

## Role of Services Marketing in Socioeconomic Development and Poverty Reduction in Dhaka City of Bangladesh

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### Abstract:

*This research examines the interrelationships between services marketing, socio-economic development and poverty alleviation in Dhaka City. During the last one and half decades of socio-economic reforms in Dhaka city, rapid growth rate in the services sector has been recorded in terms of services activities, earnings, employment and contribution to GDP of the country. At present Growth depends on service sectors development and poverty reduction depends on growth. Dhaka City is chosen as the case study which has substantial levels of poverty although services sector have been developed for years. High officials of different NGOs and Government organization opined that most of the poverty alleviation campaign developed by NGOs and Govt are targeted to the rural areas. It has been observed that Bangladesh government and NGOs have taken initiatives for poverty alleviation, but most of the programs focused on rural poverty and only few of them focused on urban poverty. As Dhaka city is rapidly becoming a major hub of all services sector, it is worthwhile to examine the effects of this industry on poverty alleviation through the enhancement of the nation's economy and the improved livelihoods of the people in the city areas. It has been observed that most of the services sector is targeted to the upper class people in the society. Slum living people opined that the expenditures on services are increasing day by day. The growth of formal services is increasing day by day, but there is no scope for poor*

*or illiterate people to participate in these sectors. Although, informal services sector has been increased, but the poor still remain poor for long time. They opined that recently Government has taken initiatives to remove all manufacturing sectors from Dhaka City due to air pollution, water pollution, sound and soil pollution. On the other hand, there is shortage of agricultural land in Dhaka City. So the economy has been shifted to the services sector. It has been observed that services sector have impact on social and economic life of slum dwellers. But there is little relationship between services marketing and poverty reduction of slum living people in Dhaka City. Almost all investors are interested to invest in services sector.*

**Key words:** Services Marketing, Services Economy, Socio-economic development, Poverty reduction, Dhaka City etc.

## **INTRODUCTION**

The days of Adam Smith, David Ricardo and Karl Marx are gone when services were viewed as unproductive and the mention of trade in services was hardly found in economics literature. However, things have changed since then. Service sector is the largest sector of the world. 63.5 percent of total global wealth comes from services sector. United States is the largest producer of services sector with around 13.5 trillion USD. Services sector is the largest sector of 194 countries. 30 countries receive more than 80 percent of their GDP from services sector (Statistics Times, 2015). Now services play significant role to the Economy of the world. At present, the economy of Bangladesh depends on the growth of the services sector. In Dhaka city, peoples are migrating from different districts of Bangladesh for the survival. Slum living people are very poor in Dhaka City and their socio-economic conditions do not allow them to live a healthy life. They do not have access to sanitation and they cannot get safe water supply. They have to live in adverse conditions due to poor social, economic and

health facilities. Alamgir (2009) states that Slum areas illustrate high rates of poverty, illiteracy and bad health status. Slum dwellers have low earnings. Urban areas do not provide them proper jobs. They do not have any formal education facilities. Dwellers of slums engaged in informal labour through which they cannot earn much. Although, they have been working hard for long time, but they still remain poor in the society. They work in environment which is harmful to them. This fact forces them to work in informal sectors. The Economy of Bangladesh is growing one. It is basically divided into three basic sectors viz. Service, Agriculture and Industry. Economic growth of Bangladesh is compiled of three main sectors. The major sectors in this issue are: a) Agriculture (18.64%) b) Industry (28.61%) c) Service (52.76%) (BBS, 2011). The role of services has expanded in about 80% of the Asia and Pacific region since 2000 and now generates at least half of GDP in nearly two-thirds of the region's reporting economies (Key indicators for the Asia and the Pacific, 2015). Services sector dominate the economy in most nations of the world. Services sector adopt the concept of full pledge process of marketing theory, thought and process. Dhaka city is the hub of all services sector of Bangladesh. The economy of Bangladesh has been shifted towards the services sector. Slum living people struggle to survive and adapt to the transition of the economy of Bangladesh. The growth and development of the manufacturing sectors and agricultural sector are decreasing day by day in Dhaka City. So the economic structure of Dhaka city is dominated by the services sector. Most of the slum living people are directly or indirectly involved in formal or informal services sector since most of them are illiterate, unskilled and semi-skilled. Since services sector is the less productive intensive, so people are interested to join in this sector. The growth and development of the services marketing in Dhaka city are remarkable in recent years. So, it is essential to

