

A Comparison between Economy of Bangladesh and Sri Lanka: Possibilities of Bangladesh to Collapse like Sri Lanka

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Abstract

Bangladesh is a third world country which has very few differences with Sri Lanka in terms of economic factors. In recent years, Bangladesh had given loan to Sri Lanka but nowadays it has become an alarming fact that as a nation, Bangladesh has also become a very indebted one. Yet we see the light of hope due to the development of infrastructure and potential success of our mega projects. This paper sheds light on comparison between four factors of Bangladesh and Sri Lanka. Both primary and secondary methods of collecting information will be utilized. This paper argues that Sri Lanka became more indebted because they had failed on their large-scaled projects, lower vaccination, lower export and remittance, disadvantage on size of economy whereas Bangladesh should not be like that because the potential returns from our investment on mega projects, high vaccination, high export and remittance and improvement on size of economy.

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I. Introduction

In recent times, Bangladesh's economy has become a very questionable one due to indebtedness, fuel price increase and severe power cut. Many experts are concerned and arguing about the fact if our country is becoming the second Sri Lanka. However, there are several different reasons and logical factors which depicts that our economy should not be like that.

The very first problem with Sri Lanka is, as a nation they have become a very indebted one and the problem has become much stronger because their economy is not booming and so they have to take more loans. Consequently, they are not able to repay loans but that is increasing day by day. Moreover, as now the government is more concerned about repaying loans, automatically the infrastructure development, social safety nets, education and health privilege are declining.

On the other hand, Bangladesh has also become indebted but they have still some way and sources to generate enough revenue to repay their loans. The government is investing more on some megaprojects which are mostly for infrastructure development. Because the economists of the country analyzed the fact that, improving these sectors is ultimately expected to create industrialization and startups which will ultimately contribute to the country's GDP. Moreover, the government is investing very selectively, exactly on those projects which are expected to have a great success. In addition, vaccination initiative has been taken very seriously in the country. Another important thing is, from the very beginning Bangladesh has always earned a lot of remittance through its human capital.

Therefore, differences in these factors will hopefully help Bangladesh survive from such consequence.

1.1 Objectives

The study mainly aims to the comparison of the economy of both countries. The main objectives are:

1. Finding the strengths of Bangladesh, through which they can come back as a strong economy.
2. Highlighting the key mistakes of Sri Lanka, which led them to this position.
3. Determining how impactful the discussed factors are on economy.

1.2 Scope of Study

In this paper, we have collected primary data for two factors – vaccination and mega projects success. As vaccination and mega projects are used by in general the whole population of Bangladesh, the scope of study is very big. Here the research focused mainly on the people of Dhaka city and the respondents were chosen randomly.

1.3 Limitation of the Study

There are several limitations of this research. They are –

1. Research was mainly focused on Dhaka residents.
2. The sample size was very small.
3. Some data from secondary sources could not be used due to the question of their credibility.

II. Literature Review

In the analysis portion of this paper, we have focused on four factors. Firstly, it has been argued by the experts that how a country chooses to invest on its megaprojects determines a lot about its future because it can either increase your GDP or debt (Hasnat, 2022). It is very evident from the scholarly studies that in case of Sri Lanka debt has increased day by day and in case of Bangladesh the government earnings have increased (Fernando, 2016).

Moreover, the way the economy of Bangladesh maintained its balance even during pandemic is praiseworthy. The remittance and export sector played a significant role over there. From the birth of Bangladesh, they have always received a huge amount from remittance sector. Even in 2022, World Bank has recognized this country as the 7th highest remittance earner. Additionally, GNI and export income is increasing from past two decades for this which gives the macro economic factors of the country a bit more stability and may save it from huge economic downturns (Hasan et al, 2019). But for Sri Lanka this sector is not that much lucrative option.

Furthermore, compared to the other countries of the world even after being a very densely populated country, Bangladesh has not suffered way too much from COVID. From the very beginning, the government of the country started vaccination. They had prioritized the health workers, police, bankers, government officers on first shipment because these people had to go outside which is seen as a very smart initiative by experts (Deb et al, 2022). As a consequence, this caught eyes of the main investors of the country and they start redoing business with this country just after the flight barrier was taken off (Deb et al, 2022). On the other hand, Sri Lanka was a bit slow to have vaccines which probably caused them to lose some business.

