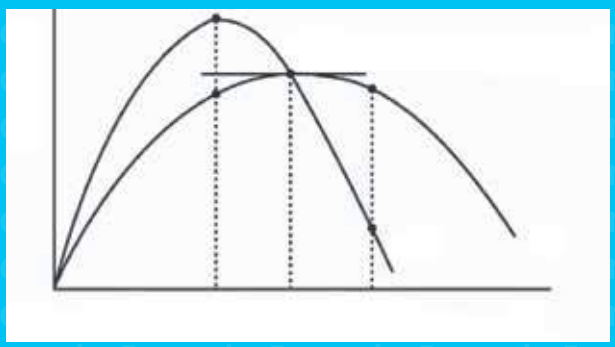
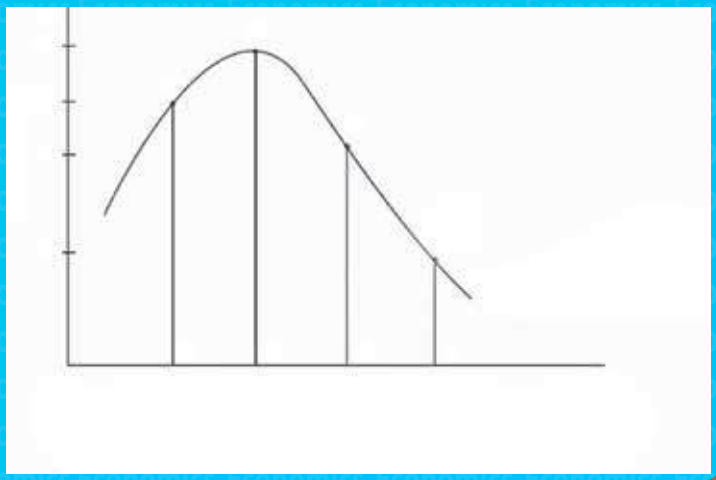
Economics

Classes Nine and Ten









National Curriculum and Textbook Board, Bangladesh

Prescribed by the National Curriculum and Textbook Board as a textbook for classes nine and ten from the academic year 2013

Economics

Classes Nine and Ten

Revised for the year 2026

National Curriculum and Textbook Board, Bangladesh

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Preface

The importance of formal education is diversified. The prime goal of modern education is not to impart knowledge only but to build a prosperous nation by developing skilled human resources. At the same time, education is the best means of developing a society free from superstitions and adheres to science and facts. To stand as a developed nation in the science and technology-driven world of the 21st century, we need to ensure quality education. A well-planned education is essential for enabling our new generation to face the challenges of the age and to motivate them with the strength of patriotism, values, and ethics. In this context, the government is determined to ensure education as per the demand of the age.

Education is the backbone of a nation and a curriculum provides the essence of formal education. Again, the most important tool for implementing a curriculum is the textbook. The National Curriculum 2012 has been adopted to achieve the goals of the National Education Policy 2010. In light of this, the National Curriculum and Textbook Board (NCTB) has been persistently working on developing, printing, and distributing quality textbooks. This organization also reviews and revises the curriculum, textbook, and assessment methods according to needs and realities.

Secondary education is a vital stage in our education system. This textbook is catered to the age, aptitude, and endless inquisitiveness of the students at this level, as well as to achieve the aims and objectives of the curriculum. It is believed that the book written and meticulously edited by experienced and skilled teachers and experts will be conducive to a joyful experience for the students. It is hoped that the book will play a significant role in promoting creative and aesthetic spirits among students along with subject knowledge and skills.

It is important for students to know the nature of economic activities and the development of a country. Considering these, the **Economics** of class IX and X has been developed. The textbook introduces almost all important concepts of modern economy like utility, demand, production, market and banking system, government finance and the economy of Bangladesh.

It may be mentioned here that due to the changing situation in 2024 and as per the needs the textbook has been reviewed and revised for the academic year 2026. It is mentionable here that the last version of the textbook developed according to the curriculum 2012 has been taken as the basis. Meticulous attention has been paid to the textbook to make it more learner-friendly and error-free. However, any suggestions for further improvement of this book will be appreciated.

Finally, I would like to thank all of those who have contributed to the book as writers, editors, reviewers, illustrators and graphic designers.

October, 2025

Professor Robiul Kabir Chowdhury
Chairman (Additional Charge)
National Curriculum & Textbook Board, Bangladesh

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Chapter One
Introduction to Economics

From birth to death, humans constantly engage in economic activities to survive. People continue forward overcoming various obstacles in life. Economics helps humans to solve or deal with economic problems and challenges they face. It plays a vital role in the prosperity of individuals, society, or the country. Therefore, gaining knowledge or learning about economics is very important.
In this chapter, the origin and development of economics, major economic problems, economic systems and policies, rational use of resources, and various economic systems have been discussed.



At the end of the chapter, we will be able to-

- Describe the concept of the origin and gradual development of the economy;
- Explain the interrelationship between scarcity and unlimited wants;
- Define the concept of economy;
- Discuss the main policies of the economy;
- Describe different types of economic systems and
- Evaluate the advantages and disadvantages of different economic systems.

1.1 The Origin and Development of Economics

The field of economics, as we know it today, was far less complex in earlier times. In ancient or primitive societies, human life was much simpler. People's basic needs were limited to food, clothing, and shelter. The exchange of goods was minimal, and physical labor was the primary means of production. There were no significant class divisions in society; people lived in unity, without feelings of victory or defeat—this collective spirit was a defining principle of early communities. The primary focus was on production and consumption to meet daily needs.

During the time of the Prophet Moses (peace be upon him), around 2500 BC in the Hebrew civilization, simple economic ideas began to appear in religious and philosophical texts. At that time, topics such as law, religion, morality, philosophy, and economics were discussed together, with no separate identity for economics as a distinct discipline. Knowledge about managing production, consumption, and family life was referred to as economics.

The English word "economics" is derived from the Greek word oikonomia, which means household management. Two of the greatest thinkers of Greek civilization, Plato (427–347 BC) and Aristotle (384–322 BC), discussed key economic concepts such as private property, wages of laborers, the slave system, and the issue of interest.

In ancient India, around the 4th century BC, Kautilya (Chanakya) wrote the Arthashastra—a comprehensive treatise that covered politics, society, economics, and military affairs across the nation.

From the late 16th to the late 18th century, a notable expansion in international trade took place in England, France, and Italy. This period is known as the era of Mercantilism. The central aim was to increase national wealth, strengthen state power, and maintain a trade surplus. English merchants, in particular, exported more than they imported. Goods manufactured in England were sent in large quantities to various countries around the world, in return for valuable minerals like gold, silver, and diamonds.

In the middle of the 18th century, some French thinkers started a new idea called Physiocracy. They were unhappy with the rich people's fancy lifestyles, high

taxes, and the strict trade rules of England. According to them, only farming (including mining and fishing) could create real wealth. They believed that industries and trade did not produce anything new, so they were not as important.

Over time, particularly during the ancient and medieval periods, economic thought gradually evolved and became more complex by integrating ideas from various disciplines. This evolution led to the emergence of a more structured study of economic principles.

A big change happened in 1776 when a famous English economist, Adam Smith, wrote a book called An Inquiry into the Nature and Causes of the Wealth of Nations. This book became the base of modern economics. Because of his work, economics became known as a separate subject to study.

Task: Write chronologically the origin and evolution of economics.

1.2 Two Basic Economic Problems: Scarcity and Unlimited Wants

Human beings cannot get everything they desire. This is known as want. There is no end to this need in life. For example, you are a student. Suppose you have one thousand taka. You need a shirt, a pair of pants and a pair of good shoes. In this way you will find that you need many more things. But you have only one thousand taka. Compared to your needs, the amount of money is very little. In economics, this is known as 'scarcity of resources'. Because of scarcity, a person chooses or selects things according to their importance. If there had been no need to choose, there would have been no need for this discipline, economics.

Scarcity and Unlimited Wants

The main problem of humans is not to be able to get everything according to their wants. To produce any goods (e.g. books) or services (e.g. medical services), resources are necessary. But 'wealth is limited.' Thus it is possible to get limited goods by means of the limited wealth. Therefore, with limited wealth all the necessities in life cannot be fulfilled. This is indeed the reason of scarcity.

Scarcity would have not been created if there had been lesser needs. Famous economist Professor L. Robins says, “Economics is a science that analyses human behavior related to the combination of unlimited wants and alternatively usable scarce resources.” According to economist Samuelson, since resources are scarce, the question of the best utilization of the resources in society holds such importance. The want for resources obtained from nature like sunlight or the wind is very high. But we do not have to spend any money to get these. Usually there is no scarcity of these resources. Since the wants of humans are too many and the resources are limited, all their wants cannot be satisfied. Amongst numerous wants, human beings satisfy only a few. And they fulfil these wants judging the importance of these wants. Humans satisfy the most necessary wants on a priority basis. This is known as selection of wants.

Scarcity and Unlimited Wants

Everyone wants many things in life, but not everyone can have everything they want. This limitation is known as scarcity. Scarcity exists in all areas of human life.

Let’s take an example: Suppose you are a student and you have 1000 taka. You need a shirt, a pair of pants, and good shoes. But 1000 taka is not enough to buy all of them. This means your needs are greater than the money you have. In economics, this is called the scarcity of resources. Because of scarcity, people must make choices based on what is most important to them. If there were no need to choose, there would be no need for economics. Economics helps us understand how to use our limited resources in the best possible way.

According to economists, not getting everything one wants is a basic human problem. We need resources to produce anything—whether it’s a good (like a book) or a service (like a haircut). However, these resources are limited. So, it is only possible to produce a limited amount of goods and services. Because of this, all our needs cannot be fulfilled. This is the essence of scarcity.

If resources were unlimited, there would be no scarcity. Economist Paul Samuelson said that when resources are limited, society must decide how to use them wisely. Natural things like sunlight and air are in high demand, but we

usually don't have to pay much to get them. So, they are rarely considered scarce. But in general, because human wants are endless and resources are limited, people must choose which needs to fulfill first. This process of deciding which needs are most important is called choice or prioritizing needs.

1.3 The Concept of Economics

As knowledge and science have advanced, the field of economics has also grown. Modern economics has become richer by combining ideas from both the past and present.

Early economists like Adam Smith, David Ricardo, and John Stuart Mill believed economics was mainly about the production and distribution of wealth. Adam Smith is known as the "Father of Economics." This early approach is called classical economics. Classical economists believed in minimal government control in economic matters- a policy known as laissez-faire.

Definition of Economics Given by Adam Smith: Adam Smith defined economics as "a science that examines the nature and causes of the wealth of nations." In his view, the economy revolves around the idea of wealth. So, the main goal of economic activity is to produce and gather wealth.

However, there are some limitations to Smith's definition:

1. It doesn't explain how to meet people's needs using limited resources.
2. While it focuses on wealth, it ignores individual people and their efforts.
3. It mentions the importance of wealth accumulation but not how it should be achieved.
4. Smith talks about goods as wealth, but does not mention services, which are also a big part of modern economies.

Professor Marshall's Definition of Economics:

Professor Alfred Marshall emphasized human welfare more than the accumulation of wealth. He stated that "Economics studies the general activities of human life." According to him, economics is mainly concerned with how people earn and spend money to reduce poverty. So, the central focus of economics is the well-being of human beings. Marshall focused only on the actual welfare of people.

However, modern economics considers the scarcity of resources as a core issue. Marshall's definition did not include this crucial problem. Marshall and economists like Robbins, Jevons, Walras, Edgeworth, and Pareto are known as neoclassical economists.

Professor Lionel Robbins' Definition of Economics:

Professor Lionel Robbins provided a more widely accepted definition. He said: "Economics is the science that studies human behavior as a relationship between unlimited wants and limited resources which have alternative uses."

The key points of this definition are:
1. Human wants are unlimited and diverse.
2. The resources and time available to fulfill these wants are very limited.
3. A key focus of economics is how to manage unlimited wants with limited resources.
4. Because resources are scarce, we must use the same resources to fulfill different needs.
5. We must prioritize our wants and satisfy the most important ones first.
Due to these points, Robbins' definition is considered more precise and relevant.

Criticism of Robbins' Definition
1. Robbins gave economics a broader perspective.
2. However, many personal and social decisions that people make are not covered in economics.
3. His definition does not directly mention human welfare—the core goal of economic activities.
4. It also overlooks the aspect of social choice in economics.
5. The concept of economic development in the modern world is not included.
6. Robbins mainly focused on price-related issues, but left out key areas like national income, employment, and investment distribution.

Keynesian Economics:

During the Great Depression of the 1930s, the free-market policies of classical and neoclassical economists failed to resolve the economic crisis. At that time, British economist John Maynard Keynes proposed a new approach, emphasizing the need for government involvement in the economy.

Keynes argued that market forces alone cannot solve all economic problems. In times of recession, the government should step in by increasing public spending and reducing taxes. This helps raise overall demand in the economy, which in turn supports economic recovery.

1.3.1 Microeconomics and Macroeconomics

Economics is mainly divided into two important branches:

1. Microeconomics
2. Macroeconomics

Difference between Micro and Macro Economics:

Microeconomics focuses on small-scale economic activities—how individuals, families (households), businesses (firms), or specific markets make decisions and interact.

Macroeconomics, on the other hand, looks at the broader picture. It studies the economy as a whole, including total consumption, national production, employment, inflation, government spending and income, investment, and international trade.

Key Differences:

• Microeconomics: Studies the behavior of individuals, households, firms, and specific markets.
• Macroeconomics: Studies the overall functioning of the economy—large-scale economic trends and national/global economic issues.

1.4 Ten Principles of Economics

Since resources are limited but human wants are unlimited, society must make choices. Economist Gregory Mankiw outlined ten key principles in his popular economics textbook. It is important to know about the 10 fundamental principles of economics. These are.

1. People Face Trade-Offs

To gain something, we often have to give up something else. For example, if you focus all your time on studying economics, you may have to skip studying Bengali or English. Watching TV may mean giving up time for sports. If a government increases defense spending, it may have to reduce spending on education or healthcare. This idea is known as a trade-off.

2. Opportunity Cost

The opportunity cost is what you give up in order to do something else. For instance, if you go to school instead of helping your father at home, the lost opportunity to support your family financially becomes the opportunity cost of your education. It refers to the value of the next best alternative that is forgone.

3. Rational People Think at the Margin

Rational people make decisions by weighing small changes—this is called thinking at the margin. For example, after eating at a wedding, some may wish they had eaten a little more, while others may regret eating too much. These small adjustments are marginal decisions. Suppose you get an 'A' in a subject—if you feel that with just a bit more effort you could have earned an 'A+', that's a marginal thought. People consider both marginal benefits and marginal costs. For instance, if you eat three bananas in a row, the third one is the marginal banana. The extra satisfaction you get from it is called marginal utility, and the money you spend to get it is the marginal cost. As a rational person, you'll only eat the third banana if the marginal utility is higher than the marginal cost.

4. People Respond to Incentives

Incentives influence people's actions. When people are motivated, they tend to work more carefully and efficiently. For example, if your father promises to buy you a bicycle if you score GPA 5 in the exam, you're more likely to study harder. Similarly, in the economic world, workers often increase their productivity when they are motivated by rewards or incentives.

5. Trade Can Make Everyone Better Off

Trade benefits everyone involved. For example, the United States may be efficient at making cheap cars, while we are good at making affordable clothes. If we trade clothes for cars, both sides gain—each gets what they need more efficiently than making it on their own.

6. Markets Are Usually a Good Way to Organize Economic Activities

Markets help organize most economic activities efficiently. Prices are set by the interaction between buyers (households) and sellers (firms). Businesses produce goods based on what consumers want, and households buy according to their

needs and income. This interaction of demand and supply determines market prices and keeps the system running smoothly.

7. Governments Can Sometimes Improve Market Outcomes

Though the market usually works on its own through the forces of demand and supply—often referred to as the "invisible hand"—it doesn't always produce the best results. Sometimes the market fails due to inefficiencies or unfair outcomes. In such cases, government intervention can help correct the problems and improve the overall outcome for society.

8. A Country's Standard of Living Depends on Its Production Ability

The standard of living in a country depends on how effectively its people can produce goods and services. Countries with higher productivity generally enjoy better living conditions. For example, developed countries like the United States and Japan have high per capita incomes because their workers produce more. In 2020, the U.S. had a per capita income of $63,051, while Japan's was $41,637 (source: World Bank). This allows their citizens to access better food, healthcare, and public services. Higher productivity also means workers can produce more in less time and with less effort.

9. Prices Increase When Too Much Money Is Printed

The central bank controls how much money is printed. If too much money is printed, inflation occurs, which means prices of goods and services go up. As a result, the value of money goes down. For example, if earlier 500 taka was enough to buy educational supplies, due to inflation, the same items might now cost 650 taka—150 taka more. This means you need more money to buy the same things.

10. In the Short Term, There's a Trade-Off Between Inflation and Unemployment

Inflation refers to the general rise in prices. Unemployment happens when people are willing to work at current wages but can't find jobs. Usually, when inflation is reduced, unemployment tends to increase. Conversely, when inflation rises, unemployment may decrease in the short term.

1.5 The Circular Flow of Income (Two-Sector Model)

In an economy, people involved in production, consumption, exchange, and distribution are called economic agents. These agents—such as households and businesses—interact with each other through the market in a continuous cycle of income and spending.

How the flow of income and expenditure occurs in a circular manner between these two types of agents is illustrated in the diagram below.

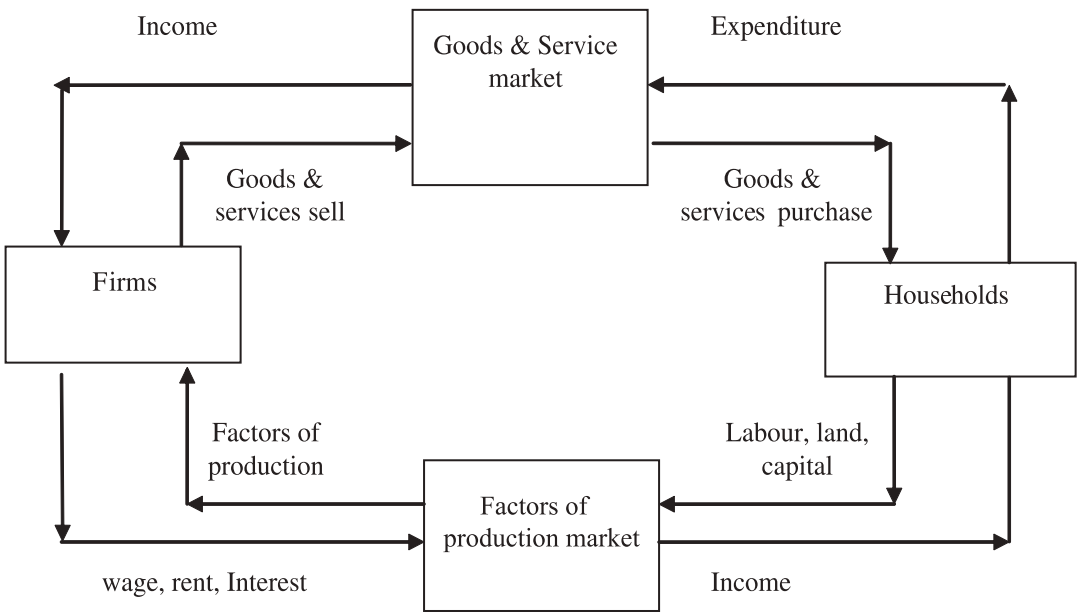


Diagram: Circular flow of Income

The figure above illustrates the interaction between two key agents in an economy: households and firms.

Firms purchase the factors of production—such as land, labor, and capital—and use them to produce goods and services, which they then sell in the market. The households, on the other hand, are the owners of these factors of production. They earn income by providing labor (for which they receive wages), land (for which they receive rent), and capital (for which they receive interest). After paying for all these costs, the firm owners (entrepreneurs) keep the remaining amount, which is called profit. Households then use the income they have earned to purchase goods and services from the firms. This continuous movement of

income from firms to households and the return flow of spending from households to firms creates what we call the circular flow of income. It is through this flow of goods, services, and income that the economy keeps moving.

The above figure illustrates that the economy consists of two main agents: households and firms. Firms acquire the factors of production—such as labor, land, and capital—and use them to produce goods and services, which they then supply or sell in the market. In contrast, households earn income by providing these factors of production. For example, labor earns wages, land generates rent, and capital earns interest. After covering these expenses, the entrepreneur retains any remaining amount as profit, which comes from selling the produced goods or services. Households then use their earned income to purchase these goods and services from the firms. This continuous cycle of production, income generation, and consumption keeps the economy functioning. This ongoing movement of goods, services, and income is referred to as the circular flow of income.

1.6 Types of Economic Systems

Our resources are limited, but our wants are endless. This scarcity is a central truth of human life and forms the basis of economics. Since we cannot fulfill all our needs with the resources available, we face various challenges. These are broadly known as fundamental economic problems, and they arise due to this gap between limited resources and unlimited wants.

a) What goods and services should be produced, and what should be avoided? For instance, should we allocate our resources to produce rice or clothing?

b) What methods or technologies should be employed in production? Should cloth be produced using labor-intensive traditional looms or capital-intensive modern machinery?

c) Who are the intended beneficiaries of the goods and services we produce? In other words, for whom are these goods being made?

To address these fundamental economic questions, different economic systems have evolved across the world. Among them are:

1. Capitalist or Market Economy
2. Socialist or Command Economic System
3. Mixed Economic System
4. Islamic Economic System

1. Capitalistic or Market Economic System

In a capitalist economy, the means of production are privately owned. Economic activities are primarily conducted by private enterprises, with minimal or no government interference. This system operates through an automatic price mechanism governed by supply and demand.

Capitalism emerged in Europe during the late 18th century, notably after the French Revolution. The classical economist Adam Smith and his followers were strong proponents of this economic model.

Key Features of a Capitalistic or Market Economy

1. Private Ownership of Resources:
Most resources and means of production are owned by private individuals, who are free to transfer or consume them as they wish.

2.Private Enterprise:
Economic activities such as production, distribution, exchange, and consumption are predominantly managed by private entities. Government interference is generally discouraged.

3. Free Competition:
Multiple firms compete freely in the marketplace, leading to lower prices and encouraging innovation and efficiency.

4. Automatic Price Mechanism:
Prices are determined by the interaction between buyers and sellers, reflecting supply and demand without direct state control.

5. Profit Motive:
The primary objective of producers is to maximize profits, which drives efficiency and investment.

6. Consumer Liberty:
Consumers are free to choose what to buy based on their preferences and tastes. Producers, in turn, respond to consumer demand in pursuit of profit.

7. Income Inequality:
In a capitalist society, there exists a significant gap between the income levels of the wealthy and the general population.

8. Role of Government:
In this system, the government's responsibilities include maintaining law and order, ensuring national defense, and safeguarding property rights.

In a capitalist economy, various sectors operate through mutual interdependence, driven by individual self-interest rather than altruism. Each participant engages in economic activities primarily for personal gain.

Solutions to Basic Economic Problems in a Capitalist System:

a) What to produce?
Decisions are guided by market forces. Goods that are in high demand and yield higher prices are produced in greater quantities. The pattern of production is determined by consumer preferences reflected in market demand.

b) How to produce?
Production methods are chosen based on cost efficiency. The technology that allows goods to be produced at the lowest market-determined cost is preferred.

c) For whom to produce?
Income distribution is based on ownership of production resources. Individuals receive earnings according to the market prices of the factors they provide (e.g., wages for labor, rent for land, interest for capital).

Summary:
In a capitalist system, the market dictates what is produced, how it is produced, and for whom it is produced. These decisions emerge from the competitive interactions between owners of production inputs and buyers and sellers. All assets—including the means of production—are privately owned, and prices are determined through free-market exchange.

2. Socialist or Command Economic System

In a socialist economy, the majority of resources and factors of production are owned and controlled by the state or collective society. Most industries and production entities are under government or social ownership, and economic decisions are made by the state.

Key Features of a Socialist Economy:

1. Public or Social Ownership of Resources:
Resources such as land, factories, and mines are primarily owned by the

government, cooperatives, or social organizations that operate under state authority.

2. Centralized Planning:
All major economic decisions—regarding production, distribution, and resource allocation—are made centrally by the government, which plans and oversees the nation's economic activities.

3. Limited Consumer Freedom:
In socialism, consumers generally do not have the freedom to choose what they want. The government and central planning authorities decide which goods and services will be produced and consumed. Individuals cannot influence production or consumption through their personal spending choices.

4. Lack of Free Market Competition:
Since most production is carried out under government direction, there is usually no scope for free competition among numerous private entrepreneurs. The absence of private business initiatives limits healthy market rivalry.

5. Elimination of Personal Profit:
In a socialist system, the primary goal of production is to meet national needs and promote collective welfare, rather than to generate personal profit. Consequently, industrial development through private enterprise is absent. With agriculture, industry, and trade controlled by the state or society, the concept of individual profit does not exist.

Solution:
In socialism, a central authority determines all aspects of economic activity—what will be produced, the technologies to be used, pricing, income distribution, and consumption patterns. The state or society, as the owner of all resources and means of production, governs these decisions through its representative body, typically the Ministry of Central Planning. These directives function as binding laws, and all economic actors must comply. For this reason, socialism is also known as a command economy, where the focus is placed on social welfare over individual gain.

Group Task: Prepare a comparative analysis of capitalist and socialist economic systems.

3. Mixed Economic System

A mixed economy is one where both private enterprise and government involvement coexist. It combines features of capitalism and socialism, allowing private ownership and initiative alongside public control and regulation. Most countries in the world, such as the United States, the United Kingdom, Germany, Bangladesh, and India, follow this system.

Key Features of a Mixed Economy:

1. Private, Cooperative, and Government Ownership:

In a mixed economy, individuals have the freedom to own, buy, and sell property. At the same time, the government operates and oversees sectors that serve the public interest—such as infrastructure (e.g., highways) and essential services (e.g., healthcare).

Mixed Economy

2. Private Enterprise: In a mixed economy, the majority of economic activities—including production, trade, distribution, and consumption—are carried out by private individuals or organizations.

3. Government Enterprise: Alongside private enterprises, the government also participates in economic activities. Key sectors such as core industries, national defense, and public institutions are managed by the state.

4. Profit Motive: In the mixed economy, individuals and private businesses can earn profits through economic activities. However, the system discourages excessive monopoly profits.

5. Consumer Freedom: Consumers enjoy significant freedom in purchasing, selling, and consuming general goods. However, the government reserves the right to intervene by regulating prices or restricting the production and consumption of certain goods (e.g., tobacco, drugs) when necessary for public welfare.

Since no country in the world strictly follows a purely capitalist or purely socialist model, the mixed economy is often considered a balanced and advanced system. In this model, both public and private sectors coexist, allowing for personal freedom in production and consumption while maintaining necessary government regulation.

Islamic Economic System

The Islamic economic system is grounded in the core beliefs and values of Islam. Its key characteristics include:

1. Faith-Based Principles: The Islamic economic system is shaped by the religious philosophy and practices of Islam, guided by the teachings of the Quran and Sunnah.

2. Interest-Free Transactions: Interest is prohibited in this system. Instead, Islamic banking operates without interest-bearing deposits.

3. Zakat and Fitra: A welfare-based distribution mechanism is in place, where wealth is collected from the rich through Zakat and Fitra and redistributed to support the poor and needy.

All economic activities in this system must align with the ethical and legal guidelines of Islam, especially in matters of production, exchange, and consumption.

Task: Which Economic System Resembles That of Bangladesh? Explain.

Sample Question

Multiple Choice Questions:

1. Who is the Father of Economics?
   a) David Ricardo b) Alfred Marshall
   c) Adam Smith d) L Robins

2. Market system is an excellent method for organizing economic activities. Because here…..
   i. bargaining is possible.
   ii. consumers get the opportunity to buy goods at lower prices.
   iii. goods can be produced according to demand.

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

Read the following passage and answer questions 3 and 4:

Mr. Nabil went to a super shop to buy sugar and noticed that the price of the sugar increased significantly compared to the previous week. As he was about to leave without buying sugar, another customer nearby informed him that sugar was being sold at a lower price at a nearby government sales center. He then bought sugar from there. This reminded him of the business trip he had taken last year where all products were produced by the government and sold at the price set by the government.

3. What type of economic system exists in country A?

a) Islami b) Mixed

c) Capitalist d) Socialist

4. In Mr. Nabil's country's economic system,

a). income inequality is observed

b) interest-free loans are transacted

c) stability is maintained

d) there is complete freedom of private enterprise

Creative questions:

1. Nuru Mia owns a piece of farmland where he can cultivate either potatoes or mustard during the Rabi season. Since the price of potatoes was high in 2019, he decided to grow potatoes the following year, in 2020. However, in 2023, when the government announced free distribution of mustard seeds and fertilizers, Nuru Mia decided to cultivate mustard instead.

a) According to the landowners, which one is considered as a productive sector?

b) What does scarcity mean?

c) Which fundamental principle of economics is reflected in Nuru Mia's decision to cultivate potatoes in 2020? Explain.

d) Which economic principle applies to Nuru Mia's decision to cultivate mustard in 2023? Give your opinions.

2. Asad is a citizen of the country 'A'. In his country, small and medium industries are run under private ownership, while large industries are operated under state ownership. Recently, he applied online for a job and got a job in a large industrial factory in a European country. When he came to join the job, he discovered that the factory is owned by an individual. He also learned that in this country, consumers and producers can freely buy and sell goods of their choice.

a)Write the definition of economics given by Adam Smith.

b)Why does inflation occur?

c)Explain the nature of the prevailing monetary system of Country 'A'.

d)Analyze which of the two countries has more inflation.

Short Questions:

a) What does the circular flow of income mean?

b) Why is it necessary to use resources efficiently in society?

c) What is the role of the price mechanism in a capitalist financial system?

d) What is the reason for the lack of discrimination in human rights in the Islamic economic system?

Chapter two
The Important Ideas of Economics

To develop a clear understanding of economics, it is essential to grasp several key concepts. This chapter provides a brief overview of fundamental topics such as the definitions and classifications of wealth and goods, opportunity cost and choice, income, savings, investment, economic and non-economic activities, as well as the economic activities of the people of Bangladesh. These foundational ideas will aid in comprehending the core subject matter of economics.



