

Government Budget and Funding for Public Policies and Programs in Bangladesh



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ABSTRACT: This paper discussed briefly the Composition of Government Budget of Bangladesh of recent years with analyzing the composition of expenditure, explaining the share or ratio of specific policy areas in the expenditure and how the share or ratio of each major policy area got changed in the last 15 years. This paper also investigated the policy areas which were expanded and which got shrunk with explaining their reason of changes.

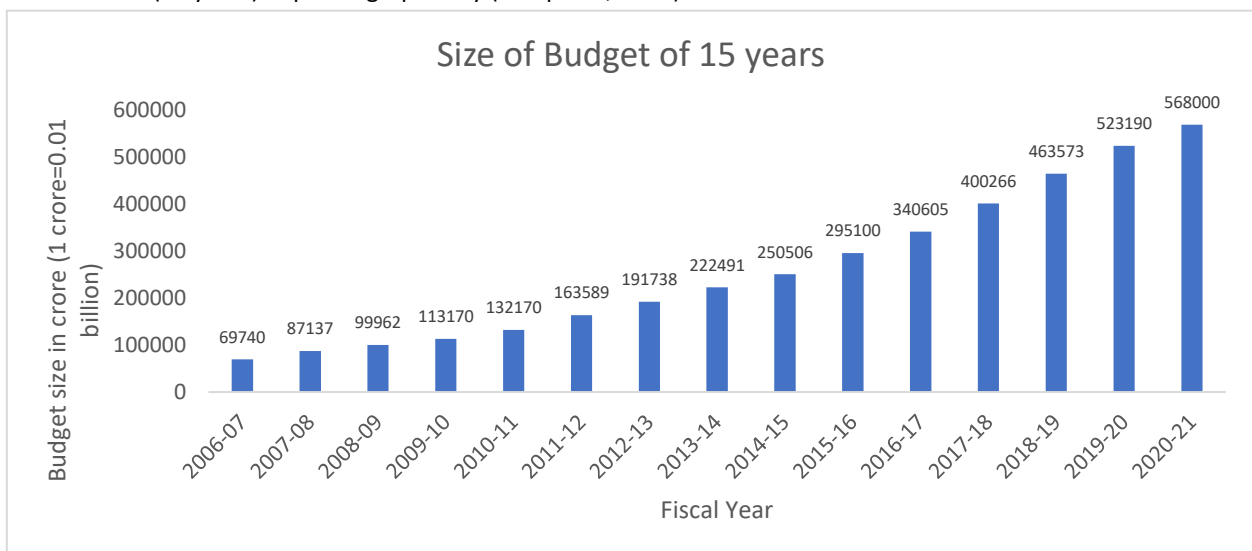
Along with above, this paper summarized various tax sectors in Bangladesh mentioning their size and explaining major changes in tax system.

KEYWORDS: Bangladesh Budget; development budget; public administration; fiscal year; tax

INTRODUCTION

Bangladesh, the south-east Asian delta, has born after a 9 month long sanguinary liberation war in 1971. Next year on 30 June in 1972, the first historical budget was presented by the first finance minister Mr. Tajuddin Ahmed in the Bangladesh parliament. The total figure of the budget was 7.86 billion Bangladeshi Taka only. However, since that opening moment, budget has been being passed in every fiscal year. The 50th budget was passed for the fiscal year 2020-2021 on 11 June 2020 which was around 723 times bigger than the first budget. The main revenue income source of Bangladesh government is collecting tax. More than 80% of the total income comes from tax that is divided into two types: direct tax and indirect tax. Rest portion comes from various fees and duties.

Size of national Budget: the national budget of Bangladesh is growing every year. Here is the size of budget for financial year 2006-07 to 2020-21 (15 years) depicted graphically (Wikipedia, 2020):

