

# **Corruption in Bangladesh: Background Causes and Current Scenario**

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*While Bangladesh is characterized by impressive rates of economic growth and significant improvement in several development indicators, it is also marked by high levels of corruption. This study engages with bribery to show that it has become a norm in transactions, which has made it a systemic part of the Bangladeshi economy. It argues that the state-sanctioned involvement of untrained individuals such as ruling party members and freedom fighters in running the state machinery is a significant factor for the genesis and consolidation of corruption in Bangladesh from 1972 to 2013. The introduction of such candidates into the civil service, public sector enterprises has led to the expropriation by a few leading to the development of crony capitalism in the country. Furthermore, it posits Bangladesh as a key site for the illustration of speed money theory.*

*Keywords: Bangladesh, corruption, growth, bribery, speed money theory*

## **INTRODUCTION**

Bangladesh has drawn the attention of the international community to its economic growth and development in the last three decades. At the same time, it has lacked good governance and institutions, and has become one of the most corrupt countries of the world (Transparency International 2017; Khan 2013) while it started its journey in 1972 with the commitment of a fair and corruption-free state. The sense of this commitment developed in the people of the erstwhile East Bengal in course of being deprived of the fair share in the Pakistan state over 23 years. The Bengalis were the victims of political, military and bureaucratic corruption existing in Pakistan where the West Pakistanis captured and held the maximum power and positions. It made the Bengalis rebellious against the West Pakistanis, and they fought for a separate state with the dream of a fair society. But from the beginning of the new state which appeared as Bangladesh in 1972, corruption became rife in the state machinery. The economy remained weak until 1990. From 1991 onwards, the economy began to grow significantly, many development indicators have improved substantially but corruption has remained high all through. From these perspectives, this study looks into the background causes of corruption, the current scenario and explains how high growth and high corruption co-exist in Bangladesh. There are always concerns about corruption data as they suffer from measurement errors and biases but the data used in this study are reliable for two reasons: the author himself collected all the data (for his PhD thesis) instead of employing data enumerators and thus was able to elicit bribe-related information which bribe payers are usually averse to revealing, and the in-depth interviews were taken from author's acquaintances, relatives and old friends on the basis of confidentiality.

In explaining the causes of corruption in Bangladesh the span of time after the independence up to 2013 (2013 is the year when this study was done) is divided into three periods: from 1972 to 1975, from 1976 to

1990 and from 1991 to 2013 (Khan 2013) because the characteristics of governments in these three periods were different and their roles as regards to corruption were also determined by different motives and factors. I discuss the factors that contributed to the rise of corruption in these three periods, for which I have done a thorough study of the political history of Bangladesh.

This study makes a significant contribution to the existing corruption literature of Bangladesh by presenting unknown stories and hidden quantitative information about bribe payments that I have collected through informal in-depth interviews with acquaintances, relatives and old friends who are engaged in business in Bangladesh. These respondents opened up and shared their stories of bribe payments, because they knew that my data collection was for academic purposes. They were not afraid of being reported and falling into trouble. They explained that they had to pay a bribe against their will because they could not do without it in the prevailing system. They want an end to the system where no economic activities are possible without bribes. They believed my research might contribute to policy-making and then to an improvement of the system.

This study also presents a new insight developed from many anecdotes that corruption has been a norm or custom in Bangladesh, which has made the bribery mechanism somewhat systematic and that people have been desensitised to corruption. As a result, there is no public outcry against corruption and corruption does not hamper economic growth.

The article develops in the following way: section 2 discusses the background causes of corruption which began to be visible immediately after independence in the first half of 1970's, section 3 explains how corruption has been a custom or norm in Bangladesh, section 4 presents the current corruption scenario prevailing in the industrial sector, which contains a quantitative account of bribery collected through survey questionnaire, an account of number of days taken to perform tasks with government offices reflecting the quality of governance and an anecdotal account of bribery collected through in-depth interviews, and finally, section 5 concludes.

## **METHODOLOGY**

The method adopted here is the study of the political history of Bangladesh, delving into expert views on the issue, drawing upon quantitative data from a purposefully designed survey of the firms belonging to the manufacturing industry of Bangladesh and taking in-depth interviews of owners and/or managers of the firms, which provided me with qualitative information and thus helped me to gather insights on the relevant issues. The survey I conducted was a part of my PhD thesis. Instead of employing professional data collectors, I myself collected the data and took the interviews. As a result, the dataset does not suffer from measurement error or bias. Showing my university ID card enabled me to convince the respondents that the data collection was purely for research purposes. Thus, I was able to elicit hidden information about bribes, which would not otherwise be possible.