By the end of this chapter, we will be able to:

- explain the concept of economic wealth;
- compare natural, human, and manufactured resources;
- identify the key economic resources of Bangladesh;
- define and describe different types of goods;
- differentiate between non-renewable goods and economic goods;
- compare durable and non-durable consumer goods;
- distinguish between intermediate goods and capital goods;
- explain the idea of opportunity cost and the principle of choice;
- understand the interrelationship between income, savings, and investment; and
- compile a sector-wise list of various economic activities in Bangladesh.

2.1 Economic Resources

We all are more or less acquainted with the term 'resource'. The term economic resources refers to all those items considered as wealth in economic terms. For instance, Mr. Sujan may possess considerable wealth, which includes various items generally understood as 'wealth' both in everyday conversation and in economics. Examples include houses, furniture, and televisions. In economics, wealth comprises all tangible and intangible items for which one must pay. This includes visible material possessions and invisible services such as a doctor's consultation or a teacher's lessons.

To be classified as an economic good, an item must possess four key characteristics:

1. Utility:

Utility is the capacity of a good or service to satisfy human wants or needs. A product must offer utility in order to be considered a good. People do not spend money on items that provide no satisfaction or usefulness.

2. Scarcity:

Economic goods must be limited in supply. Resources that are abundantly available, such as air or unprocessed river water, are not considered economic goods. However, if water is bottled through labor, it becomes an economic good. Items like land, gas, and machinery are limited and thus fall under this category.

3. Transferability:

The ownership of a good must be transferable for it to qualify as an economic resource. This means it can be bought, sold, or exchanged. For example, the poetic talent of Rabindranath Tagore cannot be considered an economic good, as it is non-transferable. In contrast, a television is a transferable good and hence an economic resource.

4. Externality:

Personal attributes such as inner knowledge, experience, physical beauty, or character traits are not considered economic goods because they lack an externally perceivable form. Nevertheless, in a capitalist economy, such qualities can often be monetized in different ways.

Classification of Assets:

From the perspective of their origin, assets are broadly classified into three categories:

1. Natural Resources:

These are goods derived directly from nature that fulfill human needs. Examples include land, forests, mineral deposits, and rivers.

2. Human Resources

Human resources refer to the various types of physical and intellectual abilities possessed by individuals. These include physical strength, talent, initiative, skills, and organizational capabilities. All such attributes that contribute to productivity are considered human resources.

3. Produced Resources

Produced resources are those that are created by utilizing both natural and human resources. These include raw materials, machinery, factories, transport and communication networks, educational institutions, health centers, and so on. As they are the outcome of human effort and creativity, they are categorized as produced resources.

Task: Identify and Explain Which of the Following are Economic Resources
Items: Wheat, rice, poet's talent, computer experience, river sand.

Economic Resources of Bangladesh

Bangladesh, as a developing country, possesses several types of economic resources that play vital roles in its development. A summary of its key resources is provided below:

A. Agricultural Resources

Bangladesh is predominantly an agricultural country. Its vast stretches of fertile alluvial soil, favorable climate, adequate rainfall, and numerous rivers create ideal conditions for agriculture. In the fiscal year 2019–2020, the total food grain production was approximately 45.4 million metric tons.

The main agricultural outputs include:

- Food crops: Paddy, wheat, pulses, potatoes, oilseeds, and fruits
- Cash crops: Jute, sugarcane, tea, tobacco, and silk

Approximately 63% of the population is either directly or indirectly dependent on agriculture. According to the Labor Force Survey (2016–17), 40.62% of the labor force is employed in this sector, contributing about 13.35% to the country's GDP.

B. Mineral Resources

Bangladesh is relatively limited in mineral resources, but a few significant ones have been discovered:

• Natural Gas: This is the most valuable mineral resource in the country. As per the Bangladesh Economic Survey 2020, 28 gas fields have been discovered with an estimated reserve of 39.80 trillion cubic feet.

Key producing fields include:

Bakhrabad, Habiganj, Kailashtila, Rashidpur, Titas, Meghna, Shahbazpur, Saldariver, Jalalabad, Bianibazar, Fenchuganj, Moulvibazar, Bibiyana, Bangura, and others.

Natural gas is utilized as:

• A raw material for producing chemical fertilizers

• A fuel in power plants, industrial operations, and households

2. Limestone:

Limestone is an important raw material used in the production of cement, glass, paper, soap, and bleaching powder. In Bangladesh, it is found in Bhangarhat and Baglibazar of Sylhet, Tekerhat in Sunamganj, Joypurhat, Jamalganj, and St. Martin's Island in Cox's Bazar.

3. China Clay:

China clay, used in making ceramic utensils and sanitary items, is found in several districts of Bangladesh, including Netrokona, Mymensingh, Sherpur, Habiganj, Moulvibazar, and Chittagong.

4. Coal:

Coal deposits have been discovered in five areas of Bangladesh: Sylhet, Rajshahi, Joypurhat, Faridpur, and Barapukuria in Dinajpur. Currently, coal is being extracted from the Barapukuria mine.

5. Hard Rock:

Hard rock reserves are located in Madhyapara of Dinajpur and Ranipukur in Rangpur. Mining operations are currently underway in these areas. Hard rock is essential for construction works such as roads, railways, and dams.

6. Silica Sand:

Silica sand is found in the districts of Habiganj, Moulvibazar, Sylhet, Chittagong, Comilla, and Jamalpur. It is widely used in the production of glass, paints, and various chemicals.

7. Sulfur:

Sulfur is used in the production of gunpowder, matches, and in oil refining. There is potential for sulfur deposits on Kutubdia Island in the Chittagong region.

8. Mineral Oil:

Mineral oil has been discovered in Haripur, Sylhet. Exploration efforts are ongoing in the coastal areas, Chittagong Hill Tracts, and Sylhet to locate more oil reserves.

9. Copper:

A small quantity of copper has been detected in the hard rock layers of Ranipukur and Pirganj in Rangpur, and Madhyapara in Dinajpur. Copper is commonly used to produce electrical appliances, wiring, and coins.

C. Forest Resources

Forest lands and their resources are valuable natural assets. To maintain a balanced environment, a country should ideally have at least 25% of its land covered by forests. However, Bangladesh has only about 17.62% forest coverage, which is relatively low compared to other nations—for instance, the USA has 33.84%, Japan 67%, Myanmar 63%, and India 23.70%. Bangladesh's forests vary in type and can be broadly divided into five categories based on region and characteristics.

The following table shows the types of forest, their locations and main trees.

Serial No.	Type of forest	The amount of forest (Thousands hector)	District location	Main trees
1.	Mountain forest	1377.00	Chattogram, Chattogram Hill Tracts, Cox's Bazar, Sylhet, Moulovibazar and Habiganj	Garjon, Chapalish, Dhakijam, Civit, Segun, Gamar, Champa, Jarul, Sonalu

2.	Natural mangrove forest	610.00	Khulna, Bagerhat and Satkhira	Sundori, Geoa, Kewra, Poshur, Bain, Goran
3.	Created mangrove forest	200.00	Noakhali, Laksmipur, Bhola, Patuakhali, Chattogram and Cox's Bazar	Geoa, Bain
4.	Shawl forest	120.00	Gazipur, Tangail, Mymensingh, Dinajpur, Rangpur, Naogaon, Thakurgaon and Panchgarh	Shawl or Gajari
5.	Wetlands	23.00	Sylhet and Sunamganj	Hijal, Koroch, Pitali, Barun

D. Livestock

A wide variety of animals and birds are found throughout Bangladesh. Among the domesticated species, cows, goats, sheep, buffaloes, ducks, and chickens are the most common. Additionally, the forests of the Sundarbans and the Chittagong Hill Tracts are home to valuable wildlife such as tigers, elephants, hares, and numerous bird species. Our rivers, beels, haors, ponds, and the Bay of Bengal are rich in diverse types of fish. These resources not only fulfill our nutritional needs but also create employment opportunities. Moreover, they supply raw materials to industries like leather and contribute significantly to the country's export earnings.

E. Energy Resources

Energy resources are vital for industrial operations, transportation, mechanized agriculture, household tasks, and communication. Various sources provide this energy, including coal, petroleum, natural gas, nuclear power, solar energy, and other traditional fuels.

Although coal has been discovered in several areas of Bangladesh, extraction has not yet commenced. Petroleum has been found in Haripur, Sylhet; however, the country still relies on imports to meet its petroleum needs. So far, Bangladesh has not been able to generate electricity using nuclear energy.

The country's energy supply mainly comes from natural gas, electricity, and traditional fuels. Natural gas is used extensively for industrial purposes, household needs, and electricity generation. Bangladesh also generates electricity from water, known as hydropower. The only hydropower plant in the country is located on the Karnaphuli River at Kaptai in the Chittagong Hill Tracts.

Electricity generated using gas, oil, and coal is called thermal power. Mineral oil is used as a fuel source in several power plants, including:
1. Goalpara Thermal Power Plant, Khulna
2. Bheramara Thermal Power Plant, Kushtia
3. Thakurgaon Thermal Power Plant
4. Saidpur Thermal Power Plant, Nilphamari

The gas-based power plants in the country include:
1. Siddhirganj Thermal Power Plant, Narayanganj
2. Ashuganj Thermal Power Plant, Brahmanbaria
3. Ghorashal Thermal Power Plant, Narsingdi
4. Shahjibazar Thermal Power Plant, Sylhet
5. Chittagong Thermal Power Plant

Thermal energy is also generated from traditional biomass fuels such as wood, straw, cow dung, jute sticks, chaff, and leaves. The government has implemented Quick Rental Services to address the demand for electricity.

It is worth noting that many countries are now using alternative energy sources such as wind, solar power, and biogas. Nuclear energy is also being given special attention globally. Bangladesh has also taken initiatives to explore these alternative energy sources. The present government has made significant progress in increasing electricity production.

F. Water Resources

Water is a vital natural resource essential for the survival of all living beings, including animals and plants. It plays a crucial role in the development and sustainability of agriculture, forestry, livestock, and energy resources in a country. In Bangladesh, water primarily comes from three main sources:
1. Rivers, canals, ponds, and the sea
2. Rainfall
3. Groundwater

These sources are indispensable for agriculture. Any imbalance in water supply—either excess or shortage—directly affects agricultural productivity. Inland water bodies and coastal areas are rich in fish and other aquatic resources. Moreover, rivers are utilized to produce hydroelectric power.

Bangladesh's transport and trade systems have flourished around its extensive network of rivers, canals, and other water bodies. Rainfall and river water contribute significantly to the country's climate and environmental balance. If water resources are properly developed and utilized, they can accelerate the pace of economic growth.

2.2 Goods

We usually associate goods with tangible, material items. In economics, goods refer to all physical objects that satisfy human needs—anything that has utility. Goods can be categorized in several ways:

- Free Goods: These are naturally available in abundance and are free of cost. For example – sunlight, air, and river water.
- Economic Goods: These goods have a limited supply and must be purchased. For example – food, clothing, books, pens, chairs, and tables.
- Consumable Goods: Items whose utility is exhausted through use or consumption. For example – clothes, vehicles, etc.
- Durable Consumer Goods: Goods that provide utility over a long period. Examples include refrigerators, cars, houses, land, and playgrounds.
- Non-durable Consumer Goods: These are consumed quickly and often used only once. Examples – food, clothing, vegetables, etc.
- Intermediate Goods: These are not consumed directly but are used as inputs in the production of final goods. They are fully consumed during production. For example – raw materials like milk and sugar used in making rasgolla.

Final Goods:

Final goods are products that are consumed directly after production. These goods are not used to produce other goods. Examples include bread, chairs, clothing, etc.

Capital Goods:

Capital goods are those that are used to produce other goods and services. These include machinery, tools, factories, and warehouses. Capital goods are not

consumed directly but are used repeatedly in the production process. Interestingly, capital goods are also used to produce more capital goods.

Goods and Products:

In economics, goods generally refer to materials or inputs used in the production of final goods. For instance, flour is a product used to produce bread, a final good. Traditionally, items like grains, gold, and natural gas are also considered goods. However, not all materials are classified as goods in an economic sense. While not all goods are economic goods, all economic goods are considered goods. Similarly, not all services are tangible goods, but all economic services are treated as goods within the framework of economics.

Task: Identify the types of goods for the following:
• Light • River water • Table • Land • Ornaments • Machinery

2.3 Opportunity Cost and Choice

Opportunity Cost:

One of the fundamental concepts in economics is 'opportunity cost'. It refers to the value of the next best alternative that must be forgone to undertake a certain action.

For example, as a student, you cannot simultaneously sit for an economics exam and watch a football match at the same time. Choosing to attend one means giving up the other — this trade-off is your opportunity cost.

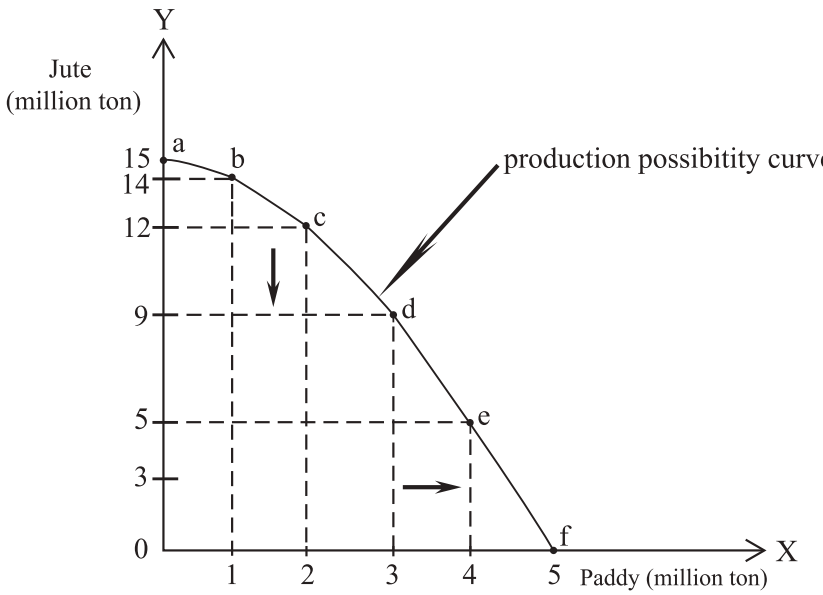
Let's consider another example:
Suppose you own one bigha of land. If you cultivate paddy on it, you can harvest 20 quintals. Alternatively, if you plant jute instead, you will get 10 quintals. Here, the opportunity cost of producing 20 quintals of paddy is the 10 quintals of jute that you forgo. In essence, opportunity cost is the quantity of one item that must be sacrificed to gain another.

In economics, opportunity cost is usually measured as the value of the best alternative foregone.

This idea can be illustrated using the Production Possibility Curve (PPC), which shows different combinations of two goods that a country can produce using all its available resources and current technology.

Assembly	Paddy (million ton)	Jute (million ton)	Opportunity cost of 1 Million Paddy
a.	0	15	-
b.	1	14	1
c.	2	12	2
d.	3	9	3
e.	4	5	4
f.	5	0	5

The diagram below can be drawn following the chart.



Production Possibility Line and Opportunity Cost:

The above diagram represents the Production Possibility Frontier (PPF). Moving from one point on this line to another means increasing the production of one good at the expense of another. For instance, shifting from point 'C' to point 'D' results in the production of 1 additional unit of rice but a reduction of 3 units of jute. This implies that the opportunity cost of producing 1 million tons of rice is 3 million bales of jute.

Choice:

Take the example of Jasim, a farmer who owns three bighas of land. He can use all the land to grow either rice or wheat, or he can divide it between the two crops. If he uses the entire land to grow rice, he can produce 120 quintals of rice.

If he grows only wheat, he can produce 80 quintals of wheat. Jasim must now decide how to utilize his land most efficiently. This decision-making process is called choice. In economics, choices must be made due to the limited availability of resources. This applies not only to individuals like Jasim but also to society and governments as a whole.

Task: Mention Two Real-Life Examples of Opportunity Cost

2.4 Income, Savings, and Investment

Income:

Income refers to the earnings that a person or the owner of a production instrument receives over a certain period in exchange for its use. For example:

- Income earned through labor is called wages.
- Income earned from land is called rent.
- Income from lending capital is called interest.
- The remaining income that an entrepreneur receives after covering all expenses is known as profit.

Savings:

People earn money primarily to fulfill their needs and desires. However, with future needs in mind, they do not usually spend their entire income. A portion is set aside and deposited in a financial institution. This portion is called savings. For example, if your father earns 30,000 taka in a month and spends 27,000 taka on household expenses, the remaining 3,000 taka is his savings.

This can be expressed with the formula:

$S = Y - C$ (when $Y > C$)

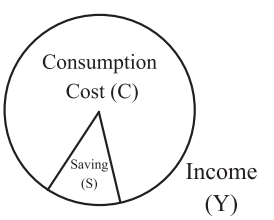
Where:

S = Savings,

Y = Income,

C = Consumption expenditure

So, 30,000 - 27,000 = 3,000 taka



Savings and consumption together make up a person's total income and can be visually represented in a pie chart.

Savings are influenced by several factors, including:
• Level of income
• Sense of family responsibility
• Foresight and future planning
• Availability of social security
• Interest rates offered by banks and institutions

Investment:

When the saved portion of income is used to increase production, it becomes investment.
For instance, if a factory owns capital goods worth 1,00,000 taka and purchases additional capital goods worth 50,000 taka to enhance production, the extra 50,000 taka is considered an investment.
Investment leads to increased production, which in turn fosters economic growth and development.

> **Task:** Mention four areas where investment contributes to economic prosperity.

2.5 Economic and Non-Economic Activities

Humans engage in various activities to sustain themselves. While many of these activities aim to earn a livelihood—such as working in offices, factories, or on agricultural land—others are done for personal fulfillment, like playing sports, enjoying entertainment, or raising children. Some individuals may also participate in harmful or anti-social behavior.

However, not all these activities are classified as economic.
They can be divided into two broad categories:
a) Economic Activities
b) Non-Economic Activities

a) Economic Activities

The activities that people do to earn a living are called economic activities. Through economic activities, people earn money and spend it to live. For example, workers work in factories, farmers work on the land, doctors treat patients, industrialists run industrial establishments - these are economic activities. The main motivation of human economic activities is to meet the

shortage of goods and services - to create new goods and services.

b) Non-economic activities

All activities through which money is not earned and cannot be spent for living are called non-economic activities. Such activities, although they meet the needs of people, cannot play a role in earning money. For example, raising children of parents, playing sports as a hobby, etc. are examples of non-economic activities.

2.6 Economic Activities of Bangladesh

Bangladesh is a developing country in South Asia. The economy of this country depends on 3 sectors - agriculture, industry and services. However, in recent times, the contribution of industry and services sectors to national income has been increasing gradually. The contribution of agriculture to national income is gradually decreasing.

Agricultural Economic Activities: Agriculture is now known as the largest sector in terms of employment of the people of Bangladesh. About 40.62% of the labor force of this country is engaged in this sector. About 63% of the population is directly or indirectly involved in agriculture. Activities such as land cultivation, sowing seeds, irrigation, fertilizing, spraying pesticides, harvesting, selling crops, raising animals, fish farming, fishing, selling fish, raising poultry, producing and selling various vegetables and fruits are included in the agricultural sector.

Industrial Economic Activitpies: After agriculture, industry is the largest sector of the economy of Bangladesh. The main industries of Bangladesh are- readymade garments, textiles, jute, cotton, tea processing, paper and newsprint, cement, chemical fertilizers, frozen fish, light engineering etc. A large part of the labor force employed in the industrial sector is engaged in the readymade garments sector. The readymade garments sector contributes 75-80% of Bangladesh's foreign exchange earnings.

Service Sector: With the economic progress of Bangladesh, the importance of the service sector is increasing. This sector includes maintenance and repairs, training, and consulting. The services included in this sector in Bangladesh are- home management, tourism, nursing, teaching etc. Apart from this, many people work as tailors, crammers, goldsmiths, workers, weavers, carpenters, and hawkers.

Task: Make a list of 10 agricultural and non-agricultural economic activities of the people of Bangladesh.

Sample Question

Multiple choice questions:

1. Which one is natural resource?

a)House b) The Padma river
c) Post Office d) Farmhouse.

2. Reputation in business is resources. Because it has…..

i)the ability to fulfill scarcity.
ii)ownership can be transferred.
iii)collective ownership can be observed.

Which of the following is correct?

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

Read the following passage and answer questions 3 and 4:

Rahela has a sewing machine. Using this machine, she earns 20,000 taka per month. After covering family expenses and her child's education costs, she saves the remaining money in the bank. With the saved money, Rahela has decided to buy two more sewing machines this year.

3.Which economic concepts are reflected in Rahela’s decision?

a)Savings b) Capital
c) investment d) Choice

4. The effect of such a decision by Rahela,

i)will increase family financial security,

ii)responsibility towards her child will grow,

iii)employment opportunities will expand.

Which of the following is correct?

a) i and ii

b) ii and iii

c) i and iii

d) i, ii and iii

Creative Questions:

1.Tamim and Shamim are twin brothers studying at a university. After university each day, Tamim works part-time at a local superstore every day after university to earn money and uses his earnings to cover his educational expenses. On the other hand, Shamim tutors his younger sister every afternoon, which saves the family the expenses of hiring a private tutor. Both of them are contributing to their family and their own responsibilities in different ways.

a) What is income?

b) What is meant by energy resources?

c) Explain Shamim's work in the light of economics.

d) Analyze the economic significance of Tamim's work.

2.Hafiz is a businessman. He has increased productivity by organizing his employees and demonstrating exceptional ability in attracting customers. He owns a one-story concrete warehouse in Sadarghat, where goods from different parts of the country are brought and stored. Under his instructions, the employees distribute these goods to various regions across the country. Due to his efficient management, he became well-known in the business community in a very short time.

a) What is an economic commodity?

b) Why are intermediate goods necessary?

c) Explain what kind of commodity is Hafiz's warehouse in Sadarghat?

d) Which type of resource do you think played the most important role in q Hafiz's business reputation? Give arguments in support of your answer.

Short Questions:

1. Why is river water not considered as a resource?
2. How are produced resources created?
3. What is the relationship between income and savings?
4. Show the difference between economic and non-economic activities.

Chapter Three

Utility, Demand, Supply and Equilibrium

This chapter explores key economic concepts such as utility, consumption, total and marginal utility, the law of diminishing marginal utility, demand, supply, market demand and supply curves, and how equilibrium price is determined in a capitalist or market-based economy.





By the end of this chapter, you will be able to:

- Explain the concept of utility;
- Understand the relationship among utility, consumption, and the consumer;
- Demonstrate that total utility is the sum of marginal utilities;
- Illustrate the law of diminishing marginal utility using diagrams;
- Analyze the relationship between price and quantity demanded;
- Examine the relationship between price and quantity supplied; and
- Identify how equilibrium price and quantity are determined.

3.1 Utility, Consumption, and Consumer

Imagine you visit the market intending to buy mangoes. You pick up the first mango with eagerness, but your interest gradually decreases with the second, third, and fourth mangoes. This change reflects the concepts of utility, consumption, and consumer behavior.

People consume goods and services based on their ability to fulfill various needs. In economics, this usefulness is termed utility. Below are the definitions of utility, consumption, and consumer:

Utility:

To sustain life, individuals require numerous goods—such as food, clothing, books, or medical services. These satisfy various personal needs. In economics, utility refers to the capacity of a good or service to fulfill a human need or desire. It is a subjective and psychological concept that varies from person to person.

Consumption:

Each day, we use or consume items like rice, fish, pens, clothes, or watches. In economics, consumption doesn't imply destruction, but rather the use of a good to extract its utility. If the utility of an item is lost in any way that does not serve human need—such as clothes being destroyed in a fire—it is not considered consumption. Thus, consumption means utilizing a good or service in a way that satisfies human wants or needs.

Consumer:

Anyone who uses goods or services to satisfy needs is termed a consumer. In a market-based economy, a consumer is someone willing to pay for goods or services (except those that are freely available) for the purpose of consumption.

From these definitions, it is evident that utility, consumption, and consumer are closely interconnected. A consumer derives utility through the act of consumption.

> **Task:** Differentiate between utility and consumer goods with examples.

3.2 Total Utility and Marginal Utility

Total Utility:

When you buy and eat a mango, your initial desire to eat mangoes is largely satisfied. As you continue with the second, third, and fourth mango, your desire diminishes, and so does the additional satisfaction you derive. You may even

reach a point where you no longer wish to eat more mangoes because they offer no further satisfaction—this reflects zero marginal utility.

Now consider the prices you're willing to pay:
• 1st mango: 5 taka
• 2nd mango: 4 taka
• 3rd mango: 3 taka
• 4th mango: 2 taka

If utility is measured in monetary terms, the total utility of consuming four mangoes is 5 + 4 + 3 + 2 = 14 taka.

Total utility is the total amount of satisfaction or benefit derived from consuming a certain quantity of a good or service at a given time. As consumption increases, total utility rises but at a decreasing rate due to diminishing satisfaction from each additional unit.

Marginal Utility

Let's understand it this way:

Imagine you have already bought 3 mangoes. Now, you buy one more — the 4th mango. This additional mango is called the marginal mango, and the satisfaction or benefit you receive from consuming this extra mango is known as marginal utility.

For example, if the 4th mango costs you 2 taka and gives you a satisfaction worth 2 taka, then its marginal utility is 2 taka. So, marginal utility refers to the additional satisfaction gained from consuming one more unit of a good or service.

The concept of total utility and marginal utility can be better understood through the table below:

Unit of Goods (mangoes)	Total Utility (in taka)	Marginal Utility (in taka)
1st	5	5
2nd	5 + 4 = 9	4
3rd	9 + 3 = 12	3
4th	12 + 2 = 14	2
5th	14 + 1 = 15	1
6th	15 + 0 = 15	0
7th	15 - 1 = 14	-1

From the table above:

- The total utility increases as you consume more mangoes, but at a decreasing rate.
- The marginal utility from each additional mango is: 5, 4, 3, 2, 1, 0, and -1 respectively.
- When you consume the 6th mango, your satisfaction no longer increases (marginal utility = 0), so you likely wouldn't buy it.
- Consuming the 7th mango actually lowers your total satisfaction (marginal utility = -1), which is why it's better not to consume beyond the point where marginal utility becomes zero.

In summary:

- Total utility is the sum of satisfaction from all consumed units.
- Marginal utility is the added satisfaction from just one more unit.
- As consumption increases, total utility rises slowly, and marginal utility declines.
- When total utility is at its peak, marginal utility becomes zero.
- If you keep consuming beyond that point, marginal utility turns negative, and total satisfaction starts to drop.

Task: Write four differences between total utility and marginal utility.

3.3 Law of Diminishing Marginal Utility

From the earlier example, we observe that when you eat the same mango again and again, your liking for it gradually reduces, and so does the satisfaction (utility) you get. As this satisfaction decreases, you are less willing to pay the same amount for each additional mango. If you look at the table on page 30, you'll notice that the marginal utility of the 6th mango becomes zero, and for the 7th mango, it turns negative. This shows that when the same item is consumed repeatedly, the utility from each extra unit decreases.

So, the more of a good a consumer consumes, the less additional satisfaction (marginal utility) they receive from each extra unit. This natural decline in satisfaction as consumption increases is known as the Law of Diminishing Marginal Utility.

Conditions for the Law to Apply:

This law works only when certain conditions are met:

a) The consumer is rational and has normal judgment.

b) The consumer can express or measure satisfaction in monetary terms.

c) The price of the product is equal to the marginal utility.

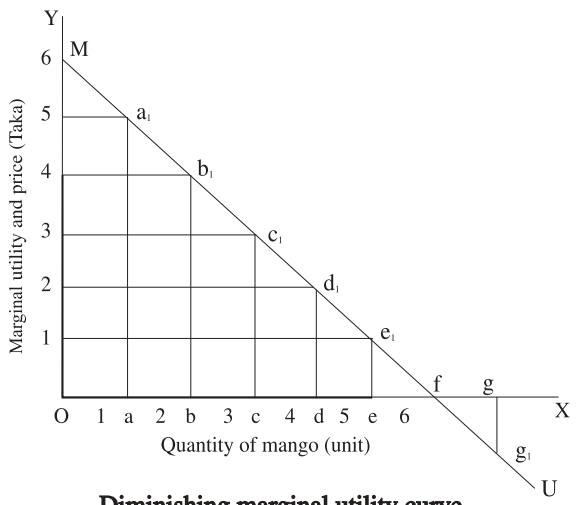
d) The consumer's income, preferences, and taste remain unchanged during consumption.

e) The consumption occurs over a specific time period.

Illustration of the Law of Diminishing Marginal Utility by a Diagram

The law of diminishing marginal utility can also be explained through a graph. In the graph below, the horizontal axis (OX) shows the number of mangoes consumed, and the vertical axis (OY) shows marginal utility and price.

[Graph Illustration]



Diminishing marginal utility curve

In the diagram, the amount of mangoes in the horizontal axis and the marginal utility and price in the vertical axis are indicated.

In the picture, you get aa1 quantity of utility or marginal utility from the 1st mango and you pay tk 5 for the 1st mango. With the increase of consumption,

from the 2nd, 3rd, 4th and 5th mango, you gain bb1, cc1, dd1 and ee1 quantities of marginal utility respectively. That means, with the increasing consumption, you would agree to pay tk 4 for the 2nd mango, tk 3 for the 3rd, tk 2 for the 4th, tk 1 for the 5th. The marginal utility of the 6th mango is zero and the marginal utility of the 7th is negative, i.e. tk -1.00. The point f on the horizontal axis shows the zero marginal utility. And the marginal utility of the 7th mango is negative (tk-1) which is shown by gg1. Here, $ee_1<dd_1<cc_1<bb_1<aa_1$. From this we can understand that with the increasing consumption of mangoes the utility of the extra units gradually decreases for you. Now we can get the MU (Marginal Utility) line by connecting the points, a1, b1, c1, d1, e1, f1, and g1. The line is sloping on the right hand side. Here we can observe that with the increase in the quantity of consumption, the marginal utility is gradually decreasing. And that is why the marginal utility line is sloping downwards.

