

# Fiscal Policy and Hartal in South-East Asian Countries: A Case Study on Bangladesh from 2013 to 2014

Md. Saiful Islam

Department of Public Administration, Jahangirnagar University, Dhaka-1342, Bangladesh

## Abstract

The Research gives the grievous effect on different parts of Fiscal policy that is affected by Hartal. As a result if the situation becomes entangled in a certain stage the wheel of the entire economy are bound to be halted abruptly and the country's economy will be destroyed. For this reason it is essential for our politician to search an alternate of Hartal. The research also provides information about financial losses in Hartal days in Bangladesh. The Research identifies a disappointing fact that Hartal imposes a large cost on the economy. The study is to identify the measure areas where basically Hartal affects negatively. Also it attempts to explore the negative impacts on GDP and revenue collection. Based on the findings, a number of suggestive policy measures that the planners and implementers may consider for the future development of political situation in developing countries of South-east Asia are embedded in the end of the Research.

**Keywords:** Fiscal, Policy, Hartal, Election Period, Economy, Education, Government and People.

## 1. Introduction

In South-east Asian countries, people are familiar with the word 'Hartal' before demanding public needs, solving social problems and any kind of political issue. Fiscal policy is very much related to the Public Finance in the Macroeconomics. Fiscal policy means the process by which government's expenditures, tax rates and budgets would be monitored the national economy. The term "Hartal" basically comes from Gujarati language. "Hat" means market and "tal" means tala or lock, which referred to locked market or bazaar "bondh." Hartal was first used during the Indian Independence Movement. It is a way of mass protest often involves a total shutdown of workplaces, offices, shops, courts of law with the object of realizing a demand. (CPD, 2013). Now it is also related to the politics of Bangladesh, specially in the election year. Hartal is one of the prime factors of influencing Fiscal Policy. Fiscal policy is basically related to collecting the revenue and expenditure of Government in order to regulate the total level of economic activity in a country. The phenomenon of Hartal is continuous with persistent regularity now in Bangladesh. It creates violence everywhere at present days in Bangladesh. From the 2013 (before election) to 2014 (after election), Hartal was regular affairs in Bangladesh. The Study identifies a disappointing fact that Hartal imposes a large cost on the economy. Also it attempts to explore the negative impacts on GDP and revenue collection.

## 2. Theoretical framework and Literature Review

Human being is very much related to economy. Without economy people cannot live in a society or a state. So there need to be an economic policy to lead human's society. There are two types of economic policy: Monetary policy and Fiscal policy. Fiscal policy is the process by which a government adjusts spending and monitoring tax rates and nation's economy. Fiscal policy is also related to public finance. On the other hand, Hartal means the act of suspending tasks and closing all kinds of shops, educational institutions and official activities. But this term is always used in political protest. So this is very much related to democracy like Bangladesh. But Fiscal policy is influenced by Hartal in developing countries like Bangladesh. Hartal has become the major issue to influence the Fiscal policy in Bangladesh. There is no direct research works in this topic. But partially there some books, journals and newspapers which could related this study- The Economy: Looking back and moving forward –Dr Fahmida Khatun. The study identifies that the economy of Bangladesh is moving slowly and back very fast because of political unrest in our country basically Hartal, killing people, destroying industries and habitats and also corruption. Press Reports and Editorials on "Analytical Review of Bangladesh's Macroeconomic Performance in FY2013-14 (Second Reading)" by CPD. Another is Political Violence causes Tk49, 000cr loss: CPD. The Report analysis about the following: The losses due to recent Hartal and blockades in four sectors would be Tk49, 018 crore, which is 4.7% of the GDP of the last fiscal, says an independent estimate released in January 2014. Considering the losses, the Gross Domestic Product is apprehended to moderate at a range between 5.6% and 5.8% this fiscal year. The damages in terms of money were calculated taking into consideration 55 Hartal and blockades enforced between July 2013 and January 2014 – before and after the general election held on January 5. The land transport (rail and road) sector incurred losses of Tk16, 689 crore, highest among the four sectors as estimated by Center for Policy Dialogue (CPD). It was followed by agriculture and agro-based industries that faced losses of Tk15, 829 crore, clothing and textiles Tk13, 750 crore and tourism Tk2, 750 crore. Hartal: A Violent Challenge to the Socio-Economic Development of Bangladesh by Mallika Roy, Faria Hossain Borsha. The Research identifies a disappointing fact that Hartal imposes a large cost