## **CORRUPTION: THE BACKGROUND CAUSES**

The people in Bengal, the eastern part of erstwhile Pakistan (now Bangladesh), being exploited, deprived and oppressed by the West Pakistanis, fought for autonomy over more than two decades. The fight for autonomy eventually turned into a fight for independence. The exploitation, deprivation and the oppression of the West Pakistanis ignited the Bengalis' inherent secular and democratic spirit; therefore, the movement led by Awami League was inspired by democracy and secularism. Consequently, after the independence, the government formed by Awami League was a parliamentary form of democracy, which took nationalism, secularism, democracy and socialism as the main pillars of the constitution. Unlike Pakistan, Bangladesh emerged as a secular and democratic state but it has never been able to reap the harvest of democracy in which accountability should be the dominant feature.

It had a pluralist society and a multi-party system as a political form but the ruling party which led the independence movement was the main party in the so-called constituent assembly formed by those elected in 1970 to the National and Provincial Assemblies until a new Assembly was formed by the newly elected

MPs in 1973. It was, in fact, a parliamentary system without a parliament and all-powerful Prime Minister was answerable to nobody and the government was run by Presidential Orders until the new constitution came into being on 16 December 1972 (Urch 2008). Although the fundamental rights of the people were guaranteed in the constitution, the President's Orders promulgated on different occasions subsequently after the constitution had been adopted in the Constituent Assembly actually took away the rights given by the constitution. Formation of irregular/paramilitary forces consisting of ruling party members in order to eliminate political opponents and allowing them to do anything in the name of maintaining law and order, was one of the main causes of corruption in the newly born country (Urch 2008).

In the new parliament formed after the 1973's general election, out of 315 seats only 9 seats were captured by the opposition parties and independent candidates. Theories suggest that democracy cannot be strengthened without the existence of strong opposition in the parliament; Therefore, as a democratic leader Sheikh Mujib needed to promote an opposition in the parliament. Instead, he rather wanted to show to the world that 'there is no opposition in Bangladesh' (Urch, 2008). This notion damaged the foundation of democracy and paved the way for corruption to come about.

Many of the bureaucrats of independent Bangladesh worked under the Pakistani rulers, who had been suppressed and deprived for long. Very few of the civil servants appointed from the then East Pakistan (now Bangladesh) were in high ranks. High ranks were occupied mostly by the West Pakistanis. The poorly paid Bengali civil servants had little opportunity to earn illegal money from bribery. They had to be satisfied with a small portion of the kickbacks shared by the high-ranking Pakistanis that they received as bribes from members of the public. The sense of oppression and deprivation of the East Pakistani bureaucrats that they went through during the Pakistan regime may be considered a psychological factor for them to indulge in earning illegal money through bribery as soon as they got seated in key positions after the independence of Bangladesh.

Government's acquisition of industrial and business concerns abandoned by the then West Pakistani owners who had owned a great deal of the business of the then East Pakistan, created a scope for corruption to come in. 47% of the modern industry, 71% of the private industry, 70% of the banking system and over 90% of the insurance system situated in East Pakistan (i.e., newly born Bangladesh), were owned by West Pakistanis. As the top posts in the bureaucracy in Pakistan were held by the West Pakistanis, the bureaucracy in the independent Bangladesh consisted of inefficient officers who held lower positions in the Pakistan period and thus was extremely weak. The performance of these bureaucrats was badly affected also by the Awami League activists and leaders who, being extremely powerful, bullied and controlled the bureaucrats. There was no regulation as to how to appoint managers or administrators and how to operate the enterprises. Only the leaders and activists of Awami League, and their friends and relatives filled every post in industrial and business sectors and these people dictated not only the order but also how those enterprises should be operated. In fact, the Bangladesh Abandoned Properties (Control, Management and Disposal) Order i.e., the Acting President Order commonly called PO 16 issued on 28 February 1972 immediately after the independence of the country, created this scenario in which the ruling party people became the owners of all those that used to be owned by the West Pakistani/Biharis (non-Bengalis). Looting, plundering and smuggling were involved in owning and then selling these assets, leading to widespread corruption in independent Bangladesh (Urch, 2008).

The second phase of corruption came following the Nationalisation Order in 1974. By this order, the government nationalised all banks, insurance companies and industries, bringing the industry to under 10 corporations for which board member positions were all filled by Awami League activists and their family members, relatives and friends. The only qualification for these people was their alignment with the ruling party. As a result, the whole economic and financial sector became sick with chaos, nepotism, favoritism and corruption (Urch, 2008). Robbery, extortion, intimidation, looting of police stations, banks, bazars, grabbing properties and shooting adversaries, hijacking, sabotage etc., broke out in the newly born state and these activities were done mostly by the ruling party people or in the shelter of the ruling party people. The sentiment that 'we have liberated the country; so, it is ours, we will do whatever we want' seized the minds of the leaders and activists of the Awami League and thus became unruly and tyrannical. Economically, the country was in a complete mess: smuggling and hoarding were perpetrated mostly by

the Awami League members, inflation being extremely high (50%) led people to smuggling and black marketeering of goods. The acts made by the President Order aimed at banning black marketeering and controlling activities mentioned above were applied from a partisan view meaning that big culprits were able to escape arrest or any trouble through bribes or the 'big brothers' of the party and that only the opponent and the innocent became the sufferers. The supreme leader in power showed leniency to his party men and thus failed to combat corruption.

