

Impact of Garments Industry in Bangladesh economy

THE OBJECTIVE OF THE STUDY

To evaluate the economic impacts of RMG sector in Bangladesh in terms of GDP, GNP, National income and Total exports.

To evaluate the social impacts of RMG sector in Bangladesh in terms of women empowerment, savings, child labor, population control and employment.

PROJECT REPORT

ON

(BUS-498)

Impact of Garments Industry in Bangladesh Economy

Supervisor

Prof. Dr. Tanbir Ahmed Chowdhury

Dean & Chairperson

Department of Business Administration

East West University

Submitted By

Md. Atiqur Rahman

ID: 2011-3-10-031

Department of Business Administration

East West University

Date of Submission: 20th August, 2015



Letter of Transmittal

20th August, 2015

Prof. Dr. Tanbir Ahmed Chowdhury

Dean & Chairperson

Department of Business Administration

East West University

Subject: Submission of Project Report on “Impact of Garments Industry In Bangladesh Economy”

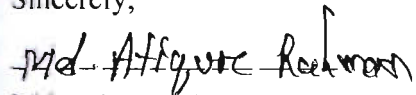
Dear Sir,

It gives me immense pleasure to submit my report **“Impact of Garments Industry In Bangladesh Economy”** which was assigned to me as a fulfilment of the course Bus-498, **‘Bachelor of Business Administration’**.

While making this report I came across many hurdles and pleasant experience. But valuable experiences I have gained during the period will undoubtedly benefit me in the years ahead. This report attempts to describe my observations, learning’s and experienced gained about the RMG industry of Bangladesh. Despite the several constraints, I gave my all efforts to make this report a meaning one.

I have tried sincerely to comprehend and translate my knowledge in writing this report. My effort will be rewarded only if it adds value to the research literature. I enjoyed this project work and gladly attend any of you call to clarify on my point, if necessary.

Sincerely,



Md. Atiqur Rahman

ID: 2011-3-10-031

Mobile: +8801931465646

Bachelor of Business Administration

East West University

Acknowledgement

At the very beginning, I would like to convey my sincere appreciation to almighty Allah for giving me the strength and the ability to finish task within the planned time.

I am thankful for the help and assistance of various people who helped me while working on this report. Appreciation from different people has helped me to present a satisfactory report. In addition, I would like to thank my supervisor **Prof. Dr. Tanbir Ahmed Chowdhury** for his kind guidance, advice, help, effort and encouragement when preparing this report on RMG Industry of Bangladesh, Problems & Prospects. Without his instruction, this report could not be possible to *prepare*.

At the event of the report submission I sincerely remember all of them.

August 20, 2015
East West University,
Dhaka.

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Executive Summary

Readymade Garments (RMG) is a great prospect for the Bangladesh Economy especially in Exporting. Almost 80% of total export covers from this Sector. RMG impact a lot in the economy of Bangladesh such as contribution a large portion in the GDP (Gross Domestic Product) , Contribution to the GNP (Gross national Product), Economic Empowerment especially for Women because 80% of The Garments Worker are Women. The Readymade Garment (RMG) industry of Bangladesh tells an impressive story of country successful transition towards a major export t- oriented economy. Starting its journey in the late 1970s with relatively small investment, the industry, the industry flourished in 1980 and 1990 and has become the largest industry in Bangladesh. The contributory factors of the RMG industry in Bangladesh are global trading agreement, cheap labor cost, government policy support and dynamic private entrepreneurship. All these things have helped Bangladesh to gain a handsome share in the global garment business. From early 1990 onwards the RMG industry has become the largest foreign exchange earning sector in the economy. In 2013-14, Bangladesh earned nearly \$ 20 billion by exporting garment products and RMG cover 75 percent of the total export of the country, having the lion's share of the country's exchange. Contribution of RMG is very positive in Bangladesh economy, sharing 18percent of the total national GDP. Moreover the industry has become a vehicle for further industrialization of the country then accelerated to its journey with the commitment to the society to build prosperous Industrial backbone for socioeconomic development of the country. After almost ten economic years, it has established a number of diversified and potential buyers throughout the world for manufacturing and marketing of a wide variety of consumers and export oriented products. . The Industry believes in 'Quality never ends' and refuses to settle for anything until it exceeds the existing standard. The company has been awarded with the ISO-9001: 2000 Certificate in January 2003 for serving its valued customers with products of excellent quality. As the principal aims and objectives of this industry, are to improve professionalism in the contemporary garments ware business arena as well as to realize the authentic demands of garment goods throughout the 3rd world countries. Bangladesh organizes seminars, discussion forums, workshops, professional training Growth of Ready Made Garments in Bangladesh courses, continuing education programs, cultural events and publishes newsletters etc. as parts of its professional activities. All this activities has been done to observe out the actual current SWOT analysis circumstances of the organization. By which the executive

board gets some feasible idea of future strategic moves of the organization. Because, fairly a well established human resource management can built a constructive organization likewise some constructive organizations can build a modern country. However, nowadays HR Department is considerate as the Mutual Bridge of making evenly understandable decisions between all the departments among an organization. How and why is that? The answer is – “Since each department is Human Oriented and HRM deals with every individual human being or employee working in an organization, this statement is true as well as valid one. So HRM decrease the distances and conflicts between the employees of all the departments as well as enhance the work efficiency of the workforce which eventually results a certain amount of profit maximization for the companionship. Finally a profitable Industry must contribute to the economy of the country’s development.

Chapter 1:Introduction

1.1 An Overview of Garments Industry in Bangladesh.

1.2 Literature Review

1.3. Objective of the study.

1.4. Scope and methodology.

1.5. Limitation of the study.

1.6. Conclusion

Chapter 1: Introduction

1.1 An Overview of Garments Industry In Bangladesh:

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 an insulated market under the provision of Multi Fiber 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 four million workers are directly and more than twelve million inhabitants are indirectly associated with the industry. Over the past twenty five years, the number of manufacturing units has grown from 180 to over 4000. The sector has also played a significant role in the socio-economic development of the country. The quota came to an end at 2004 but it continued to show robust performance, competitive strength and, of no less importance, social commitment. RMG's contribution to Bangladesh economy is well-known, well-appreciated and well-respected. Garments industry is the largest export industry for our country and it contributes 75% of total export. The industry is associated with its strength, weakness, threat and opportunity. In this study an attempt has been made to describe the overall scenario of Bangladesh Ready Made Garments industry. At this time of free economy everyone may be interested to know about the largest export industry and the mechanism of doing business here. The present study has been undertaken with consideration of this fact.

The RMG industry is the only multi-billion-dollar manufacturing and export industry in Bangladesh. Whereas the industry contributed only 0.001 per cent to the country's total export earnings in 1976, its share increased to about 80 per cent of those earnings in 2014. Bangladesh exported garments worth the equivalent of \$7.9 billion in 2014, which was about 2.5 per cent of the global total value (\$276 billion) of garment exports. The country's RMG industry grew by more than 15 per cent per annum on average during the last 15 years. The foreign exchange earnings and employment generation of the RMG sector have been increasing at double-digit rates from year to year. Currently, there are more than 4,000 RMG firms in Bangladesh. More than 95 per cent of those firms are locally owned with the exception of a few foreign firms located in export processing zones (Gonzales, 2002). The RMG firms are located mainly in three main cities: the capital city Dhaka, the port city Chittagong and the industrial city Narayanganj. Bangladesh RMG firms vary in size. Based on Bangladesh Garment Manufacturers and Exporters

Association (BGMEA) data, Mainuddin (2000) found that in 1997 more than 75 per cent of the firms employed a maximum of 400 employees each. Garment companies in Bangladesh form formal or informal groups. Ready-made garments manufactured in Bangladesh are divided mainly into two broad categories: woven and knit products. Shirts, T-shirts and trousers are the main woven products and undergarments, socks, stockings, T-shirts, sweaters and other casual and soft garments are the main knit products. Woven garment products still dominate the garment export earnings of the country. The share of knit garment products has been increasing since the early 1990s; such products currently account for more than 40 per cent of the country's total RMG export earnings (BGMEA website). Although various types of garments are manufactured in the country, only a few categories, such as shirts, T-shirts, trousers, jackets and sweaters, constitute the major production-share (BGMEA website; and Nath, 2001). Economies of scale for large-scale production and export-quota holdings in the corresponding categories are the principal reasons for such a narrow product concentration.

1.2 Literature Review:

Several authors have analyzed aspects of the garment industry in Bangladesh. Of the various aspects of the industry, the problems and the working conditions of female workers have received the greatest attention. A study by Md. Salim Uddin and Mohammed Abu Jahed (2007) revealed that how the RMG sector is contributing as prime mover of the socio economic development of Bangladesh. According to them, the garments industry has been leading the Bangladesh economy since the early 1990s. Garments are the country's biggest export making up about three quarters of total exports, and the industry is a symbol of the country's dynamism in the world economy. The industry is also the main non-farm formal sector creating employment opportunities for the poor. The greater part of the workforce is female, less educated, and has migrated from rural areas. Thus, the garment industry is seen as contributing to poverty reduction in Bangladesh by providing employment opportunities with higher wages for the poor who would otherwise be engaged in low-wage economic activities in rural areas. There was much discussion about the survival of Bangladesh's garment industry prior to the final phase out of the Multi-Fiber Agreement (MFA) from 1 January 2005 which was expected to greatly intensify competition in the international garment market. One of the most influential forecasts was that only China and India would gain from the MFA phase out and that Bangladesh and other smaller suppliers of garments would lose out. Fortunately, there was no immediate major adverse effect in Bangladesh. Garment exports to the United States grew over the whole

of 2005, while those to EU declined only slightly. However, the prospects for the industry in Bangladesh are not certain and the future trend in garment exports needs to be watched.

Dr. Greg gajewski & Alex Riley (2005) discussed about Bangladesh’s export trade practices and their effect on the competitiveness of the garment industry. They said, a wide body of evidence suggests that increased openness to trade and greater export competitiveness contribute to higher rates of economic growth. Export competitiveness depends, in part, on Customs and other administrative export trade practices, as well as on the efficiency of port operations and the transportation linkages between the ports and the main centers of export production.

A study by Munir Quddus & Salim Rashid looks at the aspects of garments exports from Bangladesh. They summarized that, the success of readymade garment exports from Bangladesh over the past two decades has surpassed the most optimistic expectations. The paper reviews the literature on this industry, presents recent data on the sector’s performance, and evaluates future trends in the international and domestic clothing industry. More specifically, the paper evaluates the negative impact of the 1998 floods on the industry. It concludes that although the impact of the flood was unexpectedly benign, the entrepreneurs face important challenges from the health of the domestic banking sector, the East Asian economic crisis, and the deregulation of the global clothing business as a result of the phasing out of the Multi-fibre agreement in the year 2005.

