

Income Inequality in Bangladesh

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Abstract

Rising economic inequality through the distribution of income, consumption, wealth or assets is a major challenge. The level and trend of economic inequality in Bangladesh is analyzed for the period 1973-2010 using various Household Income and Expenditure Survey data. The data set provides an opportunity to display the proliferations of distribution of both household income and expenditure, the nature of income transfer at different quintiles, deciles of households at rural, urban and national level. The findings suggests that that there have been perennial transfer of income from the lower four quintiles of the households to the highest quintile. The annual average rate of income loss has been -0.71% for the 1st (bottom) quintile, -0.54% for the 2nd quintile, -0.32% for the 3rd quintile, and -0.27% for the 4th quintile. The annual average gain in income share for the highest(top) quintile has been 0.46%. The Gini concentration ratio for both income and expenditure has shown increasing trend at rural, urban and national level over the period under consideration. The annual average rate of increase of Income Gini concentration ratio was 0.77%. The Gini concentration ratio for expenditure is somewhat lower while compared to its corresponding value in the income distribution. In order or decelerate the concentration of income or expenditure efforts are required to be taken to bring more and more people of the poorer quintiles into gainful economic activities at home and abroad. Boosting up the manpower development by imparting TVET for overseas employment should deserve priority in national policy making given the bulge in working age population thus reaping the harvest of demographic dividend.

Key Words: Income inequality, expenditure inequality, Gini concentration ratio, TVET, Demographic dividend.

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Introduction.

Rising economic inequality through the distribution of income, consumption, wealth or assets is a major challenge. There is considerable concern in Bangladesh about the growing income inequality. Available household level information suggests that the distribution of income is much more unequal than the distribution of consumption. Income inequality as measured by the Gini coefficient for the distribution of income has risen substantially during the last four decades or so. The analysis is carried out by two interlinked method of measuring inequality: the Lorenz Curve and the Gini Coefficient. Both originate in the early years of the twentieth century. In 1905 Max Otto Lorenz published a paper in an American Statistical Journal outlining the technique which was to bear his name. Corrado Gini's index of income inequality was published shortly afterwards in 1912. The value of Gini coefficient varies between 0 meaning perfect equality (where every one in the society has exactly the same amount of income or assets) and 1 implying perfect inequality (where a single individual possesses all the income or assets and everyone else has nothing). Sometimes it is expressed as per cent where it varies between 0% and 100%. Clearly the two extremes are trivial; the key thing to bear in mind is that the lower the value that Gini coefficient takes place (between 0% and 100%), the greater the degree of prevailing equality. Apart from computing Gini Coefficient or Gini index analysis needs to be carried out according to income share accruing to different groups of population in deciles and quintiles or taking a ratio of income of top 10% of households to bottom 10% households. In Bangladesh such information is available in the published reports of the Household Income and Expenditure Surveys conducted by the Bangladesh Bureau of Statistics since 1973-74. In the present study, the level and trend of income inequality have been studied for the period 1973/74 to 2010 by rural urban background and also for per capita income. The extent of inequality in consumption expenditure has been studied for the period 1991-92 to 2010 by rural urban and per capita expenditure. The inequality is found to be higher for income while compared to the inequality of expenditure. In the last four decades or so, the inequality is on the rise in Bangladesh. A brief analysis has also been carried out on the Global inequality based data furnished by Global think tanks. Some recent concerns expressed by the UN Secretary-General, ESCAP, ADB, World Bank, OXFAM and OECD has been reiterated. There is a long list of suggestions for slowing down the increase in inequality in the 6th Five Year Plan and the research findings given by the international Organizations.

Data:

The current statistics of the Bangladesh Bureau of Statistics (BBS, 2013), Bangladesh Bank (2014) and Ministry of Finance (2014) are the main source of data. However on line data set available on the website of World Bank and OECD and other organizations have also been used.

Findings.

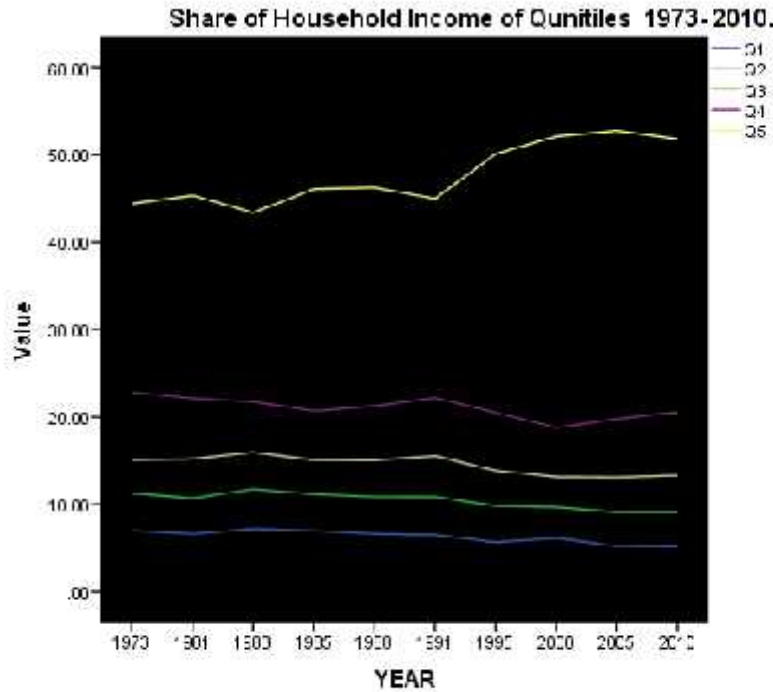
Income Share of Households in Quintiles:

The share of income (per cent) accruing to different household quintiles is presented in Table 1 and Figure 1. Over the period under consideration income share has declined in the 1st, 2nd, 3rd and 4th quintiles. Income share has increased in the top quintiles. There are clear indications that not only the poor, but the middle class also suffered losses in the share of their income. More specifically, the income share of the households in the bottom (1st) quintile decreased from 7.20 per cent in 1973-74 to 5.22 per cent in 2010. There being an over all loss of 1.78 percentage point over the period. The annual average rate of decline is -0.71 percent. The income share of households in the 2nd quintile was 11.30 per cent in 1973-74 which declined to 9.10 per cent in 2010. The over all decline for the period was 2.20 percentage points and the annual average rate of decline is -0.54. Then income share of the 3rd quintile decreased by 1.77 percentage points from 15.10 in 1973-74 to 13.33 in 2010 giving an annual average rate of decrease of -0.32 percent. The income share of households in the 4th quintile decreased at an annual average rate of -0.27 per cent. It is worthwhile to ponder here that annual rate of loss in income share varies inversely with the economic status of the households. The poorer the households the more

they suffer in terms of share in income. On the basis of classification according to quintiles this phenomenon continues up to 4th quintiles. Now where have income share of these households gone? The answer is available in the gain in income share of the households in the top quintile. There is hefty gain of income share of 7.38 percentage points from 44.40 in 1973-74 to 51.78 in 2010 displaying an annual rate of increase of 0.46 per cent. That's not all. We have provided information on income share of 9th and top(10th) deciles. It turns out that households in the 9th quintile did not make any gain in the share of income distribution. It appears that households in the 9th quintile have suffered loss in income share in some of the previous years, but in 2010 they could barely breakeven. Similar loss and gain in income share according to quintiles and deciles has also been observed in rural and urban areas. So income inequality is on the ascent.

Table 1. Income Share (Per cent) Accruing to Household Quintile/Decile : National 1973-2010

YEAR	1 st Quintile (bottom)	2 nd Quintile	3 rd Quintile	4 th Quintile	5 th Quintile (top)	9 th Decile	10 th Decile
1973-74	7.00	11.30	15.10	22.80	44.40	16.00	28.40
1981-82	6.64	10.72	15.20	22.12	45.32	15.79	29.53
1983-84	7.20	11.75	15.94	21.73	43.38	15.08	28.30
1985-86	6.99	11.18	15.07	20.70	46.04	14.58	31.46
1988-89	6.64	10.89	15.05	21.23	46.20	15.20	31.00
1991-92	6.52	10.89	15.53	22.19	44.96	15.64	29.32
1995-96	5.71	9.83	13.88	20.50	50.08	15.40	34.68
2000	6.15	9.68	13.17	18.79	52.01	14.00	38.01
2005	5.26	9.10	13.13	19.79	52.71	15.07	37.64
2010	5.22	9.10	13.33	20.56	51.79	15.94	35.85
Change During 1973-2010	-1.78	-2.20	-1.77	-2.24	7.38	-0.06	7.45
Annual rate of change 1973-2010 (Per cent)	-0.71	-0.54	-0.32	-0.27	0.46	-0.01	0.72



Source: EES, Author's Computation.

Figure 1.

Ratio of Income Share in top 10% to Bottom 10%.

This ratio is often used as a measure of saturation of income inequality. The values of this ratio according to rural urban background are given in table 2 and figure 2. At the national level this ratio has increased from 10.14 in 1973-74 to 17.94 in 2010 giving an worsening situation for the bottom 10% households share in income. The overall increase in the ratio during the period has been 7.78 with an annual average rate of increase of the ratio as 2.13 per cent. For the rural area this ratio increased from 11.00 in 1973/74 to 15.20 in 2010 implying an over all increase of 4.20 of the ratio and an annual average rate of increase of 1.06 per cent. The value of the ratio for urban area in 1973/74 was 9.12 which increased to 17.74 in 2010 indicating an over all increase of 8.42 for the whole period. The annual average rate of increase has been 2.56 per cent. It appears that the income share of lower 10% households in urban areas worsened more while compared to the income share of the bottom 10% households in rural areas. The average annual rate of increase in inequality using the ratio seems to be higher in the urban area(2.56%) while compared to the rural area where it is found to be 1.06%. Very high level of inequality in the urban area was observed for the years 2000 and 2005.

Table 2. Ratio of Income Share Accruing to Top 10% to Bottom 10% Households:
Rural, Urban and National 1973-2010

Year	Ratio =Top 10%/Bottom 10%		
	National	Rural	Urban
1973-74	10.14	11.00	9.12
1981-82	10.70	9.40	10.85
1983-84	9.79	9.45	9.87
1985-85	11.19	10.62	10.00
1988-89	11.74	10.98	11.30
1991-92	11.33	10.50	11.53
1995-96	15.48	11.81	18.78
2000	15.77	11.72	20.45
2005	18.82	15.07	22.82
2010	17.92	15.20	17.54
Change During 1973-2010	7.78	4.20	8.42
Average Annual rate Of change (Per cent)	2.13	1.06	2.56

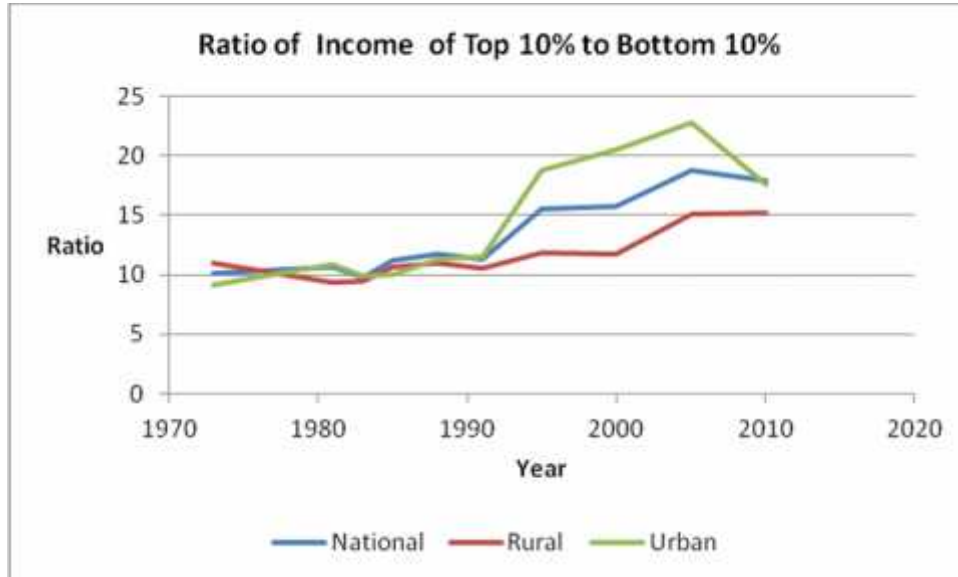


Figure 2.