The sentiment, 'We have liberated the country; so, it is ours, we will do whatever we want', absence of strong opposition parties and the government head's leniency and favoritism to his party members, family members and relatives, and inclusion of party members in the bureaucracy, were the main causes of this widespread corruption in the early stage of new Bangladesh.

If the absence of opposition and the absence of accountability were the main causes of corruption, then the situation was further aggravated for corruption to increase with the declaration of emergency and the subsequent fourth amendment of the constitution banning all political parties, but one, all newspapers but four owned by the ruling party people, suspending all fundamental rights, empowering the government for preventive detention. Awami League, the ruling party, was transformed into BAKSAL (Bangladesh Krishak Shramik Awami League) and a few other parties merged into it and many civil and army bureaucrats became its members. The arguments for the formation of BAKSAL and a one-party rule, according to Sheikh Mujib, was to uphold the interest of peasants and workers in a socialist pattern. But the reality is that Sheikh Mujib, the president became nervous and frightened by the growing opposition and protest from political parties and the growing discontent of the people. He actually wanted to suppress political activism against his government and wanted to buy time with dramatic gestures (Urch 2008). According to Lewis (2011), the fact that the government headed by the father of the nation at the beginning of the independent state from 1972 to 1975 became extremely authoritarian by nature to tackle activities like hijacking, looting, hoarding, smuggling, robbery, black marketeering, killing both by the ruling party people and the opposition, and the rebellion posed by some newly formed radical left-leaning parties like Jatiya Samajtantrik Dal, Sarbojha and so on. In doing so, the head of the government, Sheikh Mujib had to depend on his party men who took part in the liberation war and now became desperate in making fortunes anyhow because they thought they made the country independent and deserved to do all these. Sheikh Mujib's leniency towards his party members and the freedom fighters gave rise to corruption of both bureaucrats and politicians.

A turning point in the political history of Bangladesh is the assassination of Sheikh Mujibur Rahman who led the long independence movement against Pakistani rulers, which paved the way for army rule to come in 1976 and stayed until 1990. During the rule of army generals, elections were held and 'democracy' was let in, but actually the features of martial law were prevalent all through. To legitimise the capture of power by military tactics and then stay in power, a military ruler has to buy politicians and provide them with everything they want. They hand over public goods to these politicians and allow them to misappropriate state funds, giving rise to unbridled corruption. This is what happened in Bangladesh from 1976 to 1990. It is difficult to compare the degree of corruption during Sheikh Mujib's regime (1972-1975) and during military regimes (1975-1990) but what can be concluded is that the degree of corruption was very high in both of the periods. The former failed to control corruption and the latter promoted corruption. The former had no fear of losing power but the latter was desperate to sustain power at any cost and legitimise its illegal capture of state power by military tactics by forming a political party, 'winning' general election and 'acquiring' the majority in the parliament.

The autocratic army rule ended in Dec 1990 through a mass upsurge, and in 1991 a democratic government came in and a new era was introduced in Bangladesh. The economy started growing very significantly in a democratic environment and all economic indicators began to appear positive. From 1991 to 2013, there prevailed democratic governments except the period of 2007-2008 when an unelected army-backed civilian government was in power. This care-taker government took the responsibility of holding a free and fair election. However, this care-taker government had been in power longer than it needed to hold a general election and took a lot of anti-corruption measures and put a lot of politicians in jail for corruption charges. During this time Bangladesh improved in the Corruption Perception Index constructed by the

Transparency International. However, at the same time, some army officers were also involved in corrupt activities.

The major two parties which were in power after the fall of autocratic ruler, General Ershad in December 1990, are Awami League and BNP. Causes of corruption during the regimes of these two parties differ. Awami League which had been transformed into BAKSAL (featured by one party rule and planned economy) in 1974 came back to its original form and took the policy of free market economy in 1991. The factors that led to the failure of the Awami League leadership to combat corruption in 1972-1975 disappeared long after the independence when it came to power in 1996 and 2009, but why the party men, and ministers and bureaucrats backed by them still got involved in corrupt activities is a vital question to address.

