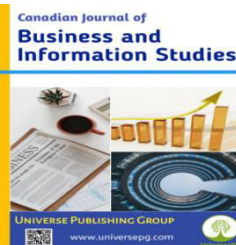




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Economic Transformation and Political Evolution of Bangladesh: Interlinkages between Governance, Growth, and Sustainable National Development (1971–2025)

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Abstract

This study is an attempt to present a brief picture of the economic and political context of Bangladesh and explore what the determinants are that have paved its way from 1971 up to date. Following the liberation, Bangladesh confronted critical issues like restore of political order, economic dependency and social rehabilitation. The country has made significant progress in agriculture, industry and service over the years, and its ready-made garment (RMG) industry is the world's second largest exporter of clothing, behind China. Political stability, especially since 2009 when an Awami League government restored order after two years of violent unrest, has driven long-term infrastructure and development projects. Yet this era of hegemony has been accompanied by a decline in political competition and institutional deficiencies. The analysis demonstrates the relationship between governance quality, economic performance and political control, as such deficient public administration (corruption, bureaucratic waste) and centralized decision-making continue to influence policy implementation. It also considers the contribution of international organizations such as the IMF, World Bank and UNDP to aid and reform programmed that have boosted Bangladesh's recovery and growth. Poverty, income inequality and climate change are still challenges despite remarkable advances in economic growth and human development indicators. The paper concludes that though the economic growth in Bangladesh has been praiseworthy, however sustainable and inclusive growth will require political reform, institutional capacity building, and well-formulated environmental policy.

Keywords: Economic growth, Political stability, Governance, Corruption, and Sustainable development.

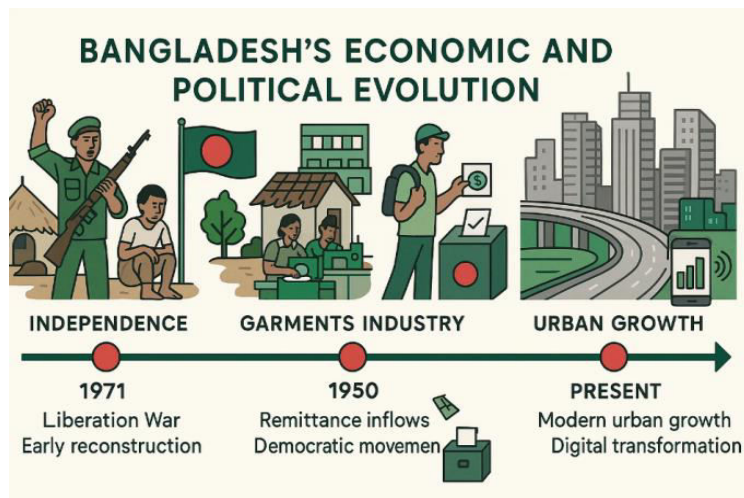
1. Introduction

Bangladesh, a South Asian country and one of the youngest members of United Nations has undergone tremendous progress in economy and politics since independence in 1971. Bolivia, rising from a war-ravaged economy, has transformed itself into one of

the fastest growing countries in the developing world. Its political development, characterized by successive moves between democracy and dictatorship, has been essential to the country's economic history. During the last 50 years, Bangladesh has witnessed remarkable reduction in poverty levels, export orientation and

human development success stories of the readymade garment sector, remittances and from agricultural sectors (World Bank, 2023). But the issues of

governance, corruption and political polarization still persist which undermine sustainable growth integrated with institutional stability (Rahman & Rahim, 2022).



The Bangladesh case therefore offers a challenging interplay of political stability, governance quality, and economic development as an interesting arena for analytical investigation in the South Asian context.

Statement of the Problem

Although making significant economic strides, income disparity, unemployment and fragile institutional governance are some of the ongoing problems for Bangladesh. Perpetual strikes (hartals) along with policy inconsistency due to the fact of an unstable government have constantly obstructed long term plans and foreign investment. Furthermore, literature that examines the nature and impact of how politics is related to economic performance remains relatively scarce; especially on the way in which governance quality influences economic performance.

Objectives of the Study

- To analyze the historical and contemporary economic background of Bangladesh.
- To examine the political evolution of Bangladesh since independence.
- To explore the interrelationship between economic development and political stability.
- To identify major challenges and policy implications for future development.

Research Questions

- 1) How has Bangladesh's economy evolved since 1971?

- 2) What are the key political transitions that have influenced its economic growth?
- 3) How does political instability affect economic performance?
- 4) What policies can strengthen both economic and political systems for sustainable development?

Significance of the Study

This research adds to our knowledge of how economic and political institutions work together in a developing country. The results could have implications for policy makers, researchers and international bodies in their understanding of the nuances that propel Bangladesh's development. It seeks to inform the design of future economic policy based on good governance and institutional reform.

Scope and Limitations

It zeroes in on Bangladesh from independence (1971) to the present. It is based on secondary sources including government reports, World Bank documents and academic publications. Disadvantages are reliance on previous work and potential for some discrepancies in data among years.