on the economy. Also it attempts to explore the negative impacts on GDP and revenue collection. Based on the findings, a number of suggestive policy measures that the planners and implementers may consider for the future development of political situation in Bangladesh. “Economic development of Bangladesh-Problems and Solutions” by Kazi Siam Ahmed (Helsinki 2011). In this study he analyzes that Bangladesh is an Agro-driven economic country. But under some political problems and poverty Bangladesh is still in developing country. Because fiscal policy, here is influencing by these factors continuously.

### **3. Methodology of the Research**

The Hypothesis of this Research as ‘Government Steps against Hartal by Police, Army and Mobile court are not much effective that affect Fiscal policy, but If government can take effective steps against Hartal by saving Fiscal Policy, it would be more flexible in South-East Asian developing countries like Bangladesh’. The prime objective of this research is to identify the real impact of Hartal in South-East Asian countries by analysis the real scenery of Bangladesh. The Following objectives are specific in the context of research. **Firstly**, the study finds out the impact of the Hartal in Fiscal Policy of Bangladesh. Secondly, the study also examines the culprits, agents or organizations, responsible for Hartal of influencing Fiscal Policy in Bangladesh. Thirdly, it is also to analyze the existing initiatives of government against Hartal to run Fiscal Policy. Fourthly, it is the core point to discuss how Fiscal Policy is influenced by Hartal in Bangladesh, specially the last national election period in Bangladesh. And finally, it provides and suggests how the Fiscal Policy can be protected in the painful Hartal. The collected data are two types of sources. The primary data gathered from different government’s agencies like-Police department, Agents of FBCCI and General people by formal and informal interviews and questionnaire survey. The Secondary Data gathered from newspapers, journals, books and publications of different organizations and countries by different scholars. The gathered data are presented by Statistical Package for Social Sciences (SPSS), and MS-word program.

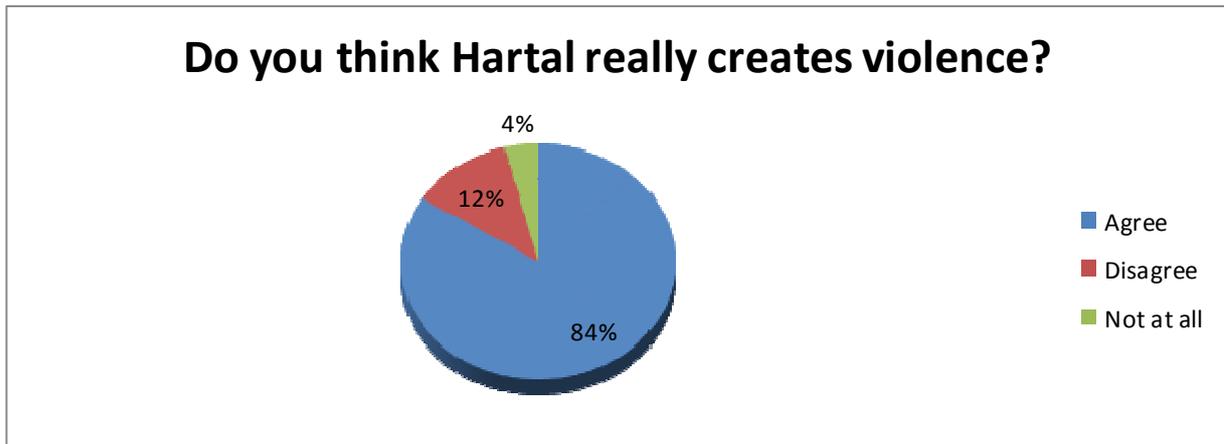
### **4. Fiscal Policy and Hartal: Findings and Implications**

