



THE IFSPD PRESIDENTIAL FELLOWSHIP 2022

**Impact of Human Capital
on Bangladesh's
Economic Growth**



ABOUT IFSPD:

IFSPD is an international non-governmental non-profit organization, established in 2009 by the initiative of distinguished intellectuals, scientific and public figures, diplomats, representatives of influential non-governmental organizations from across the world.

IFSPD represents a civil society initiative for launching common actions and strengthening peace, dialogue, harmony and cooperation between the countries of the wider Black Sea – Caspian Sea region in the field of enhancing democratic process, consolidation of civil society, economic development, environment, science, education, innovative technology, cultural diversity, tolerance and dialogue among civilizations.

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IFSPD Presidential Fellows - an internship program for exceptional youth across the world - to drive projects that would promote peace, sustainability, and development.

To reinvigorate the youth & reinforce positivity in the world, we assembled together a handful of the best-talented youth from across the world.

During the course of a few months, these youth have been implementing projects of critical importance to help rebuild our world - under the umbrella of our esteemed foundation IFSPD.

We are happy to release the regular IFSPD project report - done by Faisal Al Islam - an undergraduate student of Economics, with the project "Economic Growth and Human Capital."

I am sure you would find this report insightful, and keep our flag flying as we strive to build a Greater IFSPD.

Best Wishes,



Impact of Human Capital on Bangladesh's Economic Growth





Author

Faisal Al Islam is an undergraduate student of Economics who is motivated, detail-oriented, and task-focused. Besides academics, he is also the Research and Operation Lead of Microsoft Community. He will soon become an Econ graduate (2023), emphasizing the importance of development and social issues.





About Project

I have been putting in a lot of effort over the period of the past month (August 2022) to identify trends relating to Economic Growth and Human Capital.

My project title was "Economic Growth and Human Capital."

The target group of people consists of 30 to 50 people.

Area: Dhaka City (North & South), Bangladesh

Primary Field Visit:

1. "To gain Insights into Economic Growth and Human capital"

2." Creation of Awareness Among People to Know the Essentialness of Human Capital"

As part of that effort, I went to a few different areas that were considered to be slums in order to raise awareness about the need for education and other aspects of human capital building among low-income people. The significance of human capital to the expansion of the economy is going to be the primary focus of my work on this project.

I have made an effort to persuade individuals by providing them with adequate explanations and examples. As a result of my field research in four different slum areas, I discovered that the residents there, do not understand the significance of human capital for themselves too.

Therefore, on a more local level, I make people aware of it since it contributes to sustainability for themselves, their neighborhood, and also our nation as a whole.

<https://lnkd.in/g7whsZW9>



Project

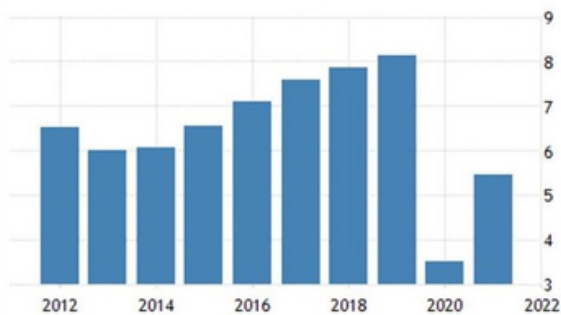
Impact of Human Capital on Bangladesh's Economic Growth

The significant contribution of people's skills, knowledge, or values, is commonly known as human capital. Economic growth focuses on smartness, sustainability, and inclusiveness which cannot be achieved without human capital. That's why economic growth and human capital are interrelated. Bangladesh is a lower-middle developing country with higher development prospects. To achieve a country's development effective policies like mass education, training system, labor skill is a must. As Bangladesh has a huge population the policies taken till now were more focused on quantity rather than quality. It's time we focused on policies that ensures a quality labor force.