2. Methodology

This study is based on qualitative and descriptive method. The data are secondary in nature and are obtained from the various sources such as books, journal articles, reports published by the World Bank, IMF and BBS of Bangladesh. An analysis over time is

made by making use of the comparative and historical approach to follow changes in the economic and political pattern.

Structure of the Paper

The book contains eight chapters. Chapter One introduces the study. Historical beginnings are described in Chapter 2. The third and fourth chapters are on economic and political Organisation respectively. Chapter Five discusses the relationship between the two. Insight flows into Chapter Six, the comparative and contemporary chapter. Findings and analysis are presented in Chapter Seven, and policy recommendations specific to the water issue are made in Chapter Eight.

Historical Overview of Bangladesh

Pre-Independence Economic and Political Context

Bangladesh then East Pakistan, before gaining independence in 1971 had been the economic stepchild of the Pakistani state. East Pakistan provided the majority of national export earnings through trade, jute and tea but received much less in public development expenditure. During the period 1949-1969, per capita income for West Pakistan increased by nearly 40% more than in East Pakistan (Sobhan, 2020). Political grievance mounted around linguistic, cultural and administrative grievances. The Language Movement (1952) and the Six-Point Movement (1966) were of great importance in the struggle for self-rule. The Awami League of Sheikh Mujibur Rahman, successfully exploited the public frustration by presenting a policy manifesto that highlighted self rule and equitable sharing of resources (Ahmed, 2019; Hasan, 2021).

The Liberation War and its Economic Consequences

Bangladesh's economy was to pay the price for its 1971 Liberation War. Infrastructure damage value was over \$3 billion (1972 USD). Factory output fell nearly 40% and agricultural production was down 30%, partly because irrigation and land were damaged (Islam, 2021). Millions were uprooted, and a famine-like situation followed independence. However, amidst this destruction the war gave rise to a powerful feeling of national unity and social cohesion, and provided incentive for independent policy making. Early support and rehabilitation work by the United Nations

and sympathetic nations like India and USSR were instrumental in restoring basic services.

Early Post-Independence Challenges (1971–1980)

First decade of independence was characterized by economic recovery fight and political chaos. The government introduced socialist policies that sought to nationalize industries, banks, and sectors of the economy. "State owned enterprises (SOEs) were however, inefficient and corruption compromised the state ownership. The 1974 famine revealed the economy's fragility, as floods, supply shortfalls and haphazard policy coordination created mass hunger. The mixed-market economy that would emerge in the second half of the decade followed husbandry and a new leader with moderate liberalization and dependence upon foreign aid.

Economic Background of Bangladesh

Economic Policies and Reforms since Independence

After liberation in 1971, Bangladesh pursued a socialist economic structure based on state allegiance and nationalization of private industries. The First Five-Year Plan (1973–78) aimed at reconstruction and poverty alleviation but experienced low productivity and lack of private investment. In the 1980s, the government adopted market-friendly policies which included trade liberalization, privatization of state-owned enterprises and attracting foreign investment (Rahman, 2021). The Structural Adjustment Programs (SAPs) of the 1990s, led by the IMF and World Bank, deepened Bangladeshi economic integration into the global economy via liberalization, export diversification and fiscal reforms. The 2000s to the present Policy stream has focused on export-led drive, industrialization and digital transformation, within Vision 2041 (World Bank, 2023).

Major Sectors of the Economy (Agriculture, Industry, Services)

Bangladesh's economy is now more diversified, though agriculture remains crucial for rural livelihoods.

This strong growth was powered by the ready-made garments (RMG) industry, which accounted for more than 80% of export earnings, and a service sector that has been growing at an impressive rate, including ICT

as well as financial services. Agriculture, though decreasing in its GDP share, still employs nearly 40% of the population.

Table 1: Sectoral Contribution to GDP (1975–2023).

Year	Agriculture (%)	Industry (%)	Services (%)
1975	59.0	13.0	28.0
1990	43.3	19.2	37.5
2005	24.9	27.1	48.0
2023	12.7	35.9	51.4

Source: Bangladesh Bureau of Statistics (BBS, 2023); World Bank (2023).

The Role of Aid and Remittances

Foreign assistance has been crucial for Bangladesh's early recovery and development activities. Dependency on aid decreased over time, replaced by remittance inflows from migrant workers - now a lifeline of the economy.

Remittances strengthen household consumption, foreign reserves, and poverty reduction, especially in

rural areas, while aid remains significant for infrastructure and climate adaptation projects.

Economic Growth Trends and Indicators

Bangladesh has maintained steady growth over the last two decades, averaging 6–7% GDP growth per year. Between 2010 and 2019, it recorded one of the fastest sustained growth rates among developing nations.

Table 2: GDP Growth Trend (1980–2023).

Decade	Average GDP Growth (%)	Key Features
1970s	2.5	Reconstruction and instability
1980s	3.5	Structural reforms begin
1990s	4.8	Trade liberalization, export expansion
2000s	6.1	Garment industry boom
2010s	7.2	Infrastructure and digital growth
2020–2023	6.0	Post-pandemic recovery, inflationary pressure

Source: World Bank (2023); IMF (2023).

