

VICTORIA UNIVERSITY OF BANGLADESH

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Answer to Question No. 01

Foreign direct investment (FDI) is often seen as important catalysts for economic growth in the developing countries. The relationship between Foreign Direct Investment (FDI) and economic growth has long been a subject of great interest in the field of international development. In the era of volatile flows of global capital, the stability of FDI emerges as an effective channel to faster growth in developing countries, particularly in relation to Least Developed Countries (LDCs). The Neo-classical growth model as well as endogenous growth models provides the basis for most of the empirical work on the FDI-growth relationship.

Definition of FDI

FDI (Foreign Direct Investment) is defined as an investment involving a long-term relationship and reflecting a lasting interest and control by a resident entity in one economy (foreign direct investor or parent enterprise) in an enterprise resident in an economy other than that of the foreign direct investor (FDI enterprise or affiliate enterprise or foreign affiliate).

The definition of FDI will be followed in accordance with the United Nations Conference on Trade and Development (UNCTAD) and its World Investment Report 2006, which states that “FDI is an investment involving a long-term relationship and reflecting a lasting interest and control by a resident entity in one economy (foreign direct investor or parent enterprise) in an enterprise resident in an economy other than that of the foreign direct investor (FDI enterprise or affiliate enterprise or foreign affiliate)”. The Bangladesh Board of Investment (2004) maintains the same definition. Private investment from overseas sources is welcome in all areas of the economy with the exception of the four reserved sectors (mentioned earlier). Such investments can be made either independently or through venture on mutually beneficial terms and conditions.

Components & Categories of FDI

FDI has three components: equity capital, reinvested earnings and intra-company loans.

Foreign investment is, however, especially desired in the following major categories of industries:

- Export oriented industries
- Industries in the Export Processing Zones (EPZs)
- High technology products that will be either import substitute or export oriented.

Competitive Advantages

a) Location Geographic location of Bangladesh is ideal for global trades with very convenient access to international sea and air route.

b) Natural Resources Bangladesh is endowed with abundant supply of natural gas; water and its soil is very fertile.

c) Human Resources Bangladesh has a population of more than 138.8 million who are hardworking and generally intelligent. There is a profuse supply of disciplined, easily trainable and low-cost workforce suitable for any labour-intensive industry.

d) GSP Facility Most Bangladeshi products enjoy complete duty and quota free access to EU, Japan, Australia and most of the developed countries and quota regime to USA had been ended on 1st January 2005. However, despite quota phase out, Bangladesh apparel has successfully taken up a better position in US market and experiencing substantial growth.

Investment Opportunities A number of competitive sectors exist for investment in Bangladesh. The following possible areas in Bangladesh may be cited for lucrative returns for potential foreign investors:

a. Oil, gas, mineral-exploration/production/distribution: 24.75 trillion cft gas reserves needs technical know-how and financial resources mobilization

- b. Electric power-generation/distribution: About 3000 MW current capacity vs. a requirement of 5700 MW
- c. Telecommunication network - service expansion: A handful of private companies in addition to T&T operate about 500,000 lines with a substantial number having analogy switches
- d. Computer/peripherals/software: \$20-25 million current market; expected annual growth rate is 25%
- e. Aircraft/parts/ground support/airport equipment: Air travel by Bangladeshis at home and abroad is rapidly growing every year
- f. Textile machinery/equipment: A \$5 billion export earning sector with a market for more than \$30 million for parts and machinery
- g. Architecture/constructional engineering and consulting services
- h. Cotton market for about \$20 million with growth potentials
- i. Ready-mixed concrete and aggregate plants - high growth potentials
- j. Agro-based investment: Cotton import reached about \$250 m. in the recent past - ample growth potentials exist. Fruit imports e.g. apples, grapes, orange, pears have high growth potentials. Flower production for export possesses huge potentials.
- k. Fisheries - sea food processing, poultry farming, dairy farming for domestic market and export
- l. Fruit and vegetable processing for domestic market and also for export
- m. Pharmaceutical production plants need expansion
- n. Motor part manufacturing has a sizeable domestic market

Facilities/Incentives

The foreign investors will choose Bangladesh for their next for investment destination as Bangladesh conducted Bilateral Investment Agreement (BIA), Double Taxation, and Treaties etc. to protect the interest of them. The investors also enjoy the following incentives investing in Bangladesh.

- a) Tax Exemptions: Generally, 5-7 years. However, for power generation exemption is allowed for 15 years.
- b) Duty: No import duty for export-oriented industry. For other industry it is at 5%.
- c) Tax Law:
 - i. Double taxation can be avoided in case of foreign investors on the basis of bilateral agreements.
 - ii. Exemption of income tax up to 3 years for the expatriate employees in industries specified in the relevant schedule of Income Tax Ordinance.
- d) Remittance: Facilities for full repatriation of invested capital, profit and dividend.
- e) Exit: An investor can wind up on investment either through a decision of the AGM or EGM. Once a foreign investor completes the formalities to exit the country, he or she can repatriate the sales proceeds after securing proper authorization from the Central Bank.
- f) Ownership: Foreign investor can set up ventures either wholly owned or in joint collaboration with local partner.

Present FDI Status in Bangladesh as a developing country, Bangladesh needs FDI for its ongoing development process. Since independence, Bangladesh is trying to be a suitable location for FDI. However, the total inflow of FDI has been increasing over the years. In 1972, annual FDI inflow as 0.090 million US\$, and after 39 years, in 2011 annual FDI reached to \$1.13 billion.

It is a matter of great concern in spite of Bangladesh's comparative advantages in labour incentive manufacturing, adaption of investment friendly policies & regulation, establishment of EPZs in different suitable locations and other privileges, FDI flows have failed to be accelerated. However, the

year 2011 show a substantial improvement in FDI achievement. Foreign direct investment in BD last year rose by 24.42% to 1.13 billion, the highest in its history, according to UNCTAD's World Investment Report 2012. According to UNCTAD's report 2012, \$272.04 million came to textile and apparel sector. The second biggest was \$249.37 million to the banking sector while the third \$238.21 million went to power, gas and petroleum sectors. FDI Flow in Bangladesh There is no regular trend in the flow of FDI (Figure 1). The flow of FDI increased at a staggering rate of 64.45, 47.16 and 182.86 percent in FY 1997-98, FY 2000-01 and FY 2004-05 respectively than that of FY 1996-97, FY 1999-00 and FY 2003-04. The flow of FDI totals at USD 603.3 million, USD 563.93 million and USD 803.78 million in FY 1997-98, FY 2001-02 and FY 2004-05 respectively. After FY 2004-05, the flow of FDI declined in the next three fiscal years. The country received an increased amount of USD 960.59 million in FY 2008-09 but witnessed a fall in FDI inflow in next fiscal years. It is to be noted here that FDI inflow to Bangladesh has traditionally been lower, even compared with other South Asian countries. Considering FY 1996-97 as the base year, the statistics reveals that FY 2011-12 might be a net FDI receipt of USD 806.52 million. If the current trend of FDI inflow persists, the country might receive USD 888.96 million of FDI in FY 2014-15 and growth rate of FDI might be only 3.19 percent. There was a significant jump from FY 2003-04 to FY 2004-05 but after that, the incremental growth rate is neither significant nor adequate. Foreign and Joint Venture Investment In the year 2009-10 (February), there were 89 new foreign and joint venture investment projects registered to BOI which amount to \$590m. The projects were invested to mainly in the service, engineering, clothing and agricultural sectors. Sector wise foreign and joint venture investment during 2010-2011

