new industries. But in Bangladesh, credit is not easily available for investment in industry. Foreign loan is not adequate either. That is why industrial development is hampered for want of credit.

9. **Lack of foreign exchange:** We have to import machinery, mechanical tools, raw materials etc from abroad for industries. Owing to the scarcity of foreign exchange we cannot import those materials as much as necessary. As a result it becomes difficult to set up of industries.

10. **Backwardness of transport and communication system:** Improved transport and communication system is essential for fast industrial development. Roads and highways, transport vehicles, and communication system is not developed here. This is why transportation of raw materials and products as well as workers’ movement are hampered.

11. **Dearth of efficient executives:** To run the industries smoothly, efficient and experienced executives are essential. There is scarcity of such skilled people in the country. This is why nationalized industries suffer from various maladies in the post liberation period and many other industries suffer losses.

12. **Lack of proper implementation of industrial policy:** To run industrial enterprises well, proper industrial policy planning is very necessary. Although different industrial policies were formulated in the post liberation period, they could not be implemented properly owing to various impediments. As a result, the progress of industry in Bangladesh has been slow.
13. **Political instability:** For quick industrial development, it is essential to maintain political stability, peace and discipline in the country. Political instability and labour unrest often result into strike, gherao etc which paralyse the normal growth of industry.

14. **Lack of other facilities:** There is considerable lack of attendant facilities for the growth of industries. For example necessary land for industrial area, water and power supply, facilities for importing raw materials and equipments etc are lacking. There is lack of direct government assistance and cooperation also. These are the causes which discourage industrial entrepreneurship. As a result, Bangladesh is still backward in industry.

5.3.3 **Measures for Industrial Development in Bangladesh:**

The importance of industrial development in the economic development of Bangladesh is immense. Following steps can be taken to gear up industrial development:

1. **Encouraging private entrepreneurship:** From the experience of Bangladesh and other countries of East Asia it has been observed that private sector is more efficient and dynamic. When state-owned industrial units are incurring huge losses, garment industry in the private sector has been able to make room for itself in the international market on the basis of competition. We have, therefore, to encourage private enterprises in every way for our industrial development.

2. **Public enterprises and patronization:** Public enterprises and patronization are necessary for industrial development. There are some large scale industries which are difficult for the private entrepreneurs to build up. Those have to be built up under public ownership. For all other industries, private enterprises should be encouraged and patronized by the government. At present, a policy to allow both private local and foreign entrepreneurs to set up industries in the country has been adopted. It will help faster industrial development in the country.

3. **Increasing the supply of industrial capital:** Setting up of industries is hardly possible in Bangladesh for paucity of capital. So we have to increase savings and capital formation. Industrial capital has to be arranged on easy terms from industrial banks and other financial institutions as well as from abroad. Capital should be invested on priority basis in those industries which can go into swift production.
4. **Development of mineral and energy resources:** The direction and speed of industrial development significantly depend upon adequate supply of various mineral resources. So, for hastening industrial development in future, we have to keep on unhindered the development of those mineral and energy resources viz, fuel, oil, coal, limestone, gas etc from now on.

5. **Development of transport and communication system:** Advanced transport and communication system hasten industrial development. So we have to develop and expand our roads and highways, railways, waterways, airways and also other means of communication. This will make the transportation of industrial raw materials, products and workers easier. As a result mills and factories will grow up in different parts of the country.

6. **Technical know-how and skilled workers:** We have to make skilled workers with technical know-how in the country for our industries through technical education and training. This will increase production and diminish cost which in turn will make the products richer in quality and standard.

7. **Development of agriculture:** For the development of industries in Bangladesh we have to develop our agriculture; and this will make the raw materials for industries easily available. It will raise the farmers’ income also. Besides, the rise in their income will increase their purchasing power which will widen the market of industrial products.

8. **Creating markets for industrial products:** The market for industrial products should be wide. Moreover serious efforts should be made to create markets abroad for Bangladeshi industrial products. With the widening of market facilities for industrial products, new industries will grow up.

9. **Political stability:** Industrial development speeds up if there is peace and political stability in the country. So to keep industrial production and development going unhhampered, we have to maintain peace, discipline and political stability in the country. Together with it, labour unrest should also be done away with.

10. **Formulation of proper taxation policy:** The existing taxation policy of the country greatly influences industrial development of the country. To encourage private enterprises for industrial development in the country, we need to formulate proper taxation system. Besides, it is also necessary to see that the taxation system plays appropriate role in creating investable fund.
11. Setting up local raw material based industry: We should first set up such industries as can use local raw materials. For example, industries like mute, tea, sugar, leather, paper, fertilizer etc use local raw materials. These industries therefore should be given priority.

12. Setting up export oriented industries: Industries producing commodities having good demand in the foreign market should be set up. This will expand the industrial sector in the country on the one hand and increase export earnings on the other. From this point of view, industries producing ready-made garments, hosiery goods, fertilizer, electrical goods, leather etc have good potentials in the country.

13. More importance on setting up small industries: Compared to big industries, small industries require small capital but employ more workers. So in a country of small capital and surplus workers like ours, more small industries should be set up. This will help to solve unemployment problem on the one hand and the development of industry will not suffer for want of capital on the other.

14. Earning more foreign exchange: We need a lot of foreign exchange to set up an industrial project. It is possible to earn that foreign exchange by increasing the volume of our export. In turn, it will enable us to import industrial raw materials and machinery etc.

15. Setting up heavy industries: For quick industrial development we need heavy industries to produce machinery, machine tools, chemical items etc. We have, therefore, to set up different kinds of heavy industries for fast industrial development in Bangladesh.

16. Industrial research: For enhancing the process of industrial development, we have to encourage industrial research in the country. Research on agro-based and export oriented industries, minimizing loss in industrial plants, improving the quality of industrial products etc will hasten the development of industries in the country.

17. Proper implementation of industrial policies: It is necessary to create favourable atmosphere and take necessary steps to implement industrial policies properly.

To conclude, we can say that Bangladesh has necessary resources as well as environment for industrial development. But we need proper planning and an effective industrial policy for that.
5.4.1 Industrial Structure in Bangladesh

There are three types of industries in Bangladesh. They are: (a) Large scale industry; (b) Small scale industry and (c) Cottage industry.

a. Large scale industries: The industrial projects with large investment, using large volume of raw materials and employing large number of workers to produce large volume of merchandise are called large scale industries. Large scale industries need modern technology and large capital for production. The mentionable large scale industries of Bangladesh are jute, textile, sugar, paper, fertilizer, cement, iron and steel industries.

b. Small scale industries: Compared to the large scale ones, industries with small capital, using small volume of raw materials and employing large number of workers against small capital are called small scale industries. The volume of production is also comparatively low. Plastic and nylon, soap, cosmetics, leather, glass, safety match, porcelain, aluminium industries can be classed as small scale industries. These industries meet the greater portion of our people’s demand for consumer goods.

c. Cottage industries: In Bangladesh, the industries run by a small group of workers with a small capital, easily available raw materials in a merely family environment are called cottage industries. In most cases the family supplies the raw materials and labour. Most of these industries do not use power as energy and the method of production is age-worn. Once upon a time the cottage industries of Bangladesh were especially renowned all over the world. The noteworthy cottage industries here are handloom, earthenware, bamboo and cane, bidi, brass and bronze, conch-shell and oyster etc.

5.4.2 Main Large Scale Industries of Bangladesh

A brief description of the main large scale industries of Bangladesh is given below:

1. Jute industry: Jute is the once-largest and most important industry in Bangladesh. About 10.34 lac acre of land produced jute with a total production of about 48.84 lac m. ton annually. It is about 75% of the total world production of jute. About 2.00 lacs workers are engaged in this industry. Though the largest jute producing country, Bangladesh – formerly East Pakistan – had no jute mill when India was divided in 1947. All the 108 jute mills set up during the British rule, fell in India’s share. The first jute mill of the country – Adamjee Jute Mills – was set up in Narayanganj in 1951. At present there are 78 jute mills in the country. Among them Adamjee Jute Mills has been liquidated in 2003 for persistent loss. 85% of the total production of jute goods is exported to foreign countries. Notable jute products are hesian, hesian
sac, carpet, tarpaulin, prayer-mat etc. Bangladesh earned foreign exchange worth Tk:992 crore during 1993-94 by exporting 4.50 lac ton jute products.(1)

2. **Textile industry:** Textile is the second main industry of Bangladesh. At the time of partition of India in 1947, there were only 9 textile mills in the then East Pakistan. The number stood at 44 at the time of independence. At present the number of textile and spinning mills is 63. Bangladesh is not self-sufficient in the production of textile and yarn. Our present annual demand for textile is 140 crore metres. But our present total production is only 12 crore metres of cloth and 14 crore pounds of yarn. So to meet the increasing demand, we have to import a huge quantity of cloth and yarn every year. The textile and spinning mills situated mainly in Narayanganj, Dhaka, Khulna and Chittagong. The main problem of our textile mills is the scarcity of raw cotton. To attain self-sufficiency in textiles, we have to increase the production of raw cotton side by side set up more textile and spinning mills in the country. In 2008-2009 Bangladesh produced 176.38 thousand metric tons spinnings and 50.57 thousand metric tons cloths.

3. **Sugar industry:** In 1947, there were only 5 sugar mills in the country. At present the number of sugar mills is 17. All those are state-owned. These sugar mills are situated at Darsana and Jagati in Kushtia, Rangpur, Panchagarh, Thakurgaon, Setabganj, Joypurhat, Rajshahi, Natore, and Faridpur. It is an agro-based industry. At present the total annual local demand of sugar is 3.00 lac m. tons. But the total annual production capacity of our sugar mills is more than 1 lac m. tons. So Bangladesh is not self-sufficient in sugar production. We have opportunity to increase production and even export sugar by thorough overhauling, renovation and modernization of the old ones side by side setting up new ones. The total production of sugar in 2005-06 was 1.33 lac m. tons.(2) (approx.) The production of Sugar in 2008-2009 was 79.92 thousand metric tons.

4. **Paper industry:** In 1947, there was no paper mill in the then East Pakistan. Karnafulti – the first paper mill of the country – was set up at Chandroghona in Chittagong in 1953. In 1969, North Bengal Paper Mills was set up at Paksey in Pabna. Besides these, there are a newsprint mill in Khulna and hardboard mills in Khulna, Dhaka and Chittagong. A pulp mill has been set up at Chhatak in Sylhet. Mostly bamboo, soft wood, sugarcane waste etc are the main raw materials of paper mills. At present all the paper mills are state-owned.

Bangladesh is self-sufficient in paper production. A small quantity of paper and newsprint is also exported abroad after meeting local demand. In 1993-94, Bangladesh produced 44,000 m. tons of paper and 6,000 m. tons of newsprint.(3) In 2008-2009 Bangladesh produced 24.20 thousand metric tons paper.

  * Bangladesh Statistical Pocket et Book-2007
5. **Fertilizer industry:** In an agricultural country like Bangladesh, chemical fertilizer is very necessary for increasing agricultural production. At present there are 8 fertilizer factories in Bangladesh. They are at Fenchuganj, Ghorasl, Ashuganj Fertilizer Factory, Chittagong and Khulna TSP Fertilizer Factory, Sylhet Ammonia Sulphate Factory, Chittagong Urea Factory and Jamalpur Jamuna Fertilizer Factory. All these fertilizer factories are state-owned. Bangladesh is self-sufficient in fertilizer production. In 1993-94, the production of fertilizers was: urea – 21.39 lac m. tons, TSP – 59,000 m. tons, ammonia sulphate – 7,000 m. tons.\(^{(4)}\) In 2008-2009 Bangladesh produced 1347.36 thousand metric tons fertilizer.