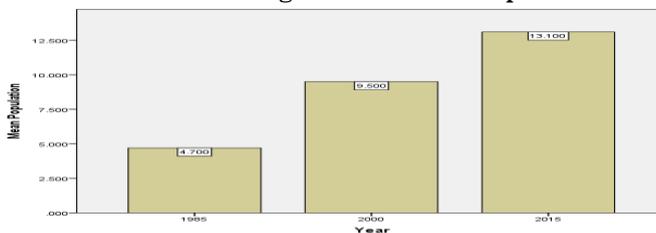
examine the relationship between services marketing, socio-economic development and poverty alleviation in Dhaka City. Number of studies highlight that significant studies have been made in various parts of the world on the pivotal role of various aspects of services marketing. But no study has in particular looked at the role of services marketing in socio-economic development of Bangladesh. However, there is dearth of research studies conducted to evaluate the role of services marketing in the socioeconomic development of Bangladesh which has brought paradigm shift in the economy of Bangladesh. This study will manifest the different areas of socio-economic development in Bangladesh by services marketing like generating employment, contribution to GDP, earning foreign remittance, strengthening rural economy, promoting ecology and green banking, boosting industrialization, developing the SMEs, assisting in foreign trade (import-export), developing the housing sector, contributing to the national exchequer and performing corporate social responsibility (CSR). In general, slums are the products of failed policies, bad governance, corruption, inappropriate regulation; dysfunctional land markets, unresponsive financial systems and a fundamental lack of political will (Shirin, 2012). This study focuses on contribution of services marketing to the poverty alleviation in Dhaka city compared to other sectors and recognize the new engine of economic growth and development of Bangladeshi economy. Although the paper examines these phenomena in the specific case of the Dhaka City, the analysis has much wider application, both for economic policy and for theories of growth and structural change.

## METHODOLOGY

The study is both descriptive and exploratory in nature. For the purpose of the study, data have been collected from both the secondary and primary sources. For collecting the primary data, a structured questionnaire has been designed to collect the information from the respondents. Both open ended and multiple-choice questions have been used in questionnaire. Primary data have been collected through personal interview, focus groups and depth interview with the slum living people in Dhaka City. Dhaka City is chosen as the case study, because Dhaka city faces the challenges of urban poverty and it is the hub of all services sector in Bangladesh. For the purpose of the study, 200 slum living people have been interviewed in different slum areas of Dhaka City. Simple random sampling techniques have been used to select the sample size. For analyzing the collected data, SPSS software has been used to find out the findings of the study.

## RESULT

**Figure I: Dhaka’s Share of Bangladesh’s Total Population**



Sources: Cities in Globalization world, UN, 2015

**Table 1: Comparative Analyses of Service Sector with Agriculture and Industry Sector (Million Taka)**

Broad Industry Sector	2010-11	2011-12	2012-13	2013-14	2014-15
<b>GDP</b>					
Agriculture	1112574	1146109	1174360	1225702	1266498
Industry	1691955	1851601	2030084	2195739	2407999
Services	3374677	3596598	3794920	4008360	4240887
<b>Share</b>					

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Agriculture	18.01	17.38	16.78	16.50	16.00
Industry	27.38	28.08	29.00	29.55	30.42
Services	54.61	54.54	54.22	53.95	53.58
<b>Growth Rate</b>					
Agriculture	4.46	3.01	2.46	4.37	3.33
Industry	9.02	9.44	9.64	8.16	9.67
Services	6.22	6.58	5.51	5.62	5.80

Sources: Bangladesh Economic Review, 2015

**Table 2: Growth of Economic Sectors**

Sectors	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Agriculture	0.01	3.08	4.09	2.21	4.94	4.56	3.21	4.12	4.39
Industry	6.53	7.26	7.60	8.28	9.74	8.38	6.78	6.46	6.42
Services	5.43	5.38	5.66	6.36	6.40	6.90	6.52	6.32	6.59