(i) Theoretical Concepts

There are several benefits of FDI on a macroeconomic level, particularly for a Third World Nation such as Bangladesh, where inflows of foreign investment can help broaden economic production and growth. FDI provides capital from sources abroad which the country is unable to supply domestically. Foreign investment helps to fill the saving-investment gap caused by the lack of domestic savings converting into investment (Ahmad 1990). Bangladesh specifically faces many obstacles in expanding its cities with overpopulation and low GDP per capita (Sattar 1999). The inflows facilitate capital formation and the growth of a number of economic sectors, including industry, manufacturing, infrastructure, and energy. The expansion leads to a rise in the availability of jobs and a fall in the unemployment rate. Consequently, GDP and per capita income increase which, in a developing country, fosters poverty alleviation. In addition, FDI strengthens ties with developed countries that yield cost advantages in the form of advanced technology transfers and resulting positive externalities. Increased financial associations also lead to stronger capitalistic markets and ideals of corporate governance and social responsibility (www.supro.org). On the basis of this intricate link between FDI and growth/development, the trade regime of Bangladesh has been intensely liberalized to maintain the streams of investments and finances from abroad. These reasons also increase the effort of the government to try and make the country an attractive destination for FDI, which in itself has several benefits. The result has validated a reinforced incentive to educate and train the population to make Bangladesh's labour force more competitive through higher national education expenditure. The effectiveness of domestic institutions such as the Grameen Bank, however, appears to be more effective in fostering investment in human capital (via female empowerment) than FDI. Fry (1999) finds that foreign capital in non-Asian countries has induced decreasing rates of national saving, domestic investment, and economic growth. His study suggests that in most regions FDI tends to substitute and crowd out domestic investments. In the case of South and East Asia, however, foreign investment has been beneficial in increasing capital formation and has produced positive effects similar to home investment (Fry 1999). Since there is little domestic investment to crowd out in Bangladesh, foreign investment can effectively assist with economic growth to increase the country's GDP. In a country like Bangladesh, where the economy is driven by high volume imports, a huge capital account deficit accumulates as foreign exchange flows out. Sattar (1999) notes that FDI is a fundamental and necessary component for long-term sustainable growth in Bangladesh. In this context, FDI enables various economic sectors to become efficient and increase the production of the economy. Sattar (1999) discusses the advantages of exports and FDI outflows in this context. Outflows enable a nation to earn foreign exchange and improve its capital account; it can increase an already existing surplus or, as in the case of Bangladesh, reduce its budget deficit and possibly help bring about a surplus in the distant

future. FDI inflows tend to deter the capital account as Fry (1999) identifies a strong association with higher imports. However, when such inflows help

raise the production capacity, the economy can become more export-oriented (Fry 1999) and gain foreign exchange currency (Sattar 1999). This earned currency can finance increased imports or inflows of foreign capital and, in turn, sustain further growth and development (Sattar 1999). Thus, Bangladesh has adopted a capitalistic, export-oriented growth strategy (www.supro.org). Specifically, the relatively recent success of the RMG industry exemplifies this cycle. Sattar (1999) highlights the logic that has underscored Bangladesh's trade policy regime. Though FDI entails many positives, there remains a concern over capital flight. This notion involves outflows of domestic capital that hurts the country's current account and foreign exchange reserves. Quazi (2004) suggests that international aid and foreign investment tends to accelerate such outflows and stunt economic growth. The study suggests that the foreign currency generated by FDI helps finance the flow of domestic capital abroad as incoming foreign capital substitutes for it within the home country's borders. Conversely, Mondal (2003) identifies reduced capital flight as a benefit of FDI. This infers that the benefits of FDI reduce the risk of home investments by stabilizing economic output and reducing the incentive to invest abroad. The number of studies examining the precise relationship between FDI and economic growth has been somewhat limited. This can be attributed to a number of reasons. In terms of the macro economy, there are a number of wide-ranging factors that can influence growth and development outside of foreign investment; not including all such factors raises concerns over omitted variable bias in the empirical estimation. This occurs when a significant variable is excluded and the statistical model is underspecified, that is, it has not accounted for all relevant factors. In order for there to be bias, the excluded independent variables must affect both the dependent variable as well as other independent variables of the equation. An upward bias occurs when independent variables are neglected such that the effects of the independent variables are included in the regression are overemphasized. In contrast, a downward bias is the effects of the independent variables are underestimated. Moreover, independent variables are often times correlated with each other and create issues of multicollinearity as well, which can severely misconstrue the analysis. Ahmad (1990) notes the presence of such interdependence among variables.

(ii) Empirical Evidence & Analysis

This section includes a series of regressions¹² to underscore the many advantages and growth prospects that FDI inflows have brought to the Bangladesh economy. The objective is to not only gain insight into the country's economic progress in recent years but to also provide a better understanding of its limitations. The methodology of the empirics constitutes a series of regressions using the Ordinary Least Squares (OLS) model to prove a significant correlation between FDI and economic growth. In trying to analyse such effects of a Third World Nation such as Bangladesh, it is important to recognize that data on key development indicators are often times missing or inaccurate. For this reason, the data used in the analysis will begin from 1980 when FDI had just begun to flow into the nation after the era of reconstruction and war recovery. The tables express the coefficients and t-statistics of each independent x-variable to demonstrate its level of significance. The R-squared or coefficient of determination is included to represent how much variation in the dependent y-variable is captured by the regression. Moreover, the dependent variables were lagged in Table 1 to control for serial correlation. Also known as autocorrelation, this occurs when successive error terms are correlated with each other over time and the reliability of the least square's estimates are overstated (Hill 2001). The lags account for the non-randomness of variables, in that the error term is increasing with each observation over time.

Impact of FDI on Economic growth in Bangladesh

An increasing flow of FDI was supposed to supplement domestic investment in the country, thereby inducing employment generation, income growth and enhancement of prosperity. FDI potentially generates both direct and indirect impacts, some of which are elaborated below.

