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A Study on Ready-Made Garments (RMG) Sector of Bangladesh

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Abstract:

Bangladesh is mainly an agricultural country. But the development of Garments Industry is considered as the priority area in the development policy in many countries, especially in Bangladesh. The young entrepreneurs are engaged in varied form of small and medium scale garments industry which comprises of products like shorts, trousers, shirts, sweaters, blouses, skirts, t-shirts, jackets, sports attire and many more casual and fashion items with the changing times. This study is conducted to analyze the prospects, problems and solution of problems of Readymade Garments Industry in Bangladesh. The findings of this paper show that Bangladesh has a great opportunity to earn a great foreign currency through developing readymade garments industry. The study also suggests some measure for the removal of ongoing crisis of garment sectors. The study also measures the contribution in national economy of readymade garments sector.

Keyword: GDP, empirical analysis, Multi-Fiber Agreement (MFA)

1. Introduction

Bangladesh, the Southern Asian country has a population of approximately 164 million people. The economy of Bangladesh is significantly dependent on agriculture. But it's a great news for the country that, Ready-Made garments (RMG) sector of Bangladesh has raised as the biggest earner of foreign currency. This sector creates about 4.2 million employment opportunities and contributes significantly to the GDP. According to the IMF, Bangladesh's economy is the second fastest growing major economy of 2016 (Dec), with 7.11 percent Gross Domestic Product (GDP) growth rate where the growth rate was 6.12 percent in 2015. Contribution of industry to the GDP was 28.1%, where RMG sector donate the biggest part. Since 2004, Bangladesh averaged a GDP growth of 6.5%, which has been importantly driven by its exports of readymade garments. The tremendous success of Ready-Made garment exports from Bangladesh over the last two decades has surpassed the most optimistic expectations.

The report attempted to highlight the prospects and opportunities of garment sector in Bangladesh. Like other economic sector in the country, garment is one of major sector which contribute to the national GDP. The report tried to brief country profile includes general information and main economic indicators, and specifies business environment for garment industry development in Bangladesh. The report also present profiles of leading garment producers and lists major suppliers in the country. The report also identifies the impediments faced by the RMG sector and suggests some strategies to overcome them.

The RMG industry has been Bangladesh's key export industry and a main source of foreign exchange for the last 25 years. In 2013, more than 78 percent of Bangladesh's export earnings reportedly came from the garment industry, which in 2012 contributed 10 percent to the country's GDP. The Ready-Made garments (RMG) sector has a greater potential than any other sector in terms of employment and foreign exchange earnings to reduce poverty and make a contribution to the national economy (Ahamed, 2013).

2. Background of the Study

In recent years, a number of studies have dealt with various aspects of employment and the labor market in Bangladesh. While some are descriptive and broad reviews (such as ILO 2013a, IILS 2013, CPD 2011), others deal with specific groups, such as women (Rahman and Islam 2013 for example) and youth (such as Toufique 2014). In their data, 2010 is the latest year in these studies. But issues such as the quantitative dimension of the medium and longer-term employment

challenge, structural transformation, real wages, and the quality of employment, have not received due attention in recent research. A basic question in employment is the magnitude of the challenge given labor supply and the speed of employment growth in the medium term. This can be examined using labor force projections and projections of employment (total as well as sectorial) likely to be generated in a given period. The latter exercise uses the observed elasticity of employment with respect to output growth and the projected rate of economic growth. A full-fledged diagnostic analysis of employment has to include in-depth analysis of the issue of structural transformation, mentioned above, as well as the qualitative dimension of labor supply, focusing on education and training. Secondly, overseas jobs have emerged as a major source of employment for the growing Bangladeshi labor force and a major source of foreign exchange earnings. Detailed analysis is also needed of the gender dimension given significant variation in employment characteristics between men and women. Subsequent chapters devote particular attention to the four topics: structural transformation, overseas employment, education and skill development, and gender.

3. Rationally of the Study

This study will be significant for stakeholder's like- public sectors, private sectors, policy makers, analysts etc. for gathering knowledge regarding readymade garments sector in Bangladesh.

