



(MUDIMA)



Revenue Collection and Division-Wise National Budget Allocation of the Government of Bangladesh

Mehedi Hasan Manik

Senior Specialist, Marketing Insights, Advanced Chemical Industries (ACI) Limited, Dhaka Bangladesh

Corresponding Author: Mehedi Hasan Manik hasan.manik.du@gmail.com

ARTICLE INFO

Keywords: Budget of Bangladesh, Revenue Collection of Government, Expenditure of Government, National Budget Allocation, Function of Government

Received : 1 March

Revised : 17 March

Accepted : 17 April

©2023 Manik: This is an open-access article distributed under the terms of the

[Creative Commons Atribusi 4.0](https://creativecommons.org/licenses/by/4.0/)

[Internasional.](https://creativecommons.org/licenses/by/4.0/)



ABSTRACT

Bangladesh is a developing country, but its inequality is increasing gradually due to improper budget allocation. This study is conducted to evaluate revenue collection, the national budget along with the division-wise allocation in Bangladesh. Data for this study has been collected from the websites of the finance ministry and Bangladesh Bureau of Statistics. From the tax sector, Bangladesh collected 81.5% of revenue in 2021 and has planned to collect 88.9% in 2023. The government is expecting more earnings from the tax sector. The budget deficit of the country was -28.1% of expenses in 2021 and might be 35.7% of expenses in 2023. The increasing budget deficit is creating a fiscal burden on the economy. The country spent 18.7%, 14.8%, and 12.0% in public service, education, and interest payment, respectively, in the revised budget for 2022. Bangladesh should increase the budget allocation in agriculture, health, and housing sectors to promote sustainable development, and it should cut allocation in interest payment, public service, and defense sectors to reduce the budget deficit. Policymakers of Bangladesh may use this study to the allocate national budget and collect revenue in the future. The study considered the total expense of 15 divisions, so further study is required involving operating and developing expenses among different sub-divisions for a better understanding of the national budget allocation of Bangladesh

INTRODUCTION

Bangladesh is a south Asian overpopulated country. It has a 168.6 million population which is the 5th and 8th largest population in Asia and world, respectively, but the country has only 1,47,570 square kilometers area (PopulationStat, 2023). The economy of Bangladesh has three sectors agriculture, industry, and service, but the economy is currently moving towards the industrial sector rather than the agriculture and service sectors (Mehedi, 2023). The national budget of a government is an annual expenditure and earning plan which is essential to run an economy. The fiscal year of the Bangladesh government starts in July and ends in June. The finance minister of the People's Republic of Bangladesh government plans an annual revenue collection and expenditure process from July to June. The budget transparency score indicates Bangladesh publishes a few pieces of information for public debate regarding the national budget analysis. In 2021, the budget transparency score of Bangladesh was 13 out of 100 (International Budget Partnership, 2022).

Increasing income inequality is one of the major challenges in the economy of Bangladesh. The income of the top 5% and bottom 5% households was 27.82% and 0.23%, respectively, in 2016 survey data, but the income of the top 5% and bottom 5% households was 24.61% and 0.78%, respectively, in 2010 survey data (Bangladesh Bureau of Statistics, 2019). In Bangladesh, inequity is present in most health indicators across demographic, social, and economic parameters (Tahrim & Ishtiaq, 2019). Inequality in Bangladesh is increasing day by day due to a lack of proper national budget allocation and implementation. Several areas such as the north and west region in Bangladesh are underdeveloped yet due to receiving low public expenditure and the national budget (Mithun, 2021).

The budget decision of a government may be varied by the national issues such as sources of resources, objectives of the government, type of budget, and so on, and local government issues such as type of local government, competency of local government, local demand, and so on. However, the influencing budget phenomena like resources scarcity, local demands, sources of resources, the competence of a specific unit, and similar issues do not always collide with the autonomy of Union Parishad, the local government of Bangladesh, but

the effects of such phenomena are evident with varying degrees and dimensions on the budgetary autonomy of local government in Bangladesh (Talukdar, 2020).

The variation in Socioeconomic development is very common in different parts of Bangladesh (Jobaid & Khan, 2018). In a developing and underdeveloped country, regional differences in terms of both economic and social perspectives are very common phenomena as it is hardly possible to ensure economic development at the same pace in all regions of a country, but the vision of a government should try to allocate the national budget based on the regional equity to ensure the balanced development throughout the country. The economy of Bangladesh is passing through the budget deficit conditions creating extra pressure and a statistically significant negative impact on the economic growth of the country (Rana & Wahid, 2017).

