

# **Inflation and Stagflation by Deceptive Products: Overall Impact on Economy**

*Md. Mahabbat Hosen<sup>1</sup>*

*Uttom Kumar Gain<sup>2</sup>*

*S. M. Mahabubul Islam<sup>3</sup>*

<sup>1</sup>Lecturer, Department of Accounting, Govt. H.S.S. College, Magura.

<sup>2</sup>Lecturer, Department of Accounting, Govt. H.S.S. College, Magura.

<sup>3</sup>Associate Professor, Department of Accounting, Govt. Bangla College, Dhaka

**Abstract:** Bangladesh presently exports Ready-Made Garment (RMG) to about 30 countries around the world. More women, whether pushed by poverty or pulled by opportunity, work outside home particularly in the RMG sector. The exodus of women to work in urban areas, leaving homes and families, is a relatively recent development. Despite the employment opportunities at the garment factories, women workers in Bangladesh suffer from abject poverty. Most of them earn less than a dollar (US) a day. Workers of the multi-billion dollar industry live hand to mouth and often starve along with children. Lack of proper literacy skills is holding them back at work that in turn is contributing to low wages. Problems of industrial work and urban living are compounded by the mere fact that there are not enough affordable housing and transportation facilities for workers on limited wages. How the workers cope with daily expenses on a wage of less than a dollar a day is focus of the paper. This paper attempts to present the living conditions depicted by the academic literature and juxtapose it against the narratives of the interviewed garment workers in Bangladesh.

**Keywords:** Inflation, stagflation, excess import by Bangladesh, deceptive utility portion of China products, CPI, SMART process.

## **1 Introduction**

2.2% of world people bearing Bangladesh is a developing country located at a south central Economic Asia zone and it suffers from a chronic deficit in her trade balance. But in nature, the people of this areas are very much habituate to extract the new advantages of new products and technologies for enhancing the existing conditions of their standard of living by proper utilizing these. For this reason of being, they may invest their currency, in this case if they invest their currency to the deceptive product(s) or vague technology(s) what will be the impact on our economy. The import of Bangladesh from China is one of the most significant factors which are responsible for unfavorable trade balance of the country. Hence it is strongly required the ultimate reshaping the trade balance of Bangladesh with her foreign trade partners. The imports of Bangladesh with its eight major trading partner countries- India, China, Singapore, Japan, Hong Kong, South Korea, USA and Malaysia.

## **1.1 Statement of the problem:**

The fluctuation of time value of money for accomplishment the required task between by the import of deceptive China products that can makes a significant role for creating inflation & stagflation and up emerging outcomes for our country. Govt. supports for corrective measurements of media relatively and equally sensitive to the overall inflation rate change.

## **1.2 Research objectives:**

1. To extract the possible root causes and solutions of inflation by imported deceptive goods from China
2. To detect the exact % of inflation which is raised for the China deceptive products
3. To increase the awareness of the people on their duties and responsibilities in case of acquiring and proper utilization of China products considering the exact demand and configurations.

## **2 Sampling and methodology:**

### **2.1 Sampling:**

Until March 2, 2013, there were 738 China products with listed to (BBS) Bangladesh Bureau of statistics . And I took to line follow line population investigation study. Random sampling approach has discerned selecting sample products from the pool of population. The following specific judgments considered setting the sample size.

- The products may be both listed and unlisted to EPB
- The most frequently imported China products during the immediate last one year period
- The age of importer's companies should be at least 3 years from the date of incorporation.
- Considered the regular marketing unusual and unexpected products.

### **2.2 Data process:**

All data are quantifiable and described as monetary terms. Listed products China products and the used portion of utilities those products quoted in Figure-4 & Figure-5 are the main data for this approach study. However monthly economic trends published by the statistical dept. of Bangladesh Bank have also been used as facts findings (data) sources. The study analysis based on listed products. I conducted with various banks for L/C which contentiously matches with trading of China during January 1,2013 to December 31,2012( public holiday excluded) this study initiative scales the measures of variances computed based on availability of return up, covering in average a full of utility of respective products.