In this particular study we will be focusing on the contribution of garments sector in the economy of Bangladesh, the involvement of women workforce in this sector. We will also highlight the ways to improve the efficiency of the labor force, the foreign earnings through the export of garments products. In the last part, we will have some recommendation as well as concluding remarks.

1.3. Objective of the study.

The main Objectives of the report to complete the project work on “Impact of Garments Industry in Bangladesh Economy”. The overall scenario of RMG sector in Bangladesh are shown here. Possibility of this sector and future prediction are shown here.

To focus on the following issues, particularly:

- I. The contribution of GDP on Bangladesh economy through garments industry
- II. The effective utilization of labor by the garments of Bangladesh
- III. Participation of women in the garments sector
- IV. Foreign earnings through garments sector
- V. Constraints faced by the garments of Bangladesh
- VI. Proposed recommendation

1.4. Scope and methodology.

Garment is now the largest export earner in Bangladesh. Bangladeshi garments were increasingly becoming visible in the market of developing countries. Bangladesh is one of the leading readymade garments exporters of the world. Every year Bangladesh exports more than one third of the total garments requirements of the RMG market of the world. Every year Bangladesh earns more than 76% of its foreign currency from this sector. For the high progress in the sector efficient fashion merchandising is essential, which included proper dealing to buyer, high quality production, proper shipment on due date etc. Fashion merchandising is therefore plays a very important role in the garments factory and other industries to ensure the quality and other competitive requirement to survive in the market. It is very necessary to have very good merchandiser in the industry to survive in the market, to run a factory successfully in this competitive market. The “Fashion merchandiser” profession has recently emerged as one of the most sought out careers among the fashion designer. The designers have their own creative style of dressing and believe in setting a trend rather than following a trend set by other. A career in fashion design not only involves meeting glamorous people and interacting with rich and famous but also gives a impetus to the creative flair of the people who possess a sense of style. The major functional areas in the industry are dressing garments, cutting the cloth, sewing the pieces together and finally merchandising popularizing and marketing of the various style and products done through ramp show and fashion write-ups. Fashion merchandising is the promotion of apparel sales and involves all of the tanks necessary to deliver the

handling requests and meet the needs of potential customers and advertisements, directing, manufacturing and marketing and creating sales strategies are all part of the job. Fashion merchandising also refers to the necessary preparation that must be done in order to ensure that the merchandise is accessible and appealing to the customers it's intended for. Fashion merchandiser has responsibility to design and create visually attractive displays or exhibits of merchandise and to erect main store decoration in commercial retail establishments. They create the look, feel and mood of the store. Bangladesh has recently come to the focus. Along with the world demand the local market is also altering itself to rapid changes in fashion trends. Bangladesh's largest sector garments/textiles is recently looking for Fashion merchandiser and highly skilled technical personnel.

The study has some boundaries. The following points delineate those boundaries.

- ✦ The analysis does not consider worldwide comprehensive study of woven enterprises. The reason is that such investigation is not feasible. Moreover, in highly fragmented industries like that of woven garments, companies especially those of Bangladesh do not compete with each other rather compete as a whole industry with the exporting countries in the destination markets.
- ✦ Because of the highly fragmented nature of the industry even in the domestic market (with about 400 woven producers present in different parts of the woven garments value chain), aggregation of enterprises could not be provided. Rather, a whole view point of the industry has been taken. This limits the researchers of this study not to use financial aggregation as well since only a few woven garments industries (not more than 5) are enlisted with the stock exchange.
- ✦ The analysis has been confined to the key markets of the woven markets. The markets where Bangladesh occasionally exports or where the amount of export is very small, those markets are excluded from the scope of the study.

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1.4.1. Research design

The study, given the nature of the objectives, has a descriptive research design. Since this study is going to be one of the earliest studies with similar objectives about the woven garments sector, the research would be of ‘reporting’ kind. According to Cooper and Schindler (2003), at the very elementary level a ‘reporting study’ is done to provide an account, or to make a summation of data, or to generate some statistics. They have also argued that a reporting study requires very little inference. However, the current study answers ‘what’ and ‘why’ of Macro environment, industry and competitive conditions, and thus, requires a great deal of inference. Hence, the current study would be more appropriately termed as a descriptive study. Therefore, the research design for the study is descriptive research design.

1.4.2. Primary sources

The researchers collected the industry data organizing one focus group discussions (FGD) and a number of five key informant interviews (KII). The participants in the FGD was chosen from the industry experts (relationship managers of banks who look after the woven garments clients) and managers and owners of woven garments companies in Bangladesh. Due to time limitation, the participants were chosen through personal contacts and participants’ willingness to participate in the discussion. Similar method of selection has been applied for interviewing the key informant. The key informants considered were senior managers of banks and senior research officials of Bangladesh Garments Manufacturers and Exporters’ Association and the enterprise level data through key informant interview. The list of questions to interview the key informants and to inquire in FGD has been developed by the researchers themselves (please see appendix).

1.4.3. Secondary sources

The researchers have explored the following secondary sources to meet the objectives of the report.

- Data inventory of Bangladesh Export Promotion Bureau Bangladesh (EPB) relating to readymade garments export.
- Data inventory of Bangladesh Garments Manufactures’ and Exporters’ Association (BGMEA).
- Reports of the Ministry of Commerce, Government of Bangladesh (GoB).
- On-line news archive of newspapers and news agencies home and abroad.

- Books and journals at the library of Institute of Business Administration and University Press Limited.
- Websites of the statistical departments of various countries (USA and European Union in particular).

1.5. Limitation of the study.

The current study is limited by a number of factors. First, the participants for FGD and KII have been chosen conveniently. Second, the list of questions for FGD and KII has been developed from the scratch by the researchers themselves. However, these limitations are not likely to invalidate the conclusions. The reasons are the following. First, the researchers will depend on both primary and secondary sources. Second, the primary sources have been bifurcated into managers of woven garments companies in Bangladesh, and industry experts. Third, the list of questions has been checked for recasting by the instructor of the course. The refinement of the list of questions following the suggestions of such an expert enhances the relevance and reliability of the questions asked. Hence, these two approaches ensure cross-validation of information needed to fulfill the objectives of the report.

1.6. Conclusion

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 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. To remain competitive in the post-MFA phase, Bangladesh needs to remove all the structural impediments 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.

Chapter 2: Review of Industry and facilities

- 2.1. Introduction
- 2.2. Exported RMG items from Bangladesh.
- 2.3. Major exporting country description.
- 2.4. Export facilities by the foreign countries.
- 2.5. Future potential Market for Bangladesh in RMG.
- 2.6. Social Benefits of RMG sector
- 2.7 Value of Total appeal Export
- 2.8. Main Apparel Items Exporting from Bangladesh
- 2.9. Conclusion.

Chapter 2: Review of Industry and facilities

2.1. Introduction

The RMG sector of Bangladesh has set itself an export target of \$50 billion by 2021. The target appears slightly ambitious and quite a few people are skeptical about its attainability. In the backdrop of pronounced skepticism of some quarters, the wisest thing would be to remove the existing road blocks. We understand, to achieve a target of this magnitude in only seven years, will require a steady growth of around 13 per cent in export income per year. Bangladesh exported readymade garments worth \$ 24.5 billion during the last financial year. A growth of 13 per cent in one year means an increase by 3.25 million in one year.

Export income mainly comes from the USA and the European countries. Canada is also a big market. But the economies of the developed countries have not been able to come out of the recent recession as yet.

There is a continuing sluggish trend in growth. Therefore, it may not be possible for the developed countries to reciprocate by buying more or paying more. Our export of RMG products to the developed countries mostly comprises cheap items and export of high value items. Export of mid-value items like, suits, blazers, synthetic and polyester dresses is also not very encouraging, which suggests that the export market needs to be diversified to prosper. That is, the number of importing countries will have to be increased which is no mean a task. Despite the odds, the encouraging feature is, export to countries outside USA, Canada and Europe is increasing every year. Turkey, Russia, Japan, India, China, Australia, Brazil etc, have been added to the list of buyers. It is predicted that China might emerge as a prospective buyer overtaking the European countries by 2015. Increased export calls for increased production and more entrepreneurs are needed for increased production. At the same time, infrastructural facilities like, land, electricity, gas, road, railways, port etc. Skilled workers alongside efficient administration are also required. Special attention has to be paid to the training the workers.

A group of entrepreneurs claim that they have acquired enough efficiency over the last few decades and are fully equipped with the expertise to meet the challenge of achieving increased production during the next few years. Another group is of the opinion that foreign investment should be allowed for production and high export. We have a big challenge ahead of us which should be faced equally by entrepreneurs, government, owners and labor organizations. Howsoever large it is, RMG industry is not the lone pillar of our industrial sector. Small and cottage industry sector is also flourishing and has immense potential.

Banks are also extending financial help to the entrepreneurs of this sector. It is necessary to set up textile and other linkage industries to help the RMG sector. Similarly, alongside capitalizing the potential of RMG sector in Bangladesh. The economy of Bangladesh is largely dependent on agriculture. However, the readymade garments sector has experienced an exponential growth since the 1980s. The sector contributes significantly to the GDP. It also provides employment to around 4.2 million Bangladeshis, mainly women from low income families.

2.2. Exported RMG items from Bangladesh.

Bangladesh has become famous for exporting knit wears. Knitting industry is now also a rapid growing industry in Bangladesh. Knitted goods are now most preferable to export to the textile industries. Among knitted fabrics the top ten categories we mention bellow-

- ❖ T-shirts, singlets & other vests, knitted or crocheted, of cotton.
- ❖ Jerseys, pullovers, cardigans, waist-coats & similar articles, knitted or crocheted, of textile materials, n.e.s.
- ❖ Jerseys, pullovers, cardigans, waist-coats & similar articles, knitted or crocheted, of cotton.
- ❖ Men's or boys' shirts, knitted or crocheted, of cotton.
- ❖ T-shirts, singlets & other vests, knitted or crocheted, of textile material other than cotton.
- ❖ Women's or girls' briefs & panties, knitted or crocheted, of cotton.
- ❖ Women's or girls' blouses, shirts & shirt-blouses, knitted or crocheted, of cotton.
- ❖ Women's or girls' trousers, bib & brace overalls, breeches & shorts, knitted or crocheted, of cotton.
- ❖ Men's or boys' trousers, bib & brace overalls, breeches & shorts, knitted or crocheted, of cotton.

Except these Bangladesh also exports various garments made from woven fabrics. Some non-woven and braided fabric are being exported to many countries.