A) Direct Impact

Our examination of the direct impact of FDI in Bangladesh will concentrate on three issues: balance of payments, employment consequences, and revenue impact. Balance of Payments Support: While FDI

facilitates capital formation in the country, it may also create pressure on the balance of payment through repatriation of profits. As overall foreign investment was comparatively insignificant in Bangladesh, the impact of repatriation remained manageable. To keep this pressure within tolerable limits, Bangladesh has tried to encourage foreign investment in export-oriented industries. Total repatriation of profit, dividends and royalties on account of foreign investment in FY03 was \$266.01million, which is around \$70 million higher than the net inflow of FDI for the same year. Thus, a capital-starved country turns out to be a net exporter of capital. Of course, it is also necessary to take into account the indirect effects of FDI on the import bill and export revenues to assess the net impact of FDI on the balance of payments. In case of the import bill, FDI may have two contradictory effects. It may induce spending of more foreign exchange to meet in credential import bill; and it may also save foreign currency through efficient import-competitive production. Employment Situation: Due to scarcity of data on non-EPZ employment, it is difficult to draw a complete picture relating to employment generation impact of FDI. A recent study by FICCI in 2004 had the goal of ascertaining the size of employment by foreign companies in the domestic tariff area. According to this survey, a total of 129,549 persons were employed in foreign firms in the DTA, accounting for 0.68 percent of total manufacturing employment of Bangladesh. The highest share of workers in foreign companies was employed in the consumer-goods and apparels industries. In the EPZs, the number of workers increased from about 130,000 in FY03 to 140,050 in FY04, which is about 0.74 percent of country's total manufacturing employment. In all, foreign companies (EPZs and domestic tariff area together) have generated about 2.7 million jobs, which accounts for less than 15 percent of total manufacturing employment. This indicates that FDI fails to play any prime role in employment generation in Bangladesh. Apart of the fact that employment opportunities created by foreign firms are modest, it is important to note what kind of employment is generated by FDI in Bangladesh. The overwhelming share consists of low-paid jobs with unskilled labour, with a relatively low effect on the local economy. However, this is possibly particularly true of the EPZs. In foreign firms in the non-EPZs areas, a significant portion of middle and top management positions are filled by local professionals, and there are more highly paid jobs skilled jobs with more positive effects on the local economy.

Revenue Impact:

Foreign investors are a potentially important source of revenue for host countries, and these revenues can in turn support economic and social development through increased public investment. It has been estimated that foreign investors in Bangladesh are paying around \$13.20 million annually to the government exchequer³⁹. However, much revenue-earning opportunity is often lost due to excessively generous incentive packages offered to FDIs, as described in Section 2. Thus, it is important for policymakers, guided by the need to maximize fiscal revenues, to balance their desire to attract and keep foreign investment beyond the tax holiday period against the interests of fostering a more substantive competitive strength of the economy.

B) Indirect Impact

Technology Transfer: The degree of technology transfer through FDI is an important measure of impact.

While many cutting-edge technologies are not brought onto the market, developing countries have increasingly come to consider investment as one of the most important means of acquiring knowledge and upgrading their domestic production base, as well as improving the environment. It is difficult to measure the benefits of technology transfer without going into project-level case studies. It is well known that short-term and long-term effects differ, and that private benefits can diverge from social ones. A survey to assess the state of competitiveness environment in Bangladesh conducted in 2003 by CPD for the World Economic Forum (WEF) revealed that a steady and overwhelming portion (86.5 percent) of respondents believe that technology in the country lags behind that in most other countries. An increasing share of respondents stated that FDI is an important and potential source of new technology in Bangladesh. However, they also acknowledged that in fact, technology transfer attributable to FDI had been very modest. This is largely because most of FDI, as mentioned above, generates low-quality jobs (e.g. in the apparel sector) and in the overwhelming majority of cases, FDI (particularly in the EPZs) is not integrated into a broad base of local suppliers. The rare incidences of transfer of technology and/or know-how may occur in the banking sector, pharmaceuticals, textiles,

agro-based industries and construction. It may be also mentioned that in some cases reverse-engineering and mobility of labor constitute important methods of technology and skill transfer. Market Intelligence: The consensus view on the linkages between FDI and foreign trade has changed somewhat over the past decade. Most importantly, imports, exports and allocation decisions by TNCs form integral parts of an increasingly international system of production of goods and services. The fact that sharply higher shares of industrial input goods are imported by the foreign companies illustrates the point that TNCs increasingly rely on trade in raw materials and input goods within sister enterprises to maximize profit through transfer pricing. For example, South Korean investors who came to Bangladesh in late 1980s to utilize the textile quota under the Multi-Fiber Arrangement (MFA) instilled significant market intelligence. Thus, we observe that in the last two decades local entrepreneurs in a vastly expanded scale have imitated the South Koreans and set-up production processes and established overseas market linkages to sell their products. Foreign investments in pharmaceuticals, energy and cement production are a few other manifestations of generating market intelligence in the country. Local enterprises in these sectors have followed foreign investors in sourcing their machinery, accessing imported raw materials and marketing their textile products.

Competition:

The relationship between FDI and corporate sector competition is complex. Clearly, the entry of foreign competitors in and of it acts to spur competition, particularly in economies where competition policies are weakly enforced and market incumbents assert undue influence on pricing. Competition with foreign investment also enhances efficiency within the country, leading to improvement in product quality. These efficiency gains are generated through enhanced labor and capital productivity as well as increased efficiency. These gains ultimately underpin improvements in product quality and decreases in unit prices. Trends in the toiletries and household chemicals sector, which is dominated by a number of TNCs (e.g. Lever Brothers), However, as the TNCs through various market-capturing tactics including predatory pricing policies, acquire an overwhelming market share; many small and medium-sized local enterprises are gradually forced out of the market. Hence, with more competition because of enhanced FDI flow, Bangladesh's economy ends up showing a tendency of concentration with regard to productive capacities due to displacement effects which mainly affect local producers. Furthermore, this displacement effect implies a change in ownership.

Corporate Social Reasonability:

Maximization of shareholder value through corporate philanthropy is important in the present context. There are still debates as to how much firms can worry about things which are beyond their basic motive of profit generation. But some firms may do it to protect their interests by providing regular health care for their workforce, although from the point of view of workers as expressed in the survey of the CPD, there are only a few companies in Bangladesh which comply with health and safety standards.

Answer to Question No. 02 (a)

Resource mobilization is when a business or organization secures new or additional resources to meet needs. This process can also include strategies that maximize the efficiency of existing resources. In some cases, organizations may take count of what's currently available and develop a plan to use those resources as efficiently as possible. If necessary, the business can acquire new or enhanced resources to supplement any existing options. Especially in times of great business need or demand, it can be important to understand what an organization has and needs to successfully cover expenses and maintain standard quality.

Types of resources

Here are the four types of resources in business:

1. Physical resources

Physical resources are tangible assets that a company may use to create and distribute its products or services. Some examples of physical resources include equipment, production or storage facilities and inventory. Even if a company doesn't offer a tangible product, it can still use physical resources. For example, you can consider distribution elements like transport vehicles or promotional items like brochures to be physical resources.

2. Human resources

Human resources are employees who help a business run. This can include those who help develop the concepts, ideas and strategies for the business and its products. It can also include the employees who create, transport or sell the product or service. Like other resource types, human resources can be a crucial aspect of an organization. Mobilizing employees as resources can involve hiring new staff or developing training opportunities to improve the performance and output of current employees.