4. Research Questions

This research work attempts to answer the following questions:

- What is the current status of RMG sector of Bangladesh?
- What will be the future of RMG sector of Bangladesh after 5 to 10 years?
- What are the problems of RMG sector of Bangladesh and how can overcome from those problems?
- What is the contribution of RMG sector of Bangladesh to the National Economy?

5. Objectives

The objective of this study is to analyze the RMG sector in order to identify:

- The current status of readymade garments sector of Bangladesh
- Its contribution to national GDP of Bangladesh
- The impediments faced by the readymade garments sector and suggests some strategies to overcome them.

6. Methodology

6.1. Method

This study is followed exploratory research design based on quantify and qualitative research approach. Whereas qualitative research is an unstructured, exploratory research methodology based on small samples intended to provide insight & understanding of the problem setting (Malhotra and Dash, 2010). This research focused on different methods and least square method of trend analysis is one of them. Data required for this quantitative and qualitative analysis were collected from primary sources and secondary sources like, face to face interview, project contract and records, media reports and publications, documents and articles from relevant agencies, companies & BGMEA. This study mainly focused on three aspects: firstly, trend analysis and secondly, problems faced by this sector and finally recommend some overcome strategies. For trend analysis, three parameters such as factory, workers and export are considered. The problems faced by this sector are gathered through face to face interview with the chief executive body and workers. After exploring the problem faced by this existing garments, this study recommend some overcome strategies. Further to make the study more broad based & informative this research conducted informal interview with an expert in this area. This expert is the senior consultant, project development, Infrastructure Investment Facilitation centre (IIFC). Materials of the paper were presented systematically for analytical purpose & also to draw inference there from.

6.2. Target Group

To gather the required information the researchers has contacted with head office and factories' mangers and taken interviews of their employees and workers particularly who work in several units of a factory. And the researchers has taken into account 50 workers with employees of only these two factories and head office randomly as sample for data collection.

6.3. Sampling Design

The sample space projected for this report was 780 and 50 respondents constitutes the sample size. The respondents as of the sample size were the employees and workers of BHT Garments Ltd. For clarification it is mentioned that "Simple Random Sampling Method" is applied. In this research it has chosen 50 as sample size out of 780 employees and workers from two factories and head office. So the sample size 50 will be the maximum potential. It will help me to find out and solve the problem practically

6.4. Instruments

The instruments for collecting relevant data for this research work are different from traditional methods. Most of my required data will be collected from archival sources. That is, the researcher goes to use data already available in the fiscal allocation of Bangladesh budget from 2008 to 2017. In other words the researcher uses secondary sources of data for my research. In this qualitative analysis, the researcher uses the cross section data which will be collected from various journal articles, WB and IMF reports.

6.5. Sources of Information

This study used the observational approach and interview approach as the primary sources and also secondary sources of information for collecting our required data. A questionnaire is prepared to find out the Human Resource Management Practices in different Garments.

6.6. Data Collection Procedure

This study has done the empirical analysis of data. A lot of data are collected from primary sources by using the questionnaires and also from secondary sources. At each stage of survey, data is checked, edited & coded. By using Statistical techniques, data is summarized to find out expected result and presented that by graphical presentation. Data from various sources is coded entered into database system using Statistical Product and Service Solution (SPSS) and Microsoft Excel Software. Preliminary data sheets are compared with original coding sheets to ensure the accuracy of data entered.

6.7. Data Analysis

This study has done the empirical analysis of data. A lot of data are collected from secondary source. At each stage of survey, data is checked, edited & coded. By using Statistical techniques, data is summarized to find out expected result and presented that by graphical presentation. Data from various sources is coded entered into database system using Statistical Product and Service Solution (SPSS) and Microsoft Excel Software. Preliminary data sheets are compared with original coding sheets to ensure the accuracy of data entered.