Income Concentration Curve.

The income concentration curves for few selected years are given in Figure 3. Cumulative Income share(Percent) is shown on the vertical axis and cumulative households(per cent) is on the horizontal axis. As usual the concentration curves for income lies below the line of equal distribution(45 degree line) and the we also observe that the more recent the curves the more they deviate from the line of even distribution. We see more concentration of income in recent years while compared to past years.

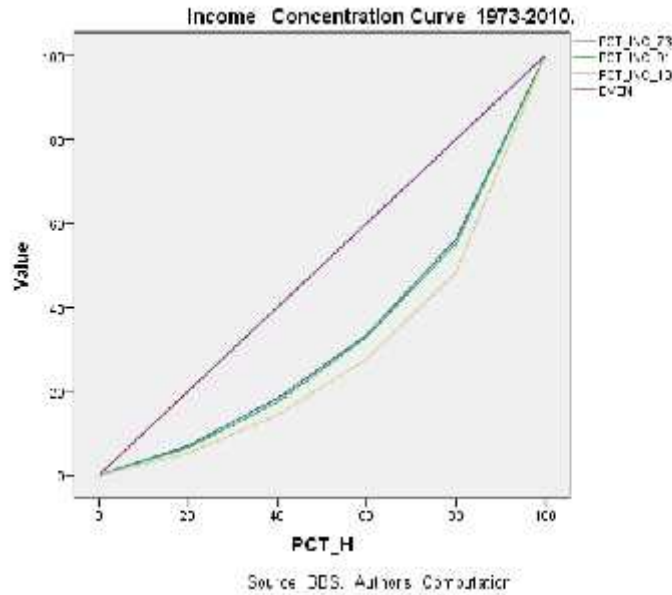


Figure 3.

Gini Concentration Ratio or Gini Index for Income :

Income inequality as measured by the Gini coefficient or Gini index for the distribution of income has risen substantially during the last four decades or so. The measure of income inequality is given by Gini coefficient due to Italian Statistician Corrado Gini. The value of Gini coefficient varies between zero meaning perfect equality and 1 implying perfect inequality where a single individual possesses all the income or assets. Sometimes it is expressed as per cent where it varies between zero and 100. The value of the Gini coefficients are given in table 4 and Figure 5. The value of Gini concentration index increased from 0.36 in 1973-74 to 0.46 in 2010 at the national level. The overall increase during the period has been 0.10 and the annual average increase has been 0.77 per cent. In the rural area the value of Gini coefficient increased from 0.35 in 1973-74 to 0.43 in 2010 and in the urban area the value of Gini coefficient increased from 0.38 in 1973-74 to 0.45 in 2010. The values of the Gini concentration ratio has been found to be higher in the urban area while compared to their corresponding values in the rural areas in all the years suggesting the prevalence of more income inequality in the urban areas while compared to the rural areas. This urban-rural difference in income inequality widened in the years 2000 and 2005. By and large we can see that the inequality in Bangladesh is on the rise. There has been a slight decrease in inequality in the urban area during 2005-2010.

Table 3. Income .Gini Index: 1973 to 2010

Year	National	Rural	Urban
1973-74	0.36	0.35	0.38
1981-82	0.39	0.36	0.41
1983-84	0.36	0.35	0.37
1985-86	0.38	0.36	0.37
1988-89	0.38	0.37	0.38
1991-92	0.39	0.36	0.40
1995-96	0.43	0.38	0.44
2000	0.45	0.39	0.50
2005	0.47	0.43	0.50
2010	0.46	0.43	0.45
Change during 1973-2010	0.10	.08	0.07
Average Annual rate of change(Per cent)	0.77	0.63	0.51

Source and Note: BBS. Statistical Yearbook of Bangladesh. Several Years. HIES 2010 Report. Also other years. Author's computation.

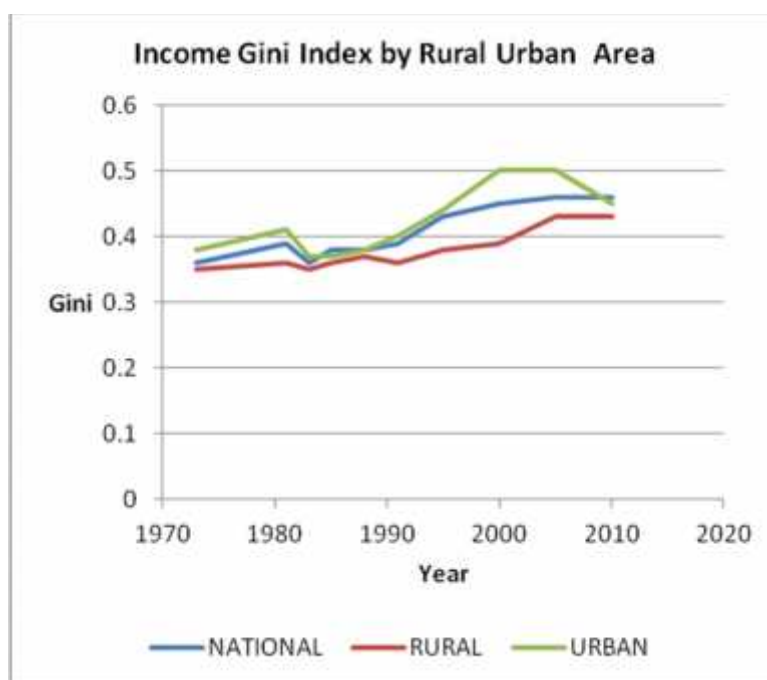


Figure 4.

Gini Coefficient of Per capita income:

We have also information available for Gini coefficient on per capita income for the period 2000-2010. The values of the Gini coefficient of per capita income are similar to those obtained for household income. The over all change during the period and the average annual rate of change are also shown in table 5. Rural income inequality as given by Gini coefficient has increased from .393 in 2000 to 0.431 in 2010, but there is some decline in the Gini coefficient in the urban area from 0.497 in 2000 to 0.452 in 2010.

Table 5. Gini Index Per Capita Income : 2000-2010.

Year	National	Rural	Urban
2000	0.451	0.393	0.497
2005	0.467	0.428	0.497
2010	0.458	0.431	0.452
Change during 2000-10	0.007	.038	0.045
Average Annual rate of change(Per cent)	0.15	0.97	--0.90

Source: BBS

Income Share of Bottom 40 per cent of Households. 1973-2010.