3.4 Demand

We, in our daily life, want to get many things. A car, a beautiful house, good foods, etc. But all our wants are not demands. Three conditions are to be fulfilled to make a demand in economics, e.g. 1. the wish to get any goods 2. Necessary monetary capacity to buy and 3. the wish to spend money to get that goods. Therefore, if a buyer has the wish to buy some goods, the capacity to buy it and the wish to buy it at fixed price, then it is called a demand in economics.

The Law of Demand: Your mother asked your father to bring a hilsha fish from the market. Returning from the market, your father was annoyed and told her that the price of the hilsha fish was very high for him and it was not possible to buy it. That means, due to the rise in price, there is no demand for the hilsha fish to your father. Another day, your father returns home with two hilsha fish in his hand and said with a smiling face that today the price of the hilsha fish is low and that is why he bought two hilshas. So, there is a close relation between the demand and the price.

Therefore, by the law of demand, we understand, "all else being constant or unchanged, at a particular time, if the price of the goods falls the quantity of demand rises and if the price rises, the quantity of demand falls." [price (↑) Demand (↓) again price (↓) Demand (↑)] . The other factors being constant means

here, the taste of the buyer, habit, likings will not be changed and the income of the buyer and the price of the alternative goods will also remain unchanged, etc. If the other circumstances are changed, the law of demand does not become effective and the demand curve shifts right or left.

Drawing the Demand Curve from the Demand Schedule

We have seen in the law of demand that there is an inverse or negative relationship between price and demand. That means, when the price of the goods increases, quantity demanded falls, on the other hand, when the price falls, demand rises. This concept, when presented by a schedule, is called the demand schedule. Therefore, it can be said that the schedule through which the different quantities of demands for goods bought at different prices at a particular time is called the demand schedule or demand list.

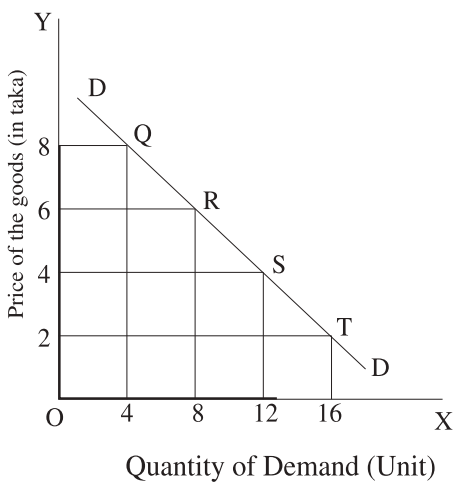
Demand Schedule or Demand List

Price of each unit of goods (in taka)	Quantity of demand (unit)
8.00	4
6.00	8
4.00	12
2.00	16

In the schedule we can see that, when the price of one unit of goods is tk 8, a consumer buys 4 units of the goods. When the price falls to tk 6, tk 4 and tk 2, the demand rises to 8 units, 12 units and 16 units respectively. The inverse relation between price and demand is shown in the demand schedule.

From the demand schedule above, we can draw the demand curve.

Demand Curve



In the diagram above, the horizontal axis or the OX axis shows the quantity of demand and the vertical axis or OY axis shows the price of the goods. When the price of the goods is tk 8 the quantity of demand is 4 units. If two perpendiculars are drawn using the price 8 tk and the quantity 4 units, they intersect at the point Q. Likewise, 8 units at tk 6, 12 units at tk 4 and 16 units at tk 2 is shown at the points R, S and T. Now, if we join the points Q, R, S, and T, we will get the DD line. This DD line is the demand curve. The points on the DD line are indicating the different quantities of demand at different prices of the goods.

This way we can draw the demand curve from the demand schedule according to the demand law. It is worth mentioning that we have drawn here the demand curve of regular goods.

Task: Mention three differences between the demand schedule and the demand curve.

3.5 Drawing the Market Demand Curve

A personal demand curve can be drawn from a person's demand schedule. Similarly, it is also possible to draw a market demand curve. The sum total of the personal or different demands of all the consumers at a particular price in the market is known to be the market demand. For the convenience of our understanding, we will presume that the number of the consumers at the market is two. A market demand curve is drawn below from the personal demand schedules of the two consumers.

The Market Demand Schedule

Price of the good (tk)	Demand of the 1st consumer (Q_1) Unit of the goods (quintal)	Demand of the 2nd consumer (Q_2) Unit of the goods (quintal)	Maket demand (Q) ($Q = Q_1 + Q_2$) Unit of the goods (quintal)
6.00	5	10	15
4.00	10	15	25
2.00	15	20	35

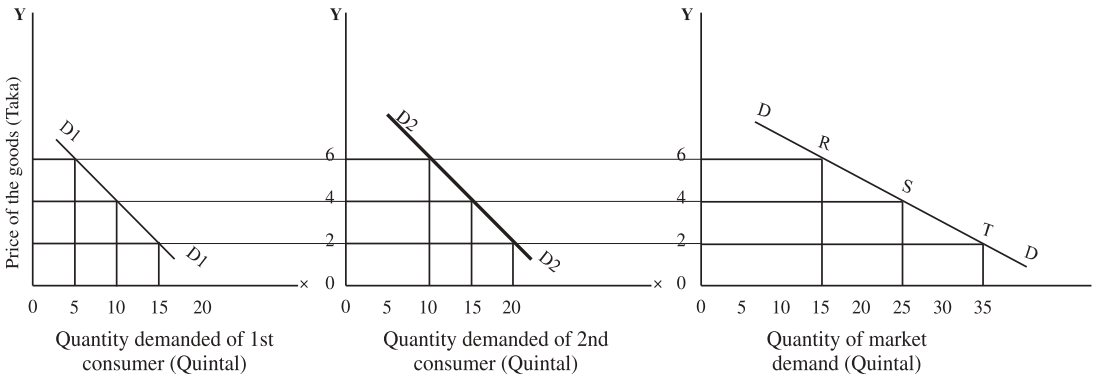
The schedule above shows the demands of the 1st and the 2nd consumer at different prices of goods. Now it will be shown how the market demand

schedule is prepared from the individual demand schedule of these two consumers.

The demand curve that shows the quantities of any goods that different persons are prepared to buy at different prices is known as the market demand curve.

The market demand curve can be drawn by summing up the demand curves of the 1st and the 2nd consumers side by side.

Diagram:



Individual demand curve for 1st and 2nd consumer and market demand curve.

In the diagrams above, the personal demand curves of the 1st and the 2nd consumers are D1D1 and D2D2 respectively. When the price of the goods is tk 6, the quantities of demand of the 1st and the 2nd consumers are 5 quintals and 10 quintals and the market demand, therefore, will be (5 quintals + 10 quintals) = 15 quintals, which is shown on the market demand curve by the point R. The price falling to tk 4 and tk 2 has resulted in the personal demands of the 1st and the 2nd consumer being (10 quintals + 15 quintals) = 25 quintals and (15 quintals + 20 quintals) = 35 quintals respectively, which has been shown in the market demand curve by the points Sand T. Now let us join the points R, S and T to draw the DD demand curve. This is known as the market demand curve. The market demand curve is the horizontal summation of individual demand curve. For this reason, the market curve is more flatter than individual demand curves.

3.6 Supply

When we visit the market, we may see sellers displaying various goods for sale. However, in economics, this is not referred to as supply. Supply, in economic terms, refers to the quantity of a product that a seller is willing and able to sell at a specific price during a specific period of time. It's important to note that three elements are considered here: a particular product, a specific time, and a specific price. Therefore, supply is defined as the amount of a product that producers or sellers are willing to offer for sale at different price levels.

Law of Supply

Buying and selling goods is a regular part of market activity. But when does a seller feel encouraged to sell more of their product? Naturally, when the price of the product is higher in the market, the seller is more willing to supply it. For example, if the price of potatoes is 15 taka per kilogram, a seller may supply 2 quintals. But if the price rises to 20 taka per kilogram, the seller may decide to supply 30 quintals instead. This shows that when the price of a product increases, the quantity supplied also increases, and when the price decreases, the quantity supplied decreases. Thus, the law of supply states that there is a direct relationship between price and quantity supplied.

When the price of a product changes, the quantity supplied also changes. That is, assuming other factors remain constant (such as the cost of production, technology, and normal market conditions), an increase in price leads to an increase in the quantity supplied, while a decrease in price results in a decrease in the quantity supplied. This direct relationship between price and supply is known as the Law of Supply. However, if other factors change, the law does not apply in the same way, and the supply curve shifts either to the right or to the left.

Drawing the Supply Curve from a Supply Schedule

The Law of Supply can be illustrated through a supply schedule. As the price of a product increases, the quantity supplied also rises; conversely, when the price decreases, the quantity supplied falls. This relationship is recorded in a supply schedule, where one column represents the price of the product, and the other shows the corresponding quantity supplied.

The Supply Schedule

Price of each unit of the product (in taka)	Quantity of Supply (quintal)
10.00	10
20.00	20
30.00	30
40.00	40

Supply Schedule

This table shows that when the price per quintal is 10 taka, the supply is 10 quintals. As the price increases to 20, 30, and 40 taka, the supply rises to 20, 30, and 40 quintals respectively. This clearly reflects the Law of Supply.

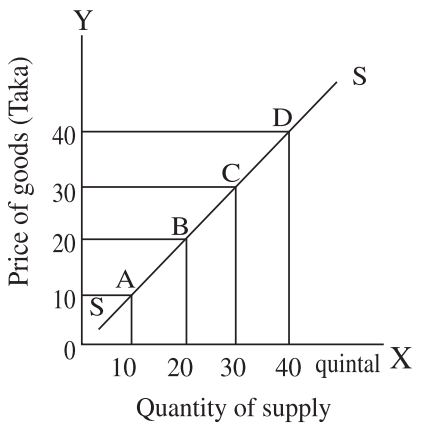
Supply Curve

The graphical representation of the supply schedule is called the Supply Curve. It visually shows how supply changes with price.

To draw the supply curve:

• Place quantity supplied on the horizontal axis (OX axis).

• Place price on the vertical axis (OY axis).



For example:

• At 10 taka, the quantity supplied is 10 quintals (Point A).

• At 20 taka, it's 20 quintals (Point B).

• At 30 taka, it's 30 quintals (Point C).

• At 40 taka, it's 40 quintals (Point D).

By plotting these points on a graph and connecting them, we get an upward-sloping line from left to right, labeled SS. This is the Supply Curve, which illustrates that as price increases, quantity supplied increases—demonstrating the Law of Supply.

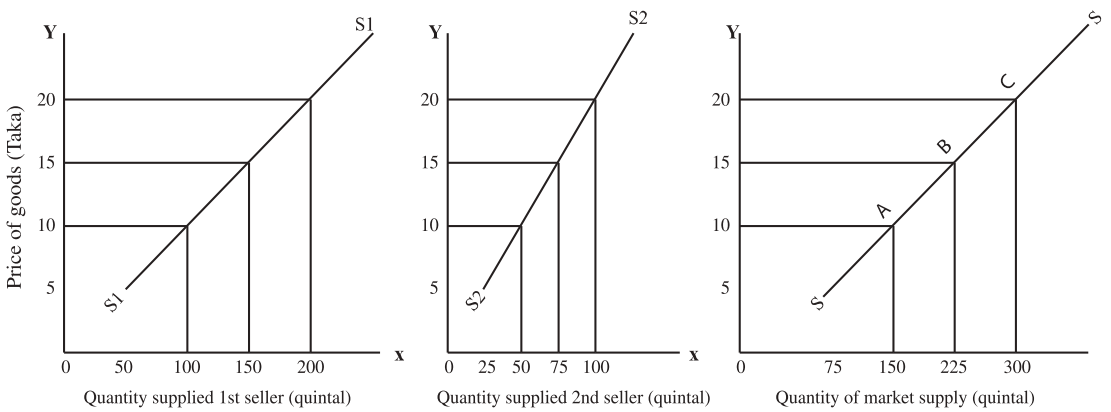
3.7 Drawing the Market Supply Curve

At a specified time, the different quantities of goods that a salesman supplies at different prices is known as the personal or individual supply. On the other hand, the quantity of goods that all the salesmen supply at a specific time at different prices is known to be the market supply. Summing up the individual supply schedules of all the salesmen, the market supply schedule can be prepared. Here follows a brief and simplified market supply schedule–

Market Supply Schedule

Price of the Goods (taka)	Supply of the 1st producer (S_1) Unit of goods (quintal)	Supply of the 2nd producer (S_2) Unit of goods (quintal)	Market supply $S=S_1+S_2$ Unit of goods (quintal)
10.00	100	50	150
15.00	150	75	225
20.00	200	100	300

In the table above, the supply of the 1st and the 2nd salesmen is shown. How the market supply curve with the supplied goods of the two salesmen can be drawn is shown below.



Individual & market supply for 1st & 2nd sellers

In the diagrams above, S1S1 and S2S2 are the individual supply curves of the 1st and the 2nd salespersons. When the price of the goods is tk 10 the quantities of supply of the 1st and the 2nd salespersons are 100 quintals and 50 quintals respectively, and the market supply will, therefore, be (100+50)=150 quintals. This is shown by the point A in the diagram. When the price rises to tk 15, the quantities of the individual supplies of the 1st and the 2nd salespersons will be 150 quintals and 75 quintals and the market supply will be (150+75)=225 quintals. This is shown by the point B. When the price rises even more to tk 20, the quantities supplied by the 1st and the 2nd salespersons will be 200 and 100 quintals. The quantity of the total supply will be (200+100)=300 quintals, which is indicated by the point C in the diagram. Now we can draw the line SS by joining the points A, B and C. This is known as the market supply curve. The market supply curve is the summation of horizontal individual supply curve. For this reason, the market supply curve is more flatter than individual supply curves.

Task: Refer to 3 differences between supply schedule and supply curve.

3.8 Determining Equilibrium Price and Quantity

An ordinary picture of the market is the bargain between the buyer and the seller for the price of the goods. The buyer tries to buy the goods at the lowest possible price. On the other hand, the seller tries to sell them at the highest possible price. Through this bargain between the buyer and the seller, ultimately the goods are bought or sold at a price where the demand and the supply are the same. The price at which the demand and the supply are the same is known to be the equilibrium price. At the equilibrium price the quantity of the goods that is bought or sold is known as the equilibrium quantity.

In the below, the equilibrium price and quantity of market are explained through a co-ordinated demand and supply curve.

Table: Determining the equilibrium price and quantity of market

Price of goods (Taka)	Demand of goods (Unit)	Supply of goods (Unit)
5	6	2
10	4	4
15	2	6

From the above chart, when the price of the goods is Tk. 10, then the demand and supply of the market is same. It means the balance price is Tk. 10 and the balance

quantity is 4 unit. We can also explain it through the help of the chart below.

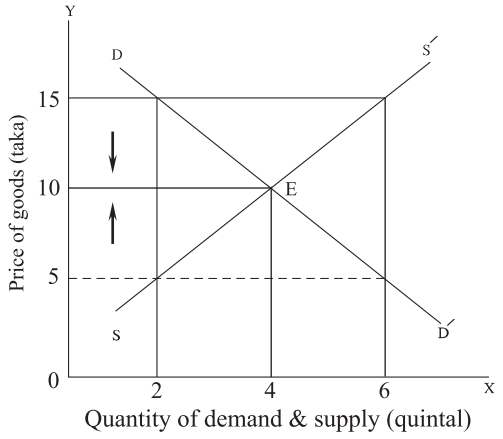


Figure: Determine equilibrium price & quantity

The chart indicates, when the price of the goods is Tk. 5 then its demand is 6 unit and supply unit is 2. For this reason, demand is greater than supply. As a result, the price of the goods will be increased.

On the other hand, when the price of the goods is Tk. 15 and its demand is 2 unit. The supply unit becomes 6. In this case, supply is greater than demand and ultimately the price of the goods will be decreased.

But when the price of the goods is Tk. 10 and the demand unit is 4 which is 4. In that case demand is equal to supply and the market will be stabilize which is called market stabilization.

In the graph intersection dot E is the equilibrium dot of market demand and supply where the equilibrium price is Tk. 10 and the quantity of equilibrium is 4 unit.

Task: Present the diagram of determining the Equilibrium price on poster paper in the class.

Sample Question

Multiple choice questions:

1. How many conditions of demand are there in economics?

   a) 2 b) 3

   c) 4 d) 5

2. In a state of market equilibrium:

a)The quantity of supply is greater than the quantity of demand

b)The quantity of demand is greater than the quantity of supply

c)The quantity of demand and supply are equal

d)The price of demand is higher than the price of supply

Answer questions 3 and 4 based on the information below.

The information on the consumption and total utility of oranges by an individual is as follows:

Unity of product (Orange)	1st	2nd	3rd	4th	5th
Total utility	15	18	20	20	19

3. What is the marginal utility of consuming the fourth unit of orange?

a) 0 b) 2

c) 19 d) 20

4. Which of your statements is correct about consuming the fifth unit of orange?

a) Total utility is maximum. b) Marginal utility is negative

c) marginal utility is zero. d) Marginal utility is maximum.

Creative questions:

1. The quantity demanded of commodity X at different prices for individuals 'Ka' and 'Kha' is as follows:

Price per unit of the goods (Tk)	Quantity demanded by the individual K (Kg)	Quantity demanded by the individual Kha (Kg)
20	5	7
15	10	11
10	15	15

a) What is utility?
b) Explain the relationship between total utility and marginal utility.
c) Draw a demand curve for a person from the demand list and explain.
d) Draw the market demand curve for good X and compare it with the individual demand curve.

2. Sujan goes to the market and sees that the price of potatoes per kg is 25 taka. He wants to buy 120 kg of potatoes at that price, but the seller Karim wants to sell 160 kg of potatoes at this price. Through bargaining between the two, the price of potatoes per kg is fixed at 20 taka. Sujan A buys 140 kg of potatoes from Karim at this price.

a) What is demand? Explain the law of demand.
b) Draw and explain Karim's supply curve of potatoes.
c) Do you think Sujon was able to buy potatoes at the equilibrium price?
d) Provide a reasoned explanation along with a diagram in support of your answer.

Short questions:

a) What is meant by consumption and consumer?
b) What is the difference between total utility and marginal utility?
c) Why does the supply curve slope upward?

Chapter Four
Production & Organisation

Sharbat is a manufactured product. Water, sugar, lemon, etc. are required to produce sharbat. Usefulness or satisfaction can be created through the production of goods using materials and consumption of them. The production work is done by the organization. Materials such as water, sugar, lemon are needed to produce, a plan has to be made on how to produce it, and different people do different jobs during production. These jobs have to be distributed according to their qualifications, and the produced products have to be taken to the market for sale. Such jobs are done by the organization. The person who performs the main responsibility of the organization is called the entrepreneur. If the organization or entrepreneur is not efficient, it is not possible to increase production.



At the end of this chapter, we will be able to-

- describe the concept of production;
- explain the relationship between the producer and production;
- explain the materials of production;
- explain the organization and its development;
- explain the relationship between average and marginal product;
- explain the concept of production cost;
- Identify visible and invisible costs;
- Distinguish between private and social costs;
- Be interested in productive activities and initiatives;

Be able to present the law of diminishing marginal product with the help of tables and graphs.

4.1 Production and Producer

Production essentially means the creation of utility—the ability of a product to satisfy human needs. However, simply creating something doesn't count as production unless it has both utility and exchange value. Production occurs when raw materials or existing resources are transformed into new products or forms of utility.

For instance, bread is made using ingredients like flour, salt, water, and yeast. Bread is a new product, and when consumed, it satisfies hunger—therefore, it creates utility. Since bread can be exchanged for money or other goods, it also has exchange value.

When bread is produced for commercial purposes, it typically needs to be taken to the market. This entire process—from sourcing materials to selling the final product—is supervised by an organization or its entrepreneurial leader. For example, decisions must be made regarding:

- What materials are required
- Where they will be sourced from
- Who will gather and mix them
- Who will knead and bake the bread
- Who will transport it to market
- At what price it will be sold

The entrepreneur or organizer oversees and coordinates all these steps. Without proper organization and management, maximum output from given resources cannot be achieved.

A single person can serve both as a producer and an organizer. For example, a small farmer cultivating his own land is both. In contrast:

- A factory owner who manages workers is an organizer but not directly a producer.
- A factory owner who hires a manager and plays no role in production is neither an organizer nor a producer—only an owner.
- An owner who actively participates in production and supervises others is simultaneously an owner, producer, and organizer.

Types of Utility Created Through Production

Production can create utility in several ways, which are broadly categorized into five types. Here are three key types:

1. Form Utility (Morphological Utility):

This involves creating new products by changing the form of existing materials. For example, making beds, chairs, or tables from wood is form utility—new goods are produced by altering the material's structure.

2. Place Utility (Spatial Utility):

Moving a product from one location to another can increase its usefulness. For instance, wood found in forests may only be used locally, but when transported to urban areas, it can be made into elegant furniture, thus increasing its value. Similarly, a flower may not be appreciated in the forest but gains value when planted in a city courtyard.

3. Time Utility (Temporal Utility):

Utility can increase over time, even if the quantity produced remains the same. For example, during the rice harvest season (Paush-Magh), rice is plentiful and cheap. However, if stored and sold later (Bhadra-Ashwin), it fetches a higher price. This increase in utility over time without a change in production volume is known as time utility.

4. Service Utility

Service utility is the usefulness created through the services people provide. For example, a teacher imparts knowledge and helps create educated individuals, while a doctor maintains or improves people's health, thereby enhancing their ability to work and be productive.

5. Ownership Utility

Ownership utility arises when the ownership of goods or services changes, leading to increased usefulness. For instance, when a farmer purchases unused land and begins cultivating it, or when used land is bought to boost production, additional utility is created.

Earlier, you learned how utility is created through production. Now let's explore who carries out this production.

Ramzan Ali is a farmer who owns three bighas of agricultural land. He grows

rice in one season and wheat in another. Between these seasons, he cultivates vegetables. For his farming activities, he uses various inputs such as seeds, fertilizers, water, pesticides, and machines for harvesting and threshing. His family members also assist him throughout the process.

Task 1 : Classify the following situations based on the types of utility created through production: (a) Fish pond – Place utility (b) Soldier's work – Service utility (c) Parental affection – Not economic utility (d) Father's gift of property to his son – Ownership utilit (e) Making machinery by beating iron – Form utility (f) Wheat to flour – Form utility (g) Sugar to sugarcane – Invalid transformation; reverse logic (h) Rice to rice pitha – Form utility (i) Bringing bananas, fruits, vegetables from the village to the city – Place utility (j) Selling potatoes harvested in Agrahayan during Ashadh – Time utility

Task 2 : Is Ramzan Ali an owner, producer, or organizer?

4.2 Factors of Production

In your area, both agricultural (like wheat, rice, bananas, and potatoes) and industrial products (like cloth, biscuits, and plastic items) are produced. Various inputs are needed for this.

To grow rice, for instance, farmers require land, seeds, fertilizers, plows, irrigation, and labor. Industrial production needs factories, buildings, raw materials (like yarn and flour), machines, electricity, gas, and manpower. These inputs—such as soil, minerals, sunlight, water, and labor—are essential resources and are known as means of production. In short, anything used to produce goods and services is a factor or means of production.

Types of Means of Production

The means of production are generally classified into four main types:

1. Land
2. Labor
3. Capital
4. Organization

1. Land:

All natural resources that contribute to the production process are referred to as land. This includes not only physical land but also soil fertility, minerals, forests, aquatic resources, sunlight, rainfall, climate, and other natural elements.

2. Labor:

Labor refers to all forms of human effort—both physical and mental—used in production. For example, the physical labor of farmers, fishermen, blacksmiths, potters, and garment workers is considered labor. Likewise, the intellectual and physical work of office staff, teachers, doctors, and lawyers also falls under this category.

3. Capital:

Capital includes all man-made resources used to produce other goods and services rather than being consumed directly. Examples include machinery, tools, raw materials, buildings, and office equipment.

4. Organization:

Organization acts as the coordinator among the other factors of production. It involves planning, managing, and directing the production process by efficiently integrating land, labor, and capital. The person responsible for this coordination is known as an organizer or entrepreneur. The entrepreneur's duties include preparing production plans, assembling necessary resources, taking risks, and ensuring smooth operations.

Thus, production requires the combined contribution of all four factors—land, labor, capital, and organization. The absence of any one of these makes production impossible. However, their relative importance can vary based on context. For instance, in an agricultural and densely populated country like Bangladesh, land and labor play a more significant role than capital. Conversely, in industrialized nations such as the United States or Japan, capital tends to hold greater importance.

Task: What could be the important factors of production in the perspective of our country?

Name of the country	Important factors used in production
Bangladesh is an agriculture-based country	.....
Japan is an industrialist country	.....

Task: (2) Arrange the factors as per their importance in the production sector.

Sector of production	Factors according to their importance are
Agriculture	.....
Industry	.....

4.3 Organization and Its Development

Ayesha Begum, despite being occupied with numerous household responsibilities, managed to set up a poultry farm at her home. The farm produced eggs consistently throughout the year. After a year, during a visit to a government fish farm, Ayesha became interested in fish cultivation. Inspired, she invested her net earnings of twenty thousand taka from the poultry business to dig a pond on 2 bighas of land beside her house and began cultivating different types of fish. She hired a few workers to assist with both the poultry and fish farms. As she started selling fish alongside eggs, her income began to rise steadily. With this increase in income, Ayesha was able to save more and support her children's education and other household expenses.

As the farm grew, Ayesha's husband, Rahmat Ali, left his city job and joined her in managing the farms. Together, they expanded their operations, acquiring more land and increasing their poultry and fish production. They employed 12 male and female workers and clearly assigned roles and responsibilities to each one. Ayesha and Rahmat took turns supervising and managing the day-to-day farm operations, as well as arranging for the eggs and fish to be marketed and sold.

Their success inspired many villagers, who began setting up their own poultry and fish farms. Wholesalers from various regions started visiting the village regularly to buy eggs and fish. Over the next few years, the village saw significant economic progress through agriculture, poultry, and fish farming. The area eventually became known for its commercial production of poultry and fish.Can we consider Ayesha Begum an organizer? Has her organizational ability developed?

From the discussion above, we understand that organization refers to the process of managing and coordinating production activities for business purposes. In reality, effective production and business operations are nearly impossible without a proper organizational system. In today's world, different individuals are assigned distinct roles in the production process. An organizer allocates these tasks based on individuals' skills and qualifications. Through this process, various functions of production and business are carried out with the help of employees. A mutual structure of rights and responsibilities naturally develops among them, which forms the foundation of an organization. Thus, organization is the cornerstone of any business venture.

The role of organizational structure is to bind different parts of the organization together and provide a framework for achieving its objectives. It includes task distribution, rule-making, and establishing procedures. The structure of a business organization depends on factors such as the size of the enterprise, nature and volume of products, type of industry, production processes, and the skills of the workforce. A key challenge for any organization is ensuring the fair distribution of production benefits or income among all participants. Without this balance, no social organization can thrive in the long term.

A clear understanding of an organization's management system—its departments, branches, and the hierarchy of authority—offers a complete organizational picture. The more well-structured and fair this system is, the greater the chances of business success. Hence, organization is not only fundamental but essential in both business and any form of social production.

A well-functioning organization typically exhibits several key characteristics:
1. Purpose and Nature of the Business: The first step is to clearly define the business's purpose. The organizational structure should be aligned with this purpose—identifying which goals are primary or secondary, and distinguishing between short-term and long-term objectives.
2. Identification of Business Functions: Once the purpose is established, all business operations must be analyzed—such as production, procurement, sales, finance, recruitment,

and labor-management relations. These activities also involve functions like accounting, marketing, inventory management, and overall administration.

3. Division of Work: After identifying the functions, they are categorized based on similarity in purpose and nature. These primary functions are further broken down into sub-functions within specific departments or units.

Departments such as production, procurement, sales, accounts, and marketing often operate separately within a business. In some cases, businesses are also divided by regions, where multiple branches are grouped under a regional department.

4. Distribution of Duties:

Each employee in an organization is assigned specific tasks based on their experience, skills, and capabilities. Tasks are divided across departments and sub-departments, ensuring that individuals best suited to each role are responsible for performing them.

5. Delegation of Authority and Responsibility:

Delegation means assigning appropriate authority to employees so they can carry out their duties effectively and independently. A supervisor delegates a portion of their power to subordinates, who in turn are accountable to their superiors for the work done. When the flow of responsibilities and reporting functions efficiently from top to bottom and vice versa, the organization operates successfully.

Task: List of Organizational Functions:

4.4 Total, Average, and Marginal Production:

Kamal Babu employs 10 workers on one bigha of land and produces 600 quintals of wheat. The average production per worker is 60 quintals (600 ÷ 10). In the next season, he employs 11 workers and produces 655 quintals. The marginal production added by the 11th worker is 55 quintals (655 – 600). Therefore:

• Total Production = 600 quintals (by 10 workers)

• Average Production = 60 quintals per worker

• Marginal Production = 55 quintals (from the 11th worker)

These concepts can be explained using the law of diminishing marginal product.

4.5 Law of Diminishing Marginal Returns:

When the production process continues with fixed inputs (like land) and increasing variable inputs (like labor), initially, the total output increases at an accelerating rate. However, after a point, as more labor is added, the rate of increase in total output slows down, causing the marginal product of each additional worker to decline.

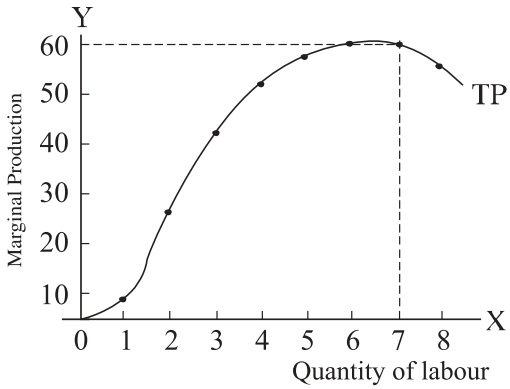
This law is especially applicable in agriculture. For instance, when land remains constant and labor increases, initially, each new worker makes better use of the available land, raising productivity. But eventually, too many workers on the same land lead to overcrowding and inefficiency, which reduces the marginal output of each additional worker. This is because the additional labor is employed, resulting in less land available for each unit of labor. As a result, gross output increases at a decreasing rate. This is called the law of diminishing marginal product. The law of diminishing marginal product can be explained through the following table and diagram.