The war-torn nation of Bangladesh was among the world's poorest after gaining independence. The economy of the recently independent, war-torn nation had numerous obstacles to expansion. The privatization of state-owned businesses began in the 1980s. Since 2000, Bangladesh's GDP has grown at a pace of 5%. Other measures of the nation's economic growth also showed a discernible improvement. 49% of Bangladesh's population lives below the poverty line in 2000, according to the Bangladesh Bureau of Statistics. Bangladesh's GDP was 102.4 billion dollars in 2009; by 2014, it had grown to 172.9 billion dollars. In addition, from 2015 to 2019, Bangladesh's GDP increased at an annual rate of 6 to 8 percent. Prior to the epidemic, in 2019, Bangladesh's GDP grew by 8.2%. Bangladesh was one among the nations whose economy recovered rather fast from the Covid-19 pandemic.



The revised GDP growth target in the most recent budget for the 2020–21 fiscal year is 6.2%. According to the Bangladesh Bureau of Statistics, Bangladesh has over 170 million people, with a median age of 28 and a population under the age of 35 of 62%. Women are now making up a larger portion of the labor force in the nation. In 2020, Bangladesh will have a total labor force of about 67 million people, 36.4% of whom will be women, according to the World Bank. According to a different Asian Development Bank report, Bangladesh's poverty rate was 24.3% in 2016 but dropped to 20.5% by 2019.



In other words, over the past 10 years, the number of people in the middle class has climbed while the country's poverty rate has dramatically reduced. The Business Standard said that more than 37 million Bangladeshis, or around 22% of the overall population, are currently classified as middle class. The country's overall consumption is rising due to the rapidly expanding middle and wealthy classes, which is simultaneously growing the size of the economy. All of these have sped up global GDP expansion and helped Bangladesh transition from Least Developed Countries to developing countries in the near future.

Human resource development is one of the most integral parts of the development agenda.

In order to develop efficient and capable human resources, various programs in areas such as education and technology. Health and family welfare; women and children; social care; youth and sports development; culture and labor and employment have been implemented by the government. In order to turn the population into a human resource, the country's people must be educated and trained through proper knowledge. They must be enlightened in the light of education. Especially in technical education, the population must be developed in a qualified manner. In any country in the world, the more people have access to education, the more human resources they can develop. Moreover, an educated population is a national asset. Because educated people know their rights, duties, and responsibilities. An educated nation brings prosperity to the nation and to the nation as a whole. Even if the population of the country is large, there is no problem if the population is skilled or can be trained as skilled. Bangladesh believed in this. So, Bangladesh is focusing on growing its population as efficiently as possible. Through this, Bangladesh is turning its huge population into human capital. Political stability and infrastructure development are boosting foreign direct investment in the country. Global companies such as Uber, Food Panda, Alibaba, and Amazon have also expanded their operations in Bangladesh in recent years. According to Bangladesh Bank sources, Bangladesh has received an average of \$3.61 billion in foreign direct investment annually over the past decade, and this year alone he has added \$3.89 billion. The power and energy sector received the most FDI this year. Investments in the banking, telecommunications, textiles, food, and clothing industries are also growing.



The country's emerging industries have become another venue for international investment. Hence, it is creating more job facilities for youth. Since young people are mainly engaged in such jobs, our main responsibility is to create a safe working environment for them, such as safe roads, good traffic systems, and good transportation also must be provided to them. So, let them be encouraged and come and participate in these deals without hesitation. A large part of our population is women. And it is almost a challenge for our government to integrate that part of the human capital. Bangladesh's garment sector is a prime example of women's empowerment. Through this sector, Bangladesh not only contributes to our export sector but also fulfills our domestic needs. For this, we have to ensure the safety of garment workers and ensure fair wages for them because Bangladesh lacks the perspective to guarantee these two things. Bangladesh is playing a role to create opportunities to send its people for vocational training and to send them abroad so that they can play a big role in remittance. But the problem is that it only sends its workforce to third or fourth-grade jobs. As such, the amount of money they earn is relatively small. If Bangladesh can highly educate its people and improve their skills, they can participate in first or second-level work and can go a long way toward earning a relatively higher amount of remittances. After the corona pandemic, the number of foreign workers decreased a lot because they lost their jobs due to the pandemic.