BNP lacks the characteristics of a political party by the definition of political science in the sense that its members do not cherish a uniform ideology as they came from different political backgrounds or orientations at different times mainly to seek a platform to stand and do politics (Hossain 2004). The entrance of businessmen into politics was the main cause of political corruption in Bangladesh because they do politics as an investment and spend a lot of money for winning an election and after assuming the public post, they try to not only recover the money they spent but also make phenomenal amounts of money misusing the post; and BNP is mainly a party of newly rich and business class. After 1975 money became the biggest factor in the winning of an election. Accordingly, in 1991's general election BNP nominated those from the newly rich and business class and those who retired from the civil or army bureaucracy having the ability to spend huge amounts of money to win elections. On the other hand, Awami League followed the principle of nominating old, loyal and those who sacrificed enormously for the party and the country but had little or no money.

In the 1991's election money won over honesty (here honesty refers to those Awami League leaders who had been honest to their political ideals all through. Awami League rose as a political party mainly in the then Pakistan as a true representative of Bengali nationalism with the aim of fighting for the rights of the Bengalis and for a fair share from the West Pakistani rulers. Sheikh Mujib, the president of the party was able to gather a huge number of devoted followers who were ignited by the desire for the emancipation of the Bengali, who never indulged in the mean activities of squandering money. These devoted leaders were not among those who, immediately after the independence of the country, indulged in squandering, misappropriating, extortion, embezzling money. Sheikh Hasina nominated most of these honest leaders who were financially poor having not enough to spend for election campaign let alone buy votes when buying votes already became the main means of winning elections in Bangladesh).

The landslide victory of BNP made the Awami League re-think and deviate from their original principle and in the next election in 1996 they gave nominations following the criterion that BNP adopted in 1991's election and won the election. This is how politics has been gripped by the business class and retired bureaucrats who had money to spend hugely in buying votes. Alam (1995) supports these facts: 'A new middle-class entrant has consolidated its economic base..... The national and local economy has remained in the control of this pretty bourgeois class who are rentier by nature rather than productive investors. This group is more closely involved with the politics of patronage that characterised the state and the mainstream political parties.'

Urch (2008) puts his observation on the degree and causes of corruption in this way: 'The alarming degree of official and semi-official corruption in Bangladesh is the result of centuries of oppression and exploitation by generally corrupt administrators and rulers. Successive governments, before and after independence, were more concerned with what they could extract from the country than with the welfare of the people. Even after the greedy fingers of Delhi, Westminster and Karachi were removed; the home-grown fingers of Awami League and BNP showed themselves much the same.' Lewis (2011) explains the causes of corruption in a similar fashion: The reason why the institutions of government have remained cumbersome, fragile and unresponsive to people's needs is rooted in the colonial period, which was further aggravated during the Pakistan period.

One significant feature of Bangladesh, which started becoming prominent from late 1970's or the beginning of 1980's, is the creation of a wide civil society in the form of NGOs. Some of them like BRAC

and Grameen Bank became very large in the world context and have been operating in many countries. Founders of the NGOs and proponents of ‘positive role of NGOs’ tend to argue that the smaller the size of the bureaucracy, the less the scope for corruption; therefore, they propose that the government hand over public service deliveries to NGOs as much as possible. Wood (1997) terms it as ‘franchising out’ of government responsibility for service provision and citizen accountability to NGOs and private sector. Actually, the creation of a larger civil society is tantamount to an expansion of the private sector, which, Wood (1997) fears, would lead to a ‘state without citizens’ in Bangladesh. The delegate of responsibility in this way and the expansion of the private sector, however, have given rise to a new dimension of corruption. In search of funds many fake NGOs came into being, which are formed by unscrupulous people absolutely for personal gains. Many donors handed over portions of their grants to NGOs as well as the government, and most of the NGOs are seen to be serving for those who founded them and held the top positions in them with high salaries, frequent foreign tour, luxury life like using expensive air-conditioned cars and residences etc. (Lewis, 2011).

Even in 2011 when Bangladesh has already earned commendation for its steady growth and continuous improvements in a handful of development indicators, Lewis (2011) finds Bangladesh to suffer from extremely poor governance and high corruption. Apparently, Bangladesh has a parliamentary system of government which cannot serve its virtues because it has remained far from being institutionalised (Lewis 2011). Sobhan (2004) observes that Bangladesh has suffered from endemic corruption, poor quality administration and a lack of law and order originating from misgovernance. Devine (2008) terms Bangladesh’s economic growth and other development indicators as ‘apparent development success stories’ and Mahmud & Mahajan (2010) terms them as ‘development surprise’. However, both Devine (2008) and Mahmud and Mahajan (2010) find the governance poor, incompetent and extremely corrupt where government officials harass people by delaying service delivery and asking for bribes and thus obstructing economic activities and growth. Ahluwalia & Mahmud (2004) and Devarajan (2005) found public service delivery to be deterring the industrial growth in Bangladesh and held poor governance responsible for their adverse effects. The same has been found also by Mahmud (2008).

