



Growth and Contribution of Bangladeshi RMG Sector : Quantitative and Qualitative Research Perspectives

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Abstract

The research investigates the growth and contribution of Ready-Made Garment (RMG) sector of Bangladesh. In doing so, author has taken data from Bangladesh Garment Manufacturers and Exporters Association (BGMEA) website and conducted some structured interviews at various levels of people associated to the sector as well. After analyzing the information found in both secondary data source and primary source, the author has concluded that the sector is growing rapidly though some hindrances are being faced at a regular interval. The study recommends government and other regulatory authorities to take necessary steps for the protection and further development of this sector. Finally, the study expects playing crucial role in creating consciousness among the stakeholders about the sector and its contribution to the economic development of Bangladesh.

Keywords : RMG, Growth, Contribution, Qualitative and Quantitative Research, Bangladesh.

1.0 Introduction

About 30 million people of Bangladesh are engaged with the RMG sector directly or indirectly. This sector helps in creating employment, reducing poverty and empowering rural women. Though the primary stage of the sector was not bright enough, nowadays it is flourishing very rapidly.

The research is based on a developing country like Bangladesh as it has specialization in the area of garments sector. There are scarcity of research on the growth and contribution of Bangladeshi RMG sector encompassing both qualitative and quantitative research perspectives. Prior researches only focused either on qualitative perspective or quantitative perspective. The most lucrative sector of the country is garments industry. Since the sector contributes 80% of the national GDP (Manik & Bajaj, 'With Lower Garment-Industry Wages', Bangladesh Moves in on China, 2010) and employs 3.5 million people among them 85% are women (BGMEA, 2010), it logically demands research on the growth and contribution of this sector to the national economy as most of the investors are concerned about the issue (Kamal & Deegan, 2011). However, previous literatures

also reveal lots of negative issues regarding child labor, human rights abuse, accidents and deaths due to lack of safety measures of this sector (Islam & Deegan, 2008).

The structures of the paper are as follows. Research objectives are described in section 2. Then, a summary of Bangladeshi garments sector has been provided in section 3. After this, prior literatures have been stated in section 4. Following this, research methods are explained in section 5. At the end, results are analyzed in section 6 and concluding remarks have been given in section 7.

2.0 Research Objectives

The primary objective of the paper is to give a clear idea about the growth and contribution of the Ready-Made Garments sector of Bangladesh. The specific research objectives are:

- a) Determining the contribution and potentials of the Ready-Made Garments sector to the overall economy of the country.
- b) Understanding the competitiveness and challenges of the Ready-Made Garments sector of Bangladesh.

3.0 RMG sector of Bangladesh

In the financial year 2013-14, this sector earned almost US\$ 24.5 billion from export which is the 80 percent of overall export earnings of that financial year. In that time, the sector employed about 4.2 million people among them 80% were female. Bangladesh is now at the take-off stage towards graduating from Least Developed Country. It has set the vision of economic, social and technological improvement by 2021. RMG sector of the country also set an aim to increase production and export about US\$ 50 billion by 2021. To attain this target, skilled and trained man power is needed. RMG workers and agents should get incentives in this regard (ActionAid Bangladesh, 2016).

Wal-Mart, K-Mart, Reebok, Nike, Gap, Tesco, Zara, Li & Fung, H& M are the major popular Multi National Company customers of Bangladesh from Europe, USA and other developed countries. The country has relatively lower labor cost compared to others countries (Doshi, 2006). The country has the highest amount garment export among the developing nations after China and Turkey (Kamal & Deegan, 2011). As Corporate Social Responsibility has

become an important issue regarding outsourcing since 1990, Bangladesh has utilized the opportunity in this regard (Linfei & Qingliang, 2009).

4.0 Prior Research

As Bangladesh has the advantage of producing RMG items at lower labor cost in the world, it specializes in the production of low cost RMG items. The specialized organizations will ensure strict compliance with building standards and run regular inspection programs. This sector now becomes one of the largest contributors of the economy of Bangladesh. Cheap labor, enough skill and development in the supportive sectors attract the world-famous brands like H & M, Zara, Macy's, Wal-Mart etc., (Khan, 2016).