### **2.3 Variable and hypothesis**

Considering imports prices over the one year period, the study has developed 2 typical variables changes in monthly and yearly intervals in same period and all import prices recorded for the same period by the data recorded by BB. This study initiative developed hypotheses on two ground observing of use of purchased of utility and actual use of utility of China products. Both parametric and non parametric tests using t distribution

conducting for testing hypothesis chosen because of variable data derived from small sample size ( $n \leq 30$ ) with unknown population parameters.

### 3 Literature survey:

Imports in Bangladesh have increased to 2882.80 USD Million in March of 2013 from 2608.10 USD Million in February of 2013. Imports in Bangladesh are reported by the Bangladesh Bank. Historically, from 1995 until 2013, Bangladesh Imports averaged 4485.18 USD Million reaching an all time high of 20291.40 USD Million in June of 2009 and a record low of 1424.20 USD Million in August of 2009. Bangladesh imports mostly petroleum product and oil, machinery and parts, soybean and palm oil, raw cotton, iron and steel and wheat. Bangladesh main imports partners are China (17% of total), India, Indonesia, Singapore and Japan.

- Internet data search

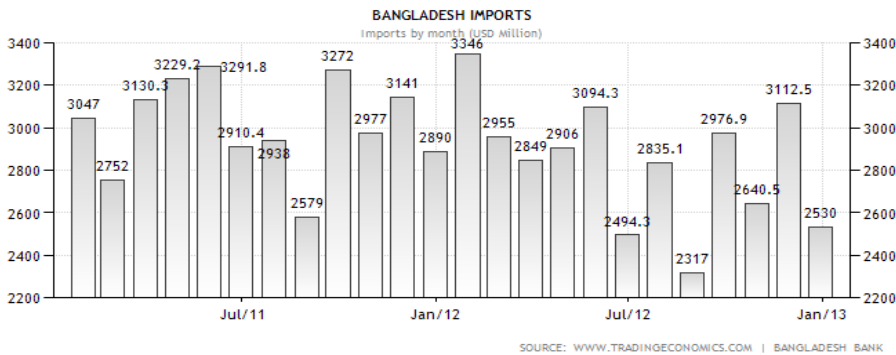


Figure 1: Showing a chart with historical data for Bangladesh Imports (million USA Dollar)

Total January 12-january 13  
 $= (2890 + 3346 + 2955 + 2849 + 2906 + 3094.3 + 2494.3 + 2317 + 2976.9 + 2640.5 + 3112.5 + 2530)$   
 $= 31617.2 * 17\% = 5374.924$  million