2.3. Major exporting region description.

European Market:

The European companies purchasing readymade garments from Bangladesh must share the responsibilities, and exercise control and promote acceptable standards in factories. The AFET chair reiterated that he wished to see the government of Bangladesh implementing measures in the readymade garment industry, which would ensure concrete improvements in workplace safety and labor rights. The European Union (EU) and Bangladesh on Tuesday urged the foreign buyers, particularly the European companies, to remain engaged in and work with both the EU and Bangladesh to support and promote socially responsible supply chains.

North American Market:

Bangladesh has experienced some product diversification in its export of garments to the United States market in recent years compared with the early 1990s. However, the country's performance in upgrading its products is not significant with regard to the United States market (Haider, 2006). The country experienced a sharp increase in the export of garment products to the United States market in the 1990s, but faced declines in export earnings from that country in 2002 and 2003, followed by slow increases since 2004. The exports of India also increased rapidly in the 1990s, although that country experienced comparatively slow progress in the last few years. However, the RMG exports of China to the United States have increased at a startling rate over the years. For example, the textile a

2.4. Export facilities by the foreign countries.

Duty free 46 RMG export items to India

In exercise of the powers conferred by sub-section (1) of section 25 of the Customs Act, 1962 (52 of 1962), and in supersession of the notification of the Government of India, in the Ministry of Finance (Department of Revenue), No. 107/2008-Customs, dated the 6th October, 2008 [G.S.R. 718 (E), dated the 6th October, 2008], except as respects things done or omitted to be done before such supersession, the Central

Government, being satisfied that it is necessary in the public interest so to do, hereby exempts the goods of the description specified in column (3) of the Table hereto annexed and falling under the Chapter, heading, sub-heading or tariff item of the First Schedule to the Customs Tariff Act, 1975 (51 of 1975), as specified in the corresponding entry in column (2) of the said Table, when imported into India from a country listed in APPENDIX to this notification from the whole of the duty of customs leviable thereon under the said First Schedule.

Provided that the importer proves to the satisfaction of the Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be, that the goods in respect of which the benefit of this exemption is claimed are of the origin of the country listed in the APPENDIX in accordance with the Rules of Determination of Origin of Goods under the Agreement on South Asian Free Trade Area (SAFTA), 2006, published in the notification of the Government of India in the Ministry of Finance (Department Revenue) No 75/2006-Customs, (NT) dated the 30th June,2006.

Duty Free Quota Free (DFQF) export items to China

The Embassy of the People’s Republic of China in Bangladesh presents its compliments to the Ministry of Commerce, Government of the People's Republic of Bangladesh and has the honor to inform that starting from 1 July 2010, the Government of China will provide zero tariff treatment to 4762 products originated from Bangladesh and other 32 Least Developed Countries (in accordance with 2010 China Customs Nomenclature), accounting for 60% of all taxable items of China. Since 2001, China has been gradually rendering zero tariff treatment to certain amount of products from 41 Least Developed Countries (LDCs). Up to now, China has been providing zero tariff treatment to about 1000 products from LDCs, which cover almost all the products those countries exported to China. In 2008, the LDCs export to China accounted for 23% of their total export volume; making China the largest export market for LDCs. China will continue to enlarge the range of products from LDCs that enjoy zero tariff treatment with the aim to increase the ratio to 95%.

2.5. Future potential Market for Bangladesh in RMG.

At a time when European and US markets are shrinking for Bangladeshi apparel exports, the news that one of the biggest names in Swedish retail industry H&M has decided to double its business to US\$3 billion in Bangladesh over the next five years is welcome news indeed. The move by the global giant that sources its materials from some 250 factories in Bangladesh goes to show the growing confidence of foreign buyers in the future trajectory of the country as a global player in readymade garments (RMG) industry. The fact that the RMG sector has responded to calls for taking initiatives to improve the wellbeing of its workers by means of opening up health and recreational facilities is helping to improve its image as a responsible sector to foreign buyers. It is not only the Scandinavians who have faith in Bangladesh's potential to become the country of choice for sourcing different types of garments, the Peoples' Republic of China is set to become a multi-billion dollar destination market for our products. With China's labor wages hitting new highs, the country has been eying Bangladesh as a major destination to shift the production base for the basic apparels segment. Coupled with the granting of import tax waiver on 4,721 products that include garments, the country has the potential of developing an alternative destination to the falling European and US markets, which till date, constitute 87 per cent of the share of RMG sector's nearly \$19 billion annual export basket. However, for Bangladesh to take advantage of potentially significant foreign direct investment from China, it would have to make serious improvement in infrastructure, particularly in communication and energy sectors. Long tailbacks on highways, limited inland transportation options, and inefficient cargo handling capacity at Chittagong port adds to Bangladesh's woes for meeting buyer lead times. The constant power crunch industry faces is another constricting issue for growth. With little chance of getting reliable gas from public utility service providers, the industry is having to count millions by way of generating own power. Such a scenario has severely curtailed expansion of production base for the RMG sector as a whole. Unless these basic problems are tackled in the next two to three years, the windows of opportunity that have presented themselves for the apparels industry will be lost.

2.6. Social Benefits of RMG Sector

Gender Empowerment and the Garment Industry

Since the 1980s, RMG was the first industry to provide large-scale employment opportunities to women in Bangladesh, in a country where women traditionally did not work outside their home. Recent research by Professor Rachel Heath (University of Washington) and Professor Mushfiq Mobarak (The International

Growth Centre and Yale University) draws attention to the significant benefits of having access to factory jobs on gender empowerment, even beyond the income opportunity, from data spanning thirty years in Bangladesh. Comparing girls living in areas within commuting distance to a factory to both their brothers and to other girls from villages not within commuting distance, Mobarak and Heath found a systematic effect of proximity to garment factories on the postponement of marriage and childbirth age. These effects were even more striking for girls aged between 12 and 18, where early marriage is more likely to have detrimental effects on a girl's level of educational achievement and resulting job opportunities. Analyzing retrospective data, Mobarak and Heath find that roughly 14.8 percentage points of the national gain in girls' enrolment rates over that period, can be attributed to the growth in the garment export industry. The study also highlighted how the proximity to garment factories is associated with a reduced gender-education gap. Such evidence sheds some light on how the RMG sector has contributed to female empowerment across and within Bangladeshi households. As factories open up and economic opportunities reach villages, households decide to invest in the education of daughters, due to the perceived increase in returns from schooling in the labor market. Furthermore, as girls find jobs in the garment sector, they tend to postpone marriage and childbirth. Strikingly, the effect of taking up a job in the garment sector on the postponement of marriage and childbirth tends to be larger in the households where women had no previous experience of work outside of home.

An eco-friendly RMG sector

It is puzzling to note that garments industry, a prime foreign exchange earner, has been left to its own devices to grow listlessly without sustainability built into the sector. As long as it minted money, the government and the industry owners were lulled into a complacent mode, thinking their position in the world market is invincible. But we have been rudely awakened by the Tazreen factory fire disaster. It has literally opened a Pandora's box as safety standards and environmental issues came under a closer scrutiny world wide. In this backdrop, an International Finance Corporation sponsored study has come out with very useful recommendations. It has concluded that taking to eco-friendly production methods in textile and clothing industry could enable it to save up to \$150m per year in cost-cutting terms. At the same time it will make the sector competitive and sustainable. Basically, the process is sought to be introduced on a wider scale through adopting efficient use of water and energy. Of course, cleaner, environment-friendly production techniques, need to be only underpinned by effluent treatment plant in every factory. Already, Kanpark Bangladesh apparel (pvt.) Limited has led the way in Chittagong Export Processing Zone by

implementing 'green measures'. These have had benefits by way of improving energy and water efficiency systems together with developing a recycling process to reduce pollution of air, land and water. Vegetation in the factories helps reduce emission of carbon monoxide and cool the environs. Obviously, it would require more than a study to prevail upon all concerned to try and reap the multiple dividends of greener production techniques. First, the stakeholders will have to get their act together; second, the government and the BGMEA should engage each other towards preparing a working plan; third, a facilitating role of the government will be welcome; and last, but not least, the workers will have to be retrained in the new ways of production. In the ultimate analysis, worker's rights hold the key to taking the garment sector forward to the next step in a sustainable way.

Compliance with all national laws and regulations

Organizations are required to abide by all applicable laws, regulations and standards applicable to its particular industry under the national laws of the countries where the organization is doing business. Should the legal requirements and the standards of the industry conflict, organizations must comply with the laws of the country in which the products are being manufactured. Organizations should, however, strive to meet industry standards whenever possible. If state or local legal requirements apply to the organization's manufacturing activities, they must comply with the state and local requirements.

Improving Human Rights:

More than 40 participants from Bangladeshi businesses, government agencies, trade unions and civil society organizations came together in Dhaka early this month to identify concrete actions to improve human right condition in Bangladesh.

The multi-stakeholder forum was organized as part of the Pillars in Practice programmed a joint initiative of the CSR Centre (Bangladesh), Social Accountability International (USA) and the Danish Institute of Human Right. The objective of the project is to help companies, government agencies and civil society organizations implement the UN Guiding Principles on Business and Human Rights. The Pillars in Practice project has been ongoing since October 2012, and has conducted wide consultation toward identifying human rights challenges in the RMG sector and devising actions to address them.