The economy of Bangladesh is growing with an average growth rate of 6.7% (Mehedi, 2023). Although the country is developing, inequality in the country is increasing day by day due to improper budget allocation and other reasons. The country has 15 divisions and 66 sub-divisions to expense its national budget. At present, there is a lack of study for dealing with the sector-wise national budget allocation and its impact. The objective of this study is to address the revenue status, budget deficit condition, and division-wise budget allocation with its impact on the economy of Bangladesh. This study might be helpful to policymakers of the country to allocate budget and collect revenue in the future, and the international community might be used this study to understand the budget allocation in Bangladesh.

METHODS

The study has been conducted based on secondary data collected from the websites of the government of Bangladesh. Sector-wise expenditure of the national budget of the country has been collected from the website of the finance division of the ministry of finance of the government of the people's republic of Bangladesh. On web site of the finance ministry, there is an uploaded file entitled "Statement 2: Operating and Development Expenditure", and expenditure data have been collected from there. The revenue and expenditure summary of the budget have been collected from the same website file entitled "Budget at a Glance". The

Gross Domestic Product (GDP) data of the country has been collected from a file entitled “Gross Domestic Product (GDP) of Bangladesh, 2020-21 (Final)” uploaded on the website of the Bangladesh Bureau of Statistics. The required data from the website have been collected from January 2, 2023, to January 8, 2023. In the original file, data were in the fiscal year, but for analysis purposes, it has been converted into the calendar year such as FY 2020-21 has been considered as 2021.

In original file all data are presented in the local currency of Bangladesh called TAKA, TK, but for easy understanding to the international community, the study has converted the calculation to USD. Due to different national and international factors, the USD exchange rate is fluctuating very frequently at present. The Bangladesh Bank is the central bank of Bangladesh. The interbank day’s lowest and day’s highest exchange rate of USD/TK was 105.90 and 107.00, respectively, on January 8, 2023 (Bangladesh Bank, 2023). For exchange rate, the study has considered the average of the day’s lowest and highest value on January 8, 2023, such as 1 USD equals 106.45 averaging 105.90 and 107.00.

The ministry of finance of the Bangladesh government declares the proposed budget before starting a specific fiscal year which is called the proposed budget. After passing several months of

that fiscal year, the finance minister revised the proposed budget based on the requirements of the cabinet division and other stakeholders called the revised budget. Finally, at the end of that fiscal year, the ministry shared the actual budget of Bangladesh. There are 3 budgets, proposed, revised, and actual in each fiscal year, and at each stage of the budget, there are some deviations based on the requirements of cabinet divisions and other stakeholders. The study considered the actual budget for 2021, the proposed and revised budget for 2022, and the proposed budget for 2023 for analysis as it is the latest published data of the ministry of finance of the Bangladesh government.

RESULTS AND DISCUSSION

The national budget summary of the Bangladesh government has been presented in table 1. The government of Bangladesh earns its revenue from 3 sectors, tax revenue, non-tax revenue, and foreign grants. According to table 1, in 2021, the actual expenditure of Bangladesh was \$ 4323 crore, but the earnings were \$ 3110 crore. The actual budget deficit of the country was \$ -1213 crore in 2021 which was -28.1% of the expenditure of the country. The expense and budget deficit of the country were 16.2% and -4.6% of its GDP, respectively, in 2021.

Table 1. The National Budget of the Government of Bangladesh (Crore USD)

Budget Elements	Actual 2021	Revised 2022	Proposed 2022	Proposed 2023	Earning% Actual 2021	Earning% Proposed 2022	Earning% Proposed 2023
Tax Revenue (A)	2535	3250	3250	3645	81.5	88.2	88.9
Non-Tax Revenue (B)	553	404	404	423	17.8	11.0	10.3
Foreign Grants (C)	22	30	33	31	0.7	0.9	0.7
Total Earning /revenue (A+B+C)	3110	3684	3687	4098	100.0	100.0	100.0
Total Expense	4323	5575	5671	6370			
Budget Deficit	-1213	-1891	-1984	-2271			
Deficit % of expense	-28.1	-33.9	-35.0	-35.7			
Gross Domestic Product (GDP)	26622						
Expense % of GDP	16.2						
Deficit % of GDP	-4.6						
Tax (A)% of GDP	9.5						
Total Earning (A+B+C) % of GDP	11.7						