3. Intellectual resources

Intellectual resources can include any nontangible resources that allow a business to operate successfully. Some examples of intellectual resources include product patents, any branding content, copyright materials or partnerships with other institutions. Data can also be an intellectual resource. Information about important topics like customer satisfaction or purchasing habits can greatly influence the business' performance and decision-making. In some cases, intellectual resources can include the knowledge and expertise of employees. In this way, intellectual resources can overlap with human resources.

4. Financial resources

Financial resources are the monetary sources an organization can use to complete goals. Some types of financial resources include cash, credit, lines of credit or stocks. In many cases, financial resources are an important aspect of securing other resource types. For example, you can use a company's available financial resources to purchase the physical resources, like packaging and manufacturing machinery, that can go into creating a new product.

Answer to Question No. 02 (b)

SWOT Analysis of Garment industry in Salem simply means analysing the Strength, Weaknesses, Opportunities and Threats of garment industry in Salem. From this we can know the areas where the Salem is strong and where the Salem has to improve. In this research we have prepared a questionnaire and made a survey with it. This questionnaire was filled by various garment industries in Salem, Chennai, Bangalore, Mumbai and Delhi. This questionnaire made us to compare the various aspects like size of units, lead-time, productivity and CMT charges. Charts were prepared from the surveys and results were obtained from it.

By this project we can promote the details obtained to entrepreneur in various other places in India so that they can start up garment industry in near future.

1. Introduction

Salem is the 5th largest city of Tamil Nadu located in the central part of the southernmost state of India. Almost completely surrounded by hills, Salem is one of the major textile's centres in the country. The name 'Salem' appears to have been derived from Sela or Shalya by which the term refers to the country around the hills.

Salem is also the capital of Salem district whose other major locations are, Mettur, Omalur and Attur. Salem was the largest districts of Tamilnadu before it was bifurcated in to two as Salem and Dharmapuri. Later Salem was again divided with the formation of new districts such as Namakkal. Gorgeous silks and gossamer cottons from the handlooms of Salem are well known to the ladies, The High Court Dhoties are to assuage the men folk.

Recently our weavers have entered the Textiles Export Market in a highway and the Government of India has selected Salem City to be notified as a Textile Export Zone. It is located centrally & is easily accessible from Bangalore, Coimbatore, Trichy, Madurai and Chennai. Located at a distance of 355 km from Tuticorin and 341 km from Chennai, which are the nearest Ports from Salem

Population Figures

Salem is the second largest city of Tamilnadu in terms of population density. In reality the net population of the city is more than that of Tiruchirappalli, which is said to be the fourth largest city. The total urban population of Salem district is about 13, 90,000 whereas that of Trichy is only 11, 39,000. Salem is the second largest city of Tamilnadu in terms of population density.

Economy

Salem is known as the Mango city in Tamilnadu. It also has a Steel plant run by the SAIL and the brand **Salem Stainless Steel** is very widely known. Salem is also occasionally known as **Steel City**. It's also famous for Sago, Bauxite, Lorry Body building and Hand loom weaving. It has Magnesite deposits, second largest in India. The companies like Dalmia and TANMAG have mines here. Salem also boasts of a large Sago industry. 90% of sago supplies to the country are through Salem.

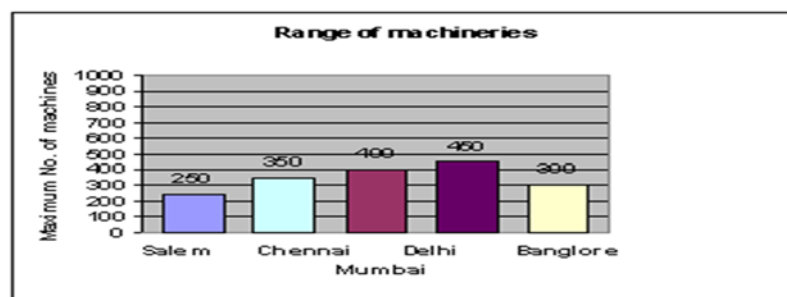
2. Salem Textile Background 1960s: Status of Textile Industry in the district

Very few Spinning Mills (Two) Handloom weaving in private and Cooperative sectors Large scale Few conventional hand dyeing units Few exporters. This condition of Textile Industry changed drastically to some extent in the year of 1980.

1960 1980s Status:

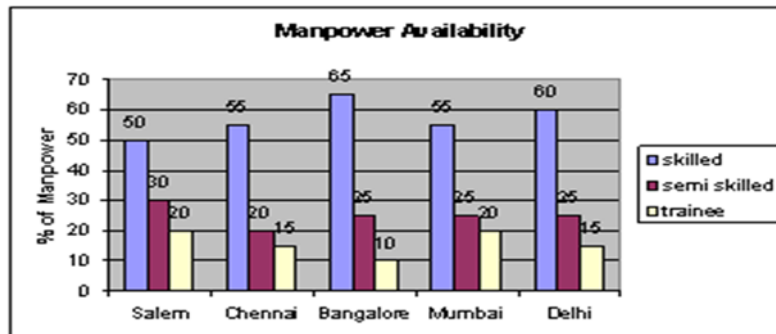
Many major spinning mills and waste spinning units came up Many Handloom societies were established Increased number of dye houses in and around Salem New and Increased number of Power Loom units in places like Gugai, Ammapet, Attayampatti, Vennandur, Magudanchavadi, Rasipuram, Komarapalayam and Pallipalayam, Jalakandapuram and Ellampillai. The Textile Industry of Salem now has developed to the maximum though not in garment production but in fabric production.

Machine Capacity



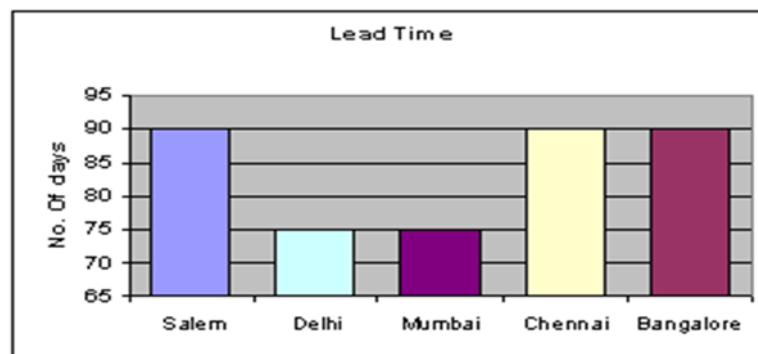
The machinery availability in Salem is nearly in the range of only 250, which is very much less compared to Chennai, Delhi, Bangalore and Mumbai. This is a great drawback for Salem textile industry.