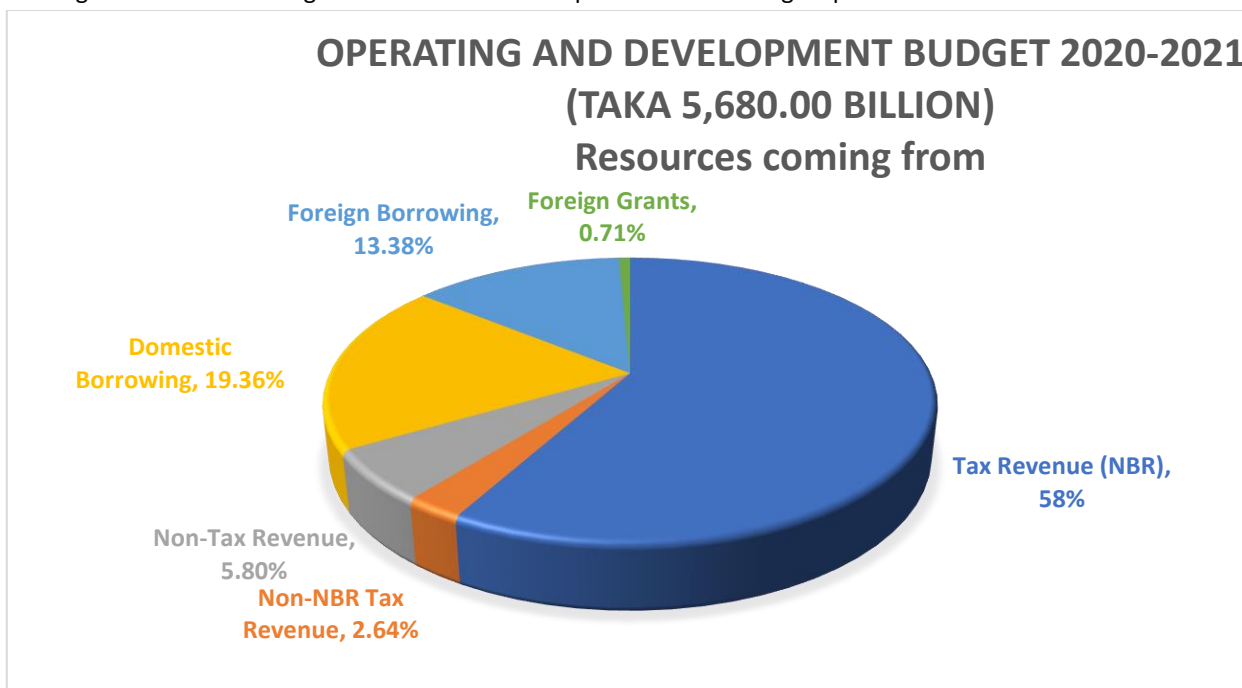


Composition of the recent Government Budget of Bangladesh: The basic nature of Bangladesh’s national budget for every fiscal year is that it is deficit in type (excluding foreign grant). For fiscal year 2020-2021, the target of total revenue income is Tk. 3,780 billion. Out of this, Tk. 3,300 billion will be collected through the NBR. Tax revenue from non-NBR sources has been estimated

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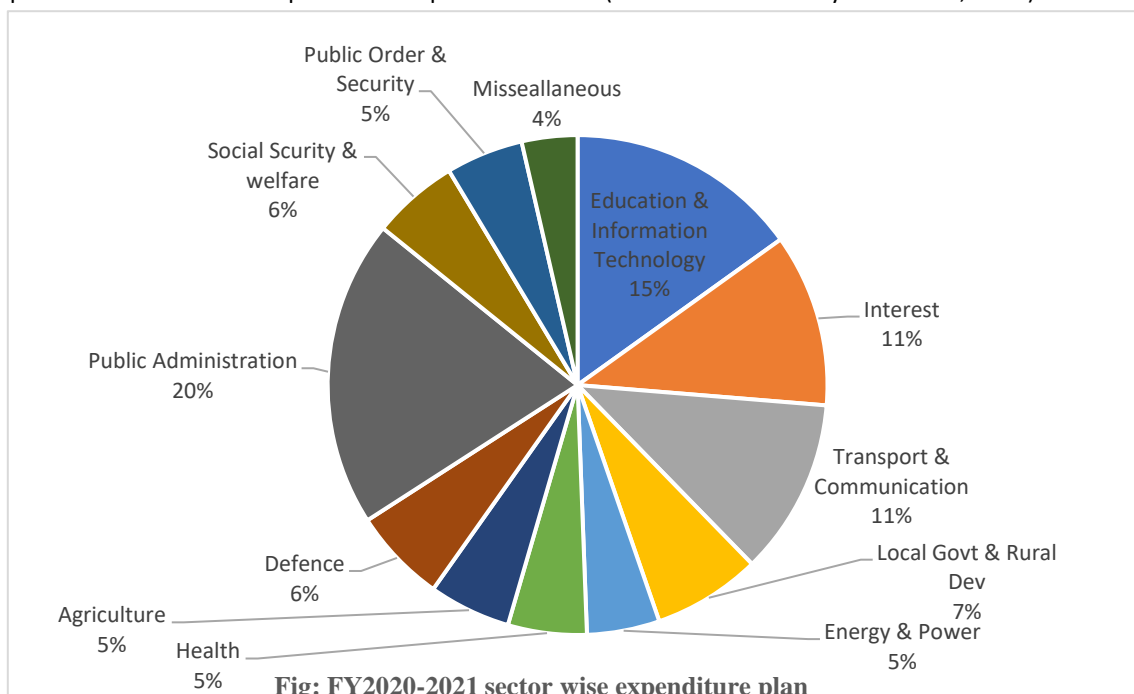
at Tk.15,00 billion, while the non-tax revenue is estimated to be Tk. 33,00 billion. On the other hand, the size of the total expenditure has been estimated at Tk. 5,680 billion. Estimated domestic borrowing is 1099.83 billion, foreign borrowing is 7600.4 billion and foreign grants is 4013 billion this fiscal year (Ministry of Finance, 2020).