In Bangladesh, Hartal is a regular affair in all Parliamentary polls (before election period and after election period). In last of the year of 2013, The Awami-league Government wanted to do ‘one-sided’ parliamentary polls on January 5, 2014. As a result, the countrywide non-stop blockade, called by the BNP-led 18 party alliance as its last- ditch ability to protect the January 5 ‘one- sided’ Parliamentary Polls, began at 6 am, and then created the Hartal violence from that day. It destroyed our unlimited amount of economy as well as human beings on those days. But there were Tk49, 000cr loss by the political violence as well as Hartal (CPD, FY 2013-14). So, Hartal is an influencing factor of Fiscal Policy in Bangladesh now. The study gives an ultimate result about economic condition in Bangladesh on Hartal days. In most of the case, Individual economic condition and fiscal policy are negatively influenced by Hartal. Respondents were first asked to give their general view on the degree of impact on economy, education and society in general. The variety of responses recorded on during the survey indicated that Hartal affect all sections of society. Some of the main impacts cited were: creating violence, financial losses, hampering business activities, education, damage to vehicles and buildings, and most important one is fiscal policy of a country. These are presented below with collected information based on the survey from the rural and urban areas in Bangladesh.

#### **Hartal creates violence:**

One of the questions was asked to the general people that you know the last national election period, there were many Hartal days which created violence, hampered ours economy and died many people. Do you think Hartal really creates violence? The following figure (Figure-1) is presented for better understanding.

Figure-1: Impact of Hartal in creating violence of South-East Asia surveyed on general people in Bangladesh.



Source: Authors calculation from the collected information in rural and urban areas in Bangladesh.

There were 150 respondents from general people both in urban and rural areas in Bangladesh. In respondents, 84% of people agreed and 12% of people disagreed with the statement and rest of them 4% thought not at all. So, Hartal really creates violence in Bangladesh.

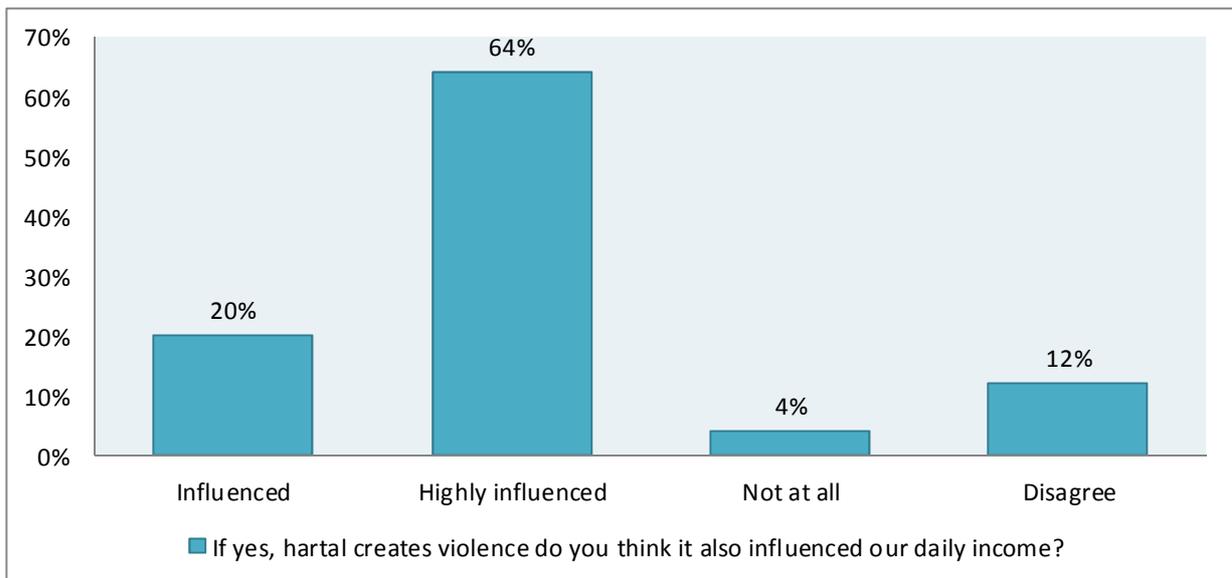
**Impact on Education:**

Nearly all (99%) of respondents felt that Hartals had a very or somewhat negative impact on education. They mentioned that Hartals prevent student from attending classes and examinations, creating increased pressures on them later in their studies and exams time. Some of them view that Hartals delayed education, which can have serve long-term effects on younger peoples' future prospects.