6. **Cement industry:** At the time of independence, there was only one cement factory at Chhatak in Sylhet. Later, cement factories were set up in Chittagong and Joypurhat under government ownership. At present a number of cement industries has been set up by private entrepreneurs. The total annual demand of cement in the country is more than 10.00 lac m. tons. Now Bangladesh is self-sufficient in cement production. But our total produced in a year is about 3 lac metric tons. In 1992-93, 2.07 lac metric tons cement was produced in this country.\(^{(5)}\) In 2008-2009 Bangladesh produced 2852.58 thousand metric tons cement.

7. **Iron and steel industry:** The only iron and steel industry was set up in Chittagong in 1967. Its annual production capacity is only 2.5 lac m. tons. It produces iron bar and rod, steel sheet, corrugated iron sheet and other iron and steel articles. The raw materials are imported from abroad. The production of iron and steel goods is far too less than the demand of the country.

8. **Heavy engineering industry:** Bangladesh is not at all developed in heavy engineering industry. There is a machine tools factory at Joydebpur in Gajipur district. Irrigation pumps and machine and also some other tools are manufactured here. A diesel plant at Tongi near to Dhaka and the only ordnance factory of the country have been set up in Gajipur. Besides this, an electric wire and cable manufacturing factory and another electric equipment factory have been set up in Patenga, Chittagong. In private sector, a number of electric wire and cable factory have also been set up in the country; such as – BRB Cables, Sunshine Cables etc. Bangladesh is now self-sufficient in cable and wire production.

Source – Bangladesh Economic Survey 1993-94 & 2010
9. **Ship-building industry:** In 1957, a shipyard was built in Khulna. Besides repairing ships, burges, launches, tugs etc it also makes marine vessels and necessary machines for sugar mills. Inland water vessels and launches are built and repaired at Narayanganj dockyard. The dry-dock in Chittagong conducts repair work of sea-going vessels.

10. **Garment industry:** At present garment industry is a fast growing export-oriented industry in Bangladesh. Starting in 1976 with an export of goods worth taka one lac only this industry has made tremendous progress during the last 31 years. At present there are about 4600 garment factories in the country. The main buyers of these ready-made garments are the USA, Germany, Britain, France, Italy and other European countries. The export earning of this sector is the highest, contributing almost 75% of the total foreign exchange earnings. This is also the largest sector where about 24 lac workers are employed of which 85% are women. Almost all the clothes used in this industry come from foreign countries. In 2006-07 our export earnings from ready made garments was 633430 million Taka. In 2009-2010 our export earning from ready made garments was 4329 million us dollar is the country.

5.4.3 **Main Small Scale Industries of Bangladesh**

Main small industries of Bangladesh are described below:

1. **Plastic and nylon industries:** Many kinds of small items of daily necessities are manufactured in these industries. There are many factories manufacturing these items in Dhaka and Chittagong.

2. **Textile related industries:** In small textile industries, bed cloths, garments, hosiery goods, silk cloths etc are manufactured. There are many such industries in Dhaka, Pabna, Tangail, Kushtia, Comilla, Rajshahi etc.

3. **Cosmetics and soap industries:** There are many factories producing soap, oil, powder, cream, tooth-paste, bangles etc. These factories are situated in many places of Dhaka, Narayanganj and Chittagong.

4. **Leather industries:** Leather goods like bag, shoe, sandal, moneybag, belt etc meet our demand. These industries are situated at Hajaribag in Dhaka and also in many other places in the country.

5. **China-clay and aluminium industries:** There are countless factories producing porcelain ware like plates, cups, flower vase and also aluminium bowls, dishes and other different kinds of wares in Bangladesh.
6. **Safety match industries:** There are many factories producing safety matches in many places of Bangladesh including Dhaka, Khulna and Bogra. Cotton wood, kadam and satian etc are the main raw materials of this industry.

7. **Wood industry:** Many kinds of furniture like hardboard, ply-wood, flash doors etc are produced in this industry. There are many such industries, both big and small, almost everywhere in the country.

8. **Food industries:** Dairy farm, fruit, fish and meat preservation, rice and flour mills, bakery, prepared food etc belong to this industry.

9. **Iron and steel related industries:** There are many factories like lathe workshops, small tools, lock and key, and many other iron and steel works manufacturing and repairing workshops in Bangladesh.

Besides these, there are many small scale factories in the country producing different types of petty consumer goods. These small scale industries meet our people’s demand for items of daily necessities in the first place. Secondly, some of these industries work as subsidiaries for large scale industries. Most of these industries use local easily available raw materials. For the development of this kind of industry, several industrial zones have been formed. As a result of this, the spread of labour intensive small industries has become noticeable.

5.4.4 **Cottage Industries of Bangladesh**

Once upon a time cottage industries of Bangladesh had great renown. But in course of time cottage industries have lost ground to big industries in uneven competition. Not only that, many of our cottage industries have been loosing ground for different reasons. In spite of that, there are still some cottage industries which are described below:

1. **Handloom industries:** This is one of the main and age-old cottage industries. In the past, the muslin of Dhaka was world famous. At present these industries are producing saree, lungi, bed-cloths, dhoti, carchief, mosquito net, towel, katan and jamdani saree etc. Tangail, Pabna, Kushtia, Comilla, Bagerhat etc are famous for handloom industries. At present there are 4.5 lac handloom factories in Bangladesh. About 10 lac workers are employed in this industry. These handloom industries meet the most part of our demand for cloths.

2. **Clay industry:** In rural Bangladesh, potters make cooking pots, pitchers, tubs, flower vases, idols, toys etc from clay. This industry bears the ancient tradition and culture of the country. This industry requires very small capital. Pabna and Faridpur districts have earned great fame in this industry.
3. **Bamboo and cane industry:** Morha, sofa set, suitcase, basket, kula, flower vase, mat, hand bag, cradle etc made from bamboo and cane are the main products of this industry. Sylhet, Comilla, Dhaka, Noakhali etc produce good quality bamboo and cane items.

4. **Silk industry:** There are silk cultivation centres in Rajshahi, Bogra and Pabna districts of Bangladesh. Saree, wrapper, sheet cloths are made from silk. Rajshahi silk saree is very popular. There is a separate sericulture board in Rajshahi under the Ministry of Textiles for the development of silk industry.

5. **Brass and bronze industry:** Domestic utensils, pitcher, spoon, pots, flower vase etc are made from brass and bronze in the districts of Rajshahi, Narayanganj, Mymensingh, Faridpur, Dhaka etc. These brass and bronze wares were widely used in the country even in the recent past.

6. **Bidi industry:** Although there are bidi factories almost everywhere in the country, Rangpur, Kushtia, Jessore, Barisal are famous for this industry. About one lac workers are employed in this industry. With the spread of cigarette industry, bidi industry is gradually shrinking.

7. **Conch shell and oyster industry:** Dhaka, Jessore, Rangpur districts of Bangladesh are famous for this industry. Bangles, beads, buttons, combs, toys etc are made in those districts from conch shell, oyster, ivory and bones.

8. **Metal industry:** Everywhere in the country, smiths make spade, axe, knife, scissors, blade of plough, raker etc from metals.

9. **Coir industry:** Rope, door mat, embroidered bed sheet etc are made from coconut coir. Khulna, Barisal, Noakhali and Chittagong are famous for this industry.

10. **Spinning industry:** Coarse cloth (khaddar) is made from home-spun thread in Comilla and Noakhali districts. At present this type of coarse cloth, sheet cloth and garments have gained popularity.

11. **Jute related cottage industry:** In the cottage industries of Bangladesh, rope, slings (shika), sac, tapestries etc are made from raw jute. These items have good demand both at home and abroad.

12. **Ornament industry:** Ornament industry has grown up both in urban and rural areas of the country. Goldsmiths make different types of ornaments with gold and silver. This industry is flourishing day by day.
13. **Wood industry:** Everywhere in Bangladesh, domestic items like petty furniture, stick, plough, toy, bowls, dolls etc are made from wood through cottage industries. These things have good demand all over the country.

14. **Soap industry:** Cottage industries in Dhaka, Chittagong, Jessore, Bogra etc produce common washing soap.

15. **Salt industry:** In the coastal areas of the country, salt is produced from salty sea water. Thus about 25 lac maund of salt is produced annually.

16. **Other cottage industries:** Petty leather goods for domestic use, book binding, oil-expeller, dhenki, sweet curd and ghee etc are some of the many consumer items which meet our demand. They are produced in our cottage industries almost everywhere in the country.

5.5 **The Importance of Small Scale and Cottage Industries in Bangladesh**

In Bangladesh agricultural land is limited and big industries are under-developed. To increase production and employment small and cottage industries, therefore, have great importance. These industries have great contribution even in the economy of developed countries like Japan. Their importance is described below:

1. **Mitigating unemployment problem:** At present one third of the manpower in Bangladesh is unemployed. In this situation, the development of small and cottage industries will help providing permanent job for educated and half educated people. It will also create opportunity for supplementary occupation and additional income for the farmers.

2. **Employment opportunity for women:** About half of our population is women. This huge population needs to be integrated with the economic activities of the country. With the development of cottage industries, more employment opportunities for women will be created and family income will rise.

3. **Lessening pressure of population on agriculture:** Employment will be created through the development of small and cottage industries. It will then shift the pressure of excess population from agriculture to industry.

4. **Proper use of local raw materials:** Raw materials for jute, tea, leather, bamboo, cane, timber and so many other industries are easily available here. If these raw materials are properly utilized in small and cottage industries both production and income will rise in the country.
5. Development of rural economy: For the socio-economic development of the rural areas of the country, many more small and cottage industries should be set up there. This will help to increase both income and standard of living of the rural people.

6. Mitigating the problem of capital: Both per capita income and savings are small in Bangladesh. So there is enough scarcity of capital for investment in heavy and large industries. The development of small capital-based cottage industries is more advantageous here.

7. Saving foreign exchange: We do not need to import heavy machinery or raw materials for small and cottage industries. This will help us to save hard earned foreign exchange to spend in other development projects.

8. Complementary to big industries: Those commodities which are not possible to produce in big industries, can be produced in cottage industries. So cottage industries work as a complementary to big industries.

9. Balanced economic development: Big industries are located mainly in towns and cities. So the development activities are city centered. For a balanced economic development, we have to spread small and cottage industries in the rural areas.

10. Equitable distribution of wealth: People with small income can take part in the development of small and cottage industries. This will increase the income of the poor and make an equitable distribution of wealth possible.

11. Preservation of national art and culture: Bangladeshi people have their old traditional art and culture. It is possible to preserve our traditional art and culture through the development of cottage industries which existed from long time.

So in the context of present socio-economic condition of Bangladesh, the importance of small and cottage industries is very great. But in the interest of overall industrial development, we have to keep the development of big industries unhindered.