The income share(per cent) accruing to bottom 40% of the households is given in table 6 and Figure 6. It is the concern of the development partners to improve the well being of the poorer segment of the population. We see from the table that the income share accrued to bottom 40% of the households decreased from 18.30 per cent in 1973/74 to 14.32 per cent in 2010. The over all decrease in income share for the period has been 3.98 percentage point and the annual average rate of decrease has been 0.60 per cent.

Table 6. Income Share (Per cent) Accruing to Bottom 40 per cent of Households : National 1973-2010

YEAR	Income Share (Per cent) Accruing to Bottom 40 per cent Households
1973-74	18.30
1981-82	17.36
1983-84	18.95
1984-85	18.17
1988-89	17.53
1991-92	17.41
1995-96	15.54
2000	15.83
2005	14.36
2010	14.32
Change during 1973-2010	- 3.98
Average Annual rate of change(Per cent)	-0.60

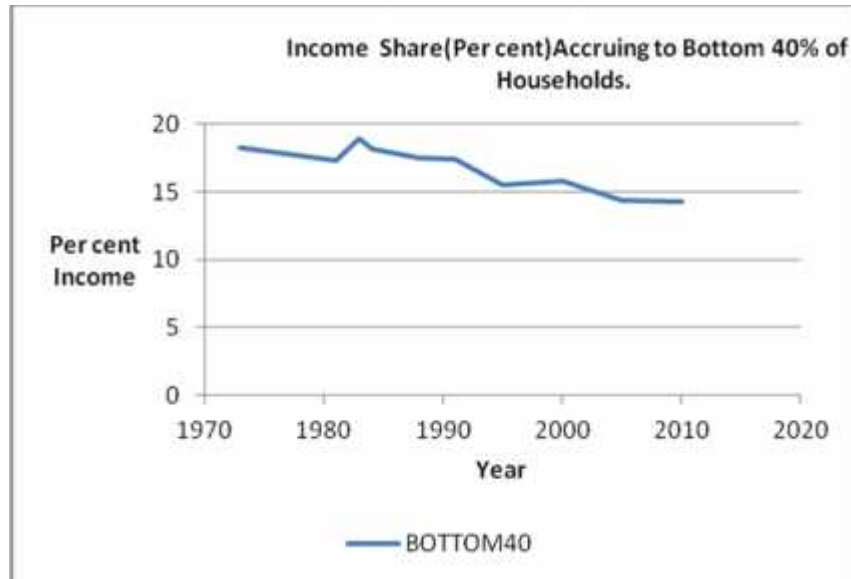


Figure 6.

Expenditure Inequality.

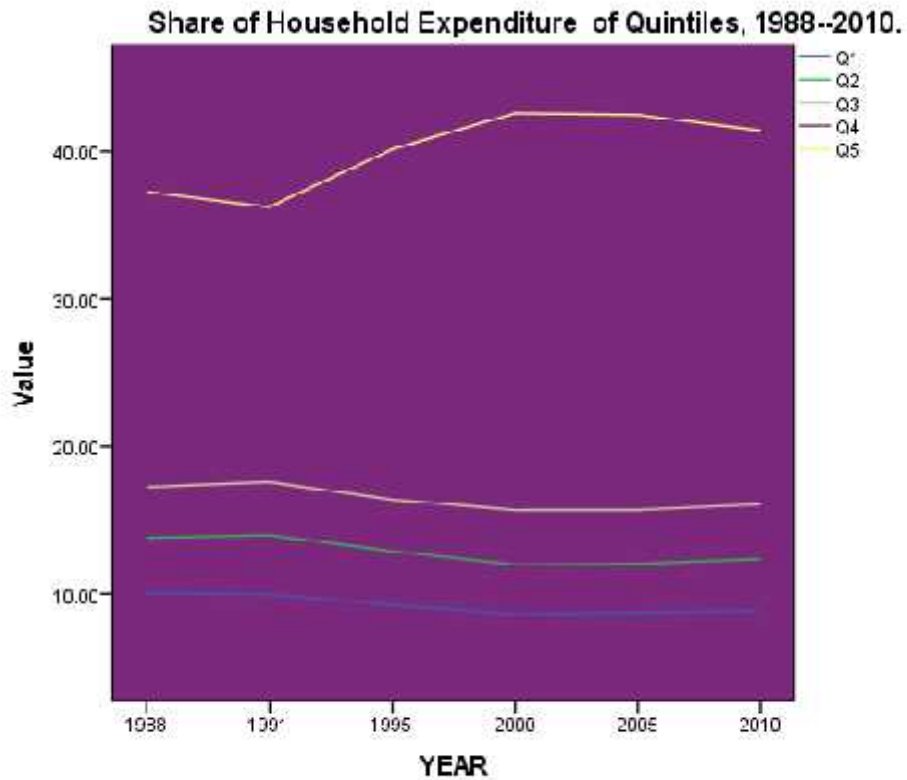
Expenditure Share According to Quintiles of Households.

Information on expenditure of consumption is available for the period 1988-89 to 2010. Expenditure inequality has been found to be lower while compared to the respective values of income inequality. Regarding consumption expenditure of the different quintile groups we see that the households in the bottom(1st) quintile has suffered a shrinkage of 1.16 percentage points in consumption expenditure, the 2nd quintile suffered a shrinkage of 1.45 percentage points, the third quintile suffered a shrinkage of 1.18 percentage points and the fourth quintile suffered a loss of .38 percentage points. The poor, the lower middle class and the upper middle class all experienced a squeezed consumption basket. It is only the rich households in the top(5th) quintile who had the privilege of enjoying a expanded consumption basket of goods and services. The expenditure of top quintile increased by 4.17 percentage points. The poorer the households the more is the shrinkage in consumption expenditure share over time. Based on the information on quintiles as many as 80 percent households have their share in consumption expenditure squeezed over time. So inequality is on the increase.