Lastly, the size of the economy of both countries are different and so the opportunities are also quite different. But the increasing debt and resource shortage in Sri Lanka is very alarming and the situation is getting worse day by day (Amadeo, 2021). Moreover, the ongoing social and political unrest also have a negative impact on the country (Rahman, 2022). Whereas for Bangladesh the scenario is a bit more stable one and they have some back up sources to cover them up.

Therefore, these four factors are given priority in our study and it is briefly discussed in the analysis portion.

III. Methodology

This research includes both primary and secondary research.

For primary research we have run two surveys which has around 80 respondents. The age group was mainly from 18 to 35. We basically wanted to get first hand information about people getting vaccinated and their willingness to use the megaprojects on a regular basis. The survey also had an open-ended question in order to understand if there are any significant opinions of the respondents.

For the secondary research, we have taken information from scholarly sources. Moreover, we tried to validate the information if they are authentic or not. Here, we took information basically from newspaper, articles, research papers and journals.

IV. Analysis

4.1 Success of Megaprojects

Success of the megaprojects has direct link with the economy for twofold reasons. Firstly, the government of the country invests a huge amount on those projects which causes a huge debt. Secondly, through the success of those projects the government wishes to earn a heavy income in order to repay the loans taken for the project and earn a great usage revenue after that as well. In Sri Lanka, the government debt has increased from 2,222,343 Million rupees in 2005 to 8,503,227 million rupees in 2015 (Fernando, 2016). Dr. Perera of Wayamba University of Sri Lanka has figured out that 95.4 rupees in every 100 rupees earned in Sri Lanka is used for repaying debts. Hence, only using other 4 rupees in education, infrastructure development and other national things; cannot actually bring further development in the country (Fernando, 2016). However, a significant failure in Mattala International Airport project has created a huge debt to China but the airport was not proved that much beneficial to the country due to climate and other internal reasons (Wanniarachchi, 2022).

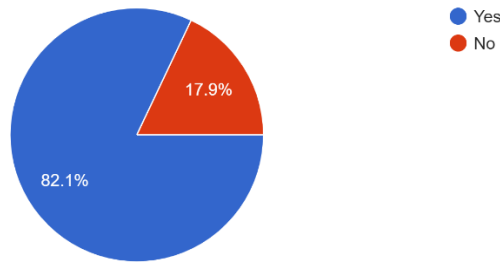
On the other hand, it has been expected that the megaprojects of Bangladesh will be a huge success as it focuses mainly to improve transportation and reduce time to move from one place to another (Jamshed, 2021).

Moreover, more or less every megaprojects of Bangladesh are helping to increase GDP contribution. Only the Padma Bridge is expected to increase 2% GDP from South part of the country (Hasnat, 2022).

Now, analyzing our survey data below

Do you use Padma Bridge now more than water ways?

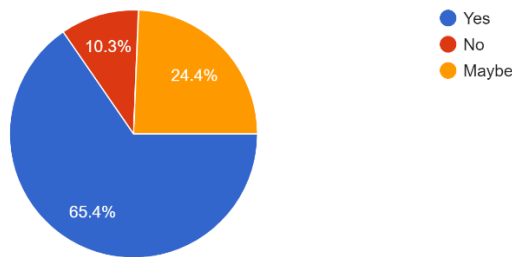
78 responses



From this question, we tried to analyze if people use Padma Bridge more than the alternative water ways nowadays or not. Because if the bridge is used more, it will generate more revenues.

Are you willing to pay the toll amount of Padma bridge rather than using other "time consuming" transportation?

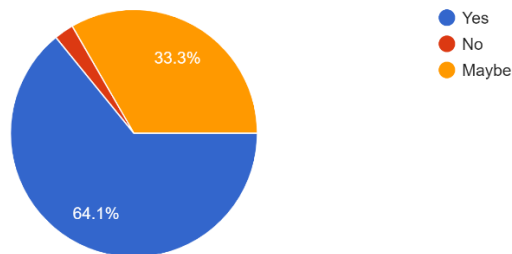
78 responses



Here, we tried to understand the mindset of people, if they prefer waterways more than paying toll. However, the toll is the main source of government to repay the loan taken for this project and generate revenue.

Are you going to use Metro Rail in future?