The percentage of resource coming from each sector are depicted below through a pie chart:



Whereas 58% tax revenue comprises of VAT 37.90%, import duty 11.50%, income tax 31.50%, supplementary duty 17.50%, and export and excise duty and other taxes 1.60% (Ministry of Finance, 2020).

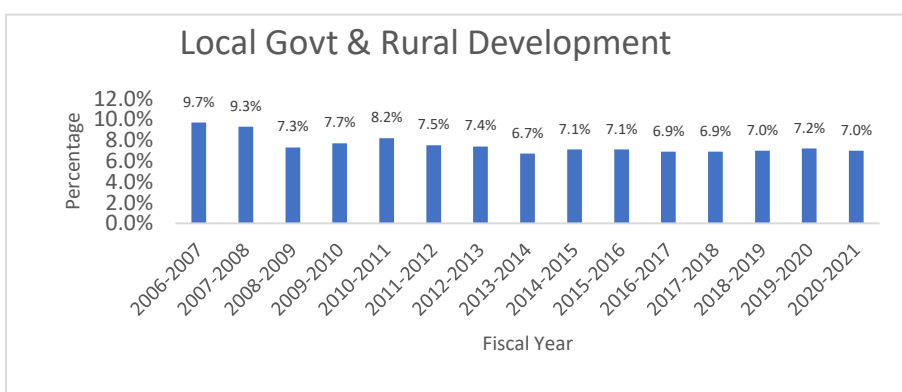
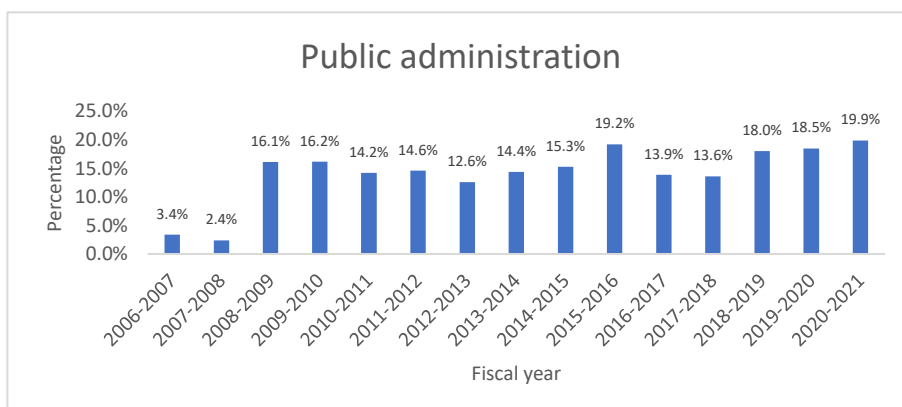
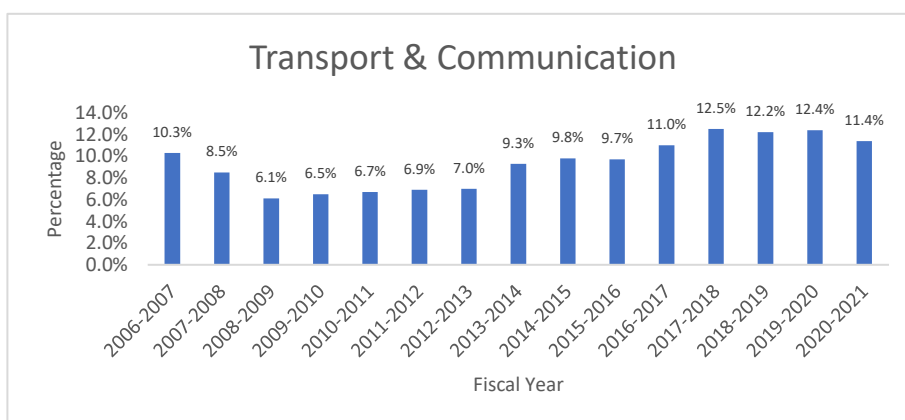
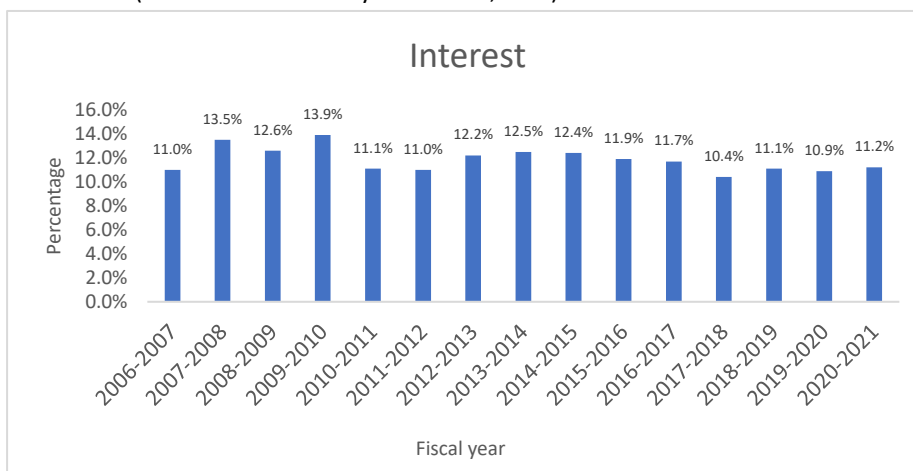
Now, the expenditure estimated is depicted in the pie chart below (data source: Ministry of Finance, 2020):