**Damage Daily Income:**

If Hartal really creates violence, the question was asked to the respondents that do you think Hartal influenced our daily income as well as fiscal policy in the last election period. Among of them 20% said influenced, 64% said highly influenced, 4% said not at all and rest of the respondents 12% was disagree with this statement. So, it is not only creating violence, but also influencing our daily income. The collected information is presented below (Figure-2) for analyzing the study.

Figure-2: Impact of Hartal in daily income surveyed on general people in Bangladesh.



Source: Authors calculation from the collected information in rural and urban areas in Bangladesh.

**Worse Business-Industries Condition:**

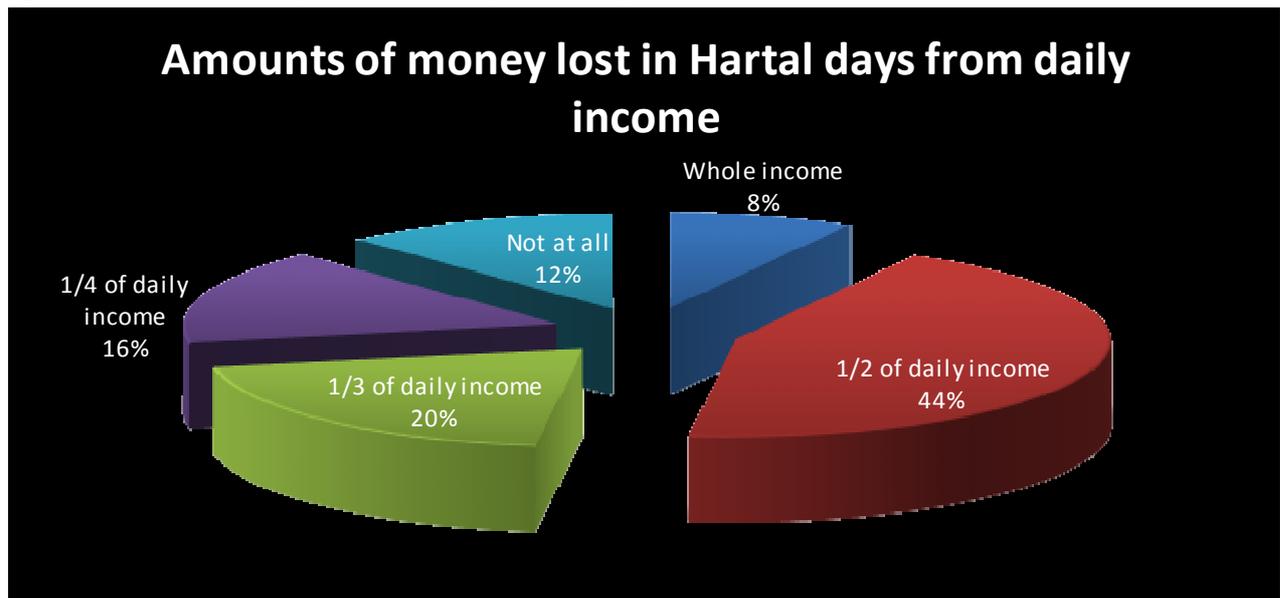
One of the questions was asked to the respondents that in the last election period, there were many Hartal days which created violence, especially in economic destruction. What was the condition of business- industries like Ready-made Garments, poultry farms, and other small businesses? Respondents were the president of two big business organizations of Business- industries in Bangladesh. They said that there were absolutely 100% very

bad conditions. They also said, ‘if this situation runs continuously, International market will be restricted for Bangladesh’. Further, they added that many foreign investors are not interested to invest in our business-industries.

#### Amounts of financial losses from Peoples’ Daily Income:

Respondents were asked to the question that if influenced Daily Income, what amounts of money you lost in daily income (last election period), especially in Hartal days? Respondents said that they lost in daily income as the amounts of whole income 8%, 1/2 of daily income 44%, 1/3 of daily income 20%, 1/4 of daily income 16%, and not at all in loss 12%. So Hartal destroys our daily income. The collected data are presented in the following figure (Figure-3) in details.