## **CORRUPTION HAS BEEN A CUSTOM OR NORM IN BANGLADESH**

In Bangladesh corruption has been wide and deep-rooted over many years. The belief that nothing can be done in government offices without bribe, has been ingrained in peoples’ minds and thus, bribery has been an integral part of the system—an integral part of life. As a result, corruption has been something like a custom or norm in Bangladesh and people have been desensitised about corruption. The situation is such that people don’t mind paying and taking bribes publicly. People pay bribes in police stations in front of other people gathering over there. Some people boast, ‘I can pay bribes to government officials even in front of police because everybody knows that nothing can be done without bribe in this country. A police officer has to bribe a line man to revive his telephone line which was deliberately cut off by the line man in order to earn extra money’. Some anecdotes would provide a clear picture of how corruption has been ingrained in the society of Bangladesh:

1. The then telecommunication minister Ataur Rahman Khan under the autocratic regime of General Ershad in early 80’s (who was later appointed as the Prime Minister by General Ershad) said in a speech, ‘even I being the minister for telecommunications have to bribe the line man to revive my home telephone line which is usually deliberately cut off by line men.’
2. An IT specialist who had been working as a consultant in a school in the capital city took me in his car as both of us were going to a seminar. Reaching the parking area when the parking man stopped the car and asked us to pay the parking fee and take receipt, the IT consultant gave him TK.2 instead of TK.6, the parking fee and said to him that he did not need to give him the receipt so that he could take the money for himself. It may be mentioned that this man was educated in Russia and had his PhD degree from there.
3. A school teacher who teaches in schools as a part-time teacher once decided to buy a second-hand car. He sought help from a friend of his, who was a businessman. Having read adverts in

newspapers about a second-hand car sale they went to see the car at the house of the car owner. Having seen the car, they liked it and decided to buy it. The owner of the car was not at home and therefore, the driver showed them the car and provided all necessary information. These two friends came to a deal with the driver and accordingly, paid him TK. 10, 000.00 and promised to pay another TK. 10, 000.00 after the hand-over of the car as bribe. In return, the driver agreed to convince the owner that the car engine was not running well, and was failing time and again; so, he should better sell the car even at a lower price. In particular, he would convince the owner that he should sell the car at a price offered by those two friends.

4. The Accountant General office of the Bangladesh government developed an unwritten, informal but open secret system that one must pay 1.5% of the total bill to be cleared. It was also revealed by the bribe payers and payees that this bribe is distributed horizontally and vertically in the office. One Accountant General retired from this office was appointed as the chairman of the Transparency International Bangladesh in a certain period.
5. As soon as an army-backed care-taker government was formed following the fall of the immediate past government at the outrage of mass people at the beginning of 2008 a last chance was offered to whiten the black money or in other words, the money for which tax was not paid. The list of the people who whitened money by this opportunity included the Prime Minister of the immediate past government, who is believed to be the Prime Minister of a democratic government, and a number of intellectuals, economists etc. who have been out there for many years to give policy suggestions about development, corruption etc.

These anecdotes give a clear message that in Bangladesh corruption has been accepted by the people, corruption has been ingrained in people’s mindset as a custom and most importantly, the members of the public don’t mind people being corrupt let alone looking down upon them or boycotting them, which seems to be the main cause of the persistence of corruption.

### **CORRUPTION SCENARIO IN THE INDUSTRIAL SECTOR**

The quantitative data from the purposefully designed survey of manufacturing firms are presented in Table 1. These are the responses to the questions related to bribes and other obstacles faced by firms in carrying out their businesses, which provide us with an indication of the overall corruption situation of Bangladesh. In the survey, 22.8% of the respondents held bribery as no. 1 obstacle, 22.8% as no. 2 obstacle; 3.3% held extortion as no. 1 obstacle and 27% as no. 2 obstacle; 49% named either bribery or extortion as a retarding factor for firm growth, and the percentage of respondents which considers bribery as a retarding factor is 49% as well (table 1).

**TABLE 1  
RESPONSE TO SURVEY QUESTIONS**

Response to questionnaire / questions				How respondents rank obstacles	
Refusal to answer ‘bribe’ question	14%			Bribe as no.1 obstacle	22.8%
				Bribe as no.2 obstacle	22.8%
	negative	positive	Refused	Extortion as no.1 obstacle	3.3%
If paid bribe to carry out business	0%	67%	28.3%	Extortion as no.2 obstacle	27%

If paid bribe during operation	0%	87.5%	12.8%	Bribe as a retarding factor	49%
If paid extra to get things done in gov. offices e.g. renew license	0%	78.1%	21.9%	Either bribe or extortion as a retarding factor	49%

Source: Author's own survey

### Some Quantitative Accounts of Bribery Collected Through Survey Questionnaire

Entrepreneurs have to make informal payments in the process of the formation of a company and then during the operation. Table 2 presents such an account.