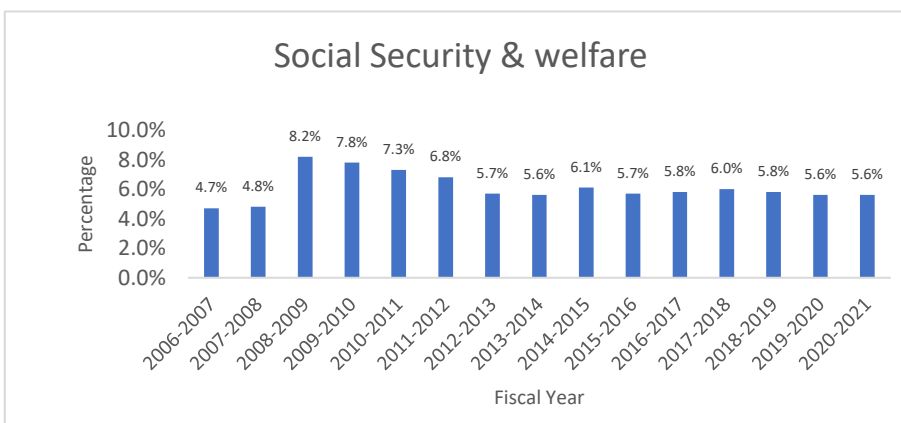
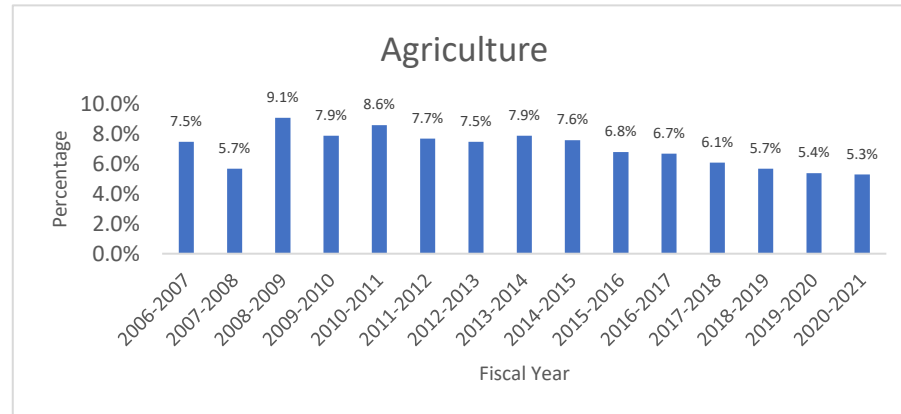
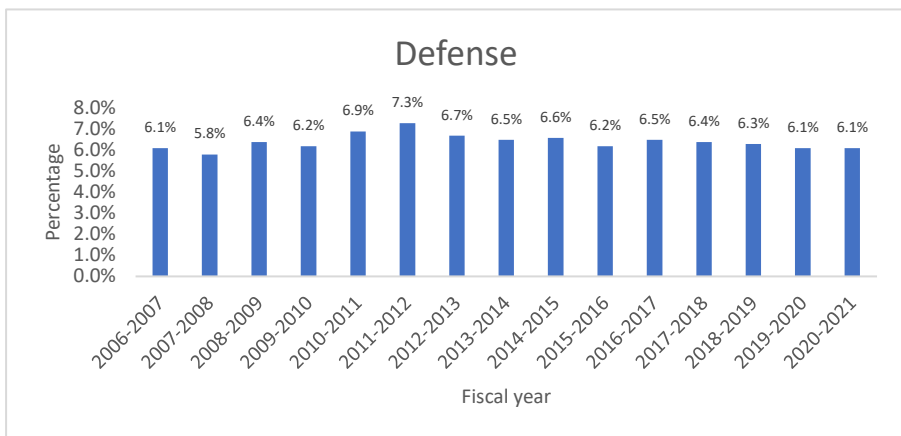
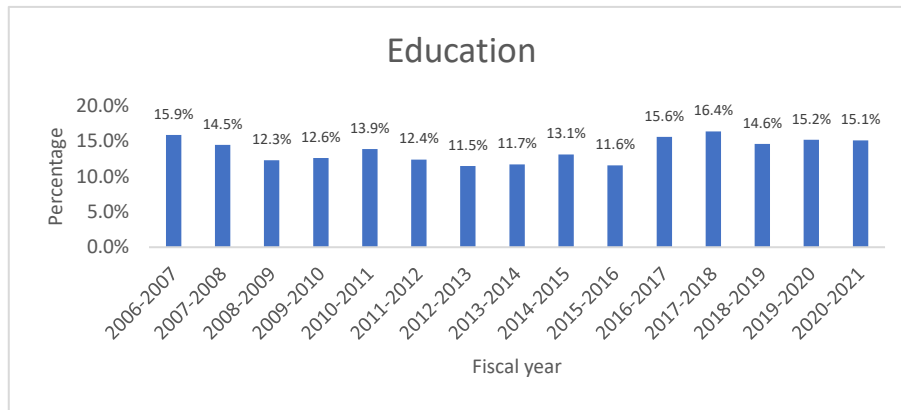
From the above-mentioned pie chart, it is conspicuous that the public administration sector holds the topmost position in expenditure (20%) and energy and power, health, agriculture, and public order and security hold the lowest position in expenditure (5%). However, if we look at the expenditure sector individually in 15 years' budget (from 2006-07 to 2020-2021) represented below by bar chart, a common pattern is clearly apparent from Bangladesh's Budget. Most of the cases budget increases every year per each sector, although there are some examples of decrease. However, the increase or decrease varies