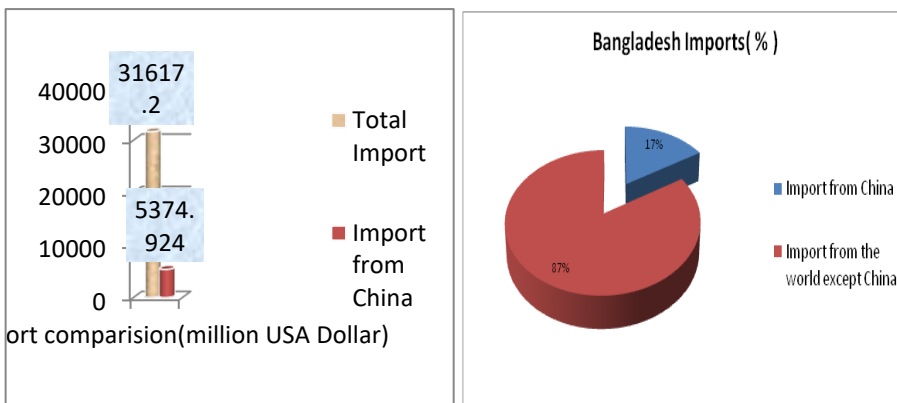


Figure 2: Showing the portion of China from total imports

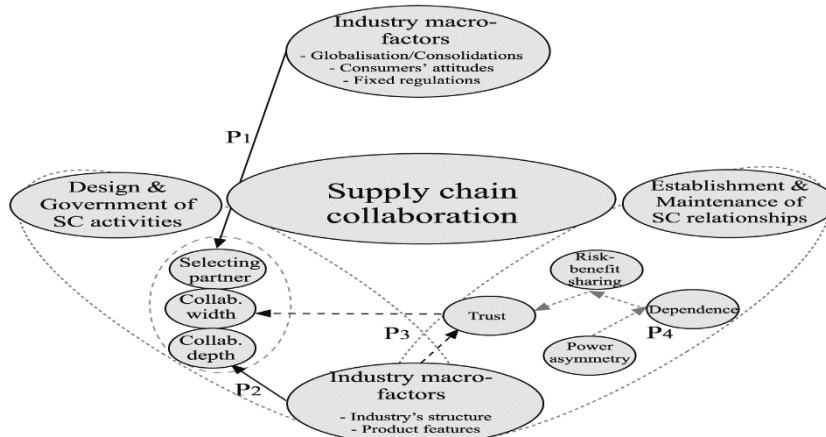
But in real picture (listed and unlisted imported products value will be more than that )

The Gross National Product is helpful in measuring the contribution of a country's residents to the flow of goods and services inside and outside the national territory. Therefore, Gross National Product is the basic concept of national income accounting.

\* BDT (1 BDT=\$0.0121) (avg 2011-12)

GNP measures and NI measured by two rules (here the below chart of product flow is considered while importing goods and services for measuring CPI.)

- Flow of product or goods flow
- Earning or income flow



**Figure 3: Product flow diagram**

- The product inflows form
- China to Bangladesh in 2011-2012 is shown by the below tabulated box

Accessories	Ethnic Garment	Leather Product
Fresh Onions	Recycling	Genuine Leather
Ceilings	Lights & Lighting	Other Examination & Testing Instrument
Tiles	Electrical Equipment & Supplies	Electronic Components & Supplies
Cement Board	Agricultural Greenhouses	Angular Contact Ball
Cutting Boards	Dairy	Fire Cards
Ironing Boards	Manufacturing & Processing Machinery	Mini Bus motorcycle, bicycle, tractor
Raw of medicine	Minerals & Metallurgy	Fruits
Control Cables	Construction & Real Estate	Electronic Components & Supplies
Mobile Phone Cables	Furniture & Furnishings	Recycling
Sound Cards	Automobiles & Motorcycles	Lights & Lighting

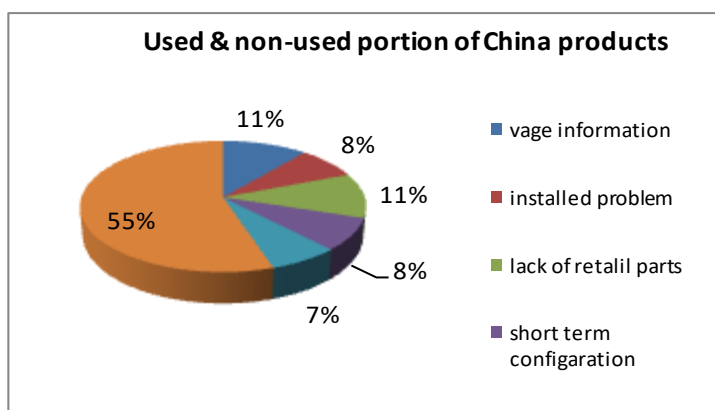
<u>Graphics Cards</u>	<u>Security &amp; Protection</u>	<u>Electrical Equipment &amp; Supplies</u>
<u>PC</u>	<u>Toys</u>	<u>Agricultural Greenhouses</u>
<u>Tie Clips, Tie Bars, Tie Pins</u>	<u>Consumer Electronics</u>	<u>Dairy</u>
<u>Bow Ties</u>	<u>Rubber &amp; Plastics</u>	<u>Manufacturing &amp; Processing Machinery</u>
<u>Tie Mounts</u>	<u>Food &amp; Beverage</u>	<u>Minerals &amp; Metallurgy</u>
<u>Apparel Stock</u>	<u>General Industrial Equipment</u>	<u>Construction &amp; Real Estate</u>
<u>Ladies' Panties</u>	Electric engine , power teller	<u>Furniture &amp; Furnishings</u>
<u>General Industrial Equipment</u>	<u>Soft Drinks</u>	<u>Automobiles &amp; Motorcycles</u>
<u>Electricity</u>	<u>Printing &amp; Publishing</u>	<u>Security &amp; Protection</u>
<u>Soft Drinks</u>	<u>Rubber &amp; Plastics</u>	<u>Toys</u>
<u>Printing &amp; Publishing</u>	<u>Food &amp; Beverage</u>	<u>Consumer Electronics</u>
<u>CCTV</u>	<u>Ball bearings</u>	<u>Ready-made garments</u>