3.2 Manpower Availability



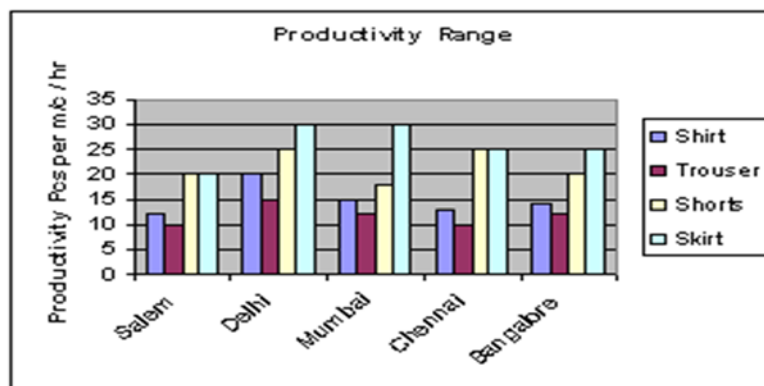
Manpower Availability of Skilled labours is only in the range of 50%, Semi-skilled labour 30% and trainees are 20%. This is also less compared to other cities. Skilled labours will increase productivity. So we have to train up labours side by side which will have a drastic change in our productivity.

3.3 Lead Time



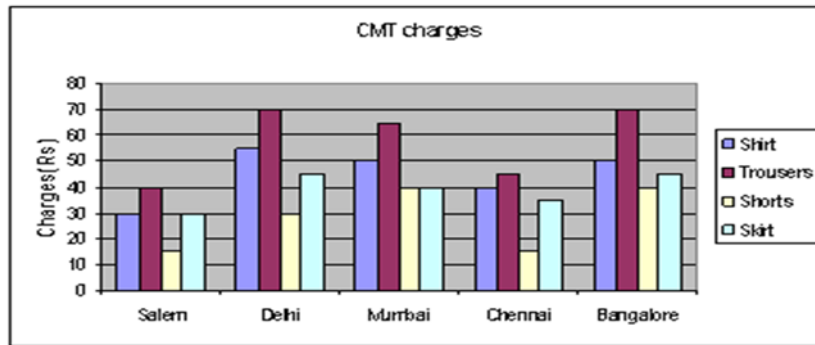
The lead-time provided by most of the buyer is maximum of 45 days to 90 days. This lead-time is more or less same for Salem, Chennai and Bangalore. So, Salem is in track with other cities also. Reduction in the lead-time like Mumbai and Delhi to 75 days can get us more number of export orders.

3.4 Productivity



The productivity of various garments like shirts, trousers, shorts and skirt is more or less same for Salem, Chennai, and Bangalore. In case of Delhi and Mumbai it is very high. This can be improved by increasing number of machines and skilled labours.

3.5 CMT Charges



The CMT charges, which are known as cut, make and trim charges plays a vital role in garment industry. This CMT charges can affect the production cost directly. Salem, Chennai are nearly same in their CMT charges. Whereas Delhi and Bangalore are very high. So, it is an advantage for Salem. Many job orders are received by Salem from other cities just for the sake of their CMT charges. This makes their production cost reduced.

4. SWOT ANALYSIS

4.1 STRENGTH

Export and Exporters of fabric and garment

Established market linkages by the small directly exporting segment who also have garment manufacturing units in Chennai and Bangalore Easy access to necessary inputs and related enterprises Established product reputation of input (Yarn dyed fabric) Ability to offer low volume customized products.

Weaving/ Weavers

Traditional skill based with ample man power resources Good networking with yarn suppliers and also fabric users in the cluster. Experience in successfully working with quality and delivery conscious exporters

Related Enterprises

Well-developed resource base in terms in numbers of enterprises. Ability to offer low volume customized volume

4.2 WEAKNESS Export and Exporters of fabric and garment

High cost of inputs (dyes and chemicals), power, blocked working capitals and hence high interest cost affecting cost competitiveness. Inadequate (Direct) market linkages with buying houses, buyer's agents etc.

Inadequate information on fashion trends requiring the enterprises to remain dependent on exploitative middlemen. Scope for skill up gradation of labour on garment manufacturing front. High levels of fluctuation in input prices.

Weaving/ Weavers

Poor access to institution credits leading to low net realization. Poor levels of Technology up gradation. Poor linkages among weavers to jointly resolve their problems. Inadequate up gradation in terms of efficient rapier looms Poor management skills amongst the weavers.

Related Enterprises

Scope remains for improving dyeing practices High cost of dyes and chemicals and inefficient pricing profile Inadequate levels of cooperation and trust amongst enterprises Unhealthy price competition amongst the processors.

4.3 OPPORTUNITIES Export and Exporters of fabric and garment

Scope for move toward garment infrastructure and value-added production Scope for effectively exploiting markets with phase out quota regime effectively Networking with buying houses and import promotion agencies abroad. Scope for capitalizing on Salem reputation

Weavers

Scope for Technology up gradation on equipment front Availability of core material for necessary up gradation. Scope to work together on various common business plan as to enhance cost and quality competitiveness

Related Enterprises

Scope to work together to some considerable cost reduction on the production front. Source from optimal sources in India and abroad and develop performance with growth. Scope to enhance water consumption efficiency, energy use and pollution issues by utilizing international expertise. Scope to start up buying houses for which entrepreneur in other cities are looking for.

4.4 THREATS Export and Exporters of fabric and garment

To enhance competition from other cities in India and also from other countries. Introduction of non-tariff buyers by importing nations

Weavers

Threat of removing b to b based then evolving b to c-oriented cluster hence leading to continued exploitation by middlemen in the absence of synergized initiatives of clusters. Enhanced cost and quality competition from Pakistan, China and Bangladesh. Inadequate direct information base on competitors as also international markets affecting performance.

5. Conclusion

Raw material, which is most important for garment production is available in a large amount here and hence the lead-time is comparatively reduced. Moreover, the cost of fabric is also very less compared to other places which in turn reduces the cost of production. Labour cost of Salem is very less compared to other cities like Chennai, Bangalore, Mumbai and Delhi, which reduce the production cost. Productivity is very less due to fragmented units and size of machine that is small comparatively. Skilled manpower availability is less in Salem that reduces productivity. Salem entrepreneurs can do joint venture. Moreover, Entrepreneurs from other cities are now coming forward to start garment industries in Salem. Apparel Parks, which are in progress, can look into the benefits of garment industries in Salem. Salem Lacking behind the Value-Added Products.

Answer to Question No. 02 (c)

When talking about the impact of a recession, people often mention the private and public sectors. But what do those terms really mean? They are used to compare different types of organizations in the U.S. economy and how they operate.

Businesses that make a profit commonly represent the private sector, while government agencies tend to represent the public sector. Learn how the private and public sectors operate, why they matter, and more.

How Do the Public Sector and Private Sector Work?

Economies of countries, including the U.S., are divided between public and private sectors (or sections), for the purpose of considering economic activity and each contribution to domestic production (the GDP).

In the U.S. there are several agencies that track and report the activity of both the public and private sectors. For example, the Bureau of Labour Statistics (BLS) reports on market activity, working conditions, and price changes in the economy, whereas the U.S. Census Bureau provides data about the nation's people and the economy.

How the Private Sector Works

The private sector is made up of households, businesses, and organizations, spanning jobs in a variety of fields, such as retail, construction, and manufacturing. This sector includes both public and private companies, ranging from behemoths like Walmart and Amazon, to small, mom-and-pop operations.

As private-sector businesses are owned and managed by private individuals or enterprises, businesses within this category focus on entrepreneurial activities, taking risks to create jobs and generate a profit. They are competitive and they have an incentive to be efficient.