The Ready-Made Garments sector of Bangladesh has observed a remarkable growth since its beginning. RMG export industries' annual compound growth rate in Indonesia (31.2%), Mauritius (23.8%) and Dominican Republic (21.1%) in comparison to that of Bangladesh (81.3%) over the 1980-87 periods. About 78% Bangladesh's export earnings comes from garments sector. This sector has greater potential than any other sectors of Bangladesh in comparison of employment and foreign earnings. It also contributes in the reduction of poverty (Chowdhury & Islam, 2015).

After a long struggle, garment employees achieved their minimum wage structure. This sector needs to be free from all types of anarchy and unrest. Authority should ensure mutual understanding, win-win situation, proper work environment, job security and accurate compensation package. Balanced progress of a country depends on proper utilization of its resources and managing human resources effectively. There should be a good balance between worker's demand and industries return (Azad, 2014).

Though there are many of good news, every year many garments workers of Bangladesh die due to lack of safety measures and fire accidents. From 1990, around 700 garments workers died because of the fire accidents in different factories of the country (Prumual, 2010). This kind of loss of lives depicts the unpreparedness of the garment factories regarding fire accidents (Birchall & Kazmin, 2010). Labor laws

and factories act must be maintained by the garments industries for safety issue. Besides, ILO convention provides details safety guidelines for the garment industry worldwide (Kamal & Deegan, 2011).

5.0 Research method

This research is based on both secondary and primary data. The author was guided by both qualitative and quantitative research here. For quantitative analysis, the secondary data of membership and employment, export of RMG and total export of Bangladesh, main apparel export items from Bangladesh, value of total apparel export, Bangladesh's RMG export to European Union, Bangladesh's RMG export to non-traditional market are collected from BGMEA website. Then the data were analyzed in MS excel and STATA software for the presentation of descriptive statistics. For qualitative analysis, primary data were collected from interviews. The interview program was conducted within the Dhaka district. Author conducted 20 interviews with various stakeholders of RMG sector. Different interviews of stakeholders like specialists, owner, executives and workers of RMG sector were conducted to make the research more reflective to the real scenario. He spent more than 3 weeks to collect information from the interviewees. Potentiality of the sector, contribution to the national economy, advantages and disadvantages, future challenges, climate change and carbon emission problems were the key issues discussed during the interviews.

6.0 Findings

6.1. Quantitative Analysis

6.1.1 Membership and Employment

Table-1: Descriptive Statistics of Membership and Employment

	N	Minimum	Maximum	Mean
NUMBER_OF_GARMENT_FACTORIES	32	384	5876	3022.22
EMPLOYMENT_IN_MILLION_WORKERS	32	.12	4.00	1.8834
Valid N (list wise)	32			

Source : Calculated by Author based on data available at (Bangladesh Garment Manufacturers and Exporters Association, 2017)

Table-1 shows the statistical analysis of the membership and employment of Bangladeshi RMG sector from financial year 1984-85 to financial year 2015-16. This result indicates that the both the number of garment factories and workers have been increased rapidly throughout the last 3decades.

6.1.2 Export of RMG vs. Total Export of Bangladesh

Table-2: Descriptive Statistics of Export of RMG and Total Export of Bangladesh

	N	Minimum	Maximum	Mean
EXPORT_OF_RMG_in_million_US\$	33	31.57	28094.16	7.3575E3
TOTAL_EXPORT_OF_BANGLADESH_in_million_US\$	33	811.00	34257.18	9.6505E3
Percentage_OF_RMG'S_TO_TOTAL_EXPORT	33	3.89	82.01	62.3679
Valid N (list wise)	33			

Source : Calculated by Author based on (Bangladesh Garment Manufacturers and Exporters Association, 2017)

Table-2 describes the statistical analysis of export of RMG and total export of Bangladesh. There are 33 observations from financial year 1983-84 to 2015-16. The contribution of RMG sector to the national export is about 82.01% and still it is increasing day by day.

