

## Urbanization and Economic Development of Bangladesh: The Primacy of Dhaka and Competitiveness

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**Abstract:** *Now-a-days urbanization is regarded as an engine of growth and Development of a country. The contribution of urban sector to the GDP is much more than the rural sector in many developing countries like Bangladesh. The contribution of urban sector to GDP is increasing year by year in Bangladesh and it is now about 65%. Urbanization also plays a great role in socio-cultural and political development of the country. Urbanization and growth go together. Urbanization is necessary to sustain growth in developing countries & it yields other benefits as well.*

*The contemporary theories of growth emphasizes mostly on capital and technology. There is also a missing fundamental factor-geography of a country. Geographic units in terms of location, place, climate, resource endowments and environment are the constituent's elements of engine of growth forming vast bundles of trade, transport, innovation and talent. Generally urbanization leads to industrialization. These two issues are closely linked in many ways. With the increasing economic development, dominance of agricultural sector gradually diminishes and industrialization takes place at an accelerated rate. Urbanization is positively co-related with industrialization. The level of urbanization in Bangladesh to total population is 28% but contribution of 28% population to GDP is 65%. Dhaka city consists, of 9% of total population of Bangladesh but its contribution to GDP near about 40%.*

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*The economic geography of Bangladesh is concentrated on economic production of Dhaka and Chittagong, Economic Density of Dhaka is much lower than similar other developing countries of the World. Economic density of Dhaka is \$55 million per sq. km which is \$88 million for Bangkok and \$269 million for Singapore. Dhaka, the capital of Bangladesh is the biggest city enjoying distinct primacy. The measure of urban concentration is primacy or share of the largest city in the total urban population in the country. About 55% of the national urban population concentrated in 4 Metropolitan cities. Dhaka, Chittagong, Rajshahi and Khulna.*

*Economic opportunities are concentrated in the largest four cities of Bangladesh which are the concentrated urban areas in Bangladesh. Major industrial activities and auxiliary business services are concentrated in the largest cities. Dhaka alone account for 80% of the garments industries. Workers employment density in Dhaka City Corporation is above 60% higher than in Chittagong City Corporation. Employment density of workers per sq. km in Dhaka was 4241 which was 2835 in Chittgaong in 2009 (WB-2012). Besides garment industries, several government universities and 50% private universities & thousands of schools, colleges hospitals and clinics are concentrated in Dhaka. Administrative headquarters are located in Dhaka. Manufacturing & services often located close to urban areas to capture the productivity advantages generated by agglomeration economics that is access to market, knowledge spill over and the proximity to a large poll of labour. Agglomeration economics is an important consideration for industrial and commercial activities. Due to benefit of localization economics firms are concentrated in a locality. The firm also considers the benefit of urbanization economics. Firm that produce intermediate goods will tend to locate close to produces of the final goods (a forward linkage) Downstream firms similarly will gain from locating close to their suppliers (a backward linkage). Due to Agglomeration economics firm are concentrated in Dhaka.*

*City Competitiveness is a dynamic concept. It describes a city's comparative advantage in attracting mobile production factors and its ability to leverage these advantages to sustain growth in a fast changing global environment. City Competitiveness depends on innovation, livability and connectivity in a global economy. Empirical evidence suggest that cities with high innovation levels, a livable and high quality environment and internally and globally connected are more economically successful, as they are attractive location for firms and workers Beautiful water fronts, historical sites, echo park, sports facilities, good accommodation, comfortable transport system, industrial parks etc are important for attracting foreign investment and economic growth. Dhaka mega city alone shares more than half of the urban sector's contribution to GDP. This is important in examining the competitiveness of Dhaka.*

## **Introduction**

Now-a-days urbanization is regarded as an engine of growth and Development of a country. Urbanization has positive co-relation with Gross Domestic Product. The contribution of urban sector to the GDP is much more than the rural sector in many developing countries like Bangladesh. Once the contribution of agriculture to GDP was 50 to 60% but at present it decreased at 16% only. The contribution of urban sector to GDP is increasing year by year in Bangladesh and it is now about 65%. Urbanization also plays a great role in socio-cultural and political development of the country. Since independence the average rate of urbanization in Bangladesh is 5% (World Bank 2012) & percent of urban population has been doubled, from 15% in 1974 to 28.4% in 2011 (Population Census-2011). Rate of urbanization in Dhaka City is very fast which creates various problems leading to hamper basic rights of the citizens. Utility services like electricity, water and gas fall short of demand, roads and transport facilities become severely inadequate.

Urbanization is a process of human habitat and it is the outcome of rural- urban migration. Migration is a great force behind rapid urbanization. More than 60% of the population of Dhaka Mega City is migrated. Both pull and push factors work behind migration. Dhaka, Chittagong, Rajshahi & Khulna, the four cities are the largest cities in Bangladesh. Number of urban population in Bangladesh is 42.11 million of which Dhaka city consists of 40% and in 2014 it may be 18 million population. Dhaka now becomes one of the largest mega cities in the world. Life in Dhaka at present becomes unlivable due to over population and its negative consequences.

## **Objectives and Methodology**

To describe the level urban population of Bangladesh and Dhaka Mega City.

To focus on urbanization and economic development of Bangladesh.

To analyze Dhaka's Primacy and Competitiveness.

The article is a descriptive one.

The article is based on secondary data from BBS, CUS, BIDS & Internet.