2.7 Value of Total apparel Export:

Year	Woven	Knit	total
2010-2011	8432.4	9482.06	17914.46
2011-2012	9603.34	9486.35	19089.69
2012-2013	11039.85	10475.88	21515.73
2013-2014	12442.07	12049.81	24491.88
2014-2015	13064.61	12426.79	25491.4

Source : BGMEA(Bangladesh Garments Manufacturer and Exporters Association)

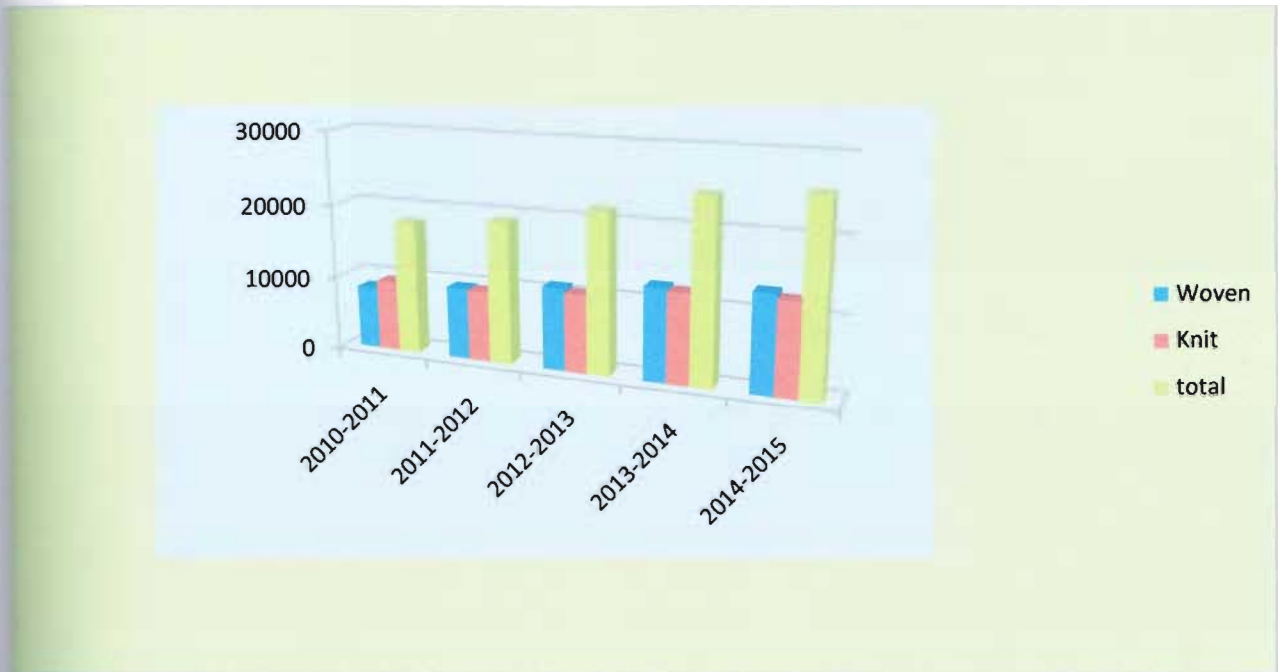


Figure: Shows Total Apparel Export.

2.8. Main Apparel Items Exporting from Bangladesh

YEAR	SHIRTS	TROUSERS	JACKETS	T-SHIRT	SWEATER
2010-2011	1566.42	4164.16	1887.5	4696.57	2488.19
2011-2012	1733.54	4686.39	2231.16	4713.11	2340.34
2012-2013	1972.89	5185.48	2634.28	5143.22	2620.73
2013-2014	2173.73	5690.78	2973.16	5863.81	2932.94
2014-2015	2271.43	5697.83	3183.17	6064.13	2829.16

Source: BGMEA(Bangladesh Garments Manufacturer and Exporters Association)

Appareal Items Exporting From Bangladesh

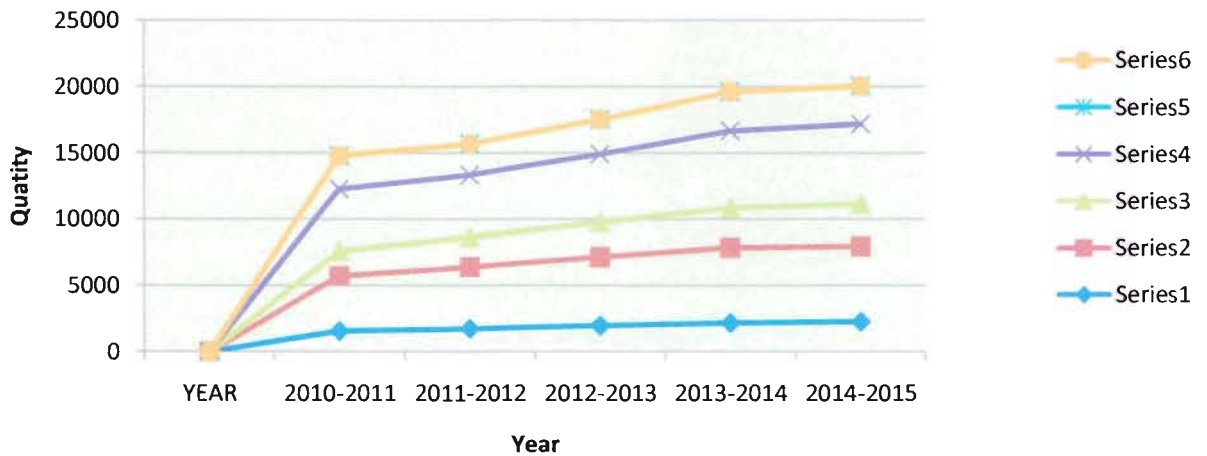


Figure: Shows the Main Apparel Item Exporting from Bangladesh

2.9. Conclusion.

The garment sector in Bangladesh contributes more than 70 percent of the national income and 80 percent of the garment workers are female. Due to participation in this income generating sector their life and status in the society got upgraded however, largely, the condition of female garment workers is very frustrating. Women workers face various crises in the RMG sector. The print media had written many reports and the TV channels had aired many pathetic stories on their low wages, unfriendly working environment, health issues, nutrition, insurance, etc. but feeble measures have been taken so far to address these problems. Overall these problems are hampering the production and environment of the RMG sector and if these obstacles are not removed, the sector may be affected more and more in the coming days. Last but not the least, the poor female

Chapter 3: An Overview of Garments Industry In Bangladesh Economy

- 3.1. Garment Industry Analysis.
- 3.2. Investment In RMG
- 3.3. RMG Contribution to Export.
- 3.4. RMG Macro contribution to the Economy
- 3.5. RMG vs. other sector contribution to the Economy
- 3.6. Assistance of Bangladesh Government to RMG.
- 3.7 Conclusion.

Chapter 3: An Overview of Garments Industry in Bangladesh Economy

3.1. Garment Industry Analysis.

RMG is the leading industry in Bangladesh. It is basically a labor-intensive industry and it needs limited financial investment and relatively simple technology compared to other high technical industries. The success story of Garment Industry in Bangladesh is the story as to how the readymade garments starting in the late seventies as an insignificant non-traditional item of export. In 1998-99 this sector has earned 4019.98 million US\$ through exporting which is 75.67% of the total export (Redwan, 1995). The tremendous success of Readymade Garment (RMG) exports from Bangladesh over last two decades has surpassed the most optimistic expectations. At present Bangladesh is the 6th largest exporter to USA and in 1997 Bangladesh becomes 18th largest exporter in the world. Now Bangladesh ranks first export of T-shirts to Europe (BGMEA, 1997-98). The overall impact of the readymade garment export industry is certainly one of the most significant social and economic developments in contemporary Bangladesh. The remarkable achievement of RMG sector is now exposed to each and every country. Despite these impressive achievements and the probable challenges in the near future, if properly managed, the prospects for further expansion and growth for this sector remain bright. There are some major threats still exist in this sector but Bangladesh has the ability to overcome these threats. Readymade Garment (RMG) industry holds a key position in the economy of Bangladesh in terms of foreign exchange earning, employment generation and poverty alleviation. Right now RMG sector is the highest foreign currency earner in Bangladesh. Apart from contributing to huge foreign exchange earnings, RMG industry has become the largest source of employment generation. Around 2 million people are presently involved of whom 90% are distressed women in the RMG industry of Bangladesh. In addition a rough estimate shows that the sector through linkage effects is currently generating about US\$ 2 billion worth of domestic economic activities (Bhattacharya, 2000). RMG industry is the most important sector for the economy of Bangladesh. It accounts for 75.14% in 2000-2001 of the country's total export earnings (BGMEA Newsletter, 2001). About 1.5 million workers of whom 90% are distressed women are engaged in about 3200 garment factories as on June 2000 (BGMEA, 1997-98). It is largest manufacturing sector contributing about 5% to the GDP. But this RMG sector is now facing some challenges especially after 2004. Bangladesh is still at its infancy in terms of quantity production in the readymade garments industry. We still have problems in

our country for the production of quality goods. Standard is also not satisfactory. The quality of the readymade garments of Korea, Hong Kong, Taiwan and other countries is far superior to that of ours.

3.1.1.Total Number of EPZ in Bangladesh:

In order to stimulate rapid economic growth of the country, particularly through industrialization, the government has adopted an 'Open Door Policy' to attract foreign investment to Bangladesh. The BEPZA is the official organ of the government to promote, attract and facilitate foreign investment in the EPZs. Besides, BEPZA as the competent Authority performs inspection & supervision of the compliances of the enterprises related to social & environmental issues, safety & security at work place in order to maintain harmonious labor-management & industrial relations in EPZs. The primary objective of an EPZ is to provide special areas where potential investors would find a congenial investment climate free from cumbersome procedures.

EPZ in Bangladesh	Address of EPZ in Bangladesh
Chittagong Export Processing Zone	<p>Contact Address : Chittagong Export Processing Zone South Haliashahar, Chittagong, Bangladesh.</p> <p>Phone : +880 31 741446, +880 31 740919 Fax : +880 31 740031 Email: cpz@ctg-bd.net (General Manager)</p>
Dhaka Export Processing Zone	<p>Contact Address : Dhaka Export Processing Zone Ganakbari, Savar, Dhaka, Bangladesh.</p> <p>Phone : +880 2 7789002, +880 2 7789411 Fax : +880 2 7789003</p>
Mongla Export Processing Zone	<p>Contact Address : Mongla Export Processing Zone Mongla, Bagerhat, Bangladesh.</p> <p>Phone : +880 04662 75199 Fax : +880 04662 75198</p>

Ishwardi Export Processing Zone	Contact Address : Ishwardi Export Processing Zone Ishurdi, Pabna, Bangladesh. Phone : +880 07326 63962 Fax : +880 07326 63824 Email : bepzaids[at]bttb.gov.bd (General Manager)
Comilla Export Processing Zone	Contact Address : Comilla Export Processing Zone Airport Area, Comilla, Bangladesh. Phone : +880 081 77055 Fax : +880 081 77056 Email : epzcom[at]bttb.net.bd (General Manager)
Adamjee Export Processing Zone	Contact Address : Adamjee Export Processing Zone Adamjee Nagar, Siddirgang, Narayangang, Bangladesh. Phone : +880 2 7692938, 880 2 7693187 Fax : +880 2 7692939 Email : a-epz@yahoo.com (Project Director)
Uttara Export Processing Zone	Contact Address : Uttara Export Processing Zone Shongalshi, Nilphamari, Bangladesh. Phone : +880 0551 61586, +880 0551 61677 Fax : +880 0551 61468 Email : gm_uepz[at]yahoo.com (General Manager)
Karnaphuli Export Processing Zone	Contact Address : Karnaphuli Export Processing Zone Karnaphuli, Chittagong, Bangladesh. Phone : +880 31 801069 Fax : +880 31 801069

3.1.2 Total Number of Garments Factory In Bangladesh:

Year	Number of Garments
2010-11	5150
2011-12	5400
2012-13	5876
2013-14	4222
2014-15	4296

