



Export-Led Growth in Bangladesh: A Functional Impact Analysis of Export Performance and its Contribution

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Abstract: *Bangladesh has a significant opportunity to boost economic development by increasing its contributions to international trade. Therefore, this study is aimed at presenting the trends of exporting in the early stages of economic development. Bangladesh's foreign trade trends from 2015 to 2019 revealed a positive growth trajectory despite a slight dip in goods imports. The anticipated decline in foreign trade performance in 2020 is reflective of the global challenges faced during the COVID-19 pandemic. Moreover, the rate of receiving foreign exchange from the integrated foreign export of shrimp, leather, shoes, and pharmaceutical products is constantly increasing. The main exports, encompassing products like clothing, raw jute, leather, fish, and frozen seafood, play a vital role in driving the country's export dynamics. The country has achieved remarkable success in export expansion because of the RMG industry. It was found that total exports of goods rose to 37.94 billion U.S. dollars in 2019. However, the subsequent recovery in 2021 is evident, with notable growth in both imports and exports. Despite a persistently negative trade balance, the resilience showcased by Bangladesh in the face of challenges underscores its ability to rebound and adapt to changing circumstances.*

Keywords: *Bangladesh Economic Growth, Economic Development, Foreign Trade, Export Earnings, Influential Sectors.*

1. INTRODUCTION

Since the liberation of Bangladesh in 1971, the economic situation has involved a complex process of achieving economic growth. The trade policies have been developed since 1980, taking into consideration the scarcity of industrial supplies in agriculture. Bangladesh has grown into one of the world's fastest-growing economies. Despite a number of challenges, the country is prospering in various sectors. (World Bank, 2018).

Bangladesh's fare-based clothing industries made remarkable progress in the 1980s. Beginning



with nine projects in the late 1970s, the number has grown to over 30002. This pattern was accompanied by a massive increase in fare share, from 0.2 percent in 1980 to nearly 75 percent in 1997–98. The World Trade Organization's (WTO) Agreement on Textiles and Clothing (ATC) provides the primary strategy system. The ATC was selected during the Uruguay Round and replaced the Multi-Fiber Agreement (MFA) in 1995. (Hertel et al., 1996).

Bangladesh faced economic challenges with more risks than opportunities prior to 1990, resulting in a 4% GDP growth rate from 1980 to 1989. The GDP growth rate increased to 5% in the following decade (1990–1999), and it increased to 7 percent from 2000 to 2016. Since the 1980s, Bangladesh has achieved remarkable success in a wide range of economic sectors, maintaining an impressive average annual GDP growth rate of 5–6 percent. (Asian Development Bank, 2016b).

According to Lopez (1991), export-promotion policies are more effective in terms of growth than policies that eliminate import restrictions. In the early 1980s, the Bangladesh government continued to liberalize foreign trade and sustain the economy. Bangladesh followed import-replacement industrialization strategies during 1960–62. The policy of import substitution has been replaced by export-oriented growth strategies. In this case, in order to evaluate the success of export-oriented industrialization strategies, it is especially important to quantify the impact of exports on economic growth. (Chowdhury, A. and I. Islam, 1993).

Bangladesh's monetary issues include persistently low per capita real GDP growth, an extremely high unemployment rate (around 35%), and a constantly rising current account shortfall. Besides luring FDI, the nation tries to build the accessibility of unfamiliar private capital for long-term beneficial ventures. All things considered, per capita GDP development of 1.5% in thirty years, GDP proportion rose from 15% in 1981 to around 21% by 1995. (Asian Development Bank, 2016b). Notwithstanding the forecast for a world governmental welfare gain, it isn't clear for all the nations. It has just been noticed that the advantage for South Asian nations relies upon how serious the fare limitations are (Yang et al., 1997).

Based on the experiences of Asian exporters, the government intends to broaden product and market reach, with the 6th Fiscal Year Policy projecting a 7.7% increase in the share of exports to GDP. Despite regional market challenges, Bangladesh's labor-intensive garment production contributes significantly to foreign exports (General Economics Division, 2011).

According to Shahriar et al. (2014), RMG has become the greatest export earner in the USA through high-quality forward thrust in the early 1990s. Bangladesh is now an essential RMG exporter in the world market, with RGM exports constituting a greater than 80% of the total export and still further rising shares. The contributions of agriculture to the country's GDP remain significant, and the manufacturing sector is developing faster in general due to the booming export-oriented RMG sector. (Adnan et al., 2015).