5.6.1 Self-Employment in Small and Cottage Industries

The employment provided for oneself on one’s own enterprise to earn a living is called self-employment. The population in Bangladesh is growing very fast. But compared to that, employment opportunities in both government and private sector are fewer. At present one third of the total manpower is unemployed. To mitigate this severe unemployment problem, self-employment is considered to be an admirable enterprise. Many educated and half-educated people are coming forward for self-employment
through different types of small and cottage industries. The opportunities for self-employment in small and cottage industries in Bangladesh are described below:

**Self-employment in small industries:**

Productive activities in different small industries can be started with small and capital. For example, ordinary garment and hosiery goods, silk saree weaving and detergent factories, rice and flour mills, bakery, fast-food shop, furniture workshop etc can be set up. Besides these, various cosmetics such as, hair oil, powder, snow, writing ink, ball pen, adhesives, small plastic goods etc can be manufactured in one’s own homestead. Local raw materials and cheap equipments are needed for this. In these small enterprises, employment opportunities are created for more people in the society. Conducted with honesty, sincerity and hard work, these small enterprises can turn into big ones in course of time.

**Self-employment in cottage industries:**

Almost all cottage industries are run by self enterprise. Unemployed people of both rural and urban areas can set up cottage industries in an absolutely homely environment. For example, handloom saree, lungi, wrapper, mosquito net, handcarchief, etc are being produced by cottage industries in almost all parts of the country. Besides this, cottage industries like earthenware, bamboo, cane and wood, brass and bronze utensils, coconut coir items, mat, bidi, needlework etc can be set up very easily in one’s own enterprise. These industries require very small capital and simple equipments. Their raw materials are also easily available. Their market is also very wide in the country. Both men and women can increase their income by being self-employed through these activities. Grameen Bank and other financial institutions can provide capital for these small enterprises. Private enterprise is gradually rising in these cottage industries almost everywhere in the country.

Individual and national self-dependence can be achieved through employment opportunities created by private enterprises. This is why such enterprises are regarded as admirable efforts both at home and abroad. Government patronization and facilities have recently been increased for these enterprises in Bangladesh. So as a citizen of an independent country, we should make good use of our labour and brain by making efforts to create opportunities for self-employment.
Exercise

Multiple Choice Question (MCQ)

1. Which one of the following is the main problem of the Textile and Ready-made Garments industry in Bangladesh?
   a. inadequacy of skilled labour  
   b. insufficiency of capital
   c. want of raw material  
   d. small export market

2. The pre-condition of rapid economic development in Bangladesh is mainly:
   a. increase of export  
   b. rapid industrialization
   c. agricultural development  
   d. making houses

Read the following passage and answer question number 3 and 4

Mr. Chowdhury is the owner of a garments factory. In his garments he has employed almost 400 workers. Much of the clothes of his garments are of foreign made. Among his workers 80% are female. He exports his produced apparel to the U.S.A, France, Italy, England and other European countries.

3. Generally most of the ready-made garments of Bangladesh are purchased by-
   a. India and Pakistan  
   b. Saudi Arabia and Japan
   c. U.S.A. and European countries  
   d. Near East countries

4. Mr. Chowdhury thinks that it is necessary for the development of garments industry-
   i. increase of facilities for the workers
   ii. expansion of export market
   iii. production of raw materials locally
   
   Which one of the following is correct?
   a. i and ii  
   b. ii and iii
   c. iii  
   d. i, ii and iii

5. Textile industry is the second largest industry of Bangladesh. For attaining self sufficiency in this industry-
   i. production of raw cotton should be increased
   ii. more textile-mills should be set up
   iii. more spinning mills should be set up
Which one of the following is correct?

a. i and ii  b. i and iii  
c. ii and iii  d. i, ii and iii

6. The products of cottage industries cannot survive in the competition because-

i. there is less demand for the products of cottage industries
ii. the quality of the products of large-scale industries is high
iii. the longevity of the products of cottage industries is less

Which one of the following is correct?

a. i and ii  b. i and iii  
c. ii and iii  d. i, ii and iii

7. Which one of the following product comes from a cottage industry?

a. pillow  b. fertilizer  
c. matches  d. soap

8. In your opinion the causes of the present worse situation of the jute industry of Bangladesh might be-

i. lack of state patronization
ii. lack of political honest-will
iii. lack of developed infrastructure

Which one of the following is correct?

a. i and ii  b. i and iii  
c. ii and iii  d. i, ii and iii

Creative Question (CQ)

1. For the economic development of a country it is imperative to develop industry side by side the development of agriculture. It is sad but true that Bangladesh could not bring about desired development in industrial sector even after 37 years of independence. It may be possible to accelerate the wheel of economy by establishing more agro-based industries in the country through proper planning.
a. Which sector needs to be developed most for the economic development of Bangladesh?

b. Explain one important reason for lack of development of the industries in Bangladesh after independence.

c. How agricultural and industrial developments in Bangladesh are interdependent? Explain.

d. Analyze the importance of setting up agro-based industries for the economic progress in Bangladesh.

2. Bangladesh government has determined 9% interest rate for loan for textile industries, agro-based industries, computer software, leather bags, jewelry materials etc. In Bangladesh, various types of factories, industries have been developed including textile industry, agro-based industry, computer software, leather goods and jewelry manufacturing industry etc. Of these industries some are large scale industries, some are small scale industries and some are cottage industries. Permanent employment for the educated and less educated persons will be created if it is possible to bring about development of the small and cottage industries in this country.

a. Which type of industry is the textile industry?

b. Describe one small scale industry mentioned above.

c. Explain the way of expansion of agro-based industries in Bangladesh.

d. Evaluate the accuracy of the above statement about the importance of small and cottage industries.
Chapter Six
Market

6.1.1 Market
In the ordinary sense market means a particular place in which buyers and sellers buy and sell their goods. But in economics, the meaning of market is different. Market here means the sale of goods at a price determined by the buyer and the seller after a good bargain; such as jute market, gold market, wheat market etc. Jute market means not a particular place in which jute is sold; rather it is the sale and purchase of jute scattered at different places at a price reached by buyers and sellers after a good bargain. Eminent economist Cournot says, “Economists understand by the term market not any particular market place in which things are bought and sold but the whole of any region in which buyers and sellers are in such free intercourse with one another that the price of the same goods tends to equality easily and quickly.” Market has a few elements. They are:

1. Saleable and purchasable goods
2. A group of buyers and sellers of that goods
3. One or more regions for sale and purchase of goods
4. A price fixed through a competition between buyers and sellers.

6.1.2 Classification of Markets
Markets can be divided into a number of classes depending on the region, time span and the nature of competition between buyers and sellers. (a) A market may be local, national and international based on the region or area. (b) A market may be very short, short, long term and very long term based on time span. (c) Again a market may be fully competitive or partially competitive based on the intensity of competition between buyers and sellers.

6.1.3 Area Based Classification of Market
Markets can be divided in three categories based on region or area; such as –

1. Local market
2. National market
3. International market

1. Local market: The sale and purchase of which goods are limited within a particular area is called local market. For example, fish, meat, vegetables, milk etc are
bought and sold in a particular area. So it is called local market. Generally fast perishable and not easily transportable goods are limited within a particular area. Usually in such a market both demand and production of goods are low. At present with the development of preservation and transportation, the market of perishable goods has crossed the limits of local market and expanded into international market.

2. **National market:** The sale and purchase of goods covering the whole of the country is called national market. For example, rice, cloth, paper, medicine etc can be transported to different parts of the country and they are bought and sold everywhere. So the market of these goods is national. In this market both demand and production of goods is high.

3. **International market:** The market of the goods whose demand, sale and purchase are expensive all over the world is called international market. For example, gold, jute, cotton, tea etc have world wide transaction. So they have international market. In this market those goods have world wide demand, so they are produced in huge quantity.

### 6.1.4 Classification of Market Based on Time-period:

Markets can be divided in several categories depending on time-span; such as (1) very short period market (2) short period market (3) long period market and (4) very long period market.

1. **Very short period market:** The market that exists for only a few hours or a few days is called very short term market. The duration of this market is so short that the supply of goods can neither be increased nor decreased as necessary during this time. Here the demand of goods determines the price. Generally fish, vegetables, milk etc have a very short term market.

2. **Short period market:** The market that exists for few weeks or a few months is called short term market. In this market a change in the demand of goods influences its supply instantly. Here the supply cannot be increased or decreased according to demand. The price in this market is influenced more by demand than supply. Napkin, lungi, saree, stationery goods etc have such short term market.

3. **Long period market:** The market that exists for several years is called long term market. Usually supply in this market can be changed fully according to demand i.e, supply can be coordinated with demand as and when necessary. Watch, motor car, computer, mill-made cloth etc have long term market.

4. **Very long period market:** The market that exists for a very long time and in which far reaching changes take place is called very long term market. In this market
buyers’ taste, habit, number etc may be fundamentally changed. As a result there is a possibility of wide change in demand. This kind of market can exist for 15 - 20 years. Aeroplane, heavy machinery etc have very long term market.

6.1.5 Classification of Market: Sellers’ Competition Based:

Sellers’ competition based market:

Markets can be classified into several categories basing on the nature of sellers’ competition. Below is a diagram classifying such markets:

![Diagram of Market Classification]

1. Perfect competitive market: The market in which there is a good number of buyers and sellers, 100% homogeneous goods are bought and sold, both buyers and sellers have full knowledge of the market situation and only one price exists is called perfect competitive market. Gold and share markets are perfect competitive market.

2. Imperfect competitive market: The market in which the number of sellers is small, saleable goods, though homogeneous, have qualitatively different and the sellers can more or less influence the price is called imperfect competitive market. It is to be noted that the number of buyers may sometime be small. Imperfect competitive markets are of four kinds: (a) monopoly (b) duopoly (c) oligopoly and (d) monopolistic competitive market.

a. Monopoly market: The market in which there is only one seller is called monopoly market. In this market one commodity cannot be supplemented by another. It means, the saleable item has actually no substitute. Here the seller controls the price and the demand of his commodity at his will. In Bangladesh power market is an example of monopoly market.

b. Duopoly market: The market in which there are two sellers is called duopoly.

c. Oligopoly market: The market in which there are only a few sellers is called oligopoly. In our country soap and toothpaste markets are examples of oligopoly.
d. Monopolistic competitive market: The market in which a good number of sellers sell, if not exactly the same but almost homogeneous goods is called monopolistic competitive market. In such a market every seller does not sell the same goods, yet they can more or less influence the price of their own merchandise.

6.2 Wide Market

The expanse of market of every commodity is not the same. The market of commodities is small; viz. fish, fruit etc. Again some commodities have free market both at home and abroad. The market of commodities having good market both at home and abroad is called expanded market. Those commodities, usually, have good demand; hence they are bought and sold almost everywhere. Gold, medicine, cloth, food, books etc have wide market.

6.2.1 Conditions of Wide Market:

When the market of a particular commodity covers wide area, it is called wide market. Such expansion of the market depends on many conditions. They are described below:

1. High demand: The market of a commodity depends on its demand. The commodity with high demand gets an expanded market. On the other hand a commodity with low demand gets a narrow/small market. Gold, jute, cotton, cloth etc have high demand, so they have an expanded market.

2. Huge supply: The supply of a commodity needs to be adequate if it has to have a wide market. For example, the supply of American wheat is huge. So it has a world wide market. On the other hand, our local food grains have limited supply; so their market is limited within the country itself.