### **1. Level of urbanization in Bangladesh**

Bangladesh is an over populated country consisting of 154 million of population. It is the 7<sup>th</sup> most populous country in the world with highest density. Since independence the population of Bangladesh has been increased at an average rate of growth above 2 percent up to 1991 and after that population growth rate started to decline, for the last two decades the growth rate fell below 1.5%. Annual

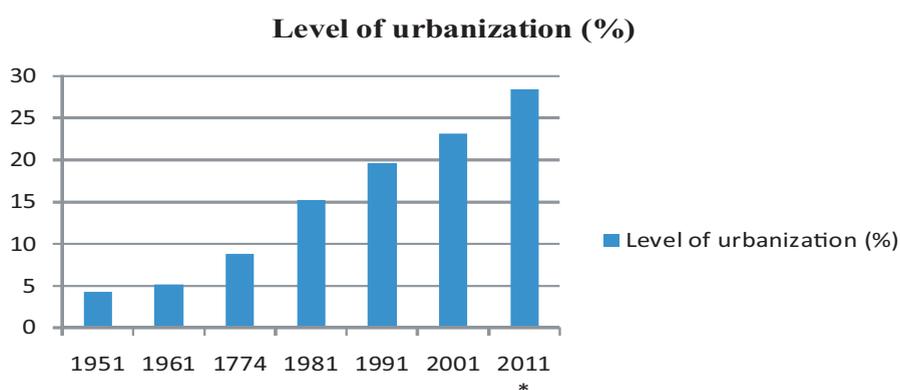
exponential growth rate of urban population is much higher than population growth rate. It is seen from table-1 that from 1974 to 1981 urban population growth rate was highest (10.66%). In 1974 urban population was 6.27 million.

Table 1: Level of Urbanization and Growth Rate of Urban Population in Bangladesh 1951-2011

Census year	Total national population (million)	Growth rate of national population (%)	Total urban population (million)	Level of urbanization (%)	Decadal increase in urban population	Annual Exponential Growth rate of urban population (%)
1951	44.17	0.50	1.82	4.33	18.38	1.69
1961	55.22	2.26	2.64	5.19	45.11	3.72
1974	76.37	2.48	6.27	8.87	137.57	6.66
1981	89.91	2.32	13.23	15.18	110.68	10.66
1991	111.45	2.17	20.87	19.63	57.79	4.56
2001	123.10	1.47	28.61	23.10	37.05	3.15
2011 *	150.40	1.37	42.11	28.40	47.19	4.12

Source: Government of Bangladesh: Bangladesh Population Census. Census, 1991 BBS, 2003 1981; Report on Urban Areas, 1997 and Preliminary Report. Overview of Urbanization in Bangladesh- Nazrul Islam-2013

Figure 1: Level of urbanization (%)



Report on Urban Areas, 1997 and Preliminary Report. Overview of Urbanization in Bangladesh- Nazrul Islam-2013

The population had been doubled in 1981 and in 2011 it stands at 42.11 million which means 28.4% of the population of the country lives in urban areas. Since 1974 to 2011 urban population increased 7 times, that is, the number of additional urban population is 35.84 million. (Table-1 & Figure-1)

In spite of higher growth rate of urban population in Bangladesh, the share of urban population to total population is much lower than world average urban population. The level of world average urban population is 52% which is 28.4% in Bangladesh. (Table-2)

Table 2: World Urbanization, 2011

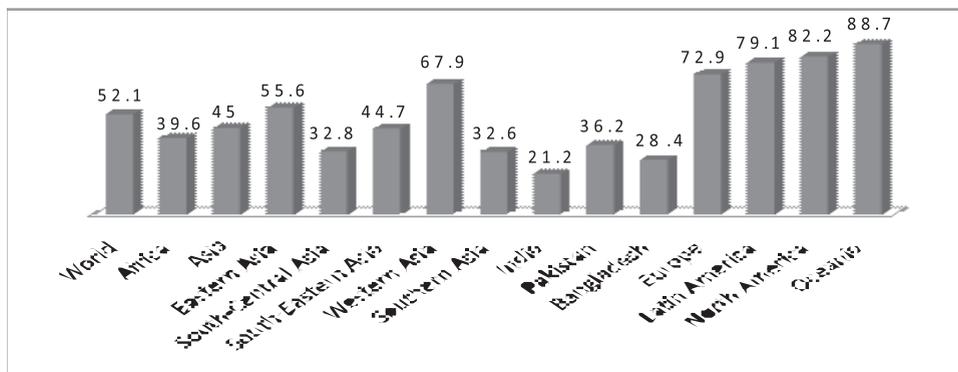
Name of Continent, Region and Country	Urbanization Level (percent)
World	52.1
Africa	39.6
Asia	45.0
Eastern Asia	55.6
South-Central Asia	<b>32.8</b>
South-Eastern Asia	44.7
Western Asia	67.9
Southern Asia	32.6
India	21.2
Pakistan	36.2
Bangladesh	<b>28.4</b>
Europe	72.9
Latin America	79.1
North America	82.2
Oceania	88.7

Source: World Urbanization Prospects: The 2011 Revision Overview Urbanization in Bangladesh- Nazrul Islam-2013

The level of urban population to total population in Bangladesh is lower than the South Asian countries. In India the level is 31.2% and in Pakistan it is 36.2%. Share of urban population to total population in Asia is 45%, in Africa it is 40%. In Europe it is 73% and in North America it is more than 82%. (Table-2 & Figure-2)

There are 570 urban centers in Bangladesh. Dhaka Mega city, Chittagong, Rajshahi, Khulna & Sylhet metropolitan City. Cities consisting of more than 1 lac 25, City Corporations 7 & 315 Pourashavas and 464 Upzilas have small towns.

Figure 2: World Urbanization



Forty percent urban population of Bangladesh consists in Dhaka mega city, 15% Chittagong, Rajshahi the Khulna and the remaining 45% lives in other urban centers and towns. (Nazrul Islam-2013)

## 2. Area and Population of Dhaka Mega City

Dhaka is the oldest city. It is known to have existed in the 7<sup>th</sup> century. In that period it was under the Buddhist empire and it was under the Sens' Kingdom of Bikrampur in the 9<sup>th</sup> century. The then time, Dhaka was known as Bengla. Dhaka was then a small town consisting of 52 bazars and 53 lanes only (Nazrul-1996). The history of pre Mughal Dhaka is very vague, that period ranges from the 13<sup>th</sup> century to the beginning of the early 17<sup>th</sup> century. It was then a market centre. During the Mughal Period Dhaka became a prestigious city of the empire of the Mughal. It was named as Jahangir Nagar after the name of Emperor Jahangir. It was made the capital of Bengal in 1608 by Subadar Islam Khan. During the reign of Subadar Shaista Khan (1662-1689) tremendous development of Dhaka had been taken place. The city started to lose its glory after the shifting of the Capital from Dhaka to Mursidabad in 1717. At that period, size of the Dhaka city was 4.5 sq. km and the population was about 1 lac.