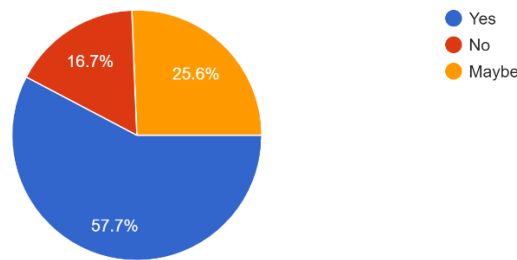
78 responses



Here, we tried to analyze the future success of an ongoing project – Dhaka Metro Rail. Bearing the traffic congestion in mind, it seems like people are going to prefer this more in near future.

Do you feel safe about Metro Rail?

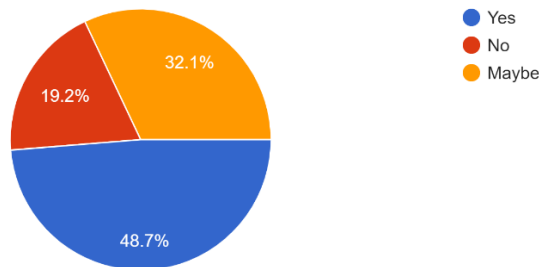
78 responses



Through this we tried to understand people's perception for this project. As this is the first metro rail project in Bangladesh, people are a bit confused regarding this.

Do you think the train fare will be fair enough to use regularly?

78 responses



The last but not least concerning issue is usage fare. Here, a dilemma is common among people, if it will be lower enough to use regularly. This can only be determined after the start of the rail.

4.2 Export and remittance

Another reason for which the Bangladesh economy will not collapse like Sri Lanka is its increase in remittance earnings. Additionally, the export of goods created in Bangladesh to many nations is growing daily. The Covid-19 outbreak had a genuine negative impact on the world economy. However, despite the difficult times, the Bangladesh economy displayed a strong trend and maintained its momentum. The economy of Bangladesh is showing positive growth across the board as it is earning more and more money through exports and remittances every day. With \$44.40 billion in reserves, the nation is financially secure. Sri Lanka's reserve, in contrast, is less than \$2 billion. Additionally, Sri Lanka has \$1,650 in debt per person, compared to \$292.11 for Bangladesh (risingbd.com, 2022). Reputable economist AB Mirza Azizul Islam informed the media that concerns about the Bangladeshi economy collapsing are unfounded because Bangladesh is on the right route. No justification exists for Bangladesh to resemble Sri Lanka. These are undoubtedly impractical and unreasonable (risingbd.com, 2022).

Sri Lanka received just 27.10 crore US dollars in remittance in January of this year. On the other hand, Bangladesh made 170.44 crore USD in January and 186 crore USD in March of this year. Bangladesh attained a record amount of remittance of 24.78 billion US dollars even during the coronavirus epidemic in the final fiscal year of 2020–21. Besides, Sri Lanka received remittance of roughly 8 billion US dollars in 2021, indicating that Sri Lanka's expatriate revenue has fallen precipitously due to the coronavirus pandemic. Bangladesh made 4.76 billion US dollars from exports in March of this year, whereas Sri Lanka made 1.1 billion in the same month. Sri Lanka's export revenue has plummeted, whereas Bangladesh has experienced the exact opposite (risingbd.com, 2022).

Moreover, Sri Lanka's foreign reserves dipped below \$50 million in May of FY 2021–22, according to the central bank of the island nation. Regular imports and exports are therefore being impeded. Bangladesh's current account deficit, on the other hand, was \$15.32 billion from July through April of FY 2021–22. The current account of Bangladesh, however, was in surplus during the majority of the previous ten years. Bangladesh's foreign reserves increased as a result, rising for the first time in FY 2021–22 from \$15.32 billion in

