

## **A Comparison of Pakistan and Bangladesh's Economic Development: An Analysis**

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### **Abstract**

21<sup>st</sup> century is the century of economy. Countries have their relations on the base of economy. So economy has become most powerful weapon in the world. Economy is related to production, distribution and consumption. GDP, industrial production, employment rate and poverty rate are the basic indicators of economy. Bangladesh's economic condition was very poor with its independence. But now Bangladesh's economy is growing very fast and Bangladesh has left Pakistan behind in economic race. Pakistan needs to focus on the industry and service sector instead of agriculture. In agriculture, there is more effort but less result. Bangladesh focused on industry and became better economy. Pakistan has to better its tax collecting system.

**Key Words:** Pakistan, Bangladesh, Economy, Economic indicators, Poverty rate, agriculture, industry.

### **1. Introduction**

20<sup>th</sup> century was the century of wars. War was the only way to conquer the world. Millions of people were died in wars in 20<sup>th</sup> century. Weapons were considered the most powerful things to destroy the opponent. But 21<sup>st</sup> century is completely different. This century is all about economy. All the countries have focused on their economies. International relations and politics of the world are being changed with economy. Every

country has its economic interests and economy even affecting the foreign policies of countries. Economy has become the most powerful weapon in 21<sup>st</sup> century. In today's world, strong economy means strong defense. So future of the world is economy.

There are many basic needs of every human being which are necessary for living. All the human beings in the world do work hard to get these basic needs which are food, clothes, health, education and good place of living. Every country tries to provide a good life to its citizen. Only those countries can provide a good life to its citizens which have good economy. Economy is very important for every country in the world. It is a system of making and trading goods. Economy is usually divided into goods and services. Economy is related to production, distribution and consumption in order to earn money and satisfy needs.

Economy is a productive activity. Economy affects every single person in the country because every person is the part of economy. If one person earns money and works hard, he is basically affecting economy in a positive way. And same like this, if one person doesn't do any work, that person also affects economy negatively. So every person in the country is the part of economy. Economy is an exchange and a cycling process.

There are some basic indicators of economy which shows that whether country is developed or underdeveloped like GDP (Gross Domestic Product), industrial production, employment data and below poverty line data. GDP shows the economic strength of any country. More GDP means strong economy. GDP is very important indicator of economy. Same like GDP, industrial production is also very important because it increases GDP percentage.

Unemployment data of any country shows about the economic condition of the country. If unemployment rate is high then it means economic condition of that country is not good. And if unemployment rate is low then it shows that economy is growing in a positive way. Poverty rate also shows the economic condition of country. If there are more people

below the poverty line that means economy of country is collapsing. There is an example of China. China had more than 700 million people below poverty line. China focused on the poor people and became best economy of the world. China reduced the poverty rate and boosted its economy.

## 2. Historical background

Pakistan got its independence in 1947 while Bangladesh got its independence in 1971. Before separation Bangladesh was the part of Pakistan called East Pakistan. Both countries have almost same culture. There is a majority of Muslims in both the countries. After independence in 1947, Pakistan's economic condition was very bad. Same like Pakistan, Bangladesh also had very bad economic condition after independence in 1971. In 1971, Bangladesh had 65.53 million people while Pakistan had 59.73 million people. Education rate in Pakistan was 21.70% in 1971 and in Bangladesh only 17.61% people were educated. So Bangladesh had more people to feed than Pakistan.

After 1971, both countries had bad economic conditions. In 1973, Bangladesh had almost zero economic growth rate and on the other hand Pakistan was growing with the rate of 2.77%. In 1979, nominal GDP of Pakistan was 18.13 billion US dollars while Bangladesh's GDP was 13.66 billion US dollars. Same year Pakistan had \$246.53US GDP per capita while Bangladesh had \$176.67US GDP per capita. Pakistan in 1979 was growing with the rate of 7.33%. On the other hand Bangladesh was growing with the rate of 6.70%. Before 2000, Pakistan had good economic condition than Bangladesh. But after 2000, Pakistan's economy started to go down day by day while Bangladesh's economy started to go up.

