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SEGMENT 1

ANNIVERSARY SUPPLEMENTS 2024

DHAKA THURSDAY FEBRUARY 15, 2024

FALGUN 2, 1430 BS

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At present, more than a fifth or about 34 million of the country's total population belong to the middle-class category (defined as having per capita income ranging between \$2 to \$3 per day). This share is likely to reach 25 percent by 2025 and 33 percent by 2030.

Bangladesh is rapidly reaching a tipping point, where the country's middle-class will expand dramatically over the next several years. ILLUSTRATION: BIPOLOB CHAKROBORTY

Decoding the social dynamics of Bangladesh's rising middle-class

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Bangladesh is rapidly reaching a tipping point, where the country's middle-class will expand dramatically over the next several years. At present,

25 percent by 2025 and 33 percent by 2030. This means that the size of the country's middle class is likely to increase to around 44 million and 60 million in 2025 and 2030, respectively.

For a lower middle-income country like Bangladesh, one must also realise that the size of the middle-class alone is not what matters the most for economic growth and development. In addition to its demographic size, other dimensions of the distribution of income within the middle-class reflecting the internal heterogeneity and asymmetry of this income group are also important determinants of income growth across time and space. Empirical analysis shows that a "wealthier" middle-class is what positively impacts economic growth the most.

Given the low share of "wealthier" middle-class in Bangladesh, upward mobility between subcategories of the middle class seems rather

difficult. There is also the possibility of downward transition. Besides, an increase of the "floating class" size, which is composed of vulnerable middle-class households that have barely escaped from poverty, has negative impacts on growth. This suggests that, to take full advantage of the dynamics behind the expansion of the middle-class, Bangladesh should design policies that are consistent with the needs of the heterogeneous middle-class households and increase their resilience.

GROWTH DYNAMICS AND MIDDLE-CLASS

Analysts identify at least three channels through which the size of the middle-class determines the growth experience of an emerging economy. The first is that the middle-class is where entrepreneurs that foster innovation and growth emerge from. The second highlights middle-class "values" that encourage accumulation of

human capital and savings. The third channel emphasises the consumption power of the middle class that leads to diversification and expansion of markets, which allow for the exploitation of economies of scale in production. In addition, the middle-class may play a key role in better governance. In comparison with the poor, the middle-class may have the ability and power to demand better public service delivery and greater accountability from public officials, and support growth-oriented policies. This suggests that the presence of a strong middle-class in a country should have a significant positive influence on economic growth.

Overall, the expansion of the middle-class is often regarded as a sign of development in a country, resulting in economic prosperity as well as a potential for more social security. Rapid growth of the middle-class clearly has economic consequences; it also has social ones. The middle-

class is important for growth as income elasticities of demand of these people are usually greater, especially for durables. Their preference for product differentiation leads to value added in branding. They promote "middle class values" such as hard work, meritocracy, savings, and education. Their impetus to growth is more sustainable than export-led growth. And there is less risk of falling into the "middle income trap". Cross-country empirical evidence shows that a larger middle-class influences consumption growth primarily through higher levels of human capital accumulation.

In Bangladesh, the importance of the middle-class in growth dynamics is likely to occur primarily through its contribution to factor inputs, chiefly human capital. The relationship between the middle-class and the levels of human capital is likely to be robust, positive, and highly significant.

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VISUAL: STAR

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