

# Star BUSINESS



## Development narrative perhaps ended up as ‘delusion’

# Wealth inequality way worse than income disparity

STAR BUSINESS REPORT

The narrative of economic development that the ousted Awami League (AL) government tried to establish perhaps ended up being a delusion even to the wirepullers, according to the white paper on the state of the economy.

The interim government, which took over in early August following the ouster of the Sheikh Hasina government, formed a 12-member team the same month to prepare the white paper, which was submitted to Chief Adviser Prof Muhammad Yunus on Sunday.

The AL came to power in 2009 and during its 15-year tenure, independent experts and economists repeatedly questioned the quality and reliability of public data.

The white paper panel, based on analysis and consultations with stakeholders, found discrepancies in data prepared by state agencies relating to gross domestic product (GDP), inflation, poverty, population, and agricultural production.

The panel cited discussions with relevant data professionals of the Bangladesh Bureau of Statistics (BBS) and other organisations, saying political policymakers took a special interest in GDP figures and “surely had a strong influence” during the post-2013 period.



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The paper alleged that a collusive group within the BBS emerged to ensure the economic performance of the country was maintained against all odds, be it only on paper.

During the post-2019 period, this collusive group was largely maintaining the act.

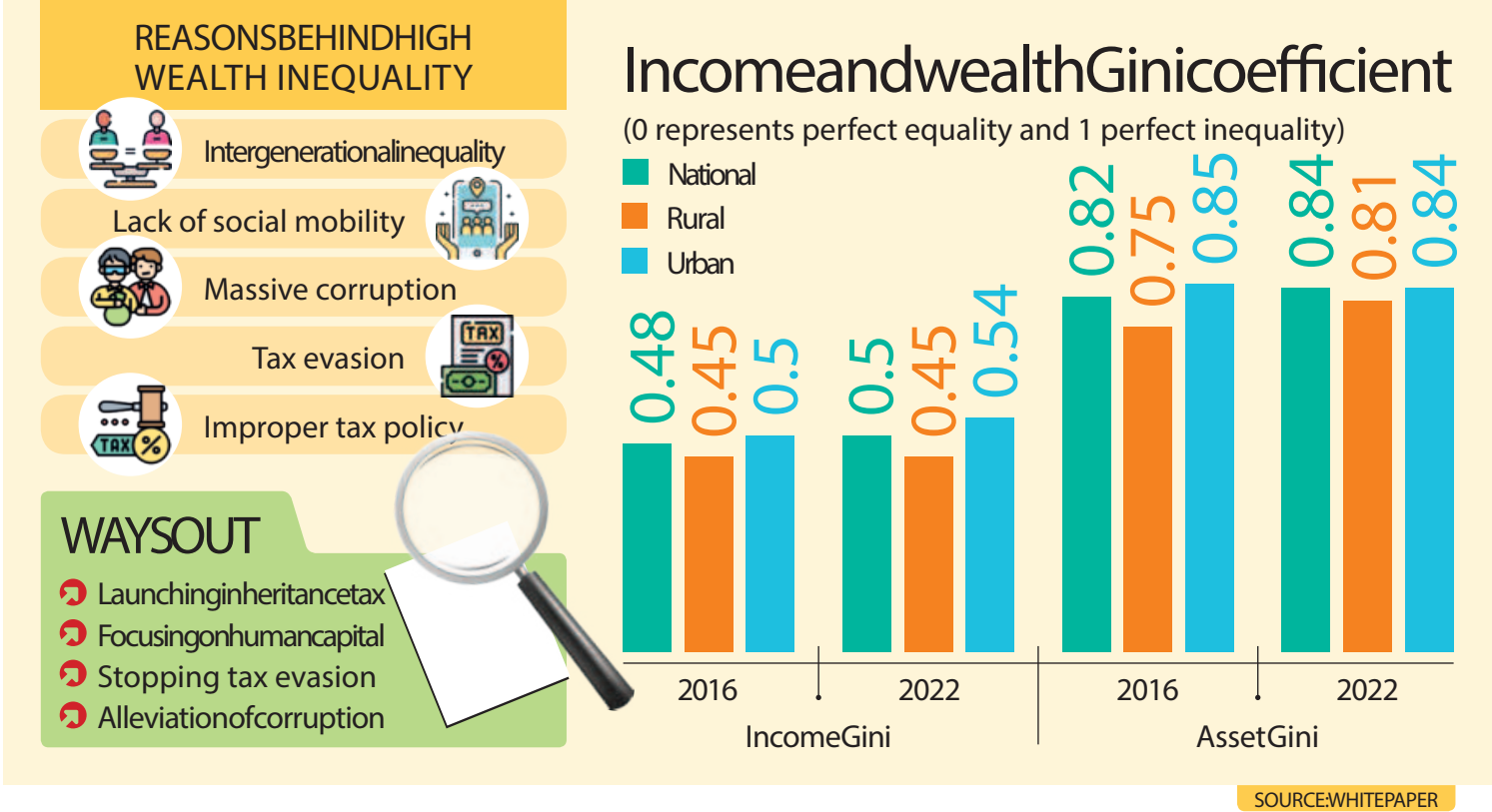
“Data producers may have felt pressured to present an overly optimistic view of development, characterised by accelerated economic growth, especially since past estimates were repeatedly manipulated. Nevertheless, both data producers and users agreed that the urge to influence data on development indicators started from the GDP growth.