Despite industry growth, Bangladesh's Ready-Made Garment (RMG) sector faces limitations due to a largely unskilled and illiterate workforce, with 90% being women from rural areas. This results in a productivity rate of 77%, lagging behind competitors like India, Vietnam, and Pakistan. The Accord and Alliance initiatives aim to enhance the safety and health of the RMG



industry in Bangladesh, requiring joint efforts and substantial financial investments for infrastructural upgrades and fire safety measures (Islam M.A, 2015).

Following the Department of Fisheries 2007, shrimp play a crucial role in Bangladesh's economy, ranking as the second-largest export industry after clothing, which earned US\$ 456 million in the year 2006 (BFEEA, 2008). Among shrimp-producing countries, Bangladesh ranks 4th with respect to the vicinity of shrimp farming and 6th in the extent of production. A level of refined shrimp is locally burned through, principally in the essential urban communities. The shrimp farming region elevated very rapidly for the duration of 1980–1983; the location was once around 39,496 ha, while now it is around 115,088 ha, which is 3.43 instances greater than the previous. During 1994–95, the common profit of shrimp per acre of land was once recorded at Tk. 21,000, while for rice it was once about Tk. 8,250. (Rahman & Hossain 2009).

The export rate of vegetables has been increasing day by day. So it seems that there is a huge prospect of earning foreign exchange by exporting vegetables from Bangladesh. Fluctuations in vegetable production, variations in global prices, changes in trade rates, and variable values of export revenue are grim concerns for South Asia and Southeast Asia. Bangladesh earned US\$ 65.57 million and US\$ 90.38 million from the export of agricultural goods in 2006–2007 and 2007–2008, which contribute 0.72% and 0.89% to the whole export earnings (Bangladesh Economic Review, 2008, p. 75). The annual change in export profits from vegetables was 75.43%; it seems we have a lot of opportunities to add more foreign revenue through exporting our vegetable production (Hoq et al., 2012).

Research Objectives

This study aims to conduct an in-depth analysis of financial statements pertaining to various sectors contributing to Bangladesh's export earnings. The emphasis is on gaining a nuanced understanding of how these sectors intricately influence and contribute to the country's overall economic growth landscape.

2. RELATED WORKS

The export-led growth research objectives for Bangladesh examine how manufacturing exports have become a new engine of export-led growth, replacing the total exports engine claimed by the so-called denovo hypothesis. In the empirical assessment based on vector error correction modeling (VECM) and quarterly data from 1974 to 1999, both total exports and manufacturing exports had positive and statistically significant impacts in both the long and short run. However, a comprehensive test combined with the various non-nested tests suggests that total exports, rather than manufacturing exports alone, are the dominant engine of export-led growth. (Hussain A.M & Karunaratne D.N 2010)

Trade and financing policies facilitated an import-substituting growth strategy. Since the early 1980s, the government has taken steps to liberalize, decontrol, and deregulate the economy. As a result of the Structural Adjustment Program, common nominal tariff quotes in Bangladesh



dropped from 89% to 17% between 1992 and 2000, followed by 13.4% in 2006. (CPD, 2001; Economic Review, 2007).

M.S. Hoq et al., 2012 find in a study that Bangladesh has a great prospect for exporting greens to the world market, and it has additionally produced excessively great exportable sparkling vegetables. The find-out was once primarily based on primary and secondary data. The pattern covered vegetable producers, suppliers, and exporters. The common estimated advertising and marketing expenses incurred by way of suppliers had been

Bangladesh's RMG industry flourished under the umbrella of the Multi-Fiber Arrangement (MFA) on fabric and RMG trade. The first MFA was devised in 1974 and provided for regulations and the imposition of import quotas. Though the quota imposed by the importing USA, the exporting country, helped increase the RMG industry in many developing countries like Bangladesh, Relatively much less restrictive import quotas for Bangladesh below the MFA, in contrast to traditional RMG exporters (such as Korea, Hong Kong, Japan, and China), ensured a market for Bangladesh RMG in the USA and motivated the boom of the RMG industry (Bhattacharya & Rahman, 2000). Also Kathuria et al. 2016 state that, Bangladesh increased its export world market share between 1995 and 2012 by performing well in the garments sector. Because of its competitive positioning, Bangladesh's economy remained resilient during the global recession in 2009.