How the Public Sector Works

The public sector references all government-owned or government-affiliated organizations, including the federal government, states, and localities. Public-sector organizations focus on services to the public as a whole, including education, security, safety, welfare, the legal system, natural resources, public transportation, infrastructure, food security, social housing, and health services.

Federal agencies like the IRS, FBI, and the Department of Labour, as well as state services like unemployment benefits, police departments, fire departments, children and family services, regulation of insurance, financial services, and medical, are all part of the public sector. In practice, the Bureau of Economic Analysis and the Federal Reserve Board uses data from the public sector to measure the nation's financial and economic performance, while local and state agencies use the data to create budgets and programming.

Some government agencies operate as "corporations." These agencies are established by Congress to provide public services at market prices, and to balance revenue and expenses. Examples are the U.S. Postal Service and the Federal Deposit Insurance Corp. (FDIC).

How Non-profits Work

Non-profits are often classified separately from both the public and private sectors, often in a group referred to as the non-profit sector, third sector, or voluntary sector, but the classification depends on each organization. Non-profits can sometimes be included within the public sector, because they have public elements, like including volunteers.⁶ However, the BLS lists them with the private sector for employment purposes.

NGOs (non-government organizations), a type of non-profit, are voluntary groups or institutions with a social mission that doesn't have a connection to a government. Non-profit organizations include international groups like the Red Cross and Doctors Without Borders, as well as organizations based in the U.S., like churches.

Non-profits can be a public charity or a private foundation. Public charities like United Way and Community Foundations perform charitable work, while private foundations support public charities. Private foundations don't solicit funds from the public. The Bill & Melinda Gates Foundation is an example of a private non-profit.

Private Sector vs. Public Sector

Ownership

Individuals own private-sector businesses. For example, an individual or group of individuals might own a sole proprietorship or LLC, while shareholders own corporations. Governmental agencies aren't owned by individuals; they are "owned" by and operate on behalf of the public.

Types of Goods Produced

Public goods, like national Défense, benefit everyone equally. These goods are delivered by public-sector organizations and are paid for by taxes. Private goods, like food, vehicles, and homes or offices,

benefit individuals and businesses, and only one person or business can consume a specific private good. They are paid for by individuals or businesses.

Some goods and services are best provided by the public sector to make sure that everyone benefits equally. Examples are mail service, public health services, schooling, and highway systems.⁸

Employment

Employment differs between the public and private sectors. The Department of Labour distinguishes between the two types of employers for specific regulations like meal break requirements and labour laws (like the Occupational Safety and Health Act (OSHA), for example.⁹¹⁰ The major employment law, the Fair Labour Standards Act (FLSA), covers only employees of private-sector companies—those engaged in interstate commerce, which is pretty much every business.

In the public sector, civil service employees—those who work for federal, state, or local government agencies—receive pay and benefits under different systems than private employees. Federal employees of the U.S. government, for example, work under the federal civil service system, which includes classifications of positions to ensure equal pay for equal work across all federal agencies.

In the private sector, employers have more flexibility. Each employer can set its own employment rules, as long as they abide by federal and state employment laws, like OSHA, wage and hour laws, and equal pay and benefits laws.

Efficiency and Productivity

Because private-sector businesses are focused on making a profit, they are often considered more productive and competitive. Public-sector organizations, on the other hand, are *de facto* monopolies. For example, most cities only have one police force, and the FBI is the only federal law enforcement agency.

As there's no incentive to make a profit, public organizations tend to be less efficient and less productive.¹⁴ Still, public-sector organizations have an important role in the economy by providing public goods, reducing unemployment, and stabilizing the economy during recessions.

Comparison of Public Sector vs. Private Sector

	Public Sector	Private Sector
Types of Organizations	Government	For-profit businesses
Types of Goods Provided	Public goods that benefit all	Private goods that benefit individuals, businesses, organizations
Ownership	The public	Individuals, shareholders
Profit-Making?	No	Yes
Types of Workers	Civil servants	Employees and independent contractors

Answer to Question No. 03 (a)

Rostow's stages of economic growth model is one of the major historical models of economic growth. It was published by American economist Walt Whitman Rostow in 1960. The model postulates that economic growth occurs in five basic stages, of varying length:

1. The traditional society
2. The preconditions for take-off
3. The take-off
4. The drive to maturity
5. The age of high mass-consumption

In addition to the five stages he had proposed in *The Stages of Economic Growth* in 1960, Rostow discussed the sixth stage beyond high mass-consumption and called it "the search for quality" in 1971. Below is an outline of Rostow's six stages of growth:

1. Traditional society

- Barter trading was still practiced to exchange good, here people use primitive and rudiment technology and are heavily reliant on subsistence farming.

2. Pre-conditions for take off

- Here urbanization starts, people revolve from subsistence farming to commercial farming and there is improvement in transport networks like roads and railways.

3. The take-off

- Urbanization increases, industrialization proceeds, technological breakthroughs occur.
- "Secondary" (goods-producing) sector expands and ratio of secondary vs. primary sectors in the economy shifts quickly towards secondary.
- Textiles and apparel are usually the first "take-off" industry, as happened in Great Britain's classic "Industrial Revolution"

An Example of the Take-off phase is the Agriculture (Green) Revolution in the 1960s.

4. The drive to maturity

- Diversification of the industrial base; multiple industries expand and new ones take root quickly
- Manufacturing shifts from investment-driven (capital goods) towards consumer durables and domestic consumption
- Rapid development of transportation infrastructure
- Large-scale investment in social infrastructure (schools, universities, hospitals, etc.)

5. The age of mass-consumption

- the industrial base dominates the economy; the primary sector is of greatly diminished weight in the economy and society
- widespread and normative consumption of high-value consumer goods (e.g. automobiles)
- consumers typically (if not universally), have disposable income, beyond all basic needs, for additional goods
- Urban society (a movement away from rural countryside's to the cities)

6. Beyond consumption (The search for quality)

- age of diminishing relative marginal utility as well as an age for durable consumer goods
- large families and Americans feel as if they were born into a society that has high economic security and high consumption
- a stage where it's merely speculation on whether there is further consumer diffusion or what the new generation will bring for growth

The traditional society

An economy in this stage has a limited production function which barely attains the minimum level of potential output. This does not entirely mean that the economy's production level is static. The output level can still be increased, as there was often a surplus of uncultivated land which can be used for

increasing agricultural production. Modern science and technology have yet to be introduced. As a result, these pre-Newtonian societies, unaware of the possibilities to manipulate the external world, rely heavily on manual labour and self-sufficiency to survive. States and individuals utilize irrigation systems in many instances, but most farming is still purely for subsistence. There have been technological innovations, but only on an ad hoc basis. All of that this can result in increases in output, but never beyond an upper limit which cannot be crossed. Trade is predominantly regional and local, largely done through barter, and the monetary system is not well developed. Investment's share never exceeds 5% of total economic production. Countries in this stage could include Ghana and Togo.