6.1.3 Main Apparel Export Items

Table-3 : Descriptive Statistics of Main Apparel Export items from Bangladesh

	N	Minimum	Maximum	Sum	Mean
Shirts_in_Million_US\$	23	760	2317	28268	1229.05
Trousers_in_Million_US\$	23	81	6319	51342	2232.25
Jackets_in_Million_US\$	23	127	3774	26210	1139.58
T_Shirt_in_Million_US\$	23	226	6119	52405	2278.46
Sweater_in_Million_US\$	21	70	3182	28057	1336.03
Valid N (list wise)	21				

Source : Calculated by Author based on (Bangladesh Garment Manufacturers and Exporters Association, 2017)

Table-3 describes the statistical analysis of the main apparel export items from Bangladesh. Total observations for sweater are 21 and shirt, trouser, jacket, t-shirt are 23 each from financial year 1993-94 to financial year 2015-16. Among them, trousers and t-shirts have generated most of the export revenue for this sector.

Table-4 : Descriptive Statistics of the Value of Total Apparel Export

	N	Minimum	Maximum	Sum	Mean
Woven_in_Million_US\$	24	1240	14739	129510	5396.25
Knit_in_Million_US\$	24	205	13355	109132	4547.17
Total_in_Million_US\$	24	1445	28094	238642	9943.42
Valid N (list wise)	24				

Source : Calculated by Author based on (Bangladesh Garment Manufacturers and Exporters Association, 2017)

Table-4 indicates the statistical analysis of the value of total apparel export from financial year 1992-93 to financial year 2015-16. Woven items are contributing more to the total apparel export for the last 2 decades.

6.1.4 Bangladesh's RMG Export to World

Table-5 : Descriptive Statistics of Bangladesh's RMG Export to EU

	N	Minimum	Maximum	Mean
FY 2015-16 (in millions)	27	1.03	4653.13	6.3531E2
Valid N (list wise)	27			

Source : Calculated by Author based on (Bangladesh Garment Manufacturers and Exporters Association, 2017)

Table-5 shows the statistical analysis of Bangladesh's RMG export to EU for the financial year 2015-16. There are 27 countries of EU used as observations. The lowest export was to Estonia and the highest export was to Germany during the FY. It also confirms that EU is the largest export market for Bangladeshi RMG products.

Table-6 : Descriptive Statistics of Bangladesh's RMG Export to Non-Traditional Markets

	N	Minimum	Maximum	Mean
FY 2015-16 (in millions)	12	45.89	1151.67	3.5979E2
Valid N (list wise)	12			

Source : Calculated by Author based on (Bangladesh Garment Manufacturers and Exporters Association, 2017)

Table-6 indicates the statistical analysis of Bangladesh's RMG export to Non-Traditional market for the financial year 2015-16. The lowest export was to Chile and the highest export was to "other countries" of non-traditional market during the FY. It concludes that the growth of Bangladeshi RMG sector is increasing not only in the traditional market but also in non-traditional market.