After the Battle of Palassey in 1757 the area and population had decreased remarkably. Later on, after the transfer of power to the Crown by the British East Indian Company in 1858, the city started to expand. The Dhaka Municipality was founded in 1864 by Mr. Skinner (Hossain-2010). In 1905, the partition of Bengal took place & Dhaka was made the Capital of East Bengal and Assam. From 1905 to 1911 the population of Dhaka increased by 21% and after the Partition was annulled of Bengal, importance of Dhaka began to decline (Nazrul-1996). In 1947

*Table 3: Population and area of Dhaka City (1931-2014)*

Year	Periods	Population	Increase in decade	Average yearly increase	Area (sk.km)
1931	British period	161,922	25821	25821	20
1941	British period	239,728	77806	77806	25
1951	Pakistan period	411,279	171542	17154	85
1961	Pakistan period	718,766	307488	30748	125
1974	Bangladesh period	2068353	1349587	134458	336
1981	Bangladesh period	3440147	1371794	137179	510
1991	Bangladesh period	6887459	3447312	344731	1353
2001	Bangladesh period	10712206	3824747	382474	1530
2011	Bangladesh period	17721600	7009394	700939	

Source: J. Taylor, Sketch of the Topography and statistics of Dacca (Calcutta: Military Orphan Press, 1840) & Bangladesh Bureau of Statistics, Bangladesh National Population Census Report- 1974 (Dhaka: Ministry of Planning, 1977); Bangladesh population Census 1991 Urban Area Report (Dhaka: Ministry of Planning 1997); Population Census 2001 Preliminary Report (Dhaka: Ministry of Planning, 2001), Population Census 2011 & Nazrul Islam 2013.

the Indian Subcontinent was divided into states of India and Pakistan and Dhaka was made the Capital of East Pakistan. In 1941 the population of Dhaka was 2,39,728 which stood at 4,11,279 in 1951. Migration from India to Bangladesh (East Pakistan) was the main cause of population growth in this decade. In 1961 the population of the city grew to 7, 18,766 and the area was 125 sq. km. After the independence, in 1974, the population of Dhaka stood at 20, 68,253 with an additional 13 lac of 1961. From 1981 to 1991 the population of Dhaka city had been increased remarkably. In 1991 the population stood at 68,87,459 which was an addition to about 35 lac with the population of 1981. In this decade garment industries began to develop in Dhaka. Large number of woman labour force migrated to Dhaka from different districts and joined in garment industries. Multi-fiber Agreement of GATT in 1973 imposed Quotas on developing countries. The then time Bangladesh was out of quota system among the developing countries. The garment investors found Bangladesh the most suitable country to invest. Desh Garments of South Korean, Multinational Daewoo was established in 1977, it was

the first garment industry of Bangladesh. Later on garment industries were developed in Dhaka and Dhaka became the sweet home of the garment investors.

The population of Dhaka city stands at 17721600 in 2011 which is near 70 lac addition to the population of 2001 (10712206) which is much higher than its previous decade. From 2001 to 2011, the decade Bangladesh faces various natural disasters like flood of 2004, Sidor- 2007, Aila of 2009. The poor people of Rangpur and Dinajpur were victim of Manga in 2003, 2004 and 2005. The people of coastal areas especially Sidor and Aila affected poor, migrated to Dhaka for livelihood. These are the causes for which in 2011, the population of Dhaka had increased remarkably. In 2001 the area of Dhaka mega city increased by 1530 sq. km and population increased over 10 million and in 2014 it stood at 18 million. Most of the People of Dhaka is immigrant, which may be 60% (Nazrul-1996). It is reported by Daily Prothom Alo that from 2008 to 2013 large number of (57 lac) people migrated to different cities and mostly in Dhaka, most of them are from Southern Districts of Bangladesh. (Prothom Alo, August 2015).

### **3. Urbanization and Development in Bangladesh**

Urbanization and growth go together. Urbanization is necessary to sustain growth in developing countries & it yields other benefits as well. World Bank Report 2009 states (coated from Burgess and Venable 2004) that urbanization is one of the clearest teachers of the development of manufacturing and services activity in developing countries, yet discussion of urbanization is simply absent from economic analyses of growth and development.

The contemporary theories of growth emphasizes mostly on capital and technology. It is believed that capital and technology have a magical power to make the world kingdom of Heaven. The theories of growth and development do not take into account the role of socio-cultural and political factors, though these are important for development. There is also a missing fundamental factor-geography of a country. Geographic units in terms of location, place, climate, resource endowments and environment are the constituent's elements of engine of growth forming vast bundles of trade, transport, innovation and talent (Hasnat-2012). Generally urbanization leads to industrialization. These two issues are closely linked in many ways. With the increasing economic development, dominance of agricultural sector gradually diminishes and industrialization takes place at an accelerated rate (Yesmin-1996). Urbanization is positively co-related with industrialization. The largest cities, where population is large, generally make a disproportionate contribution to GDP because they enjoy economics of

scale and consequently have higher national income and productivity per capita than rest of the nation (Afsar-1998) The level of urbanization in Bangladesh to total population is 28% but contribution of 28% population to GDP is 65% . Dhaka city consists, of 9% of total population of Bangladesh but its contribution to GDP near about 40%. In Bangladesh today the urban rural output and productivity differentiation is larger than the population density differentiation. Population density in urban areas (1800 people per sq. km) is twice as high as in rural areas (800 people per sq. km) but urban economic density (US\$ 2.7 million per sq. km) is eight times as high as rural economic density (US\$ 3, 20,000 per sq. km). The average GDP per capita in urban areas (US\$1500) is almost 4 times as high as in rural areas (US\$400) (World Bank 2012- p. 164). The urban sector has been gaining importance over time and its contribution, its role in employment generation and absorbing surplus rural population seem to be dominant factors in the economy of Bangladesh (Nazem-2013). Urbanization has a positive co-relation with Gross Domestic Product of a nation. City and towns play the most crucial role in the national economy of the states of the World. In these days of industrialization and globalization urban economy has been globalized. Rural agricultural sector lacks behind the industrial and service sector. Industrialization and urbanization go hand in hand. Globalization movement in later part of the 20<sup>th</sup> century has changed global economy and Lifestyle of the world citizens. The vision of globalization is to satisfy the consumers and change the lifestyle. An unhealthy competition arises among the nations in the production of goods and services and thereby marketing. Globalization forces consumers to see the whole planet as their shopping malls and communities to compete with cities world wide for prominence as international centers that attract the best companies and jobs (Kanter 1995). Growing industrial products and their marketing attract rural people to build towns and cities, what we call urbanization. Urbanization is an inevitable phenomenon which shapes the life of the people in a new fashion and predominate economic life of a community. Thus urbanization plays a vital role in the development process of a nation. It also contributes social and political development by providing better educational and health facilities to the citizens. A fundamental characteristic of urbanization is the structural shift in employment from agricultural to non agricultural. Urbanization is territorial response to structural changes in the economy. A distinctive division of labour, technology based production- of goods and services paid of a Varsity of goods, high level of spatial and agglomeration in location, high economic density and population density etc are associated with urbanization. Once agriculture had a vital position in the economy of Bangladesh as it was an important economic activity for livelihood. Agriculture and thereby rural sector's contribution to the