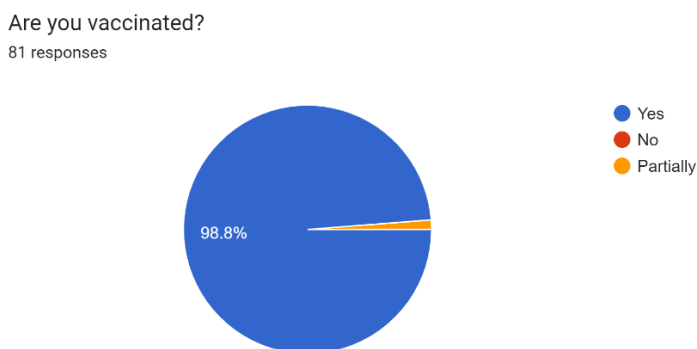
FY 2012–13 to \$46.02 billion. Foreign reserves, however, decreased to \$42.30 billion in May, according to Bangladesh Bank. Bangladesh's economy may appear to be in serious trouble as a result of the growing trade deficit, yet the nation maintains sufficient foreign reserves to cover import requirements. As per Bangladesh Bank's reserves and Finance Minister AHM Mostafa Kamal, Bangladesh's import demand could be satisfied for around five months. In other words, even if all exports and remittances from abroad are stopped, the government would still be able to cover the nation's import requirements for at least five months (Rahman, 2022).

Therefore, it can be concluded that Bangladesh's economy is larger than Sri Lanka's, as its export volumes, and its foreign currency reserves are more than double the amount held by this South Asian nation i.e. Sri Lanka.

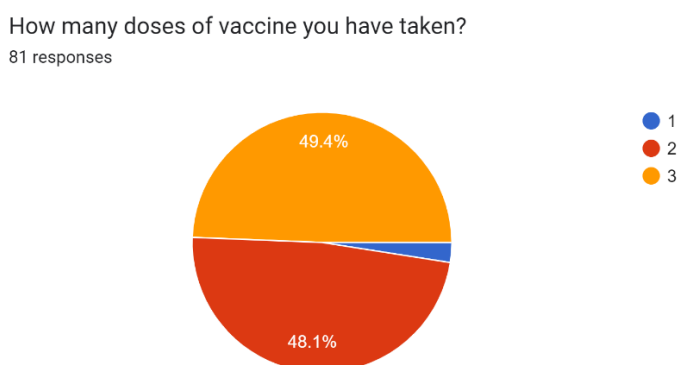
4.3 Connection of vaccination with economy:

The higher number of vaccinated people has a positive connection with the economy. Even the other research reports claim that, high number of vaccinations helped many countries' per capita income grow and increased the economic activities in a significant manner (Deb et al, 2022). Moreover, their report has depicted the reasons for it as increasing travel and tourism, international trade, reduction in barriers, balance between supply and demand etc. However, in both manufacturing and service industry, human capital is required. The developing countries are mostly based on manufacturing industry and exporting them outside. As a consequence, the more vaccinated their human capital is, the more chances of GDP growth (Amadeo, 2021). From a study it has been found that after increasing the vaccination rate, even the stock points have also increased for countries (Amadeo, 2021). According to WHO, 68.9 in every 100 people has taken both doses of vaccine in Sri Lanka and in Bangladesh 75.48 in every 100 people has taken both doses (WHO COVID-19 Dashboard). For this reason, the tourism industry of Sri Lanka has suffered significant loss in recent times (Deb et al, 2022).

Now, analyzing the survey data conducted by us:



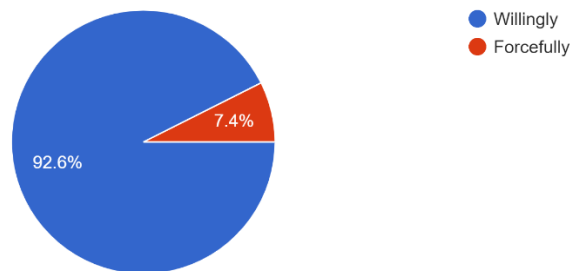
Here, the report shows that very few people are partially vaccinated and very high amount of people is fully vaccinated.



Here, we can see almost half of our sample is vaccinated with booster dose and very insignificant amount has taken only one dose.

Have you taken the vaccine willingly or forcefully?

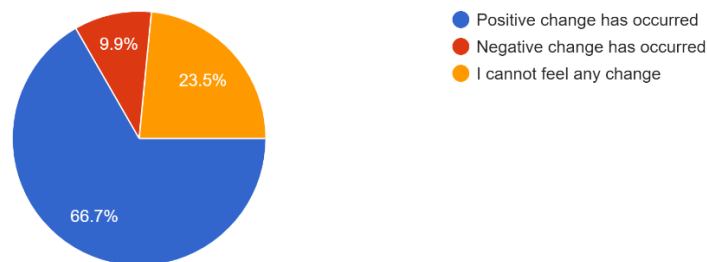
81 responses



From this one, we can actually understand the mindset of the people over here. As it shows that most of the people has taken vaccine willingly, we can hope that this will bring a positive change in our economy because people are cautious about this pandemic.