**Figure 4: list of imported consumer goods from China (2012-2013)**

### 3.1 Limitations:

1. Although the research has reached its aims, there were some unavoidable limitations, first , because of considering only CPI for inflation.( i.e. inflation is the percentage annually increased in a generally price level, commonly measured by the Consumer Price Index.)
2. Postmortem analysis was never be possible by considering revolved major key elements that were set to discover or disclose the causes of inflation.
3. Non listed China products were not considered to extract the deceptive portion of utility which might not represent 100% real picture.
4. Imports, consumers' consumptions and associate all elements are always variable, hence the fixed elements are omitted here and for this reason of being, the linear equation,  $Y = a + b(x)$  has not set up.

## 4 ANALYSIS AND FINDINGS:



## Figure 5: Used & non-used portion of China products

It is known to us that, a product is something that can be offered to be a market for attention, acquisition, and that can be satisfied a want or need of a customer according to his/her desired or expected level of consumption ( i.e. utility) but the products that we import from China, can meet an average 55% utility by comparison of below parameters which are strongly considered at the time of setting cafeteria.

1. At the time of acquisition, the expected utility of China products is 100%.
2. But the real picture is that the total receiving utility is ( 100%-45%)=55% are not utilized of China products

The causes are as follows to clarify the statement based on the realistic conditions of our country.

- Lack of estimation of exact need of products
- Lack of Consciousness at the time of acquisition about the utility of products
- Intentionally import less quality products and no importance on brand name
- Tendency of short term use or meeting up short term needs
- Considering the currency loss factors
- Cost of red tape for imported goods and internal transportation costs

Besides the most important and considerable fact is that ,among the tree alternatives (Gold std ,Purchasing Power Parity theory ,Open Market Policy)Bangladesh maintains reserved currency against gold standard, when the recognized countries currency i.e. hard currency falls against meeting up their market demand, the value of currency fall and whose reactions or impact directly hit to our national economy drastically in spite of having no more significant connectivity our country with world economy of venerable. our currency value varies according to the change of change of the activity level of the economy of hard currency issuer's country as a result inflation rate arises unexpectedly in our economy for importing goods & services. Now the question, what portion of inflation is rising for the use of deceptive China products?

However, let there is a calculation and here both the quality and its utility are considered and standardized based on Japanese products

Where, we get 75% utility from Japanese products. So, the loss of utility of China product-loss of utility of Japanese products =(45-25)% = 30%

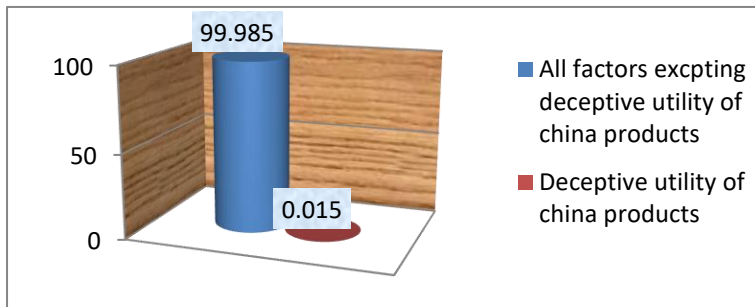
The general formula is used for Gross National Product is: **GNP = GDP + Net factor income from abroad**  
Where,

- GDP = Gross Domestic Product
- Net factor income from abroad = [Income earned in foreign countries by the residents of a country – Income earned by non-residents in that country]