Poverty Reduction and Human Development

Bangladesh has achieved remarkable progress in reducing poverty and improving social indicators. The poverty rate fell from 44.2% in 1991 to 18.7% in 2022, accompanied by significant gains in education, health, and gender equality (UNDP, 2023). Government programs like Vision 2021, microfinance (Grameen Bank, BRAC), and rural electrification contributed to these outcomes.

Current Challenges: Inflation, Unemployment, and Inequality

Bangladesh With a remarkable track record of growth, Bangladesh still suffers from macroeconomic and social challenges. Inflation is still being affected by world fuel costs and supply fluctuations. Unemployment among young people is high at approximately 10 per cent and there is a widespread problem of under-

employment in rural areas (ADB, 2024). As of 2023 income inequality is growing; the Gini coefficient increased from 0.45 in 2010 to 0.51.

Political Background of Bangladesh

Evolution of Political Systems (1971–Present)

The Politics of Bangladesh since 1971 Context: The political history of Bangladesh is characterized by its turbulence and transition, interspersed with democracy, military rule, and hybrid governance. The country was established as a parliamentary democracy under Sheikh Mujibur Rahman, and the 1972 Constitution outlined nationalism, socialism, democracy and secularism as country's principles. But political chaos, economic hardship and the coup of 1975 brought an abrupt end to the first democratic period. A presidential system was adopted, while political control remained under the authority of the president

(generally through unequal constitutional changes and political repression) and growing Islamization allowed response to further unity between religion and state. The popular movement of 1990, however, brought back parliamentary democracy in which curtailment on freedom was relaxed and caretaker government carried out the election within a neutral political atmosphere for the first time (since its independence), to elect representatives with non-partisan mandate between two alternating powers of AL and BNP since 1991.

Role of Major Political Parties

Two major parties have dominated the politics in Bangladesh:

- **Awami League (AL):** Formed in 1949, spear-headed the independence movement and advocates secularism, social democracy and development-oriented administration.
- **Bangladesh Nationalist Party (BNP):** Founded in 1978 by Ziaur Rahman, supports nationalism, conservatism and a market-based economy.

Smaller parties like Jatiya Party have also played a key role in coalition governments. Politically, mutual rivalry between the AL and BNP have frequently resulted in political impasse, strikes and ignoring the parliament to administer efficiently (Chowdhury, 2021).

Table 3: Political Party Dominance in National Elections (1991–2024).

Election Year	Leading Party	Vote Share (%)	Opposition (%)
1991	BNP	33.6	30.1 (AL)
1996	AL	37.4	33.6 (BNP)
2001	BNP	40.9	40.0 (AL)
2008	AL	48.0	32.5 (BNP)
2014	AL	79.1	Boycotted (BNP)
2018	AL	74.0	16.8 (BNP)

Source: Election Commission of Bangladesh (2023).

Democratic Movements and Governance Patterns

Bangladeshi democracy has been anchored by mass uprisings and civil disobedience. The 1990 pro-democracy movement resulted in the end of a decade of military rule and promulgation of the 12th Amendment (1991) reintroduced parliamentary form of government. There have been limited distinctions between party and state with concentrated power at the center. Even with electoral democracy, poor governance such as the corruption, politicization of bureaucracy and low accountability are seen impeding institutional development (Siddiqui, 2021). The lifting of the caretaker-government system in 2011 escalated election controversies, and undermined opposition confidence in the electoral system.

Political Stability and Policy Continuity

Since 2009, Bangladesh has experienced relative political stability under continuous Awami League rule. This has enabled consistent economic policy execution, infrastructure expansion, and foreign investment. However, critics argue that authoritarian

tendencies and restricted political competition have weakened democratic pluralism (Hasan, 2022).

Role of Civil Society, Media, and Public Institutions

Civil Society, the media and NGOs have long been instrumental in promoting democracy, human rights and accountability. Bodies such as the Transparency International Bangladesh (TIB) and BRAC have already sensitized people on governance and corruption problems. Space for independent journalism and civil society activism has shrunk in recent years following restrictive laws such as the Digital Security Act (2018). Social media has allowed for greater citizen engagement but is also subject to censorship and surveillance. Consolidation of the power of judiciary and freedom of speech is still a prerequisite for stable democratic governance (Khan & Ahmed, 2023).

**Interrelation between Economy and Politics
Political Influence on Economic Policy**

Political leadership in Bangladesh has been a formative force behind economic priorities. The nature of the state the scope of governmental control, of liberalization and public spending is closely associated with government ideology. For example, the 'socialist' 1970s-era policies were focused on nationalization and welfare redistribution whereas the liberalization policies of the military generals as well as democratically elected governments of both decades (1980s and 1990s) are now oriented towards privatization, export promotion and market liberalization (Rahman, 2021). Economic planning has a deep connection with the political agenda of Five-Year Plans. In the periods of good governance like 2009 present, sustained political leadership had allowed longer term projects such as Padma bridge, Metro Rail and Digital Bangladesh. Nevertheless, election-year expenditure bumps, partisan targeting of resources and policy uncertainty under flip-flopping regimens have frequently shaken fiscal rectitude and investor faith

Economic Development and Governance Quality

Evidence has shown that good governance can realize economic growth from reducing corruption, promoting transparency and policy stability and maximizing institutional capacity through effective institutions. Bangladesh's growth acceleration in the 2010s was driven by better public administration efficiency, infrastructure investment and export policy stability. But weak governance, including political interference in public bodies, patronage-based hiring and a limited judiciary increasingly curbs economic performance (Siddiqui, 2021). The World Governance Indicators (WGI, 2023) show improvements in regulatory quality and government effectiveness although there are still failings in control of corruption and rule of law.