economy was very large. Those days are gone, now urban sector's contribution to the economy are increasing day by day. Once agricultural was the life blood of the economy but due to urbanization agricultural lost its importance in the economy. Manufacturing or industrial sector becomes vital for the economy. So GDP of a nation greatly depends on the level of urbanization. World Bank (2009) reported that in Malaysia & Thailand urban sector contribute about 90 percent of the GDP & for Singapore and Hong Kong it is 100% (Siddique-2014). Even in Bangladesh contribution of urban sector to GDP is more than 65% (Siddiqui-14 and Nazem-2013). Agricultural is still the major (47%) labor absorbing sector but its contribution to GDP has been decreasing, at a higher rate. At present it stands at 16% only. It is shown in table-4 how urban sectors contribution is increasing and rural sector's contribution is decreasing.

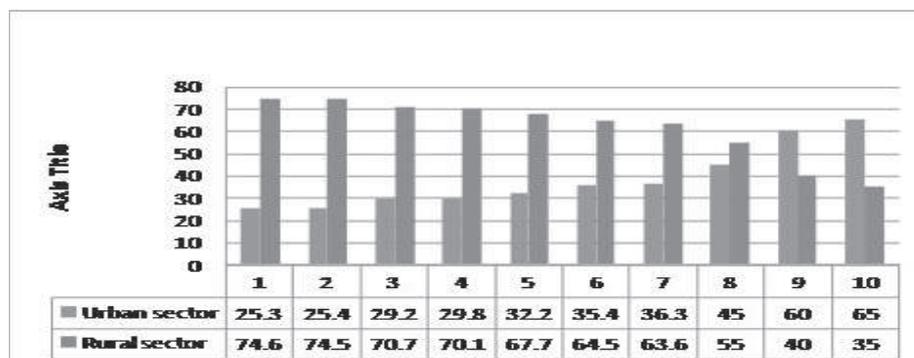
It can be seen from table-4 and figure-3 that in 1972-1973 contribution of urban sector to GDP was only 25% which has been increased to 65% in 2014. Contribution of rural sector was 75% in 1973-73 which has decreased and stands at 35% in 2014. The increasing tendency of urban sector indicates that the structural change of the economy of Bangladesh has taken place with great success. The process of change contributes to rapid urbanization, because manufacturing and services industries are located in urban areas leading to spatial restructuring of the country. The contribution of industries was 17% in 1980-1981 which has been increased at over 30% in 2014-2015 & the contribution of

Table 4: Trend of rural Sector's Contribution to GDP during 1972-73 to 1991-13.

Year	Contribution at constant prices of 1984-85 (percent)		
	Urban sector	Rural sector	Agricultural
1972-73	25.36	74.64	60.0
1975-76	25.47	74.53	49.3
1979-80	29.25	70.75	43.9
1982-83	29.81	70.19	43.5
1985-86	32.26	67.74	41.8
1988-89	35.41	64.59	37.1
1991-92	36.39	63.61	36.9
1995-96	45.00	55.00	32.2
2009-10	60.00	40.00	20.30
2012-14	65.00	35.00	16.50

Source: Huq, 1997 based on Calculated from Tables 7 and 8 of BBS's Twenty Years of National Accounting of Bangladesh, 1993c. (Urbanization, Migration and Development in Bangladesh: Recent Trends and emerging issues, CPD- Professor Nazrul Islam- September 1999, Bangladesh Economic Review- different issues.

Figure 3: Urban sector contribution to GDP



service sector is also increasing but at a slower growth rate than industrial sector. (Table-5 & Figure-4) In 1980 the contribution of service sector to GDP was 44% which has been increased in 54% in 2014.

Table 5: Trend of structural transformation of Board sector changing in GDP (in percent)

Year	Agricultural	Industry	Service
1980-81	33.07	17.31	44.62
1985-86	31.13	19.13	49.73
1990-91	29.23	21.04	49.73
1995-96	25.68	24.87	49.45
2000-01	25.03	26.20	48.77
2005-06	21.84	29.03	49.4
2009-10	20.29	29.93	49.78
2014-15	15.96	30.42	53.62

Source: Bangladesh Economic Survey 2012-2015

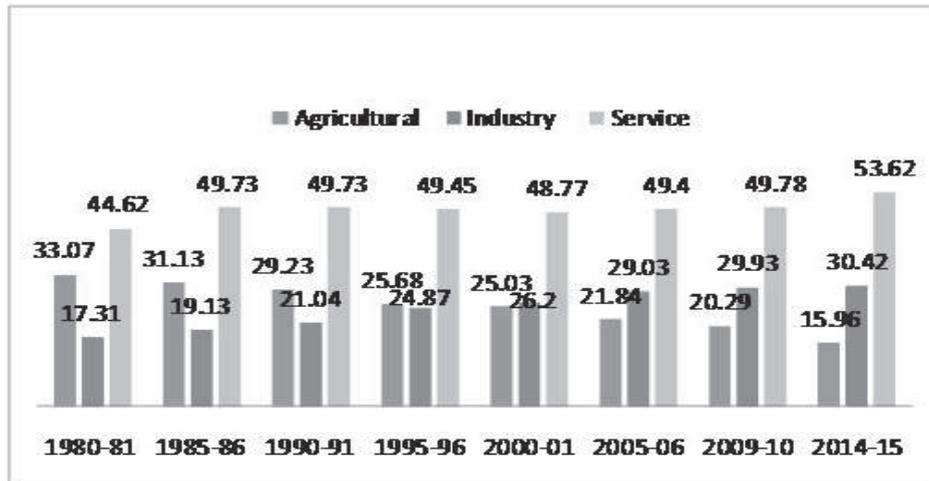
The growth rate of agricultural is much less than services and industries. The growth of agricultural is 3.4%, service 5.3% and industries 9.6% in 2014-2015 (BER-2015).