Figure-3: Amounts of money lost in Hartal days from daily income.



Source: Authors calculation from the collected information in rural and urban areas in Bangladesh.

One of the respondents who has a poultry farm said, for example, ‘my daily income was more than TK. 10,000 now it is dramatically reduced by less than TK. 2,000 only. In sum up, Hartal is not only created violence in South-East Asian countries like Bangladesh, but also destroyed people’s daily income largely.

#### Fiscal Policy is influenced by Hartal:

The vital one asked to the all types of respondents that Hartal creates violence which destroys our daily income, hampered human lives & habitants as well as our National income. So, do you think/ are you agree with the statement “Fiscal Policy is influenced by Hartal”?

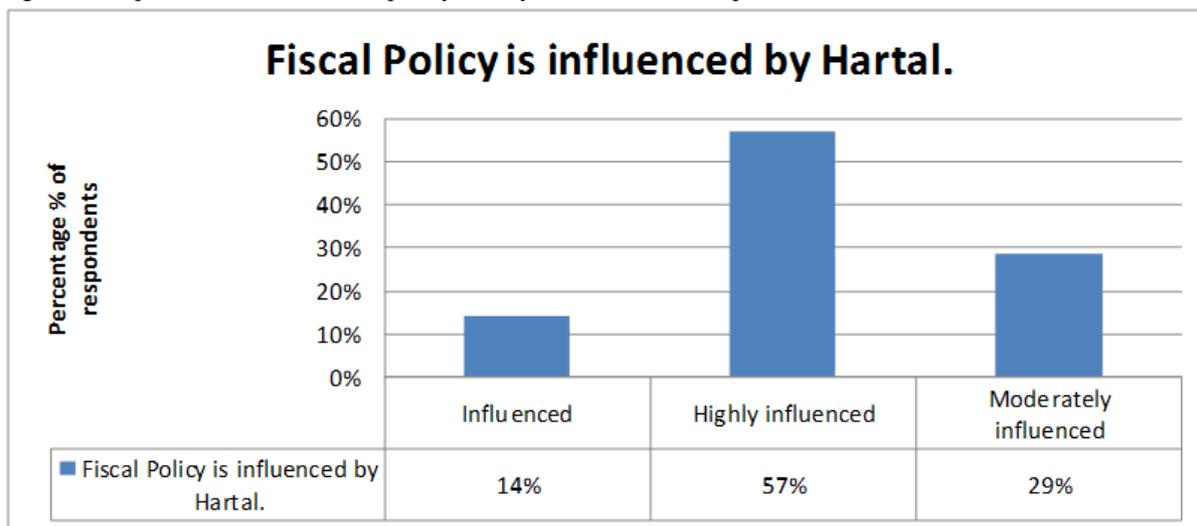
#### A. Feedback from Agents (FBCCI):

Unquestionably, respondents were 100% agree with the statement “Fiscal Policy is influenced by Hartal”. They also added that government and opposition parties should concern about this national problem. If this situation runs continuously, country will face a hazard in the world economy.

#### B. Feedback from Members of Police & Mobile Courts

There were 35 government’s officials from members of police and mobile courts in Bangladesh. The question asked to them that do you think ‘Fiscal policy is influenced by Hartal’. Respondents were given their feedback as influenced 14.5%, highly influenced 57%, and moderately influenced 28.5%. These collected data are given below (Figure-4) in details.

Figure-4: Impact of Hartal in Fiscal policy surveyed on members of police and mobile courts.