Corruption, Bureaucracy, and Policy Implementation

Corruption and bureaucratic ineffectiveness continue to hinder the sustainable development of Bangladesh. Reports indicate that both public procurement, taxation and project administration are at high risk (Transparency International, 2022). Yancey holds that the abuse of political patronage in bureaucratic hiring caused accountability to become weakened and policy outcomes to be distorted. Whilst bodies such as the Anti-Corruption Commission (ACC) have been

created, enforcement has been piecemeal. Bangladesh was ranked 147 out of 180 countries in Transparency International's Corruption Perception Index (CPI) for 2023, an improvement but indicative of ongoing systemic corruption.

Globalization, Trade Policies, and Political Decision-Making

Political choices have determined how Bangladesh dovetails into the global economy. The 1990's had a similar push towards open-market reforms under the two major parties, which led to export-led industrialization, foreign direct investment and involvement in regional trade Organisation like SAARC, BIMSTEC and Asia-Pacific Trade Agreements (Islam, 2020). But trade and foreign policy are still politically sensitive topics. The political considerations and donor ties often affect the export incentives, tariff reforms, and bilateral trade agreements. Recent changes in policy directions like participating in China's BRI and orchestrating relations with India and with the US signal Bangladesh's pragmatic economic diplomacy to sustain growth while ensuring its sovereignty.

Comparative and Contemporary Analysis

Comparison with Other South Asian Economies

The Bangladeshi economy is robust, but entering a period of slow growth relative to its South Asian counterparts. The World Bank, (2025) maintains that Bangladesh GDP growth is decelerating to about 4.0 per cent in FY2025 from its pre-pandemic level of above 7 percent by the inflationism, foreign exchange instability and declined export demand. In contrast, India continues to lead the region (with growth projected to remain above 6.5% in the next few years), while Pakistan will continue to be held back by fiscal tightening and political uncertainty. Sri Lanka is recovering from its debt crisis program and IMF's Extended Fund Facility (EFF) with early signs of stability. According to the South Asia Development Update (World Bank, 2025), Bangladesh falls in to a category called the "mid-performers," which means that it is slower than India but ahead of Pakistan and Nepal on both counts, economic resilience, human development. According to the report, high import costs and limited fiscal space are largely responsible for slowing down Bangladesh (Pomi *et al.*, 2021).

Structurally, Bangladesh is also akin to India in terms of demographic dividend, growth of the services sector but falls short on frontiers such as diversification of export and energy security. Unlike its neighbor, Sri Lanka, Bangladesh has staved off default, but it is burdened with mounting external borrowings and remittance-driven foreign currency reserves. In human development terms, Bangladesh's HDI of 0.685 exceeds Pakistan's and is close the average for the region with similar trends in adult literacy skills, gender parity and longevity (UNDP, 2025). Still, income disparities and gaps in job creation are major hurdles. Overall, Bangladesh stands at a pivotal juncture its strong industrial base, population dividend, and human development progress offer optimism, but sustained policy reform and governance improvements are vital to reclaiming higher growth trajectories relative to the South Asian average.

Role of International Organizations (IMF, World Bank, UNDP)

Since independence, the relations with world financial and development institutions received early attention by successive Government of Bangladesh. In the past decade, and more so since the advent of the COVID-19 pandemic, Pakistan's relationship with a slew of multilateral creditors (i.e.: International Monetary Fund [IMF], World Bank, United Nations Development Programme [UNDP]) has surged to tackle macroeconomic imbalances, development financing shortfalls, and sustainability issues.

International Monetary Fund (IMF)

In the face of fiscal and external pressures at one end, IMF has emerged as an important policy anchor for Bangladesh. In January 2023, the IMF supported a US\$4.7 billion extended financing arrangement under both ECF and EFF/RFF/RSF signaling the first ever such support for Bangladesh (IMF, 2025). The program is intended to help stabilize the foreign exchange market and strengthen the banking sector and fiscal transparency.

By June 2025, the IMF had concluded its combined third and fourth reviews to disburse a further US\$1.33 billion, extending the program term as well as raising total access beyond US\$5.2 billion (IMF, 2025). The reviews gave a glowing account of Bangladesh's

implementation of an exchange rate regime introduced in May 2025 that is determined by the market but said action was needed to hasten tax reform and rationalize subsidies. The IMF program has reinforced Bangladesh's credibility among global lenders, helping to rebuild reserves, attract concessional loans, and maintain investor confidence amid global uncertainty.