Table 7. Expenditure Share (Per cent) of Household Quintile : National 1988-2010

YEAR	1 st Quintile (bottom) [†]	2 nd Quintile	3 rd Quintile	4 th Quintile	5 th Quintile (top)
1988-89	10.04	13.82	17.25	21.65	37.24
1991-92	9.96	13.99	17.58	22.25	36.22
1995-96	9.26	12.91	16.40	21.28	40.15
2000	8.66	12.00	15.70	21.07	42.57
2005	8.79	12.07	15.71	20.97	42.46
2010	8.88	12.37	16.07	21.27	41.41
Change During 1988-2010	-1.16	-1.45	-1.18	-0.38	4.17
Annual rate of change 1988-2010 (Per cent)	-0.52	-0.47	-0.31	-0.08	0.51

Source and Note: BBS. Statistical Yearbook of Bangladesh. Several Years. HIES 2010 Report. Also other years. Author's computation.



Source: BBS Author's Computation.

Figure 7

Expenditure Concentration Curve.

The consumption expenditure concentration curves for few selected years are given in Figure 8. Cumulative share in consumption expenditure (Percent) is shown on the vertical axis and cumulative households(per cent) is on the horizontal axis. The concentration curves for consumption expenditure lies below the line of equal distribution(45 degree line) and we also observe that the curves belonging to more recent years deviate more from the line of even distribution. We see more concentration in consumption expenditure in recent years while compared to past years.

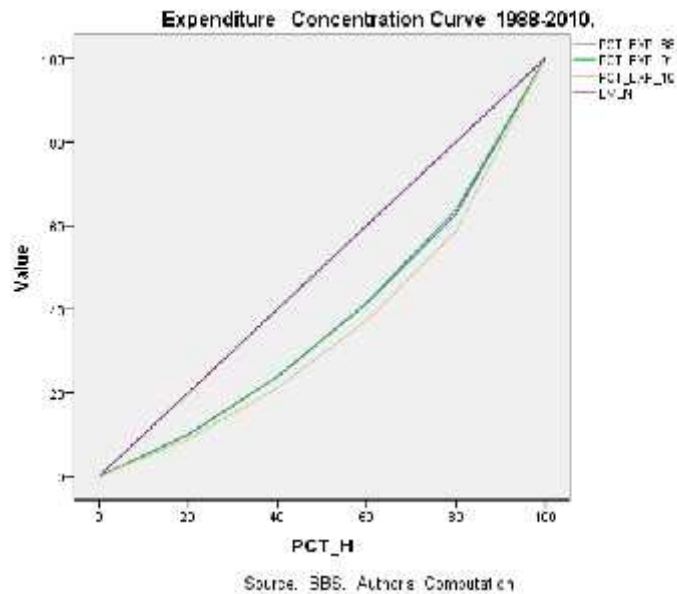


Figure 8.

Gini concentration ratio for Consumption Expenditure.

The Gini concentration ratio for consumption expenditure according to rural urban areas is given in table 8 and Figure 9. Information on Gini consumption expenditure concentration ratio are available for the period 1991-2010. At the national level Gini concentration of expenditure increased from 0.26 in 1991 to 0.32 in 2010. The over all increase in the ratio during the period has been 0.06 and the annual average rate of increase has been 1.15 per cent. In the rural area the Gini concentration ratio for expenditure increased from 0.25 in 1991 to 0.27 in 2010 with an over all increase of 0.02 for the period and an average annual rate of increase of 0.40 per cent. The values of the Gini concentration ratio has been found to be higher in the urban areas while compared to the corresponding values in the rural areas. Further, the values of Gini concentration ratio for consumption expenditure have been found to be lower than the corresponding values of the Concentration ratio for income in all the years and in rural and urban areas. We can reasonably argue that the analysis provides convincing evidence that there is less inequality in consumption expenditure while compared to inequality in income.

Table 8. Consumption Expenditure Gini Index: 1991 to 2010

Year	National	Rural	Urban
1991-92	0.26	0.25	0.31
1995-96	0.31	0.27	0.37
2000	0.33	0.28	0.37
2005	0.33	0.28	0.36
2010	0.32	0.27	0.34
Change During 1991-2010	0.06	0.02	0.03
Annual rate of change 1988-2010 (Per cent)	1.15	0.40	0.48

Source and Note: BBS. Statistical Yearbook of Bangladesh. Several Years. HIES 2010 Report. Also other years.

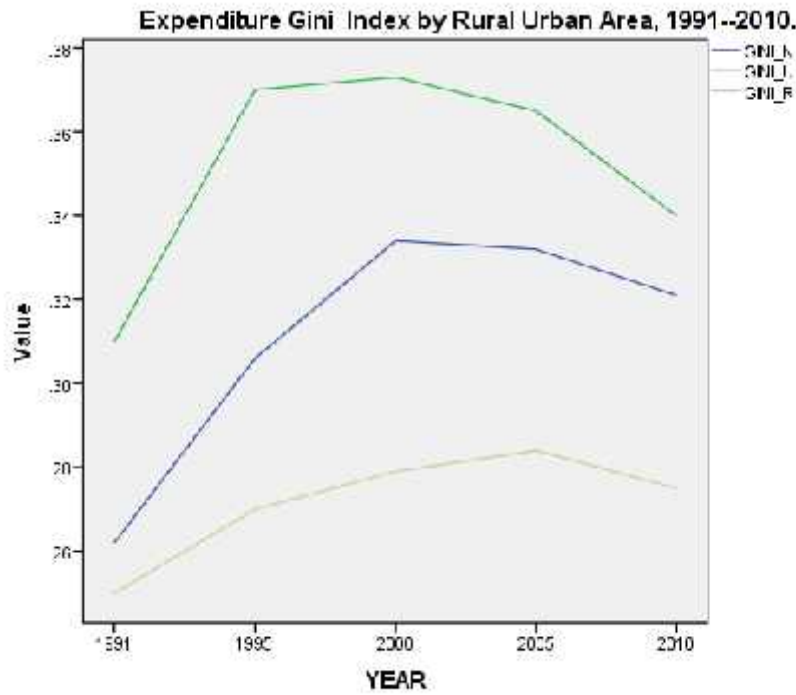


Figure 9.

Gini Concentration Ratio for Per capita Expenditure.