“It has been mentioned that the national accounts data releases for multiple years were subject to maintaining the level of satisfaction of key policymakers. To this end, in certain cases, past years’ data for certain background data were also revised.”

MYSTERY OF UNEXPLAINED GDP GROWTH

The panel said Bangladesh’s GDP estimates have been under scrutiny for the past several

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AHSAN HABIB

Bangladesh ranks among the countries with the highest income disparities globally, but there is another problem way worse than that: wealth inequality, which means a minuscule portion of the population owns a disproportionate amount of wealth compared to the majority.

The Gini coefficient, a way of measuring inequality in a population, increased from 0.48 in 2016 to 0.50 in 2022 for income inequality, according to the white paper.

Meanwhile, wealth inequality rose from 0.82 to 0.84 over the same period, said the “White Paper on the State of the Bangladesh Economy”.

These figures were calculated using data from the Household Income and Expenditure Survey (HIES).

A Gini index ranges from 0 to 1, with 0 representing perfect equality and 1 representing perfect inequality. This provides a numerical representation of inequality. A score approaching 0.50, as in Bangladesh’s case, indicates a severe level of inequality.

Citing World Bank data, the white paper said among the 72 countries with Gini coefficient data, only Colombia, Brazil and Panama reported values over 0.50 in 2021.

Prepared by a panel of economists and submitted to Chief Adviser Muhammad Yunus on Sunday, the report said, “Although there are issues with the comparability of the estimates across countries, Bangladesh’s current income inequality is worryingly high.”

The paper mentioned that even the high Gini figures likely underestimate the true extent of wealth inequality due to incomplete data, especially for wealthy households.

For example, the wealthiest 10 percent of income earners, according to the HIES 2022 data, reported owning assets worth only Tk 7.36 lakh.

But Wealth-X, a global financial intelligence and data company, reported in 2018 that Bangladesh has had the highest rise in ultra-wealthy population, surpassing any other country in the world.

The growth rate calculated by Wealth-X stood at a solid 17.3 percent that year.

However, the company didn’t reveal how many ultra-rich — those who own at least \$30 million or Tk 25 billion — the country had.

distribution of assets in the country.

“This inequality is perpetuated by intergenerational inheritance, where wealth accumulates among the upper-income class and is subsequently passed down to their children.”

This pattern, according to Hussain, also extends to education and human capital, as these advantages are often concentrated within families.

Persistent income inequality is also a cause of asset inequality. This, in turn, reinforces income inequality. “As a result, social mobility is limited and poorer individuals struggle to accumulate assets,” Hussain added.

He pointed to the absence of inheritance tax in Bangladesh. This is unlike those in Scandinavian countries and the US, where



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Referring to the HIES wealth data, the white paper said, “These figures may seem implausible when compared to casual observations of wealth ownership.”

Zahid Hussain, a former lead economist of the World Bank’s Dhaka office and also a member of the white paper panel, said the asset Gini coefficient reveals a highly unequal

such taxes play a key role in mitigating asset inequality.

While Bangladesh imposes a surcharge on wealth, its effectiveness is limited. The surcharge ranges from 0 percent for assets up to Tk 4 crore to 10-35 percent for higher asset brackets.

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## Moody’s told outdated story of Bangladesh

Says governor

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Moody’s Ratings is narrating an outdated story of Bangladesh, not the updated one, said Bangladesh Bank Governor Ahsan H Mansur in a webinar yesterday.

The central bank governor was responding to a question about Moody’s recently downgrading its rating for Bangladesh.

