

# Effect on Market Size in terms of Average Income and Demand: A Context Concerning Bangladesh

MD. Asaduzzaman

Department of Economics, Jagannath University

Email: [asad4368@yahoo.com](mailto:asad4368@yahoo.com) (Author of Correspondence)

Bangladesh

## Abstract

In a developing country, the income of most people is very low and some people earn a lot more than that. Bangladesh is not out of this rule. It is a very hard task to measure the demands of people due to the rising and falling of income suddenly. It is a very natural fact that the income ups and downs suddenly of a developing country due to the political issues, social issues, and natural disasters. The average income is calculated according to all this. The size of the market depends on the purchasing power of the people. The greater number of people able to reach a minimum of purchasing power, the market size will increase.

**Keywords:** Market size; Average income; Demand; Population.

## 1. Introduction

Due to the average income, the difference between an entire population of an economy cannot be understood. But the purchasing power in general can be done today from the average income level. The average income of the people of Bangladesh is very low and it is understood that the income of the people of Bangladesh is very low and that is why their needs are less in demand.

Increasing the average income increases the demand for many goods in an economy. For example, most people will earn their income when they get dressed, they will wear shoes and study. The demand for clothes, shoes, paper pens etc. will be greatly increased. The country's average income is much higher than the demand of essential commodities. On the other hand, population is an important element in determining the size of the market but not enough. The market size may be smaller than the population in a country and the population is less than the population, but the market may be so large that the area may be bigger.

The population of Bangladesh is more than 16 crores but considering the market size, the population here is not 1 crore and that is because most people have the ability to buy from the market in very few cases. That's why they are in the country as people but they are absent from the market economy.

## 2. Average Income of Bangladeshi People

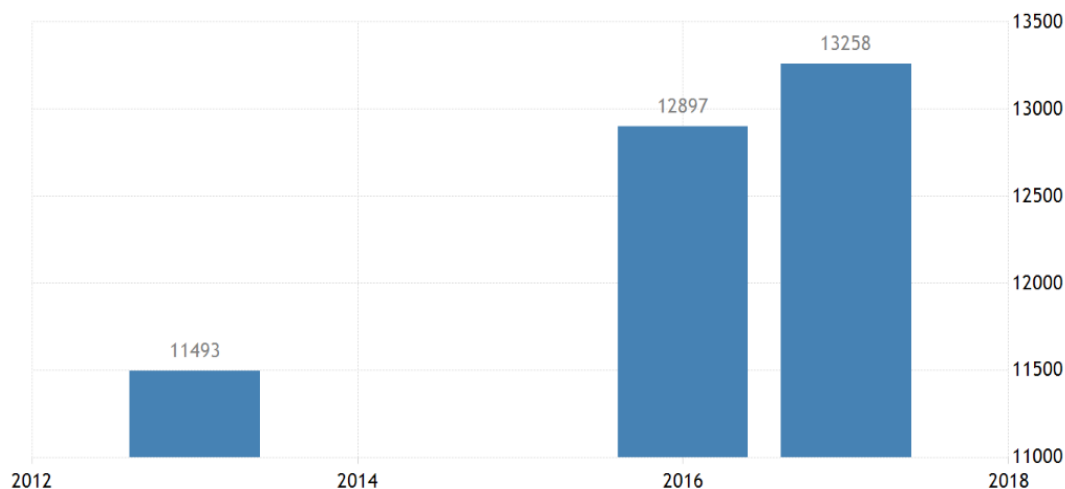
Average income or per capita is a measure of the amount of money earned per person in a certain area. It can apply to the average per-person income for a city, region or country, and is used as a means of evaluating the living conditions and quality of life in different areas. It can be calculated for a country by dividing the country's national income by its population.<sup>1</sup>

The per capita income in Bangladesh will increase by 11.39 percent to \$1,466 this fiscal year, according to the Bangladesh Bureau of Statistics. It was \$1,316 in the last fiscal year, Planning Minister AHM Mustafa Kamal said at a meeting of the National Economic Council yesterday. Alongside an increase in the gross domestic product (GDP), the per capita income also soared, said officials of the BBS, adding that they estimated the GDP growth to be 7.05 percent by the end of this fiscal year in June.

| Actual   | Previous | Highest  | Lowest   | Dates       | Unit      | Frequency |
|----------|----------|----------|----------|-------------|-----------|-----------|
| 13258.00 | 12897.00 | 13258.00 | 11493.00 | 2013 - 2017 | BDT/Month | Yearly    |

**Table-1:** Bangladesh Average Monthly Income

<sup>1</sup> Income Per Capita Definition, Investopedia



**Figure-1:** Bangladesh Average Monthly Income

The Gross National Income (GNI) was Taka 18,314,994 million (\$2,343 million) this fiscal year when the population was 159.9 million. This will be seen as a giant leap for the country towards becoming a middle-income nation after being bracketed with low-income nations for decades. Bangladesh was elevated from the low income status to lower middle income nation last year, meeting the World Bank's requirements comfortably. The development came against the backdrop of the country achieving higher per capital income amid a stable economic growth.