3. Duration: Durable goods have wide market. For example, gold, silver etc are durable; so they have a wide market. Again the market of temporary and perishable goods is small; for example, vegetable market.

4. Transportability: The commodities of less weight and small volume but high value can be transported far easily and cheaply. They have an expanded market. Gold, silver etc can be transported easily and cheaply; so their market is wide. But brick market is not wide because brick cannot be so easily and cheaply transported.

5. Advantage of classifying and sampling: The commodities which can be classified into different categories and the sample of each category can be sent to far-off buyers get a wide market. For example jute can be classified into 1st, 2nd and 3rd grade and the sample of each grade can be sent to far-off buyers; so jute has a wide market. On the other hand lack of classifying and sampling makes a market smaller; such as meat market.
6. **Developed transport and communication system**: A market can be wide if commodities can be sent to far-off places through developed transport and communication system. Justifiably, lack of developed transport and communication system makes a market narrow.

7. **Peace and security**: Goods can be transported safely and unhindered if there is peace and security in the country. Market expands in this situation. On the other hand market becomes narrow if peace and security is disturbed.

8. **Liberal trade policy**: Free and liberal trade policy of the government helps to widen the market of a product. On the contrary a market becomes narrow when embargos and barriers are put on trade and commerce.

9. **Easy availability of foreign exchange and credit**: Easy availability of foreign exchange and credit increases the volume of transaction both in national and international markets. As a result the market becomes wide; otherwise the market shrinks.

10. **Publicity**: In the present time the width of a market depends on the publicity of a product. Publicity through radio, television, newspapers, local and international trade fairs increases its demand and as a result, its market widens.

### 6.3 Determination of Price of a Product – Based on The Equilibrium of Demand and Supply:

A consumer buys a product at a certain price according to his need. How price is determined is an important subject of economics. The price of a product is determined neither on the decision nor on the understanding between the buyer and the seller. Actually the price of each product is determined by the market force. The demand and supply of a product plays the main role in market force to determine the price.

The price of a product is determined by the mutual interaction between its demand and supply. Usually, a product has a group of buyers and sellers in the market. The demand for the product comes from the buyer. The sum-total of buyers’ demand is called total demand. On the other hand, the supply of the product comes from the sellers. The sum-total of supply by the sellers is called total supply. In the market, an interaction goes on between total demand and total supply of a product at different prices. Price rises when the demand is higher than supply. Again price falls when demand is lower than supply. Then there comes such a stage when total demand and total supply at a certain price meet at a point. This is the determined price of the product. This price does not tend to change. This is called the equilibrium price and it
becomes stable in the market. Below is a chart which shows price determination on the basis of equilibrium:

<table>
<thead>
<tr>
<th>Price of product (TK)</th>
<th>Total demand (D) (Units)</th>
<th>Total supply (S) (Units)</th>
<th>D – S relationship</th>
<th>Price level</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>100</td>
<td>500</td>
<td>D &lt; S</td>
<td>Falling</td>
</tr>
<tr>
<td>4</td>
<td>200</td>
<td>400</td>
<td>D &lt; S</td>
<td>Falling</td>
</tr>
<tr>
<td>3</td>
<td>300</td>
<td>300</td>
<td>D = S</td>
<td>Equilibrium</td>
</tr>
<tr>
<td>2</td>
<td>400</td>
<td>200</td>
<td>D &gt; S</td>
<td>Rising</td>
</tr>
<tr>
<td>1</td>
<td>500</td>
<td>100</td>
<td>D &gt; S</td>
<td>Rising</td>
</tr>
</tbody>
</table>

The chart shows that at a price of 4 Tk or 5 Tk the total supply of a product is greater than the total demand. In this situation sellers reduce the price to sell out unsold products. Again total demand of a product at a price of 1 Tk or 2 Tk is greater than the total supply. In such case the demand of the buyers remains unfulfilled due to shortage of supply; so they want to buy the product even at high price. Hence the price tends to rise. Total demand and total supply come to an equilibrium and the price tends neither to rise nor to fall when it is Tk 3 per unit. So Tk 3 is the determined price. The mechanism of price determination can be shown by a diagram also.
In the graph below, DD is the demand line and SS is the supply line. Suppose in the first stage price is 5 Tk. At this price the quantity of demand and supply is 100 and 500 units respectively. Now as supply is much higher than demand, price will fall. This remains even if price is 4 Tk, i.e., price will keep falling.

Again suppose price is 1 Tk. At this price demand and supply is 500 and 100 units respectively. Here demand is much higher than supply; so price will rise. But when price is 3 Tk, the quantity of demand and supply is equal to each other, i.e., both are 300 units. This is equilibrium. At this stage price will neither rise nor fall. So 3 Tk is the determined or equilibrium price. Thus the price of a product is determined at the point of equilibrium between demand and supply.

6.4 Market System in Bangladesh

Market system: The process through which a product reaches from the production centre to the ultimate consumer is called market system. In Bangladesh, a product passes through different stages on to the consumer. Those stages are of procurement/collection of the product after production, classification, storage and preservation, transportation, finance, risk-bearing, advertisement, collecting market related information and data, sale etc. A product reaches the consumer after those works are properly done.

Defects in the Marketing System of Bangladesh

In Bangladesh, the market system of both agricultural and industrial products is underdeveloped and defective. The market of agricultural products is more problematic and faulty than that of industrial products. The flaws in the market system of both agricultural and industrial products are explained below:

1. **Low quality product:** The quality of most agricultural product of Bangladesh is very low. Low quality seeds, lack of fertilizer and pesticides, natural calamities etc are the main cause of the low quality of products. As a result, farmers have to sell their products at a low price.

   Excepting a few, the quality of industrial products also is pretty low. Substandard raw materials, unskilled industrial labour, scarcity of energy, frequent power failure, etc are the main causes of low quality of industrial products. As a result producers have to accept a price lower than their expectation.

2. **Lack of classification of products:** Our agricultural products are not classified as per their quality. Very often good quality products get mixed with bad quality products. As a result the price of good quality products also falls. Sometimes low quality agricultural products are sold at a high price for lack of proper classification.
Products of small and cottage industries also are not properly classified as per their quality. Hosiery goods, lungi, napkin, edible oil, ghee, flour etc are not properly classified as per their intrinsic quality.

Though products of big industries are classified as per quality, common consumers often remain ignorant of them for want of proper publicity.

3. **Backward transportation and communication system:** In Bangladesh, there is scarcity of adequate roads and railways to connect the villages with different markets. Waterways are not always navigable either. Moreover the means of communication such as telephone, telegraph etc are not very adequate. For these reasons most farmers sell out their products at a low price even at their doorsteps.

Owing to backward transport and communication system, industrial products also do not reach the remote areas of the country properly. As the railway has not developed as expected, transportation by road is very costly. This raises the price of the product on the one hand and the price also varies in different markets on the other.

4. **Existence of middlemen:** At different stages of marketing of the agricultural products, the existence of middlemen such as brokers, farhias, arhatdars, hoarders etc is very conspicuous. They purchase the agricultural products from the farmers at a low price and sell them at a high price. Thus they make good profit. Whereas the producers are deprived of the due price they deserve.

Industrial products also change many hands before reaching the ultimate consumer. Big whole sellers purchase those products from factory godowns. Later those products reach the retailers through many petty whole sellers. Thus the price of industrial products rises because of their changing hands a number of times.

5. **Lack of storage and preservation:** There is lack of storage and preservation facilities in the remote area of the country. As a result farmers have to sell out their products at a low price immediately after harvest. The intrinsic quality of the products also decreases for want of storage and preservation facilities. Even in the city areas, industrial products cannot be stored due to the scarcity of necessary godowns. Petty whole sellers have to carry the products frequently from the production centres and this added transportation cost raises the price of the product.

6. **Lack of finance in marketing:** farmers need an interim finance for reaching their products to the consumers from the field of production. This is especially because they are usually very poor. Small retailers need financing for marketing industrial products. But no such institution has yet grown up in the country to provide an interim finance.
7. **Defective weighing and measuring equipments:** In the rural areas of Bangladesh, there are no weights and measures of common standard in use. Seer, kg, kanchi, paki etc- different weights and measures are prevalent in different areas of the country. Besides, seer and kg have random uses. Due to the variation of weights and measures as well as the use of faulty weighing scales, everybody is being a loser.

**Exercise**

**Multiple Choice Question (MCQ)**

Read the following passage and answer question number 1 and 2.

Poly and Koly are two sisters. Both of them look after their vegetable garden, flower garden and poultry farm in their house side by side with their studies. Failing to get proper price in the local market they have become interested to sell their flowers and poultry in the national market. But due to faulty communication and marketing system proper benefit cannot be obtained.

1. **Why are the prices of goods less in the local market?**
   a. production is more in comparison to demand
   b. supply is more compared to demand
   c. problem in communication system
   d. problem in preservation

2. **The characteristics of local market are-**
   i. the demand for goods is less
   ii. the quantity of production is less
   iii. the quantity of production is more

   Which one of the following is correct?
   a. i and ii
   b. ii
   c. i, ii
   d. i, ii and iii

3. **Which one of the following is the best example of monopolistic competitive market in Bangladesh?**
   a. natural gas
   b. postal stamp
   c. soybean oil
   d. coarse rice
4. Which one of the following falls in the category of imperfectly competitive market?
   i. Monopoly market
   ii. Monopolistic competitive market
   iii. Market of few sellers

Which one of the following is correct?
   a. i and ii  
   b. i and iii
   c. ii and iii  
   d. i, ii and iii

5. The marketing system of Bangladesh becomes limited-
   i. for the existence of the mid-level businessmen
   ii. for problems of preservation of the farmers
   iii. as the farmers are satisfied with the price they get

Which one of the following is correct?
   a. i and ii  
   b. i and iii
   c. ii and iii  
   d. i, ii and iii

6. The price of goods is determined in the market when-
   a. the demand for goods becomes higher than supply
   b. the supply of goods becomes higher than demand
   c. the demand and supply of goods become equal to each other
   d. the demand and supply of goods become the highest.