Wars, famines and epidemics like plague cause initially expanding populations to halt or shrink, limiting the single greatest factor of production: human manual labour. Volume fluctuations in trade due to political instability are frequent; historically, trading was subject to great risk and transport of goods and raw materials was expensive, difficult, slow and unreliable. The manufacturing sector and other industries have a tendency to grow but are limited by inadequate scientific knowledge and a "backward" or highly traditionalist frame of mind which contributes to low labour productivity. In this stage, some regions are entirely self-sufficient.

In settled agricultural societies before the Industrial Revolution, a hierarchical social structure relied on near-absolute reverence for tradition, and an insistence on obedience and submission. This resulted in concentration of political power in the hands of landowners in most cases; everywhere, family and lineage, and marriage ties, constituted the primary social organization, along with religious customs, and the state only rarely interacted with local populations and in limited spheres of life. This social structure was generally feudalistic in nature. Under modern conditions, these characteristics have been modified by outside influences, but the least developed regions and societies fit this description quite accurately.

The preconditions for take-off

In the second stage of economic growth, the economy undergoes a process of change for building up of conditions for growth and take off. Rostow said that these changes in society and the economy had to be of fundamental nature in the socio-political structure and production techniques. This pattern was followed in Europe, parts of Asia, the Middle East, and Africa. There is also a second or third pattern in which he said that there was no need for change in socio-political structure because these economies were not deeply caught up in older traditional social and political structures. The only changes required were in economic and technical dimensions. The nations which followed this pattern were in North America and Oceania (New Zealand and Australia).

There are three important dimensions to this transition: firstly, the shift from an agrarian to an industrial or manufacturing society begins, albeit slowly. Secondly, trade and other commercial activities of the nation broaden the market's reach not only to neighbouring areas but also to far-flung regions, creating international markets. Lastly, the surplus attained should not be wasted on the conspicuous consumption of the land owners or the state, but should be spent on the development of industries, infrastructure and thereby prepare for self-sustained growth of the economy later on. Furthermore, agriculture becomes commercialized and mechanized via technological advancement; shifts increasingly towards cash or export-oriented crops, and there is a growth of agricultural entrepreneurship.

The strategic factor is that the investment level should be above 5% of the national income. This rise in investment rate depends on many sectors of the economy. According to Rostow capital formation depends on the productivity of agriculture and the creation of social overhead capital. Agriculture plays a very important role in this transition process as the surplus quantity of the product is to be utilized to support an increasingly urban population of workers and also becomes a major exporting sector, earning foreign exchange for continued development and capital formation. Increases in agricultural productivity also lead to the expansion of the domestic markets for manufactured goods and processed commodities, which adds to the growth of investment in the industrial sector.

Social overhead capital creation can only be undertaken by the government, in Rostow's view. Government plays the driving role in the development of social overhead capital as it is rarely profitable,

it has a long gestation period, and the pay-offs accrue to all economic sectors, not primarily to the investing entity; thus, the private sector is not interested in playing a major role in its development.

All these changes effectively prepare the way for "take-off" only if there is a basic change in the attitude of society towards risk-taking, changes in the working environment, and openness to change in social and political organizations and structures. According to Rostow, the preconditions to take-off begins from an external intervention by more developed and advanced societies, which "set in motion ideas and sentiments which initiated the process by which a modern alternative to the traditional society was constructed out of the old culture." The pre-conditions of take-off closely track the historic stages of the (initially) British Industrial Revolution.

Referring to the graph of savings and investment, notably, there is a steep increase in the rate of savings and investment from the stage of "Pre-Take-off" till "Drive to Maturity:" then, following that stage, the growth rate of savings and investment moderates. This initial and accelerating steep increase in savings and investment is a pre-condition for the economy to reach the "Take-off" stage and far beyond.

The take-off

This stage is characterized by dynamic economic growth. As Rostow suggests, all is premised on a sharp stimulus (or multiple stimuli) that is/are any or all of economic, political and technological change. The main feature of this stage is rapid, self-sustained growth.^{[4][10]} Take-off occurs when sector led growth becomes common and society is driven more by economic processes than traditions. At this point, the norms of economic growth are well established and growth becomes a nation's "second nature" and a shared goal.^[1] In discussing the take-off, Rostow is noted to have adopted the term "transition", which describes the process of a traditional economy becoming a modern one. After take-off, a country will generally take as long as fifty to one hundred years to reach the mature stage according to the model, as occurred in countries that participated in the Industrial Revolution and were established as such when Rostow developed his ideas in the 1950s.

Per Rostow there are three main requirements for take-off:

1. The rate of productive investment should rise from approximately 5% to over 10% of national income or net national product
2. The development of one or more substantial manufacturing sectors, with a high rate of growth;
3. The existence or quick emergence of a political, social and institutional framework which exploits the impulses to expansion in the modern sector and the potential external economy effects of the take-off.^[3]

The third requirement implies that the needed capital must be mobilized from domestic resources and steered into the economy, rather than into domestic or state consumption. Industrialization becomes a crucial phenomenon as it helps to prepare the basic structure for structural changes on a massive scale. Rostow says that this transition does not follow a set trend as there are a variety of different motivations or stimulus which began this growth process.

Take off requires a large and sufficient amount of loanable funds for expansion of the industrial sector which generally come from two sources which are:

1. Shifts in income flows by way of taxation, implementation of land reforms and various other fiscal measures.
2. Re-investment of profits earned from foreign trade as has been observed in many East Asian countries. While there are other examples of "Take-off" based on rapidly increasing demand for domestically produced goods for sale in domestic markets, more countries have followed the export-based model, overall and in the recent past. The US, Canada, Russia and Sweden are examples of domestically based "take-off"; all of them, however, were characterized by massive capital imports and rapid adoption of their trading partners' technological advances.^{[4][11]} This entire process of expansion of the industrial sector yields an increase in rate of return to some individuals who save at high rates and invest their savings in the

industrial sector activities. The economy exploits their underutilized natural resources to increase their production.

Tentative take-off dates

The take-off also needs a group of entrepreneurs in the society who pursue innovation and accelerate the rate of growth in the economy. For such an entrepreneurial class to develop, firstly, an ethos of "delayed gratification", a preference for capital accumulation over expenditure, and high tolerance of risk must be present. Secondly, entrepreneurial groups typically develop because they cannot secure prestige and power in their society via marriage, via participating in well-established industries, or through government or military service (among other routes to prominence) because of some disqualifying social or legal attribute; and lastly, their rapidly changing society must tolerate unorthodox paths to economic and political power.

The ability of a country to make it through this stage depends on the following major factors:

- Existence of enlarged, sustained effective demand for the product of key sectors.
- Introduction of new productive technologies and techniques in these sectors.
- The society's increasing capacity to generate or earn enough capital to complete the take-off transition.
- Activities in the key sector should induce a chain of growth in other sectors of the economy, that also develop rapidly.

An example of a country in the Take-off stage of development is Equatorial Guinea. It has the largest increases in GDP growth since 1980 and the rate of productive investment has risen from 5% to over 10% of income or product.