The WB used 2014 data to determine this year's ranking. On July 1 each year, the WB revises the income classification of the world's economies based on the GNI per capita of the previous year. Bangladesh's per capital income was \$1,080 in 2014, higher than the Washington-based lender's set threshold of \$1,045. <sup>[1]</sup>

### **3. Facts to Concern for Every Company about Market Size**

Market size is the number of individuals in a certain market segment who are potential buyers. Companies should determine market size before launching a new product or service.

Besides developing an exceptional product or hiring the right talent, doing some much-needed market research is the most critical step for any startup. A part of this research should involve market size. Without knowing your market size, you may be conducting business in a market so small, it's next to impossible to make any money.

Understanding market size helps you distinguish between two categories: the addressable market, which is the total revenue opportunity for your product or service; and the available market, which is the portion of the addressable market for which you can realistically compete. By outlining the difference between these two, you can develop a product offering to tackle that consumer sweet spot. <sup>[2]</sup>

Without a solid grasp on your market size, you endanger your business' success in not only the early stages, but also throughout its entire life cycle.

### ***3.1. Seeing the Business Horizon***

Market sizing gives you a sense of market trends. It can clue you in on the necessary drivers of demand, as market movements often continue in one direction or another for a period of time. What's more, those trends often indicate whether a substitute for your product is on the horizon that could potentially affect market size.

Take Kodak, for example. Prior to the late '90s, almost every picture in the U.S. was developed on Kodak film. Its name was synonymous with photography. But then digital broke big, and the number of digital cameras went from 4.5 million units in 2000 to 28.3 million units in 2007.

Instead of doubling down on digital photography, Kodak steadied its course, neglecting to look at what digital meant to both the addressable and available markets. As the addressable market dwindled, so did the available market, and the company's complacency led to the downfall of its brand.

Once you understand its importance, how exactly should you go about determining your market size?

#### **3.1.1. Define Your Sub-Segment of the Market**

Not even the largest, most established company has a 100 percent share of the market. In the case of Airbnb, its first big grab came from the shortage of hotel rooms during the 2007 Democratic National Convention. Zero in on your initial pool of customers, and make sure you have a handle on this group before you expand.

#### **3.1.2. Conduct top-down market sizing**

Look at the total market for your product or service, and then establish a realistic estimate for your market share. Take, for example, the hospitality industry. U.S. travelers spent \$23 billion on vacation rentals in 2012 -- if Marriott International accounted for \$13.8 billion of that spend, it would probably be a stretch to count the remaining \$9.2 billion as yours for the taking.

#### **3.1.3. Follow with bottom-up analysis**

Determine where you'll sell your products, how many locations will stock them and how many comparable products typically sell. Try to be as objective as possible -- it'll help you figure out where realistic growth could take you in five years. Then, compare your numbers with the overall addressable market. If it's 1 to 5 percent of the pie, you have a realistic plan.

#### 3.1.4. Look at the competition

How crowded is your industry, and what types of companies are at the forefront? If, for instance, you were the only steel producer for a specific type of product, it'd be reasonable for you to get to a 50 percent market share. As a new airline in the travel industry, on the other hand, the likelihood of getting even a 10 percent market share is slim.

#### 3.1.5. Assess the Static Market Size

Doing business in a static market comes with fierce competition. You and your competitors vie for the same pool of customers every year. Looking at hospitality again, a new hotel company must determine if the budget segment is growing faster than the luxury segment. This will inform how the long-term total addressable market size will likely change, which can help you respond to trends.

Being realistic about your projections is really the most important aspect of determining market size. That means staying objective and impartial about not just your product or service, but also about consumer need and want. Otherwise, you could find yourself doing business in a market too small to stay afloat.

### **4. Possible Effect on Market Size in Terms of Average Income and Demands**

The size of the market depends largely on consumer demand, consumer's salary or income and supply. The size of the market is not a matter of consumer discussion. All types of thinking on the market size will depend on the new product manufacturing company. The new product-maker selects the size of the market depending on consumer demand and consumer income and produces a new product. In the above discussion about the size of the market, we have shown that a company will select the size of the market depending on what subject. We will now discuss how the average income and demands affect the size of the market

#### ***4.1. Related Products Price***

The price of related goods affects the average income and market size. Related items may be substitute products or supplements. The price of alternate commodities decreases, ie, the relative price of a product increases. That is, the average income and the size of the market depends on the price of the goods.