#### 4. The Primacy of Dhaka

##### a) Economic Density & contribution of Dhaka to GDP

The population density in urban areas of Bangladesh is 1800 which is double of the rural areas. Population density in Bangladesh is the highest in the world, 964 per sq. km. Population density of Dhaka city is the densest in the world mega

Figure 4: Trend of structural transformation of Board sectoral changing in GDP (in percent)



cities which are more than double to that of Malaysia and Jakarta. In Dhaka it is 26000 and 10650 in Malaysia and in Jakarta it is 10500 per sq. km. Dhaka mega city is one of the 10 largest mega cities of the world which constitutes 14 million of population. (World Bank-2012 and Siddique-14). Urban space is densely populated but economic density is very low in Bangladesh. Economic density is equal to GDP or Value added per sq. km. Production is low in comparison to population. The economic geography of Bangladesh is concentrated on economic production of Dhaka and Chittagong, Nine percent of population of Bangladesh resides in Dhaka but its contribution to GDP is 36% (World Bank-12) and at present about 40% and contribution of Chittagong is 11% where 3% of the population of the country lives. Economic Density of Dhaka is much lower than similar other developing countries of the World. Economic density of Dhaka is \$55 million per sq. km which is \$88 million for Bangkok and \$269 million for Singapore. GDP has close relationship with economic density and urbanization.

#### b) Employment density

Employment density in Dhaka city is 4042 per sq. km and in Chittagong it is 2855 per sq. km. Dhaka Metro 940 per sq. km and in secondary cities is 712 per sq. km. Due to structural change of the economy, patterns of employment has also been changed. In 1974, 78% of labour force was engaged in agricultural sector which was 47.5% in 2010. The greater Dhaka district is the most urbanized and has the highest per capita GDP, followed by Chittagong economic corridor runs between Dhaka and Chittagong.

In the same period only 8% of the labour forces were employed in industrial sector which is now 18 percent and the service sector it was 35 percent in 1974

Table 6: Sectoral Distribution of Employment (%)

Period	Agriculture <sup>4</sup>	Industry <sup>5</sup>	Services	Total
1974	78.0	8.0	14.0	100.00
1981	61.0	8.7	30.3	100.00
1984	58.7	9.0	32.3	100.00
1985	57.8	9.4	32.8	100.00
1986	57.2	10.1	32.7	100.00
1989	56.6	10.1	33.3	100.00
1991	53.0	10.0	37.0	100.00
1996	48.8	10.1	41.1	100.00
2000	50.8	9.9	39.3	100.00
2001	51.0	10.0	39.0	100.00
2003	51.8	10.0	38.2	100.00
2006	48.1	11.1	40.8	100.00
2010	47.5	12.38	40.11	100.00

Source: Bangladesh Bureau of Statistics, Labour Force Surveys, 6<sup>th</sup> 5 year plan.

and in 2010 increased to 53%. Ten percent of total employed labour force of Bangladesh is employed in Dhaka, Narayangonj & Gazipur Districts (LPS-2010)

“The dominance of Dhaka is even more overwhelming in several of the smaller manufacturing activities, such as rubber produces, in which Dhaka contributes nearly 100% of total jobs, furniture (97%), publishing (96%) footwear (84%) leather goods (82%) and electrical machinery (72%) (Nazrul-1999). The textile and RMG sector in grater Dhaka constitute the largest manufacturing industries cluster in the country. The cluster absorbs 2.5 million workers most of whom are women. More than 80% of the national enterprises are located in Dhaka. In these organization millions of people are engaged. In the informal sector 1.6 million hawkers, Rickshaw pullers and domestic helpers are engaged. The number of hawkers are .03 million, Rickshaw pullers .08 million & domestic helpers .05 million. (Nazrul Islam- 2005).

### c) Agglomeration of population

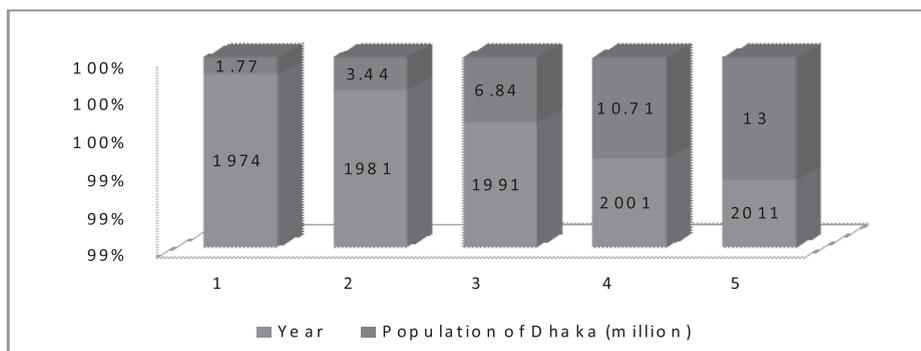
Dhaka, the capital of Bangladesh is the biggest city enjoying distinct primacy. The degree of urban concentration in Bangladesh appears to be higher than in many of its comparators. The measure of urban concentration is primacy or share of the largest city in the total urban population in the country. About 55% of the national urban population concentrated in 4 Metropolitan cities: Dhaka, Chittagong, Rajshahi and Khulna. Population Census Report of Bangladesh 2011 indicates that these 4 cities are largest in Bangladesh. Dhaka mega city is the largest urban agglomeration of Bangladesh enjoys clear primate status in its urban structure. Dhaka's share of the urban population of Bangladesh was 20% only in 1961.