## 3. Pakistan and Bangladesh: An Economic comparison (2020-21)

<b>Economic Indicators</b>	<b>Pakistan</b>	<b>Bangladesh</b>
<b>Economic Ranking</b>	41 <sup>st</sup> Position	35 <sup>th</sup> Position

<b>Nominal GDP</b>	\$264.1 Billion	\$338 Billion
<b>Income per capita</b>	\$1130	2068\$
<b>Growth Rate</b>	(2020) 7.9% (Covid-19) 2.0%	(Covid-19) -0.4%
<b>Foreign Exchange Reserves</b>	\$39 Billion	\$19 Billion
<b>Exports</b>	\$22 Billion	\$42 Billion
<b>Currency</b>	1US \$= 160 Rupees	1US \$= 84.75 Taka

### 3.1 Progress Indicators of Pakistan and Bangladesh 2019-20

<b>Country</b>	<b>Pakistan</b>	<b>Bangladesh</b>
<b>Inflation rate</b>	8.2-9%	5.5%
<b>Population</b>	216.6 million	163 million
<b>Below Poverty line rate</b>	29.5%	20.5%
<b>Education rate</b>	60%	72.76%
<b>Foreign debt (External)</b>	112 USD Billion	40.00 USD Billion
<b>Unemployment rate</b>	Almost 6%	4.15%
<b>Young population</b>	63% (15-33 age)	60% (15-33)
<b>Army budget GDP</b>	21%	1.1%

Sources include: World Bank

### 3.2 Pakistan and Bangladesh a comparison (1971)

<b>Indicators</b>	<b>Pakistan</b>	<b>Bangladesh</b>
<b>Population</b>	59.73 million	65.53 million
<b>Education rate</b>	21.70%	17.61%
<b>Economic growth</b>	0.5%	-5.5%(1971)

		-14% (1972)
<b>Currency</b>	1 USD= 12.31 Rupee	1 USD 23.28 Taka

Source: World Bank

#### **4. Bangladesh’s economic steps**

Bangladesh took some great steps to boost its economy which makes Bangladesh upcoming Asian tiger.

##### **4.1 Declining dependence on foreign aid**

Those people who depend on the others always lost their respect. “It is better to eat half bread by hard work instead of taking 2 breads from neighbor.” Bangladesh after independence had very bad economic conditions. But with the passage of time, Bangladesh’s economy got betterment. Bangladesh didn’t dependent on the other countries. Bangladesh used its own resources to feed its people. Bangladesh did not wait for foreign aid. This is the one of the main reasons of Bangladesh’s better economic condition.

##### **4.2 Reducing poverty**

Poverty is the big problem in economic development all across the world. No country can make progress with high poverty rate. China’s economic condition was not so good but China reduced its poverty rate and almost 700 million people were taken out from below poverty line by China. Bangladesh did same like China and worked on poverty and for the betterment of people which were below poverty line. In 1973-74, poverty level in Bangladesh was 82.9%. Bangladesh with the help of basic poverty tools reduced poverty level. With CBN (Cost of Basic Needs) Bangladesh divided upper poverty line and lower poverty line with CBN.

Bangladesh used another poverty tool HCR (Head Count Ratio). HCR means percentage of poverty in the country. From 2000 to 2005, HCR fell 17% in Bangladesh. From 2005 to 2010, HCR fell 21% and from 2010 to 2015 it fell 29%. Poverty gap is another tool used by Bangladesh to reduce poverty. Poverty gap is a poverty tool which tells about the severity of poverty. It shows the poverty gap between upper poverty and lower

poverty. So Bangladesh worked on poverty and boosted its economy. In 2021, according to the World Bank report, Bangladesh would be the first country in South Asia to eliminate poverty at extreme level.

#### **4.3 Master of one**

Bangladesh is the second largest exporter of garments goods in the world after China. Bangladesh became master of garments in the world. Garments industry is the backbone of Bangladesh's economy. Garments are the 80% exports of Bangladesh's total exports. So Bangladesh just focused on its garments industry and became master of it. Bangladesh exports its RMG (Ready Mate Garments) to Europe, Japan, Canada, Australia and India. In 2018, Bangladesh's exports of garments and textile industry were 41% billion USD.