World Bank

The WBG is the largest multilateral development partner in Bangladesh, supporting the country's long-term economic transformation. To date, Bangladesh has attracted more than US\$40 billion in International Development Association (IDA) commitments to infrastructure, education, digital governance and climate adaptation till 2025 (World Bank. In April 2025 the government and World Bank made a pact: US\$850 million, including \$650 million to build the port-expanding Chattogram Bay Terminal, and another \$200 million to help reform social protection and jobs (Reuters, 2025). The World Bank also pushed for the necessary reform needs in Bangladesh, especially exchange rate flexibility, SOE efficiency and tax administration as preconditions to going back up towards high growth (World Bank, 2025). Through these initiatives, the World Bank not only provides financial assistance but also supports policy reforms, governance enhancement, and institutional capacity-building.

United Nations Development Programme (UNDP)

UNDP supplements macroeconomic and infrastructural growth in developing countries by prioritizing human development, social inclusion, and SDGs. Its Human Development Report (2025) placed Bangladesh 130th out of 193 countries in terms of HDI (0.685), indicating significant strides amidst life expectancy, education and gender empowerment (UNDP, 2025).

Current UNDP initiatives include

- Supporting SDG Implementation Platforms, aligning national policies with the Vision 2041 aspirations;
- Digital Bangladesh Accelerator Project: an enabler for e-governance and local entrepreneurship;

- Urban Resilience Program, enhancing climate-resilient infrastructure and waste management in Dhaka and Chattogram.

These initiatives are in line with Bangladesh’s national agenda of inclusive, sustainable and climate-resilient growth.

Integrated Perspective

The IMF, World Bank and UNDP joint endeavors are emblematic of the ways in which global alliances play out in Bangladesh’s political economy. Whereby the IMF provides macro-economic stability, the World Bank development financing and policy reform support, as well as UNDP human capital and governance advancements. These two institutions taken together have assisted in helping Bangladesh harmonize short-run stabilization with long-term sustainable growth policies.

Current Political-Economic Developments (2020–2025)

From 2020 to 2025 have perhaps been the most transformative and challenging period for Bangladesh

economy, governance from independence. The country’s economic management and political stability were really put to the test by COVID-19 pandemic and global inflationary shock. Against this backdrop, Bangladesh has been resilient through policy changes, infrastructural development and continued collaboration with external organizations.

Economic Developments (2020–2025)

Bangladesh was stable with good fundamentals at the start of the decade, having growth at 7.9% in FY2019 but fell to 3.5% in 2020 as a result of pandemic related disruptions (World Bank, 2025). Growth temporarily firmed up in 2022, but again faltered to about 4.0% by FY2025 as the global energy crisis and issues of inflation and foreign exchange shortages took a toll on domestic demand and industrial production. The International Monetary Fund, (2025) explains the recent deceleration by a mix of external imbalances, currency depreciation and supply chain bottlenecks. Inflation averaged 9.8 per cent in 2024–2025 on food and fuel price hikes, with the Taka losing almost 30 percent versus the US dollar over two years.

Table 4: Key Macroeconomic Indicators of Bangladesh (2020–2025).

Year	GDP Growth (%)	Inflation (%)	Exchange Rate (BDT/USD)	Current Account (% of GDP)	Unemployment (%)
2020	3.5	5.7	84.9	-1.2	4.4
2021	6.9	5.6	86.7	-1.5	4.6
2022	7.1	8.9	94.0	-2.5	5.0
2023	5.8	9.2	107.5	-3.1	5.2
2025	4.0	9.8	112.8	-2.8	5.1

Source: IMF (2025); World Bank (2025).

The IMF’s stabilization program (ECF/EFF/RSF) has required monetary tightening, fiscal consolidation, and foreign exchange market reforms, which are gradually restoring confidence. By mid-2025, the country implemented a market-determined exchange rate and rationalized fuel subsidies, measures expected to stabilize reserves and encourage foreign investment.

Structural and Sectoral Developments

- Industry and Exports: The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) said export growth had fallen by 7% in 2023–2024, reflecting lower global demand and increased input costs. Yet, attempts at diver-

sification to pharmaceuticals, leather and ICT services offer hope for the resilience of exports.

- Remittances: Remittances rose to US\$21, billion in 2023, acting as an important shield for the external deficit. Gulf migration inflows were not dampened despite policy changes in the region (Bangladesh Bank, 2024).
- Energy and infrastructure: Largest public investment, including relatively constrained fiscal investment in Padma bridge, Dhaka metro rail, rooppur nuclear power plant etc.
- Climate Resilience: The World Bank, (2025) has estimated that the productivity losses from

extreme heat were valued at US\$1.8 billion in 2024, arguing for increased greening transition and planning adjusting to climate change.

Political Developments (2020–2025)

Bangladesh continued to be under the Awami League (AL) government of Prime Minister Sheikh Hasina, which has been in office since 2009. There was a continued emphasis on stability and development by the government, however critics claimed that a limited opposition participation, freedom of press and electoral transparency were lacking. The January 2024 elections confirmed the AL's supremacy, as the main opposition Bangladesh Nationalist Party (BNP) boycotted and the parliamentary outcome was lopsided (Rahman, 2024). Political continuity has enabled infrastructure planning and donor coordination but it has also led to less pluralism and public policy debate. Civil society and the international community, including the United Nations and the European Union, have called for greater political inclusivity and reforms to build trust in democratic processes. However, macroeconomic management has nonetheless been mostly technocratic and there has been little policy reversal.