*Table 7: The Primacy of Dhaka in the National and National Urban Context 1974-2011*

Year	Population of Dhaka (million)	Percent of National Population	Percent of National Urban Population
1974	1.77	3.0	28.3
1981	3.44	3.8	25.7
1991	6.84	5.8	30.5
2001	10.71	8.0	37.4
2011	13.00	8.9	40.00

Source: Calculated from BBS, 1994, and World Bank-2012

Figure 5: Population of Dhaka (Million) -1974-2011



The share rose to 24% in 1974, 26% in 1981, 30% in 1991 and 40% in 2011 (Nazrul-2013). In 1974 the population of Dhaka City was 1.77 million, in 1981 it was 3.44 million and in 1991 increased by 6.84 million which stood at 10.71 million in 2001. The population of Dhaka city stands at 13 million in 2011 & at

present it may be 18 million (Table-7, Figure-5). Dhaka consists of 40% of total urban population (17800000) which is larger than Chittagong, Rajshahi and Khulna taken together. Primacy index for Dhaka in 2001 was 2.05 which means the population of Dhaka was 2.05 times larger than other 3 large cities (Chittagong, Rajshahi and Khulna). The index has increased and stands at 2.12 in 2010 (World Bank-2012). In the larger states of the world like China and India have no primacy city. But Bangkok of Thailand and Tokyo in Japan are the examples of primacy. The primacy rate of Dhaka is higher than similar developing countries.

Table 8: Urban concentration in comparator countries (%)

South Asia Region		Per capita Incomes		Land area		Historic Incomes	
Country	Primacy	Country	Primacy	Country	Primacy	Country	Primacy
India	5.72	Cameroon	22.48	Bulgaria	20.84	Colombia (1975)	20.16
Pakistan	21.94	Mongolia	56.27	Guatemala	20.09	Honduras (1985)	35.48
		Senegal	43.53	Korea	23.28	Armenia (1995)	50.85
		Kyrgyz Republic	45.50	Honduras	27.25	Turkey (1975)	21.63

Data Source: WDI Tables, SIMA (World Bank-2009).

The primacy rate of Dhaka is 32%, which is higher than neighboring South Asian and East Asian countries. It is also high relative to countries with similar land areas. It is 23% in Korea and 21% for Bulgaria (World Bank-2009).

#### d) Agglomeration of Economic Activities

Economic opportunities are concentrated in the largest four cities of Bangladesh which are the concentrated urban areas in Bangladesh. Forty percent of total urban population of Bangladesh are concentrated in Dhaka alone, the urban concentration trends not surprisingly, large mirrors the concentration of economic opportunities in the large cities (Dhaka, Chittagong, Rajshahi and Khulna). Most major industrial activities and auxiliary business services are concentrated in the largest cities. Dhaka alone account for 80% of the garments industries Siddiquy (2014). Since 1980s garment industries are growing in Dhaka and Chittagong. There are 4500 garment industries in Bangladesh of which 75% are located in Dhaka mega city area. The garment sector contributes 80% of the export earnings of Bangladesh although its value addition is lower due to import of the inputs

(World Bank-2012). Dhaka city and its peri-urban areas are the most productive location for garment industries. Estimated number of garment industries is the largest in the heart of Dhaka city where there are 2960 industries and employed workers are about 11 lacs. Average productivity of a firm is 7.9% and 5.6% higher than a firm working in Chittagong. Loss due to congestion and land prices and also higher rate of house rent, garments are relocating in peri-urban areas of Dhaka city. Garments account for 50 of total formal employment in Dhaka city and 65% of formal non firm jobs in peri-urban areas (WB-2012). Workers employment density in Dhaka City Corporation is above 60% higher than in Chittagong City Corporation. Employment density of workers per sq. km in Dhaka was 4241 which was 2835 in Chittgaong in 2009 (WB-2012). High cost of congestion, land price and excessive house rent in Dhaka city, garment and other industries are relocated in Gazipur and Narayangonj District.

**e) Concentration of Organizations**

Besides garment industries, several government universities and 50% private universities & thousands of schools, colleges hospitals and clinics are concentrated in Dhaka. Administrative headquarters are located in Dhaka. Manufacturing & services often located close to urban areas to capture the productivity advantages generated by agglomeration economics that is access to market, knowledge spill over and the proximity to a large poll of labour.

**f) Agglomeration Economics**

Agglomeration economics is an important consideration for industrial and commercial activities. Due to benefit of localization economics firms are concentrated in a locality. The firm also considers the benefit of urbanization economics. Firm that produce intermediate goods will tend to locate close to produces of the final goods (a forward linkage) Downstream firms similarly will gain from locating close to their suppliers (a backward linkage). Due to Agglomeration economics firm are concentrated in Dhaka. Concentration of economic activities such as garment production and organized business makes scope for both aspect of agglomeration- localization economics and urbanization economics in the largest city (World Bank-2009).

**g) Market access**

Market access is an important factor in determining firm's location. Market access and urban concentration appear to be closely linked in Bangladesh. Firms are

attracted to places with easy to access, market which leads to concentration of production in those areas. Dhaka metropolitan is the central point of Bangladesh where transport and communication networks are better than other cities of the country.

#### **h) Policies bias**

Generally in a centralized government, structural government, tend to favour one or two cities, Dhaka as national capital government favour. Dhaka city like Bangkok, Jakarta, Seoul & Mexico city. Huge amount of money is invested in Dhaka in different fields for its development. Utility services are delivered to the citizens of Dhaka more efficiently than other cities. Government allocate huge funds for utility services and infrastructural development every year. Dhaka urban area received Tk 2000 million annually which was about 20% of the national public sector investment. Such massive investment created employment in the construction and in the utility services. (Shankland Cox 1981).