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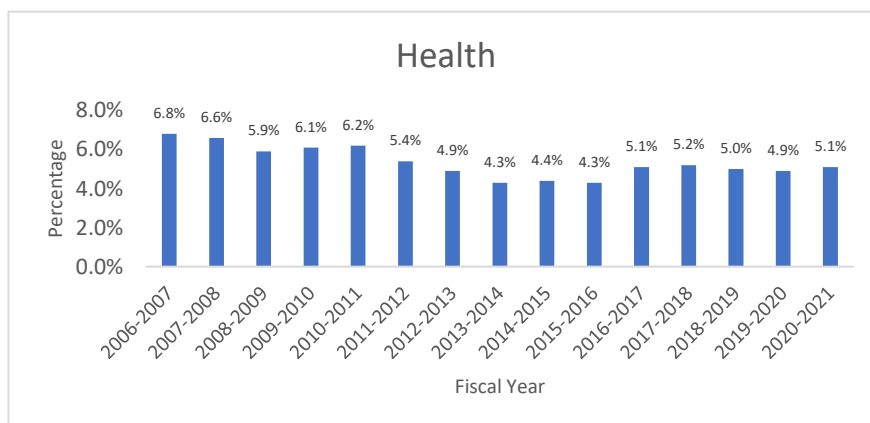
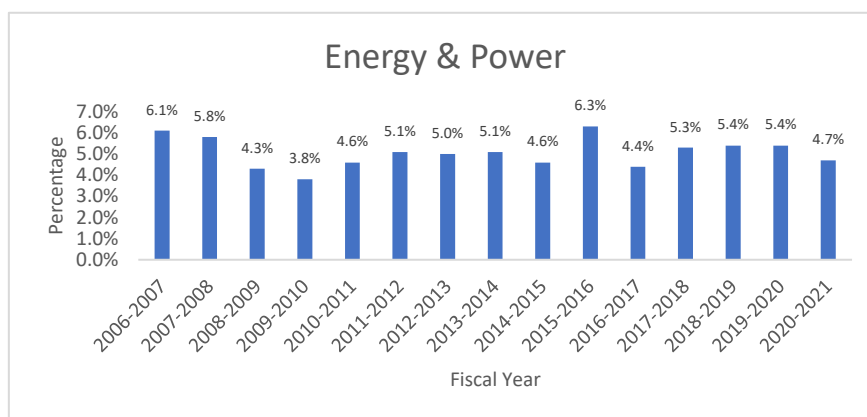
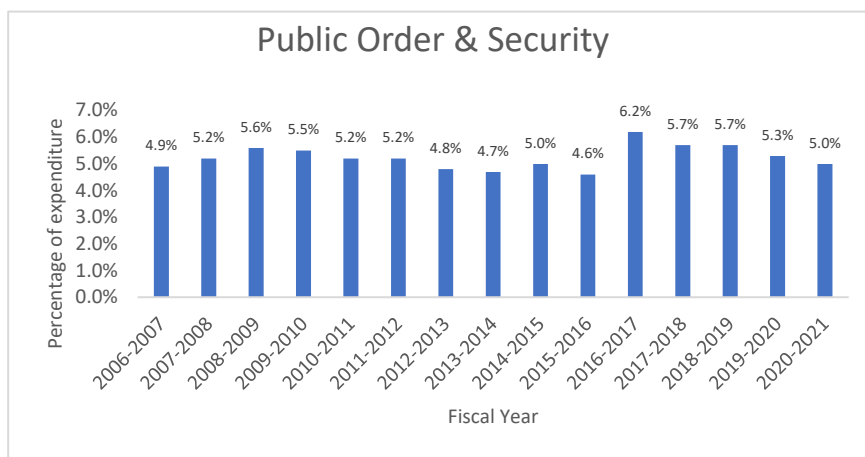
quite slightly. The size of the budget and inflation increase every year. There are no revolutionary changes in any sector, no sector is prioritized specially in any year, almost no experiments are taken. It is as usual, typical and not well-researched which is one of the weak points of Bangladesh's budget that is criticized every year by many economists of Bangladesh. Here are the charts depicted for individual sector (data source: Ministry of Finance,2020):