Table: The law of diminshing Marginal Returns

Amount of land (stable)	Labour factor (labour hour of the labourer)	Combination of factors	Total production (quintal)	Marginal production (quintal)	Average production (quintal)
1 hector	1	A	10	10	10
1 hector	2	B	24	14	12
1 hector	3	C	36	12	12
1 hector	4	D	46	10	11.5
1 hector	5	E	54	8	10.8
1 hector	6	F	60	6	10
1 hector	7	G	60	0	8.57
1 hector	8	H	56	-4	7

Total production: Total production means the total amount of produced goods by using specific factors in a specific time. Here the quantity of land remains fixed. The total amount of goods that can be produced also called total production. From this chart, the total production curve can be drawn below.

Total production: Engaging different types of factors, the production that can be found called total production.



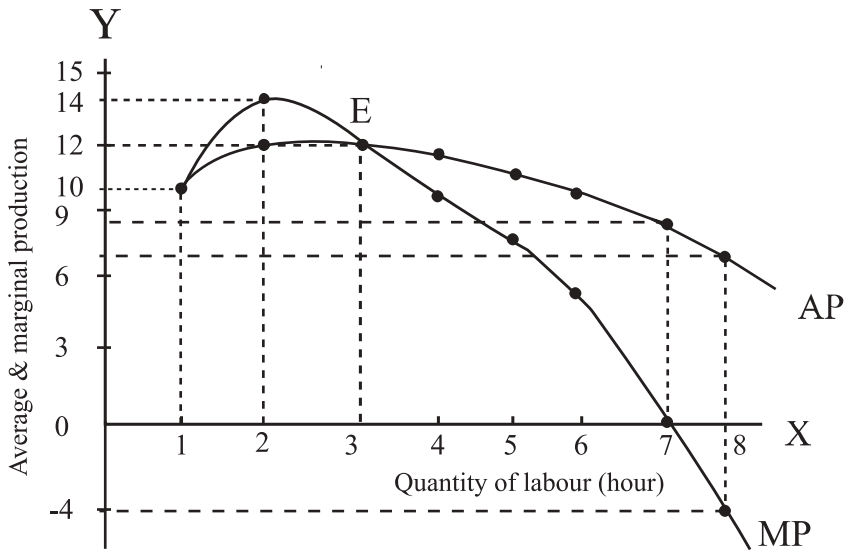
From this diagram, when the quantity of labour remains/is in 7 unit then the production becomes the highest (60 quintal). After that when the quantity of labour factors increases more then the total production starts diminishing.

Average Production: We can get the average production when we divide the amount of the total production by the total amount of factors (Labourer). (Here, we have taken labourer as the factor. The average production can also be calculated by other factors of production).

$$\textbf{Average Production} = \frac{\textbf{Total Production}}{\textbf{Total Labour Factor}}$$

Marginal Production: With the change of one unit of a factor of production (i.e. labour or capital), the change that happens in the total production, is known as the marginal production. If labour is used, we shall call it marginal production of labour and if capital is used, it will be called marginal production of capital. That means, using a factor or labour, the change that occurs to the total production, is marginal production. From the schedule that follows, it can be seen that when the labour factor increases from 1 to 2, the total production increases from 10 to 24 quintals. Here, the marginal production is (24-10)=14 quintals. Thus, if the usage of the factor is increased up to 3, the total production becomes 36 quintals. Here the marginal production is (36-24)=12 quintals.

The Relation between Average and Marginal Production: There is a relation between the average and the marginal production in the production system.



The horizontal axis (OX) shows the labour and the vertical axis (OY) shows the average and marginal production. In the diagram, AP is the average production curve, and MP is the marginal production curve. We can see in the diagram that:

1. When the marginal production is more than the average production, the average production increases. Therefore, the marginal production curve is usually above the average production curve. In the diagram, if the usage of labour factor is 2 unit then the marginal production becomes more than the average production.

2. When the marginal product (MP) is higher than the average product (AP) but is decreasing, the average product still rises, but at a slower rate. In this scenario, the AP curve lies below the MP curve but continues to increase. For instance, in the graph, when labor input is 5 hours, the AP is still rising, although it is now lower than the MP. When labor input is 3 hours, the MP and AP are equal. After this point, both start to decline, and the MP falls below the AP.

3. When the average product reaches its maximum, the marginal product curve intersects it at that peak point. This means that at the highest point of the AP curve, MP and AP are equal. In the diagram, this occurs at point E, which corresponds to 3 labor hours of input.

4.6 Cost of Production

Nuru Mia from Rajshahi owns a 2-acre litchi orchard with around 100 trees. This year, he spent 20,000 taka on various inputs and had a good harvest. He and his son worked hard, sacrificing rest and sleep, to protect the garden from bats and birds.

There are two types of costs in his litchi farming:

1. Material Costs – These are the monetary expenses for inputs, i.e., financial production costs.
2. Human Effort and Sacrifice – The loss of rest and comfort, which is a form of non-monetary cost.

To determine the true cost of production, both of these costs must be considered. Their sum is known as the actual production cost.

4.7 Explicit and Implicit Costs

Explicit costs are the actual, visible expenses a production unit incurs for things like rent, materials, and labor. These include:

• Salaries and wages of employees

• Purchase of raw materials and intermediate goods

• Fixed costs like house rent, interest on capital, etc.

Implicit costs, on the other hand, refer to the unrecorded or hidden costs of using the entrepreneur's own resources—such as:

• The owner's own labor and management efforts

• Using personal assets like their house for business or setting up an office without charging rent

These costs are not reflected in the firm's official accounts. For instance, in a sole proprietorship, the owner may not draw a separate salary but considers the profit as their compensation. Any benefit the owner receives without formal accounting is considered an implicit cost.

4.8 Personal and Social Costs

Earlier, we discussed financial production cost, real production cost, and both explicit (overt) and implicit (covert) costs. Now, let's explore the concepts of personal cost and social cost.

Personal cost refers to the total of all direct financial expenses and hidden (implicit) costs incurred by a firm or individual in the process of acquiring resources or materials for production. In short, it is the sum of both explicit and implicit costs borne by the person or organization engaged in production.

On the other hand, social cost arises when people who are not directly involved in the production or consumption process are negatively affected by it. This includes the compensation or expenses required to address the harm caused to society.

For instance, vehicle emissions in cities can lead to health problems for the public. The costs society bears for treatment and healthcare due to such pollution are considered social costs.

While personal cost can be a part of social cost, the reverse is not always true—social costs are usually not included in the calculation of personal cost, even though the two are closely linked.

Task: Why is it important for a manufacturing organization to understand the concepts of explicit and implicit costs? Discuss in groups and present your ideas to the class.

Sample Questiuon

Multiple choice questions:

1. Which one is a natural resource that helps in production?

a) Land b) Labor

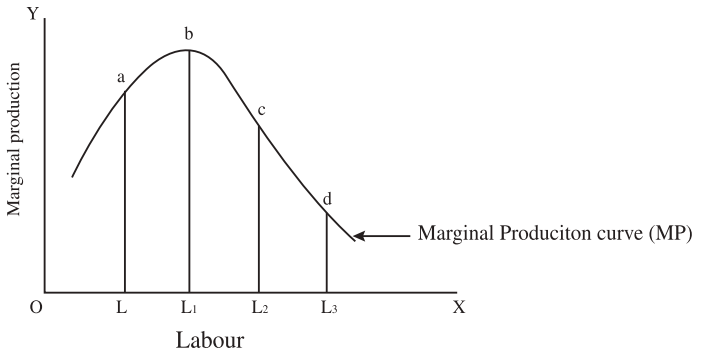
c) Capital d) Organization

2. Which type of cost is not recorded in the firm's account books?

a) Fixed cost b) Total cost

c) Explicit cost d) Implicit cost

Look at the picture below and answer questions 3 and 4.



3. What is the amount of labor at the point of maximum marginal production?

a) OL b) OL1

c) OL2 d) OL3

4. According to the following information:

i)At point B, production is at its maximum

ii) Up to the amount of labor of OL1, production is increasing

iii) At point D, marginal production is increasing

Which of the following is correct?

a) i and ii

b) ii and iii

c) i and iii

d) i, ii, and iii

Creative questions:

1.Aleya runs a small handicraft business locally. To expand the scope of her business, she forms an organization named "Srijoni." There, she distributes responsibilities among the employees and brings discipline and efficiency into the production process. As a result, the productivity and quality of products in her organization increase.

a) Which one is a means of production produced by man-made factor?

b) Explain the concept of production cost.

c) What characteristics or tendencies of "Srijoni" can be observed as an organization? Explain.

d) Do you consider Aleya to be a successful organizer? Give reasons to support your answer.

2. A farmer's data on paddy production on a fixed amount of land is given below, including:

Number of workers	Total production of paddy (Kg)	Marginal production (Kg)
10	100	500
20	2000	
30	2500	
40	2700	

a) What is total production?

b) What is meant by personal cost?

c) What is the marginal production at the level of 30 units of labor employment? Explain.

d) Which law of production is reflected in the table? In which case do you t hink this law is more applicable?

Short questions:

1. What type of utility does the passage of time create? Explain.
2. Why does marginal production gradually decrease?
3. How do explicit and implicit costs affect a firm's accounting?
4. What is meant by factors of production?

Chapter Five

Market

In economics, the term market refers to the interaction between demand, supply, and the pricing of goods. The concept is analyzed based on factors such as time period, geographical scope, the nature of the product, and the level of competition. In Bangladesh, various types of markets exist, each with distinct characteristics. These differences influence the attitudes and behaviors of both buyers and sellers.



By the end of this chapter, you will be able to:

- Define the concept of a market;
- Describe the patterns and types of market development;
- Explain the features of a perfectly competitive market;
- Compare perfect competition with monopolistic and monopolistic competitive markets;
- Identify the different types of market systems in Bangladesh;
- Understand the reasons behind price fluctuations and their impact;
- Create a chart categorizing market types based on competition.

Market

Subed Ali, a service holder, went to New Market in the first week of May to check the prices of daily essentials for his family. He purchased the items and paid in cash. Meanwhile, Srabani ordered a dress online, received it on time, and paid for it upon delivery. In both cases, the interaction between buyer and seller around a product constitutes a market.

In economics, the term market does not only refer to a physical place where buying and selling take place. Rather, it refers to a process through which goods and services are exchanged between buyers and sellers in various forms. These can include online transactions, telephone or fax orders, and more. In such markets, general or specialized goods can be traded—such as ordering cement over the phone.

Markets can be categorized based on the nature of the product, such as the jute market, rice market, labor market, tea market, gold market, or stock market. They can also be classified based on time duration: very short-term markets, short-term markets, and long-term markets.

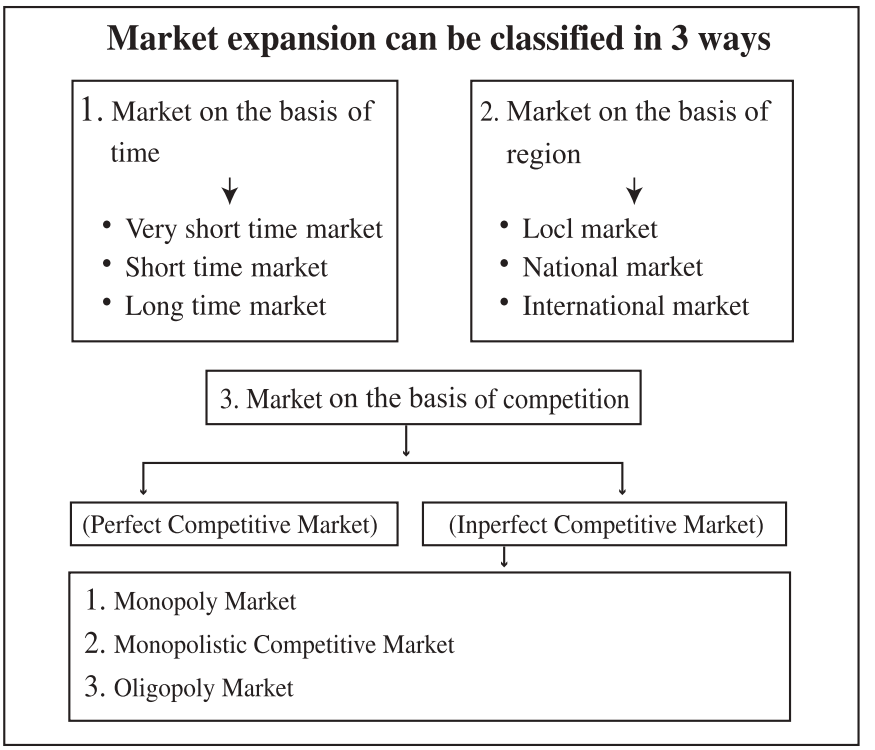
Task: Identify the characteristics of markets.

5.1 Evolution and Types of Markets

The main components of a market include demand, supply, time, and price. In a market system, buyers and sellers engage in negotiation and determine prices through different methods at a given time. Over time, due to changing conditions and evolving needs, different types of market systems have developed and taken shape.

Markets are generally classified into three main types:

1. Market Based on Time
2. Market Based on Area or Region
3. Market Based on Competition



Task: Create a chart of the market system based on competition:

Markets have evolved into different types based on the time period:

1. Very Short-Term Market: In this type of market, the supply of goods remains fixed at a specific moment because it is not possible to increase production within such a limited time frame. As a result, even if demand rises or falls, the supply cannot be adjusted accordingly. A typical example is the early morning raw market, where—even if prices and demand suddenly increase—suppliers cannot instantly change the quantity of goods available.

2. Short-Term Market: In the short run, supply can adjust to some extent in response to changes in demand. Producers can slightly modify output by altering variable inputs within a certain range. If demand decreases, firms may reduce production or, in cases of severe downturns, temporarily halt it. Thus, in a short-run market, supply shows some flexibility in reacting to fluctuations in demand.

3. Long- Term Market:

When demand changes, any adjustment in supply is usually accompanied by a shift in the quantity of goods produced. In such cases, a producer may need to completely alter both the production volume and the materials used. For instance, if prolonged rainfall affects production, the organization may try to stabilize the balance between supply and demand by adopting new methods or replacing certain materials.

Market Categories Based on Location

Markets can be classified into three types based on geographical scope:

• Local Market: This refers to a market where both buyers and sellers operate within a specific local area. Example: the meat market.

• National Market: This type of market is confined within the boundaries of a single country. Example: the coarse rice market.

• International Market: Here, buyers and sellers are located beyond national borders. Example: the ready-made garments market.

Classification of Markets Based on Competition

Previously, we discussed market classification based on time and place. Now, we turn to the structure of markets in terms of competition—an aspect crucial for understanding the dynamics of an economy.

Markets based on competition can broadly be categorized into two types:

1. Perfectly Competitive Market
2. Imperfectly Competitive Market

Imperfectly competitive markets are further divided into three subtypes:

• Monopoly Market
• Monopolistic Competition
• Oligopoly Market

Perfectly Competitive Market

This is a market where a large number of buyers and sellers deal in identical (homogeneous) products.

• Once the price is set through the interaction of overall market demand and supply, no individual buyer or seller can influence it.

• The demand from any single buyer or the supply from any single seller is so minimal that it does not impact the market price.

• Therefore, participants in a perfectly competitive market must accept the prevailing market price.

Characteristics of a Perfectly Competitive Market

Let us take a look at the characteristics of the perfectly competitive market.

1. **Numerous buyers and sellers:** There are numerous buyers and sellers of goods in a perfectly competitive market.

2. **The unit of the goods is similar:** The goods considered in a perfectly competitive market are similar or of the same quality. From the perspective of size or quality, one unit cannot be differentiated from another. The units of the goods which are the same according to their making and quality, but still can be differentiated, are known as similar goods, e.g. rice, dal, etc.

3. **The buyer and the seller are fully aware of the market:** If the market system is perfectly competitive, the buyer and the sellers, in that case are fully aware of the qualities of the unit of the goods and the price.

4. **The free entry and exit of the firms in the industry:** In an industry under the perfectly competitive market, a firm can enter freely in the long run, and if necessary, can leave the industry. There is no impediment to that.

5. **No external influence:** There is no external or governmental influence on the setting of production or price in the perfectly competitive market. To sum up, government does not use any influence by taxation, giving subsidies, rationing, etc.

6. **Full mobility of factors:** There is free movement of factors in the perfectly competitive market. There is no obstacle in the movement of any of the factors including the labour factor. Due to the dynamism of factors amongst the industries, the price of the factors remains the same everywhere.

7. **The producer takes the initiative to maximize the profit at a particular price:** The main objective of the perfectly competitive farm is to earn the highest profit at the lowest cost. Although the farm tries to take the profit to the highest at the given cost, in the long term, the industry earns the normal profit. It has to be kept in mind that when the total cost and the total income are the same, that is said to be the normal profit. Here it has calculated that entrepreneur's labour is included in cost side and entrepreneur's honorarium is included in income side.

2. The Types of Imperfectly Competive Market

a. Monopoly Market

Mono means one and poly means seller. Therefore, the meaning of the word 'monopoly' is only one seller. The dictionary meaning of the word monopoly is the sole right to produce and sell goods by a person, government or corporation. Therefore, when a firm produces these goods and supplies them to the innumerable customers, the firm is called a monopoly business, and the market where that goods are bought and sold is called the monopoly market. The firm that achieves the monopolistic right to sell goods controls the supply of the goods in the market. Up to a fixed period of time, no other firm than this particular one can produce those goods, so there is no difference between a firm and an industry in the monopoly market. A completely monopolistic market may be a bit difficult to find. But a number of examples can be given of the almost monopoly market, for example, Bangladesh Oxygen and Arms and Ammunition factory situated at Joydevpur, etc.

Characteristics of Monopoly Market

The following characteristics can be identified if the monopoly market is analysed:

1. **The seller controls the production or supply:** In a monopoly market, there is only one producer or seller. Therefore, the seller is the one who entirely controls the production and supply of the goods in the market.
2. **There are no near-alternative goods:** There are no near-alternative goods for the product produced and sold by the monopolistic farm. That means, there is no similar or nearly similar goods for that product.
3. **Try to earn the highest profit:** If the monopoly business is run by a person or private sector, the objective of the monopoly business is to earn the highest profit.
4. **The firm and the industry are the same for the monopoly business:** There is only one firm in monopoly market. Thereby, that firm is known as the industry.
5. **Singular controller of the price or supply:** The monopoly firm singularly supplies the production. Being the only producer, it can control the price or the supply of the product very easily, but it can not control both price and supply at the same time.
6. **The entry of a new firm is prohibited:** In the monopoly industry, there is no opportunity for any new firm to enter. When there is a possibility for a new firm to enter, the monopoly firm increases the production and allows the price to fall. Thereby, in fear of a probable loss, the new firm does not enter. That is why in a monopoly market, no new firm can enter.

Task: Compare perfectly competitive market and monopoly market.

b. Monopolistic Competitive Market

In the monopolistic competitive market, a few characteristics of both the perfectly competitive market and the monopoly market are observed. In a monopoly market, the goods that the different farms produce may be similar but

not completely the same. That is, there are some differences among the products. And in this difference of the goods, the features of the monopoly market are prevalent. On the other hand, as there are numerous buyers and sellers, the features of a perfectly competitive market are also observed. The market, which is based on the combination of competition of almost similar but differentiable products and monopoly products, is called the monopolisitc competitive market e.g. body soap made by different companies are almost the same, yet it is possible to differentiate between them, e.g. the covers are different or the scents are different. If the price of any of these soaps rises, the demand of soaps may fall a little, but does not become zero. The fixed buyer of this soap always buys this soap. If there is a change in the price of these goods, the buyer does not leave to consume this goods or to use it.

Characteristics of Monopolistic Competitive Market

The major characteristics of the monopolistic competitive market are discussed below:

1. **Number of firms/sellers:** In the monopolistic competition, one farm can control a small portion of the total production of the market. So, it is not possible for any firm to exert considerable influence upon the price of the goods or the total production. Therefore, sometimes there exist unions or firms that belong to a group.

2. **Differentiation between the produced goods:** Different products that different firms produce in this type of market are to a large extent similar yet differentiable from one another. The goods are different to some extent regarding quality and some external factors. That is, the differentiation between the products means that the goods produced by different firms are not of the same kind. That is why the monopolistic competition starts off.

3. **The free entry and exit of a firm in the industry:** In the monopolistic competition, there is no restriction for any firm to enter the industry or exit. Usually, if any firm makes excessive profit over the short term, new firms enter the industry in the long term. On the other hand, facing a loss, a firm

can leave the industry in the long term. There is no internal or external objection regarding that.

4. **Advertisement and the cost of sale:** Each of the firms publicizes its goods more to enhance its sale. The cost of advertising and other related costs of selling for these firms, therefore, increase. The firms compete with one another by advertisements and the standards of qualities of the products.

5. **The nature of demand:** If a firm increases the price of its goods, many consumers buy the alternative goods of other firms, but there are some consumers who continue to buy the product of the first firm even if in a smaller quantity. That means the demand for some goods does not fall to be zero even when the firms increase the price of those goods. Some of the buyers have special preferences for some firms, therefore, the shape of the demand curves of each of the firms is not usually the same. The shape of the demand curve mainly depends upon how much different the goods of the firm are being considered from the goods of the other firms.

6. **Maximization of profit:** In a monopolistic competitive market, the objective of each of the sellers is to maximize the amount of the profit to its optimum limit.

7. **Copying the goods:** In the monopolistic competitive market, one seller cannot copy the goods produced by another seller completely. Thereby, each of the sellers or firms, like the monopoly firms, can control the supply of their own goods and thus, by controlling the supply can also control the prices of their goods.

8. **Long term situation:** The balance of the firm in the long term in the monopolistic competitive market remains at the normal profit level like that of the perfectly competitive market.

Task: Write down five characteristics of monopolistic competitive market.

C. Oligopoly Market

Oligopoly is such a market where several sellers and many buyers buy and sell

homogenous or almost homogenous goods. In this type of market, a seller takes decision by observing other sellers' strategy, e.g. Firm 'A' of telecommunication sector, uses a filmstar in it's advertisement; Firm 'B' uses a popular player in it's advertisement to attract the buyers.

Characteristics of Oligopoly Market

1. **Number of seller:** This type of market has a few sellers.
2. **Nature of goods:** The goods of this type of market are homogenous or identical or almost homogenous of which a little can be differentiated.
3. **Decision Making:** By observing other competitive firms' strategy, a firm in this type of market makes decision in choosing the price of its goods and amount of production.
4. **Influence of Advertisement:** In this market, firms resort to advertisements to attract the buyers.

Task: Write down three characteristics of oligopoly market.

5.2 Market System of Bangladesh

The perfectly competitive market system, the monopoly market system and the monopolistic competitive market system have been discussed in this chapter. Because of the nature and environment of Bangladesh, different types of market and modes of buying and selling can be observed for different kinds of goods. The three types of market can be discussed as realistic examples.

1. **Perfectly Competitive Market:** There is no perfectly competitive market for any goods in Bangladesh, but nearly perfectly competitive markets can be found. The retail market of agricultural goods in Bangladesh is a good example of this type of market. For example, in the primary market of rice there are numerous buyers and sellers and no single producer can influence the market of rice. Similarly, markets for other crops, fish, chicken, egg, milk, etc. are also perfectly competitive or almost so. This market is also seen in cases of some services too, e.g. rickshaw transportation.

2. **Monopoly market:** Monopoly market of produced goods is not found in Bangladesh. But in cases of imported products or services, this type of market exists, e.g. the only importer of fuel oil is Bangladesh Petroleum Corporation. This type of market is also prevailing in Dhaka city in the cases of water, electricity and gas supply. For railway transportation, Bangladesh Railway is the only institution.

3. **Monopolistic competitive market:** The market for different goods in Bangladesh is monopolistic competitive, e.g. different food products, cosmetics, etc. For some services also, this type of market can be found, e.g. private hospitals and diagnostic centres.

Task: On the basis of place what kinds of market are the following products? Give arguement.

Name of the goods	**Name of the region market and argument**
a. Mangoes	.....
b. Jackfruits	.....
c. Vegetables	.....
d. Fish	.....
e. Woven cloths	.....
f. Tea	.....
g. Guavas, bananas, boroi	.....
h. Coconut	.....
i. Cow-milk	.....
j. Meat	.....

Sample Question

Multiple choice questions:

1. In which market are buyers and sellers fully informed about the quality and price of the product?

   a) Monopoly b) Perfect Competition

   c) Oligopoly d) Monopolistic Competition

2. In a perfectly competitive market...

   i)Buyers and sellers are informed about the product.

   ii)Price is determined through the interaction of demand and supply.

   iii)A single seller influences the price.

Which of the following is correct?

   a) i and ii

   b) ii and iii

   c) i and iii

   d) i, ii, and iii

Read the following passage and answer questions 3 and 4:

Khalid is a grocery shopkeeper in a village. In the morning, he goes to the nearby market to buy small fish and cow's milk. Today, he went to the market a bit late and saw that no seller had any milk. In the afternoon, when he opened his shop, he saw a high demand for potatoes. Within a short time, all the potatoes in his shop were sold. He quickly brought 5 more kilograms of potatoes from home.

3. Which type of market characteristic is reflected in the passage during the morning?

   a)Very short-run

   b)Long-run

   c)Very long-run

   d)Short-run

4.In the case of the market for potatoes in the stimulus...

i) Small changes in supply can occur in the short term.

ii) Demand may increase or decrease.

iii) A single person controls the supply of the product in the market.

Which of the following is correct?

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

Creative questions:

1. In the 1990s, a mobile company had sole control over wireless telecommunications. They could increase or decrease call rates at will. Later, when four or five companies entered the market through government initiatives, call rates dropped, and consumers benefited from competition.

a) What is meant by a local market?
b) Why can't a very short-run market be changed?
c) Based on competition, what type of market was the mobile market of the 1990s as mentioned in the passage? Explain.
d) How did consumers benefit after government intervention? Analyze.

2. **Situation-1:** Rimi has been using a specific branded bag for a long time. When she went to buy a new bag, she found that the price was much higher than before. The shopkeeper informed her that the bag is imported by only one company, so they have no control if the price increases. As there was no alternative, Rimi purchased the high-priced bag.

Situation-2: Rimi goes to the open market to buy rice for cooking polao. After comparing prices at several shops,she finds that the price per kilogram is the same everywhere. Eventually, she buys five kilograms of rice from one shop and returns home.

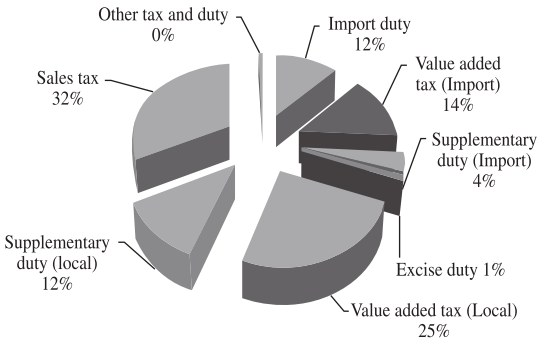
a) What is meant by ingredient?
b) What is meant by product differentiation?
c) Which market characteristic is reflected in Rimi's bag purchase? Explain.
d) What type of market is the polao rice market mentioned in the passage? As a consumer, do you support this kind of market? Give reasons in support of your answer.

Short questions:

1. Why can't new firms enter a monopoly market?
2. What is meant by free entry and free exit?
3. What is the difference between a firm and an industry?

Chapter Six
National Income and Its Measurments

The economic well-being of a country can be understood from the national income of that country. This allows us to ascertain whether the country is developed or developing or underdeveloped. To know how much the national income of a country is, national income has to be measured. In this chapter, the methods and technique of measuring the national income of Bangladesh will be discussed.









After studying this chapter, we will be able to–

- illustrate the ideas of national income;
- demonstrate the differences between the national income (NI) and the gross domestic product (GDP);
- compare the national income (NI) and the net national product (NNP);
- illustrate various methods asuring the national income;
- classify the determinants of GDP in two groups, which are factors and technology;
- prepare a list of factors excluded from GDP;
- describe the system to measure the national income in Bangladesh.

6.1 Concepts of National Income

Gross Domestic Product (GDP)

At a specific time, usually one year, the sum total of the market price of the final goods and services produced within the geographical boundary of a country is called the gross domestic product or **GDP.**

For example, if we assume that three goods are produced within Bangladesh in a year, e.g. 100 quintals of paddy, 1000 shirts, and 1000 pens. GDP=l00 quintal of paddy × the market price of paddy + 1000 shirts × market price of shirts + 1000 pens × market price of the pens. Thus GDP of a country is calculated by summing the result of the multiplication of the amount of all produced goods with their own prices. If rice is produced as a final goods from paddy, then at the time of calculation, we will have to estimate the production and the price of rice.

Gross National Income (GNI)

At a specific time, usually within one fiscal year, the sum total of the market price of the total amount of the final goods and services produced by the citizens of a country is known as the gross national income or GNI. It is also called gross national product (GNP).

The gross national income can be determined by adding the gross domestic product and the net factor income. Net factor income is the result of subtracting the income of the citizens of a country from foreign investments and labour, and the income of the foreign citizens from their investment and labour in the country being considered. If this amount is negative, the gross national income will become less than the gross domestic income. Conversely, if it is positive,the gross national income will be greater than the gross domestic income. The second one is true in the perspective of Bangladesh.

Net National Income (NNI)/Net National Production (NNP)

In an economy, at a specific time, if the Capital Consumption Allowance or CCA or Depreciation is deducted from the monetary price of the final products and services, what is left is known as the net national income (NNI) or net national product (NNP). The capital consumption allowance means the cost of maintenance for the wearing away or decays due to the use of the capital.

Relationship between Gross Domestic Product and National Income

Gross Domestic Product (GDP)
+ Remittance from local products
- Income of the foreign factors engaged in domestic market
Gross National Income/Gross National Production
- Depreciation cost
Net National Income/Net National Product
- Indirect Tax
National Income (NI)

Task: 1. Give the full meaning of GNI, GDP and CCA?
Task: 2. What is CCA (Capital Consumption Allowance) really?

6.2 Measurments of Gross Domestic Product – Production, Income and Expenditure Approach

The national income can be measured basically in three ways. They are– the Production approach, the Income approach and the Expenditure approach.