#### **4.4 Youth**

It is said that "the destiny of nations is in the hands of youth". In almost all the countries of the world youth is considered the building blocks of a nation. Nation can be developed by the strong youth. Youth population is considered the most fruitful thing for the development of country. There are few countries in the world with large number of young population. Some countries fail to realize the importance of young people and unfortunately Pakistan is one of them.

#### **4.5 Micro economic system (Rural and Urban system)**

Bangladesh (East Pakistan) was considered the burden on West Pakistan's economy. But now Bangladesh is growing very fast. Bangladesh worked on its economy because Bangladesh has realized the importance of economy. Bangladesh not just developed urban sides but rural sides too. Bangladesh introduced an economic system which became the reason of its progress. Bangladeshi government utilized those women which were only house wives. Government provided loans to women for businesses and those women started to boost economy. Even in villages, women have their own business. This micro economic system reduced the poverty rate in Bangladesh.

*“Give a man a fish and you feed him for a day, show him to catch fish, and you feed him for a lifetime.”*

Bangladesh did the same thing. The population which was below the poverty line became independent with micro economic system.

#### **4.6 Political Stability**

Politics and economy are related to each other. Stable politics is very important for better economy. After 1990, Bangladesh’s politics became stable and political stability is one of the reasons of good economic indicators. Those countries where politics is stable, economy of those countries is also stable. Political stability is the base of economic development.

### **5. Some Suggestions (Analysis)**

There are some steps which could boost Pakistan’s economy.

#### **5.1. Zakat system and good tax collecting system**

Pakistan is an Islamic country. In Islam, zakat is very impressive system. If Pakistan implements zakat system according to Islam then economic condition will be better. But Pakistan is not doing that thing. Pakistan has to implement zakat system. In this way, poor will get and rich people will pay.

Pakistan’s tax collection system is not much affected. So Pakistan has to change its tax collection system. Tax collection system should be electronic like some other countries in the world. Many people earn a lot of money but they don’t pay taxes in Pakistan. Some people pay tax but they pay a meager amount. Pakistan needs to change its tax collecting system. There should be more tax for rich and no tax for poor. In Turkey, government has information about every person and his/her income. Government even knows what kind of mobile he/she has. Everything is documented nothing is hide. Rich people pay 35% tax while poor or middle class pay 15% tax in Turkey. Every single person pays tax in Turkey. So same like Turkey, Pakistan has to implement that system.

Government should get data of every person from NADRA and monitor every person. Unfortunately in Pakistan, people have billions of rupees but they don't pay tax because government doesn't have information about their income. Pakistan must recheck its tax collecting system. Rich and poor people pay same taxes in Pakistan.

## **5.2. Youth a boost for economy**

It is said that “the destiny of nations is in the hands of youth”. In almost all the countries of the world youth is considered the building blocks of a nation. Nation can be developed by the strong youth. Youth population is considered the most fruitful thing for the development of country. There are few countries in the world with large number of young population. Some countries fail to realize the importance of young people and unfortunately Pakistan is one of them.

According to the United Nations Population Fund Report 2017, around 63% population of Pakistan comprises youth aged between 15 and 33. Pakistan is considered to be the fifth largest young country in the world. And Bangladesh has around 60% population aged between 15 and 30. Pakistan has more number of young people but unfortunately majority of youth has no work for income. On the other side, Bangladesh utilized its youth. In Bangladesh, majority work in industries and boost their economy. If one country utilize its youth then economy could be much better.

Pakistan has to provide some jobs or opportunities to its youth. Pakistani government after 2018 is providing some loans called ‘youth loan scheme’ for business but this is not enough for boosting economy. Pakistani government has to provide free technical education to its youth. Many countries are focusing on technical education in the world. Some African countries are rapidly growing their economy just because of technical education. China also focused on its technical education. So with technical education and helping or providing opportunities to youth, Pakistan can boost its economy.