**TABLE 2**  
**AMOUNTS OF BRIBE PAID**

	Official fees (BDT)	paid	has to pay
Formation of a company	60,000.00 to 100, 000.00	2403241.56	
Total informal pay		2633141.00	
During operation		1036577.00	
For export, per invoice			400.00
For import, per consignment			10, 000.00
For CA/law firm			1,292,531.00
For CnF			1,569,540.00

Source: Author's own survey. Note: The period when these amounts are referring to, is from 2008 to 2011. CnF is 'Clearing & Forwarding Agent' which is explained in the body. The variables: 'official fee' is what is charged by the government for certain services, registration or issuing document, licence, permit etc. while 'paid' means the amount paid by firms on average in reality, 'has to pay' refers to the rate informally fixed by dint of negotiation between bribe payers and payees in certain sectors, The sample has been explained in section- 2.

To form a joint stock company aiming to import and export, the government fee ranges from BDT 60,000.00 to BDT 100, 000.00. This amount depends on how many departments registration/permission/licence is needed according to the type of firm but my survey reveals that before starting the business, one has to spend BDT 2403241.56 on average, which is one of the highest in the world. In response to the indirect question about bribe payment 'Many businessmen have informed us that they had to spend money outside that needed in formal procedures. How much do you think one belonging to your industry/sector and of the similar size as yours has to spend in this way in a year?' On average the respondents estimate the amount to be BDT 2633141.00. In 2009-10 the amount of informal payment for the regular operation of the firms was BDT 1036577.00 (table 2).

Firms engaged in foreign trade (export and/or import) have to employ a Clearing & Forwarding (CnF) Agent to get papers (permission) from different offices under the customs and to clear goods while exporting or importing for which they have to pay the agent. In Bangladesh an importer has to collect clearance papers from 39 desks. It clearly informs us of the complicity of the process in Bangladesh. How much is paid to a Clearing & Forwarding Agent might be an indicator of the degree of obstruction created by customs offices and the amount of bribe to be paid. One former student leader of a student union

affiliated with the Bangladesh Communist Party, now running a garment industry, has reported that for export, a firm has to spend 0.75% of its turn-over and for import 0.40% of its turn-over on the services from a CnF agent. A firm exporting and/or importing goods has to pay BDT 1,569,540.00 a year.

Here is an interesting example of the aspect of how inherent has been the desire in Bangladeshi people's mindset to make some extra money out of the assigned duty holding a post dealing with the members of the public. One of the papers that is required to complete the garment export procedure is utilisation permission. Initially this permission used to be issued by the customs authority but because of the deliberate delay made by the customs authority, on the demand of Bangladesh Garments Manufacturers and Exporters Association (BGMEA) the government has allowed BGMEA to issue this paper and accordingly, BGMEA has opened a desk in their office building to deliver the service. Customs officials used to be paid a bribe from BDT 3000.00 to BDT 4000.00 for this paper and BGMEA officials had to be paid too; but the amount has come down to the range between BDT 200.00 and BDT 300.00.

Firms, with a view to evading taxes, often adjust their accounts. For this, they employ accounting firms or solicitor firms. They employ these firms also because of the complications of the procedures through which firms have to carry out their activities. No matter what the purpose is, firms have to spend on employing an accounting firm or solicitor firm, which might be considered an indicator of the tax evasion by the firms and/or the complications of procedures. On average a firm spends BDT 1,292,531.00 a year on this purpose.

People in general are averse to revealing bribe payments since paying bribe and taking bribe are equally unlawful. Although people in Bangladesh are desensitised to corruption as explained in the previous section, I put the main question about bribe in the survey questionnaire in an indirect way—the way how it is put in World Bank Enterprise Survey i.e. “Many business people have told us that firms are often required to make informal payments to public officials to deal with customs, taxes, licences, regulations, services etc. Can you estimate what a firm in your line of business and of similar size and characteristics typically pays each year?”

### Reflection of the Governance Quality in Bangladesh

During the operation i.e., after the firm has started production, in 2009-10 the number of days taken to get things done with some government departments is as follows: for trade licence 26 days, for company registration 95 days, board of investment registration 83 days, export import licence 51 days, utilisation permission 65 days, tax certificate 17 days, gas connection 161 days, electric connection 97 days, water line 36 days, telephone line 35 days, permission from the environment department 79 days, to get a VAT certificate 11 days, fire licence 27 days, to renew the fire licence 13 days, bond licence 53 days, to clear goods through customs 20 days, to have clearance from the AG office 9 days. 92.39% of the firms expressed their dissatisfaction with the quality of four essential public services which are gas supply, electricity supply, water supply and telephone.