1. **Production approach:** The economy of a country is divided into some important sectors. Adding the value of the final products and services produced in these sectors in one year, the gross domestic product can be calculated. The economy of Bangladesh can be divided into 15 sectors and the value of the production is decided sector-wise. In the end, summing up the value of production in these 15 sectors, the gross national product is determined.

2. **Income approach:** The National income in this system is the sum total of the income received by the factors used in production. The basic factors used in production are – land, labour, capital and organisation. Their incomes derived from these factors are, respectively, revenue, wage, interest and profit. Therefore, national income = ∑revenue +∑wage +∑interest +∑profit.

3. **Expenditure approach:** In this system, the national income is the sum total of all kinds of expenditure in a society at a specific time. The total

expenditure in a society stands for the cost of consumption and investment of the individual sector and the governmental expenditure and the net export. Therefore, consumption + investment + governmental expenditure + net export (= export - import) = gross domestic product. So, gross domestic product or $Y = \sum C + \sum I + \sum G + \sum (X-M)$. Here, C = consumption, I = investment, G = governmental expenditures, (X-M) (export-import) = net export.

If the amount of the gross domestic product calculated in these three systems is approximately the same, the measurement is considered to be correct. Due to the mistakes in calculation, there may be some difference, but in the real sense, the result will be the same.

6.3 Per Capita Gross Domestic Product

GDP per capita means the annual GDP per person. In a specific fiscal year, if the total gross domestic product is divided by the total population, the GDP per capita can be calculated.

$$\text{As per formula, per capita GDP} = \frac{\text{the total gross domestic product of one year}}{\text{the total population of that year.}}$$

Per capita GDP is one of the indicators of the economic development and the standard of living of a country. According to World Bank by this indicator, we can determine if a country is developed or underdeveloped, or developing. If the per capita GDP is more than a particular level, it has to be understood that the country is developed, and if the per capita GDP is less, the country is to be considered as under developed or developing. At present we do not measure in this way, there is a new classification as a high, middle and low income countries.

6.4 Determinants of Gross Domestic Product (GDP)

A country's gross domestic product (GDP) depends on the quantity and productivity of its land and other natural resources, labour, capital and technology. Therefore, they are called the determinants of the gross domestic product.

1. **Land:** The gross domestic product depends on land and natural resources. The gross domestic product will increase if satisfactory usage of the natural resources is possible and if there is necessary fertile land for producing

agricultural products. Therefore, land and natural resources are the significant determinants of the gross domestic product.

2. **Labour:** Labour is a significant determinant of the gross domestic product of a country. Skilled and efficient labour force is helpful for increasing the gross domestic product. If the number of labourers increases and if they are skilled in using technology, and are trained, it becomes helpful for increasing the gross domestic product anchor

3. **Capital:** Capital is a fundamental determinant of increasing the gross domestic product of a country. In the developed countries of today, capital works at the root of increasing gross domestic product. On the other hand, the developing and underdeveloped countries cannot increase their total national income and the gross domestic product due to their lack of capital. Therefore, capital is an important determinant of the gross domestic product.

4. **Technology:** The gross domestic product largely depends on technology. Technology can be developed in many ways. For example, new inventions, development of the design of the machinery and skills, invention of new products, etc. As it can be seen, the use of highly productive seeds instead of the regular seeds in the agricultural sector has increased the production of rice many times. Similarly, the use of seeds of better quality has also resulted in enhanced production of different vegetables, such as gourd, pumpkin, okra or finger, etc. Technology basically enhances the productivity of the factors of production. As a result, more production is possible with the same production factors.

5. **Mobility:** The gross domestic product depends on the capacity to move the resources from the economic activities that are lagging behind or diminishing, to the newly expanding economic activities in an economy. For example, it may be mentioned that in Bangladesh we can increase the use of land and other factors in the production of rice, wheat or corn by decreasing the production of jute.

6.5 Factors not included in GDP Calculation

The total market price of the final products and services in an economy at a specific time is known as the gross domestic product. The following factors are never included while calculating GDP.

1. **Capital gains and losses:** With the change of time there may occur changes in national resources or factors of a production institution or the price of the produced goods resulting into profit or loss. This profit or loss is not counted in calculating GDP. Because, the profit or the loss due to the change in the price of the resources in course of time does not influence determining the national income. Besides, this profit or loss is recorded only in the cases of an individual business institution. While there is profit for one institution, the same amount of loss occurs for another. So, the influence of profit or loss in calculating the GDP is zero.
2. **Intermediary goods and services:** To calculate national income, only the final goods and services are considered. Because, the prices of the intermediary goods and services are included in the price of the final goods and services. If the intermediary goods and services are considered again after the final products, there will be the problem of double counting. For this reason, the intermediary goods and services are not considered while estimating the GDP.
3. **Goods and services free of charge:** There are some goods and services in the economic system which are not bought or sold through market, e.g. a mother rearing her children, the cooking and other household work of women, a singer singing to his friends, these are not produced goods. Therefore, while estimating the GDP, the value of these services cannot be included.
4. **No consideration for previous production and transaction:** GDP calculated for a certain year does not include any production of any previous year in the GDP of that year, e.g. old cars, old houses or flats. The price of these products is included in the GDP of that year when they were bought. The problem of double counting will arise if these are calculated again. Similarly, the exchange of stock, bond or any paper is not included in the GDP.

5. **Interest on public debt:** The interest against a governmental loan is not to be included in the GDP. For example, the loan taken by the government during a war, does not contribute to the national production. The interest against this loan is taken to be the transferrable due. And therefore, it is excluded from the GDP.

6. **Illegal activities:** Income from any illegal activity is not included in estimating the national income. Illegal activities mean, any activity that is not acceptable socially and is against the prevailing law of the country.

Task: Make a list of the goods and services that are not included in the calculation of gross domestic product.

6.6 Method of Estimation of Gross National Product (GDP) in Bangladesh

Bangladesh Statistics Bureau is a government institution that is entrusted with the responsibility of estimating the national income of Bangladesh. Estimating the current market price and the fixed price of the goods and services, the Statistics Bureau measures the GDP and the GNI every year. For these estimations the institution has to collect data from different sources.

Bangladesh Statistics Bureau estimates the GDP and the GNI, using the production approach and the expenditure approach. In the production approach, to estimate the GDP, the economy is divided into 15 different sectors. These are: Estimating the GDP in the Production Approach

Contribution of different sectors in gross national product (GDP) of Bangladesh

1. **Agriculture and forest resources:** Agriculture is an important sector of the domestic product. It is difficult to estimate in any formatted way. To estimate the GDP of Bangladesh, this sector is divided into three parts.

(a) Crops and vegetables: The amount of domestic product in this sector is estimated from the perspective of the current wholesale market price. For example, in 2023-2024 it was Tk. 2,70,215 crore.

(b) **Animal resources:** The estimation of domestic product in this sector is also calculated on the basis of the current market price. In this sub-sector of animal resources, it was Tk. 82,012 crore in 2023-2024.

(c) **Forest resources:** In the forest sector, because of the lack of data regarding the factors, while estimating the GDP, 3% of the price of the total production is deducted and the rest is considered to be the value added. In 2023-2024 it was Tk. 79,552 crore.

2. **Fish resources:** GDP is calculated from the perspective of gathering fish from the internal and sea sources. In 2023-2024 it was Tk.1,23,673 crore.

3. **Minerals and mining:** Minerals and mining is taken as a separate sector in the industrial sector. In this sector, the market prices of (a) natural gas and unrefined oil and (b) other mineral resources and produced goods from mining are calculated. The calculation of these sectors are done in terms of gross national product. In 2023-2024 it was Tk. 80,088 crore.

4. **Industry (manufacturing):** In the case of estimating GDP in Bangladesh, the present market prices of the produced goods of all the industries are calculated. In 2023-2024 it was Tk. 11,32,736 crore.

5. **Electricity, gas and water resources:** GDP is estimated in this sector on the basis of the value of supplying the services. This sector is very important for Bangladesh. Alongside the government, this sector is extended privately, too. In 2023-2024, the sum of these three sectors was Tk. 64,205 crore.

6. **Construction:** The gross domestic production in this sector is estimated from the data received from the individual, the construction institutions, the consumers and the government. In reality, the amount of income from this sector is less, compared to what it should be because, the current market

7. **Wholesale and retail selling:** In this calculation, the GDP product is estimated by calculating the wholesale price of goods. In 2023-2024 it was Tk 7,28,571 crore

price is more than the price set by the government. Whereas, GDP is calculated based on the price that is fixed by the government. In 2023-2024 it was Tk. 4,76,688 crore.

8. **Hotels and restaurants:** The matter of gross domestic product in this sector is estimated from the perspective of produced goods and the selling price of the services. In 2023-2024 it was Tk. 59,799 crore.

9. **Transport, preservation and communication:** This sector is quite a big one regarding the estimation of the domestic income. A big portion of this sector belongs to the private sector. In 2023-2024 the total income in the transport, preservation and communication sector was Tk. 4,10,962 crore.

10. **Financial institutional services:** The estimation of this sector depends on the price received from the services. In the fiscal year 2023-2024, the total income was Tk. 1,59,859 crore.

11. **Real estate, rent and other businesses:** The domestic production in this sector is estimated on the basis of the income received from services. In 2023-2024 it was Tk. 4,09,947 crore.

12. **Public administration and defence:** The domestic income from this sector is actually calculated from the expenditures. In 2023-2024 it was Tk. 1,61,752 crore.

13. **Education:** In the education sector of Bangladesh the domestic product is estimated from expenditures. In 2023-2024 it was Tk. 1,49,691 crore.

14. **Health and social services:** The estimation of the health and social services is done by the expenditure approach. In 2023-2024 it was Tk. 1,87,711 crore.

15. **Community, social, and personal services:** The estimation of this sector is also done from the expenditure approach. In 2023-2024 it was Tk. 2,45,217 crore.

[**The Source of all information of this chapter:** Bangladesh Economic Review 2024.]

Sample question

Multiple choice questions:

1. Which of the following should be deducted from the Gross National Income to obtain Net National Income?

   a) Intermediate goods
   b) Domestic production
   c) Depreciation costs
   d) Production costs

2. Which of the following is considered in measuring Gross Domestic Product (GDP)?

   a) The value of final goods and services
   b) The value of intermediate goods and services
   c) Interest on government loans
   d) Capital gains and losses

Read the following passage and answer questions 3 and 4:

In recent years, the government has been supporting farmers in adopting mechanical methods of farming. At the same time, the use of improved seeds, fertilizers, and pesticides has increased productivity.

3. Which GDP determining factor is reflected in the passage?

   a) Land
   b) Labor
   c) Technology
   d) Mobility

4. Which of the following is correct about the impact of the mentioned deter minant?

   i)Helps to increase GDP

   ii)Increases the growth rate

   iii)Decreases Net National Income (NNI)

Which of the following is correct?

a) i and ii b) ii and iii

c) i and iii d) i, ii, and iii

Creative questions:

1. **Situation-1:** Shihab is a citizen of Bangladesh. He has been working in Bahrain for the last 10 years. Every month, he sends a portion of his income back to his home country.

Situation-2: Mrs. Browny is a citizen of Britain. She works in a non-governmental organization (NGO) in Bangladesh. Every month, she also sends money to her home country.

a) What is Net National Income (NNI)?

b) How is national income measured using the income method?

c) Under which concept of national income is the money sent by Shihab included? Explain.

d) Will Mrs. Browny's income affect the national income of Bangladesh? Give your opinion.

2. State C and State D are two different countries. Various differences can be observed between the two. In 2018, the GDP of State C was 6,20,00,000 Taka and the GDP of State D was 4,50,00,000 Taka. At the same time, the population of State C was 80,000 and the population of State D was 1,00,000.

a) What is CCA?

b) Are old houses excluded from the GDP calculation? Explain.

c) Calculate the per capita GDP of State C.

d) Based on the passage, which state do you think has a better standard of living? Give your reasoning.

Short questions:

1. Into how many sub-sectors is Bangladesh's agricultural sector divided, and why?
2. What components are considered for calculating national income in the income method?
3. How can the problem of double counting be avoided in the measurement of national income?

Chapter 7

Money and Banking System

Nabil's father is a service holder. His monthly salary is 20,000 taka. He keeps some cash for household expenses and deposits some money to the bank. After some days, he decides to set up a poultry farm. For this he takes some loan from the bank. The bank sanctions this loan to him on condition of repaying it within 36 months at 10% interest. His income-expenditure, savings and loans- all are generated by money. Money and loan business are operated by bank and financial institutions. The bank receives the surplus money of the public as deposits and sanctions this to debtors as loans. Different banks play significant role in our agricultural development, industrialization, self-employment and trade and commerce.





After studying this chapter, we will be able to–

- describe the idea and classification of money;
- explain the functions of money;
- describe the concept of a commercial bank and its main functions;
- illustrate the procedures of opening and operating a bank account;
- explain the concept of the central bank and its major functions;
- compare the central bank with commercial banks;
- evaluate the role of some important banks of Bangladesh in agricultural development, industrialization and self-employment and
- show the banking system of Bangladesh by drawing charts.

7.1 Money and Its Classification

For a long time farmers used to collect their clothes from weavers in exchange for crops and fishermen used to collect utensils from potters in exchange for fish. This system of fulfilling the necessities of certain goods in exchange for other goods is called the Barter System. This system is still practiced in some rural areas of our country. But this system created some problems sometimes (e.g. problems related to division, storage, and the need for money etc.). To overcome these problems, money was invented. In modern economy money is unanimously approved and accepted as the medium of exchange. Money functions as a mode of exchange, a measure of the prices of services and goods, and as a mode of savings.

So the object that is promoted by the government, generally accepted as a measure of value, accepted everywhere as a medium of repayment of debt, and granted by all as the mode of savings and basis of loan, is called money. It is named differently in different countries, like Taka in Bangladesh, Rupee in India, Dollar in America and Euro in most of the countries of Europe.

Classification of Money

Money can be classified from various viewpoints. It is discussed below:
According to the components of making, money can be classified in 2 types, like:

1) Metal coins and
2) Paper notes

Metal Coins

The coin which is made by metals and used to conduct our day-to-day transactions is called a metal coin. In Bangladesh, metal coins of 5 taka, 2 taka, 1 taka and 50 paisa are available.



Metal Coins

Metal coins can be classified into two groups based on material value. They are: (a)Authentic coin, (b) Symbolic coin. An authentic coin is the metallic coin,

which can be sold at its visible price if sold as metal only after melting it. Symbolic coin holds less value as metal than its visible value. Generally, metal coins are introduced and authorized by the government.

Paper Notes or Money

The money which is made of paper is called paper notes or money. The value written on the note is the monetary value of that note, which is generally higher than its internal value. In almost all the countries, paper money or paper notes are introduced by the central bank by the order of the government of that country. The paper money of Bangladesh includes the notes of 1 taka, 2 taka, 5 taka, 10 taka, 20 taka, 50 taka, 100 taka, 200 taka, 500 taka and 1000 taka.

Paper money can be divided into two parts, as: (a) convertible money (b) non-convertible money. Convertible money means the paper notes instead of which the government is bound to give the local money of equal value on demand. In Bangladesh, the notes of 5 taka, 10 taka, 20 taka, 50 taka, 100 taka, 200 taka 500 taka, and 1000 taka are the convertible money. And non-convertible money means the paper notes against which no foreign currency, gold, silver can be received from the government. The non-convertible money in Bangladesh is the notes of 1 taka and 2 taka. Money can be divided again according to the obligation of acceptance, such as: 1. Legal Money & 2. Bank Account.

Legal Money

The money which is approved by the government law is called legal money. In our country the legal money is formed of the metal coins and paper notes authenticated by the government and the central bank. The legal money can be divided into two parts: (a) unlimited legal money and (b) limited legal money. The unlimited legal money means the legal money by which any amount of transaction can be made legally and if it repays the debts and dues the creditor is bound to receive it. The unlimited legal money of our country is the notes of 5 taka, 10 taka, 20 taka, 50 taka, 100 taka, 200 taka, 500 taka and 1000 taka. On the other hand, limited legal money means the legal money which can be transacted up to a certain limit. The public cannot be forced or compelled to receive more money legally and public can receive it according to their wish. The limited legal money of our country is the metallic coin of 50 paisa, 1 taka, 2 taka and 5 taka.

Bank Created Money

At present to repay the business transactions and debts and dues, people receive bank account or bank money as the medium of exchange. But no one can be forced to receive it. Commercial bank can create money by creating deposits or sanctioning loans.



Debit card & credit card

Transactions can be made through check against the bank deposit or over draft. The bank deposit or account may be considered as money. In our country bank money is the deposit in current account and deposit in savings account, which can be received through cheque. Besides, debit card and credit card used by a bank work as the medium of exchange.

Task: Make a chart of the classification of money.

7.2 Functions of Money

Money plays different types of significant roles in the modern production system and social lives.

The following two lines of an English poem refers to the functions of money:

"Money is a matter of functions four;
A medium, a measure, a standard, a store."

This means that, money has four functions. Those are: medium of exchange, measure of price, means of savings and standard of delayed or postponed transaction. Below is a description of the four major functions of money:

Medium of exchange

Transaction is done through exchange of money as money is acceptable to everyone. A salesman takes money in exchange for things and a customer buys things by paying money. In this way, by exchanging money anytime any product or service can be purchased. For that reason transaction becomes easy and fast. So, it can be said that money is the easiest and the most convenient medium of exchange.

Measure of price

As a meter measures length and a kilogram measures weight, money is used as the scale to measure the price of products and services. For example, Amir buys a book for 50 taka. Here, 50 taka is the assessment of price of that book. Through money, we can easily measure the price of a product and services and we can also make comparisons between the former and then the future price of a product and services.

Means of saving

Saving cannot be built through products as most of the products are perishable. But the price of these kinds of products and services can be stored by money as everything can be exchanged through money. Nowadays people can save their surplus after subtracting the consumption cost from the production wages because savings through money is much more secure and comparatively stable.

Standard of delayed or postponed transaction

Delayed transactions refer to future dealings. The calculation of these dealings is done through money. Moreover, taking and returning loans by money is more appropriate. As a result, economic activities can be done without any hindrance. At present, most of the business transactions are finanlised through cheques, bank drafts, exchange bills, debentures, etc. The bank calculates these debentures on the basis of the cash saved as a fixed deposit. Thus, money is considered to be the basis of loans and the standard of delayed transaction.

Apart from the above-mentioned points, money also works as a price transmission medium, standard of liquidity and a symbol of social status. These roles of money are not different, rather one has arisen from another. Hence, it is said that the economic development of the society has become easily accessible because of the functions of money.

Task: Money has made our day-to-day life easier. Explain.

7.3 Commercial Bank

The bank that saves money from any individual or company as deposits and provides loans to an individual or a company for commercial purposes according to their demands is called a commercial bank. The main objective of a commercial bank is to earn profit. These banks give interest at a low rate on the deposited money. Alternatively, they charge interest at a higher rate from the debtors. The difference between these two interests is the profit of a bank. The bank gives loans for a short time from its reserve as it is bound to return money whenever the account-holder demands it back. That is why this type of bank is known as entrepreneur of short-term-loan.

Commercial banks of Bangladesh are: Sonali Bank, Janata Bank, Rupali Bank, Agrani Bank, Pubali Bank, Uttara Bank, City Bank, Arab-Bangladesh Bank, Islami Bank, Dutch-Bangla Bank, etc.



Sonali Bank Building



Janata Bank Building

Functions of Commercial Bank

In modern times, as a result of its performance of various activities, the commercial bank has become an important organisation of the state. Below is a discussion on the major functions of a commercial bank:

1. Accepting Deposits

The first and foremost function of a commercial bank is to collect deposits from individuals and companies. Commercial banks accept three types of deposits- (a) Current Deposit, (b) Savings Deposit, (c) Fixed Deposit.

(a) Current Deposit: The account-holder of a current deposit can withdraw money anytime. For that reason, no interest is given on this deposit.

(b) Savings Deposit: Money of savings deposit can be withdrawn twice a week after a certain period of time. The bank gives some interest on this deposit.

(c) Fixed Deposit: This deposit is for a certain period. For example, 3 months 6 months, 1 year, 3 years, 5 years, etc. The bank gives interest at a higher rate on this deposit. Money of such a deposit can even be withdrawn before it matures. Some terms and conditions are followed in this case. But less interest is paid.

2. Providing Loans

For earning profit commercial bank retains a particular amount of the deposit to meet the demands of the account-holders and with the rest of the money it provides loans to individuals or companies for short periods. Commercial banks provide loans against appropriate surety and mortgage, e.g. expensive metal, metal products, government and foreign debentures, and permanent assets. Commercial banks of our country provide loans for house-building, fisheries, trade and commerce and industry.

3. Creating medium of exchange

At present commercial banks create cheques, bank-drafts, e-payments, money-laundering and travelers' cheques as easy mediums of exchange. Bank-issued cheques are vastly used in the mediums of exchange. In developed countries most of the transactions are accomplished through cheques.

4. Supporting local and foreign trade

For supporting trade at both national and international levels, commercial banks besides supplying money, provide suggestions to businesspersons. In addition, giving identification in exchange-bills to businesspersons, bill-discounting, providing loans to importers-exporters, paying bills via mail and telegrams are also arranged. In some cases, exchanging goods through banks, purchasing foreign currency and debit-credit of buyers and sellers are also solved. By performing these activities commercial banks play a vital role in trade.



Technology in Banking Programmes

5. Money transfer

Banks transfer money safely and quickly from one place to another place on the demand of clients. The media of sending money are cheques, bank drafts, postal orders, travelers' cheques, mail transfers and telegrams, etc.

6. Remittance

Commercial banks provide proper services, collecting foreign currency for the people who are working abroad and handing it over to the local receivers as soon as possible.

7. Increase savings

Commercial banks collect small savings which are spread throughout the country at different places and accumulate them as deposits. Banks help to make capital to the business and production sectors, lending the amassed money. Thus commercial banks increase savings of the country and at the same time accelerate the development of economy.

Besides these, commercial banks do the following activities:

a. Store safely the valuable things of people, for example, deed copies and valuable ornaments, etc. in the locker.

b. Help people to buy and sell shares, debentures of different companies and public bonds.

c. Perform the task of a trustee by looking after the properties, arranging to collect and give taxes for the properties.

d. Provide income certificates for the clients and make it secret.

e. Collect and pay cheques, exchange bills, house rents, income taxes, insurance premiums and electric bills, etc. as representatives of the clients.

By completing the above tasks commercial banks play a vital role in the economic development.

Task: How does a commercial bank accelerate the economic development of a country? Explain.

7.4 Rules of opening and maintaining bank account

Sujon goes to deposit one part of his earning money to the branch of Sonali Bank situated in his upazila town. One employer of the Sonali Bank Mr. Masud helps him to open an account. At first Mr. Masud tells Sujon about the three types of account which are (1) current account, (2) savings account and (3) fixed deposit. He says that the rules are almost the same for opening all the accounts. Except Grameen Bank, all the banks follow almost the same rules and regulations. Sujon decides to open a savings account. At first he collects a form from the branch and puts the necessary information in it.

According to the rules of the Bank he (applicant) has to take Sayem's signature for identifying himself. Because Sayem, who is known to Sujon, has an account in that bank. Sayem is called as an identifier. Besides, Sujon selects his wife as a nominee and puts her information in the form. A nominee is a person selected by the depositor, who in the absence of or after the death of the depositor will be the owner of the deposited money. Sujon attaches the passport-size attested photos, and photocopies of the national identity cards of his own and of his wife to the filled-out form. He gives it to Mr. Masud. Then Mr. Masud tells him to deposit minimum 500 tk (this amount may be less or more and varies at different banks). According to the bank rules for opening an account within some

time, Mr. Masud gives an account number and a cheque book and a deposit book to Sujon. Subsequently, using this account number Sujon can deposit cash, cheques, bank drafts by the deposit book (moreover using online system money can be deposited to the account number from inside as well as outside of the country). Deposited money can be drawn by cheque and from ATM booth (where ATM booth is available).

Nowadays computer and the internet are used in almost all the banks. So, depositors can collect the list of the dates and amounts of the drawings and deposited money (even can close their account if they wish). According to bank rules, depositors can complete all activities about the transaction by using the internet at present.

Like Sujon everybody can open any kind of bank account and maintain it by depositing and drawing money according to their ability.

Task: Make a list of the continuous process of opening and maintaining a bank account.


Sonali Bank Limited

Part or application from

Part of Application for opening a Bank Account from

7.5 Central Bank

Central Bank, positioned at the top of the banking system is such an institution that controls the whole banking system and works as a guardian of money market. Being under the government ownership and control, it works for circulating notes and coins, controlling loans, preserving the standard of currency, creating and maintaining money market. It also works as currency advisor and banker of the government. Its main characteristic is that it is the most powerful economic institution of the government. So its main aim is nots earning profit rather preserving economic balance and the highest development and welfare of the country.

Central bank is the national institution. There is one central bank in each and every independent country. For example, Bangladesh Bank is the central bank of Bangladesh, Reserve Bank of India is for India, Federal Reserve System is for the USA, Bank of England is for England.



Building of the Bank of England



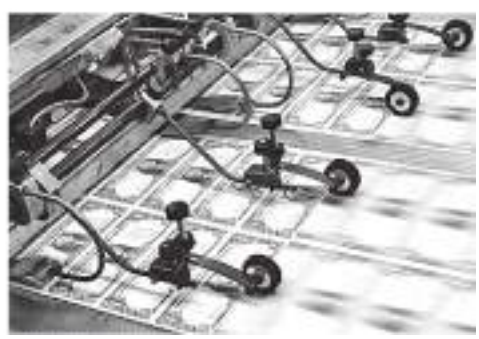
Federal Reserve Bank Building

The Functions of Central Bank

The Central bank performs different types of important tasks as the guardian and controller of money market. The main functions of the central bank are:

1. Issuance of Notes and Currency:

The Central Bank is solely responsible for issuing notes and currency in a country. It circulates currency in accordance with the needs of the country. In the past, the Central Bank was legally required to hold reserves in gold, silver or foreign currency to issue notes. At present, the supply of money in the country and its value are largely dependent on the policies of the Central Bank.



Printing of paper Money

2. Bank of Government

The central bank deposits the revenue of the government from the different sectors and pays the money to different sectors according to the direction of the government. During the time of monetory crisis, it provides long and short term loans to the government. It works as a representative of the government, maintaining the communication with the international economic institution. It plays a vital role in giving information and advice to the economic activities and deciding principles of the government.

3. Bank of other banks

Central bank authorizes licenses for new banks and their (banks) branches. It provides necessary directions and advice to the licensed banks to be administered properly. According to the banking law, the licensed banks are to preserve a certain amount of their deposits in the central bank. In case of necessity the enlisted banks can take a loan from this deposited fund. In our country, the commercial banks are to deposit 5% of their current and fixed deposits according to the banking law of Bangladesh.

4. Controlling loans

Both paucity and excess of loan are counterproductive for the economic development of a country, because the loans provided by the commercial banks are included in the integral stock, which influences the price level and the value of money. Money inflation occurs in country due to excess loan. Money deflation occurs in a country due to the scarcity of loan. Central bank takes different measures to control the capacity of loan disbursement of the scheduled banks for those problems.

5. The last money lender

The enlisted banks go for the loan from the central bank when they fail to manage loans from other sources. Central bank lends money to the jeopardized listed commercial banks according to the ratio of their deposits and bonds. For this, the central bank is called the last money lender.

6. Determining and controlling exchange rate

Central bank determines and controls the exchange rate of the currency of a country in relation to the foreign currencies to bring stability and balance in the

foreign transactions such as controlling the exchange rate of dollar and euro against taka. For the convenience of business, central bank purchases and sells foreign currency and gold on behalf of the government to keep the exchange rate stable.

7. Clearing house

The commercial banks transact cheques, bank drafts, pay orders among themselves. Subsequently, one bank is either a debtor or a creditor to the other and the central bank preserves this record. This kind of debit or credit is paid or cleared from the fund that the licensed commercial banks deposit in the central bank. Thus, the central bank functions as a clearing house for the commercials banks.



Automatic Clearance House

Moreover, the central bank does the following functions:

a) Provides training to develop the standard of the involved employees in the licensed commercial banks.

b) After a certain period of time, looks into the economic activities of licensed commercial banks to observe whether these activities are going properly or not.

c) Passes and implements various laws and principles for the betterment of the mass and to develop the banking system.

d) Helps to found branches of commercial banks both at home and abroad.

e) Conducts research, collects and preserves different economic records for the convenience of the mass and for drawing up the official economic policy.

f) Takes measures for the development of various aspects, such as agriculture, industry, services (business, education, health).

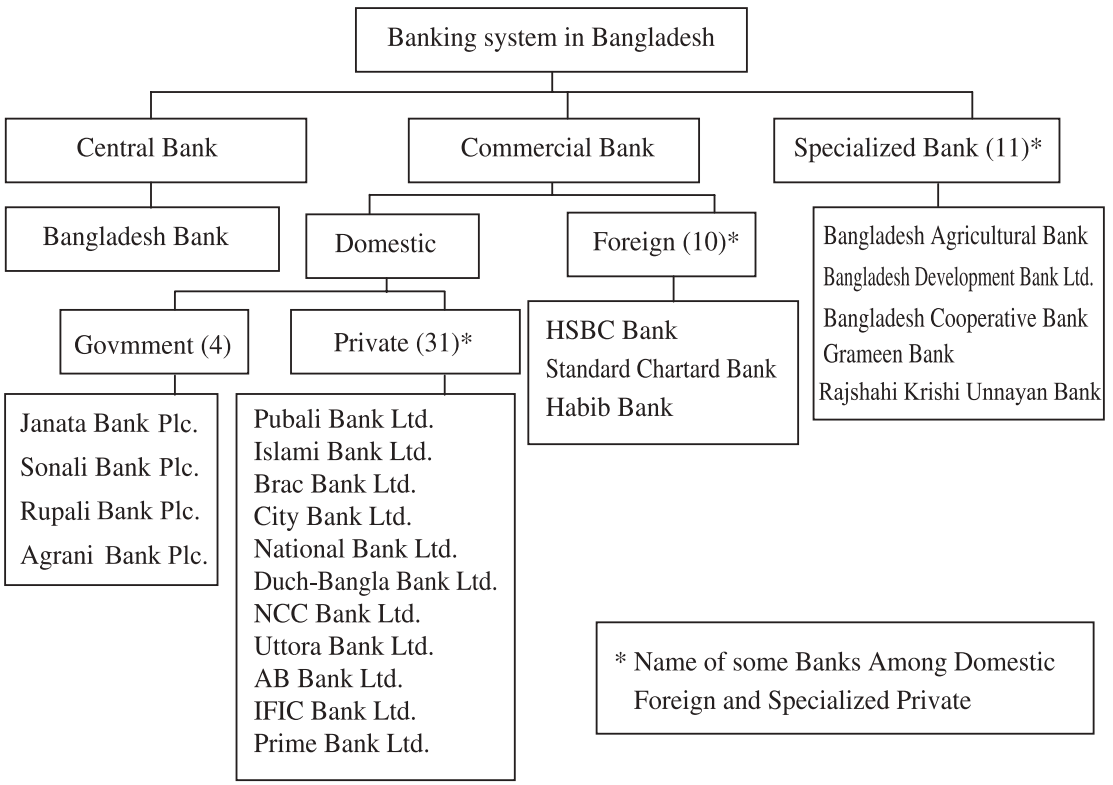
Thus, the central bank contributes a lot to the entire socio-economic condition preserving the stability in the economy.