Let,

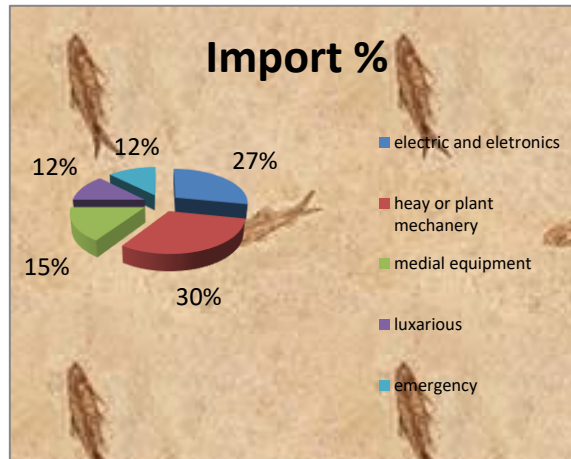
Gross national product GNP= 100%		
1. Import =10% a. 40-45% (consumer goods) b. Rest of heavy machinery and military equipment, medical equipments	GDP 90%	
	a. Raw materials import - 50%	b. Pursue lucre 50%
10%/2=5% for imports		

N..B. considered only Consumer price index in case of defining inflation i.e. inflation is the percentage annually increased in a general price level commonly measured by the Consumer Price Index(CPI).Hence,1 a= 1 0%/2=5% for imports,  $X = (LCU-L \text{ Std. } U) \% = (45-25)\% = 30\%$ , So,  $Y=a(x) = 5\% * 30\% = .015$



**Figure 6: Showing % of inflation within 100% causes of deceptive China products**

1. Bangladesh historically has run a large trade deficit, financed largely through aid receipts and remittances from workers overseas.
2. Foreign reserves dropped markedly in 2001 but stabilized in the USD3 to USD4 billion range (or about 3 months' import cover).
3. In January 2007, reserves stood at \$3.74 billion, and then increased to \$5.8 billion by January 2008, in November 2009 it surpassed \$10.0 billion, and as of April 2011 it surpassed the US \$12 billion according to the Bank of Bangladesh, the central bank.
4. In addition imports and aid-dependence of the country has systematically been reduced since the beginning of 1990s.



**Figure 7: Major imports from China**

Major Causes of inflation of our national economy:

1. Export < import
2. Transferring capital
3. Influence of banks
4. Corruptions
5. Monetary policy
6. Political unrest
7. Share market
8. Black money
9. Red tape, electricity problem, traffic jam
10. Vulnerability of financial institutions
11. Image problem on abroad

So it is certainly true in case of Banladeshi economy, import is one of the most momentous key elements for inflation among others alternatives and deceptive utility of China products is seriously capping our up coming economy and playing a significant role for raising inflation.

### Recommendations

It is very difficult to handle for reducing bad impact on our national economy causes of deceptive utility of respective products without rising consciousness of mass people. Here the method (EPS+Cs) is suggested to follow for extracting good outcomes from our up -coming economy.

(EPS+Cs)= **E**thics based **P**ermission with maintain **SMART** (S=Specific, M= Measurable, A =Appropriate, R= Realistic, T= Time bound) process, **C**ontinuous supervision, **C**onsumers' consciousness.

1. Ethically strong minded and worthy of regulatory bodies are required to supervise the import functions with up holding the supreme level of patriotism .
2. Import permission would be logically present and future demand oriented and that should be very quick through smart process i.e. before it , the volume of imports in each sector must be needed to ensure for the requirements of up coming demand and consider the potential utility of goods and



services which is expected to make a positive impacts on national economy and from which future benefit can be derived.

3. To follow the existing law strictly and make sure to set up sound policy for importing effective products. Besides proper facilities for both importers and consumers should be ensured through continuous supervision and policy implementation
4. It is also suggested that consumers must need to consider the utility of products at the time of acquisition of products, which one will be rational and standardized.

It is strongly expected that only (EPS+Cs) can draw a well ultimate result and inflation for deceptive utility of products drastically change.