#### ***4.2. Choice or Priority Type***

In all societies all types of people do not have the same preferences or preferences. Depends on people's liking or dislike, on many things.

### ***4.3. Regional Geographical Range***

The type of food receipt of food, clothing, rituals, religious restrictions, etc. That is why people do not have the tendency to look at what kind of goods in all regions.

As a result of increasing globalization and market globally, many globally visible objects are seen, in spite of the fact that in many cases the characteristics of the region or particular population are still substantial.

Such as: Fish is very important in the consumption of the people of Bangladesh. Pork is not popular here due to religious and regional reasons. In order to build the demand of most people, its price fluctuation does not bear any significance.

In India, most people do not like to eat beef, they do not feel that they are more or less in the case of many people of Bangladesh who do not want to eat beef because of religious reasons.

### ***4.4. Advertising***

The extent of the media has increased; the effect of advertising is increasing. Although it is not necessary, we are faced with the demand of many products, influenced by advertising. Many times the borrowers borrowed to meet this demand, due to the influence of the advertisement, many advertisers spend money on advertising companies.

### ***4.5. Production Costs***

With the increase in the cost of production, the average income and market volume relationship are direct. Increasing production expenditure increases the chance of decreasing the average income and volume of the market, as the production of goods and the average income of the house increased brightly. The components that directly affect the production expenditure are among those:

- Production raw materials
- Cost of equipment
- Technology production capacity
- Fuel such as gas, electricity
- Administrative costs
- Labor wages

Moreover, there are other indirect factors that affect the cost of production in different ways, even though it is not directly related to the production process. Pointing to some things from the real situation of Bangladesh, the matter will be much clearer. Among these:

- Bureaucratic complexity and financial pressure
- Mastans' fundraising and terrorism
- Political conflict

#### ***4.6. The Price of Production Materials***

In the production equipment, such as raw materials such as labor, there is a compound. If the price of jute increases, the cost of jute industry increases. At the same time, due to technical stagnation or managerial weakness or any other reason the productivity of labor may increase in the ribs, it also adversely affects the size of the market and market. Due to the increasing complexity or interest rate of the financial institutions, the costs of collection of funds can increase, but similar reactions may arise.

#### ***4.7. Technical Progress***

The technical condition affects the production of government goods. An easy means of technological advancement is to create more production capacity at low cost in less time and less effort. As a result of this reason, the cost of production of this unit reduces. This resulted in more production conditions. On the other hand, if the progress of technology used in the production of a product is not possible due to any reason, if the technology is stuck in the same place, then it is not good in other areas, especially in the cases where technical expansion will increase its production costs. Moreover, the same technology does not work in the normal way due to its depletion of more uses.

Such as: Very good examples of the state-owned institutions of Bangladesh. These institutions were nationalized only after independence. Since then these companies have not developed technological progress, even the machines that were used were not restored 30 years ago. There has been no development of management as these companies gradually increased the cost of production as well as increased losses.

#### ***4.8. Government Policy***

Even though the government does not have any role to play in the market economy, even then, from the real experience, we see that the role of the government is always very important to determine the nature of the market economy. Industrial Policy, Import Export Policy, Monetary Policy or Infrastructure Development or Market Making Abroad depends upon average income.

#### ***4.9. Other Special Effects***

It includes special events, special occasions, national or religious festivals etc.

Such as: When Bangladesh is Eid, the sale of a lot increases. During the fasting, the demand for special types of food increases. Christian Christmas in Europe, Europe's leading countries enjoy consumption of goods, gifts

increase in demand, average income is more than a few times more. When the book fair is organized in different locations in Bangladesh, the book sales have increased in the Baisakhi fairs, selling handicrafts. The Dhaka University Mangal Shobhajatra on Pahela Boishakh started in 1989 when students used the procession to overcome their frustration with the military rule. They organized the festival to create masks and floats with at least three theme, one highlighting evil, another courage, and a third about peace. It also highlighted the pride of Bangladeshi people for their folk heritage irrespective of religion, creed, caste, gender or age. <sup>[3]</sup> It also increases the demand for the time being.

## 5. Conclusion

Except the price and the size of the market related to the size of the market, the prices of choice or the type of rights, the advertising cost of production, the cost of production materials, the technical progress is determined by government policy and other special effects. In view of the above discussion, the volume of the market is basically dependent on the demand. And the demand depends on the income of the people of a country. As the size of the market depends on the quantity of population and supply, then the total population income is a significant factor in the production of commodities.

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## Author Details

**MD. Asaduzzaman** was a student in the Department of Economics, Jagannath University at Dhaka, Bangladesh. He got his graduate and postgraduate degree from Jagannath University, Bangladesh.

Now he is investigating various fields of economy related to national and international affairs.