Several LDCs, including Hong Kong, Malaysia, Taiwan, and Bangladesh, have experienced economic growth by transitioning from agricultural to technology-based industrial exports. The findings highlight the critical role of exports in these economies' rapid development. The export-led growth theory, proposed by Lamfalussy (1963), asserted a causal relationship between exports and economic growth. (Reza S.M. et al. 2018).

3. MATERIALS AND METHODS

This study employs functional impact analysis in combination with both quantitative and qualitative analysis. Secondary data sources were used to construct the comprehensive research collecting the information. The secondary data were analyzed from the annual reports of several government authorities, the World Trade Organization (WTO), the World Bank, and Bangladesh: Economic and Political Overview, the Export Import Bureau of Bangladesh, and other sources. The statistical framework is analyzed through multiple linear regression in SPSS version 25 to provide insights into export performances. The construction of visual displays like graphs and tables is used to help readers understand the data and detect patterns.

4. RESULTS & DISCUSSION

Foreign Trade in Bangladesh

Bangladesh's economic engagements and collaborative frameworks drive its international trade success. Scrutinizes the key partners, including the European Union, the United States, and China, elucidating their critical role in shaping export dynamics. Especially brand-export-

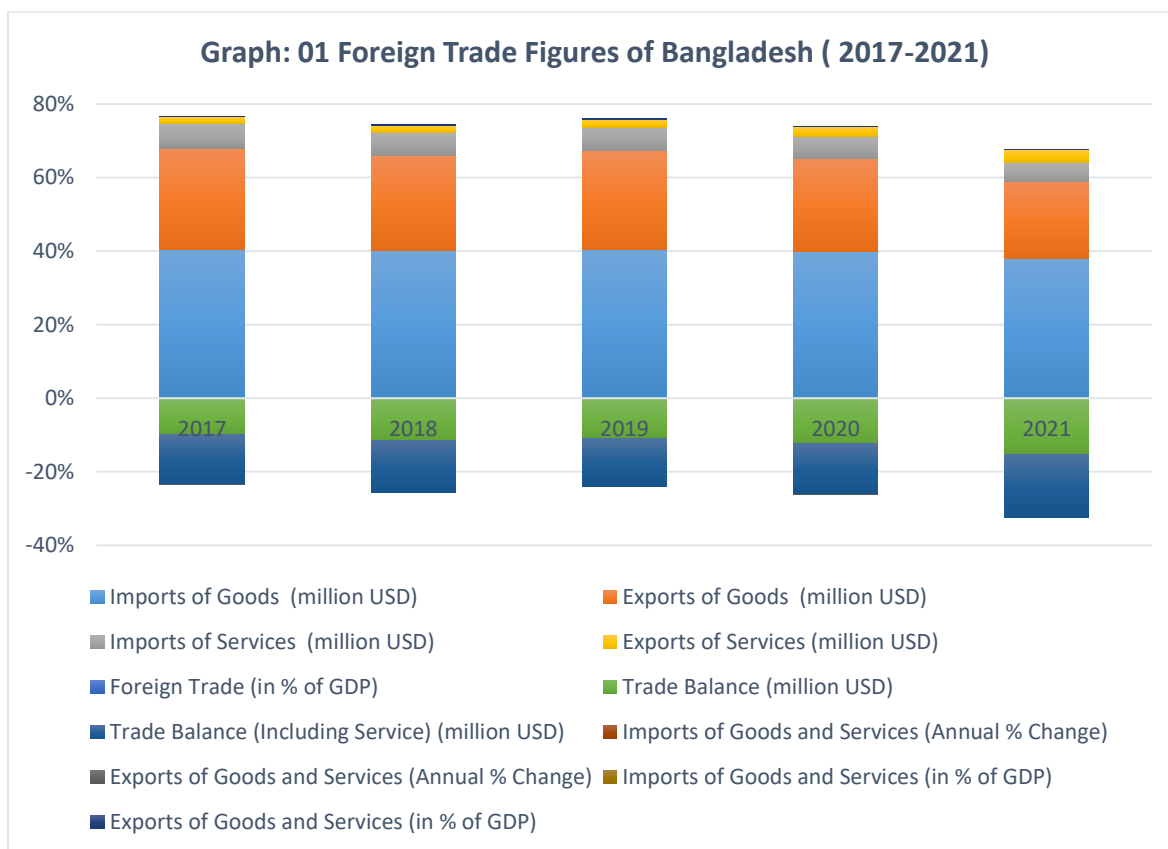


reaching products, including clothing, raw jute, leather, fish, and frozen seafood, are the main export drivers. Bangladesh primarily imports machinery, chemicals, steel, cement, food, and oil-related products, with Thailand, India, China, Indonesia, and Singapore as key trading partners. In 2018, trade constituted 38.2% of the country's GDP. Despite high customs duties, Bangladesh aims to lower trade barriers through measures like concessional tariffs, a customs duty recovery system, and export processing zones, coupled with negotiations with key nations.