7. Results and Discussions

7.1. Analysis for Factory Establishment

Research is conducted by using the least square method in order to conduct the trend analysis of factory of readymade garments industry. In forecasting methods, time is the independent variable and the value of the time series is the dependent variable. Furthermore, we often code the independent variable time to make the equation easier to interpret. In other words, we let t be 1 for the first year, 2 for the second, and so on. When time is coded, we use the Excel program to find the slope, b , and the intercept, a , to substitute into the linear trend equation. LINEAR TREND EQUATION: $Y' = a + bt$

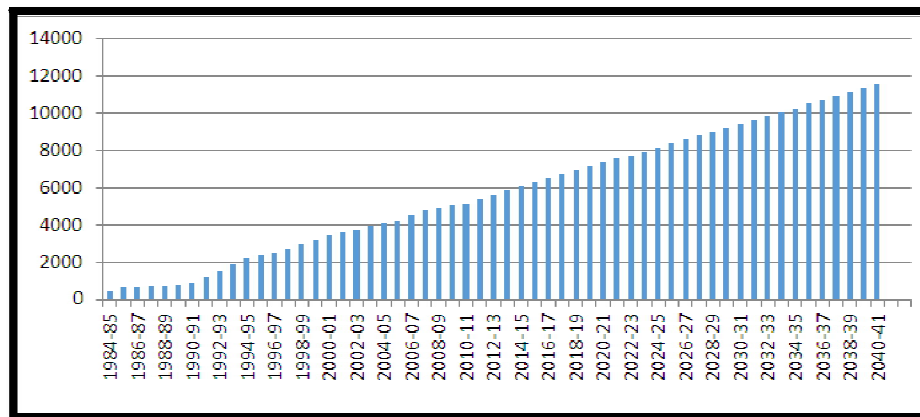


Figure 1: The Status of Ready-Made Garments Sector of Bangladesh

Where:

Y' read Y prime, is the projected value of the Y variable for a selected value of t .

a is the Y -intercept. It is the estimated value of Y when $t=0$. Another way to put it is: a is the estimated value of Y where the line crosses the Y -axis when t is zero.

b is the slope of the line, or the average change in Y' for each change of one unit in t .

t is any value of time that is selected.

By substituting the value of slope and intercept we get

$$Y' = 45.15079 + 201.8246(t)$$

7.2. Analysis for RMG Export

Research is conducted by using least square method in order to conduct the trend analysis of export of readymade garments industry. In forecasting methods, time is the independent variable and the value of the time series is the dependent variable. Furthermore, we often code the independent variable time to make the equation easier to interpret. In other words, we let t be 1 for the first year, 2 for the second, and so on. When time is coded, we use the Excel program to find the slope, b , and the intercept, a , to substitute into the linear trend equation.

LINEAR TREND EQUATION: $Y' = a + bt$, where:

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b is the slope of the line, or the average change in Y' for each change of one unit in t .

t is any value of time that is selected.

By using the excel method we get that the value of intercept and the value of slope are -3680.46 and 659.1778 respectively. By substituting the value of slope and intercept we get trend equation is as follows:

$$Y' = -0.3680.46 + 659.1778(t)$$

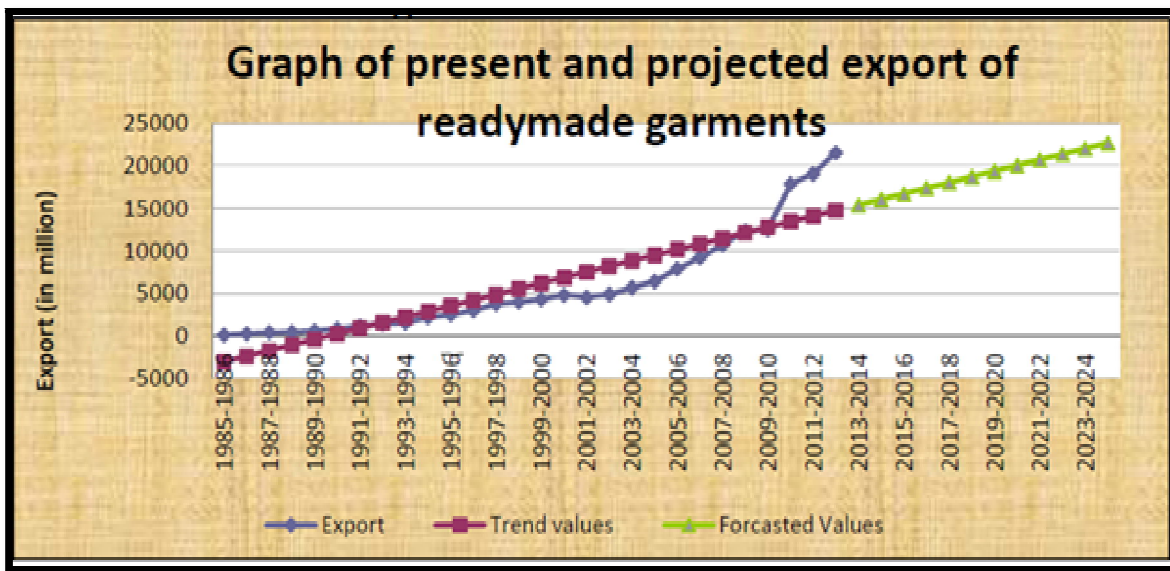


Figure 2: The Status of Expected Export of RMG Products

7.3. Contribution of RMG Sector to the National Economy

Garments Industry occupies a unique position in the Bangladesh economy. It is the largest exporting industry in Bangladesh, which experienced phenomenal growth during last two decades. By taking advantage of an insulated market under the provision of Multi Fibre Agreement (MFA) of GATT, it attained a high profile in terms of foreign exchange earnings, exports, industrialization and contribution to GDP within a short span of time. The industry plays a key role in employment generation and in the provision of income to the poor. Nearly two million workers one directly and more than ten million inhabitants are indirectly associated with the industry (Ahmed and Hossain, 2006). The sector has also played a significant role in the socio-economic development of the country. In such a context, the trend and growth of garments export and its contribution to total exports and GDP has been examined the following table shows the position.

Table 01 shows the percentage of ready-made garment (RMG) contribution to national export value and Gross Domestic Product (GDP) of Bangladesh. It shows that the percentage of ready-made garments (RMG) contribution to national export is 81.16% and Gross Domestic Product (GDP) is 14.07 in FY 2013-14. In FY 2012-13, the percentage of ready-made garments (RMG) contribution to national export is 79.61% and Gross Domestic Product (GDP) was 16.56%.

Table 01 shows the Percentage of RMG Contribution to GDP at Current Market Price ('000)

It is revealed from the figure-4 that the value of garment exports, share of garments export to total exports and contribution to GDP have been increased significantly during the period from 2006-07 to 2013-14. This analysis suggests that Bangladesh needs to be very much perceptive about its readymade garment (RMG) export as any critical situation can affect the ready-made garment (RMG) export of the country adversely. The buyers of Bangladesh are now very much sensitive to the working environment of garment factories. They are now more concerned about the workers safety and living conditions.

FY	Total RMG	National Export Value	Share in National Export (%)	Share in GDP (%)
2015-16	30511.26	36413.73	82.96	16.21
2014-15	27677.83	33216.35	82.26	15.36
2013-14	24491.88	30176.8	81.16	14.07
2012-13	21515.73	27027.36	79.61	16.57
2011-12	19089.73	24287.66	78.6	16.31
2010-11	17914.46	22924.38	78.14	16
2009-10	12496.72	16204.65	77.12	12.45
2008-09	12347.51	15565.19	79.32	13.81
2007-08	10699.8	14110.8	75.83	13.44
2006-07	9211.23	12177.9	75.64	13.45

