Banks are the lifeblood of the economy; therefore, regulators should take pre-emptive measures to control the current situation before it worsens and gets out of control. A combination of strong policy reforms and good governance in the banking sector is the need of the hour.

Bangladesh undeniably stands out as one of the most promising economies in the region. VISUAL: REHNUMA PROSHOON

Challenges on the road to becoming the 28th largest economy

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Bangladesh could not achieve the expected FDI. As per Bangladesh Bank's data for the fiscal year 2023, the nation attracted approximately $3.2 billion in foreign direct investment. The rate of FDI inflow in Bangladesh is only around one percent of GDP, one of the lowest in Asia.

It's crucial to recognise that the level of convenience in doing business holds significant importance for foreign investors when deciding where to invest. The ease of doing business and global competitiveness are key factors influencing their investment choices. Investors assess various aspects, including the clarity of existing policies, reliability of government officials, taxation policies, adherence to rules and regulations and, most importantly, the security provided for their investments.

Regrettably, in the case of Bangladesh, investors often express frustration due to bureaucratic hurdles that impede smooth business operations. These challenges include bureaucratic red tape, inadequate socio-economic and physical infrastructure, inconsistent energy supply, corruption, underdeveloped money and capital markets, a complicated tax system, along with delays in decision-making processes. Furthermore, hidden costs related to procedures, policies, laws, and infrastructure significantly impact the overall cost of doing business.

According to a finance ministry projection, foreign debt repayments, including interests, will reach $4.5 billion in 2025-2026.

VISUAL: TEENI AND TUNI

Therefore, in light of the current economic challenges, it is essential to boost investment inflow by making timely adjustments to policies. The government should remove the impediments that are responsible for the high cost of investment and promptly take measures to improve public goods and services, including roads, electricity, gas, water, and sewerage. Additionally, the government should implement business-friendly policies safeguarding the rights of enterprises, workers, consumers, the environment and, most importantly, ensure a stable political environment to attract both domestic and foreign investments.

Bangladesh's export portfolio is primarily dominated by its ready-made garments (RMG) sector. In the fiscal year 2022-2023, the total export from Bangladesh amounted to $55.56 billion, with RMG exports contributing $46.99 billion. Currently, the RMG sector accounts for 85 percent of the country's total exports, with primary destinations being the European Union and the United States. The RMG sector has played a transformative role in shaping our economy, job market, and income, but due to ongoing global geopolitical conflicts, energy price hike, domestic political unrests, currently, the RMG sector is in a sluggish state. Hence, for Bangladesh to sustain its growth trajectory, diversification of the export basket and tapping into new markets is imperative.

Industry insiders say that there are promising export sectors such as pharmaceuticals, bicycles, shipbuilding, leather and leather goods, frozen and live fish, terry towels, furniture, and agricultural products, if the government provides adequate policy support, similar to what is offered to the RMG sector.

ILLUSTRATION: SALMAN SAKIB SHAHRYAR

Foreign remittance is Bangladesh's lifeline. Despite an increasing number of Bangladeshis leaving for jobs abroad, in recent times, the remittance inflow has been decreasing at an alarming rate. In September 2023, migrant workers sent home $1.34 billion—the lowest since April 2020, according to data from Bangladesh Bank. Large remittances are sent through informal channels like hundi despite a 2.5 percent incentive for the remitters through the banking channel. Many argue that the widening gap between official and unofficial exchange rates, lack of motivation, and institutional barriers such as high transaction costs and formalities for sending remittances through formal channels hinder remitter's use of banking services. Currently, Bangladesh is struggling with a prolonged dollar crisis and is compelled to restrict imports due to falling reserves. Remittances play a vital role in growing foreign exchange reserves and economic growth. Hence, an urgent policy focus is required to shift remittances from informal to formal channels.

One of the biggest concerns for the economy is our ailing banking sector, which has, on numerous occasions, been tarnished by unwanted malpractices. It is now an open secret that the country's banking sector has been entangled in a series of scams and irregularities, such as the funnelling of loans worth billions of taka by violating banking rules and procedures to influential people known for lax repayments. Unfortunately, violators of banking norms and regulations are hardly ever punished, and they are allowed to continue to default on loans with impunity. As a result, at the end of FY 2022-23, defaulted loans in the banking sector stood at a record Tk 156,040 crore.

Banks are the lifeblood of the economy; therefore, regulators should take pre-emptive measures to control the current situation before it worsens and gets out of control. A combination of strong policy reforms and good governance in the banking sector is the need of the hour. Measures should include legal action against wilful loan defaulters, enhanced banking regulation and supervision, addressing banking sector weaknesses, tighter criteria for loan rescheduling/restructuring, and improved legal systems to accelerate loan recovery. If enforcement authorities take these measures with the right intentions, Bangladesh will embark on a path to creating a stronger economy.

Over the past decade, Bangladesh has consistently demonstrated impressive economic growth. However, one may ask: has everyone been able to share its benefits equally? The answer, sadly, is "no." The growth has, unfortunately, bypassed the majority of the population while higher-income groups have been its main beneficiaries. The country has experienced a rapid increase in income inequality, with 10 percent of the population owning 40 percent of the national income, while the bottom 50 percent possess only 19.05 percent of GDP. The primary factors which deprive poor and vulnerable people of their most elementary rights—and which lead to greater income inequality—are unequal access to education and employment opportunities, low-wage jobs, unchecked corruption and systemic irregularities (such as those enabling the various scams in the banking sector), tax evasion, money laundering, and so on.

The growing gap between the rich and poor not only hinders sustainable growth but also increases the risk of social and political unrest. As such, it's essential for our policymakers to stop favouring the wealthy and start focusing on fair treatment for everyone. The main goal should be to achieve inclusive growth. We need to address issues like wealth sharing, good governance, and social policies that promote fairness and equality. It may be noted that a society that is happy, equal, and just will always experience peace and prosperity.

Inflation has been adversely affecting the common people in Bangladesh. Prices of daily essentials, including eggs, chicken, onions, potatoes, sugar, and oil, have consistently increased, contrasting with the global trend of decreasing prices. Purchasing daily necessities has become increasingly challenging, as highlighted in a recent report by the World Bank. According to the report, 71 percent of families are being affected by rising food prices. This alarming statistic implies that out of the 4.10 crore families, almost 2.91 crore are facing food insecurity, a matter of grave concern. If the current trajectory of inflation and escalating living costs persists, there is a significant risk of more families falling into poverty.

Experts say that soaring food inflation rates in the country are linked to flawed government policies, poor market management and the profit-seeking behaviours of certain businessmen involved in syndicates. Moreover, the control of essential commodity imports by powerful businesses has resulted in market monopoly. The government has to address all the underlying reasons behind food inflation through a well-formulated action plan.

The need for continued investment in education and skill development is another challenge that Bangladesh must address. Over the past few years, numerous experiments have been carried out in the name of modernising and updating our primary, secondary, and higher secondary education. Yet, the existing education curriculum is not aligned with industry needs. While educational institutions worldwide emphasise soft skills like team-building, problem-solving, critical thinking, communication, negotiation, and decision-making, our education system is still stuck in the past.

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