Source : BGMEA(Bangladesh Garments Manufacturer and Exporter Association)

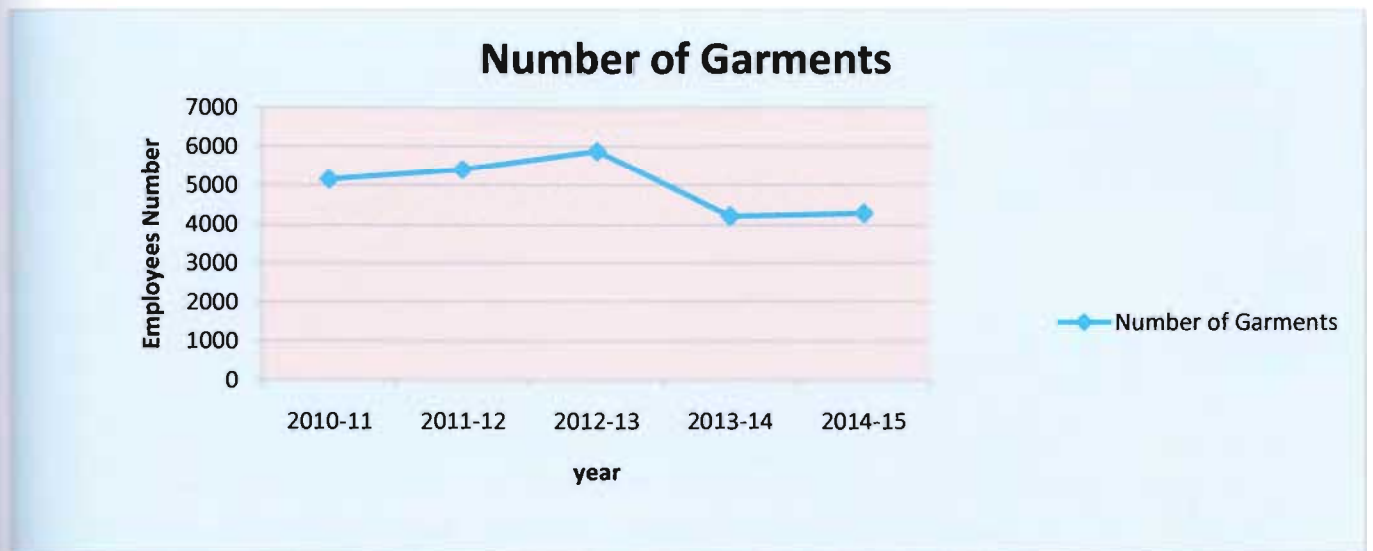


Figure: Shows the Garments Industry Growth

Interpretation for Factory Growth in Last Five Years:

In the Graph we can see that In the Year 2011-12 About 5000 garments Industry are working In this country. In the next two years it is Increasing but in the year 2013-14 and 2014-15 it's gone down . In the last year in my research it is slightly increasing that means it has a good possibility to make more Industry in the next few years.

3.1.3. Total Number of Employee:

Year	Number of employees (In Million)
2010-11	3.60
2011-12	4.00
2012-13	4.00
2013-14	4.00
2014-15	4.00

Source : BGMEA(Bangladesh Garments Manufacturer and Exporter Association)

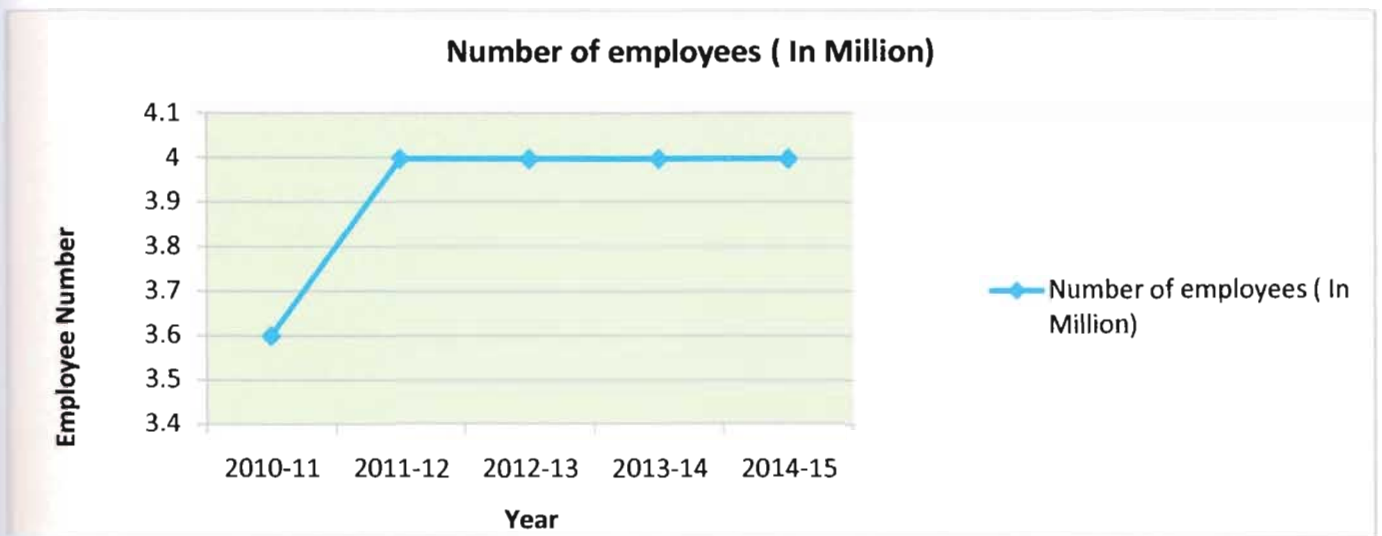


Fig: Shows Number of Employee

Interpretation for Employee growth:

Here we can see that In the year 2010-11 it is 3.6 Million but in next three consecutive year it is 4 million in a row. Number of Employee position is good and Well enough. But In last it isn't increasing that might be a thinkable matter. If it Increase in future that would be good for Bangladesh economy otherwise opposite can happen.

3.2. Investment in RMG

Year	Total Invested Amount In million US\$
2010-11	25216.34
2011-12	26032.35
2012-13	30125.56
2013-14	28563.32
2014-15	27685.28

Source: CPD(Center for Policy Dialog Bangladesh)

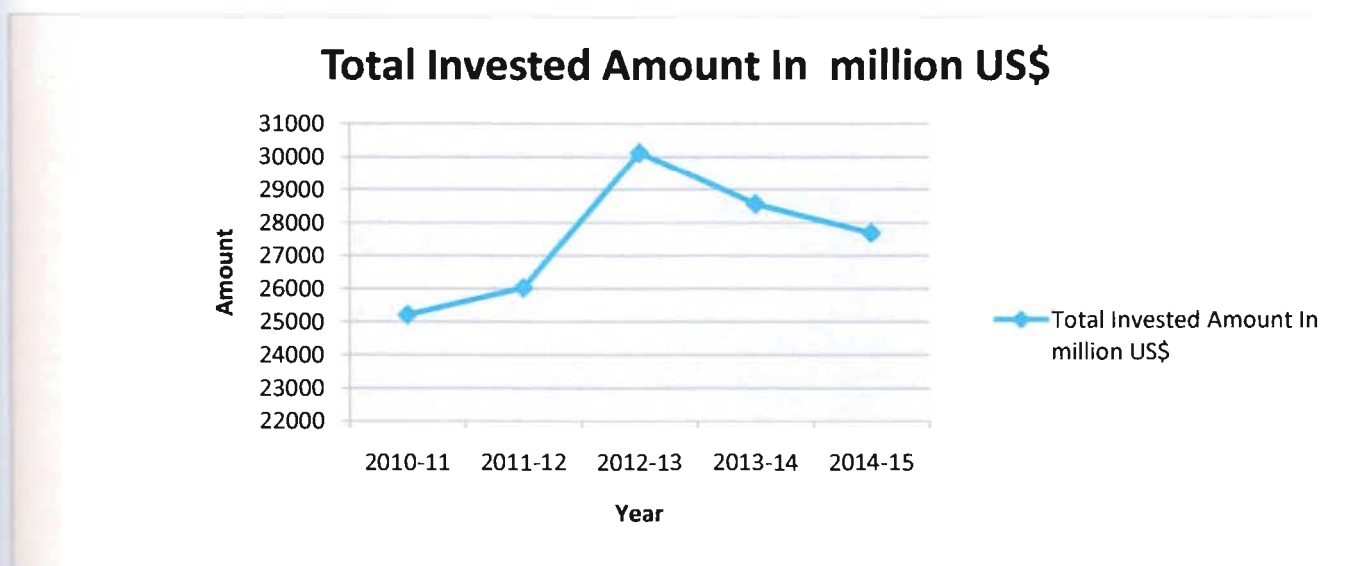


Figure: Shows Total Investment in RMG

Interpretation:

Here we see that Investment in 2012-13 was in a good position in Bangladesh but after that it will goes down sharply due to political crisis and other limitation on DFi(direct foreign Investment). In the year 2014-15 it was 27685.28 million \$ that was slightly lower amount as per investment concern.