In 2021, the tax revenue earned by the government was 9.5% of the GDP, and the total revenue was 11.7% of the GDP. In 2022, the revised and proposed expenditures of the country were \$ 5575 crore and \$ 5671 crore, respectively, but the revised and proposed earnings were \$ 3684 crore and \$ 3687 crore, respectively. The revised and the proposed budget deficit of the country was -33.9% and -35.0%, respectively, in 2022.

The proposed revenue and expenditure of the country were \$ 4098 crore and \$ 6370 crore,

respectively, along with the proposed budget deficit of -35.7% in 2023. The budget deficit is increasing which is an alarming signal of Bangladesh economy.

The major earning source of the Bangladesh government is the tax revenue sector. In 2021, 81.5% of actual earnings came from the tax revenue sector where 17.8% came from the non-tax revenue sector, and only 0.7% came from the foreign grants sector. The government expects more earnings from the tax revenue sector and fewer earnings from the non-tax revenue sector.

Table 2. Classification of the Functions of the Government of Bangladesh

Division	Sub-Division #	Functions of Bangladesh Government
Public Services	15	President's Office, Bangladesh Parliament, Prime Minister's Office, Cabinet Division, Election Commission Secretariat, Ministry of Public Administration, Bangladesh Public Service Commission, Finance Division, Internal Resources Division, Financial Institutions Division, Economic Relations Division, Planning Division, Implementation Monitoring and Evaluation Division, Statistics and Informatics Division, Ministry of Foreign Affairs
Local Government - Rural Development	3	Local Government Division, Rural Development and Cooperative Division, Ministry of Chittagong Hill Tracts Affairs
Defense Services	3	Ministry of Defense - Defense Services, Ministry of Defense - Other Services, Armed Forces Division
Public Order and Safety	6	Supreme Court of Bangladesh, Law and Justice Division, Public Security Division, Legislative and Parliamentary Affairs Division, Anti-Corruption Commission Bangladesh, Security Service Division
Education and Technology	5	Ministry of Primary and Mass Education, Secondary and Higher Education Division, Ministry of Science and Technology, Information & Communication Technology Division, Technical and Madrasa Education Division
Health	2	Health Services Division, Medical Education and Family Welfare Division
Social Security and Welfare	5	Ministry of Social Welfare, Ministry of Women and Children's Affairs, Ministry of Food, Ministry of Disaster Management and Relief, Ministry of Liberation War Affairs
Housing	1	Ministry of Housing and Public Works
Recreation, Culture and Religious Affairs	4	Ministry of Information and Broadcasting, Ministry of Cultural Affairs, Ministry of Religious Affairs, Ministry of Youth and Sports
Energy and Power	2	Energy and Mineral Resources Division, Power Division
Agriculture	5	Ministry of Agriculture, Ministry of Fisheries and Livestock, Ministry of Environment, Forest and Climate Change, Ministry of Land, Ministry of Water Resources
Industrial and Economic Services	5	Ministry of Commerce, Ministry of Labor and Employment, Ministry of Industries, Ministry of Expatriates' Welfare and Overseas Employment, Ministry of Textiles and Jute
Transport and Communication	6	Road Transport and Highways Division, Ministry of Railways, Ministry of Shipping, Ministry of Civil Aviation and Tourism, Posts and Telecommunication Division, Bridges Division
Interest	2	Domestic, Foreign
Memorandum Item	2	Food Account - Net, Loans and Advances - Net

The government collects revenue and expenses for the different functions of public well-being. The function of a government depends on different phenomena. However, different functions of the Bangladesh government have been shown in table 2. The government of Bangladesh has 15 divisions and 66 sub-divisions for functioning its various activities. The public service division has 15 sub-divisions, the local government for rural development has 3 sub-divisions, the defense service division has 3 sub-divisions, and so on.

As a developing economy, the expenditure of each division and sub-division has been classified into 2 segments, operating expenditure, and developing expenditure. The operating expenditure is allocated for running the operation of a division, whereas the developing expenditure is allocated for improving the division. For easy understanding and calculation, the study considers the total expenditure, the sum of operating and developing expenditures. Table 3 presents the division-wise expenditure of the Bangladesh government.