Task: Central Bank can preserve the economic stability of a country. Elucidate.

7.6 Banking System in Bangladesh

In our country, Bangladesh Bank acts as the official bank (bank of the government) and the guardian of the monetary institutions. Commercial banks are administered to take and preserve deposits from people and to lend money in the necessary areas to make profits. On the other hand, specialized organisation are directed for developing special areas and reducing poverty.

Chart of the banking system in Bangladesh:



7.7 Role of important Banks of Bangladesh in Agricultural Development, Industrialization and Self Entrepreneurship

In this regard, the contributions of some banks in Bangladesh are discussed below:

Bangladesh Bank



Monogram (Bangladesh Bank)

The name of the central bank of Bangladesh is Bangladesh Bank. Bangladesh Bank was established after the independence with the "Bangladesh Bank Ordinance 1972" certified by the then president. Since then this bank has been a leading currency system in the country. It is noteworthy that at its outset it possessed all the properties the of State Bank of Pakistan. Leading the economic and loan systems to the right direction and maintaining stable financial conditions through the agricultural development, industrialization, and building scope of self-reliant employment of the country, Bangladesh Bank contributes to the overall economic development and welfare of the people of the country in the follwing way:

Bangladesh Bank provides loan easy terms to the organizations that provide agricultural loans. Acting directly, Bangladesh Bank conducts research and prepares statistics for the development of agriculture.

For the sake of prompt industrialization in the country, Bangladesh Bank lends money to the organisation that supply capital to the industrial organisations. It also provides entrepreneurship encouraging loans.

In exchange for debt instrument, the commercial banks carry out some important tasks such as money lending, founding new banks, founding branches of commercial and agricultural banks in undeveloped areas, ensuring the stock of loan to facilitates lending. In some special cases, the bank, of its own accord, creates working opportunities for the unemployed young by providing loans on easy terms.

Task: As guardian of the monetary system, Bangladesh Bank plays an important role in the overall development of Bangladesh. Elucidate.

Commercial Banks

A commercial bank is one of the main participants that play a significant role in the extension and development of business, development of agriculture and industrialization of the country. On the basis of ownership, the commercial banks can be categorized into two types:

a) Governmental

b) Non-governmental



Commercial Bank in Agriculture & Industrial Sector

The contributions of the commercial banks are described below:

Agriculture is an important sector in Bangladesh. So the economic development of Bangladesh largely depends on the development of agriculture. The majority of the farmers of this country are poor. They need sufficient agriculture loan to carry out farming activities. For the development of agriculture, the commercial banks take active part in loan-sanctioning activities at different times declared by the government. The commercial banks run different loan sanctioning programs for promoting food production, standard seeds, fertilizers, pesticides, deep tube wells and less-deep tube wells for irrigation and for establishing cottage industries. At present, according to Bangladesh Bank, farmers get the facility of opening bank accounts giving only Tk 10 as deposit. As a result, the data collection of all the farmers of Bangladesh becomes easier within a short time.

The commercial banks take the scattered individual savings as deposit from different parts of the country. From this, the bank provides loans for the construction and extension of small, medium and large scale industries. The commercial banks provide enough loans under easy conditions for purchasing raw materials for industry and modern machinery. Besides, the bank assists in developing mills and factories, purchasing the shares of the new companies.

Commercial banks help in creating employment opportunity. At present, these banks have started to provide loans against individual security for purchasing rickshaws, vans, opening grocery shops, rice mills, wheat mills, etc. It is hoped that this will create employment opportunity for many people.

Task: Commercial banks are a powerful partner in the economic development of a country. Exucidate.

Bangladesh Krishi Bank

Bangladesh Krishi Bank has been established for promoting the dynamism of agriculture, attaining self-reliance in agriculture and for the overall development of agriculture. This bank has been established after the independence of the country, according to Ordinance 1973 with the assets and liabilities of Pakistan Krishi Bank. It is a state-owned and semi autonomous institution. The role of Bangladesh Krishi Bank is discussed below:

Bangladesh Krishi Bank provides small, medium and large scale loans for promoting the production of agriculture and sectors related to agriculture.

a. The majority of the farmers of our country are poor. So this bank provides short-term loan for fulfilling the basic requirements of the farmers, for example, purchasing fertilizers, seeds, pesticides, ploughing land, weed-out, threshing crops, harvest, etc. Generally, this loan is to be paid within 18 months.

b. This bank provides medium-scale loans for levelling land, setting up semi-deep tube wells, for buying cattle for ploughing land and purchasing light agricultural machinery. Generally, this loan is to be paid from 18 months to 5 years.

c. Krishi Bank provides long-term loans for purchasing land, heavy machinery, (e.g. tractors, harvesters, etc.), setting up deep tube wells, constructing warehouses, constructing coldstorage, digging canals for irrigation, developing tea lands etc. This loan is to be paid from 5 years to 20 years.

This bank provides financial and technical assistance for establishing agriculture based small and cottage industries. This bank also provides loans for raising poultry, setting up sericulture, and pisciculture and helping the unemployed youth get the facility of self-employment.

Task: Modernization of agriculture is possible through the agriculture loan of Bangladesh Krishi Bank. Explain.

Bangladesh Development Bank Limited

According to the decision of the government, the Vendors Agreement was signed between the government and the Board of Directors of Bangladesh Development Bank Limited on 31st December, 2009. Thus the two institutions– Bangladsh Shilpo Bank and Bangladesh Shilporin Songstha– are unified as Bangladesh Development Bank. So the assets, liabilities and workforce of these two closed institutions have been handed over to the new institution. The role of this bank is discussed below:

Generally this bank provides loan for the development or extension of industries related to our country, for example. jute industry, leather industry, sugar industry, fertilizer industry, etc. This bank gives priority to agriculture based industry of the rural areas which is helpful for both production and development of agriculture.

This bank provides long-term loans for introducing new industry, extension and modernisation of old industry in both public and private sectors. The maximum timeline of repaying the loan of this bank is 20 years. It also provides short term loan for the necessity of mills, factories and industries. It supplies entrepreneurs with free technical counselling and industrialisation-related research, statistics and information.

This bank provides different term-based loans in small and medium scale industries with the aim of attaining self-reliance, promoting production and employment. It gives important counselling and assistance in establishing small-scale industry to make women self-dependent. It gives investment facilities and formulates the blueprint of industrial activities so that business enterprises are taken privately.

Task: Write down the role of Bangladesh Development Bank Limited in production and employment.

Grameen Bank

Grameen Bank is a specialized financial institution, which has been established with the aim of providing banking service to the landless, helpless males and females, and the owners of less amount of land in the villages. This bank provides micro-credit to the general people for production activities. Grameen Bank first emerged in 1983 as a specialized financial institution. The role of this bank is discussed below:

This bank gives loans to poor, landless and helpless farmers on easy conditions and without any security. For the development of agriculture, it provides loans in the areas of vegetable cultivation, raising cows, pisciculture, poultry farming, etc. As this bank gives loans under easy conditions, the farmers need not take loans from local rich people under hard conditions with a high rate of interest.

Grameen Bank provides loans as well as supplies materials and required information to make the deprived section of the country attached to local small scale and cottage industries, for example, crafts of bamboo and cane, making biri, soap, cloths, sweetmeats, etc. Palliphone facility has been launched with the technical support of Grameen Phone to take the facility of information technology to the people of remote areas.



Small and cottage Industry of Grameen Bank

Grameen bank is the bank which is directed to create employment opportunities and organise the unemployed deprived group under institutional structure. This bank provides the beggars the opportunity of self-employment giving interest free loans. It encourages women for job and helps them in flourishing their leadership qualities. It gives Palliphone to the poor and helpless women as loan. Rehabilitation for women is attempted after repaying the loan from its income. Dividend is provided to the poor owners from its profit every year.

Task: The role of Grameen Bank in changing the fate of deprived people is undeniable. Explain.

Cooperative Bank

Cooperative Bank is the bank which is formed and directed according to the principles of cooperation. The objective of this bank is to provide loans with little interest on the basis of mutual cooperation. Bangladesh Cooperative Bank Limited is run with the joint ownership of the government and the cooperative section of the country. The cooperative institutions have 86% and the government has 14% ownership of the share of this bank. The role of cooperative bank is discussed below:

The bank provides agriculture loan to the members of cooperative society with the aim of alleviating poverty, promoting food production, etc. The sectors of loan are: agriculture, land, land development, Aaush, Aamon, Boro cultivation, cultivation of the crops and vegetables of winter season, different agricultural instruments, seeds, fertilizers, pesticides, irrigation machines, tractors, etc. There are three types of agriculture loan: short term for 6 months, medium term for 2 years and long term for 5 years.

This bank provides finance to agriculture based industries, which are organized on the basis of cooperation and in construction industries. This bank undertakes microcredit activities for the employment of the rural young males and females. The cooperative bank is the partner of the project named "Akti Bari Akti Khamar" undertaken by the government. It also provides finance for employment in the sectors of pisciculture, raising animals, poultry farming, processing and preservation of produced goods, etc. Thus this bank plays an important role in both reducing unemployment and alleviating poverty.

Task: Explain the role of Bangladesh Cooperative Bank in attaining self-reliance of the cooperative members.

Sample question

Multiple choice question:

1. What is the first and foremost function of a commercial bank?
   a) Providing loans
   b) Accepting deposits
   c) Transferring money
   d) Creating a medium of exchange
2. Which of the following currencies can be used for transactions in any amount?
   a)Two Taka coin
   b)Two Taka paper note
   c)Five Taka coin
   d)Five Taka paper note

Read the following passage and answer questions 3 and 4:

Arif is a marginal farmer. He could not get a loan from the bank because he had no land to mortgage. Later, his wife Arifa took an unsecured loan of 15,000 Taka from a specialized bank and opened a grocery store. This brought financial solvency to their family.

3. Which institution provided the loan to Arifa?
   a) Agricultural Bank
   b) Cooperative Bank
   c) Development Bank
   d) Grameen Bank
4. The contribution of these institutions to the country's economy?
   i) Capital formation
   ii) Maintaining the value of currency
   iii) Creating employment

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

Creative questions:

1. Ratna works in a financial institution where personal loans are not provided. The institution mainly regulates and advises the activities of other financial institutions. On the other hand, her friend Sumi works in a financial institution that deposits public savings, provides interest, and lends to individuals and organizations when needed.

a) What is the barter system?
b) How does money act as a vehicle of savings?
c) Explain the nature of the institution where Ratna works.
d) Analyze the role of the financial institution where Sumi works for in national savings and economic development of the country.

2. **Scenario 1:** Mr. Rashed owns a jute mill where jute products are produced for both domestic and international markets. Recently, due to increased demand for these products, he decided to set up a new jute mill. When he applied to a bank for the required funding, the bank officials informed him that his institution provides loans for such investments. Taking the loan, Mr. Rashed started implementing his plan.

Scenario 2: Farmer Jamir Ali wants to install a deep tube well in his land to facilitate irrigation. He receives a loan on long-term terms from a specialized financial institution. With improved irrigation facilities, his crop production increases significantly compared to before.

a) What is the main objective of a cooperative bank?
b) What is the barter system? Explain.
c) From which bank did Mr. Rashed receive his loan in Scenario 1? Explain.
d) Identify the bank and analyze its role in the economic development of Bangladesh.

Short questions:

1. Why money is called a convenient medium of exchange?
2. Explain the statement: “Commercial banks are dealers of short-term loans.”
3. Why the central bank is called the guardian of the money market? Explain

Chapter 8
The Economy of Bangladesh

Ratan is a rich farmer. For a few years he has been using the modem technology in farming which has increased the production. After spending the money in household expenditures he saves the excess money. Last year he established a small readymade garments factory which is conducted by his wife Jayanti. Lots of female workers of his village work there. They have enrolled their only son Roni in a good quality school. Roni is given treatment at the health complex of the union according to the doctor's prescription when he becomes sick.

From the above discussion we get an overview of certain sectors of Bangladesh's economy, such as agriculture, industry and service.



After studying this chapter, we will be able to–

- explain the main characteristics of Bangladeshi economy;
- explain the main sectors (agriculture, industry and service) of Bangladeshi economy;
- analyse the comparative importance of the main sectors (agriculture, industry and service) of Bangladeshi economy;
- identify the dependence of agriculture and manufacturing sectors on one another;
- discuss sectorwise analysis of the data of the economy and use it mathematically and
- discuss the importance of various sectors through drawing graphs.

8.1 Characteristics of Bangladesh Economy

Bangladesh was suppressed and oppressed by the 200-year British reign and 24 years of Pakistani rule. As a result, the development of Bangladesh economy did not take place to a great extent. Moreover, the economic infrastructure was damaged due to the long war of nine months in 1971. After the five decades of independence there has been significant development in the economy of Bangladesh. But it is still a developing country with lower-middle per capita income.

The main characteristics of Bangladeshi economy is given below:

1. Agriculture



Agriculture

Agriculture is an important sector of Bangladesh economy. But the production capacity in agriculture of our country is very low, compared with that of the developed countries due to the primitive methods, lack of good quality seeds, irrigation and agricultural loans, and for natural calamities. But the situation is improving day by day. Now there is more availability of good quality seeds, fertilizers, pesticides and irrigation. Thus the production is also increasing. In 2023-2024 the GDP of the total agriculture sector (crops, livestock, forestry and fisheries) was about 11.02%. But 45.00% of the total labor force (Age 15+) is involved in agriculture (MES, 2024, BBS).

2. Industry



Labours working in factory

The development process in industrialization in Bangladesh is very slow. So, it is necessary to adopt a new policy for industrialisation to increase the rate of development. National policy was declared for this purpose in the year 2010. The aim of this policy is to increase the employment, participation of women in industrialization and reduce poverty. To achieve these goals the government has taken some steps, like to

reduce barriers on investment, to create tax free investment, to encourage private investment, to ensure free flow of capital, to increase foreign investment, to create markets abroad, and establish labour intensive industries. The benefits from these projects can be seen now. In the fiscal year 2018-19, the share of industry sector was 35.14%. But 20.40% of the total labour force is involved in this sector (LFS, 2016, BBS).

3. Increasing in Per Capita Income

The per capita income in Bangladesh is low, compared to that of the developed countries as the production of agriculture and industry is lower in this country, population is high and opportunities of employment are low. According to Bangladesh Economic Review-2019, the per capita income was 1,751 US dollars (2017-18). According to Bangladesh Economic Review- 2024, the per capita income is 2764 US dollars. Therefore, our per capita annual income is increasing although it is happening slowly.

4. Increasing in Standard of Living

In 2022, in our country, 6.5% of the people lived below the poverty line. In 2023-2024, average life expectancy was 72.3 years, while in 2024, 98.1% people had access to pure drinking water and the literacy rate of people was 77.9%.

5. Increasing in Supply of Capital for Investment

Our saving are low due to low per capita income. Thus the investment or accumulation of capital is also low. Currently the government has adopted many encouraging policies to attract investors. For this reason domestic and foreign investment is increasing slowly. In the fiscal year 2019-20 the total investment was 31.75% of the GDP. Increase in investment increases the production of our agriculture and industry sectors. It helps to reduce poverty in our country.

6. Food Deficiency and Malnutrition

The Government of Bangladesh has given highest importance to the agriculture sector in order to make Bangladesh self-sufficient in different food production. For this reason, the use of good quality seeds, fertilizers and technology has increased in the production over the past few years.

7. Decrease in Population Growth Rate

Bangladesh is an over-populated country. The total population of this country is 16 crore 57 lakh 72 thousand 364 (according to the estimate of the year 2011). According to the preliminary calculations in 2022 the population growth is 16 crore 51 lakh and the population growth rate is 1.22% which was 1.34% in 2001. Though population is decreasing by degrees, it is a very small country in area and thus it is the world's 9th most populated country. According to Bangladesh Economic Review-2020, our present density of population is 1,125 persons living in per square kilometer (calculate in 2019).

8. Unemployment

In our country savings are low compared with population. Thus the accumulation of capital is low. Unemployment is increasing as there is a scarcity of capital which reduces employment opportunity in agriculture and industry sectors.



Dhaka EPZ

But domestic and foreign investment is increasing in Export Processing Zone (EPZ). To attract the foreign investment, various encouraging policies have been adopted which are increasing foreign investment and the economy is in progress. Thus we can hope that the unemployment problem will be reduced in the near future. (25 lakh people of our total population were unemployed in 2014-15).

9. Increase in the Use of Natural and Human Resources

Natural resources are the basic elements for socio-economic development and in raising the standard of living. Currently, discovery and the use of these natural resources have increased. The combined contribution (approximate) of natural gases, unrefined petroleum and coal and other mineral resources in GDP was 1.72% in the fiscal year 2019-2020. 71% use of the fuel comes from natural gases.



Coal Mine

Till now a total of 28 gas fields have been discovered. Gas is mostly used in the production of electricity. To ensure the fuel security the refining capacity of Eastern Refinery is being increased and SPM (Single Point Mooring) project has started to deport refined and unrefined fuel oil in the deep sea. The total storage Coal Mine of our 5 coal mines (Khalashpir of Rangpur, Barapukuria of Dinajpur, Fulbaria and Dighipara and Jamalganj of Bogura) is almost 3300 million tons. 65% of the extracted coal is used in Barapukuria power station to produce electricity.

Various public and private projects are in progress for the development of human resources. Among these, family planning, women and children, social welfare, youth and sports development, culture, labor and employment, etc. are important.

10. Deficit in Foreign Trade

To meet the various needs and development of our mass population we have to spend lots of money to import various products which is much higher than our export earnings. For this reason, there is an imbalance in the trade. Currently our export has increased, thus the trade deficit is decreasing. Besides, there has been a surplus after removing deficit because of the foreign remittance.

11. Decreasing Dependence on Foreign Aid

It is not possible to collect all the money we require for the economic development from within the country. So, we have to depend on foreign aids. But the good thing is, the dependency on foreign aid is decreasing. Because of inadequacy, uncertainty and lengthy process of these aids, our development process is hampered. So, the dependence on internal sources is increasing which can be identified as a positive move forward.

12. Development of Economic and Social Infrastructure

To increase the production, components of production and proper distribution of products in the market and to maintain the stability at price level, the economic infrastructure such as roads, railways and naval system, electricity and telecommunication system plays a vital role. The government has taken various steps to improve the country's infrastructure. Constructing Padma Bridge, 26 kilometer long elevated expressway to reduce traffic jam, safe naval system, development of electricity sector and setting up modern telecommunication system through the establishment of second submarine cable are some important projects under taken by the government. Education, training, research, public health, cultural development, ethical views play an important role in the development of human resources. Current government has announced education policy 2010 to improve the quality of education. Also to develop public health, a unified program of health, population and nutrition had been under taken.



Padma Bridge

13. Privatization Programmes

Though ours is a mixed economy, the government has given importance to privatization to maintain a free market economy for the development of our economy in all respects. For this purpose the government has taken various steps. After the establishment of Privatization Board (now Privatization Commission) in 1993, a total of 77 institutions have been privatized till June 2012. Among these 56 institutions were privatized by direct selling and 21 institutions by selling shares. According to expert opinion, the impact of this activities are mixed.

14. Planning

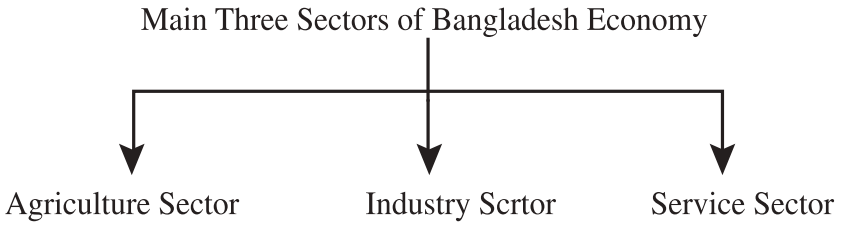
It is necessary to co-ordinate between public and private programmes for our economic development. In this regard, implementable development plan is to prepare for proper distribution and use of resources. For this, the government of Bangladesh has prepared a planning document titled "Bangladesh perspective planning Vision (2010-2021)". In the light of vision 2021 keeping ahead the celebration of Golden Jubilee of our independence. Its main objective is to achieve higher growth rate, alleviating poverty, being a middle income country and addressing all disparities, including regional ones.

From the above characteristics, we can say that the economic condition of Bangladesh has developed to a large extent in comparison to the past. Various dynamic programmes are being taken and implemented for economic development. Technically skilled labor and group of entrepreneur are being created through the expansion of education and technology. They are playing role in production increase of the country and to remove social superstition through self-employment. As a result, the possibility of the development of Bangladesh is being hampered in some sectors for the lack of good governance and inequality of increasing income and resources.

Task: What steps should be taken, on the basis of current context, for the economic development of Bangladesh?

8.2 Main Sectors of Bangladesh Economy

The branches of an economy of a country carry out economic activities within its own region, and on the basis of their combined contributions an economy is formed. These branches of an economy are called the economic sectors.



Agriculture Sector

Agriculture is the work that involves cultivation, sowing seeds, nurturing of grains-trees, collecting crops and then storing, protecting and marketing these crops. Apart from growing crops agriculture sector also includes fisheries, bee breeding, raising livestock and forestry.


Pisciculture


Livestock


Sundorbans

The introduction of sub-sectors of agriculture sector is given below:

A. Food Grains and Vegetables

Farmers of our country produce *rice, wheat, jute, pulses, sugarcane, tobacco, tea, oilseeds,* etc. among *food grains, and potatoes, bean, gourd, peas, potol, bitter gourd, eggplants,* etc. among vegetables.

B. Animal Resources

In our country poultry, cows, goats, lambs, buffalos, horses, pigeons and other birds are raised for both domestic and business purposes. Meat, milk, eggs, feathers and skins etc. of these animals are included in this sector.

C. Forest Resources

Only 15.58% land area of our country is covered with forests, whereas 25% of a country should be covered with forests. In these forests bamboo, cane, shal, shegun, shundori, goran, geowa, gamari, korai, kuchi and keora. trees can be found. We get wood, rubber, glue, shan, oil, candles and honey from these trees.

D. Fish Resources

Various types of fishes and fish products are obtained from the pond, river, haor and ocean. These are divided into two groups, for example: fresh water fish and sea fish. Fresh water fishes are: Ruhi, Chital, Koi, Shing, Magur, etc. and sea fishes are: Rupchanda, Vetki, Loitya, etc. The fishery sector has made a huge development recently. The government has given this sector a seperate dignity.

Contribution or importance of agriculture sector:

The growth of Bangladesh's economy is dependent on agriculture sector to a great extent. The development of rural economy, food security that is self-sufficiency in food, poverty reduction, raising the standard of living, and increase in employment- all are directly related to the development of agriculture. Thus the government is trying everything for the development of the agriculture sector. For this purpose, the steps are taken for the development and expansion of technologies, ensuring that every single person gets required raw materials for agricultural products, easy loans, agro-insurance and subsidy in agriculture, etc. A total of 63% of our population is directly or indirectly

dependent on agriculture. A total of 501.17 lakh metric tons of food grains was produced in the year 2023-2024. A total of 45.00% of the labor force is employed in agriculture. Shan, golpata, straw, bamboo, cane, and wood from agriculture are used as fuel supply, furniture and employment. On the other hand, protein requirement of the people, raw materials for industries and creating the market for industrial products, etc. play a vital role in the economic development.

The contribution of agriculture sector/sub-sectors in GDP are shown below:

Sub-sector	2022-2023	2023-2024
Food Grains and Vegetables	5.30	5.15
Live stock	1.85	1.80
Forestry	1.70	1.69
Fish Resources	2.45	2.38

Thus, in the fiscal years 2023-24 the contribution of agriculture sector was 11.02% But in the fiscal years 2020-2021 the contribution was 12.07%. Main export products of the agriculture sector are frozen foods, raw jute, jute-products and tea.

Task: The importance of agriculture sector is very significant for the economic development of Bangladesh. Explain.

Industry Sector

The conversion of natural resources or raw materials or primary materials into secondary or final goods through certain processes in the factory is called industry.

In calculating the national income of Bangladesh, industry sector includes minerals and mining, manufacturing, electricity, gas and water supply, and construction among the 15 sectors.


Gas Field


Metro Railway


Ship Industry

A short introduction to industry sector is given below:

1. Minerals and mining

The sub-sectors of this sector are:

a) Natural gases and unrefined oil

b) Other minerals and mining (Coal, Limestone, Chinaclay, Sulfur, Chalk, Silica, Bronze etc.)

2. Industry (manufacturing)

a) Large and Medium Industries: Large and medium industries are separately mentioned below:

Garments industry, sugar industry, fertilizer industry, cement industry, ship industry, jute industry, paper industry, etc. are included in large industries.

Leather industry, readymade garments industry, cigarette industry, plastic industry and hosiery industry are the common medium industries of Bangladesh.

b) Small Industry: Small industry is divided into 2 groups as below:

Industries that produce small parts of equipment such as match industry, wooden industry, soap industry, cosmetics industry, vehicle servicing and repairing industry, etc. are included in small industry.

Silk, bamboo, cane, pital (brass) and kasa (white brass), weaving industry and mrit shilpo are renowned cottage industries.

3. Electricity, Gas and Water: The subsectors of this sector are three. They are: (a) Electricity, (b) Gas and (c) Water

4. Construction Industry: Construction of bridges, roads, personal and business, all types of housing are included here.

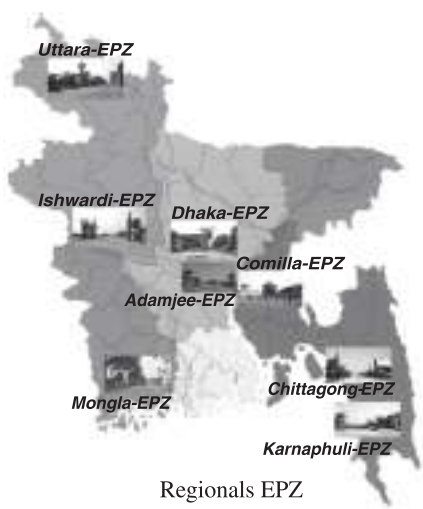
Industry sector is the combination of all four sectors mentioned above.

The contribution of industry sector to the GDP was 35.14% in the fiscal year 2018-2019. In the fiscal year 2019-2020 the contribution of the total industrial sector was 35.36%.

Overall growth rate GDP of industry sector is listed below:

Sub-sector	2022-2023(%)	2023-2024(%)
Mineral resources	1.87	1.90
Industry (manufacturing)	24.89	25.07
Electricity, gas and	1.19	1.12
Construction	9.60	9.75
water resources	0.10	0.10

Bangladesh has established Export Processing Zone (EPZ) for socio-economic development, poverty reduction, and quick expansion of industry sector. It has attracted many domestic and foreign investors who have helped the expansion of industry sector.



Regionals EPZ

Till December 2019 a total of 470 (proposed 572) industrial organisations were involved in production in 8 EPZs [Chattogram, Dhaka, Mongla, Cumilla, Ishwardi, Uttara (Nilfamary), Adamji and Karnafuli]. A total of 5,14,262 people were employed here. It exported products worth 4884.01 US dollar.

The government announced industrial policy 2016 to speed up the progress in industrial sector. The main purpose of this policy was to create employment, involve women in the main stream of industrialization, reduce poverty and to expand small and cottage industries. According to vision 2021, the industry sector would emerge as a strong sector within year 2021 where its contribution to the total GDP would be 40% and contribution to the industrial employment would be 25%.

In agriculture, industry, transport, household, service sectors, demands for electricity, gas, oil and other natural resources are increasing day by day. For this reason the government has taken various long-term plans in this sector. The government took steps to include extra 14,773 megawatt electricity to the national grid by the year 2010-16. The government was determined to ensure electricity for everyone in the country within 2021. Out of the total use of our fuel, 75% comes from the natural gases. Gas is mostly used in the production of electricity. Gas is used as the raw material for the production of chemical fertilizers; and factories, transport and households use it as fuel.

Limestone is used in the production of cement, glass, soap, bleaching powder etc; chinaclay is used in the production of crockery and sanitary products; silica in colors and chemical products; sulfur in gunpowder, matches and refining oil. It is due to increase in investment for infrastructural development, growth rate has increased in construction sector.

From the above discussion, it can be said that with development of overall industry sector, it is possible to increase national income, and per capita income, to improve standard of living, to reduce trade deficit and dependency on others.

Task: The development of our country is possible through the overall development of the industry sector. Explain.

Service Sector

The non-material services that are produced through economic activities, i.e., the activities that are not visible as converted raw materials, but they satisfy human demand and have an exchange value are called Service. The service sector provides services that are not tangible products and cannot be physically held, but they can satisfy our needs. They also have exchange value.



Financial Institution



Transport system

In Bangladesh, wholesale and retail trades, hotels and restaurants, transport, communication, banks, insurance and other financial institutions, housing, public administration and defense, education, health and social service, community, social and personal services– all are included in service sector. These services are provided to the people in exchange for money and people buy these to meet their needs. As in other countries, service sector is the single largest sector in our economy. In the fiscal year 2018-19 the contribution of service sector was 51.26%. In 2017-18 it was 52.11%.