Source: Bangladesh Economic Review-2010, Ministry of Finance

**Table 3: Employment contributions**

Year	1984	1985	1986	1989	1991	1996	2000	2003	2005	Avg	2015
Employment in Agriculture (% of total employment)	58.8	57.7	57.1	64.9	66.4	63.2	62.1	51.7	48.1	58.89	45%
Employment in Industry (% of total employment)	11	11.5	12.5	15.4	13	9.6	10.3	13.7	14.5	12.39	21%
Employment in Services (% of total employment)	24.2	26	26.5	14.8	16.2	25	23.5	34.6	37.4	25.36	34%

Source: World development index, World Bank, 2015

**Table 4: Share of Exports and Imports (%) for different service subsectors**

Services	2005		2010	
	Export	Import	Export	Import
Services				
Transport	9.05	.70	7.18	78.28
Travel	5.61	6.18	3.36	5.93
Communication	1.91	.93	11.48	.60
Construction	1.13	0.05	.29	1.03
Insurance	.40	6.83	.28	.40
Financial services	1.44	.60	1.69	.12
Computer & Information	1.50	.19	1.56	1.03
Royalties and Fee	0.02	.12	.02	.60
Other business services	16.81	6.24	24.07	.14
Personal, Cultural and Recreational services	0.09	0	0.08	0.46
Government services	62.03	8.85	49.99	6.08
Commercial services	37.97	91.15	50.01	93.92

Source: UNCTADSTAT, 2010

**Table 5: Sectoral Distribution of GDP (2013-2014)**

**Selected some Asian countries**

Name of the countries	Agriculture	Industry	Services
China	10	43.90	46.10
India	17.4	25.8	56.9
Indonesia	14.3	46.6	39.1
Korean	2.6	39.2	58.2
Malaysia	11.2	40.6	48.10
Pakistan	25.3	2.6	53.1
Philippines	11.2	31.6	57.2
Sri-Lanka	10.6	32.4	57
Thailand	12.1	43.6	44.2
Bangladesh	17.2	28.9	53.9

Sources: <http://www.google.com> retrieved on 03.03.2015

From the above data, it has been found that in GDP maximum contribution comes from the services sector. Among the Asian countries, comparatively, most of the economy depends on services sector. Initially, Bangladesh economy depended on agricultural sectors, right now Bangladesh economy is shifting towards the services sector. Informed opinion about the prospects for the Bangladesh economy has changed enormously during the last decade. This is partly because of the country's huge advances in Information Technology (IT); but it is also due to new thinking with respect to the theory of economic development.

**Table 6: Trade of Services in Balance of payment of Bangladesh**

Trade services	1990	2000	2010	2014
Trade in Services (% of GDP in Bangladesh)	3.6	5.2	6.8	6.2
Goods Imports (BoP, USD, Bangladesh)	3259359364.0	8052920470.3	25081635496.5	40099143582.0
Services Imports (BoP, USD, Bangladesh)	700451342.3	1620214189.4	4395551210.0	7551012839.0

Sources: World Bank Indicators - Bangladesh - BALANCE OF PAYMENTS, 2015

From the above table, it has been observed that the contribution of GDP from trade in services has been increased constantly. The gap between goods import and services import has been increased.

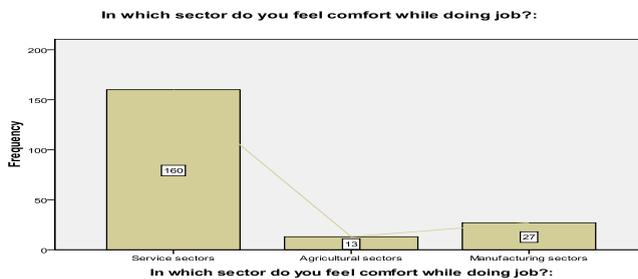
**Table 7: Opinions of the slum living people regarding the services marketing in Dhaka City**