Table 3. Division-Wise National Budget Allocation of Bangladesh (USD Crore)

Ministry/ Division	Allocation (Actual 2021)	Allocation% (Actual 2021)	Allocation (Revised 2022)	Allocation% (Revised 2022)	Allocation Growth % (in 2022)
Public Services	531.5	12.3	1041.9	18.7	96.0
Local Govt. and Rural Development	333.3	7.7	399.5	7.2	19.8
Defense Services	333.1	7.7	348.8	6.3	4.7
Public Order and Safety	229.3	5.3	273.8	4.9	19.4
Education and Technology	675.7	15.6	824.2	14.8	22.0
Health	203.4	4.7	303.2	5.4	49.1
Social Security and Welfare	253.1	5.9	335.3	6.0	32.5
Housing	60.3	1.4	64.3	1.2	6.6
Recreation, Culture and Religious Affairs	37.8	0.9	51.0	0.9	35.0
Energy and Power	214.6	5.0	230.3	4.1	7.4
Agriculture	242.0	5.6	328.5	5.9	35.8
Industrial and Economic Services	28.3	0.7	40.2	0.7	42.3
Transport and Communication	471.8	10.9	618.9	11.1	31.2
Interest	663.3	15.3	669.3	12.0	0.9
Memorandum Item	45.5	1.1	46.3	0.8	1.8
National Budget	4322.8	100.0	5575.4	100.0	29.0

In the actual budget of 2021, the highest, second highest, and third highest allocation was in the education and technology division, \$ 675.7 crore, payment of interest division, \$ 663.3 crore, and the public services division, \$ 531.5 crore, which was 15.6%, 15.3%, and 12.3% of total expenditure, respectively. In the revised budget of 2022, the highest, second highest, and third highest allocation was in the public service division, \$ 1041.9 crore, the education and technology division, \$ 824.2 crore, and the payment of interest division, \$ 669.3 crore, which was 18.7%, 14.8%, and 12.0% of total

expenditure, respectively. The government of Bangladesh has not published the actual budget for 2022 yet, and the revised budget is close to the actual budget rather than the proposed budget, so the study has calculated the division-wise allocation growth rate between the actual allocation of 2021 and revised allocation of 2022 to understand the division wise allocation focus of the government. The allocation growth rate was the highest, 96.0%, in the public service division followed by the health division, 49.1%, and the industrial and economic

service division, 42.3%, in the revised budget for 2022.

To visualize the priority of spending of the government of Bangladesh among 15 divisions, figure 1 presents the division-wise budget allocation percentage and growth rate. In the revised budget in 2022, the government significantly increased the health budget, and it is justified due to COVID-19 and other perspectives of Bangladesh. Out-of-pocket health expenses, the share of the expenses that a household pays directly to the healthcare provider without a third party, is highest in Bangladesh among south Asia. In 2019, the out-of-pocket health expenditure in Bangladesh was 72.8%, but it was 54.78% in India, 45.64% in Sri Lanka, and 53.81% in Pakistan in the same year (World Bank, 2022). Food, clothing, housing, education, and treatment are very basic human needs. Inequality in Bangladesh is increasing day by day, and significant numbers of people in the country are living under the poverty

line. Also, housing is one of the major problems in the country. In this situation, the highest budget allocation and growth rate in the public service division in the revised budget for 2022 is not justified. Allocation in the public service division should be reduced.

Most of the basic human needs and raw materials for industry and services sectors come from agriculture, but the agricultural sector of the country might be suffering from climate change and overpopulation effect, so the agriculture of the country needs extra care. By considering the future unfavorable effects of climate change on food security and employment, policymakers of the country should develop and distribute drought-tolerant high-yield varieties of crops among the farmers at an affordable rate (Manik et al., 2020).