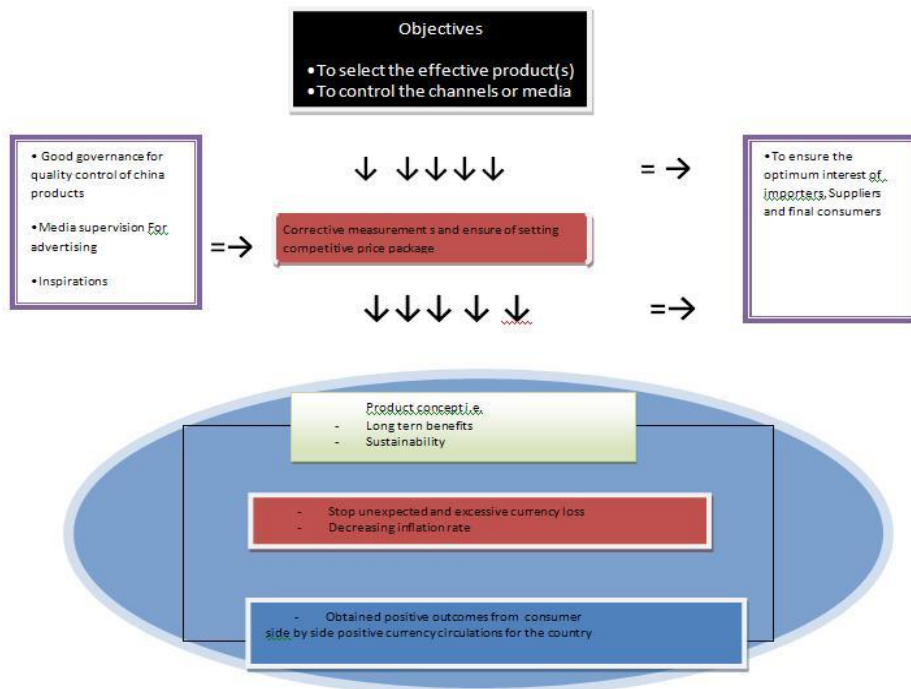


Figure 8: Fleeting look recommendation

### 5 Conclusion:

This research has not highlighted only on ethical motivation with up holding the supreme level of patriotism in case of importing demand oriented effective China products but also give a method of calculation the deceptive Utility products “ $Y=a(x)$ ” which is developed only considering the CPI concept of inflation. So the findings of this research surely adds to store of the empirical knowledge about the facts and figures of the deceptive utility of products and its present and future impacts on national economy from the both import regularities body, importers and the consumers point of view. So there are scopes for further research in this

issue considering other potential elements of inflation with more improved methodology and wider conception. Particularly, the investigation into what made latent and ultimate consumers to acquire the well utilized products willingly could be an interesting research.

#### References:

- K.K. Dewett,(1998) *Modern Economic Theory*, New Delhi-110055, Shyam Lal Charitable Trust Press
- Philip kotler. (1989), *Principles of Marketing*, Cambridge, MA, MIT Press.
- Mohan L Roy, Abul Kalam & Ishrat Jahan, (2009) 'How far the time interval and number of observations have differential effect on Beta and Alpha calculation-An Empirical Test of DSE Market Observation', *The Business and Economic Review*, **3**, 68-85.
- Md. Mahabbat Hosen and Mohammad Abdullah Al Mamun (2011) 'Wastage of Merits: Impact on Economy', *Socio-Economic Research & Development*, **8**, 1184-1187
- Schneiberg, M. (2005) 'What's on the Path? Path Dependence, Organizational Diversity and the Problem of Institutional Change in the US Economy, 1900-1950', *Socio-Economic Review*, **5**, 47-80
- Epstein, E. (2006, February 2) 'Lawmakers Rip Net Giants for Bowing to China Censors', *The San Francisco Chronicle*, San Francisco, CA, p. A7.
- The New York Times*, (2005, June 10) 'An Important Election Safeguard', New York, NY, p. 20.
- The Daily Stars* (2013, June 10) 'An Important Election Safeguard', Dhaka, NY, p. 20.
- The Financial express* (2013, June 13) 'An Important Election Safeguard', Dhaka, NY, p. 20.
- The daily Prothom-alo, 'How Much Investment on Future Leaders', <http://www.prothom-alo.com/detail/date/2012-10-01/news/294152> , Accessed on October1, 2013.
- Rodrik, D. (2002) 'Feasible Globalizations', accessed at <http://ksghome.harvard.edu/~drodrik/papers.html> on March 31, 2002.