Look at the figure below and answer question number 7 and 8.
7. Which one is the point of equilibrium in the diagram?
   a. M b. E
c. N d. S

8. If the price of the commodity is taka 12/- then-
   a. the supply will be higher than the demand
   b. the demand will be higher than the supply
c. the demand and the supply will be equal
d. the demand and the supply will be zero

9. The problems of marketing of agricultural products of Bangladesh are -
   i. oppression of the brokers and Farhias
   ii. the farmers are poor
   iii. faulty weight and measurement

Which one of the following is correct?
   a. i and ii b. i and iii
c. ii and iii d. i, ii and iii

Creative Question (CQ)

1. Mr. Mallik lives in the Middle East. He has recently returned to the country. One day he went to market with the desire to buy some goods. There he saw that numerous buyers and sellers are buying and selling the same type of goods. The buyers and sellers have full knowledge about the market. After that he went to another market and found that few sellers are selling different goods of different qualities. But they have significant control over the price of goods. As a result the buyers are being affected.

   a. Which type of market is the second one seen by Mr. Mallik?
   b. Describe one important characteristic of the first type of market described in the passage.
   c. Explain with mentioning three comparative differences between the two types of markets, seen by Mr. Mallik.
   d. “All imperfectly competitive markets are harmful for the buyers.” Analyze your opinion in this regard.
2. Mr. Mannan very recently came from village and living with his wife and children in the satellite town beside Dhaka. He went to market, nearest to his house for buying food for his family. His new job is in such a part of Dhaka city where a lot of successful businessmen live. His family stays in such a place near Dhaka where many farmers, industrial workers and day labourers live. Mr. Mannan became astonished hearing that the grocery markets of Dhaka are imperfectly competitive one. Because there is a good difference found between the prices of fruits and vegetables in the two places, where he lives and where he works.

a. What is local market?

b. Explain how the national market is different from the local market.

c. In the light of Mr. Mannan’s experience, why is difference of price observed in the two local markets in an economy? Explain.

d. How do the presence of many middlemen increases the price of foods in the market and what should be done to resist such kind of price increase? Explain.
7.1.1 Barter System

In ancient times there was no money or single medium of exchange. At that time if any one felt the need for a goods, he used to collect it in exchange of his goods from others. For example, a farmer used to collect clothes from a weaver in exchange of his paddy and a fisherman used to collect pots and pan from a potter in exchange of his fish. Thus people used to satisfy their mutual wants by direct exchange of their goods. This system of exchange of one goods for another is called ‘barter system’. Even now such a barter system exists in case of some goods in some rural areas of Bangladesh.

There are three conditions of barter system. They are as follows:

a. One must have the desire for another’s goods.

b. One must be willing to exchange one’s own goods for one’s desired goods from another.

c. The utility of the desired goods must be more than that of the goods one surrenders.

7.1.2 Difficulties of Barter System

There are some difficulties of barter system. They are described below:

1. Lack of double coincidence of wants: The greatest difficulty of barter system is the lack of double coincidence of wants of the people who are parties to exchange. For example, a farmer wants cloth in exchange of his paddy; but the weaver does not need paddy. In such a situation no exchange is possible between paddy and cloth. In that case the farmer has to find out a person who is willing to accept paddy for cloth. And this is a difficult and time consuming matter.

2. Lack of divisibility of goods: There are many goods which cannot be divided into parts and as such they cannot be exchanged partly. For example a man has a cow and he needs a pen. The price of a cow is much higher than that of a pen. In this situation it is not possible to divide the cow into many pieces to exchange one for a pen. In such case no barter is possible.

3. Difficulty in measuring value: Under barter system there is no common standard of measuring the value of different goods. It is very difficult to determine how much
paddy can be exchanged for how much potato or how much fish for one cow without knowing the prices of those goods. In this system, therefore, acts of exchange of goods face problems.

4. Difficulty in savings: Under barter system the value of goods cannot be saved as their prices are unknown. For savings, goods, crops etc. have to be stored up. But most of the goods perish or their quality falls if stored for long. This is why savings in terms of goods is not possible. As a result people cannot get the benefit of savings.

5. Difficulty in repaying loan: Under barter system, loans have to be received and repaid in terms of goods. But at the time of repayment of loan it may not be possible for the borrower to repay exactly the same kind of goods. Repayment of loan in terms of goods renders either the creditor or the borrower to loose.

6. Difficulty in transferring value: As there is no money in the barter system, value transfer becomes difficult. Because, for value transfer, the transportation of goods and properties from one place to another is troublesome and in many cases impossible. As there is no facility for value transfer, the development of economic activities suffers.

The above mentioned difficulties of the barter system create problems for free transaction, trade and commerce in the society. So, in course of time this system becomes outdated and money, as a medium of exchange, came into circulation.

7.2.1 Money

Money is a medium of exchange. The thing by which people buy or sell goods and by which price of goods is determined and all sorts of payments and receipts are settled is called money. Money also serves as a store of value. The main characteristic of money is its general acceptability to all. R.P.Kent says that money is such a thing which is commonly used as a medium of exchange or a measure of value. According to Economist Crowther, “that which is acceptable to all as a medium of exchange, a measure of value and acts as means of saving is called money”. G.D.H.Cole says, “money is such a thing which everybody uses to settle payments and receipts and repay loans.” So the thing which is introduced by the government and generally accepted to be used as a medium of exchange, a means of lending and borrowings, a measure and store of value is called money.

7.2.2 Functions of Money

1. Medium of exchange: The first and main function of money is to settle transaction as a medium of exchange. As it is acceptable to all, we can buy or sell any commodity any time with it. The introduction of money has made exchange activities easier and convenient.
2. **Measure of value:** The value of all commodities can be measured by money. Money functions as a measure of value just as kilogram for weight and metre for length. We consider the price of a thing by expressing it in the figures of money. For example, a man buys a thing for Tk:5.00. Here Tk:5.00 is the measure of value of that thing.

3. **A standard of deferred payment:** Man’s future receipts and payments are accounted for in the figures of money. Lending and borrowing can easily be done through money which is difficult in barter system.

4. **Store of value:** Money functions as a store of value. Man wants to save a portion of his income for the future. It is not possible to save or store commodities for this purpose. But money is both safe and convenient for the purpose of saving. This is why man sells out his surplus merchandize to save that in the form of money.

5. **Value transfer:** As a result of the circulation of money, man collects the sale proceeds of his merchandise or property in the form of money. He can easily buy things or property anywhere else with that money. Thus money functions as a medium of value transfer.

6. **Basis of credit:** At present most business transactions are done through cheques, bank drafts, bills of exchange etc. Banks issue these instruments of credit on the basis of cash deposited with the bank. Money therefore is regarded as the basis of credit.

7. **Measure of liquidity:** Money is the most liquid asset. We can buy anything any time with money.

8. **Means of increasing satisfaction:** The main objective of a consumer is to get maximum satisfaction from the purchase of a commodity. For this purpose he spends his money so as the utility gained from the commodity is equal to its price. Money thus spent can offer a consumer the opportunity to get maximum satisfaction.

9. **Symbol of social status:** The status of people in the society is determined by money power. Generally, the more the money one has the more the influence and power one commands in the society.

These functions of money have made the system of exchange easy and dynamic. As a result, the path of economic development of the society has become smooth.

### 7.2.3 How the Introduction of Money Removed the Difficulties of Barter System:

Barter system was prevalent for long before the invention of money. The inherent flaws of barter system made business transactions, trade and commerce inconvenient. How the introduction of money did away with the difficulties of barter system is described below:
1. Under barter system, acts of exchange of goods were hampered due to lack of double coincidence of wants of the persons willing to make exchanges. But that problem has been solved as any goods can be bought and sold with money.

2. With the use of money we do not need to divide a commodity into many parts for exchange. Small or large, anything can be bought or sold for a certain sum of money.

3. In barter system there was problem in the determination of prices of goods. But at present the value of any goods can be expressed in terms of money.

4. In barter system, it was not possible to store goods for savings. But now the value of any goods can be easily saved in the form of money. For this reason one does not have the risk of the loss of value of savings in terms of goods.

5. With the introduction of money both receipt and repayment of loan have become easy. Loan is received in the form of money in place of goods and it is repaid also in terms of money.

6. In barter system, goods had to be transported from one place to another to transfer the value of the goods. That was both costly and troublesome. But with the introduction of money, the value of goods and property can be transferred in the form of money anywhere easily.

Thus we see that the difficulties of barter system have been removed with the introduction of money. As a result the system of transactions has become easy and safe and man’s economic life has become dynamic. It is, therefore, said that in the history of human civilization the invention of money is an epoch making event like that of fire and wheel.

7.2.4 Classification of Money

Money is classified from different points of view. A description of the classification of money is given below:

1. **Nominal money and real money**: From the viewpoint of use, money can be divided into two types: nominal and real money. The type of money by which prices are determined, transactions are accounted and receipts and payments are settled is called nominal money. Nominal money means, in fact, the name of the money in circulation in a country. For example, in Bangladesh, account is maintained in ‘Taka’; so ‘Taka’ is the nominal money of the country. Pound Sterling of England, Dollar of the USA, Rouble of Russia, Yen of Japan, and Rupee of India are nominal money.
On the other hand, the money by which people conduct their daily transactions and keep their savings is called real money. In Bangladesh, 1.00, 2.00, 5.00, 10.00, 20.00, 50.00, 100.00, 500.00 taka notes and metal coins of paisa 25 & 50 and taka 1.00, 2.00 and 5.00 are real money.

2. Fiat money and optional money: From the view point of obligatory acceptance, money can be divided into two classes: fiat money or legal tender and optional money. The money having the protection of government law and obligatorily acceptable to all is called fiat money.

On the other hand, the money which people cannot be compelled to accept but can use it as medium of exchange is called optional money. People may or may not accept this money. Cheques, bank drafts, prize bond etc are optional money. These can also be called ‘near money’.

3. Unlimited legal tender and limited legal tender: From the view point of acceptability, money can be divided into two classes: unlimited legal tender and limited legal tender. The money through which any amount of transaction can be done is called unlimited legal tender. 5.00, 10.00, 50.00, 100.00 and 500.00 taka notes are unlimited legal tender. Any amount of debt can be settled with any one of the above notes and the creditor is legally bound to accept it.

On the other hand, the money through which transaction can be done upto a certain limit, and the receiver cannot be legally made to accept it beyond that limit is called limited legal tender. People may or may not accept the money at will. In Bangladesh, 25 and 50 paisa, 1.00, 2.00 and 5.00 metal coins are limited legal tender.

4. Representative money and token money: from the point of intrinsic value metal coins can be divided into two classes: representative money and token money. The money whose face value and intrinsic value are equal is called representative money. If this money is melted and sold as metal, its value stands equal to its face value. Usually this kind of money runs as unlimited legal tender in the country. 1.00 taka coins with the King of England’s crown embossed in it, was prevalent as representative money in India before 1941.

On the other hand, the money whose face value is higher than its intrinsic value is called token money. In Bangladesh, 50, 25 and 10 paisa, 1.00 and 5.00 coins are token money. Such money fetches less than its intrinsic value if sold as metal after melting.

5. Metal coins and paper notes: From the point of minting materials, money can be divided into two classes: metal coin and paper notes. Real money made of metal pieces is called metal coins. In Bangladesh, 5.00, 1.00, 2.00 taka and 25, 50 paisa coins are metal coins.
On the other hand, money minted on paper is called paper notes. Paper notes have no intrinsic value. Its face value indicates its real value. The government or the central bank of the country introduces this money in the market with different face value minting on paper. 1.00, 2.00, 5.00, 10.00, 20.00, 50.00, 100.00, 500.00, 1000.00 taka of Bangladesh are paper notes. Paper notes are now being widely used all over the world.

6. Convertible money and non-convertible money: Paper notes can be divided into two classes: convertible money and non-convertible money. The paper notes against which the government is bound to give of gold, silver or foreign exchange of equal value on demand is called convertible money. In Bangladesh, 5.00, 10.00, 50.00, 100.00 and 500.00, 1000.00 taka notes are convertible paper money.

On the other hand, the money against which the government is not legally bound to give gold, silver or foreign exchange of equal value on demand is called non-convertible paper money. This kind of paper money prevails in the market only on government decree. Bangladesh 1.00 and 2.00 taka notes are non-convertible paper money. It is also called money by order.