**TABLE 3**  
**NUMBER OF DAYS TAKEN BY GOVERNMENT OFFICES TO OFFER SERVICES**

Services	No. of days taken	Services	No. of days taken	Services	No. of days taken
Trade licence	26	Gas connection	161	Fire licence	27
Co. registration	95	Electricity connection	97	Fire licence renew	13
BoI registration	83	Water line	36	Bond licence	53
X-M licence	51	Telephone line	35	Customs clearance	20
Utilisation permission	65	Environment department	79	Clearance from AG office	9

Services	No. of days taken	Services	No. of days taken	Services	No. of days taken
Tax certificate	17	VAT certificate	11	Time spent to deal with regulations	15.54%

Source: Author's own survey. Note: These data were collected by myself and the period when these amounts are referring to, is from 2008 to 2011. The sample has been explained in section- 2.

Corruption or the scope for taking bribes by the government officials depends on the cumbersomeness of the bureaucracy and strictness of the regulation. To understand the degree of trouble that the concerned government departments may create one question was set in the survey questionnaire is how much time the management has to spend to deal with regulations and it has been found that on average 15.54% of the total time is spent in this purpose showing that regulation regarding the formation and operation of businesses is extremely tight in the sense that, in Bangladesh perspectives, one has to take permission/registration/licence from too many offices. Overall, the management of the firms on average have to spend 15.54% of their time to deal with regulations imposed by the government offices, which is an indicator of poor governance of Bangladesh.

### Some Anecdotal Accounts of Bribery Collected Through In-Depth Interviews

I found some businessmen and industrialists among my acquaintances, relatives and old friends who opened up and shared their stories of bribe payments. Since they personally knew me and that my data collection was for academic purposes, they were not afraid of being reported and falling in trouble. They explained that they had to pay a bribe against their will because they could not do without it in the prevailing system. They want an end to the system where no economic activities are possible without bribes. They believed, my research might contribute to policy-making and then to an improvement of the system.

Turn-over of a pharmaceutical company situated close to a regional town is BDT. 42, 00,00, 000.00 out of which taxable (i.e., on which VAT is imposable) turn-over is BDT 10, 00, 00, 000.00. For this amount VAT payable is BDT 1, 50, 00, 000.00. Here the firm owner comes to a negotiation with the VAT collector and offers him BDT 10, 00, 000.00, and pays BDT 50, 00, 000.00 to the state as VAT and saves BDT 90, 00, 000.00 for himself. The sum of money taken away (misappropriated) by the businessman and the VAT collector is BDT 1, 00, 00, 000.00 which is actually the public money as it is payable to the state in the form of VAT.

While importing, goods importers try to benefit from not paying the payable duty on the category and amount of goods imported according to customs rule. In the in-depth interviews with businessmen, customs officials and the employees of importing firms and clearing forwarding agents, what has been unambiguously revealed is that most of the importers try to avoid paying appropriate amounts of duty. They usually adopt two ways: firstly, by under-invoicing and secondly, by miscoding. In both ways they can release goods by paying less than what they owe because the amount of duty payable depends on the value of the goods and the category of the item. The customs officer easily finds the discrepancies and thus blocks the good as he should. Then the importer comes up with his offer of a bribe and through negotiations fixes it. Depending on the gravity of the matter i.e., the amount of under-invoicing and the category of the imported item, the amount of bribe is determined. For example, if the item is seriously a banned item because it is illegal and dangerous for the state security or something extremely against the interest of the nation, then the bribe would be very high and the money misappropriated is equally shared between the government official and the businessman.

Another scope for the businessmen to misappropriate money by promoting corruption is under-reading the metres showing bills for public utilities like gas, water and electricity. The owner of a group of companies, who had been a student leader of a leftist party and my senior brother in the university, confided in me what goes on in the industry where he has been running a very successful group of industries. Terming the government utility services as extremely poor, this industrialist holds the frequent power failure the

biggest obstacle to firm growth in Bangladesh. The way how corruption comes in centring this power failure and how the money misappropriated is shared between bribe payee and bribe payer, as he informs, are as follows: For a medium-sized garment unit exporting 100% of its output requires electricity of BDT 600,000.00 for a month i.e., the monthly electricity bill for this industrial unit amounts to BDT 600,000.00. For a whole year it amounts to BDT 7,200,000.00. The owner negotiates with the metre reader on cutting the bill and reaches an understanding. The owner agrees to pay BDT 4,000,000.00 worth of a bill and from the remaining amount (BDT 3,200,000.00) of the actual bill the metre reader is paid BDT 1,500,000.00 and the owner saves BDT 1,700,000.00 for himself. Monthly gas bill for the unit is BDT 250,000.00; therefore, the yearly bill amounts to BDT 3,000,000.00. Here the distribution is like bill paid is BDT 1,500,000.00; bribe is BDT 750,000.00 and misappropriation by the owner is BDT 750,000.00. What turns out from this story is that half or a little more than half of the real bill is paid to the government and from the rest the owner saves half or a little more than half and the government official receives half or a little less than half as bribe.