3.3. RMG Contribution to Export.

3.3.1.Total RMG Export

Year	Export In Million(In US\$)
2010-11	17914.46
2011-12	19089.69
2012-13	21515.73
2013-14	24491.88
2014-15	25491.4

Data Source Export Promotion Bureau Compiled by BGMEA

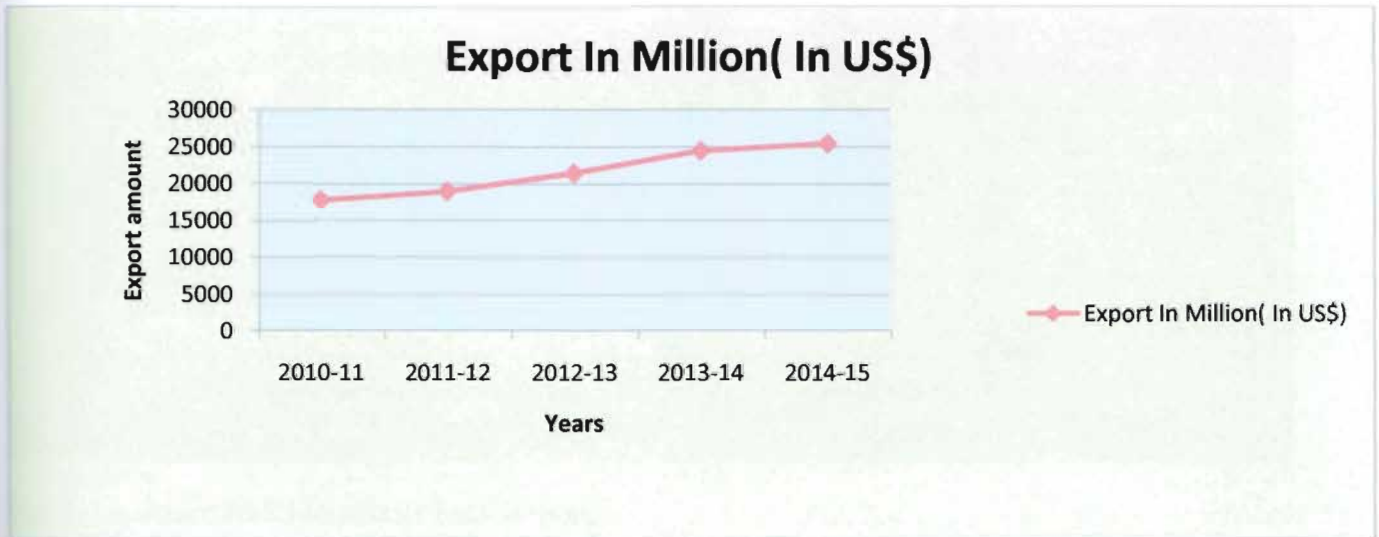


Figure: Shows Export of RMG in Total

Interpretation

Total exports of Bangladesh are depends a lot in RMG. Almost 80% export are doing in this arena. Here we can see Export is Increasing from year to year . It is a good sign for Bangladesh economy. In the year 2010-11 it was \$17914.46 million and than increase as continual basis. In the last year it was \$25491.4 million.

3.3.2.Total export versus RMG Export of Bangladesh

Year	total Expo. Amount	Rmg expo amount
2010-11	22924.38	17914.40
2011-12	24287.66	19089.69
2012-13	27027.36	21515.70
2013-14	30186.62	24491.80
2014-15	31198.45	25491.40

Data Source Export Promotion Bureau Compiled by BGMEA

Year wise Comparison Graph



Fig: Comparison RMG Export vs Total Export.

Interpretation For Comparison

In Bangladesh 80% of total export are conducting in RMG. Here We can see that almost all the five years RMG export is Almost 80% of total export. In all the year round it is Increasing day by day. In the year 2014-15 and 2013-14 it was good enough both in the total export and RMG export.

3.4. RMG Macro contribution to the Economy as GDP

Year	RMG contribution to GDP
2010-11	12.67%
2011-12	13.95%
2012-13	18.68%
2013-14	16.25%
2014-15	17.35%

Source: BRS(Bangladesh Bureau of Statistics)

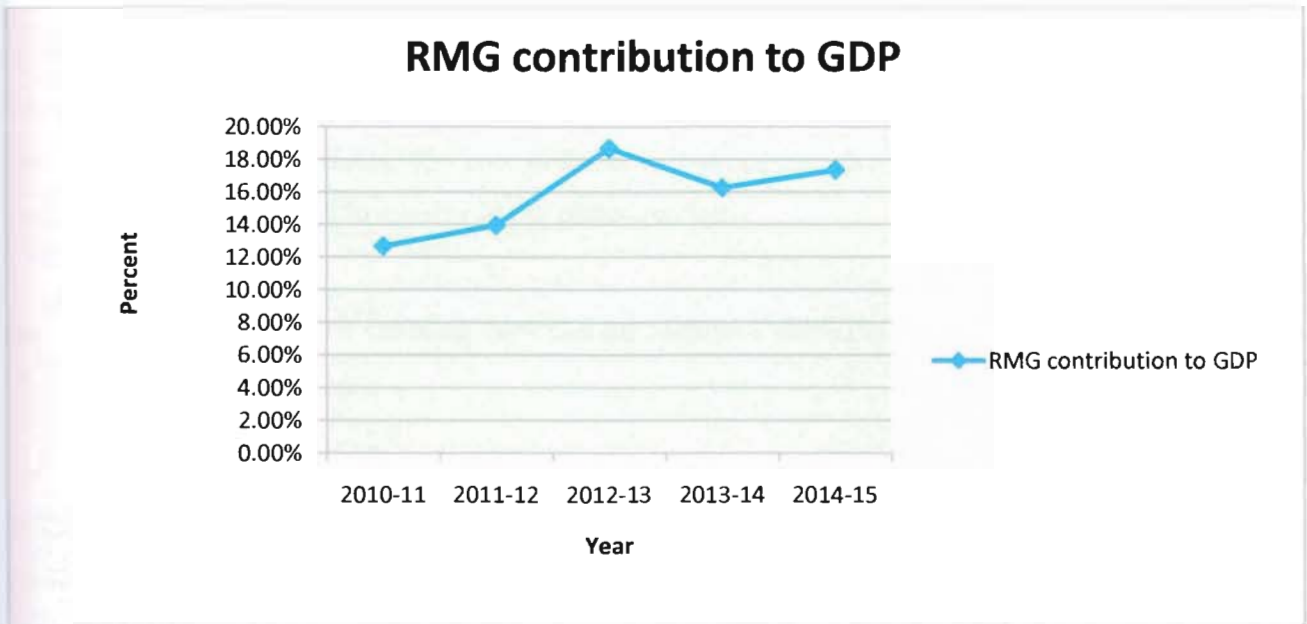


Fig: RMG contribution to GDP

Interpretation:

RMG is the major contributor of GDP of Bangladesh. Here we see In the year 2011-12 RMG contribute 12.67 % in the total GDP. In the next year It is increase to 13.95% and it goes well in the next year also. But after 2012-13 It slightly goes down in the immediate next year It is increasing trend again.

3.5. Assistance of Bangladesh Government to RMG.

The RMG industry is the backbone and motor of Bangladesh’s economy. This industry developed rapidly over the past 30 years by taking advantage of the favorable trade quotas granted to Bangladesh by the international “Multi-Fiber-Agreement” (MFA). In addition, low labor costs have always been one of the competitive advantages for Bangladesh garments in the global sourcing market. Today, Bangladesh is the seventh largest RMG exporter in the world. About 4,200 apparel factories export garments worth nearly US\$ 10 billion, contributing more than 75% to Bangladesh’s total export earnings. The industry provides direct employment to over 2.3 million workers – mainly women – and indirectly supports the livelihood of about 20 million people. Since the abolishment of the MFA in 2005 the RMG sector in Bangladesh faces much stiffer competition. Garment prices have been falling by as much as 10% annually over the last three years. On the other hand, increasing production costs are putting the industry in a very precarious economic situation. In addition, the pressure from buyers has been increasing, demanding from suppliers’ full compliance with internationally recognized social and environmental standards, quality products and short and reliable delivery schedules. The core problem is that under such conditions a significant number of the factories are not fit enough to survive in the global market.

Government launches new training facilities for inclusive skills development with support of German Development Cooperation

The Department of Women Affairs (DWA), under the Ministry of Women and Children Affairs (MoWCA) of the Government of Bangladesh has established new barrier free training facilities at the Shahid Sheikh Fazilatunnessa Mujib Women’s Training Academy in Jirani, Gazipur. Inauguration of the training center (© GIZ) With support of the GIZ-implemented “Promotion of Social and Environmental Standards in the Industry” (PSES), a joint programme of the governments of Bangladesh and Germany, the new training facilities were inaugurated on the 15th of April 2014 by the Honourable State Minister for the MoWCA, Meher Afroze Chumki, MP and Roswitha Amels, First Secretary and Deputy Head of Development Cooperation at the German Embassy. “The lack of qualified workers and mid-level managers, including workers with disabilities, is a key constraint to the growth and diversification of Bangladesh’s export-oriented RMG sector. The Government of Bangladesh is happy to join hands with the German Development Cooperation in aiming to achieve optimal results through the establishment of the new training facilities.

Equipped with eight new additional class rooms (1 conference room, 1 teacher’s room, 4 production rooms, 1 merchandising, pattern-making and design room as well as 1 counseling room), this training centre now offers skills development trainings for sewing operators and floor supervisors to women workers, including workers with disabilities in the Ready-Made Garment (RMG) sector in Bangladesh. The premises have also been re-constructed to allow barrier free access and an inclusive environment for all trainees. All trainers at this center have successfully participated in a training to implement the concept of disability inclusion based on international standards and equal opportunities in skills training settings.

Enlarge image Inauguration of the training center Roswitha Amels praised the innovative approach of inclusive skills development offered at this training centre and said: “The German Development Cooperation considers the inclusion of persons with disabilities as a crucial concern and Bangladesh is one of the pilot countries where it is being initiated.”

PSES has supported the MoWCA to run the training centre since 2010. It was initially set up to offer training on sewing operation to disadvantaged women from the rural areas in order to provide them with adequate jobs in the RMG sector. The training program was later complemented by a sewing floor supervisor training. More than 1,800 women have been trained in the two-month demand-driven technical courses so far. 96% of the graduates have been successfully employed in the RMG sector after the training. In addition, the inclusive skills development trainings represent an opportunity for Rana Plaza collapse victims for their rehabilitation and reintegration in better jobs. “One of GIZ’s core intervention areas is skills development. We are happy to contribute to these basic and advanced trainings for women RMG workers, including workers with disabilities. We think, that the extensive and demand driven training packages will contribute to higher productivity and better working conditions in the factories. 1,500 women workers will be trained. Out of them more than 200 workers with disabilities will get an adequate job in the RMG sector during the next 15 months.” said Magnus Schmid, Program Coordinator, PSES, GIZ.

3.7 Conclusion:

At independence in 1971, most observers of the newly emerged country took a pessimistic view about the developmental prospect of Bangladesh. Many thought that the country would remain permanently locked in a ‘below poverty level equilibrium trap’. Although there is little room for complacency Bangladesh has come a long way from there. About two-fifths of the economy is now connected with the global economy through exports, imports, factor and commodity markets; the degree of openness of the economy¹ currently stands at 40%. Bangladesh can now rightfully claim that she has graduated from a predominantly aid receiving nation to a trading nation. The export-oriented RMG sector has made crucial contribution to this abovementioned transformation of the Bangladesh economy. The role of our RMG entrepreneurs, domestic fiscal and financial, institutional policy support and incentives put in place by successive governments, substantial RMG-supportive linkage activities within the domestic economy and global market opportunities combined to create a story which is, to be honest and true, unparalleled in the developing world. When jute and jute goods were losing their traditional markets, with the prospect of drastic fall in forex earnings it is the RMG sector which came in first to replace it, and then to overtake it. While traditional export sector could not yield expected results, the RMG sector gradually injected dynamism in the export as well as in the domestic economy through backward and forward linkage economic activities.