(A) Money

- Nominal Money
- Real Money

(B) Legal Tender

- Unlimited Legal Tender
- Representative Money

(C) Paper Money

- Convertible Paper Money
- Non-convertible Paper Money
7.3.1 Bank
Engaged in money and credit business, bank is such an institution that accepts the deposits of people’s savings or surplus money and lend the same to people engaged in trade and commerce and production activities. In conducting this business a bank does not invest its own money or capital; they lend the money accepted as deposits from other people. This is why bank is said to be ‘dealing in credit’. The interest bank pays on deposits is always less than the interest on the loan it grants to its clients. The difference between the two rates is regarded as bank’s profit. Banking business thrives on this profit.

7.3.2 Classification of Banks:
Banks may be classified into several categories according to their nature of business and difference of their objectives; such as central bank, commercial bank, agricultural bank, savings bank, national bank, cooperative bank, international bank, Islami bank etc. a brief description of the banks is given below:

1. Central bank: The bank which, under full or partial control and ownership of the government, controls money, credit and banking system of the country is called central bank. The main function of this bank is to introduce money and control credit in the country.

Besides, central bank performs various acts such as the banker of banks, banker and advisor of the government and keeper of stability of internal and external value of money. Bangladesh bank and Bank of England are the central banks of Bangladesh and England respectively.

2. Commercial bank: The bank which accepts the deposit of people’s savings and surplus money and lends the money on short term credit to industrialists and entrepreneurs is called commercial bank. In brief this bank is also called the short term dealer in credit. A commercial bank earns profit by giving interest on deposits at a low rate and realizing interest on loans at a high rate. Sonali, Janata, Agrani, Rupali, Uttara, Pubali, National bank Limited etc banks are commercial banks of Bangladesh.

3. Agricultural bank: The bank which gives credit of different terms to farmers for the development of agriculture is called agricultural bank. This bank gives short term credit to farmers to buy seeds and fertilizers etc. Besides this, it gives medium term credit for purchasing cattle and small agricultural tools etc and long term credit for purchasing valuable agricultural machinery for sustainable development of agricultural land. In our country, Bangladesh Krishi Bank is this type of bank.
4. **Industrial bank:** The bank which gives credit for setting up new industries or extension and renovation of old ones is called industrial bank. This bank gives both short term and long term credit for industrial development of the country. Bangladesh Shilpa Bank is an industrial bank.

5. **Exchange bank:** The bank which converts one currency into another is called exchange bank. This bank also purchases foreign bills of exchange or ‘hundi’. It acts as an intermediary in international transactions. Lloyd’s Bank, Bank of China, Standard Chartered Bank etc are exchange banks.

6. **Savings bank:** The bank which inspires people to make savings and collects different term deposits from them at high interest rates is called savings bank. There is no such bank in Bangladesh; but Postal Savings Bank is more or less this type of bank.

7. **Local bank:** Different investment institutions established on local basis is called local bank. These banks do not accept deposits from people but give loans only on high rates of interest. Mahajans, banias, shahukars etc can be called this type of bank.

8. **Co-operative bank:** The bank set up and run on the basis of the principles of co-operatives is called co-operative bank. This bank gives credit on low interest rates to its members. Besides this, it gives credit to other co-operative institutions and small traders also. Bangladesh Samabaya Bank is an example of co-operative bank.

9. **Islami bank:** The bank which is based on Islami ‘shariat’ and functions as per Islami rules and regulations is called Islami Bank. As Islam prohibits interest, its business is interest free. It collects deposits from its clients to invest in trade and commerce and also in industrial enterprises and pays them a part of the profit it thus earns. And if loss is incurred, it shares that with the depositors. It runs its banking business on this principle. Islami Bank Bangladesh Ltd., Al-Baraka Bank Ltd. Etc are Islami banks in Bangladesh. At present Islami bank has been set up in as many as 20 countries of the world.

10. **International bank:** The bank which has been established to help the developing countries in their economic development is called international bank. The main functions of this bank are to expand international trade, increasing private investment in the field of production in different countries of the world and remove deficit of different countries in international transactions. World Bank, International Monetary Fund etc are this type of banks.
7.3.3 Central Bank
The bank which introduces currency, controls credit and other financial organizations and also functions as financial representative and advisor to the government is called central bank. Under the law of Bank of International Settlement, central bank is defined as “The bank which bears the responsibility of controlling the quantity of money and the volume of credit in a country is called central bank.” Unlike other banks, central bank does not have profit making as its sole objective; rather its main objectives are to keep the economic stability of the country and the welfare of the people. Placing itself at the peak of the whole banking system, it functions as the guardian of all the financial institutions of the country.

There is a central bank in every country of the world. The name of the central bank of Bangladesh is Bangladesh Bank. Other examples are England’s Bank of England, USA’s Federal Reserve System, India’s Reserve Bank of India and France’s Banque De France.

7.3.4 Functions of Central Bank
As the guardian and controller of a country’s money and banking system, central bank performs the following functions:

1. Issuing of notes: At present in all the countries, it is central bank alone that issues notes and coins. In Bangladesh, this responsibility has been put on Bangladesh Bank. Bangladesh Bank maintains 30% reserve of foreign currency for issuing paper notes. In other countries also, there is a rule of maintaining such reserve. Central bank regulates the issue of paper notes to control its supply and value.

2. Bank of the government: Central bank is a public institution. This bank functions as the custodian of public funds and keeps account of the internal and foreign debts of the government. It gives loan to the government when needed and acts as the financial advisor to the government. In our country Bangladesh Bank performs the responsibility as the banker of the government.

3. Banker of other banks: Commercial banks maintain a certain percentage of the money they receive from the people as deposits. For example, according to banking law every scheduled bank of the country has to maintain a reserve of 5% of their total current and fixed deposits with Bangladesh Bank. Central bank directs and controls other banks through various instructions and advice.

4. Lender of the last resort: Commercial banks may need more money at times for giving more credit to the people or some other reasons. In such a critical situation, commercial banks have to approach the central bank if they fail to manage fund from
other sources. Central bank saves them from financial crisis by extending credit to them. This is why central bank is called the ‘lender of the last resort’.

5. **Maintaining rate of exchange:** Central bank determines and controls the rate of exchange of local currency with foreign currency. Central bank takes steps so that this rate of exchange remains stable for the interest of trade and commerce. Besides this, it buys and sells gold and foreign currency on behalf of the government.

6. **Clearing house:** Because of transactions in trade and commerce, cheques are traded between different commercial banks. This results into inter-bank transactions. Central bank settles these transactions from the reserve of the concerned commercial bank maintained with it. For this reason central bank is called the ‘clearing house’ of other banks.

7. **Credit control:** One of the main functions of the central bank is credit control. If commercial banks grant more credit than necessary, it may create inflation through the supply of money. In that case central bank shrinks the volume of credit through different measures. Again the central bank can increase the power of commercial banks to sanction more credit if necessary.

Besides this, in a developing country like Bangladesh, central bank does some development activities also. For example central bank helps the government in making development plans and budget, provides economic information and condition of the country through the press, plays active role in the development of agriculture and industry, maintains stability of price level and develops the banking system of the country. This bank also plays direct role in formulating the import and export policy of the country.

7.4.1 **Commercial Bank:**

The bank which keeps people’s savings as deposits and lends money to the industrial and commercial institutions on short term basis is called commercial bank. The main objective of commercial bank is earning profit. Bank pays interest at a low rate against the deposits. On the other hand it realizes interest at a high rate from the borrowers. The difference of the two rates is bank’s profit. Though bank has a portion of its own money, the lion’s share of bank’s fund comes from the depositors. Bank is liable to return the money to the depositors on demand, so it gives only short term loan. This is why commercial banks are called the dealers in short term credit. Sonali Bank, Janata Bank, Agrani Bank, Rupali Bank, National Bank Limited, City Bank Limited etc are some of the commercial banks of the country.

7.4.2 **Functions of Commercial Bank**

The role of commercial banks in the field of trade and commerce and production is very important. In modern times, commercial banks perform the following functions:
1. **Accept deposits:** One of the main functions of commercial banks is to accept people’s savings as deposits. Deposit is of three kinds: current account, savings account and fixed or term account.

A current deposit can be withdrawn at any time. No interest is paid on this account.

A savings deposit can usually be withdrawn twice a week. Bank pays some interest on such accounts.

Money in a fixed deposit has to be kept in the account for a fixed term. This account bears interest at a higher rate.

2. **Giving loans:** The second main function of commercial banks is giving loans. The money deposited by the depositors is given as credit to traders. Depositors can withdraw their money at any time. That is why commercial banks keep adequate funds to meet the demand of the depositors and lend the rest of the fund for giving short term credit. Commercial banks of our country give loan to different businesses, industries, pisciculture, house building etc.

3. **Creating medium of exchange:** At present the power of introducing bank notes lies only with the central bank. But commercial banks issue cheques, bank drafts, travellers’ cheques etc. These credit instruments act as medium of exchange. As a result, trade and commerce and other transactions become dynamic. In developed countries most transactions are done through these media of exchange.

4. **Helping in the domestic and international trade:** Commercial banks supply money to domestic and international trade. Bank buys and sells foreign currency. In many cases transaction of goods is done and debt between buyers and sellers settled through banks. These activities help spread trade and commerce in the country.

5. **Discount of bills of exchange:** At present many business transactions are done through bills of exchange. A commercial bank encashes the bill of exchange at a discount if the holder of the bill needs cash before the maturity of the bill. For this the bank deducts a certain sum of money from the bill amount as interest on the advance payment which is called discounting of the bill of exchange. As a result, monetary transactions become easy and safe and trade and commerce becomes dynamic.

6. **Transfer of money:** Commercial banks transfer money from one place to another safely and easily. They transfer money of their clients through cheques, bank drafts, pay orders, travellers’ cheques, telegraphic transfer (TT) etc.

7. **Increase savings:** Small savings of the people are deposited with commercial banks. Bank helps in the growth of capital by giving this money through credit to trade and production. As a result savings increases and development expedited in the country.
Besides this, commercial banks perform the following functions also:

a. to sell shares of companies as representative of clients;

b. to preserve clients’ valuable ornaments, important documents etc for safety;

c. to collect or pay cheques, bills of exchange, rent, electric bills, insurance premiums etc as representative of clients.

d. to preserve and maintain their clients’ property as trustee;

e. to issue certificate of their clients’ financial solvency.

7.5.1 Rules of Opening Bank Account

People want to deposit their savings with a bank. For this, they have to open an account with a bank of their choice. Usually three types of account can be opened with commercial banks: (a) current account; (b) savings account and (c) fixed deposit account. Money deposited in these accounts is called bank deposits. The rules of opening different kinds of account are more or less the same.

Suppose a person wishes to open a savings account with a branch of Agrani Bank in his home town. First he has to collect an account opening application form from that branch and fill in it with necessary information. Now the new account opener needs the signature on his application form of such a person as has an account with that branch. Two passport size photographs, duly attested, of the new account opener have to be attached with the application form. He has to deposit a minimum Tk:100.00 as initial deposit with the application form. Then the account holder is given an account number. The account holder subsequently deposits and withdraws money on this particular account number.

7.5.2 Rules of Conducting the Account:

With the opening of an account the account holder gets a cheque book, a deposit book and a pass book. Through the deposit book he can deposit cash, cheque, bank drafts etc of any amount with the bank. Likewise, with the cheque book, he can withdraw money from his account. Money can be withdrawn from current account as many times as necessary. Money can be withdrawn from savings account usually twice a week. Money deposited in a fixed deposit account can be withdrawn usually after the term of the deposit; because this type of account bears more interest.
The passbook is for date wise entries of all deposits and withdrawals in details. At present almost every bank uses computer. The account holder can close his account if he wishes. Thus money can be deposited and withdrawn from the bank by opening an account with it.