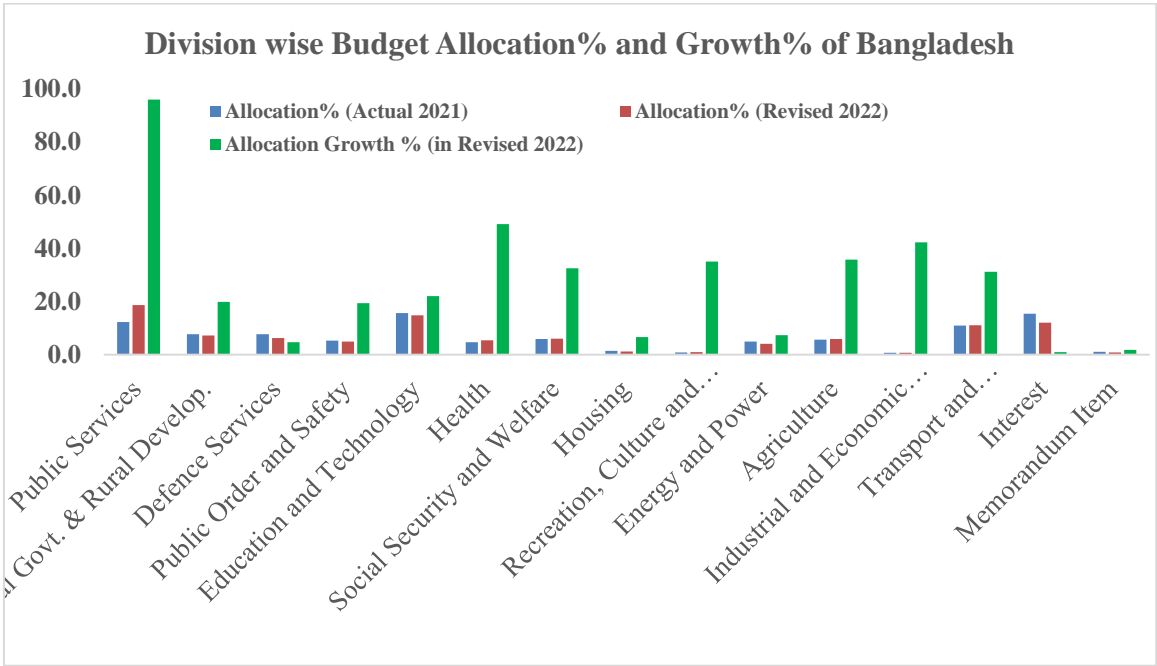


Figure 1. Division Wise Budget Allocation Share and Growth Rate Percentage

On the other hand, Bangladesh is huge potential for fisheries resources, but the country has lacked the skilled manpower, technology, and research to extract the resources. The fishery is one of the most potential sectors in Bangladesh, but the country has not had enough success to extract its marine fisheries

from the Bay of Bengal (Manik, 2022). The country allocated only 5.6% of its budget to agriculture in 2021. The budget for agricultural development should be increased to develop skilled manpower, technology, and research cell that will help to ensure food security, the local development.

In 2021, the country spent \$ 333.1 crore, 7.7% of the budget, in the defense service division. Allocation in the defense service division should reduce. Payment of interest is a major financial burden for the government of Bangladesh. In 2021, the country spent \$ 663.3 crore, 15.3% of the budget, for the payment of interest. In the revised budget for 2022, the country sacrificed \$ 669.3 crore, 12.0% of the budget, for the payment of interest. The government of Bangladesh is paying a huge amount of money as the payment of interest as it takes a huge amount of loans for its activities. The government should stop taking an excess loan to avoid the fiscal burden. The economy of Bangladesh is moving toward the industrial sector (Mehedi, 2023). The spending in the industrial and economic service division is only 0.7% of its budget, so the budget allocation in this division should be increased.

CONCLUSION

The economy of Bangladesh is growing, but the national budget deficit of the country is increasing and creating a fiscal burden. In 2021, the budget deficit of the country was -4.6% of the GDP. The government should remove the budget deficit to reduce the fiscal burden. It earns its revenue from 3 sectors, tax revenue, non-tax revenue, foreign grants, and expenses among 15 divisions. The government of Bangladesh should increase the budget allocation in agriculture, health, housing, and industrial and economic service divisions. On the other hand, the government should cut the budget for interest payment, public service, and defense service divisions. The public service and defense service are important, but agriculture, health, housing, and industry are more important.

In each division or sub-division, the government has two types of expenditure, operating and developing. The study has considered only the total expenditure of the division rather than the sub-division. However, further study is required to address the sub-division-wise operating and developing expenditure of the government of Bangladesh for a better understanding of the expenditure of the government. Also, a time series-

based budget analysis is required for a better evaluation of the fiscal focus of the government of Bangladesh.