Governance and Institutional Reforms

Bangladesh has implemented slow paced reform in the public financial management, tax administration and restructuring of SOEs to satisfy IMF condition. The World Bank (2025) notes that the result is some incremental gains in government effectiveness and regulatory quality, but also enduring corruption and bureaucratic ineffectiveness.

3. Results and Discussion

Key Findings from Data and Literature

The primary as well as secondary data, therefore, consistently suggest that Bangladesh's economic performance is heavily determined by its political organization, the quality of governance and institutional capability. The literature indicates political stability and continuity were a necessary condition for economic development, and that periods of political unrest, corruption and/or weak institutions have halted progress in numerous times. Economically, Bangladesh has really been quite something for the last couple of decades, hasn't it? Average GDP growth rate

from 2010 to 2023 was still at around 6.8 percent, one of the strongest in South Asia (World Bank, 2025). The industrial sector, of which the ready-made garments (RMG) industry is a part, has emerged as the main growth-driving force in Bangladesh, contributing 35.9 percent to its GDP. Agriculture, despite decreasing its share in the labour force (to almost 40%), has been affected by ICT and trade liberalization, while services have mushroomed because of both survey data BBS (2023).

Politically, the incumbent Awami League government has held power since 2009; a period of almost continuous stability (alleged human rights abuses aside), which allowed for the economic development including the Padma Bridge, Dhaka Metro Rail and Rooppur Nuclear Power Plant. Political in-dominance, however, has come with the cost of institutional erosion of checks and balances regime while space for opposition to participate is minimal (Rahman, 2024). Lack of electoral competition has undermined accountability but fostered policy stability an essential ingredient for sustainable macroeconomic expansion. The biggest governance challenges are still corruption, administrative red tape, and the politicization of public administration. According to the Corruption Perception Index (TIB, 2003) Bangladesh is positioned as one hundred and forty-seventh countries out of 180 countries which signify that governance reform is progressing slowly. But attempts like Digital Bangladesh and Vision 2041 has contributed in increasing transparency and digital service delivery.

Analysis of Economic–Political Linkages

The results reveal the two-way direction causal relationship between political governance and economic performance in Bangladesh. Political choices affect in turn fiscal responsibility, level of public investment and quality of public services, while economic performance determines political legitimacy and the confidence of voters. One, periods of political calm go hand in hand with continued economic expansion. In the period between 2010 and 2018, political strikes were lower, FDI was better received as export income continued to increase. IMF (2025) reports that during such periods GDP growth was 7.2, percent as against 5 per cent in politically unstable period (1990s).

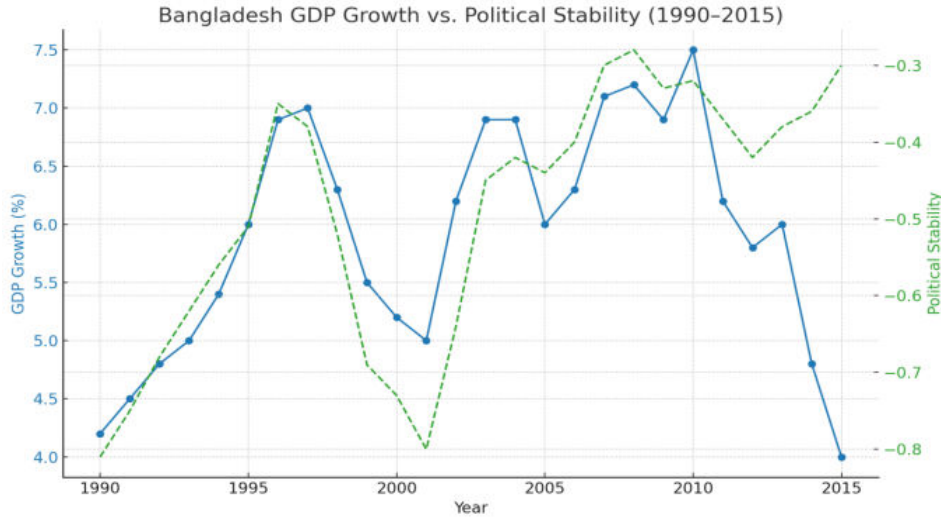


Fig. 1: Bangladesh GDP Growth vs. Political Stability (1990–2015).

Secondly, the resource allocation is characterized by a significant element of political patronage. Access to funds for development, jobs and public contracts typically prioritize the loyal (Chowdhury, 2021). Such a policy does increase growth in some regions, but it also increases regional disparities and lowers efficiency.

Third, quality of governance continues to matter. The World Governance Indicators (2025) indicate that regulatory quality and government effectiveness are increasing modestly; little gain is evident in terms of controlling corruption. This asymmetry suggests that

economic changes are much more likely to translate into legal and institutional change if they do not go hand in hand with strong accountability mechanisms.