We have also information available for Gini coefficient on per capita expenditure for the period 1991-2010. The values of the Gini coefficient of per capita expenditure are similar to those obtained for household expenditure. The over all change during the period and the average annual rate of change are also shown in table 9. At the national level expenditure inequality as given by Gini coefficient has increased from .26 in 1991 to 0.32 in 2010. In the rural areas the Gini coefficient decreased from 0.25 in 1991 to 0.28 in 2010. In the urban area the value of the Gini coefficient of per capita expenditure increased from 0.31 in 1991 to 0.34 in 2010.

Table 9. Gini Index of Per Capita Expenditure

Year	National	Rural	Urban
1991-92	0.26	0.25	0.31
1995-96	0.31	0.27	0.37
2000	0.31	0.27	0.37
2005	0.33	0.28	0.36
2010	0.32	0.28	0.34
Change During 1991-2010	0.06	0.03	0.03
Annual rate of change 1988-2010 (Per cent)	1.15	0.60	0.48

Expenditure Share of bottom 40 per cent of households. 1988-2010.

The expenditure share(per cent) accruing to bottom 40% of the households is given in table 10 and Figure 10. It is the concern of the development partners to improve the well being of the poorer segment of the population. We see from the table that the expenditure share of the bottom 40% of the households decreased from 23.82 per cent in 1973/74 to 21.25 per cent in 2010. The over all decrease in expenditure share for the period has been 2.57 percentage point and the annual average rate of decrease has been - 0.49 per cent. The expenditure share of the bottom 40 per cent of households has shown some decrease in the 1990s but has started to increase 2000 onwards. Good news at long last for the development partners and policy makers for their advice and program inputs. Something to cheer!

Table 10 . Income Share (Per cent) Accruing to Bottom 40 per cent of Households : National 1973-2010

YEAR	Income Share (Per cent) Accruing to Bottom 40 per cent Households
1988-89	23.82
1991-92	23.95
1995-96	22.17
2000	20.66
2005	20.86
2010	21.25
Change during 1988-2010	-2.57
Average Annual rate of change(Per cent)	-0.49

Source:BBS. Author's computation.

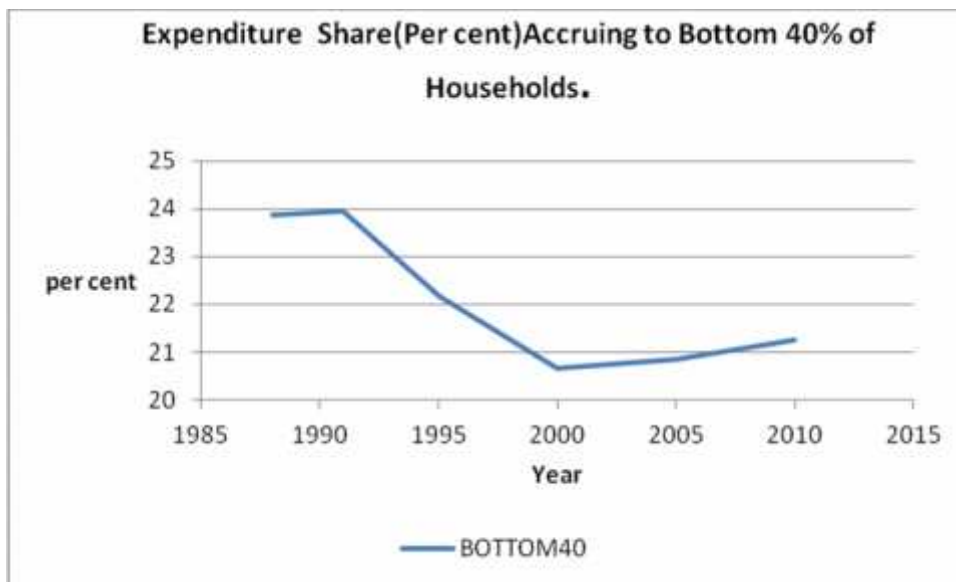


Figure 10.

MDGs Status of Bangladesh.

Table 11 gives Bangladesh Progress on Goal 1: Eradicate Extreme Poverty and Hunger.

Table 11. MDGs: Bangladesh Progress on Goal 1: Eradicate Extreme Poverty and Hunger

Goals, Targets and Indicators(revised)	Base year 1990/91	Current Status (source)	Target by 2015	Remarks
Target 1.A .Half Between 1990 and 2015, the proportion of people below poverty line				
1.1 Proportion of Population below \$1(PPP) per day%	70.2 (1992)	43.3 (WB, 2010)	35.1	Need attention
1.1a: Proportion of population below national upper poverty line (2,122 kcal), %	56.7 (1992)	31.5 (HIES 2010)	29.0	On track
1.2: Poverty Gap Ratio, %	17.0 (1992)	6.5 (HIES 2010)	8.0	Goal met
1.3 Share of poorest quintile in national Consumption, %	8.76 (2005)	8.85 (HIES2010)	-	-
1.3a Share of poorest quintile in national Income, %	6.52 (1992)	5.22 (HIES2010)	-	-

Source : MDG Progress Report 2012

Relationship Between inequality and Per Capita Income. Kuznets Curve.

Simon Kuznets(1955) on the basis of the study of historical data of the developed countries observed that the pattern of distribution of income within a country changes in a specific way as the country becomes richer. As it begins to grow from a low level of income, inequality first rises, and only after it has reached a certain level of affluence, that inequality begins to fall. Thus the diagram depicting the relationship of inequality and per capita income shall have an inverted U-shape.

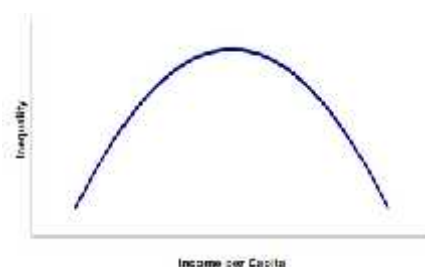


Figure 12: Kuznets Curve

So at the early stage of development both inequality and growth shall go together. In fashionable language the assertion is that “you must let the cake grow first before sharing it equally”. Subsequent

analyses based on more detailed data came up with mixed findings. Some supporting the proposition of Kuznets while others opposing it. Information on the data set available for the period 193/74 to 2010 is given in Table 12 and Figure 13. The increase in inequality(Gini concentration ratio for income) along with the rise in real per capita GNI (at base 1995/96) is evident from the graph. However there appears to be a start of the decline in Inequality from the per capita income level of Tk 20.5 thousand. But the million dollar question is –has Bangladesh reached that level of affluence where a decline in inequality is expected ?