Excessive extension of Dhaka city and its growth as a primate city is the outcome of government policies. Dhaka's growth as prime city is mirrored in the extreme concentration of decision making and political authority (Zillur 2014). Administrative headquarters, employment, financial and banking, international trade, business houses are largely concentrated in Dhaka. Explosion of primacy is not confined to only economic fundamentals alone but political economy factor play a role. (WB, P-2012, 146)

Sub national expenditures as a percentage of total consolidated government expenditures are estimated to be in range of 3.4%. The comparable figures for Indonesia or South Africa, two unitary countries that developed in the last 15 years or less are 34% and 52% respectively. On the revenue side, less than 2% of total Bangladesh government revenue is collected at sub national levels, placing Bangladesh at the lowest end internally. In addition the strong infrastructural advantages of Dhaka vis-a-vis other cities are indicative of a non-level playing field among Bangladesh's cities. Many cities could benefit from improvement in the business climate (WB-2012, p-146).

#### **5. City Competitiveness**

City Competitiveness is a dynamic concept. It describes a city's comparative advantage in attracting mobile production factors and its ability to leverage these advantages to sustain growth in a fast changing global environment. City Competitiveness depends on innovation, livability and connectivity in a global

economy. Empirical evidence suggests that cities with high innovation levels, a livable and high quality environment and internally and globally connected are more economically successful, as they are attractive location for firms and workers (W.B-2012). Generally cities are concentration of physical attraction and social-cultural facilities. In the age of globalization tourist form an important economic sector for physically and socially attractive cities. Beautiful water fronts, historical sites, echo park, sports facilities, good accommodation, comfortable transport system, industrial parks etc are important for attracting foreign investment and economic growth. Dhaka mega city alone shares more than half of the urban sector's contribution to GDP. This is important in examining the competitiveness of Dhaka.

Dhaka has been identified as the most competitive city in Bangladesh. It is also the administrative, social and cultural centre of the country. The greater Dhaka is relatively affluent compared to other areas of country. The non-farm sectors progress is better in the Dhaka possibly of urbanization and the agglomeration of economic activities. As a result, economic growth is high in Dhaka than in other regions. In a study on competitiveness of the cities in Bangladesh shows that Dhaka, with a total score of 7.31 out the most competitive city in Bangladesh. Chittagong, Sylhet and Comilla have the next-highest scores. 10 cities are not competitive nationally (their index scores are below 5). Chittagong, Sylhet and Comilla are considered 'competitive nationally'. But they have way to go before being able to set up more export-oriented, and internationally competitive, economies (Siddque-2014) in 2012, the Economist Intelligence Unit (EIU) ranked the competitiveness of global cities according to demonstrated ability to attract capital, businesses, talent and visitors. Dhaka scored 27.7, while New York the list with score of 71.4; Tehran scored 27.2 and logos 27.6 Dhaka was Ranked 3<sup>rd</sup> among 120 cities (Siddque-2014). The half of industrial unites is located in the Dhaka metropolitan area. The next-largest less concentration manufacturing units in the DCR are in Narayanganj, Narsingdi, and Gazipur. Manikganj has the concentration. Within Dhaka district, there is a major concentration of industries in the central city area. These are textile manufacturing units, located primarily in Mirpur and Savar, and along the Airport Road the largest concentrations of micro industries is in Keranijan, south of the Buriganga river.

Beaqegard (2001) said that globalization of the four decades has been a neo liberal ideology that subordinates the national states to global capitalism discourages extensive welfare provisions and encourage place competition. This forces cites, regions and localities to be more competitive in order to attract investors. It has transportation and communication networks with most of the cities and towns and

with the important places of the country. The past industrial experience, administrative importance and cultural heritage testify significant of its excellent local advantage (Kalam-2010). Dhaka lacks most of the qualities to be a competitive city. Before 1980s city of Dhaka was a beautiful city but after the establishment of garment industries Dhaka started to become an unlivable city. Dhaka is now the most densely populated city where 26000 people live per sq. km which is highest in the world.

Connectivity is the important factor for a city to be competitive. Investment activities or economic activities are attracted to areas with better market access which leads to concentration of production. Market access and urbanization are deeply linked. Market access is a combined function of road networks and quality, travel speeds and population density (World Bank-2009). Dhaka is now a city of most congestion. According to Dhaka Metropolitan Chamber of Commerce and Industry traffic congestion cost is about US\$ 3 billion per year (in 2010) which is equivalent to almost 3% of GDP of the country, wasted time on the road accounts for about 60% of total cost, as 3.2 million business hours are lost everyday due to congestion followed by environmental cost 11% and business loss of passenger transport and freight 10% (World Bank-2012) Transport cost is an important consideration for establishing industries for the investors. Due to high congestion cost the garment industries have already been relocated at the peri-urban area of Dhaka city. The garment industries are facing serious challenges for its competitiveness and ability to command global market. Poor physical infrastructure, in educated utility services, lack of trained human resources, poor condition of civil administration and weak governance are responsible for low competition. Dhaka's competitiveness has declined for most indicators since 2009. The reason are the political crisis and hartals, communication, congestion on the city streets, poor service facilities and environment and weak governance scaled down Dhaka's competitiveness.

Dhaka city is the largest hub of the knowledge cluster, (education training and research) in the country. Lack of quality of education is the major barrier in making a knowledge based society (Nazma-2013). Here higher education is expanding without any manpower planning. Degrees are not job oriented and research at all levels is limited. So innovative knowledge is very scarce which vital factor for city competitiveness is. Faster growth of Dhaka city than other cities of the country has created many problems. Problem of environment, health, transportation and communication make the city unlivable. The city has recently been rated as second least live able city (with ranking 139 out of 140 cities. The number of garment industries in the country is 4500 of which 80% are located in