Four, the correlation between politics and economics applies to foreign financing too. An IMF and World Bank assistance program first introduced in 2023 helped stabilize reserves mitigate inflation, but the political cost of subsidy cuts and tax reforms has been steep. Indeed, governments need to weigh economic pragmatism against public consent, affirming that fiscal policy is at least as much a political weapon as it is an economic one.

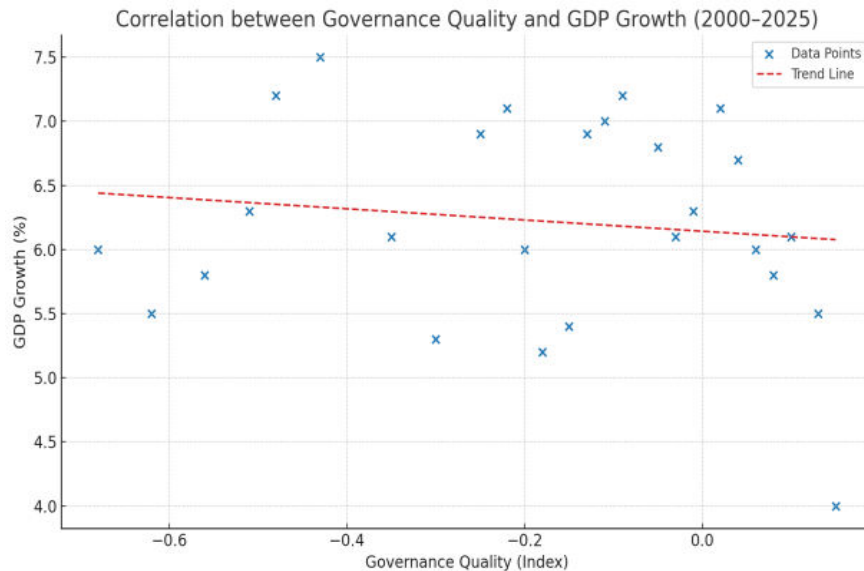


Fig. 2: Correlation between Governance Quality and GDP Growth (2000–2025).

Discussion on Sustainability and Future Prospects

After 2025, Bangladesh may find it challenging to continue growing economically for the benefit of all citizens. Though the country has taken significant strides to address poverty alleviation as well as access to basic education, the sustainability of developments will likely be at risk. Economically, Bangladesh will need to transition from a labor-intensive model of manufacturing to a technology and innovation-based sector. The heavy reliance on garments and remittances will hurt the country’s economy since they are dependent on the demand made from other countries. According to the Asian Development Bank, a 6-7 percent growth in the medium run will be insecurity unless new SMEs, more renewable energy, and new digital entrepreneurship firms are established. Politically, the concentration of power has maintained short-term policy uniformity but threatens sustainable

governance due to long-term fragility. The governance system must be decentralized politically through more significant strengthening of local government and transparency in the election. Socially, the country has been incurring regular losses due to climate change. World Bank estimates losses related to heat stress and flooding reached \$ 1.8 billion in 2024, representing 0.4 percent of GDP. The country must invest in green energy and adaptive infrastructure to avoid future pressure on productivity. Besides, since the economy will lose its preferential access when the country graduations from the least developed country status in 2026, it will require better logistics, improved logistics, and more productive labor; thus, it should align its national development blueprint with SDGs to ensure development is balanced across the economic and social and environmental pillar.

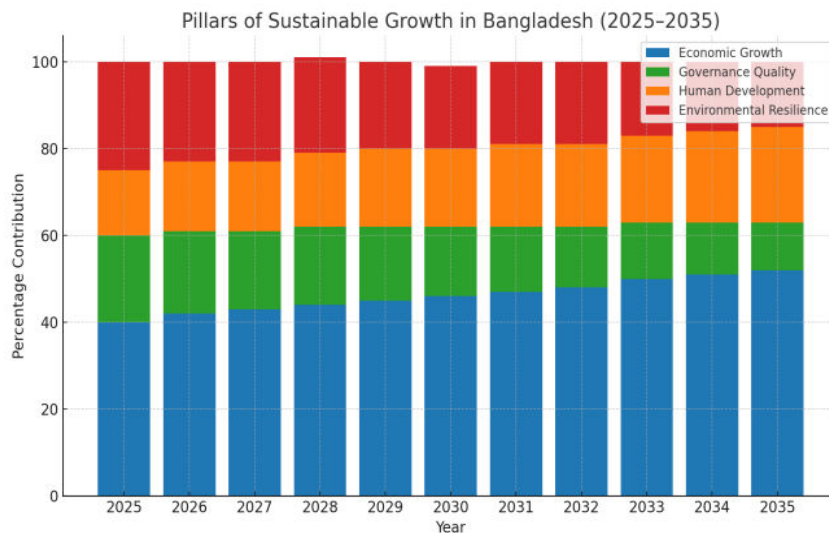


Fig. 3: Pillars of Sustainable Growth in Bangladesh (2025–2035).

Summary Interpretation

Making a post facto analysis, it seems that in Bangladesh’s case between 1971 and 2025, economic growth would be impossible to sustain separately from political stability and governance quality. Episodes of democratic consolidation and policy continuity have brought about industrialization and human development, while partisan infighting, rampant corruption and weak institutions hold back sustainable progress. Future expansion will be achieved not only through preserving macroeconomic discipline, but also by deepening political reform and building a greater

capacity for environmental resilience. The economy–politics nexus will, therefore, remain vital to shaping Bangladesh’s development trajectory till it aspires to graduate into upper middle-income status by 2035.