6.1.5 Threats

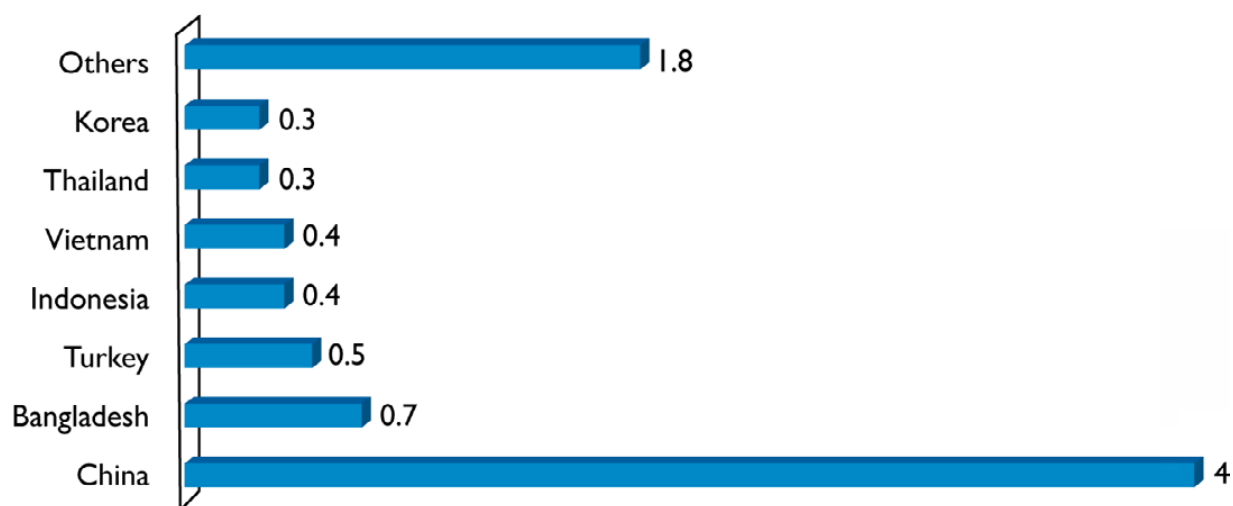
Table-7 : Competitiveness of RMG sector

Factors	Bangladesh	India	Vietnam	Pakistan
Minimum Wage	\$69	\$71	\$78	\$79
Productivity	77%	92%	90%	88%
Bank Interest	>16%	8%	13%	7%

Source : (Islam M. S., 2015)

From table-7, it is certain that Bangladeshi RMG sector lacks in productivity. This is because of unskilled labor force. Though the minimum wage rate is lower, the bank interest rate is higher in Bangladesh. If bank interest rate can be reduced, factory owners can put more money in this sector to ensure skilled labor, quality product and sufficient wages to the workers. Thus, productivity can also be improved.

Figure-I : Largest Cotton Importing Countries in the World



Source : (Islam M. S., 2015)

Figure-I shows that Bangladesh is the second-largest cotton importing countries in the world. This sector is highly depended on cotton which has to import from outside. If there is sudden problem of cotton shortage, the sector will have to face a lot of problems. This big problem for the Bangladeshi RMG sector is not to be self-sufficient in cotton production.

6.2. Qualitative Analysis

6.2.1. Potentiality of the sector

All the interviewees agreed that the future of Bangladeshi Ready-Made Garments sector is very bright. Among them, interviewee #6 said, "Bangladesh produces 100% quality products, fulfills all the demands of the international buyers and has neat and clean work environment. These facilities will reach this sector at the peak of success very soon." Interviewee #11 added, "As Bangladesh has the cheapest labor cost in producing garment products, it has the competitive advantages to expand rapidly."

6.2.2. Contribution to the National Economy

Most of the interviewees stated that the contribution of RMG sector to the country's economy is significant. Interviewee #13 added, "Rural economy is also being developed through the contribution of this sector." Interviewee #19 also added, "Most firms acknowledge three internal factors: favorable government policy, cheap labor force, entrepreneurial skills."

6.2.3. Advantages and Disadvantages

Advantages and Disadvantages of Ready-Made Garments sector were thoroughly described by the interviewees. Interviewee #2 described, "Good productivity, quality, low price, proper health and safety compliance add value to this industry, while low payment, not timely payment to the workers and high bank interest rate create significant damage to this sector." Interviewee #10 added, "Infrastructural and political problems are being confronted by most of the factories of Bangladesh." According to interviewee #12, "Though cheap labor, availability of labor is the strength of this sector, it faces energy crisis also." Interviewee #15 also added, "Domestic supply of raw material and diversified production has made this sector a great success story."

6.2.4. Challenges Ahead

Lots of challenges are coming ahead to this sector in Bangladesh. Interviewee #2 described, "Political violence and terrorism are the major challenges to this sector." Interviewee #3 said, "In near future, our foreign buyers may switch to other countries. They may not be interested in direct buying from Bangladesh." Interviewee #11 added, "Demand of the Ready-Made Garments sector of Bangladesh may be declined due to compliance issues in future. Macro-economic factors may also be affected here." Interviewee #12 replied, "After 10-15 years, Bangladesh will shift from LDC. Then, it will be not eligible to get quota facilities. Compliance is another factor to be worried." According to interviewee #13, "Huge competition is waiting for Bangladeshi Ready-Made Garments sector. Poor work environment and demonstration of the workers will hurt this sector enough in near future." Interviewee #15 also added, "Bangladeshi Ready-Made Garments sector is losing its trust in the foreign market for non-compliance issues. Recent loss of GSP facility will damage this sector in any other ways." Interviewee #20 also added, "Unrest among the workers, fire

accident in a regular interval with huge damage, loss of employment if investment is lost are the major challenges coming ahead to this sector."