The contribution rate of the sub-sectors that are included in the overall service sector to the GDP is given below:

Sector	2022-2023(%)	2023-2024(%)
1. Wholesale and retail trade	15.26	15.32
2. Hotel and restaurant	1.07	1.07
3. Transport, storage	7.29	7.25
4. Financial intermediation	3.07	3.05
5. Real estate	7.92	7.77
6. Public administration and defense	3.48	3.53
7. Education	2.68	2.74
8. Health and social work	3.43	3.57
9. Information and communication	1.26	1.27

From the above list it can be seen that wholesale and retail trade had the highest contribution and the second highest real estate. The sub-sectors of transport, storage and communication sector are given below:

a) Land Transport

It includes roads and railway system. According to the estimate of 2019 upto February the road includes national highway of 21,569 kilometer. Regional Road 4,247 kilometer and district road 13,242 kilometer. The length of railway is 2955.53 kilometer. The length of railways was 2,877 kilometers. Among them, broad gauge tracks were 659 km, meter gauge tracks were 1,843 km, and mixed gauge tracks were 375 km.

b) Water Transport

Our main sea port is Chittagong. 97% of our export-import is conducted through this port and our second sea port is Mongla. Our internal naval transport corporation gives services to people through 188 water vehicles that include ferry service, passenger service, cargo service and ship repairing service, etc.

c) Air Transport

The authority of private airways is covering 3 international and 7 internal airports. Tow STOL (Short Take Off and Landing) posts are also in use.

d) Post and Telecommunication

Bangladesh Telecommunication Company Limited (BTCL) is carries out various projects for modernization, development and expansion of our telecommunication system. The number of customers has increased after the establishment of Bangladesh Telecommunication Regulatory Commission (BTRC) since 2002. Number of customers has exceeded 12.8 crore in January 2017.

Postal department sarves through 9,886 post offices over the country. From this sub-sector the growth rate was 6.98% for the fiscal year 2016-17.

Task: What steps do you think should be taken for the development of service sector in Bangladesh?

8.3 Relative Importance of Various Sectors

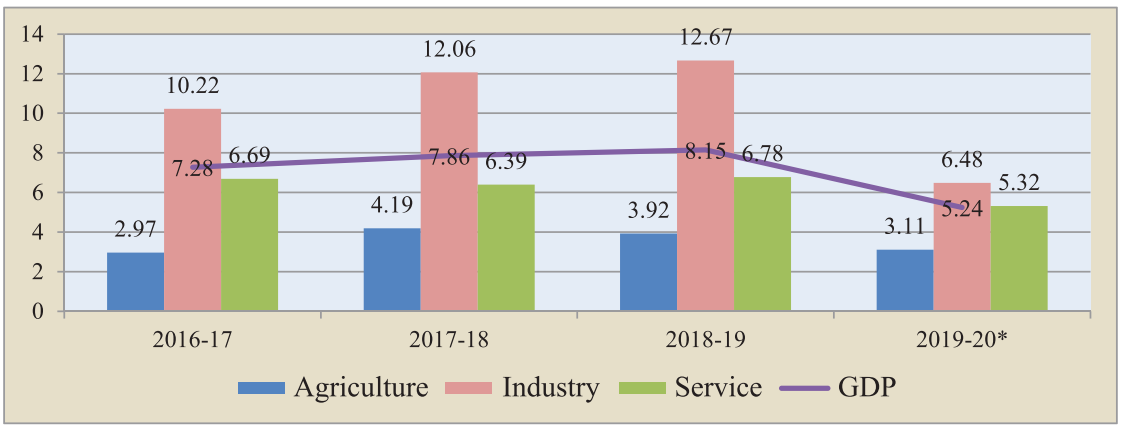
Our economy has 15 sectors in the Gross Domestic Product (GDP) on the basis of production. These sectors are divided into 3 bigger sectors such as agriculture, industry and service sectors. In the context of Bangladesh, agriculture is the main component of growth and economic development as our economic infrastructure evolves around agriculture. Ensuring food security, poverty reduction, improving the standard of living, increase in employment of this huge population– all are directly related to the progress of agriculture. But dependency on agriculture is not a sign of stable economy, because there is always an uncertainty in the production every year due to flood, cyclone, tsunami, drought, many other natural calamities. Therefore, it is required to establish industry based economy face the challenges of free market and globalization. Because modernization of agriculture, efficient use of natural resources, less dependency on foreign countries, earning more foreign currencies and developing a strong defense system– all are possible through industrialisation. Along with the development of agriculture and industry through the various projects of overall service sectors, for example, generating educated and trained human resources, developing women and children, youth development, sports development, infrastructure development, the development of information

technology, achievement of vision 2021 is possible which will help build an economically stronger Sonar Bangla.

To fulfill this purpose and to achieve sustainable growth in agriculture, the government has taken various steps such as granting more subsidies, ensuring the supply of continuous electricity for irrigation, increasing the flow of loans, inventing new seeds that can cope with unfavorable weather and saline water and promoting industry-based agriculture. Production in industry has increased due to the increased investment in electricity and other infrastructural sectors. Almost all the sectors under overall service sector maintain some growth rate, taking the growth rate of this sector to a satisfactory level.

The growth rate of GDP (%) is shown below through the bar diagram:

Figure: Broad Sectoral GDP Growth at Constant Prices



*Provisional

The periodical growth of the years from 2016-2017 to 2019-2020 has been presented in the above bar chart. In the bar chart it is seen that the growth rate of GDP was 7.28% in 2016-17. The growth rate of GDP was 7.86% in the fiscal year 2017-18. 8.15% was in 2018-19 and in 2019-2020 the increasing rate of GDP was 5.24%. Though it is slow, but the growth rate of our GDP is increasing.

A comparative picture of the growth rate in the years 2022-23 and 2023-24 has been presented below:

The sector wise contribution rate to the GDP on the basis of of the fiscal year 2005-06 in percentage:

Overall Sectors	2023-24	2020-21
Agriculture	11.02	12.07
Industry	37.95	36.01
Service	51.04	51.92
Total	100	100

It is realised from the chart that in 2023-24, the service sector was the main contributed to our GDP, which was 51.04%. The second one was industrial sector and its contribution was 37.95%. The contribution of agriculture sector is dwrindling and this sector provided the least contribution with only 11.02%.

Task: Explain the contribution of agriculture, industry and service sector on the basis of data that are easy to find locally.

8.4 Dependency of Agriculture and Industry Sectors on Each Other

Ramiz is a rich farmer. He produces more rice in his land by using seeds that give high return, irrigation through deep tube wells and using required organic fertilizers. He supplies the rice to the market, which he keeps in the sacks made of jute. Many people buy these to satisfy their food requirement.

From the above, we can say that the industry sector supplies the equipment and fertilizers for the development and modernisation of agriculture. Similarly, raw materials come from agriculture sector for the expansion of industry.



Agriculture Based Industry (Sugar Industry)



Industry Based Agriculture

The interdependence between the agriculture and industry sectors is discussed below:

Most of our industries are agriculture-based. The main industries of our country are jute, tea, leather, sugar and paper industries and all of these are dependent on agriculture for the supply of raw materials. For this reason, region-based industries have been developed, for example, jute industry in Dhaka and Narayanganj; tea industry in Chattogram and Sylhet; sugar industry in North Bengal. With the expansion of these industries, the production in agriculture will increase due to the increased demand of raw materials and farmers will get proper price for their products. This will increase the income and the standard of living of the farmers. Savings and accumulation of capital will increase as the income of the people will increase and thus more investment will be possible in the industrial sector.

In our country the foundation of small industries is agriculture. Bamboo and cane produced in agriculture are used as raw materials for the cottage industries. On the other hand, the equipment for cultivation in agriculture, fertilizers, pesticides, medicines, etc are produced in industries. Thus agriculture plays an important role in marketing the industrial products. As the purchasing capacity of the farmers increases, the demand for other industrial products also increases, which helps the expansion of industrial sector. It is possible to achieve self-sufficieny in producing food grains through the modernisation agriculture. The cost of import will be saved and the saved money can be used for the development of industry.

From the above discussion, it can be said that our agriculture and industry sectors are mutualey dependent, and they complement each other. Thus the development in both sectors together is necessary for the economic development, self-sufficiency in food and self-reliance of our country.

Task: Identify the areas where agriculture and industry are dependent on each other.

[**The Source of all information of this chapter:** Bangladesh Economic Review 2020]

Sample question

Multiple choice questions:

1. Which industry in Bangladesh is considered a small-scale industry?
   a) Jute industry
   b) Fertilizer industry
   c) Shipbuilding industry
   d) Soap industry

2. The purpose of announcing the Industrial Policy 2016 of Bangladesh government is to…
   a) increase employment
   b) development of paved roads
   c) increase foreign imports
   d) development of the service sector

Read the following passage and answer questions 3 and 4:

Rakib's home is in Rajshahi district. After graduating from the Agricultural University, he established a juice factory in his local area. He began producing juice in his factory by collecting available mangoes and lychees as raw materials. Rakib's wife, Mahmuda, works as a teacher at a local secondary school.

3. Rakib's activities are related to which sector of Bangladesh's economy?
   a) Industrial sector
   b) Agricultural sector
   c) Minerals and Mining Sector
   d) Service sector

4. The sector related to Mahmuda’s work is-
   i) the largest sector in Bangladesh’s economy
   ii) plays a role in human resource development
   iii) supplies raw materials to the industrial sector

Which of the following is correct?

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

Creative questions:

1.

Sector-A	**Sector-B**	**Sector-C**
Paddy, Wheat, Mustard	Clothes, Jam-Jelly, Furniture	Transportation, Banking, Medical, Education

   a) What is meant by service?
   b) Describe the most important sector of Bangladesh's economy.
   c) Which sector of Bangladesh's economy is indicated by sector 'C' in the stimulus? Explain.
   d) "The development of sector 'A' (food) and sector 'B' is interdependent" — analyze the statement.

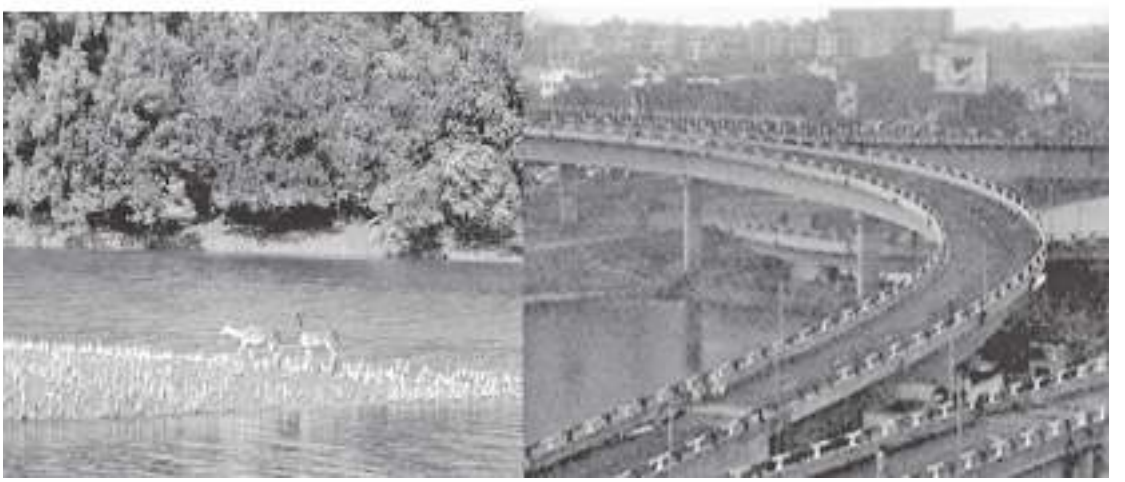
Short questions:

1. Explain the role of Export Processing Zones (EPZs) in reducing unemployment.
2. What is meant by trade deficit?
3. What is the role of seaports in providing citizen services?

Chapter Nine

Important Economic Issues in Bangladesh

Bangladesh is a low middle-income developing country. There lies a huge potential to develop. This development is possible through high growth rate, poverty alleviation, equal distribution, development of human resources and good governance.



After studying this chapter, we will be able to

- explain the relationship between economic growth and development;
- explain the characteristics of developed, less developed and developing countries;
- identify the stages of development of Bangladesh economy;
- make a list of obstacles to economic development of Bangladesh;
- explain the importance of development projects run by Bangladesh government;
- explain the importance of development projects run by Non-Government Organisations (NGOs) for national development;
- explain the type, reasons and ways of reducing poverty in Bangladesh;
- analyse the nature of unemployment in Bangladesh and the ways to remove it;
- explain the concept of human resources and
- explain the way in which the population of a nation can become its asset.

9.1 Economic Growth and Development

Though it seems the economic development and economic growth are the same, but they are not. There is a basic difference between these two concepts.

Economic Growth

In a particular time, the rate of increase of the total market value of the produced goods and services of a country is called economic growth. Generally, the annual rate of GDP increase is known as economic growth. Economic growth can be measured by the rate of increase of per capita income.

Economic Development

Economic development does not mean only economic growth. As a result of economic development, people's per capita income also increases. Changes in qualitative ospects in economy such as the increase of people's consumption, increase of employment and overall development through the development of technology also occurs.

So, for economic growth, only the increase in total national income is enough. And when economic development occurs, it must be understood that there has been a qualitative change in growth along with economic condition. So we can write, Economic development = Economic growth + Qualitative changes in economy.

Task: Distinguish between growth and development.

9.2 Characteristics of Developed, Least Developed and Developing Countries

Developed Country: The country whose economic development happens which is sustained for a long time is called a developed country. The standard of living of the people of these countries is very high.

Least Developed Country: According to professor Ragnar Nurkse, least developed countries are countries whose capital is less than their human resources and natural resources. The people in these countries lead a poor life.

Developing Country: The countries, where per capita real income is lessthan that of the developed countries, but where a positive change is happening in development indicators, are called developing countries. The per capita income and the standard of living in these countries are increasing. They are advancing from low income to middle income and from middle income to high income.

There are different characteristics for developed, least developed and developing countries. Though the characteristics of least developed and developing countries seem to be almost the same, they have different characteristics.

9.2.1 Characteristics of Developed Countries

The characteristics of developed countries are given below:

1. **Land and Natural Resources:** Developed countries are rich in natural resources. These countries ensure proper use and protection of land and natural resources. Developed countries like United States, Japan, European countries dominate the modern world by efficient use and preservation of natural resources.

2. **Capital:** In the developed countries, the supply of capital is sufficient. In this economy capital is created through savings.

3. **Skilled Manpower:** Skilled human resources are fundamental for the economic development of any country. Even if a country is rich in natural resources, capital, etc., it cannot be economically developed if it lacks skilled workforce. Developed countries keep a special eye on the development of skilled workforce. Skilled workforce can be built up through standard education, training and research.

4. **High Average Life Expectancy:** The average number of years the people of developed countries are expected to live is generally more because of advanced facilities of health services.

5. **Technical Knowledge:** The production capacity of the workers in developed countries has increased a lot and the main reason for this increase is the development of technical knowledge. A county that has more technical knowledge is more developed. People in developed countries control nature through improved technical knowledge and get things that are desired from nature.

6. **Political Stability:** Political stability is the prime requirement for the economic development. Economic development is restrained in those countries that do not have political stability. Political stability being prevalent in the developed countries, economic development is possible. inspite of the change of the government in these countries, the economic policy, plan and good governance remain stable.

7. **Developed Infrastructural and Transportation System:** More production and development are possible where transportation systems are more developed because the development of transportation system reduces production cost and increases investment. Thus production increases.

Task: Make a list of the characteristics of economic development in the developed countries.

9.2.2 Characteristics of Least Developed Countries

Most of the countries in Asia, Africa and Latin America are classified as less developed or least developed countries. A big portion of the world population lives in these countries. The characteristics of least developed countries are given below:

1. **Less Productive Agricultural Sector:** Most of the people in less developed countries live in the rural areas. They are directly or indirectly related to agricultural production and dependent on agriculture. The production procedure and technologies related to agriculture are primitive.

2. **Agriculture Based Economy:** A big portion of national income of these countries comes from agriculture.

3. **Unemployment:** Since the economy of less developed countries is agriculture based, disguised and seasonal unemployment problems are severely noticed there.

4. **Low Per Capita Income:** Per capita income and savings are low in least developed countries. For this reason, investment and production are also low.

5. **Vicious Cycle of Poverty:** In least developed countries income is low since the production is low. It leads to low savings. Investment is low because savings are low. Thus there is shortage of capital. Here the production decreases. This situation is called the vicious cycle of poverty. Because of this cycle the development process in least developed countries is slower.

6. **High Population:** In most of the least developed countries the population is high and per capita income is low. Food, clothes, shelter, education, transport, treatment and employment cannot be provided properly in the least developed countries due to high population.

7. **Use of Land and Natural Resources:** Least developed countries cannot ensure efficient use of land and resources through the development of technologies and methods. Therefore, economic development does not get flow.

8. **Inefficient Communication and Transportation System:** The communication and transportation systems in less developed countries are inefficient. So, there exist the problems of product trans-shipment. Production cost increases. Entrepreneurs are not interested in investment.

9. **Imbalanced Trade:** The least developed countries are not developed in manufacturing sector. Thus they have to export agricultural goods, raw materials, primary goods and import manufactured goods. Agricultural raw materials that are low in price are exported and the same products are imported at high price when they are turned into manufacturing goods. For this reason there is an imbalance in trade.

10. **Weak Manufacturing structure:** In less developed countries manufacturing structure is primitive and they lack high capital-based industries. In this weak structure of manufacturing industries, the employment is low and the skills of workers are also insufficient.

Task: Compare an underdeveloped country with a developed country.

9.2.3 Characteristics of Developing Countries

Some important characteristics of developing countries are given below:

1. **Agro-based Economy:** Most of the people are directly or indirectly dependent on agriculture. A remarkable portion of labour force is engaged in agriculture. In agriculture, primitive methods are used in the small farms. However development of modern technology is also noticed here. There is always natural disaster like flood, drought, etc.

2. **Per Capita Income:** The per capita income in developing countries is lower than that of developed countries but more than less developed countries. So the standard of living is not very high in the developing countries.

3. **Incomplete Utilization of Natural Resources:** Though most of the developing countries have a lot of natural resources, they are not being completely utilized.

4. **Shortage of Capital:** Per capita income in the developing countries is low. So savings are also low. Low savings create problem in the formation of capital.

5. **Primary goods producing country:** Developing countries mainly produce primary goods and use labour intensive technologies. Primary goods refer to the raw-materials of any industry, e.g. jute, leather, etc.

6. **Development of Industries:** In the developing countries, industries are in the primary phase but the development of export based labour intensive industries are noticed in some places.

7. **Deficit in Foreign Trade:** In the developing countries the annual import expenditure exceeds the export earnings. For this reason these countries have to face trade deficit every year.

8. **Lack of Entrepreneur:** Most of the products in developing countries are from agriculture. The instability in the prices of these products is high. This creates risk for the investors. As a result, development is hampered due to lack of domestic and foreign entrepreneurs.

9. **Weak Economic Infrastructure:** Economic infrastructure like communication and transport systems, electricity banking, insurance, etc. is insufficient.

10. **Dependency on Foreign Aid:** The infrastructural development of developing countries depends mostly on foreign aids.

Task: Determine the type of Bangladesh economy.

9.3 Obstacles to Economic Development of Bangladesh

Because of many socio-economic and political reasons, developing counties like Bangladesh cannot prosper quickly.

1. **Dependency on Agriculture:** Although the economy of Bangladesh largely depends on agriculture, its production capacity remains low. While the development of Bangladesh's agriculture is necessary, its progress is slow.

2. **Underdeveloped Agricultural System:** The agricultural system in Bangladesh is underdeveloped. The use of modern equipment in agriculture is limited. And there is instability in the price of agricultural products.

3. **Lack of Capital:** Since the per capita income in Bangladesh is low, rate of raising savings and capital is also low. As a result, it is not possible to invest as much as is needed for quick development.

4. **Lack of entrepreneur:** Entrepreneurs are key drivers for economic development. In Bangladesh, there is a lack of entrepreneurs who are efficient, experienced and ready to take risks. Due to lack of entrepreneurs, savings and capital are used less in the production sector. And for

political and economical instability, entrepreneurs are not ready to take only risk and do not come forward as the environment is not investment-friendly. Because of the interest to foreign countries, a good amount of capital goes out also.

5. **High Population:** Bangladesh is a country with high population. It is not being possible to fully utitise this population in production and work. So a big portion of national production is used for this population, which poses obstacles for development.

6. **Vicious Cycle of Poverty:** One of the main obstacles in the development of Bangladesh economy is the vicious cycle of poverty. According to Professor Narks, "A country is poor because it is poor." Low production, low income, low demand and savings, low investment and low capital are called the vicious cycle of poverty.

7. **Political Instability:** In Bangladesh, some times there is political uncertainty and instability. It is not favourable for domestic and foreign investment. Moreover the long term development plan is also hampered by this.

8. **Dependency on Foreign Aid:** The economy of Bangladesh is dependent on foreign trade and relationship. It faces obstacles in trade for imbalanced competition with developed countries and for their various conditions. On the other hand, dependency on foreign aid and investment on agriculture, manufacturing and business create obstacles in the development of self-reliant Bangladesh. But because of recent increase in exportation of garments and huge remittance, Bangladesh's dependency on foreign aid is on the decrease.

9. **Weak Marketing:** Weak marketing exists everywhere in Bangladesh. Market price is not profitable for producer due to lack of awareness, weakness in communication and transport system, and lack of fund. The marketing system has not yet developed in a developing country like Bangladesh. The market price for the producers does not bring any benefit because of the subversiveness of the middle interest.

10. **Obstacles in Application of Technology:** Modem technologies cannot be used in production due to lack of technological capacity, high cost of imported technologies and risks in implementation.

Task: Make a list of the main obstacles to economic development of a developing country like Bangladesh.

9.4 Development Programmes of Non-government Organisations

Non-government organizations mainly work for reducing poverty. Their work expands and accelerates during the time of natural calamities. In Bangladesh many non-government organizations (NGOs) are working to reduce poverty by giving small loans. Many rural foundations, banks and NGOs are working to help the government in fulfilling its development plans. the main NGOs of Bangladesh are BRAC, ASHA, Proshika, Shakti Foundation, Shwanirvar Bangladesh, TMSS, Karitas, Society for Social Service (SFSS) and Bangladesh Bureau.

1. **BRAC (Bangladesh Rural Advancement Committee):** Established in 1972, BRAC is the largest microcredit-giving NGO in Bangladesh. It works in 70 thousand villages and 2000 slums for the empowerment of the poor specially women and girls.
2. **Swanirvar Bangladesh:** Swanirvar Bangladesh was established in 1975. At first it worked as an adjunct cell of Bangladesh agriculture and forestry ministry. It started to work as an NGO for the socio-economic development of the people from 1985.
3. **Proshika:** Proshika started to work in a few villages of Dhaka and Comilla districts since 1975. For economic development of its members, Proshika carries out its microcredit activites for integrated agriculture, irrigation, increase of domestic animals, bee breeding, fisheries, social forestry, gardening at homes, production of seeds, small business and in many other sectors.
4. **ASA (Association for Social Advancement):** It has been carrying out microcredit programmes since 1992. It has emerged as the largest self-reliant microcredit giving organization in the world now.

5. **Shakti Foundation:** It was established in 1992. It gives loans to the poor women in the slums of large cities such as Dhaka, Chittagong, Rajshahi, Khulna, Comilla, Bogura, etc. Besides, it also works for the development of health, business and social welfare of these women.

6. **TMSS (Thengamara Mohila Shabuj Shanga):** It is the largest organization for women development in Bangladesh. This organization has been working for women to reduce poverty and for the development of their socio-economic condition since 1980.

7. **SSS (Society for Social Service):** It emerged in 1986 for eradicating poverty of the poor, neglected and deprived men, women and children. it also aims to make them aware of their rights, health, education, and ensure integrated services for sustainable social development in the society. The purpose of this organization is to establish sustainable development by alleviating poverty of the poor, neglected and the right-deprived men and women, children of the society and attaining rights for them by ensuring their education and health services.

8. **Bangladesh Bureau:** This organization has been working with sustainable rural savings and loan programmes for poverty alleviation of the poor people. Along with this, the organization is implementing the programmes about health care, pre-primary education development and empowerment of women, sanitation, family planning, social, forestry and tree plantation, disaster management, etc.

9.5 Poverty

Poverty makes a country and its people dependent on others and makes the base of development weak. So it is necessary to know about the concept of poverty, its extent and how to reduce it.

Concept of Poverty

Poverty is a multi-dimensional and relative issue. The people who earn less, consume less, own small amount of wealth, live in less peaceful condition and consider themselves as powerless and distressed in the society, are generally

considered as poor people. In Bangladesh we consider those people as poor who can not ensure necessary calorie and minimum ingredients for living. Thus a family living under minimum earning limit is considered as poor family. The poor people who are excessively poor are counted as acute a poor people. The extent of poverty, its rate and prevalence has been presented in the list below:

Table-1

Poverty and Chronic poverty (%) according to calorie intake

Type of poverty		2010	2016	2022
Poverty	National	31.5	24.3	18.7
	Rural	35.2	26.4	20.5
	Urban	21.3	18.9	14.7
Chronic poverty	National	17.6	12.9	5.6
	Rural	21.1	14.9	6.5
	Urban	7.7	7.6	3.8

Poverty Trends of Banglades

In recent years poverty is measured in Bangladesh as the cost of meeting basic needs. In this measurement both food and non-food products are included. In this chapter mainly the information of income-expenditure survey of 1995/96, 2010, 2016 and 2022 conducted by BBS is presented.

From years 2016 to 2022 percentage of poverty is reduced from 24.3% to 18.7%. From the years 2016 to 2022 the percentage of chronic poverty is reduced from 7.3% to 12.9%.

Programmes Adopted for Poverty Alleviation

Many government and non-government (NGO) programmes focus on creating employment and improving income for the development of poor people. The government of Bangladesh has undertaken the following programmes to reduce poverty.

1. Social Protection Programme

The main challenge of social infrastructural development is to include women, children and challenged people in the main stream of development programmes. A total of 64 programmes are being run under various ministries for social protection and empowerment. In these programmes provid- ing cash (special and various pensions), food security, small loans and various funds are included.

Classification of Social Protection Programmes is given below:

a. Aid programmes through providing cash (various pensions)

b. Aid through providing cash (special)

c. Food security programme

d. Providing small loans for self-employment

A. Various Aid Programmes through Providing Cash

A large part of the poor community of the country consists of elderly people, widow, women deprived and abandoned by their husbands. The Government has launched allowances for these people to reduce their poverty. Besides, the Government has also lauched allowances for freedom fighters in recognition of their participation in the liberation war.

B. Aid Programmes through Providing Cash (Special)

Some special aid through providing cash is running under the Ministry of Social Welfare of the Government of Bangladesh. Some of this type of aids are: rehabilitation for the acid victims and challenged people, micro credit, allowance for insolvent disabled people and maternal allowance for poor mothers, etc.

C. Food Security Programmes

Food security is very important to reduce poverty. To ensure food security, food for work programme, VGF under Ministry of Food and Disaster Management, VGD under the Ministry of Woman and Child Affairs of Bangladesh Government are being implemented.

D. Providing Small Loans for Self-employment

Creating opportunities for sef-employment is a good way to reduce poverty. Initiatives have been taken for creating self-employment opportunities under different Ministries of Bangladesh Government. Along with training in live- stock raising, poultry farming, pisciculture for the unemployed young men and women, microcredit facilities have also been arranged for them. Moreover, initiatives have been taken to reduce poverty by creating employment opportunities through organising co-operative societies, and training in information and communication technology (ICT).

9.6 Unemployment

Defintion of Unemployment

A person who is able and interested to work at the current wage rate, but unable to find a job is called an unemployed person. Some characteristics of an unemployee are given below:

(1) Unable to get a job at the current wage

(2) Interested to work at the current wage rate

(3) Deprived of earning

(4) Suffers from economical and emotional stress

Types of Unemployment

1. **Seasonal unemployment:** This type of unemployment occurs at a certain time of the year due to natural calamities. For example, rural workers, who do not have job except the time of planting the seeds and harvesting, i.e. in the period of time when they remain unemployed are called seasonal unemployed workers.

2. **Disguised Unemployment:** Though it seems that there are a lot of workers who are employed in the agriculture sector, in reality many of them have zero marginal productivity. People who have zero marginal productivity are called disguised unemployed persons. Suppose, a farmer has two bighas

of land. He works alone on that land and produces a certain amount of crops. If two sons join him, it will seem that three persons are working. But in reality three of them produce the same amount of crop that the farmer alone used to produce. So the extra two people have the zero marginal productivity. The reason for this is that three of them are dividing the workload of a single person. Thus these extra two people are called disguised unemployed persons. Therefore, disguised unemployment is a situation where it seems people are working but actually they have zero marginal productivity.

3. **Temporary Unemployment:** Unemployment created due to change of profession is called temporary unemployment. Such as a garment worker starts a business after changing profession. At that time he remains jobless. This time is considered as temporary unemployment. This type of unemployment prevails in our country.

So, it is due to lack of work except for farming in the rural society of Bangladesh, various types of unemployment mentioned above are seen.

Reduction of Unemployment

For the reduction of unemployment, development in agriculture and non-agriculture sector is necessary. Huge scope for creating new sectors of employment lies in agricultural improvement in irrigation, cultivation of more than one crop, different types of agro-based activities like raising cattle, forestation, raising poultry, fisheries, etc. In the non-agricultural sector, there are possibilities of employment in construction of roads, housing, expansion in small and cottage industries, small businesses, etc. Other than these, it is possible to reduce unemployment by taking the following steps.

1. **Reduction of Disguised Unemployment:** Disguised unemployment exists in the agriculture sector of less developed countries. To reduce this unemployment, higher wages can be given to workers of manufacturing sectors so that labor supply in manufacturing sector increases. Thus excess labor from agriculture will shift to the manufacturing sector.

2. **Investing Capital and Reducing Unemployment:** If more capital is invested in manufacturing sector the marginal productivity of labourers will increase and thus employment will also increase to reduce unemployment.

3. **Establishment of Small and Cottage industries for Producing Equipment of Farming:** Small equipment that is necessary for farming can be produced in small and cottage industries. Establishment of these types of industries in rural areas will reduce unemployment.