What do you think about the change in economy due to vaccination?

81 responses



Here, we can see that maximum amount of people either can feel a positive change or no change at all. Though some people even think that negative change has occurred, every new change has negative aspect and so as lower the negative side is as better the change is.

Therefore, from this part we can say that the impact of vaccination has brought positive changes in our economy. Hence, the comparatively lower number of vaccinations in Sri Lanka gives it a disadvantage and many barriers and restrictions. Therefore, we can come to a conclusion that due to this positive impact investors are interested in doing business here which is boosting our exporting sector and international trade.

4.4 Size of the Economy

The most often used bellwether indicator of a nation's economic health is its economy's size. The total value of all goods and services which are produced or generated in a country over a year is the gross domestic product or GDP which is the main indicator of measuring the size of the economy. Several ramifications may be guaranteed if the economies of Bangladesh and Sri Lanka are compared in size.

Size of economy of Bangladesh:

The Bangladesh Bureau of Statistics chose a new base year, which caused the economic growth rates reported in former years to be revised lower but led to an increase in the size of the economy (BBS).

For instance, according to the base year of 2005–2006, Bangladesh's gross domestic product (GDP) increased at its fastest-ever rate in fiscal 2018–19, 8.15%. However, using 2015–16 as the new base year, the growth rate decreased to 7.88% (Byron, 2021). When calculating national account statistics like GDP, gross domestic saving, and gross capital creation, a base year is used as a reference point. Bangladesh's economy had a value of Tk 34,840 billion (current prices) in FY21, increasing 15.7% from Tk 30,111 billion (per the previous base year) and a new base year. (Byron, 2021). With the statistics being reflected each year, it can be said that the new base year will be adjusted to reflect how large Bangladesh's economy is. Powered by an increase in industrial operations, Bangladesh's GDP grew 7.25 percent in the previous fiscal year of 2021–22, according to preliminary figures from the Bangladesh Bureau of Statistics (BBS). (Report, 2022). The gross domestic product (GDP), a measure of an economy's size, grew 7.88% during the 2018–19 fiscal year, making that the biggest growth the economy has ever had. The most recent surge has caused Bangladesh's GDP to expand from \$416

billion to \$465 billion in the fiscal year 2021-2022. (Report 2022). Taking into account the new base year, it should be noted that the scale of the industries, services, and agriculture have all increased. The contribution of the agriculture sector to the GDP in the new base year is calculated using data on about 144 crops as opposed to 124 crops in the previous base year. The gross value addition contributed by the agriculture sector increased from Tk 3,846 billion in the previous estimate to Tk 4,061 billion in current prices in the most recent fiscal year. Data from the Ashuganj Power Station Company, North-West Power Generation Company, Rural Power Company, cold storage facilities for food preservation, RajshahiWasa, and the ship-breaking business were added to the industrial sector. While it was Tk 8,944 billion in FY21 using the previous base year, the sector's gross value addition in FY21 was Tk 11,362 billion using the new base year. (Byron, 2021). Globally, Bangladesh's gross domestic product climbed from 351.24 billion to 373.90 billion US dollars in 2020. Undoubtedly, there have been changes in a number of economic areas, but this year's gain of 6.5 percent has been remarkable. Bangladesh has undoubtedly held its own whereas the majority of nations have incurred substantial losses. By alone, the tourist industry experienced a 44 percent decline. From 4.4 to 5.4 percent, the unemployment rate increased. From 5.6% to 5.7%, the consumer inflation rate has increased. (Economics in Bangladesh Compared to the EU, n.d.)