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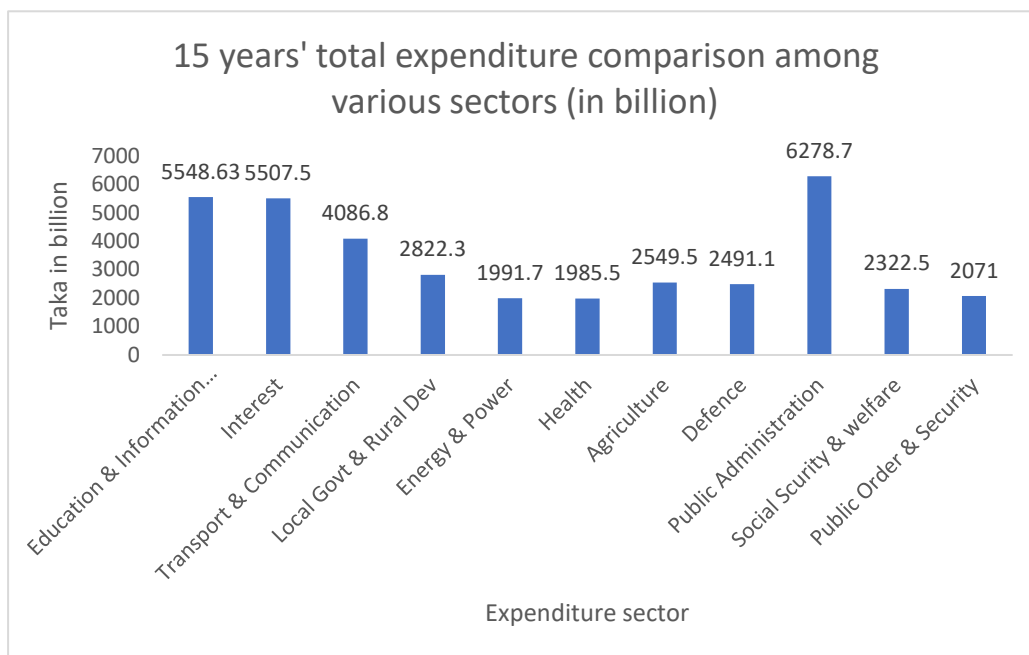
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The most and least prioritized expenditure sector of Bangladesh: Based upon the data taken from ministry of finance, we have prepared a list of all the major expenditure sector of Bangladesh's budget according to their priority order which is given below:

1. Public administration
2. Education & Information
3. Interest
4. Transport & communication
5. Local Govt. & rural development
6. Agriculture
7. Defense
8. Social security & welfare
9. Public order & security
10. Energy & power
11. Health

The priority list was prepared from the total expenditure of each sector of 15 fiscal years' budget (2006-07 to 2020-21). The comparison among those sectors is depicted below by a bar chart (data source: Ministry of Finance, 2020):

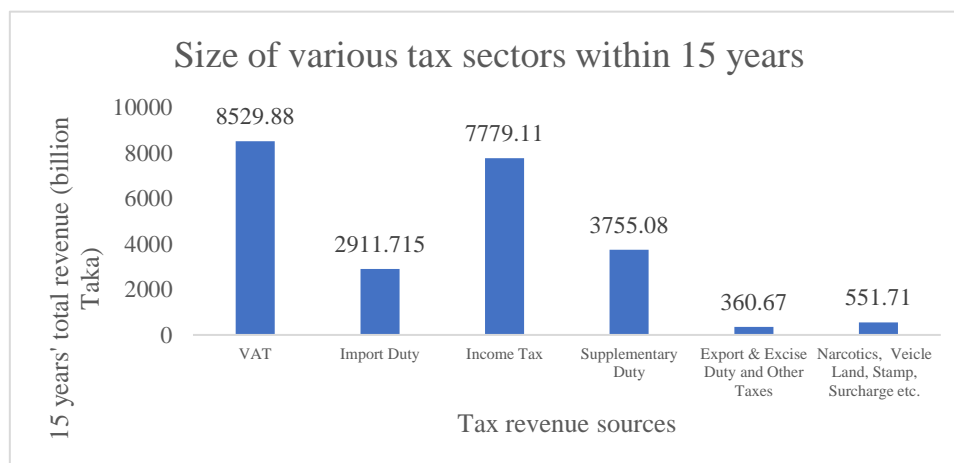


From the aforementioned list and chart, it is conspicuously apparent that the most prioritized expenditure sector of Bangladesh’s budget is Public administration. Govt. has spent taka 6278.7 billion by 15 years in this sector and we can say it reasonable, because it covers the cost of honorable president’s office, prime minister’s office, ministry of public administration, ministry of finance, election commission, Public service commission etc. among whose ministry of finance consumes the lions share of the budget (Samakal, 2018). It is also, however, a matter of hope that education is prioritized by the government (education sector holds the second-most position). In Bangladesh, the literacy rate in 1971 (at the time of liberation war) was only 18% (Bhattacharjee, 2020). After achieving independence from the then west Pakistan, Bangladesh government targeted education as an important sector that needs to be improved. Due to their continuous effort, education sector flourished day by day. The literacy rate, through 2007 consensus, was measured as 46.66% which was finally measured in 2018 consensus; and there is a drastic improvement found; it was boosted up to 3.91% (macro trends.net, 2020) which shows that Bangladesh is on the right track in this case.