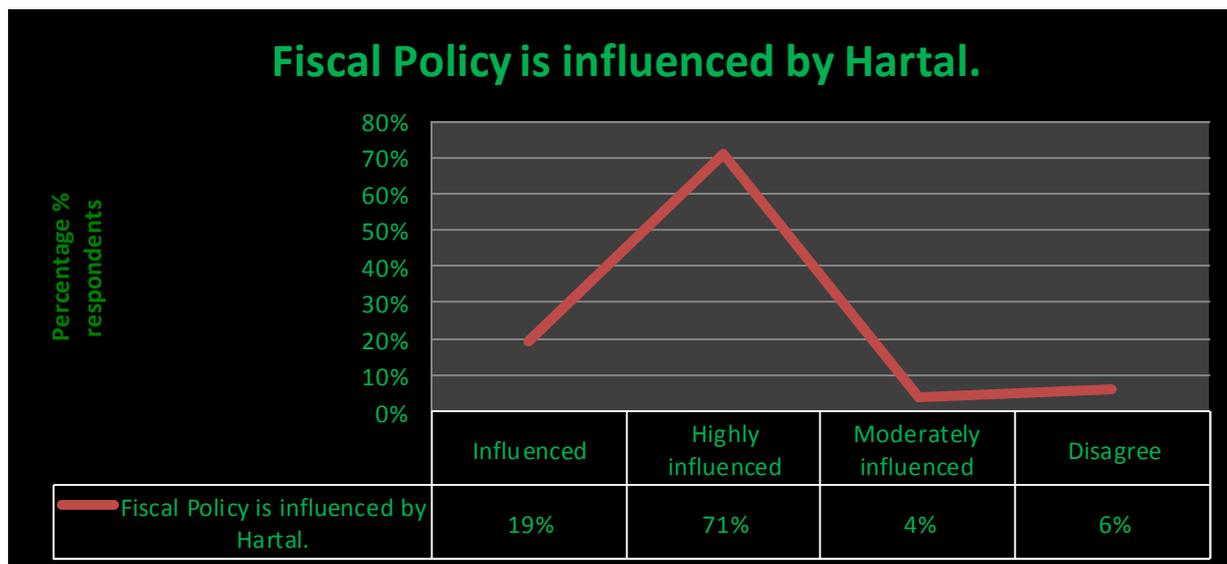


Source: Authors calculation from the collected information of the police station and mobile courts in Bangladesh.

**C.Feedback from general people:**

There were 150 respondents from general people who were from different occupations. They were given their response as 19% influenced, 71% highly influenced, 4% moderately influenced and rest of the respondents 6% was disagree with this statement. The following figure is presented in details for better understanding the study.

Figure-4: Impact of Hartal in Fiscal policy surveyed on general people in Bangladesh.



Source: Authors calculation from the collected information of general people in Bangladesh.

From above discussion, the word ‘Hartal’ a particular forms of protest used in Bangladesh and viewed in other parts of South-East Asia countries as legitimate democratic right. At the same time, Hartals can be viewed as a ‘symptom’ of the frustration of opposition parties at the lack of space for them to play a constructive role in the success of government. However, Hartal negatively affects on all sector of the society. Basically, it destroys individual’s income as well as national income of respective countries in South-East Asia like Bangladesh.

**5. Concluding Remarks and Suggestive Measures**

The opposition doesn’t have any other platforms to voice their demands and hence use Hartal; politicians only care about personal gains and do not heed the impact on the economy because they are immune to the consequences; the government is hostile, leaving few alternatives; options such as rallies, protests, hunger-strikes are useless. Hartal is a strategic tool for opposition parties utilized in the years prior to elections. Hartal legitimizes the use of violence, which in turn can undermine the government, thereby raising the chances of

electoral success for opposition parties. Hartal put salt in a wounded economy that affects Fiscal Policy in Bangladesh. So Hartal really creates violence and that influenced fiscal policy. The following suggestive measures can be considered for developing countries in South-East Asia for future development against Hartal.

-If found guilty in the abuse of political power, strong lawful action against any political leaders and government high officials and also formulate new strong laws against Hartal.

-Building awareness among the people by NGOs and Civil Society. Because a person who active in one political party's Hartal often seen that the same person is going to another party's Hartal only for little amount of money which can be stopped by building awareness.

-Hartal creates often violence because of Student politics in Bangladesh. There should be ensured that Student politics can take part in case of claiming about Student's welfare.

-Finally, there need to be a co-operation between government, opposition parties and general people to protect Fiscal policy from Hartal violence by a successful dialogue for a free and fair Parliamentary election.

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