Last month, Moody’s downgraded Bangladesh’s long-term ratings to B2 from B1 and said the outlook has been changed to “negative” from “stable”.

When the downgrade was announced, the depletion of forex reserves had been arrested, said Mansur at the webinar on the investment climate in Bangladesh.

Moreover, the central bank had suspended a US dollar selling spree, exchange rates had stabilised and balance of payments, especially the deficit current account balance, had narrowed, he said.

The webinar was hosted by Ashik Chowdhury, executive chairman of Bangladesh Investment Development Authority (Bida) and Bangladesh Economic Zones Authority (Beza).

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# Labour market: A ticking time bomb

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Bangladesh has an oversupply of tertiary graduates and the unemployment rate among the educated youth has grown 2.5 times since 2010 as they are ‘incompatible’ with the structure of the industries and the economy, according to the white paper on the state of the economy.

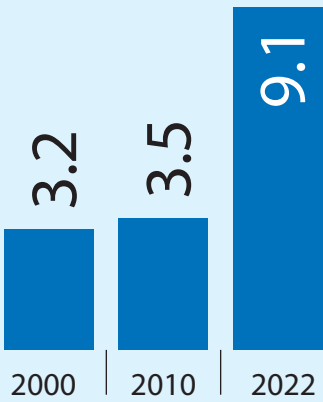
Not only that, despite having a tertiary-level education, these graduates are ill-prepared for the market owing to low technical knowledge, the paper added.

Over the past 12 years, the number of tertiary graduates spiked by about 2.5-fold, accounting for about 9 percent of the total labour force in 2022. Hand in hand, the unemployment rate of this group increased from 4.9 percent in 2010 to 12 percent in 2022.

“This group consists of university and college graduates, including from the Madrasah stream, who are incompatible with the structure of industry and service sectors of the country. The graduates are not only oversupplied, they are ill-prepared for the market and have little skills, both hard and soft, to offer,” according to the report.

About 60 percent of public university students are studying arts and social sciences, 24 percent commerce, and only 12 percent

Tertiary labour force by level of education  
In %, SOURCE: BBS



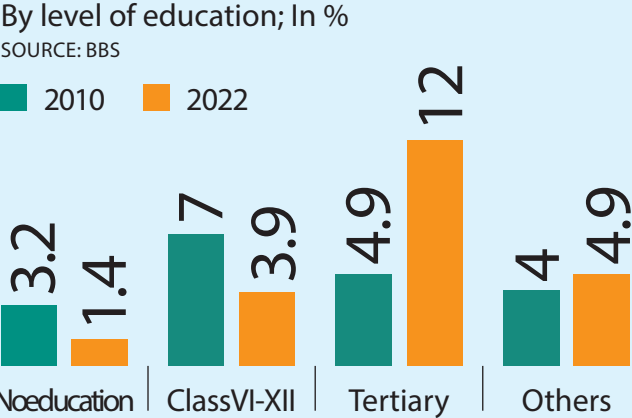
science, technology, engineering and mathematics (STEM).

However, enrolment in STEM fields is much lower in tertiary colleges.

The fact that the share of STEM graduates is low can merely reflect the structure of the economy with low demand for them, the paper read.

“That is, unless the economic growth is

UNEMPLOYMENT RATE: 2010 VS 2022



propelled by high tech industries and services including ICT, the demand for STEM graduates will remain low,” it said. “It is a catch-22 situation, which is why integration of education policy with industrial policy is critical.”

The 12-member white paper panel, led by economist Debapriya Bhattacharya, submitted the paper to Chief Adviser Professor

Muhammad Yunus on Sunday.

The white paper panel also termed the employability and labour market dynamics as a “ticking time bomb”.

In the face of rising youth unemployment, there was a widespread student movement in July this year demanding reforms to the quota policy for government jobs.

This frustration ultimately boiled over after a series of retaliatory measures from the government, eventually climaxing in the ouster of the Awami League government and Prime Minister Sheikh Hasina, who fled to India.

The service and industry sector mostly rely more on professionals and technicians who have completed secondary or higher secondary education, i.e. technical graduates than university graduates, it observed.

White-collar jobs make up about 9 percent of employment opportunities in industries and 23 percent in the service sectors, according to the Labour Force Survey 2022.

Currently, about 10.5 lakh students, or about 68 percent of students, are studying in 55 public universities while the rest are enrolled in 116 private universities.

Additionally, there are about 1,941 tertiary-level colleges that award honours and master’s degrees. These colleges have about 41.8 lakh enrolled students.

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