4. **Establishment of Industries Based on Agriculture in Rural Areas:** The establishment of Industries based on agriculture in rural areas will increase employment in these industries which will increase the production and employment in agriculture. That is, unemployment will be reduced.

5. **Growing Multiple Crops:** Apart from growing only seasonal crops if other crops are also grown at the remaining times or if one crop is grown after another, no agricultural labourer will remain unemployed.

6. **Farming Other Than Crops:** In most of the areas in Bangladesh there are lots of rivers, ponds and other low lands. In these places lots of fisheries can be established. On the other hand, in the high lands, where crops cannot be grown, poultry can be built.

7. **Compulsory Work-Oriented Education Policy:** To solve the unemployment problem in a country like Bangladesh, education policy must be changed. Technical and practical training should be given at all levels to increase the employment in agriculture and manufacturing. Technical and vocational institutes should be established in every district to create the opportunities for the less educated people.

8. **Proving Enough Loans:** After technical and vocational training if loans are given to the rural half-literate people, it would be easier to raise poultry firms, fisheries and animal breeding firms to reduce

unemployment. It can also be solved by establishing small and cottage industries.

Case study : Make an investigative report on the unemployment condition of your area.

9.7 Human Resource

Human resource is very important for economic development. It is required in every sector of development and technology. The value of efficient and trained human resource is very high. So, for the development of all developed and developing counties, the need and importance of human resources are very high.

Definition of Human Resource

The part of population which is included in the labor force through proper education and efficiency is called human resource. But land and capital of a country are called tangible resources. The supply of human resources is required for the utilization of natural resources for economic development. For economic development, both tangible and human resources are necessary. Increasing working capability and efficiency through proper education, training, healthy dwelling places, treatment, etc. is called development of human resources. Efficient human resource is a necessary element for economic development.

Methods of Human Resource Development

For economic development, it is necessary to increase the quality of human resource. For this purpose the following steps can be taken:

1. **Education:** To make people active and efficient, it is necessary to expand education and technical education. Education is necessary for private and national development. Therefore, it is necessary to change the whole education system and encourage vocational education. A person can be illiterate but if they are given technical education, their human resource is improved. An illiterate person being good and efficient farmer can increase the production. Developing countries like Bangladesh lack scope for vocational or technical education. So, it is necessary spread technical education

everywhere. For this purpose, the number of technical education institutes is to be increased and their standards are to be improved. People educated with technical knowledge can apply their learning in real life.

2. **Training:** Educated and trained people of a country are able to increase the production more. It is not possible to develop the quality of a person who is not trained. Training is necessary for human resource development. If trained people are utilized in more technical work, high returns are possible. Moreover, trained people can take immediate and timely decisions for some work and bring good returns.

3. **Development of Public Health:** Balanced diet, healthy environment, etc. are the basic requirements for maintaining good health. Every person in the country should be introduced to these requirements. It is possible to improve the health condition of those people that have poor health, physical weakness and reluctance to work by offering medical facilities at any cost.

4. **Food and Nutrition:** To turn the population power into human resource it is necessary to make the people aware of balanced diet and nutrition. The government, political parties, doctors, scientists, farmers, labourers all should come forward to fulfill this purpose.

5. **Proper Dwelling Place:** A healthy environment is essential for increasing work capacity. A safe and healthy living place increases ability to work. Therefore, the government should increase the housing facilities through public and private sectors.

6. **Women Empowerment:** Human resources development can be achieved by involving women in the workforce through education and training. Half of the total population in Bangladesh is women. Economic development is not possible while these people remain at home. It is possible to increase human resources through providing technical education and training to women.

7. **Plan for the Development of Human Resource:** To increase the working capacity and quality of human resources of Bangladesh, proper plan and its implementation is required. Effective steps can be taken to implement this plan for this purpose. That is, economic development is possible if human resource is developed.

[**The Source of all information in this chapter:** Bangladesh Economic Review 2019]

Sample question

Multiple choice questions:

1. What is development?
   a) Achieving high growth rate.
   b) Continuous increase in per capita income.
   c) Increase in national income and savings
   d) Gaining benefits in other areas along with growth.

2. To eliminate disguised unemployment-
   a) Surplus labor from the agricultural sector must be transferred to the industrial sector.
   b) Educated unemployed individuals must be provided with technical training.
   c) Capital-intensive production techniques must be adopted.

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

Read the following passage and answer questions 3 and 4:

Since 2010, Karim used to run his household by driving a scooter. Due to having no savings, he could not take up any new initiative. In 2015, he bought a new scooter with a bank loan and started renting it out.

3. Karim's situation before 2015 is related to which economic concept?
   a) Extreme poverty,
   b) Poverty alleviation,
   c) Vicious cycle of poverty,
   d) Increasing responsibilities.

4. As a result of Karim's purchase of a new scooter,….
   i) unemployment is reduced,
   ii) new employment is created,
   iii) consumption increased.

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

Creative questions:

1.

Proper use of land and mineral resources, high average life expectancy, high per capita income	Agriculture-based economy, underdeveloped industrial structure, increasing population, presence of unemployment,	Trade deficit, export of primary goods, a developing industrial sector.

   a) What kind of situation does poverty create for a country and its people?
   b) What is the relationship between economic growth and development?
   c) Considering the level of economic development, what type of country is country X? Explain.
   d) By identifying the stage of development, which economy do you think resembles that of Bangladesh?

2.After completing her MA, Tamanna started working at her mother's handicraft factory without getting a job. However, her production did not increase. One day, she shared her situation with one of her teachers. On the teacher's advice, she enrolled in a training course. In this way, she gained the opportunity to prepare herself for better suited for work in the future.

a) What is unemployment?

b) Explain the Food for Work Program.

c) What type of unemployment is reflected in Tamanna’s work? Explain.

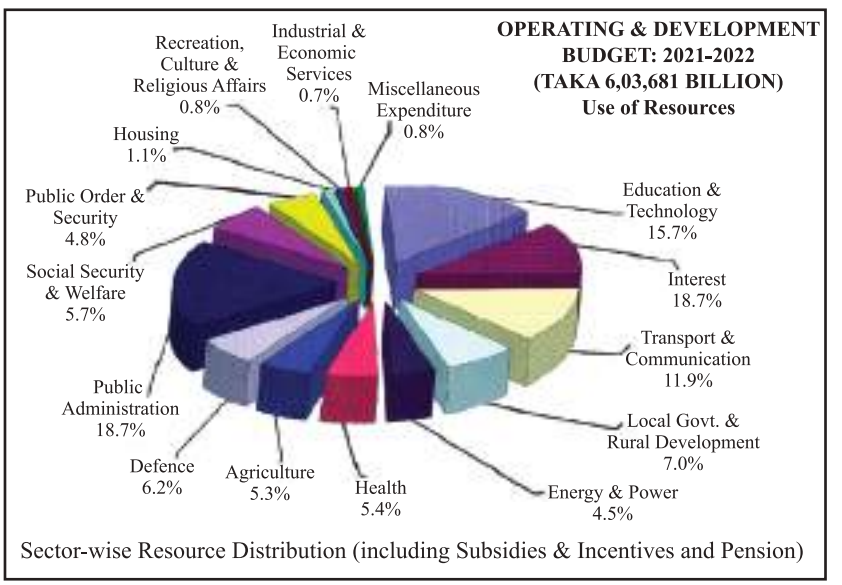
d) Analyze the rationale of Tamanna’s step in terms of human resources and the economic development of the country.

Short questions:

1. Is growth a part of development? Explain.
2. What is unemployment?
3. Write down the ways to eliminate seasonal unemployment.

Chapter Ten
The Public Finance of Bangladesh Government

Bangladesh government spends a lot of money to run the administration properly, maintain the rules and regulations within the country, protect the country from external attacks and run many projects for the social welfare. The government has to earn revenue from different sources to finance these costs. A budget is the financial plan and a list of all planned expenses and revenues of the government. And these things are discussed in Public Finance.



Sector-wise Resource Distribution (including Subsidies & Incentives and Pension)

After studying this chapter, we will be able to–

- explain what public finance is;
- explain what the sources of government revenue are;
- explain what the sectors of government expenditure are;
- explain the concept of budget;
- differentiate between current budget and capital budget;
- compare between balanced budget and unbalanced budget;
- explain the budget of Bangladesh government and its classifications;
- identify the sources to finance the development budget of Bangladesh government and
- participate in the discussion of the national budget.

10.1 Public Finance

The branch of economics, in which the revenue and expenditure of the government and things related to loans are discussed, is called the public finance. Public finance discusses in which sectors, how and following what principles the local government will spend to ensure the maximum social welfare and the economic development of the people. How much and from which sectors it will earn revenues to finance public expenditures, or from where it will borrow are discussed in public finance.

10.2 The Sources of Revenue of Bangladesh Government

Bangladesh is a low middle income developing country. The government has to spend a lot of money for socio-economic development, public welfare, running the administration and maintaining the country's defense system. To finance these expenditures, the government has to collect revenues from different sectors. The government of Bangladesh has two main sources of revenue. These are : a) tax revenue b) non-tax revenue.

a) Tax Revenue

Tax is the revenue which the government compulsorily collects from the public and for which the public cannot demand any direct benefit from the government. The tax, which is imposed on the residents of the country or the non-residents of the country, on different industrial companies and on the products is called the tax revenue.



Board of Revenue

The sources of government revenues are:

1. Taxes on Income and Profit

The tax that is imposed on the personal income of a person is called the income tax. One of the main sources of the revenue of Bangladesh government is income tax. At present, except company people whose annual net income is at least Tk. 3,00,000 (for male); Tk. 3,50,000 (for female and male whose age is above 65 years); Tk. 4,00,000 (for disabled); and Tk. 4,75,000 (for freedom fighters) taxes are imposed on their income. Moreover, taxes are also imposed on the profits of the different enterprises.

2. Value Added Tax (VAT)

Bangladesh, like other developed and developing countries, started the system of value added tax from the year 1991-92. In the case of production, there exist a lot of stages from producing the raw material to the final product. In the case of this production process, the tax that is imposed at a certain rate on the value added to different stages of production, is called the value added tax (VAT). Recently, in our country value added tax has been imposed on imported goods and locally produced goods and different service sectors. In future, the areas of the value added tax will be expanded.

3. Customs Duties

One of the major sources of income of Bangladesh government is custom duties. The tax imposed on imported goods and services is called the customs duties.

4. Excise Duties

The tax imposed on domestically produced and used goods is called excise duties. Excise duties are imposed to earn the revenue and also to reduce the consumption of harmful goods. In Bangladesh excise duty is mainly imposed on the goods such as tea, cigarette, sugar, tobacco, kerosene, medicine, spirit, matches etc.

5. Supplementary Duties

For many reasons the government imposes extra tax on some goods even after imposing the excise duty or the value added tax or the customs duty. This extra duty is called the supplementary duty, e.g. supplementary duties imposed on ceramic tiles.

6. Other Taxes and Duties

Other than the five taxes and duties discussed above, the government collects some extra taxes and duties. For example, wealth tax, taxes on petrol and gases, taxes on visiting a foreign country, vacation tax, etc.

7. Narcotics and Liquor Duty

The government earns revenue from imposing duty on narcotics and liquor. By doing this the government earns revenue as well as increases the social welfare.

8. Tax on Vehicles

The taxes given for various vehicles are called the vehicle tax. The government earns revenue from this sector every year.

9. Land Development Tax

The tax that is paid by the land owner to the government for owning and using the land is called the land revenue. Bangladesh government has imposed development tax on land.

10. Non-Judicial Stamp

Non-judicial stamps are used on wills and the application forms of the cases. The government earns a lot of revenue from this sector every year.

b. Non-Tax Revenue

The government earns a lot of revenue other than taxes and duties. Revenue collected from these sources is called non-tax revenue. The sources of non-tax revenue of the government are:

1. Dividend and Profit

The government gets dividend and profit at the end of the year from its organizations such as insurance companies, non-financial organizations (for example, nationalized industries, parks, zoos, etc.).

2. Interest

The government gives loan to the public service holders, and many financial and self-governing organizations. So it earns some revenue as the interest of those loans.

3. Administrative Fee

The government earns different types of fees from the public for giving them administrative services such as court fees.

4. Fine, Penalty and Confiscation

The government collects some revenue through fine, penalty and confiscation from those who commit misdeeds that are against the rules and regulations of the country.

5. Economic Services

The government gives services to the people through its various organizations. Among these services the important ones are: the fees received from import-export as per law, the registration fees from commercial organizations and companies, income under insurance law and audit fees from co-operative societies registration and renewal fees from co-operative societies, etc.

6. Rent and Lease

By giving public property on rent and lease, the government earns a lot of revenue each year, e.g. lease on a haat.

7. Toll and Levy

The government also collects revenue through toll and levy imposed on various bridges.

8. Non-Business Sales

Sometimes the government sells products without any profit for the wellbeing of the people, e.g. open-market sale (OMS).

9. Railway

Bangladesh railway earns money through the services of transportation of public and products. The profit in this sector increases due to the expansion and modernization of railway service.

10. Postal Department

Bangladesh postal department is run by Bangladesh government. For this reason it is a revenue source of the government. This department gives varieties of services, thus its income has slightly increased.

The revenue sources of the government mentioned above are not enough to finance its expenditures. For this reason, the government has to depend on foreign loans, aids and grants.

Task: Make a list of revenue sources of Bangladesh government.

Task: Find out the ways of increasing revenue sources of Bangladesh government.

10.3 The Sectors of Expenditures of Bangladesh Government

Bangladesh is a low income people's welfare state. For socio-economic development, human resource development, poverty reduction, protecting the country from external forces and running it and for the wellbeing of the people, the government has to pay a lot of money every year. The field of work of the government has increased with the growth and development of democracy. For this reason many new sectors have been included in the heads of the expenditures of the government.

The main heads of expenditures of Bangladesh government

1) Education and Technology

For developing human resources, the government has to pay a lot of money for the expansion of primary education, quality development, and expansion of technical and vocational education, development of female education, increasing the number and amount of scholarship to encourage the students and increasing tertiary education. The government spends a good amount of money on information and technology to develop the socio-economic condition by using technology in education.

2. Defense

To protect the country from external forces, the government has to spend a huge amount of money to buy weapons for wars, to provide proper training, salary, shelter and treatment to the people of defense. Some expenditure in this sector remains hidden for the national safety.



Naval-craft

3. Public Administration

To rule the country the government has to accomplish the work related to public administration. It has to spend a great amount of money for the people working in the administration for their salary and bonus, and for running the office.



Bangladesh Secretariat Building

4. Public Control and Protection

For maintaining internal peace and discipline and for ensuring safety for people's life and property, the government has to spend a lot of money to create and maintain police and paramilitary forces, and to give them training and others facilities.

5. Agriculture, Agro-based Industry and Agricultural Research

The government has been gradually increasing the allocation of subsidy on agriculture and loan to enhance and develop the agriculture and agro-based industries. Bangladesh government has started to contribute to the agricultural research since financial years 2007-08.



Agriculture

6. Public Health

To ensure public health, the government has to establish hospitals and medical colleges, provide free medicines, prevent plague, train the doctors and nurses, etc. and so it has to incur a great expenditure in this sector. To ensure the health services in the rural areas health complexes have been built and one M.B.B.S doctor and a health instructor have been appointed in each of them For this reason, the expenditure has increased.

7. Social Security and Welfare

Bangladesh government spends a considerable amount of money for social security for the livelihood of the helpless and destitutes such as providing allowances for elderly people and widows, rehabilitation of the acid-victim women and challenged people, national honour allowances for the freedom fighters, allowances for the reduction of unemployment caused by natural and geographical reasons, providing fund for the skills development of the readymade garments employees and the homeless, for one-hundred-day work programmes, for Ekti Bari Ekti Khamar and for rationing for the destitute people.

8. Electricity and Fuel

To meet the increasing demand for electricity the government spends a lot of money to produce and distribute more electricity, to make fund for the renewable energy and in many other sectors.



Electricity Supply

9. Transport and Communication

To develop the transport and communications system in Bangladesh the government spends significant amount of money through different projects of the ministries of communication like road, railway, navy, private airways and tourism, postal and telecommunication department.

10. Poverty Alleviation and Employment

Our current government has started to give various kinds of technical training to the poorly educated and physically powerful unemployed youths in different

districts for two years through the 'National Service' project to solve the unemployment problem. It distributes more than 10 lakh metric ton of food grain through the projects of T.R, G.R, B.G.F, and V.G.D. The government has given small loans in favour of different ministries for the creation of employment for the poor people. The government has to spend a lot of money in these sectors.

11. Repaying the Loan and Interest

The government takes a lot of money as loan from both the domestic and foreign sources to finance its development projects. So it has to pay a huge amount of money to repay these loans and the interests of these loans.

12. Industrial and Economical Services

To develop of the country's various industrial and economic service sectors, the government spends a lot of money. It spends money through the ministries of industry, business, labor and employment and the ministry of expatriates. To distribute loans to the small entrepreneurs for small and moderate industry sectors, Bangladesh Bank has drawn up a reinvestment plan by encouraging banks and financial institutions.



Garments Industry

13. Environment and Forestry

Protecting the environment and increasing its standard, saving it from industrial pollution, establishing refinery for industries that produce liquid wastage, etc. cause a huge expenditure to the government. It spends this money through ministry of forestry.

14. Entertainment, Culture and Religion

Every year the government spends a lot of money on information, culture, religion and youth and sports development.

15. Local Government and Rural Development

To run the local government, rural development and co-operative divisions and the Ministry of Chittagong Hill Tracts, Bangladesh government spends a lot of money.

Other than the above sectors, Bangladesh government also spends money on women and children, water resources, fisheries and animal resources, housing, food and disaster management. According to the government statement, the government of Bangladesh spends revenue on non-development expenditures in 55 sectors and under the development projects nearly in 18 sectors. In the light of modern social welfare, the government should spend more on development projects and reduce expenditures on non-development projects.

Source: Finance Department, Finance Ministry.

Task: Make a list of the allocations of funds for expenditures sector wise made by Bangladesh government.

Task: Find out the reasons for increasing expenditures of Bangladesh government in recent years.

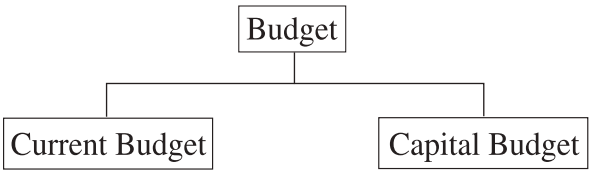
10.4 Budget

The planned estimate of incomes and expenditures is called a budget. If a person designs systematically,the incomes they get from different sources and how they spend them, it is called the personal budget. In the same way, the government's revenue of a particular year, how much revenue it expects from different sources and how much it wants to spend in different sectors, is called the government budget. The fiscal year of Bangladesh is from July to June.

The budget is the main instrument of the economic system. It shows the political view of the government and also the economic condition of a country. It not only reflects the actual calculation of the income and expenditure but also the systematic plan of the income and expenditure of the government. It also lists the way how the deficit will be addressed if expenditure is more than income and the way of using the surplus money if income is more than expenditure.When the budget is ready it has to be passed in the parliament and with the approval of the president.The new fiscal year starts according to the new budget.

Types of budget

According to the types of income-expenditure of the government the budget is mainly of two types:



Current Budget

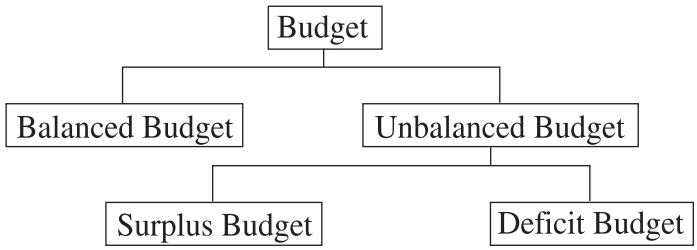
The budget which shows the current income and current expenditure of the government, is called the current budget. Current income is collected from tax and non-tax revenue. Value added tax, income tax, wealth tax, land tax, etc. are important in tax revenue. The dividend and profit of various companies and interest on loans are the main sources of non-tax revenue. The income from this budget is used to finance the expenditures of the administrative jobs properly and for national defense. Main expenditure sectors of this budget are education, public administration, police department, health and family planning etc. Since these sectors remain unchanged, reallocation in these sectors every year is required. Usually there is always surplus in the current budget. It is also called non- development or revenue budget.

Capital Budget

The budget which shows the capital income and expenditure of the government is called the capital budget. The main purpose of this budget is the socio-economic development. For this reason the government plans a yearly development program and collects revenue from various domestic and international sources to finance it and to put it in action. The sources of income from the country are surplus revenue, private savings and charging extra tax etc. and the sources of income from outside the country are foreign loans, grants etc. Under the annual development programs, agriculture, industry, electricity and fuel, woman and youth development, transport and communications, rural development, housing, etc. are important. The main purpose of this budget is to attain economic development and growth.

Task: Differentiate between current budget and capital budget.

According to the balance between income and expenditure, the budget is mainly of two types:



1. Balanced Budget

At a certain time, if the expected income and expected expenditure of the government are equal, it is called the balanced budget. In this budget if expenditure is coordinated with the income, there is a less possibility of inflation or rise in price level and thus there is stability in the economy. But in a developing country like ours, this type of budget is not helpful to reduce unemployment problems, develop the economy and to fight the emergency situations.

Formula: Balanced Budget = Total Income - Total Expenditure = 0

Therefore, Total Income = Total Expenditure

2. Unbalanced Budget

At a certain time if the expected income of the government is not equal to its expected expenditure, it is called the unbalanced budget. There are two types of unbalanced budget according to the inequality of income and expenditure of the government.

a) Surplus budget
b) Deficit budget

a) Surplus Budget

In a fiscal year if the expected expenditure of the government is less than its expected revenue, it is called the surplus budget.

That is, in this budget income is more than expenditure.

Formula: Surplus Budget = (Total Income - Total Expenditure) > 0

Therefore, Total Income > Total Expenditure

b) Deficit Budget

In a fiscal year if the expected expenditure of the government is more than its expected revenue, it is called the deficit budget. To cope with deficit the government borrows money from the public, creates new money, borrows money from the central bank, and takes foreign loans and grants.

This type of budget is convenient for developing countries like ours for the efficient allocation of resources, for the increase in employment, per capita income and for raising the level of standard of living of the people. But the creation of new money may cause the rise in price level and inequality in income.

Formula: Deficit Budget = (Total Income - Total Expenditure) < 0

Therefore, Total Income < Total Expenditure

Task: Write down the differences between surplus budget and deficit budget.

Task: Write down the differences between balanced budget and unbalanced budget.

10.5. Bangladesh Government Budget

Bangladesh is a developing country. The fiscal year of this country is July-June. Every year in the first week of June, the Finance Minister of Bangladesh presents a proposed budget in the parliament, which is finalised after discussion, criticism and amendment through pass in the parliament in the same month.



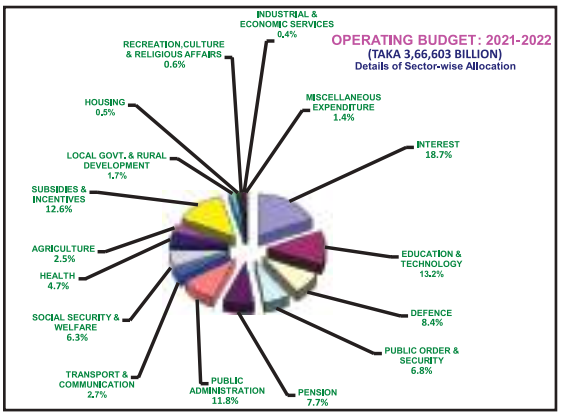
Jatiya Sangsad

In our country the budget is represented in two parts.

a) Non-development budget or current or revenue budget

b) Development budget or capital budget

a) Non-Development Budget



The part of the budget in which the government's regular income-expenditure is shown and the expenditures are not directly involved in the development is called the non-development budget. The main purpose of this budget is to maintain the country's defense mechanism and to administer the economy. Economical plans are not part of this budget.

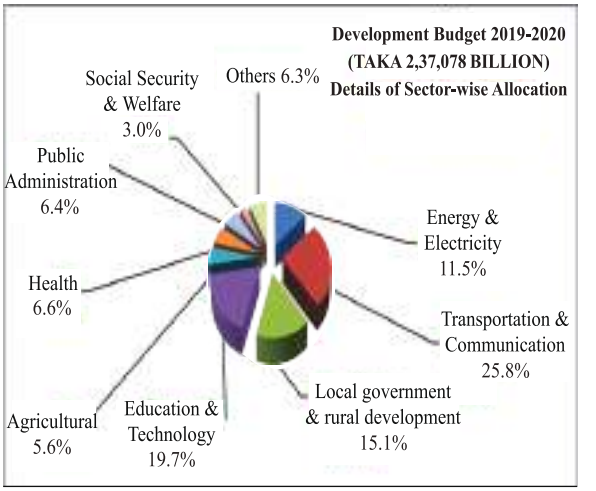
The income of non-developmental budget is collected from revenue from the tax and non-tax revenue, which are as follows:

Revenue from Tax	Non-Tax Revenue
Tax on income and profit	Dividend and profit from states owned enterprises
Value added tax	Interest
Custom duty	Administrative fees
Excise duty	Fine, penalty and confiscation
Supplementary duty	Revenue from various services
Land tax	Rent and lease
Tax on vehicles	Toll and levy
Tax on selling stamps	Railway
Narcotics and liquor duty	Postal department
Other taxes and duties	Wire and telephone department
	Other non-tax revenue

Expenditure sectors of non-development budget	
Education and technology	Social security
Public administration	Repaying loan and interest
Defense	Health and family planning
Public control and protection	Entertainment, culture and religion
Transport and communication	Unexpected expenditure

b) Development Budget

The part of the budget which shows the income-expenditure of the development projects is called the development budget. It shows the details of the government's annual development projects and the sources of expected income and expenditure. The main purpose of this budget is to achieve economic development and growth in a planned way. For this reason, it is necessary to draw up new projects every year.



Revenue sources and expenditure sectors of development budget

Revenue sources	Expenditure sectors
Internal sources: 1. Surplus of non-development budget 2. Revenue from charging extra tax 3. Loan from internal banking system 4. Borrowing through bonds **External sources:** 1. Foreign grants 2. Foreign loans	1. Agriculture and industrial development 2. Local government and rural development 3. Transport and communications development 4. Electricity and fuel 5. Education and technology development 6. Water resource and flood control 7. Housing 8. Labor and human power 9. Woman and youth development 10. others

Task: Identify which part of the budget of Bangladesh government is in the non-development sector and which is in the development sector.

10.6 The Budget for the year 2021- 2022 and the Revised Budget for the year 2020-2021 of the Government of Bangladesh

Budget at a glance

(Taka in crore)

Description	Budget (2023-2024)	Revised Budget (2023-2024)
a. NBR Tax revenue	430000	410000
b. Non NBR Tax revenue	19999	19000
c. Non-tax revenue	49997	49000
d. Forign grants	3900	3500
Total Tax Revenue: (a+b+c+d)	503896	481500
a) Non-development revenue expenditure	475281	453228
b) Development expenditure	277582	260007
b) Other expenditure	8922	1183
Total expenditure: (a+b)	761785	714418
Total Budget Deficit	(-) 257889	(-)232918
a) External sources (Debt)	127190	110853
b) Domestic sources (Debt)	155395	146766
Total Financing : (a+b)	282585	257619

Source: MOF (Finance Division) Government of Bangladesh budget- 2023-24

There are mainly two parts in this budget. For example, non-development budget and development budget. According to the balance between revenue and expenditure, the budget of Bangladesh government for the year 2023-2024 is a deficit budget.

Task: Give your opinion about the funding of the development budget of Bangladesh.

[**The Source of all information of this chapter:** Bangladesh Economic Review 2024.]

Sample question

Multiple choice questions

1. Which of the following is non-tax revenue?

a) Narcotics duty b) Dividends and profits
c) Tolls and levies, d) Supplementary duty.

2. What is the source of income for the development budget of the Bangladesh government?

a) Value Added Tax (VAT),
b) Taxes on income and profit,
c) Excise duty,
d) Surplus from the non-development budget.

Read the table below and answer questions 3 and 4:

The hypothetical budgets of two countries are as follows:

Country A		Country B	
Expected Income (Crore Taka)	Revealed Expenditure (Crore Taka)	Expected Income (Crore Taka)	Revealed Expenditure (Crore Taka)
10 Lakh	1100 Lakh	1100 Lakh	1000h

3. What type of budget does Country B has?

a) Balanced, b) Unbalanced,
c) Deficit, d) Surplus.

4. As a result of budget formulation like that of Country A,

i) Natural resources will be fully utilized.
ii) People's standard of living will increase.
ii) There is a risk of a rapid increase in commodity prices.

Which of the following is correct?

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

Creative question:

1. Ikram went to a super shop with his father and noticed that an additional amount was added to the price of the product. Upon inquiry, the shopkeeper informed him that it was tax, which is deposited into the government treasury. The shopkeeper further explained that during the import and export of goods, traders also have to pay government-determined taxes.

a) What is land development tax?
b) Why is excise duty imposed?
c) What type of tax did Ikram pay in the scenario? Explain.
d) Analyze the role of the tax mentioned by the shopkeeper in the government's revenue collection.

2. Jahid is a student of a government school. In response to one of his questions, the teacher said that the government pays their salaries and allowances. The government also allocates money every year to purchase laboratory and classroom equipments. His classmate Tahmina asked the teacher, “Where does the money come from for the new building being constructed at our school?” The teacher explained that this year, a special allocation has been made for constructing a new academic building and installing a deep tube well for drinking water. For this, the government has to create a separate budget.

a) What is a budget?
b) Why is a non-development budget prepared?
c) In response to Jahid's question, what type of budget did the teacher mention? Explain.
d) In response to Tahmina's question, what type of budget did the teacher refer to? Analyze the importance of this budget in the overall development of the country.

Short questions:

1. Why income tax is considered the main source of revenue for the Government of Bangladesh?
2. What is the difference between tax and profit?
3. What is meant by a deficit budget?

The End

2026 Academic Year

Classes Nine and Ten : Economics

মিতব্যয়ী কখনও দরিদ্র হয় না।



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