7.6.1 Specialized Bank:

Some banks are established to extend credit to different sectors for special purposes. They are called specialized banks.

Like other developing countries, there are specialized credit institutions in Bangladesh also. Among those especially notable are:

a. Bangladesh Krishi Bank
b. Bangladesh Shilpa Bank
c. Grameen Bank

**Bangladesh Krishi Bank:** Just after liberation Bangladesh Krishi Bank was established with all the assets and liabilities of erstwhile Agricultural Development Corporation situated in Bangladesh. The approved capital of this bank is Tk:50 crore and the paid up capital is Tk:45.61 crore. The whole of this capital is paid up by the government. There is a Board of Directors consisting of 11 members for managing and directing this bank. The head office of this bank is in Dhaka.

**Functions of Bangladesh Krishi Bank:** Bangladesh Krishi Bank performs many important functions for the development of agriculture in the country. Those are as follows:

1. Bangladesh Krishi Bank gives short term, medium term and long term loan for the development of agricultural sector of the country.
   
   a. It gives short term loan to the farmers for purchasing fertilizer, seeds, pesticides etc and meeting the cost of raking, harvesting and thashing of crops. This loan is repayable in 18 months.

   b. It gives medium term loan to the farmers for buying cattle, light machinery, levelling the land, sinking shallow tube wells etc. The term of this loan is from 18 months to 5 years.

   c. It gives long term loan for buying land and heavy machinery, such as tractor, harvester etc, sinking deep tube well, digging canals, construction of godowns, development of tea gardens etc. The term of this loan is more than 5 years.

2. Krishi bank gives financial and technical support for setting up small and cottage industries.
3. It gives seasonal loan to farmers for producing different types of crops.
4. It gives loan for horticulture and arboriculture also.
5. It gives loan for fish processing project, construction of cold storage, land reclamation project etc.
6. It gives loan for raising poultry and cattle, bee-hives, silkworm cultivation etc.
7. It gives loan for preparing betel leaf scaffold, fruit culture etc.
8. It accepts deposit from the people through different accounts like other banks.

Bangladesh Krishi Bank has been giving loans for the overall development of agriculture sector of this country since independence. Lately the loan sanctioning process has been made easy and the rigidity of collateral security has been relaxed. As a result, not only the rich but the poor also have come under the scope of credit activities of the bank. The bank has opened branches even in the remote villages to reach the credit facilities to the doorsteps of the people. At present this bank has more than 1050 branches.

7.6.2 Bangladesh Shilpa Bank

Bangladesh Shilpa Bank was established to supply capital in the industrial sector for its development. After independence in 1972, Bangladesh Shilpa Bank was established comprising former Industrial Development Bank and Equity Participation Fund.

The approved capital of Shilpa Bank is Tk:200 crore. Its head office is situated in Dhaka. There is a Board of Directors consisting of 9 members.

Functions: Bangladesh Shilpa Bank performs many functions for the quick development of industries in Bangladesh. Those functions are as follows:

1. Bangladesh Shilpa Bank usually grants long term loan for setting up new industries and modernization of the old ones. Loan is repaid both in local and foreign currency for the maximum term of 20 years.
2. This bank provides short term loan also to industrial projects.
3. It gives technical advice free of cost for setting up industrial plants in the country.
4. It reviews the pre-credit and post-credit condition of the industry to which it provides loan.
5. It helps private entrepreneurs to choose industrial projects.
6. It collects deposit through different accounts from the people like other banks.
7. It sells bill of exchange and other letters of credit both inside and outside of the country.
The industries to which Bangladesh Shilpa Bank provides loan are chiefly jute, fertilizer, paper and pulp, printing, cotton, wool and fibre industries, workshops and small tools manufacturing factories, transport equipments etc.

The most serious problem of industrialization in Bangladesh is the scarcity of capital. Bangladesh Shilpa Bank is playing a very important role in the development of industries by providing industrial credit.

7.6.3 Grameen Bank

Grameen bank is a special kind of bank that gives small credit to petty land holders, landless farmers and other poor people of the society to enable them to participate in the productive activities. Grameen bank was established in Bangladesh in 1983. This is an exceptional type of bank. It is Bangladesh where this kind of bank has been established for the first time.

The approved capital of Grameen Bank is Tk:25 crore and paid up capital Tk:7.20 crore. Its share holders own 75% of the total share and rest 25% is owned by the government. There is a Board of Directors consisting of 13 members to direct and manage the affairs of the bank.

Objectives and functions of Grameen Bank

Grameen Bank works to achieve a number of specific objectives. The functions and objectives of the bank are as follows:

1. Provide banking facilities to the poor men and women of the village.
2. Save the poor village people from the exploitation of the rural mahajans.
3. Organize under-privileged people under an institutional framework.
4. Make the weaker part of the poor village people eligible for loan by providing organizational support.
5. Create self-employment opportunity for the huge rural population.
6. Provide work for women of the poor landless families.

Areas of credit facilities

The following are the notable areas where Grameen Bank provides credit facilities:

1. Small trade; such as, paddy, rice, molasses, timber etc business centres and shops;
2. Purchase of transports; such as, van rickshaw etc;
3. Grameen industries such as, bamboo basket, cloths, soap, oil etc;
4. Rearing livestock, fish culture; such as, raising cattle, goat, poultry etc and fish cultivation;

5. Agriculture and forestry; such as, cultivation of vegetables, sugarcane and water melon etc.

Bangladesh has created enthusiasm among the less affluent and landless farmers through the activities of Grameen Bank.

**Exercise**

**Multiple Choice Question (MCQ)**

1. Gani Miah wants rice in exchange of his cloth. But Hasan Ali wants fruit in exchange of his cloth. In this state there is no possibility of exchange between cloth and rice. The fault of the barter system evident here is -
   a. lack of di visibility of goods  b. dissimilarity between wants  
   c. difficulty in measuring value  d. difficulty in transferring value.

2. In how many categories money can be divided from the viewpoint of use?
   a. Fiat money and optional money  
   b. Representative money and token money  
   c. Nominal money and real money  
   d. Metal coins and paper notes

**Read the passage below and answer question number 3 and 4.**

Mr. Karim opened a bank account depositing Taka 50,000/- so that he can fulfill his daily expenses by withdrawing money amount in times of need. He opened a separate account for his wife with a provision to deposit Taka 500/- per month. The condition was that, his wife will not be able to withdraw money from her account before 10 years.

3. The account that Mr. Karim opened was -
   a. current account  b. savings account  
   c. fixed deposit account  d. term basis account.
4. There was 10 years term condition in the account of Mr. Karim’s wife, because the account was -
   a. Long term account
   b. Current account with high interest rate
   c. 10 years savings account
   d. 10 years fixed deposit account.

Read the passage below and answer question number 5 and 6.

Poor Ayesha Khatun took training on sewing from the Youth Development Training Centre and purchased a sewing machine taking loan from bank without mortgaging anything. Now people of her nearby houses come to her for making frock, trousers, kamiz etc. At present Ayesha Khatun after becoming economically self-reliant has purchased another two sewing machines and by this time she has also employed 3 workers. In this way she is able to remove her poverty with the assistance of that bank.

5. What is the name of the bank from which Ayesha Khatun took loan?
   a. commercial Bank   b. Shilpa Bank
   c. co-operative Bank  d. Grameen Bank

6. The main function of the bank from which Ayesha Khatun took loan is -
   i. giving banking facilities without any security
   ii. creating self-employment opportunities
   iii. receiving deposits from the customers.
Which one of the following is correct?
   a. i and ii   b. i and iii
   c. ii and iii  d. i, ii and iii

7. In a certain period, the rate of exchange of U.S. dollar with Bangladesh currency was 1:60. If a person exchanges Taka 12,000/- he will get in dollar -
   a. 60   b. 120
   c. 200   d. 600

8. Which one is the inevitable result of giving loan by the Commercial Bank?
   i. help in formation of capital
   ii. increase of savings in the country
   iii. quicken economic development
Which one of the following is correct?

a. i b. ii
c. i and ii d. i and iii

9. Which one of the following is a specialized Bank?

a. Bangladesh Bank b. Bangladesh Shilpa Bank
c. Sonali Bank d. Grameen Bank

Creative Question (CQ)

1. Jarina Begum is a poor woman. She almost became helpless with her four son and daughters after her rickshaw-puller husband was paralyzed due to a street accident. In that state she communicated with a local bank following the advice of a woman she knew. The bank, as usual, gave her Taka 500/- as loan without any security. With that money she started a cottage industry. She refunded the money with a very small interest and on easy installment basis and later on took a big amount of loan. At present she is a successful woman.

a. What is the name of the bank from which Jarina Begum obtained loan?
b. Explain one objective of this bank.
c. Explain how this bank relieved poverty of Jarina Begum.
d. “This bank has no alternative for the development of the fate of poor village people.” -Do you agree with this statement? Show reasons in support of your answer.

2. Mr. Muklesh has a small business firm selling cane furniture. When he started this business he took loan from the Grameen Bank without any security. His business flourished quickly and he opened a current account with commercial bank. He is eager to obtain loan from the Shilpa Bank for the development of his business.

a. What is current account?
b. Explain an important function of the Commercial Bank.
c. How Shilpa Bank can contribute for the expansion of the business of Mr. Muklesh? Explain.
d. “Bank cannot grant any loan without receiving any security from the borrower.” Do you agree with this statement? Explain the success of the policy programmes of the Grameen Bank in this respect.
Chapter Eight

Income and Expenditure of the Govt. of Bangladesh

8.1.1 Income and Expenditure of the Government

In modern times government has to conduct administration of the country, maintain law and order to protect the life and property of the people, provide services on education, health and judiciary and do different development works for the people. Besides this, to protect the country from foreign aggression is also one of the chief duties of the government. For those activities, the government has to incur a huge expenditure. To meet the expenditure, the government has to collect money from the people by way of taxes and other means.

Like other countries of the world, the government of Bangladesh also incurs huge expenditure in conducting the administration, maintaining law & order, judiciary and national defence and performing many public welfare activities. For this, the govt. has to collect revenue from the tax and non-tax sources. At present the responsibilities of the government in different fields of the country and for the welfare of the people have increased manifold. As a result the scope and importance of public income and expenditure are gradually increasing.

8.1.2 The Main Sources of Income of the Government

The government of Bangladesh receives income from taxes and other non-tax sources every year. The main sources of government's income are described below:

1. Custom duties: Custom duties are the main source of income of the government. The taxes imposed on the items of export and imports of the country are called custom duties.

2. Excise duties: The taxes imposed on the commodities produced and used within the country are called excise duties. In Bangladesh, excise duties are imposed on tea, tobacco, sugar, cigarette, safety match, kerosene, medicine, cosmetics etc.

3. Value added tax: It is an indirect tax. In Bangladesh this tax is imposed as a substitute for sales tax. It is known in short as VAT. This tax is imposed on the value added to goods at different stages from production to consumption.