But in case of some other sectors especially in local government and rural development (position 5 out of 11), agriculture (position 6), social security & welfare (position 8), energy and power (position 10); the expenditure amount is vulnerable. Bangladesh is still an agriculture-based country. Although, the contribution on GDP of agriculture is less than service and industry, agriculture is vital for people’s livelihood. It is impossible to obtain food security and zero hunger goal in SDGs without prioritizing agriculture. Rural development is directly related to agriculture, because most of the foods are cultivated in villages. But the most crucial thing is the tiny amount of expenditure in health sector. It is criticized by most of the specialists and economists every year but there is no improvement detected. Rather, the budget was decreased to some extent. In 2006-07, the allocation for health sector was 6.8% which was reduced to 4.9% in 2019-20 and 5.1% in 2020-2021 (Ministry of finance, 2020). In 1997, government participation in overall health expenditure was 37% which was reduced to 23% in 2018 which means people have to pay 67% from their own to get health service (somoynews.tv, 2020). Doctor’s platform for people’s health, an organization of Bangladesh’s doctor said, due to the lower amount of allocation of health expenditure in national budget, about 6 million people go below the poverty line to meet their health expenses (Prothom Alo, 2020). It is a matter of great regret that, even in the corona situation this year, national budget for health sector did not bring any novelty. The main reason of such type of negligence as per my view is the ignorance of health importance. People of Bangladesh, a typical developing country, are not concerned about safety, prevention, precaution and health to such an extent the people of the developed countries are. Moreover, most of the bureaucrats and politician in policy making position regarding health are not from medical background or not educated from health-related subject, this is why they are unable to give importance the health sector.

Various tax sectors and their size in Bangladesh: In Bangladesh, there are some major tax types, i.e.; personal income tax, corporate income tax, value added tax (VAT), supplementary duty, import duty, export duty, excise duty etc. The total share of various types of tax of 15 years (from 2006-07 to 2020-21) is depicted below (data source: Ministry of Finance, 2020):

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From the aforementioned chart, it is apparent that VAT is the most contributing tax type of Bangladesh whereas income tax has taken the second position. In Bangladesh, standard value of VAT is 15% in most of the goods and services (Ministry of finance, 2020).

To collect these taxes there is an authorized government organization in Bangladesh named 'National Board of Revenue (NBR)'. Around 97% of tax revenue and 85% of total revenue are collected by NBR (Wikipedia, 2020)

Recent amendment in the income tax ordinance: In fiscal year 2020-2021, the previous income tax ordinance was slightly changed. The changes are discussed below:

According to assessment year 2019-20 there are 23 Chapters, 360 Sections and 7 Schedules. After change, now the number of sections is increased from 360 to 366. Changes done in IT Ordinance, 1984 by Finance Act, 2020 are (Sarkar, et al., 2020):

The slab of tax exempted income is also changed by the following way (NBR, 2020):

New sections inserted: 6 sections (sections 16H, 19AAAA, 19AAAAA, 31A, 32A, and 184G)
Existing section deleted: no section deleted;
Existing sections substituted: 3 sections (sections 51, 52Q, and 53BBB);
Existing sections amended: 26 sections (sections 2, 19BBBBB, 28, 30, 33, 42, 46BB, 52, 52A, 52AA, 52C, 52R, 52U, 53BB, 53BBBB, 53E, 56, 68, 68B, 75, 75A, 80, 82C, 124, 158, and 184A); and
Existing Schedule amended: 2 Schedules (First Schedule, and Sixth Schedule).

The tax rates per income slab were also changed as follows (NBR, 2020):

General Tax Rate			
Income Slabs (Previously)	Income Slabs (Current)	Tax Rate (Previously)	Tax Rate (Current)
Up to Tk. 250,000	Up to Tk. 300,000	Nil	Nil
Next Tk. 400,000	Next Tk. 100,000	10%	5%
Next Tk. 500,000	Next Tk. 300,000	15%	10%
Next Tk. 600,000	Next Tk. 400,000	20%	15%
Next Tk. 3,000,000	Next Tk. 500,000	25%	20%
On balance	On balance	30%	25%

CONCLUSION

It is a sign of hope that the figure of national budget of Bangladesh is increasing every year. But it is also needed to be considered to the government that some important sectors like energy, health become neglected every year. Government should focus on these sectors to reach the goal of SDGs. Due to the recent pandemic, it is high time government kept eyes on health sector specially. The income of tax revenue of Bangladesh is not satisfactory. As all the income and expenditures of Bangladesh are still not digitally monitored, there are a lot of chances of tax invasion and people use these chances frequently. Government should develop digital system to increase their income by earning more tax revenue. Government also become stricter to collect

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corporate tax minutely. More income of the government will help Bangladesh to escape from deficit budget and a surplus budget will help to make a developed Bangladesh shortly.

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