6.2.5. Climate Change and Carbon Emission Issues

Climate change is a vital issue for the world nowadays. It causes different natural calamities almost every year. Most of the interviewees stated that the sector is not significantly responsible for climate change. Interviewee #2 described, "Only dying and washing factories are responsible for carbon emission not the whole garment industry."

7.0 Conclusion

This paper investigated the growth and contribution of Ready-Made Garments sector in Bangladesh. The understanding between the buyer and supplier is now better than before. At present, Bangladesh is the world-second largest apparel exporter. If the growth continues, within few years Bangladesh will be the world-largest apparel exporter. Workers' unrest, political violence, lack of utility services, non-compliance issues, high interest of bank loans, increment of workers' wage, terrorism, low price of RMG products, unavailability raw materials in home country are some of the problem of this sector. Proper guidelines of the regulatory authorities like BGMEA, BKMEA and government support is badly needed to reach the sector at the peak of the success. Good work environment and payment should be ensured to workers. Different financial and non-financial incentives should be given to their dependents also. The relationship between owner and worker should be developed. New market should be searched immediately before it's too late. Hartal, political violence, workers' unrest should be stopped. Fire safety instruments should be installed in every factory. Proper building code should be maintained. After doing all these things, we can hope to have a perfect Ready-Made Garments sector in Bangladesh which will lead the world garment industry one day. ☺

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Appendix-I: Interview Question

1. Is there any growth in the RMG sector of Bangladesh? If so, what is the trend now?
2. What are the prospects of RMG sector in Bangladesh? What should be done to achieve those prospects?
3. What are the contributions of RMG sector to the economy of Bangladesh? How are they contributing?
4. What are strengths and weaknesses of RMG sector of Bangladesh?
5. What are the challenges coming ahead toward the RMG sector of Bangladesh? How to tackle those challenges?
6. Is the work environment of RMG sector is satisfactory in Bangladesh? If not, what are the measures should be taken to improve the work environment in the RMG sector of Bangladesh?
7. How much responsible the RMG sector of Bangladesh for climate change? What are the measures should be taken to reduce carbon emission?

Appendix-2: List of Interviewees

#of Interviewee	Occupation	Interview Date
1	Entrepreneur (Pabna Knit Design Ltd., Pabna Knitting Ltd)	07-01-2017
2	Manager (Pabna Knit Design Ltd., Pabna Knitting Ltd)	07-01-2017
3	Manager (Pabna Knit Design Ltd., Pabna Knitting Ltd)	07-01-2017
4	Worker (Pabna Knit Design Ltd., Pabna Knitting Ltd)	07-01-2017
5	Worker (Pabna Knit Design Ltd., Pabna Knitting Ltd)	07-01-2017
6	Worker (Pabna Knit Design Ltd., Pabna Knitting Ltd)	07-01-2017
7	Manager (Pabna Knit Design Ltd., Pabna Knitting Ltd)	07-01-2017
8	Manager (Pabna Knit Design Ltd., Pabna Knitting Ltd)	07-01-2017
9	Manager (Pabna Knit Design Ltd., Pabna Knitting Ltd)	07-01-2017
10	Student, IER, University of Dhaka	07-01-2017
11	Lecturer, Dept. of Economics, DU	15-01-2017
12	Assistant Professor, Dept. of Economics, DU	18-01-2017
13	Lecturer, Dept. of Economics, DU	23-01-2017
14	Lecturer, Dept. of Economics, DU	23-01-2017
15	Student, Dept. of Economics, DU	23-01-2017
16	Student, Dept. of Economics, DU	23-01-2017
17	Manager, Dekko Group	26-01-2017
18	Manager, Dekko Group	26-01-2017
19	Manager, Multi National Company	30-01-2017
20	Student, Dept. of Economics, DU	31-01-2017