Size of economy of Sri Lanka:

According to the most recent data made public by the central bank, Sri Lanka's real gross domestic product (GDP) growth is anticipated to be 1% in 2022. In 2021, the country's economy grew by 3.7 percent, and its per-capita GDP was 3,815 U.S. dollars, falling to 3,041 dollars in 2022. The economy of Sri Lanka is predicted to develop marginally in the short term as a result of a debt restructuring program, long overdue structural reforms, and an economic adjustment program to be funded by the IMF. These measures are likely to help the economy pick up steam over the medium term. (Sri Lankan Central Bank Predicts GDP Growth for 2022 to Be 1 Pct-Xinhua, n.d.). According to projections from Trading Economics' global macro models and analysts, Sri Lanka's GDP will amount to 83.00 USD billion by the end of 2022. Our econometric models anticipate the Sri Lanka GDP to have a long-term trend of 88.00 USD Billion by 2023. (Sri Lanka GDP | 1960-2019 Data | 2020-2021 Forecast | Historical | Chart | News, n.d.). According to the central bank, Sri Lanka's economy will experience significant macroeconomic instability in 2022 due to growing social unrest and political instability, the pandemic's effects, the domestic energy crisis, and elevated commodity prices both internationally and domestically. These factors, along with rising social unrest and political instability, and increased vulnerabilities on both the external and fiscal fronts, have all contributed to this situation. Due to recent debt default and widespread protests around the nation, Sri Lanka is currently experiencing an economic and political crisis. The nation's foreign exchange holdings have shrunk by an incredible 99% since 2019, making it harder to buy imports and increasing local costs for items.

According to analysts, Bangladesh's economy's two key metrics continue to be in a strong position overall. With regard to the two key debt management metrics, Bangladesh is still doing well. The ratio of outstanding foreign debt to GDP and the debt servicing burden as a proportion of export-based foreign exchange are the first and second, respectively. The debt of Bangladesh has not yet reached a dangerous level, according to economist Zahid Hussain. The debt-to-GDP ratio is 90% for affluent nations and 60% to 65% for developing countries, according to a 2010 International Monetary Fund (IMF) research, according to this former senior economist of the World Bank's Dhaka office. Still, it does not cause any alarm. Extending this can make us feel afraid or put us in danger. These calculations are the foundation on which international lenders or financing organizations grant loans so that the borrower may return the loan installments from project earnings or when the project has been completed. The initiative may raise national income as well. ((IMF: China, Other Big Creditors Must Work to Prevent Debt Explosion, 2022)

V. Findings

The key findings from this study are –

1. The well-established economic norms of Bangladesh have given it stability even in challenging situations.
2. The smart and diplomatic decisions of policy makers of Bangladesh regarding infrastructure development give it advantage even after being a developing country.
3. The decision of Bangladesh of earning more from the most established and secured sector helps it to achieve economic stability.
4. The first and foremost reason of Sri Lanka being in this state is wrong investments which increased their debt only.
5. Lack of strong back up making the situation of Sri Lanka worse day by day.

VI. Recommendations

Some recommendations that we want to provide are –

1. Even though the situation is not that worse for Bangladesh, they need to start preventing the situation from getting worse.
2. The completion of megaprojects needs to be done as early as possible because it may cause more industrialization in Bangladesh.
3. The Sri Lankan government needs to find strong alternatives to repay debts and improve the living standard.

6. Appendix

6.1 Success of Mega Projects

1. Age

2. Gender

- A) Male
- B) Female
- C) Others

3. Do you still use launch to go to Barisal?

- A) Yes
- B) No

4. Do you use Padma Bridge now more than water ways?

- A) Yes
- B) No

5. Are you willing to pay the toll amount of Padma bridge rather than using other "time consuming" transportation?

- A) Yes
- B) No
- C) Maybe

6. Are you going to use Metro Rail in future?

- A) Yes
- B) No
- C) Maybe

7. Do you feel safe about Metro Rail?

- A) Yes
- B) No
- C) Maybe

8. Do you think the train fare will be fair enough to use regularly?

- A) Yes
- B) No
- C) Maybe

6.2 Connection of Vaccination with Economy

1. Are you vaccinated?

- A) Yes
- B) No
- C) Partially

2. How many doses of vaccine you have taken?

- A) 1
- B) 2
- C) 3

3. Have you taken the vaccine willingly or forcefully?

- A) Willingly
- B) Forcefully

4. Do you think vaccination has an effect on economy?

- A) Yes
- B) No
- C) Maybe

5. What do you think about the change in economy due to vaccination?

- A) Positive change has occurred
- B) Negative change has occurred

- C) I cannot feel any change
6. **Any experience you want to share with us in this regard?**

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