Table 1

Source: Bangladesh Bank and Bangladesh Bureau of Statistics, BBS

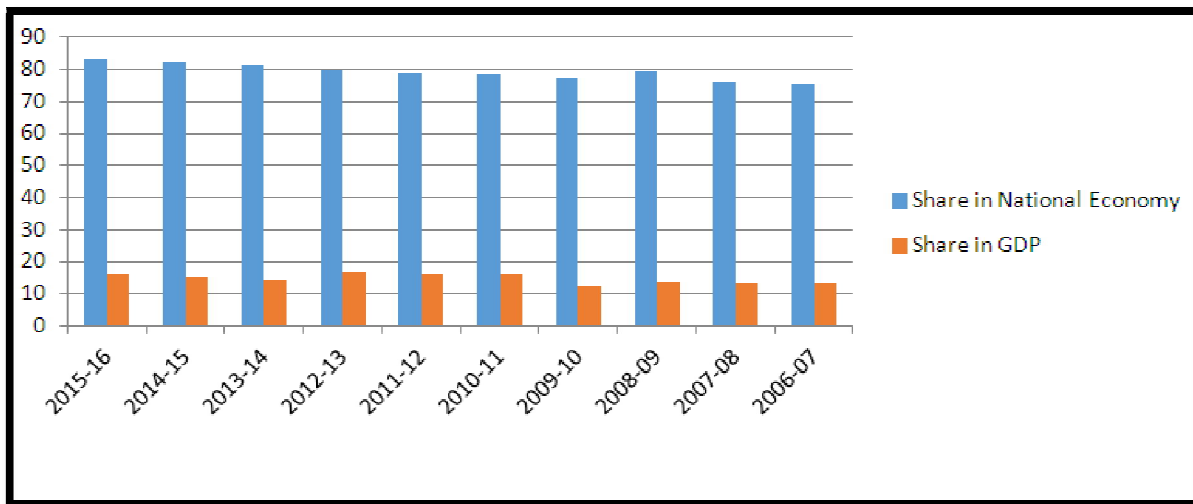


Figure 3: Ready-Made Share in National Export and GDP

In order to find out the Problems surrounding readymade garments sector a comprehensive interview has been taken of 20 top level management, 60 middle level management and 200 workers over 20 garments industry, situated on the district of Dhaka and Gazipur. The questionnaire has prepared two sets. One is for management level and another one is for workers. On the basis of face to face interview and questionnaires the following obstacles are found.

7.4. Problems Surrounding RMG Sector

- Newly invented machineries are not available
- Experienced workers are moving from one factory to another factory because of less payment
- Technically experienced workers are not enough
- Routes are blocked by storage materials
- Machine layout is often staggered
- Lack of signage for escape route
- No provision for emergency lighting
- Doors, opening along escape routes, are not fire resistant
- Doors are not self-closing and often do not open along the direction of escape
- Adequate doors as well as adequate staircases are not provided to aid quick exit
- Fire exit or emergency staircase lacks proper maintenance
- Lack of proper exit route to reach the place of safety
- Parked vehicles, goods and rubbish on the outside of the building obstruct exits to the open air
- Fire in a Bangladesh factory is likely to spread quickly because the principle of compartmentalization is practiced

7.5. Some Strategies for Avoids the Problems or Crisis

- Take care of experienced workers properly
- Need to prepared technically experienced worker

- Government should take necessary steps to get the newly invented machineries for garments factory
- Building should be constructed with fire resisting materials
- Adequate exits and proper escape routes should be designed
- Protection against fire and smoke should be ensured
- Electrical wiring must be properly designed, installed and maintained
- Escape routes should be lighted at all times, kept clear, be indicated by signs
- Regular fire drills should be held
- Doors should be protected and should open along the direction of escape
- Doors should not open on the steps and sufficient space should be provided.
- Smoke/Fire alarm systems must be installed
- Adequate number of extinguishers should be provided
- Prior relationship with local Fire service.

8. Conclusions

The Ready-Made Garments (RMG) industry occupies a unique position in the Bangladesh economy. It is the largest exporting industry in Bangladesh, which experienced phenomenal growth during the last 25 years. By taking advantage of Multi Fiber Agreement (MFA) of GATT, the industry plays a key role in employment generation and in the provision of income to the poor. To remain successful, Bangladesh needs to remove all the structural obstacles in the transportation facilities, telecommunication network, and power supply, management of seaport, utility services and in the law and order situation. The government and the RMG sector would have to jointly work together to maintain competitiveness in the global RMG market. Given the remarkable entrepreneurial initiatives and the dedication of its workforce, Bangladesh can look forward to advancing its share of the global RMG market.

In the "Findings and Analysis" part shows that the contribution RMG worker in national economy is incredible, so this type of study should be in regular basis and adding that value to measures of national wealth and empowerment. The Recommendations part is shows some action should be taken for RMG workers, so that the status of RMG workers would be increase, and the treatment of RMG workers by their society, as well as officials, would be likely to improve, contributing to a more gender-equal society as well as a wealthier nation.

9. Limitation of the Study

A lot of data are collected from the secondary sources to analyze. If the data were totally collected from the primary sources then this study could be done with primary data. To get the errorless analysis, this study should need more time.

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