Table 12 Real Per Capita GNI and Income .Gini Index : 1973 to 2010

Year	National	
	Per capita income (Thousand Tk)	Gini index
1973-74	9.9	0.36
1981-82	10.3	0.39
1983-84	10.8	0.36
1985-86	11.1	0.38
1988-89	11.7	0.38
1991-92	12.4	0.39
1995-96	13.9	0.43
2000	16.6	0.45
2005	20.5	0.47
2010	27.1	0.46

Source and Note: BBS. Statistical Yearbook of Bangladesh. Several Years. HIES 2010 Report. Also other years. Author’s computation.

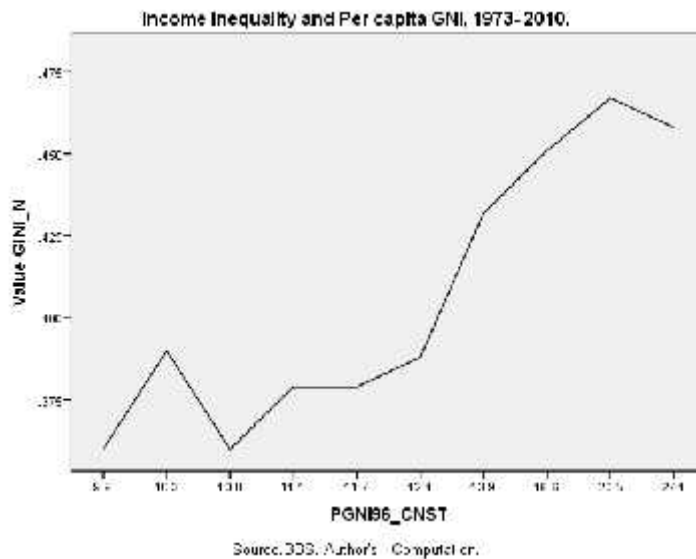


Figure 13.

Employment and Labour Market :

Due to age structure transformation of population presently Bangladesh is experiencing bulge in working age population. Studies (Matin, 2010, 2012) have shown that the population of the working age started to grow faster in comparison to general population starting from 1980 and it will continue up to 2040. This phenomenon is also known as period of demographic dividend.. This is a once in a life time phenomenon for any country and it is not revisited. In order to reap the benefit of demographic dividend Bangladesh has to invest more in employment generation. However, beyond the year 2040, the country will have more and more dependent population while compared to working age population. But we have lot of unemployed or underemployed working age population. In spite of adoption of several investment friendly policies for both local and foreign capital, the investment rate as per cent of GDP is quite stagnant in recent years. Consequently it hampers employment generation in the domestic market and also the growth rate.

Global inequality:

The Gini concentration for the world for the period 1960-2012 is given in Figure 14.

Gini Index World: 1960-2012.



www.inequality.org/income-inequality/charts

Figure 14.

Here I am citing some excerpts of the opinion expressed regarding contemporary situation on the rising trend of global inequality:

OXFAM(20.01.2014):An Oxfam report released on January 20, 2014 says: The aggregate wealth of the world's richest 85 individuals is now equivalent to that owned by half of the world's population, 3.5 billion of the poorest people. The wealth of the richest 1 per cent of the world population now amounts to \$110 trillion or 65 times the combined wealth of the bottom half of the world's population. In the past year, 210 individuals have 'enriched' themselves as billionaires, joining a group of 1,426 persons with a total net worth of \$5.4 trillion.

ESCAP 2014 : ECONOMIC SURVEY OF ASIA AND THE PACIFIC 2014.**Inequality hampering sustainability of growth.**

Inequality is another key socio-economic challenge for the region. There is a growing divide between the poor and the rich . At the national level, there has been an increase in income inequality (Gini coefficient) in many major economies in recent decades. For example, between the early 1990s and the late 2000s, the Gini coefficient increased from 32.4 to 42.1 in China; from 30.8 to 33.9 in India; and from 29.2 to 38.1 in Indonesia . Nevertheless, in some countries – for instance, Cambodia, Kyrgyzstan, Malaysia, Nepal, the Philippines, Thailand and Uzbekistan – it decreased. It is noteworthy, however, that the Gini coefficients for Malaysia (46.2) and the Philippines (43.0) remained among the highest in the region.

Furthermore, an analysis of the ultra-high net worth individuals (UHNWIs) in the region shows that persons with a net worth of \$30 million or more accounted for 30% of the region's income in 2012-2013.

..Widening income gaps across societies and within communities are the consequence of a series of factors, including weaker labour market institutions, inadequate social protection systems, poor-quality education, inadequate access to credit and land and excessive asset concentration .(UNESCAP, 2014. Survey 2014). Pp25

OECD. 2014. Growth and Inequality. A Close Relationship.:Inequality has risen in the OECD area. Could policies aimed solely at growth be responsible? Can inequality undermine economic growth? New evidence suggests there is a possibility. Income inequality has widened in most OECD member countries during the past two or three decades. These trends are well documented . According to a traditional measure of inequality, the Gini coefficient, income inequality rose by 10% from the mid-1980s to the late 2000s, while the ratio of top income decile to bottom income decile reached its highest level in 30 years. However, between countries the rise in income inequality has been far from uniform, and a decline has even been observed in some countries. From the mid-90s until the late 2000s, the OECD area experienced a sort of "inequality convergence", as inequality increased in countries such as Sweden, Denmark and Finland, but fell in countries such as Turkey, Mexico and Chile.

Global income equality now back at 1820s levels: OECD:PARIS, Oct 3 (AFP): The gap between the haves and the have-nots globally is now at the same level as in the 1820s, the OECD said Thursday, warning it was one of the most "worrying" developments over the past 200 years. In a major report on global well-being over the past two centuries, the Organisation for Economic Cooperation and Development noted inequality shot up after globalisation took root in the 1980s. Researchers studied income levels in 25 countries, charted them back in time to 1820 and then collated them as if the world were a single country. The results showed that income inequality dropped sharply in the middle of the 20th century -- which the OECD put down to what it called an "egalitarian revolution", notably with the

rise of Communism in Eastern Europe -- but then spiked more recently. By 2000, global levels of income inequality were at the same levels as in 1820, according to the report.