In the table note that Take-off periods of different countries are the same as the industrial revolution in those countries.

The drive to maturity

After take-off, there follows a long interval of sustained growth known as the stage of drive to maturity. Rostow defines it "as the period when a society has effectively applied the range of modern technology to the bulk of its resources." Now regularly growing economy drives to extend modern technology over the whole front of its economic activity. Some 10-20% of the national income is steadily invested, permitting output regularly to outstrip the increase in population. The makeup of the economy changes unceasingly as technique improves, new industries accelerate, older industries level off. The economy finds its place in the international economy: goods formerly imported are produced at home; new import requirements develop, and new export commodities to match them. The leading sectors in an economy will be determined by the nature of resource endowments and not only by technology.

Tentative drive to maturity dates

On comparing the dates of take-off and drive to maturity, these countries reached the stage of maturity in approximately 60 years.

The structural changes in the society during this stage are in three ways:

- Work force composition in agriculture shifts from 75% of the working population to 20%. The workers acquire greater skill and their wages increase in real terms.
- The character of leadership changes significantly in the industries and a high degree of professionalism is introduced
- Environmental and health cost of industrialization is recognized and policy changes are thus made.

During this stage a country has to decide whether the industrial power and technology it has generated is to be used for the welfare of its people or to gain supremacy over others, or the world *in toto*.

A prime example of a country in the Drive to Maturity stage is South Africa. It is developing a world-class infrastructure- including a modern transport network, widely available energy, and sophisticated

telecommunications facilities. Additionally, the commercial farm sector shed 140,000 jobs, a decline of roughly 20%, in the eleven-year period from 1988 to 1998.

This diversity leads to reduction in poverty rate and increasing standards of living, as the society no longer needs to sacrifice its comfort in order to build up certain sectors.

The age of high mass-consumption

The age of high mass-consumption refers to the period of contemporary comfort afforded by many western nations, wherein consumers concentrate on durable goods, and hardly remember the subsistence concerns of previous stages. Rostow uses the Buddenbrooks dynamics metaphor to describe this change in attitude. In Thomas Mann's 1901 novel, *Buddenbrooks*, a family is chronicled for three generations. The first generation is interested in economic development, the second in its position in society. The third, already having money and prestige, concerns itself with the arts and music, worrying little about those previous, earthly concerns. So too, in the age of high mass-consumption, a society is able to choose between concentrating on military and security issues, on equality and welfare issues, or on developing great luxuries for its upper class. Each country in this position chooses its own balance between these three goals. There is a desire to develop an egalitarian society and measures are taken to reach this goal. According to Rostow, a country tries to determine its uniqueness and factors affecting it are its political, geographical and cultural structure and also values present in its society.

Historically, the United States is said to have reached this stage first, followed by other western European nations, and then Japan in the 1950s.

Beyond consumption (the search for quality)

When proposed, this step is more of a theoretical speculation by Rostow rather than an analytical step in the process by Rostow. Individuals begin having larger families and do not value income as a pre-requisite for more vacation days. Consumer products become more durable and more diverse. Young people will behave in a way where the high economic security and level mass consumption is considered normal. Rostow does make the point that it is possible with the large baby boom it could either cause economic issues or dictate an even larger diffusion of consumer goods. With increasing urban and suburban population there will be undoubtedly an increase in consumer goods and services as well.

Answer to Question No. 03 (b)

A developed economy is typically characteristic of a developed country with a relatively high level of economic growth and security. Standard criteria for evaluating a country's level of development are income per capita or per capita gross domestic product, the level of industrialization, the general standard of living, and the amount of technological infrastructure.

Noneconomic factors, such as the human development index (HDI), which quantifies a country's levels of education, literacy, and health into a single figure, can also be used to evaluate an economy or the degree of development.

- Countries with relatively high levels of economic growth and security are considered to have developed economies.
- Common criteria for evaluation include income per capita or per capita gross domestic product.
- If per capita gross domestic product is high but a country has poor infrastructure and income inequality, it would not be considered a developed economy.
- Noneconomic factors, such as the human development index, may also be used as criteria.
- Developing economies are often helped by globalization to reach improved levels of income and increased standards of living.

Developed Economy

Understanding a Developed Economy

The most common metric used to determine if an economy is developed or developing is per capita gross domestic product (GDP), although no strict level exists for an economy to be considered either developing or developed. Some economists consider \$12,000 to \$15,000 per capita GDP to be sufficient for developed status while others do not consider a country developed unless its per capita GDP is above \$25,000 or \$30,000. The U.S. per capita GDP in 2019 was \$65,111.

For countries that are difficult to categorize, economists turn to other factors to determine development status. Standard-of-living measures, such as the infant mortality rate and life expectancy, are useful although there are no set boundaries for these measures either. However, most developed economies suffer fewer than 10 infant deaths per 1,000 live births, and their citizens live to be 75 or older on average.

A high per capita GDP alone does not confer developed economy status without other factors. For example, the United Nations still considers Qatar, with one of the world's highest per-capita GDP in 2021 at around \$62,000, a developing economy because the nation has extreme income inequality, a lack of infrastructure, and limited educational opportunities for non-affluent citizens.¹

Examples of countries with developed economies include the United States, Canada, and most of western Europe, including the United Kingdom and France.

The Human Development Index

The UN's Human Development Index (HDI) looks at three standards of living criteria—literacy rates, access to education, and access to health care—and quantifies this data into a standardized figure between zero and one. Most developed countries have HDI figures above 0.8.

The United Nations, in its annual HDI rankings, reports that in 2020, Norway had the world's highest HDI at 0.957. The United States ranked 17th at 0.926. The top 10 countries in the HDI index were Norway, Ireland, Switzerland, Hong Kong, Iceland, Germany, Sweden, Australia, Netherlands, and Denmark. Niger had the lowest human development index score at 0.394 out of 189 countries.²

Developing Economies

Terms such as "emerging countries," "least-developed countries," and "developing countries" are commonly used to refer to countries that do not enjoy the same level of economic security, industrialization, and growth as developed countries. The term "third-world country" to describe a state is today considered archaic and offensive.

The United Nations Conference on Trade and Development notes that the world's least-developed countries are "deemed highly disadvantaged in their development process—many of them for geographical reasons—and (face) more than other countries the risk of failing to come out of poverty."

It is often claimed by proponents of globalization, that globalization is helping to lift developing economies out of poverty and onto a path of improved standards of living, higher wages, and use of modern technology. These benefits have primarily been witnessed in the Asia-Pacific region. Though globalization has not taken root in all developing economies, it has shown to improve the economies in the ones that it has. That being said, globalization does come with drawbacks as well that need to be assessed when foreign investments flow into a developing economy.

A Digital Wallet for All Your Web3 Needs

From crypto to NFTs and beyond, accessing a wealth of DeFi platforms is simpler than you might think. With OKX, a leading digital asset financial service provider, you can access world-class security as you trade and store assets. You can also connect existing wallets and win up to \$10,000 when you complete a deposit of more than \$50 through a crypto purchase or top-up within 30 days of registration. Learn more and sign up today.