Statement regarding the services sector in Dhaka City	Yes	No
Skills	54	146
Service sector is making you self-employed	166	34
Do you think your income has lessened social conflict?	165	35
The standard of living is increasing by working in service sectors within recent years?	142	58
self-esteem	164	36
Do you feel service job has increased your life standard	160	40
Poverty reduction is due to growth and development of services sector.	96	104
Resources have been increased due to the growth and development of the services sector.	51	149
Sanitation has been improved	104	96
Is there any school in your area at present	177	23
Are your children going to school	187	13
Your children get proper education from school	160	40
Do you face any problem in working this service sector?	70	130

Sources: Field survey, 2016

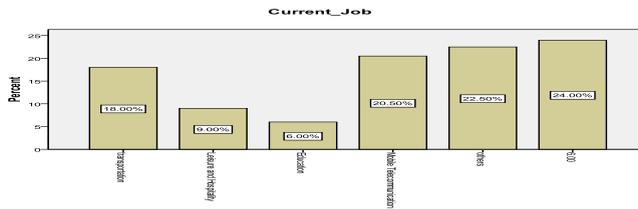
From the above table, it has been observed that services sector play significant role on social and economic development of slum living people in Dhaka City. Most of the respondents opined that services sector people play contributes to improve the socio-economic condition of slum living people in Dhaka city.

**Figure 2: Sector people feel comfort while doing job**



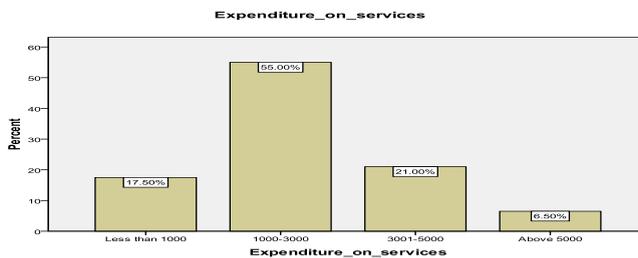
Sources: Field survey, 2016

**Figure 3: Current Jobs in which slum living engage in**



Sources: Field Survey, 2016

**Figure 4: Average expenditures in percentage on services**



Sources: Field survey, 2016

From the above figure, it is found that slum living peoples spend on services from Tk. 1000 to Tk. 3000 monthly. The expenditure on services has been increasing day by day compared to other consumption patterns. They are spending more than 50% of their income on services.

## DISCUSSION

It has been observed that the growth and development of services play significant role in economic growth and contribute more than 53% of the GDP of Bangladesh (BBS, 2015). In this present study, it has been explored that services sector are not for the poor people. In Dhaka city, most of the services are concentrated on some particular aristocrat areas. Services pattern are more modern and sophisticated in which poor people are not habituated in their life style. Slum living people

opined that services provides do not handle them properly. Services sector are less productive and labour intensive, so there is less chance for unskilled people to explore their performance and creativity. Now there is trend in job sectors, most of the educated people almost doing job in services sector. So although, the growth and development of services sector are uprising, there is still remaining poverty in Dhaka city who are doing job in services firm for long time. The proportion of the total expenditures on services sector has been increasing day by day in Dhaka City. Most of the services are technology intensive and less labour intensive due to technological advancement, so the growth and development of the services contributes less to the poverty reduction in Dhaka city. Due to technology intensive services, unskilled or semi-skilled employees are deprived from the jobs, so they have to involve in informal sector of the economy in Bangladesh. Most of the employees of the employed population are engaged in services sector because of less productivity of the services compared to industrial sector. Due to the growth and development of the services sector, the overall socio-economic developments of the Dhaka City have been changed.

## **CONCLUSION**

Services sector are recognized widely across the world for socio-economic development. From the study, it has been observed that services marketing play significant role in poverty reduction in Dhaka city of Bangladesh. Services marketing have an impact on social and economic impact on slum living people in Dhaka city. Implied by the set of research implications reviewed above is the need for researchers to broadly about researchable issues and to be willing to work in areas not normally classified as marketing. A need exists for services marketing research to enter a new phase of empirical

work that integrates various disciplines and various service industries.

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