Dhaka mega city consisting of 2.5 million of workers. The garment workers are paid only Tk. 5300 per month which is extremely low to maintain workers family expenses. They are compelled to lead inhuman life in the slums and they work in risky and unhealthy environment in the factories. Foreign buyers arise the question of workers safety and living standard of the garment workers and they are unwilling to purchase our RMG products. USA still does not withdraw embargo on GSP facilities. The garment industries are facing the competition from other RMG exporting countries. Bangladesh is not in a good position to attract FDI. Investment climate in Bangladesh is unfavorable. National investment is in a stagnant position for several years. The doing business published in the World Bank & IFC ranked Bangladesh 173 in the Ease of doing business, global ranking 189 economics, which was only 65 in 2006 out of 155 countries. Bangladesh was ranked 43 in terms of protecting investors and in starting business rank was 115. The process of land registration requires 245 days which is 44 days in India, 22 days in Indonesia and only 2 days in Thailand (BER-2015). Unavailability of serviced land is a prominent investment hurdle (World Bank-2012). Dhaka is located in flood plain and surrounded by rivers. So developable land is very limited. There are 250 real estate companies in Dhaka. Competition among the developers, price of land rises. The land price of Dhaka is comparable to London and New York. Due to excessive land price and higher level of house rent poor are forced to live in slums. There are 9048 slums in urban areas of Bangladesh of which 4966 that is 52 percent is located in Dhaka city alone where 693883 households live in 40% of the population of the city live in the slums (CUS-2005). In the slums 15000-20000 people live per sq. acres. Over and above there are 2-3 lac floating people in Dhaka city. About 40 percent of Dhaka's population lives in slums where they lead an inhuman life. Utility services become very much inadequate and transport system has been mismatched.

Once Dhaka was famous for a beautiful city with abundant of natural beauties. Now it becomes a Hell grey and unhealthy place full of CFC and hue and cry of crowded people. Only 22% household have sewerage connection and only 20% area of the city is under sewerage system. Most of the slums dwellers have no sewerage connection and the rest use unhygienic toilets. The floating people use drain as latrines. The majority of slum dwellers have no access to dustbins. Water logging is a common feature during rainy season due to faulty drainage system. Half of the wastes are collected by City Corporation and remaining half remains scattered around the dustbins. All these factors contribute to pollute the natural environment of Dhaka city. Dhaka now becomes a unlivable city. Foreign investors are discouraged to invest in the dirty city.

## **6. Benefit and cost of urban concentration**

Urbanization is a road to modernization, comprises such development as urbanization. In the modern world industrialization is the heart of development. Industrialization and urbanization interact with each other. Urbanization plays a vital role to change multidimensional structural transformation that attracts low income rural societies in the cities undergo modernization.

Presence of economics of scale and scope that arise in early stages of development creates increasing returns with benefit for growth and productivity. "Production benefits from being located in densely populated urban areas that provide a skilled worker, a network of complementary firms that provide backward and forward linkage for supply chains, opportunities for knowledge flows and a critical mass of consumers" (World Bank-2012). At a certain point of urbanization cost in the form of congestion, transport and utility services tend to dominate and decreasing returns to scale set in resulting in lower GDP growth.

The level of income and urbanization in Dhaka, Henderson's estimates suggest an optimal primacy rate of around 21% for Dhaka, whereas it is about 32% this implies a loss of at least 2% in annual GDP growth. Dhaka relative to its level of governance and infrastructure has serious growth cost for the nation as a whole. Excessive urban concentration in the absence of concomitant improvement, urban management and infrastructure carries associated economic cost in the form of congestion and pollution. Such cost is indented in Dhaka. Land becomes scarce and costlier. Traffic congestion has increased commute times. Citizens of Dhaka are very much dissatisfied in enjoying utility services due to heavy pressure of over population or supply constraints.

There are many opinions regarding negative aspects of urbanization. Thomas Jefferson wrote: "I view great cities as pestilential to the morals, the health and the liberties of man." Peterson said that cities nourish some of the elegant arts but useful ones thrive elsewhere. Bert Hoselitz wrote of parasitic cities and their ill effects in developing countries. "PB Shelley wrote "Hell is cities much like London". It is astonishing that though city life is full of hazards, most of the people like to live in cities and towns. It seems to me that every citizen of Bangladesh has a dream to have a house in Dhaka.

### **Urban Planning and Ethical value**

In Bangladesh there is no room for ethical judgment in urban planning process. The process of urbanization in Bangladesh is very rapid and with the rapid urbanization in Dhaka Mega City the natural environment has been seriously

hampered. Water, air and soil have been polluted seriously. Due to excessive population and inadequate roads and lack of open space the city becomes unlivable. The rich enjoys all the modern immunities of like but majority of the population compelled to lead a miserable inhuman life. More than one third of the population lives in slums, the slums dwellers are deprived of basic human needs. Most of the citizen of Dhaka city has no access to pure drinking water which is very much essential for human existence. The roads and streets are under the control of the rich families, possessing private cars. Due to unplanned housing and Roads, the general people have no right to use roads and streets and even they have no right to cross the roads safely. Even they are unable to walk in the footpath due to improper use of footpaths.

## **7. Conclusion**

The process of economic development and pattern of urbanization are linked with the changing long term structure of the economy. The Bangladesh economy has been undergoing a remarkable change. The economy is also gradually being integrated with the world market through the process of globalization. Bangladesh has a great prospect to develop through a process of urbanization in near future if a congenial investment climate, good governance, can be ensured. Urbanization is a world wide inevitable phenomenon. During the last century world urban population increased remarkably. In 1900, 15% of the World population lived in cities and now it is estimated that above 50% of the world people lives in cities. Urbanization is an inevitable force and it is unavoidable as Arthur Lewis expressed concerns about the cost of urbanization but saw it as unavoidable. According to him, urbanization would not be inevitable if we could spread industry around the country side instead of concentrating it in towns, but it is easy to say but very hard to do. In these days of urbanization managing urbanization is an important part of nurturing growth. So government should take proper steps to manage cities and towns. Road networks should be created in such a manner so that all cities and towns can avail equal opportunities to access market. Proper steps should be taken to make Dhaka free from traffic congestion. Utility services should expand with proper and careful planning to make the city livable. The decentralization of administration, decentralization or relocation of factories and shifting of universities from main Dhaka City to peri urban areas are very urgent to make Dhaka a livable city.

City corporations and Pouroshavas suffer from fund constraints. City Corporation's source of income is holding tax. To increase income there is a provision that tax base scheduled for revaluation every five years. This is not done

in Dhaka City Corporation for many years. It creates disparity among the tax payers. Old tax payers pay much less than new tax payers. It is reported in a World bank report that in 2001, DCC collected holding tax from only 1,80,000 house holds out of 1.1 million holdings in its Jurisdictions (World Bank-2009). Large number of households do not pay holding tax. City corporations require more income and dominating power over the service provider organizations.

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