Now it's our duty to get them involved in the jobs so that our economy doesn't collapse. Most parts of Bangladesh are villages. And the use of handmade materials is very common there. At present, it has also attracted the overseas market. They are very interested in these products. These products include ceramics, embroidered blankets, mats, bamboo and rattan products, handmade ornaments, jute, bronze, and metalwork. For this reason, local investors are also showing interest in investing in our cottage industries which results in scope for our large population as a source of income. Besides it's not just about making money, it's about accessing our local products to foreigners, through which we can build our brand all over the world. That is why we need to create appropriate market values for these goods and create incentives for our workers so that they are incentivized to do the work and create a profession out of it.

In this brief discussion,

It is impossible to make more than allusions to some Empirical studies that have noted the vital importance of and the diverse role of human capital formation in individual, national and global economic development. I think it's fair to conclude that although a significant level of human capital may not be a prerequisite for accelerating economic growth at a certain time and at a certain place, simultaneous development and the spillover of human capital seems necessary to ensure sustainable economic development.



Economic and educational progress means population explosion in the past two centuries should not be considered a cause of poverty. Opposite, they are part of economic growth. It's just that we need to change our mindsets about the importance of having a large population. We cannot forget that having a large population means having a large human resource. And our humans are strong enough to develop any skill and work on it. It's just that the government needs to give them scope and support to help them develop their skills and find their own field of work. If we can work step by step in this way, we can certainly create a model in the world by converting our human resources into human capital that can play an important role in the economic growth of Bangladesh.

Economic Growth and Human Capital: Global Perspective

A rise in the number of products and services that are produced inside a nation is what is meant when speaking of economic growth. Metrics such as Gross Domestic Product (GDP) are frequently utilized as economic growth indicators since they assess the value of the products being produced as opposed to simply the quantity of those things. Usually, improvements in aggregate production coincide with increases in marginal productivity from each resident. This, in turn, leads to increases in average incomes, greater consumer expenditure, and an enhanced standard of life.

Economic growth is important because these countries stand to gain from economies of scale,

reduced research expenses, and knowledge spillovers as a result of globalization's effect on expanding the size of existing markets. In addition to this, capital in OICs is increased because they offer a larger return on investment.

Four basic strategies can be utilized in an economy to increase productivity as-

Enhancing "human capital," often known as the amount of expertise and specialization possessed by employees.

Technological advancements have led to increased levels of productivity.

Boosting both the number and quality of the available tools and resources is also referred to as "capital goods" or "physical capital."

Increasing the total number of people that are employed while there is a possibility that overall output may increase, there is also the possibility that an increase in population will have the reverse effect on the standard of living of the residents.

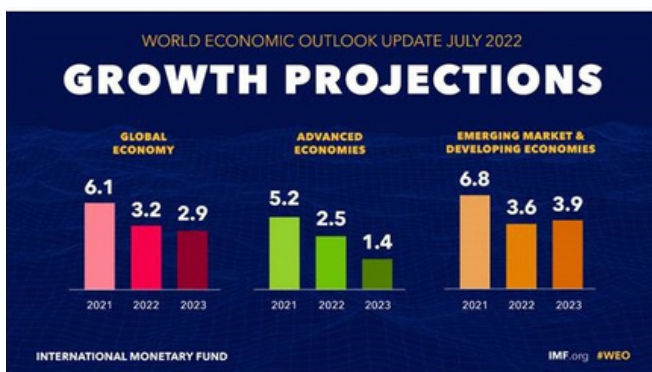
The Industrial Revolution is a historically noteworthy example of improvements to all four variables for production. Each of these components is what contributes to economic progress; hence the Industrial Revolution is a particularly relevant example. Workers in factories have been retrained to perform positions that need greater levels of expertise and specialization as a direct result of the rise of automated assembly.



Skilled labor and improved technology led to an increase in the number of available capital goods, which in turn led to an increase in production. This, in turn, helped stop periodic famines, which contributed to an increase in population.

Education is the social and economic empowerment, improvements in the education and abilities of the working force, advancements in technology, increasing utility of tools, and a larger workforce are the four elements that drive economic growth. And economic expansion results in the creation of new job openings and as a result, increased demand for labor, which is the primary and, in many cases, the only asset that the poor own. Increasing employment has, in turn, been an essential component in providing stronger growth.