Despite many difficulties faced by the sector over the past years, it continued to show robust performance, competitive strength and, of no less importance, social commitment. RMG’s contribution to Bangladesh economy is well-known, well-appreciated and well-respected.

Chapter 4: Findings and analysis.

- 4.1. Introduction
- 4.2. Limitation of Garments Industry
- 4.3. Restriction of government.
- 4.4. Financial Help restriction
- 4.5. Loan received limitation.
- 4.6. Forward and Backward Expansion
- 4.7. Conclusion.

Chapter 4: Findings the problems

4.1. Introduction

In recent time it is argued that the crisis in the Ready Made Garment (RMG) sector is not only limited to the wages and allowances of the workers. Productions and exports of the factories have decreased and the price of the apparels is decreasing in the international market. The owners of this industry allege that, the supply of gas and electricity is not continuous, because of which they are to use generators to keep the production process of the factories uninterrupted, resulting in the increasing cost of productions. But it is urgent to reduce the cost of production to comply with the foreign buyers' demand and the competitive international price. Moreover, serious and untoward incidents in the form of chaos and confusions are frequent in this sector on the basis of rumors and petty demands of the workers. It has become a way of frequently destroying factories by spreading news of mis-behaviour of the factory owners with the workers. Even if such allegations are true, it cannot also be denied that there occur frequent abnormal deaths of workers in the garments factories. Major shocking incidents like the collapse of Rana Plaza in Savar on April 24 2013 killing 1130 workers and crippling about another 1500 of 2438 rescued alive and with about 316 missing. Fire incidents in Tazreen Fashions in Ashulia on November 24 2012 killed at least 112 workers. It is also alleged that kidney diseases are widespread among the garments workers as they are discouraged to drink water during duty hours. In fact the garments workers sweat their blood in producing garments in the factories and it is alleged that for months after months the owners do not come to the factories; the factories are usually run by the salaried officials who habitually misbehave with the hard working labourers of the factories. It is immoral to consume the fruits of the workers by sitting idle without their consent; although it is usual in capitalism that "its highest executives spend their time sitting on public committees, and have to have deputies to do their work". In the face of movements of the apparels workers for raising wages and other demands in 2006, the Export Development Bureau and Bangladesh Garments Manufacturers and Exporters Association (BGMEA) sources said that apparels prices in the international market are gradually falling. Available statistics show that apparels prices increased gradually from the year 1994-95 to 2000-01 with a slight fall in the year 1995-96 compared to the immediate past year after which price jumped. Then from the year 2001-02 prices fell continuously without break up to the last available year 2009-10 (July to November). This caused the apparels owners unwilling to accept Taka 5,000 from Tk.1662 as minimum wage suggested in the New Wage Structure 2010 for the garments workers, because this will, in their view, adversely affect the garments sector. The owners proposed Taka

2,513 as minimum wage for the second time in 2010. Afterwards government interventions made the BGMEA accept the New Wage Structure July 29 2010 with Taka 3,000 as minimum wage. If it is just, there is no question; but if unjust, in that case Al Qur'an reads: "Woe unto the defrauders, those who when they take the measure from mankind demand it full, but if they measure unto them or weigh for them, they cause them loss" (Qur'an, 83:1-3). Recently, after the collapse of the Rana Plaza, the government has decided to form a Wage Board to look after the minimum wages of the apparels workers with possible annual increase in that.

4.2. Limitation of Garments Industry

4.2.1. Political problem

the first victim of confrontational politics is the garment sector as the exporters face challenges in production, marketing, distribution of raw materials, destruction of factories by the enraged political party supporters. The activities of the sector stop for the confrontational politics. Workers cannot move up to the factories during political chaos like shutdown and political impasses. Even, during the latest spell of shutdown, almost all 5,500 garment factories suffered shipment hassle as the goods laden trucks could not go out of the factories for violent political situation across the country. In case of delayed shipment, the factory owners have to face the orders cancellation from the international buyers, expensive air shipment, demurrage and delayed payment. So, political stabilization is the utmost need for highest export earning garment sector. Perennial gas and power crisis: Inadequate supply of gas and power to the industrial units has become a perennial problem now. For inadequate supply of gas and power the industry owners have no choice but to run the factories with expensive diesel run generators for running the factories. Moreover, the government has suspended giving new gas connection to the industrial units since mid of 2010 on the excuse of exploration of new gas wells across the country. Many mainly composite garment units are failing to start production only for the lack of gas connections in the factories, although those were constructed a lot earlier. Garment makers are saying that they have the orders in their hands as those are shifting from China to Bangladesh. The optimistic exporters are saying that only sky is the limit for Bangladeshi garment items. China, the largest apparel supplying country worldwide, is losing its share globally for price competitiveness and shortage of workers and shifting to high-end technologies. Poor infrastructure problem: With inadequate supply of gas and power, the poor infrastructures became a major

challenge for the ready-made garment (RMG) sector. Poor road communication and a messy traffic system have made the sector vulnerable. The Dhaka-Chittagong highway, through which country's 80 percent exports and imports are carried out, is still in a bad shape. There has been delay in the works of expansion of the road to four lanes. The goods laden vehicles have to stand for hours in the traffic jam on the way to Chittagong from Dhaka and its adjacent areas for poor road. Many garment exporters complained that they cannot meet the strict lead-time set by the international buyers for delayed shipment in Chittagong port due to poor road condition.

4.2.2.Scarcity of Skilled Workforce

Three decades old garment sector is now suffering from 25 percent shortage of skilled workers as the country could not arrange vocational and technical education system for the workers. According to industry insiders currently 3.5 million workers are directly employed in the sector where 80 percent are women. Grooming a strong mid-level management for handling such a big sector is another big challenge for sustenance. The training system is still very inadequate. Most of the workers get in job training. As result, they are less productive and the rate of internal migration of workers in the garment sector is higher. Very few workers had the opportunities to have the training before joining in their services. Since, the rate of productivity from the unskilled and semi-skilled workforce, the owners depend on quantity of workforce for optimum level of production.

4.2.3.Land Crisis

Many local and foreign investors are not getting adequate land for establishing industries for scarcity of land even at higher prices. It will be very difficult to get a suitable industrial plot in the Dhaka-Mymensingh, Savar, Ashulia, Narayanganj and Narsingdi industrial belts for setting up new industrial units.

4.2.4.Marketing and price Negotiation Limitation:

Majority of the first generation garment entrepreneurs did not start their business with formal education. They started their business normally and got bigger later, although the second generation is very organized. So price negotiation, which is very vital for sustenance of business, remained unattended to many. It is widely believed that the export of garment would have become more had the Bangladeshi exporters got the exact market price for the sold items from the international buyers. The prices for per dozen garment items

remained stuck at \$26.50 over the last three years although the cost of production increased nearly 15 percent year-on-year. Price negotiation is still a major problem. For having such a poor price negotiation capacity, a section entrepreneur felt encouraged for price cut and unhealthy price competition in the domestic market.

4.2.5.Port opportunities

Chittagong port is the most vital link for businesses in Bangladesh. Until now, this port cannot attain the global standards in operation. The ships have to wait for long days for unloading for inefficient port management. Automatic system should be introduced in the port for quickening the export-import businesses.

4.2.6.Lack of Economic Diplomacy

Nowadays it is acknowledged by all that strong economic diplomacy means strong businesses. Until now many Bangladeshi missions abroad fail to achieve the target in export of Bangladeshi products. It happens so only for inefficient economic diplomacy. Not only this, the government’s right foreign relationship in right time helps to gain advantages in overseas trade. Suppose, in Bangladesh countries demand for Bangladeshi garment items is very high, but Bangladesh cannot penetrate over there for the lack of bad or for not having bilateral relations with those countries. As for example, the Russian market and some Latin American markets have great potentials for Bangladeshi garment items. It needs proper initiatives from the government and private sector entrepreneurs to grab the opportunities in those markets.

4.2.7.Lack of Education System

Introduction of new fashion is called the heat of garment products. But, unfortunately, Bangladesh does not have skilled manpower in this important segment of garment production. This is because, Bangladesh did not established educational institutions for imparting such important lesson to the learners. As a result, Bangladeshi designers cannot claim any unique design although the country became the second largest apparel supplying country worldwide. Still, Bangladesh has to depend on supplied design from the international customers.

4.2.8. International trade and GSP Problem

Bangladesh will have to keep a regular watch on the international changes in financial sector as the garment business is an international trade. The export of Bangladesh's garment remained insulated from the biggest financial crisis in the western world in 2007 and 2008. This was possible only for the country's basic garment production. But, Bangladesh can take an advantage from financial risk as well if the country's entrepreneurs keep close watch on customers' behaviors. Because, people started changing their tastes with rebounding of the economy. If Bangladesh can replenish the production the country will be able to export more now in the not only traditional markets, but also to new export destinations. Very often, the zero-duty benefits under the Generalised System of Preferences (GSP) issue comes under attacks from different countries. Currently, the GSP in the US market is under threat on labour standard. The US the single largest export destination for Bangladeshi garment items. Bangladesh annually exports more than \$5 billion garment items to the US market. So cancellation of GSP will have a negative impact on export of garment items to the US. If the US cancels the GSP, the other countries like the EU may be influenced from such decision. So, the government should handle such a situation very carefully.

4.2.9. Tariff and Non tariff

Tariff, para-tariff and non-tariff barriers are major challenges for garment trade. Some countries have high tariff, for which the exporters cannot gain the benefit from the export. Like South Africa and Russia have higher tariff on export of garment items from Bangladesh. On other hand, Bangladesh has to face a lot of para-tariff and non-tariff hassles in export of garment items to India, although Indian government has already allowed duty-free export of almost all products from Bangladesh excepting 25 drug and alcoholic beverages.

4.3. Restriction of government.

The RMG industry is highly dependent on imported raw materials and accessories because Bangladesh does not have enough capacity to produce export quality fabrics and accessories. About 90% of woven fabrics and 60% of knit fabrics are imported to make garments for export. During its early years, the buyers supplied all the fabrics and accessories or recommended the sources of supply from which Bangladeshi sub-contractors were required to import the fabrics. However, situation has improved. At present, there are many large firms, which do their own sourcing. And we still have the shortage of raw materials. According to this sense there have a lot of scope of development of various industries like linkage industries in

Bangladesh. By this way we can produce raw materials by using our own manpower with low cost, and can export more the RMG to the other countries for earning more foreign currencies. All the above points prove that RMG is the most suitable industrial venture for Bangladesh.

A number of RMG factories in different part of the country will enlighten the whole country. Bangladesh already established itself as one of the leading Garment supplier to the world market. After implementing the above plan, any one from any part of the world think about Garments will first think about Bangladesh. Like Hoover means Vacuum cleaner, watch means Switzerland, Garments will mean Bangladesh.