Table 01: Yearly Overview of Foreign Trade

Foreign Trade Values (Million USD)					
Values	2015	2016	2017	2018	2019
Imports of Goods	39,460	41,490	52,836	60,495	59,094
Exports of Goods	32,379	34,956	35,851	39,252	39,337
Imports of Services	8,745	8,519	9,011	9,579	9,526
Exports of Services	1,684	3,585	2,262	2,980	3,207
Foreign Trade Indicators (in % of GDP)					
Foreign Trade	42.1	38.0	35.3	38.2	36.8
Imports of Goods and Services	24.7	21.3	20.3	23.4	21.4
Exports of Goods and Services	17.3	16.6	15.0	14.8	15.3
Foreign Trade Indicators (Million USD)					
Trade Balance	-6,120	-6,244	-12,966	-16,913	-15,611
Trade Balance (Including Service)	-10,606	-10,505	-17,594	-21,356	-19,232
Foreign Trade Indicators (Annual % Change)					
Imports of Goods and Services	3.2	-7.1	2.9	27.0	-2.0
Exports of Goods and Services	-2.8	2.2	-2.3	8.1	10.9
Source: World Trade Organisation (WTO) and The World Bank					

The above table illustrates how Bangladesh experienced fluctuations in foreign trade from 2015 to 2019. Imports of goods slightly decreased from \$39.5 billion to \$60.5 billion, with exports of goods reaching \$39.3 billion in 2019. In respect to services, the incising value of \$8.7 billion in 2015 moved slightly less in 2018 but remained in range. During the same time period, service exports increased from \$1.7 billion to \$3.2 billion. The trade balance, however, remained negative, indicating a deficit. As a percentage of GDP, foreign trade accounted for around 38-42%, showing its significant contribution to the economy. Furthermore, exports of goods and services also showed positive growth, with a substantial 10.9% increase in 2019.



Source: LLODS Bank (2023)

As Graph 01 shows, Bangladesh's foreign trade performance was expected to decline significantly in 2020. Where Imports of goods fell to \$52.8 billion, and exports fell to \$33.6 billion. Services imports fell to \$8.05 billion, while services exports fell to \$3.45 billion. The trade balance, excluding services, showed a -\$16.4 billion deficit, which increased to -\$18.3 billion when services were included. Compared to that, foreign trade recovered in 2021. Imports of goods grew to \$80.4 billion, while exports boosted to \$44.2 billion. Imports of services increased to \$10.9 billion, while exports of services rose greatly to \$7.5 billion. However, the trade balance excluding services remained a loss at -\$32.5 billion, which increased to -\$35.9 billion when services were included. Despite challenges in 2020, Bangladesh showed resilience and rebounded in 2021, with substantial growth in both imports and exports.

Overall, the foreign trade landscape in Bangladesh is dynamic, with problems as well as possibilities. Efforts to boost trade, including barrier-lowering measures, will almost certainly play a key role in shaping its future trade dynamics.

Comprehensive Overview of Export Performance

The table illustrates a comprehensive view of the export landscape spanning from 2013 to 2022, showcasing dynamic trends and fluctuations. Engineering products, special textiles, ships, dry

food, and vegetables are key industries and products that contribute notably to the overall export scenario. Total export earnings increased significantly in FY 2022–2023, reaching \$55,558.77 million, representing a positive growth rate of (+) 6.67% to date. The staggering increase in ship exports of +2120.83% during this fiscal year is particularly noteworthy.