While exporting, as the former student leader of a leftist party informs, the firm has to pay BDT 400.00 per invoice to the concerned customs office as bribe; otherwise, the file will not move, and on average there are 150 invoices in a year; therefore, it has to pay BDT 600,000.00 for customs clearance a year for its export. For imports, it pays BDT 10,000.00 per consignment. On average there are 40 consignments for which the owner pays BDT 400,000.00 a year to the concerned customs office as bribe for customs clearance. These bribes paid while exporting and importing have been fixed by the customs officials over years, payment of which is a must no matter whether the trader has done anything wrong by miscoding the item or under-invoicing the imported item as mentioned above.

Foreign companies are not exceptions in bribing government officials to get contracts or licences. One state minister revealed a story to a foreign academic and World Bank consultant in a friendly gesture. A Japanese company seeking a contract from the Bangladesh government to supply some machinery, has offered a bribe directly to the minister of a certain ministry. This incident took place in the early 80's when a military ruler had been trying to appoint some young, honest and educated people in the government. The concerned minister was a lecturer/professor from the Bangladesh University of Engineering and Technology (BUET). The said foreign academic and World Bank consultant went to the minister's office to have a discussion on a certain issue. He went to the minister's office without making a prior appointment and the time he went was fixed for the meeting with a Japanese high official of a private company along with its Bangladeshi agent. The minister insisted that he wait and be present in the meeting while the Japanese official and the agent were to come in soon. Before the meeting started, they hesitated to present their proposal of how they would like to make the minister happy in exchange for the contract in front of the unknown foreigner. When the minister, in a witty manner, said to them that he was a part of his side and they could proceed without fear. On hearing their proposal of bribing the minister, again in a witty manner, he declined without insulting them and said that things under him would not work that way. The estimate the foreign academic and World Bank consultant, now an emeritus professor in a British University, gave to me about bribe payments is like this: To get a contract like this, one company has to pay 2.8 million US dollars to each of the five concerned ministries. Therefore, in total a company has to pay 14 million US dollars to get hold of such a contract from the Bangladesh government. What this story tells is that foreign companies as well as local ones have accepted this 'custom' of bribe payment, got engaged in bribery and learned the way of offering a bribe. Bribe payment has become such a custom that even foreign firms do not hesitate to offer a bribe directly to a minister, which means that they were sure that the minister would not mind any offer of bribe and would rather be happy.

## CONCLUSION

The scenario that has prevailed in Bangladesh suggests that even after the apparent fulfilment of the conditions of democracy such as general elections, multi-party, parliament etc., dictatorship can still come into being. Bangladesh's case immediately after the independence was unique in that the leader of the ruling party, who led the long independence movement and then became the father of the nation and thus enjoyed

majority people's blind support, failed to prevent his own party men, family members and relatives from being corrupt. The main reason for this, was his leniency towards these people who took part in the fight for freedom. All the power was concentrated into one hand, that is, the absence of balance of power within the party and in the state or in other words, lack of decentralisation of power makes it impossible to make pro-development and rational decisions. It has also been found that the 'benevolent dictatorship' concept did not work in Bangladesh. Nobody doubts that the father of the nation who ruled the country from 1972 to mid-75, was benevolent. It turns out that it is impossible to prevent bureaucrats and politicians from being corrupt without setting the tools of democracy, namely, accountability, free and fair election through which people have their scope to vote against the existing representatives, independent judiciary, independent election commission, independent media etc. The Party leader's sincere effort of inspiring party men and bureaucrats to work for the nation, does not work.

After mid-75 mainly two types of governments were in power: military (two generals who captured power through declaring martial law and later formed political parties and managed to legitimise the power by being elected through holding general elections which were all farces; therefore, regimes run by these two generals are considered to be military rule in the literature) and democratic. There has been found no difference in the level of corruption between these two types of regimes, and the reason for this is that both governments nurtured crony capitalism. Meanwhile the two-year long army backed unelected caretaker government (2007-2008) was able to reduce corruption because this government had no intention to remain in power or get elected to power; therefore, did not need cronies. Answer to the question: why the democratic governments and military governments were equally corrupt is that democratic governments apparently fulfilled some conditions of democracy but in fact, true democracy was a far cry or in other words, the democracy which seemed to exist was actually a false democracy.

Corruption in Bangladesh has become a norm or custom. Everybody— even the ruling party men have to pay bribes to get things done from government offices. Certain sectors might have benefitted from bribery by speeding up the economic activities when bureaucracy is stuck in corruption, but the overall impact of corruption on the whole economy has been negative. Besides the visible effect of corruption, there are many cultural factors associated with corruption leading the society to sickness. In a corrupt society honest people would be disinterested in investment; as a result, gross investment and thus GDP would be lower than that would be in absence of corruption.

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