: ADB(05.03.2014) **Inequality impedes growth prospect in Asia:**An Asian Development Bank (ADB) study report has said persistent inequality can impede growth prospect and sustainability in the Asian nations."Concerns over rising inequality, the environmental costs of the current pattern of economic growth, and the dangers of climate change are at the forefront of the emerging issues that are shaping a new development path for the region," said the study report titled 'Inclusion, Resilience, Change: ADB's Strategy 2020 at Mid-Term'. Income inequality is widening in the 12 countries that make up 80 per cent of the region's population, which in turn is weakening the impact of growth on reducing poverty and could threaten social cohesion, the ADB report said.

Professor M. Yunus. Nobel Peace Laureate . (Financial Express/ The daily Star/Dhaka 18-19 November, 2014):

Redesigning economics to redesign the world .

“The present version of capitalism will never deliver equitable distribution of income. A system that is built as a sucking machine cannot bring equitable distribution. It was never put in its DNA. In today's world, 85 individuals own more wealth than all those in the bottom half. Top half population of the world own 99 per cent the wealth of the world, leaving only 1.0 per cent for the bottom half. It may get worse because technology will remain under the control of the people at the top.”

FINANCIAL EXPRESS/Dhaka 14.08.2014):**Top 5 richest Indians have half of nation's billionaires' wealth**

NEW DELHI, Aug 13: The top five Indian billionaires led by Reliance Industries Chairman Mukesh Ambani collectively control \$85.5 billion (about Rs 5,23,897 crore) in personal wealth, accounting for nearly half of the country's total billionaire wealth, a new study said today. According to the analysis by wealth research firm Wealth-X of India's richest individuals, Mukesh Ambani remains the richest man in the country with an estimated net worth of \$24.4 billion (about Rs 1,49,474 crore).

The Daily Star/Dhaka ,The Guardian Online /London (15.10.2014):

World's richest 1% own nearly half of global wealth

The richest 1% of the world's population are getting wealthier, owning more than 48% of global wealth, according to a report published yesterday which warned growing inequality could be a trigger for recession. According to the Credit Suisse global wealth report, a person needs just \$3,650 – including the value of equity in their home – to be among the wealthiest half of world citizens. However, more than \$77,000 is required to be a member of the top 10% of global wealth holders, and \$798,000 to belong to the top 1%. “Taken together, the bottom half of the global population own less than 1% of total wealth. In sharp contrast, the richest decile hold 87% of the world's wealth, and the top percentile alone account for 48.2% of global assets,”

Ban Ki-Moon . Secretary General on World Day of Social Justice(20.02.2014).

As we mark World Day of Social Justice, we see far too many places where there are increasing opportunities for a few and only rising inequality for the many. Growing inequality undermines the international community's progress in lifting millions out of poverty and building a more just world. The fault lines are visible in falling wages for women and young people and limited access to education, health services and decent jobs. We must strengthen and build institutions and develop policies that promote inclusive development.

Jim Yong Kim. President World Bank / Financial Express/Dhaka 20 OCT 2014:

Shared prosperity: A goal to reduce inequality Jim Yong Kim

We at the World Bank Group have two goals: ending extreme poverty by 2030, and boosting what we call "shared prosperity" among the poorest 40 per cent in developing countries. Boosting shared prosperity means working to ensure that the growth of the global economy will improve the lives of all members of society, not only a fortunate few. It means raising the income of the lowest 40 per cent of earners in developing countries, and improving their access to life's essentials, including food, shelter, health care, education and jobs.

World Economic Forum.(November 7, 2014)Joblessness, inequality top global concerns in 2015

Unemployment and rising income inequality will top concerns for global leaders in 2015, said a study of the World Economic Forum (WEF). The organisation, which each year gathers the global elite in the plush Swiss ski resort of Davos, has drawn up a list of the top 10 issues likely to preoccupy leaders over the coming 12 to 18 months. Rising income inequality tops the list, which is based on surveys of 1,800 experts, including former US vice president Al Gore and former British prime minister Gordon Brown. "As the world's rich continue to accumulate wealth at record rates, the middle class is struggling," Gore said in the report. "The inherent dangers of neglecting inequality are obvious," warned another expert, Amina Mohammed, who is a special advisor to UN chief Ban Ki-moon on post-2015 planning. "People, especially young people, excluded from the mainstream end up feeling disenfranchised and become easy fodder for conflict," she said, cautioning that this "undermines our democracies and cripples our hopes for sustainable development and peaceful societies."

Conclusion:

How to address inequality:

The major problem involved is to regard growing inequality as an issue. Policies should be adopted in such a way that income of the lower 90 per cent of the households increases at faster rate than the rate of increase of income of the top 10% of the households. Some steps should be taken as redistribution of income and wealth in favour of the poor where possible such as safety net programs. It has to be supported by strong political commitment and leadership. The policy instruments are available in abundance. Some of them are mentioned below.

According to UNESCAP Surveys, the important observations are “Widening income gaps across societies and within communities are the consequence of a series of factors, including weaker labour market institutions, inadequate social protection systems, poor-quality education, inadequate access to credit and land and excessive asset concentration”(ESCAP, 2014).

Husain and Zutt(2014) observed that the combined effect of ongoing demographic transition and the growing labour force participation of women are increasing the size and share of working population. Providing quality jobs to the new entrants and increasing productivity of the employed population in agriculture and services are major challenges. Accelerated economic growth is a pre condition for meeting these challenges. This requires macroeconomic stability, efficient investments in human and physical capital including infrastructure, better and efficient regulation, and well functioning financial institutions. At the same time focused attention is needed on three key elements of economic policy to make economic growth inclusive and sustainable within and across generations: greater investment in building human capital of the poor, prudent use of safety nets, and policies to make growth greener.

The 6th FYP regarding the issue of addressing inequality says

“Nevertheless, the growing income inequality is of major concern to the Government. The SFYP will seek to address the income inequality problem through a range of measures including creating better access to high productivity, high income jobs; improving farm productivity and incomes; sharpening the focus on equity aspects of public spending on education, health, family planning; nutrition and water supply; reducing the regional disparity of growth; and improving the access of the poor to means of production (fertilizer, seeds, water, electricity and rural roads); and by improving the access of the poor to institutional finance.”(Planning Commission, 2011)

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