Table: 02 Dynamic Trends and Influential Sectors

FY	Export Earnings	+ Increase/- Decrease	+ Increase/- Decrease in %	Highest Increase	Value in %	Highest Decrease	Value in %
2013 - 2014	30186.62	+3159.26	+11.69	Footwear (Non Leather)	50.26%	Petroleum bi Pro.	48.32%
2014 - 2015	31208.94	+1022.32	+3.39	Engg. Products	21.94%	Petroleum bi Pro.	52.19%
2015 - 2016	34257.18	+3048.24	+9.77	Petroleum bi Pro.	21.89%	Special Textiles	34.02%
2016 - 2017	34846.84	+589.66	+1.72	Ship	229.86 %	Fruits	86.70 %
2017 - 2018	36668.17	+1821.33	+5.22	Dry Food	83.71 %	Petroleum bi Pro.	86.18%
2018 - 2019	40535.04	+3866.87	+10.55	Petroleum bi Pro.	505.92%	Raw Jute	27.76%
2019 - 2020	33674.09	-6860.95	-16.93	Raw Jute	15.47%	Petroleum bi Pro.	88.46%
2020 - 2021	38758.31	+5084.22	+15.10	Copper Ware	123.01 %	Vegetables	27.60 %
2021 - 2022	52082.66	+13324.35	+34.38	Fruits	812.07 %	Tea	39.89 %
2022 - 2023	55558.77	+3476.11	+6.67	Ships	2120.83%	Fruits	81.10%

Source: Annual Report of Export Import Bureau of Bangladesh (2013-2022)

From 2015 to 2018, petroleum byproducts witnessed the most growth, increasing by 505.92%. However, it dropped drastically in 2013 (48.32%), 2014 (52.19%), and 2017 (86.18%). Overall



exports dropped by -16.93% in fiscal year 2018-19, as jute exports rose to 15.47%, but petroleum by-products notably declined by 88.46%, the lowest rate in the entire list. The fruit export sector witnessed an 86.70% decrease from 2016 to 2017 but made a remarkable turnaround, contributing the highest export value of 812.07% in FY 2021–22. This positive trend continued with a notable growth rate of 81.10% in 2022–2023. The table also reveals an overall export decrease of -16.93%, and in 2018–2019, jute exports increased by 15.47%. Tea and vegetables emerged as notable contributors, accounting for 27.60% in 2020 and 39.89% in 2021.

Table: 03 Coefficients^a

Model Predictors	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	36814.773	5147.330		7.152	.001
B^1 Export (+/-)	5.632	3.273	3.254	1.721	.146
B^2 Export (+/- in %)	-1952.816	1282.626	-2.887	-1.523	.188
B^3 Highest (+) value%	6.581	2.788	.506	2.360	.065
B^4 Highest (-) value%	-15.279	63.012	-.046	-.242	.818

* Hypothesis: $H_0: B_i=0$, $H_1: B_i \neq 0$
 * ANOVA R= .964, R Square=.930, Adjusted R Square=.873, Std. Error of the Estimate= 3045.84069, Sig.= 004^b
^a Dependent Variable : Export Earnings
^b Predictors: (Constant), Highest Decrease value in %, Highest Increase value in %, Export + Increase/-Decrease, Export + Increase/-Decrease in %

Source: Secondary Data Analysis

As indicated in Table 3, the factor’s influence on export earnings and performances Where R square (.930) explains that 93% of the predicted variability in the independent variable (IV) statistically describes the accuracy in the dependent variable (DV). Specifically, the adjusted R square of.873 measures the model's goodness of fit at the 0.05 significance level. The B coefficient values $B^2 = -1952.81$ and $B^4 = -15.279$ are predicted to decrease, while $B^1 = 5.632$ and $B^3 = 6.581$ predict increases. However, these associations are not statistically significant for a one-unit increase ($B+1$). None of the predictors, B^1 ($P=.146$), B^2 ($P=1.88$), B^3 ($P=0.65$), and B^4 ($p=8.18$) emerged with the DV “Export Earnings” are statistically significant ($p > 0.05$). Therefore, the study fails to reject the null hypothesis ($H_0: B = 0$) for all predictors at the Sig. 0.05 level.

5. CONCLUSION

According to the findings of the analysis, the export-led growth strategy has played a significant role in Bangladesh's economic development. The study also revealed that fluctuations in vegetable production, fluctuations in global prices, changes in trade rates, and variable export revenue values are major concerns for South Asia and Southeast Asia. According to its outcomes, the manufacturing sector has emerged as a new engine of export-led growth, replacing the total exports engine claimed by the Denovo Hypothesis. The



investigation's functional impact analysis provides insights into the export performances of various sectors that contribute to Bangladesh's export earnings. According to the study, while some sectors have seen significant growth, others have not. Findings from the research will assist policymakers and stakeholders in developing strategies to boost the country's export-led growth and achieve long-term economic development. According to the investigation, the export-led growth strategy has played a significant role in Bangladesh's economic development.

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