4. Income tax: The tax imposed upon the personal income of the people is called income tax. Those whose annual income are over Tk: 1,65,000/=, except the female, 70 years or more old and handicapped tax payer have to pay income tax. Besides this, income tax is also imposed on different companies as corporation tax. Income tax is a direct tax.

5. Land revenue: Land revenue is an important source of income of the government.
After independence, income from this source has declined slightly due to exemption of land revenue upto 25 bighas of land. But the government has imposed land development tax to compensate that loss.

6. Stamps: Stamps have to be affixed on different documents, applications for law suits, passports etc. The government earns income from the sale proceeds of stamps.

7. Registration: Registration fees have to be paid to the government in the case of registration of documents.

8. Nationalized banks and insurance companies: After independence banks and insurance companies were nationalized. The profit of those institutions is regarded as the income of the government.

9. Nationalized industries: The government earns income from the nationalized state-owned industries. But at present these industries are incurring losses.

10. Interest: The government grants advances to the employees of government and semi-government organizations on interest. This interest is also an income of the government.

11. Post, Telegraph and Telephones: The government of Bangladesh earns income from the postal department. It also earns from the telegraph and telephone services.

12. Railway: Bangladesh Railway earns money as fare for carrying goods and passengers. Bangladesh Railway is owned by the government; so its earnings are the income of the government. But this organization has been incurring loss for the last few years.

13. Forests: The government earns income from the sale proceeds of timber, honey, bamboo, and other forest products from its own forests.


Besides the above sources, the govt. of Bangladesh earns income from some other sources. Of them amusement tax, property tax, tax on electricity and gas, travel tax, fines imposed on criminals etc. deserve special mention.

8.1.3 The Main Heads of Public Expenditure

The main heads of public expenditure are described below:

1. Defence: One of the main heads of govt. expenditure is the defence. To protect the country from foreign aggression, it is necessary to build a strong defence force. So a large allocation of the annual budget goes every year for salary and allowances, training of the defense forces and also for purchase of modern arms, ammunition and equipments.
2. **Civil administration:** The govt. has to spend a huge amount of money for conducting civil administration of the country. This expenditure is incurred to run civil administration and pay salaries & allowances of employees at different levels stating from the capital Dhaka down to the levels of divisions, districts, upazillas and union parishads.

3. **Education:** At present the government has put great importance on education. Lately a huge amount of money is being spent on primary, non-formal, secondary and higher education and also for the development of female education.

4. **Health and population control:** To provide health care for the common people, the government has to set up hospitals and medical colleges, provide medicines free of cost, and pay salary and allowances to the government doctors and other employees. Family welfare programmes are taken up by the government to control population. These activities have led to the increase of public expenditure.

5. **Police:** There is a police force to maintain law and order in the country. The govt. has to bear all the expenditure of the police force.

6. **Bangladesh Rifles:** Bangladesh Rifles - a paramilitary force - performs the duty of border security and prevent smuggling. The government has to spend a lot of money for this paramilitary force every year.

7. **Justice and jail department:** The government has to spend a lot of money for justice and jail department and to manage jail administration.

8. **Public works (civil):** The government has to spend a lot for the construction of buildings, bridges, roads and highways and for the expansion of city areas.

9. **Revenue collecting departments:** The revenue collecting departments of the government such as income tax, customs and excise, land revenue departments draw heavily on the government for meeting different expenses including the salary and allowances of their staff.

10. **Repayment of debts and interest:** The government has to repay the loans taken from the public, with interest by phases. The govt. has to incur a big expenditure on this head.

11. **Social welfare activities:** The government has to create social welfare facilities like park, stadium, tourist spots etc for the overall welfare of the people. All these activities involve a lot of money to be spent from the government fund.

12. **Retirement and other benefits:** The government spends a pretty good amount of money for giving retirement and other benefits to the retired government servants.

13. **Subsidy:** The portion of production cost the government bears for the benefit of the people is called subsidy. The government pays subsidy on food grains, fertilizer,
energy etc to supply these things to the people at fair price. The government has to spend a lot of money for giving this subsidy.

14. **Foreign affairs:** The government has to set up and maintain embassies abroad to establish and maintain good relationship with other nations and also to preserve the interest of the country abroad. All these works drain out a lot of money from the public exchequer.

15. **Audit and accounts:** To scrutinize the annual income and expenditure of both government and semi-government organizations is called audit. The government has to spend enough money for this purpose.

16. **Unforeseen expenditure:** The government has to spend a huge amount of money at the sudden natural calamities like cyclone, tidal surge etc.

17. **Miscellaneous expenditure:** Apart from the above, there are some more heads of expenditure such as - rehabilitation projects, distressed and old-age allowance etc.

### 8.2.1 Budget

The detailed statement of probable income and expenditure for a certain period - say for a year - is called budget. The govt. of Bangladesh also has a budget. It is a detailed statement of wherefrom how much money will come and whereto how much of it will go. In this statement one side has the income heads and the other side has the heads of expenditure. This detailed statement is called budget. So the detailed statement of the government's probable income and expenditure for a particular year is called the budget of the govt.

It is noteworthy that the budget contains not only the probable income and expenditure but also a fixed plan of income and expenditure of the govt. The budget also shows how the deficit will be met if income is less than expenditure or where the surplus will be spent if income is higher than expenditure. In Bangladesh, the allocated income and expenditure and the method of its implementation come into effect after the budget is prepared by the govt. and approved in the parliament.

### 8.2.2 Classification of Budget

Budget can be classified into two kinds: balanced budget and imbalanced budget. Depending on the nature of income and expenditure, budget has two parts: revenue budget and capital budget.

1. **Balanced budget:** The budget in which income is equal to expenditure is called balanced budget.

2. **Imbalanced budget:** The budget in which income and expenditure are unequal is called imbalanced budget.
Imbalanced budget is of two kinds: surplus budget and deficit budget.

**a. Surplus budget:** The budget in which income is assumed higher than expenditure is called surplus budget.

**b. Deficit budget:** The budget in which expenditure is assumed higher than income is called deficit budget.

1. **Revenue budget:** The budget which is accepted for conducting the administrative activities of the country is called revenue budget. In this budget, only the revenue income and administrative expenditures are shown. This budget has two parts: source of income and heads of expenditure. In the income part, probable total income of the government is shown and in the expenditure part, probable total expenditure and their respective heads are shown. The money in the revenue budget is usually spent for defence, education, civil administration, maintaining law and order, public health, social welfare etc.

2. **Capital budget:** The budget prepared and accepted for the development works of the country is called capital budget. In this budget the income and expenditure for annual development programme taken up by the government are shown. For example, this budget shows how much will be spent during the year for the development in agriculture, industries, transport and communication, power etc sectors. Side by side, this budget also shows from which sources income will come to meet the expenditure. To be specific, capital budget shows the probable expenditure for annual development programme and the amount of expected income. Actually the income shown in this budget comes from the surplus of revenue budget of the govt. and the internal and foreign debts and grants.

**Exercise**

**Multiple Choice Question (MCQ)**

*From the given pie chart answer the following question number 1 and 2.*

![Pie Chart]

1. Which one is the main source of income of the government of Bangladesh according to the given diagram?
a. Income tax  
   b. Import tax  
   c. Complementary tax  
   d. Value added tax

2. According to the diagram, the second largest source of income of Bangladesh is custom duties. On which this duty is imposed?
   i. On the goods produced within the country  
   ii. On the goods imported in the country  
   iii. On the goods exported from the country

Which one of the following is correct?
   a. i and ii  
   b. i and iii  
   c. ii and iii  
   d. i, ii and iii

3. The part of the cost of production of goods that a government bears on public interest is called-
   a. cost of production  
   b. unforeseen expenditure  
   c. subsidy  
   d. relief

4. The tax imposed on the production of tea and sugar is-
   a. production tax  
   b. Custom duties  
   c. Excise duties  
   d. Value Added tax

5. Mr. Soyeb is an army person. He gets salary, allowances every month. From which head of public expenditure his salary, allowances comes?
   a. civil administration  
   b. military sector  
   c. defence sector  
   d. police sector

In the light of the following Table answer question number 6 and 7.

The tax-rate of a country is shown below:

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-1,20,000</td>
<td>0%</td>
</tr>
<tr>
<td>1,20,001 - 2,50,000</td>
<td>15%</td>
</tr>
<tr>
<td>2,50,001 - 3,00,000</td>
<td>20%</td>
</tr>
<tr>
<td>3,00,001 - 5,00,000</td>
<td>25%</td>
</tr>
</tbody>
</table>
6. The annual income of Mr. Nasir is Taka 2,30,000/- How much tax he will have
to pay annually according to the given tax-rate?
   a. Taka 46,000/-  b. Taka 35,400/-
   c. Taka 34,500/-  d. Taka 30,000/-

7. If his income increases by more Taka 1,00,000/- then what percent of tax,
higher than the present rate, he will have to pay?
   a. 5%  b. 10%
   c. 15%  d. 20%

8. Which heads fall into the jurisdiction of the capital budget of government?
   a. Education, Health and Agriculture
   b. Industry, Health and Communication
   c. Electricity, Transport and Health
   d. Agriculture, Electricity and Industry

9. Land revenue is one of the main source of income of the government in a
predominantly agricultural country, Bangladesh. Which of the following tax
Bangladesh government has imposed on land?
   a. income tax  b. development tax
   c. land development tax  d. Value Added tax

10. Which of the following tax is imposed as an alternative to sales tax in
Bangladesh?
    a. import duty  b. income tax
    c. Value Added tax  d. amusement tax
11. Budget data is given in the Table below. Which terms describe the budget trend clearly?

<table>
<thead>
<tr>
<th>Year</th>
<th>Government Expenditure (In Billion Taka)</th>
<th>Government Income (In Billion Taka)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>950</td>
<td>800</td>
</tr>
<tr>
<td>2</td>
<td>1000</td>
<td>1000</td>
</tr>
<tr>
<td>3</td>
<td>1100</td>
<td>1200</td>
</tr>
</tbody>
</table>

a. deficit from surplus   b. surplus from deficit

c. deficit increases   d. surplus increases

Creative Question (CQ)

1. The main sources of government income of a country for the financial year 2006-2007 is provided below according to the probable budget. From this Table answer the questions given below:

<table>
<thead>
<tr>
<th>Category of Income</th>
<th>Sources of Income</th>
<th>In Crore Taka (Fixed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Tax Revenue</td>
<td>Custom duties</td>
<td>15,000/-</td>
</tr>
<tr>
<td></td>
<td>Excise duties</td>
<td>8,000/-</td>
</tr>
<tr>
<td></td>
<td>Value Added tax</td>
<td>12,000/-</td>
</tr>
<tr>
<td></td>
<td>Land revenue</td>
<td>5,000/-</td>
</tr>
<tr>
<td></td>
<td>Wealth (Bank, Insurance)</td>
<td>3,000</td>
</tr>
<tr>
<td></td>
<td>Nationalized industries</td>
<td>25,000/-</td>
</tr>
<tr>
<td></td>
<td>Income tax</td>
<td>12,000/-</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>6,000/-</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>86,000/-</td>
</tr>
</tbody>
</table>

a. What is budget?

b. Describe the main source of income of the government in the above mentioned budget.

c. Give a comparative study of the two main sources of the budget shown above.

d. The periphery of the income of the government of Bangladesh can be increased'- Answer with analysis and proper reasons.