World economic growth outlook:



Human capital is defined as the monetary worth of a person's knowledge and abilities in the workplace. Capital in human resources consists of factors like a person's ability to learn and retain information, as well as their health, physical fitness, and other intangible qualities that are highly valued by employers.

The Human Capital Project is an international initiative to increase the number and quality of investments in people to improve economic growth and equity. The term "human capital" refers to any human quality or value that can contribute to an increase in economic output and productivity. Skills in communication, education, technology, creativity, experience, problem-solving, mental health, and personal resilience are all examples of human capital. The various forms that human capital might take that is knowledge capital, social capital, and emotional capital are the three subcategories that are distinguishable forms of human capital.

To summarize, human capital plays an essential role in the development of individuals, enhancing life and income, expanding knowledge, skill, and product capacity, as well as contributing to economic growth and eliminating poverty.

The economy on a global scale is impacted by human capital. The accumulation of human capital, when viewed from the perspective of the macroeconomy, results in an improvement in labor productivity, the facilitation of technological innovations, an increase in returns on capital, and a more sustainable growth pattern, all of which support the effort to reduce poverty.

It is commonly believed that an organization is only as good as its people, starting from the top down. This is one reason why human capital is considered to be of such vital importance to a business.



In most companies, this responsibility falls under the purview of the human resources (HR) department, which is also in charge of staff acquisition, management, and optimization. Among its other directions are those concerning workforce planning and strategy, recruitment, employee training and development, reporting and analytics, and employee evaluations.

The idea of human capital acknowledges that different types of labor each have their unique value. However, by making investments in their staff, businesses can improve the overall quality of the capital they have available. This can be accomplished by increasing the employees' levels of education, experience, and ability. All of this has significant economic worth, not only for the companies that employ people but also for the economy as a whole.

These investments in human capital are simple to calculate because human capital is predicated on the employee's ability to gain new skills and knowledge through educational opportunities. Managers of human resources can compute the total profits both before and after any investments have been made. To get the return on investment (ROI) of human capital, simply divide the total profits of the company by the total amount it has invested in human capital. This will give you the ROI.

Human capital management market size in the global report – Human Capital Management Market Size Global Report, 2022-2030

Human capital management market size (Polaris Market Research Analysis)



There is a strong connection between investments in human capital and increased economic growth. The expansion of people's knowledge and abilities can help an economy grow, which is one of the ways that human capital contributes to economic development. In economic terms, "human capital" refers to the knowledge, skill sets, and experience that workers in an economy possess. As before said the economy can benefit from increased human capital because of the tight correlation between the two. It's because everyone brings their own unique set of experiences and insights to the table. The level of financial commitment to public schooling is one indicator of this connection.

Some governments, realizing the importance of investing in their citizens as a source of economic growth, make higher education accessible at low or no cost to their citizens. Greater-educated workers typically earn higher wages, giving them more discretionary income.



Growth in human capital is positively correlated with economic expansion, yet causality between the two is difficult to pin down.

However, the following relationship can be seen between the production of human capital and economic expansion:

Human capital boosts the productivity of physical capital since experts and trained individuals are better able to operate machinery and other expensive tools and methods than those with less experience. Because of this elevated level of output, the economy has expanded.

Creativity and originality: Human capital helps bring about new ways of making things, which in turn boosts GDP and thus the economy's growth rate.

Human capital building results in a greater percentage of the population being gainfully employed, which contributes to increased rates of participation and equality. Growing employment levels tend to lead to greater output. Income and thus wealth inequality are both positively impacted by an increase in work opportunities.

Increases Workforce Participation and GDP Growth Because the process of human capital building introduces a new, optimistic perspective to society, it boosts the number of people actively engaged in the labor force.

In a nutshell:

Human capital is important because it affects economic growth and can aid in economic development by increasing a population's level of education and ability. The need for skilled workers is proportional to economic growth, which in turn is driven by consumer spending and investment.

<https://infonyics.wordpress.com/2022/09/07/produced-for-ifspd-presidential-fellowship>

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https://www.linkedin.com/posts/faisal-al-islam-2167741a7-ifspd-ifspd-greatereffort-activity-6973285936080052225-Pmys?utm_source=share&utm_medium=member_desktop

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