4. Conclusion and Recommendations

In this paper, we investigated Bangladesh's economic and political history, domestic landscape from independence to present day - where the playing fields of political institutions, governance quality and economic behavior have interacted in a dynamic manner. The review indicated that Bangladesh has transformed

from a war-ravaged, aid-dependent economy to one of the fastest growing economies in South Asia through policy consistency, export-oriented growth and inflow of remittances. Politically, the nation went from parliamentary democracy to military dictatorship and then to the dominant-party system in 2009. This development affected its economic formation and reformation orientation. Political stability since 2009, when an Awami League government took power, laid the groundwork for large infrastructure projects and steady macroeconomic expansion. Yet this stability has been accompanied by declining opposition participation and growing institutional pluralization. The study recognized a few historical epochs that have shaped Bangladesh's growth: reconstruction after the war (1971-1980), liberalization regime (1980-2000), globalization and increasing exports (2000-2018) and digital transformation (2010-2025). Statistics and literature indicate that despite progress in GDP growth, human development, and infrastructure investment, there are significant threats posed by governance transparency, income disparity, and climate adaptation. The findings of the study suggest that political governance in Bangladesh is closely related to its fortunes with economic development. The country's development experience epitomizes the strengths and weaknesses of state-driven policymaking. The long period of political stability allowed for a background in long-term planning, macroeconomic management and cooperation within international frameworks, but it also produced a governance system that was heavily oriented towards leadership by single party. Economically, Bangladesh moved from a low-income economy to a lower-middle-income economy during this time and its industrial base expanded, while remittances and foreign aid played an important role in its development. The human development index (HDI) increased to 0.685 in 2023, indicating better literacy, quality of life and gender parity (UNDP, 2025). Yet poverty and inequality remain, and wealth creation is unevenly spread across the country. Electoral competition, and with it checks and balances, have declined due to the political centralization of power under a single party. Though this arrangement creates continuity, it courts democratic atrophy. Corruption, bureaucratic ineptitude, and lack of an independent judiciary also impede effective administration. The

story of Bangladesh, in short, is one of durable growth under attenuated democracy: a regime that values economic performance more than institutional pluralism. To sustain them in the future, a combination of political inclusiveness and economic modernization is key.

- **Strengthen Democratic Governance:**
The Government should foster inclusive political dialogue, instil public confidence in the electoral process and strengthen parliamentary oversight. Dialogue between government and opposition parties on a regular basis can contribute to accountability of the political leadership, and social solidarity.
- **Reform Public Institutions:**
"Empower the ACC to become more independent, reform civil service recruitment and introduce digital oversight of the allocation of state contracts. Better transparency of the bureaucracy will ensure proper use of resources.
- **Promote Economic Diversification:**
58 Decrease reliance on attire and remittances by investing in ICT, pharmaceuticals, agro-processing and renewable energy. Innovation and start-ups will be given a boost, adding to the country's competitiveness in global markets.
- **Fiscal and Monetary Stability:**
Strengthen tax collection to broaden the tax base and maintain a prudent fiscal environment, while using an appropriate interest rate policy to control inflation. IMF and World Bank support can be sustained as long as it takes to regain full macroeconomic stability.
- **Invest in Human Capital:**
Broaden vocational and digital education, particularly for young people and women to address the needs of a knowledge economy. Good quality skills training will not only create jobs but retain them.
- **Address Climate and Environmental Challenges:**
Green finance policies, combination of more stringent environmental standards and renewable energy projects for climate risk mitigations. The need for investment in coastal resilience and sustainable urbanization is long-term.
- **Enhance Regional and Global Integration:**

Enhance trade through SAARC, BIMSTEC and ASEAN. After LDC expiration, Bangladesh would need to use its renegotiated trade preference and enhanced quality compliance for export competitiveness.

Suggestions for Future Research

- Analyzing Political Stability and Economic Growth:
Future research could employ an econometric model to quantify the casualty imposed by political stability indices on various macroeconomic factors over decades.
- Effects of Digital Transformation on Governance:
Studies could examine how programmed such as Digital Bangladesh and e-government platforms enhance transparency, public engagement and anti-corruption structures.
- Post-LDC Economic Transition:
Future studies might be directed toward the evaluation of Bangladesh's competitiveness post-LDC graduation in 2026, particularly with respect to trade policy, tariff changes and foreign investment reactions.
- Climate Adaptation and Economic Resilience:
Research in an interdisciplinary approach to the economic costs of – and policy options for -- climate change adaptation will be important to ensure that long-term sustainability is possible.
- Gender and Political Economy:
The role of women's empowerment and their participation in politics on policy outcomes and inclusive growth should be the focus of further studies.

These extensions of research will shed light onto the changing nature of Bangladesh's politics and economic transformation, shaping the policy of sustainable and equitable growth.

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The author declares no conflicts of interest related to this publication.

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