### **5.3. Undocumented economy**

One of the major problems in Pakistan's economy is undocumented money. Unfortunately many rich people and politicians looted money in Pakistan which is the basic reason of bad economic condition. Imran Khan's government tried to bring back that looted money to Pakistan but some countries like Great Britain, Switzerland and USA refused it. But undocumented money and property is in Pakistan. Pakistan should work for it. There are billions of rupees in Pakistan which are undocumented. Pakistani government should focus on it and try to find it.

### **5.4. Service sector instead of agriculture**

Pakistan is an agriculture country. There was a time when agriculture was the backbone of Pakistan's economy but now agriculture production is not helping the economy. Majority of the countries in the world focus on their industry or service sector instead of agriculture. By occupation labour force of agriculture in Pakistan is 43% but only 19% is the share of agriculture in GDP of Pakistan. 43% population of Pakistan is producing only 19%. There is 23% labour is associated with industry and share is 21% in Pakistan's GDP. Service sector's labour is 35% and production is 60%. Agriculture's share in Bangladesh's GDP is 14.23% while industry's share is 33.66%. Services sector in Bangladesh is 40% and production is 53%.

All the developed countries in the world have focus on service sector. Pakistan needs to work on service sector instead of agriculture. A country can't earn more from agriculture because it can't boost the economy. In agriculture, there is more hard work and less reward. There should be only 25% labour in agriculture to fulfill the necessities of food for country and remaining labour should be given opportunities in service sector.

### **5.5. Tourism**

There are many countries in the world which have only tourism industry for economic growth. Tourism is very big industry for economy. Pakistan is one of the blessed countries where nature and beauty meet together. There are many beautiful spots in Pakistan. In 2013, there were 1281500 jobs from tourism in Bangladesh. In 2016, Bangladesh earned 5.2 billion USD from tourism. And Pakistan is gifted with beautiful tourist spots. Northern areas of Pakistan are more beautiful even than Switzerland. Pakistan has to prioritize it. Pakistan can earn billions of dollars every year from tourism. Tourism could be the backbone of Pakistan's economy.

### **5.6. Be master in one product**

Pakistan unfortunately is jack of all trades but master of none. Pakistan has to be master in one product like Bangladesh. Bangladesh produced its name in textiles and ready mate garments and now there are 80% exports of textiles. Textile industry and ready mate garments have become the backbone of Bangladesh's economy. Pakistan has many things in which it could export and earn billions of dollars.

### **5.7. Class segregation**

Class segregation is one of the biggest reasons of Pakistan's bad economic condition. Rich people are being richer day by day while poor are being poorer. Pakistan has to finish the gap between poor and rich. Poverty gap is a very affecting tool and Pakistan should try to remove this gap. Taxes should be only for rich people. And some money should be for the poor society in the country. Pakistan has to reduce this poverty gap. Bangladesh reduced poverty gap and now going to be the Asian tiger.

### **5.8. Micro Economic system**

Pakistan has to introduce a micro economic system like Bangladesh did. Economy starts from grass root level. If one poor person earns well then economy will grow fast. There should be loans for poor and deserving people on merit bases. And women also should be the part of economic development. In Bangladesh, a majority of women population work which is very beneficial for Bangladesh's economy.

### **5.9. No dependence on foreign aid**

Pakistan has to stop dependence on the other countries and world institutions like IMF and World Bank. Allah has blessed Pakistan with lot of resources. Pakistan doesn't need to dependent on the others. Dependence on foreign aid has made Pakistan's economy very weak. IMF forces Pakistan to fulfill its economic conditions. In this way, inflation rate in Pakistan is very high.

#### **Conclusion**

Economy of any country gives strength to country. Those countries which have strong economy have respect in the world. Pakistan can earn respect with better economy. There should be fewer budgets for military and more for poor population. There should be no more dependence on the foreign aid. Pakistan should promote tourism and it could boost economy. Pakistan's first priority should be its poor population. Bangladesh has better economy than Pakistan which was considered the burden before 1971. Pakistan has to better its tax collection system and should introduce Zakat system. Pakistan needs to just focus on grass root level. There should be small projects for poor population. If Pakistan wants to go high, has to take some solid steps. Everything of Pakistan's economy looks good but only in papers. Pakistan needs to utilize those resources which have already.

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