REFERENCES

- Bangladesh Bank. (2023, January 8). *Bangladesh Bank, Central Bank of Bangladesh*. Retrieved January 9, 2023, from Bangladesh Bank Web Site: <https://www.bb.org.bd/en/index.php/econdata/exchangerate>
- Bangladesh Bureau of Statistics. (2019). *Final Report on Household Income and Expenditure Survey 2016*. Dhaka: Bangladesh Bureau of Statistics. Retrieved from https://drive.google.com/file/d/1TmUmC-0M3wC5IN6_tUxZUvTW2rmUxMce/view
- International Budget Partnership. (2022). *Open Budget Survey: Ranking*. Retrieved January 9, 2023, from International Budget Partnership Web Site: Bangladesh Bank. (2023, January 8). *Bangladesh Bank, Central Bank of Bangladesh*. Retrieved January 9, 2023, from Bangladesh Bank Web Site: <https://www.bb.org.bd/en/index.php/econdata/exchangerate>
- Bangladesh Bureau of Statistics. (2019). *Final Report on Household Income and Expenditure Survey 2016*. Dhaka: Bangladesh Bureau of Statistics. Retrieved from https://drive.google.com/file/d/1TmUmC-0M3wC5IN6_tUxZUvTW2rmUxMce/view
- International Budget Partnership. (2022). *Open Budget Survey: Ranking*. Retrieved January 9, 2023, from International Budget

- Partnership Web Site: PopulationStat. (2023). *Bangladesh Population*. Retrieved January 9, 2023, from PopulationStat Web Site: <https://internationalbudget.org/open-budget-survey/rankings> <https://populationstat.com/bangladesh/>
- Jobaid, M., & Khan, A. M. (2018). Development Budget in Bangladesh: Spatial Analysis of Regional Dynamics. *Journal of Bangladesh Institute of Planners*, 39-54. Retrieved from <https://www.bip.org.bd/admin/uploads/bip-publication/publication-23/paper/20201002104025.pdf>
- Manik, H. M., Alam, M. T., & Hossain, M. S. (2020). Climate Change and Aman Rice Yield Nexus in the North-Western Part of Bangladesh: Using Quantile Regression. *Journal of Contemporary Issues and Thought*, 27-35. doi:<https://doi.org/10.37134/jcit.vol10.3.2020>
- Manik, M. (2022). Current Marine Fisheries Production Status and Opportunity in Bangladesh. *International Journal of Agriculture and Animal Production*, 2(3), 49-56. doi:<https://doi.org/10.55529/ijaap.23.49.56>
- Mehedi, H. M. (2023). Movement of the Economy of Bangladesh with its Sector-Wise Contribution and Growth Rate. *Journal of Production, Operations Management and Economics*, 3(2), 1-8. doi:<https://doi.org/10.55529/jpome.32.1.8>
- Mithun, M. M. (2021). Regional development planning and disparity in Bangladesh. *E3 Journal of Business Management and Economics*, 11(1), 10-20. doi:[http://dx.doi.org/10.18685/EJBME\(11\)_1_EJBME-20-013](http://dx.doi.org/10.18685/EJBME(11)_1_EJBME-20-013)
- Rana, E. A., & Wahid, A. N. (2017). Fiscal Deficit and Economic Growth in Bangladesh: A Time-Series Analysis. *The American Economist*, 62(1), 31 – 42. doi:<https://doi.org/10.1177/056943451667277>
- Tahrim, Z. C., & Ishtiaq, M. (2019). Universal Health Coverage in Bangladesh: Activities, Challenges, and Suggestions. *Advances in Public Health*. doi:<https://doi.org/10.1155/2019/4954095>
- Talukdar, M. R. (2020). Influencing Phenomena of Local Government Budgeting Decisions in Bangladesh. *International Journal of Law and Public Administration*, 3(1), 38-54. doi:[doi:10.11114/ijlpa.v3i1.4829](https://doi.org/10.11114/ijlpa.v3i1.4829)
- World Bank. (2022, January 30). *Out-of-pocket expenditure (% of current health expenditure) - Bangladesh*. Retrieved January 9, 2023, from The World Bank Web Site: <https://data.worldbank.org/indicator/SH.XPD.OOPC.CH.ZS?locations=BD>