Bangladesh faces the challenge of achieving accelerated economic growth and alleviating the massive poverty that afflicts nearly two-fifths of its 135 million people. To meet this challenge, market-oriented liberalizing policy reforms were initiated in the mid-1980s and were pursued much more vigorously in the 1990s. These reforms were particularly aimed at moving towards an open economic regime and integrating with the global economy.

During the 1990s, notable progress was made in economic performance. Along with maintaining economic stabilization with a significantly reduced and declining dependence on foreign aid, the economy appeared to begin a transition from stabilization to growth. The average annual growth in per capita income had steadily accelerated from about 1.6 per cent per annum in the first half of the 1980s to 3.6 percent by the latter half of the 1990s. This improved performance owed itself both to a slowdown in population growth and a sustained increase in the rate of GDP growth, which averaged 5.2 percent annually during the second half of the 1990s. During this time, progress in the human development indicators was even more impressive. Bangladesh was in fact among the top performing countries in the 1990s, when measured by its improvement in the Human Development Index (HDI) as estimated by the United Nations Development Project (UNDP). In terms of the increase in the value of HDI between 1990 and 2001, Bangladesh is surpassed only by China and Cape Verde.

While most low-income countries depend largely on the export of primary commodities, Bangladesh has made the transition from being primarily a jute-exporting country to a garment-exporting one. This transition has been dictated by the country's resource endowment, characterized by extreme land scarcity and a very high population density, making economic growth dependent on the export of labor-intensive manufactures.

In the wake of the 2001 global recession, Bangladesh’s reliance on foreign countries as a market for exports and as a source of remittances has become obvious. If Bangladesh is to become less vulnerable to the economic fortunes of others, it will need to strengthen its domestic economy, creating jobs and markets at home. A strong domestic sector and an improved overall investment environment will provide a more stable source of income – like what the garment industry has provided so far – and will rekindle and sustain Bangladesh’s economic growth.

4.6. Forward and Backward Expansion

Growth of RMG sector has spawned a whole new set of linkage industries and facilitated expansion of many service sector activities. The RMG industry not only propelled the growth of spinning, weaving, dyeing and finishing industries, production of accessories and spare parts, but also rendered large externalities by contributing to other economic activities in such areas as banking, insurance, real estate, packaging, hotels and tourism, recycling, consumer goods utility services and transportation.

The RMG sector has overwhelmingly high backward linkage with textile sector providing fabrics, yarn and other ancillaries. It has important backward linkage with utilities such as electricity, gas, and machinery and spare parts supplying sectors. It has forward linkage with transport, communication, banking and insurance and trade services. Besides, there is a considerable subcontracting linkage within the sector. The buying house also plays important role towards bringing the manufacturers and buyers of the finished goods closer. As the input-output table shows, the RMG value-added ratio to output stood at 19% in 1993-94. Since then the RMG sector has undergone important changes, with substantial movements in terms of enhanced value addition. Direct value addition by the RMG was estimated to be about 25%.

4.6.1. Banking and Insurance

Growth of the RMG sector and the related activities has contributed a lot to the robust growth of the financial sector in Bangladesh. In FY 2013-14 the banking sector earned about 37 million dollars from business with the RMG sector in the form of interest and charges and L/C charges. More than one-tenth of the commercial banks’ asset portfolio belongs to the RMG and textile sector in the country . In FY 2013-14 commercial banks lent Taka 5000 crore to the textile sector, while the amount lent to the woven-RMG

sector was Taka 812 crore. The export financing business of the commercial banks is largely dependent on the textile and RMG sectors. The RMG sector received Taka 21 million as export-finance in FY 2013-14 which was 76.14% of the total export financing portfolio of the banks. A World Bank survey revealed that almost all firms (98%) are the clients of the commercial banks for working capital and procurement of machines and equipment (57%). The RMG sector has also contributed to the growth of the country's insurance sector. On average, every year the premium paid by the RMG sector to the insurance companies was about 6 million dollars. All firms have their machines and plants insured and, additionally, 87% of importers of input and 15% of the RMG exporters get their imports/exports insured.

4.6.2.Shipping and Logistics

The RMG sector has contributed to the shipping business in Bangladesh and stimulated setting up of several container yards, expansion of port facilities to handle large container carrying trains, increase of cargo handling and storage facilities. RMG manufacturers also extensively use services of Clearing & Forwarding Agents for the purpose of customs clearance of inputs and finished goods. It is estimated that port usage fees earned from the RMG sector account for more than 40% of the income of the port authority. RMG sector contributed about US\$65 million in FY2013-14 to earnings of the Shipping business of the country by way of port charges, C&F Agent's commissions, freight charges, forwarding charges etc.

4.6.3Transport Communication

The growth and development of inland transport services to a considerable extent owe to the growth of the RMG industry. Both wheel transport service and railway service are widely used by RMG sector for activities related to manufacturing and cargo movement. The concept of covered van emerged in Bangladesh for safe transportation of the RMG products in particular. In 2002 the inland transport industry received about 27.3 million dollars as revenue from the RMG sector.

4.6.4. Contribution to Government Exchequer

The RMG sector contributes to the government exchequer both directly and indirectly. In FY 2002 the sector paid 6.3 million dollars as stamp and postage, license renewal fee etc. Payments made for visa form, license form, GSP form and other forms to the Export Promotion Bureau amounted to 58.85 million dollars in FY2001 [See Appendix Table 6 and 7]. The sector also paid USD 2.4 million to the government as direct taxes in FY 2002.

4.6.5. Professional Services

The RMG sector extensively uses professional services from CA firms, legal agencies, business consultants. In FY 2002 total payment for professional services is estimated at 3.61 million dollars.

4.6.6. Engineering Sector

The RMG industry paid 14.2 million dollars to the engineering sector which included payments to repairing and maintenance service industry (USD 4.29 million), electrical engineering (USD 4.38 million), transport vehicle maintenance service (USD 2.87 Million), and machine tools service (USD 2.63 Million).

4.6.7. Utility Services

Payment of Electricity bill by the RMG industry is estimated to be 14.74 million dollars in FY2002. Utility payments for gas, WASA etc. amounted to an additional 3.75 million dollars.

4.6.8. Real Estate

Demand for real estate development by the garment industry to accommodate offices and factories of over 3400 garment units has generated a lot of activities in the Construction Industry. The RMG industries paid approximately 26.24 million dollars as factory, office and garage rent in FY 2002.

4.6.9. Waste Recycling Industry

Approximately 0.2 million people are engaged in waste (mainly, the waste out prices of fabrics) recycling industry of the country which get their materials from the RMG industries. With these waste materials, they are making stuff toys, patterns, quilts, cushions etc.

4.6.10. Emerging Consumer Market

The 1.6 million workers in the industry have created a large demand for consumer goods. A regular source of earning increases the basic consumption needs such as improved diet, better healthcare, improvements in family utensils and housing conditions etc. The sector has created an increasing demand for consumption of low cost commodities, cosmetics items, dresses, footwear, fast food and other products. A whole industry has been created to service this growing demand and created employment opportunities for hundreds of thousands of people.

4.6. Conclusion

Though trade liberalization creates many opportunities for developing countries and their marginalized people—like low-skilled Bangladeshi women garment workers who got the option to work in the garment (RMG) industry to earn money for their family—it also creates vulnerabilities for them which are largely responsible for health susceptibilities, mental pressure, low life standards, etc. In the Bangladesh case, women RMG workers are very much prone to various risks because of working in unsafe garment factories and under unrealistic factory rules which increase their security dangers. It has therefore been explored in this study how far the rapidly growing garment industry is promoting violation of women garment workers’ rights.

Chapter-5:Recommendation and conclusion

- 5.1. Introduction.
- 5.2. Discuss about the findings .
- 5.3. Discuss about the Limitation of the study.
- 5.4. Recommendation for solving Problem
- 5.5. Conclusion.

Chapter-5: Recommendation and conclusion

5.1. Introduction.

Bangladesh’s exports are heavily concentrated in the RMG sector, which has been a main driver of growth and poverty reduction. The challenge is therefore to improve competitiveness, both in the RMG sector and economy wide, and diversify exports. Garment industry in Bangladesh has been facing multidimensional problems since its establishment. Acute power crisis followed by non tariff restriction, chronic labor unrest, lack of infrastructural facilities, inadequate supply of material and accessories, inability or lack of efforts to diversify the products and markets, irregularities relating to customs, bond, and the cost of production significantly. Due to power shortage shipments are sent through air, thereby increasing its cost. Unfortunately the government has not taken any step to improve the situation. On the other hand, people have been shot dead for demanding regular supply of electricity. In this context, it is still right time to devote all out efforts by the relevant agencies and authority as to expansion and solutions of numerous problems that it faces now. In fact a well designed plan with diversified product manufacture still provides opportunities to use this sector for socio economic development of Bangladesh. In such a context, it is suggested that appropriate and relevant government and nongovernmental authorities/agencies can take some strategic and effective measures which includes liberal bank loan facilities for reviving sick garment units; development of primary textile subsectors for fulfilling the raw materials needs; arrangement for captive power supply for utilization of production and its continuation; adequate fiscal incentive for growing the sector; strategic arrangement or mechanism for quick resolution of labor dispute; creation of separate ministry for garment industry, establishment of cost reduction strategy and labor productivity cell to conduct various study in this field and other supportive policies relevant for the growth, development and survival of garment industry in Bangladesh. These may be helpful to overcome the problems and the contribution of garment industry towards socio economic development of Bangladesh will be improved and sustained through value addition.

5.2. Discuss about the findings

5.2.1. Insufficient of loan:

Insufficiency of loan in time, uncertainly of electricity, delay in getting materials, lack of communication, problem in taxes etc. Often obstruct the industry. In the world market 115 to 120 items of dress are in demand where as Bangladesh supplies only ten to twelve items of garments. India, south Korea, Hong Kong, Singapore, Thailand, Taiwan etc, have made remarkable progress in garments industries. Bangladesh is going to challenge the garments of those countries in the world market.

5.2.2. Proper Power Management

Prevailing diesel and power crises in the country are forcing readymade garment (RMG) manufacturers to keep their factories idle sometimes for five hours of a ten-hour working day. Production in RMG industry might fall by 50 percent and production cost might go up by about 25 percent due to the crises. The garment industry today faces a catastrophic fall and if the government does not address the problems immediately Bangladesh might lose its market to competitors like India and China. BGMEA leaders demanded that the government improves the power situation urgently or provides them with diesel under special arrangement so they can maintain usual production rate. If diesel price is raised they want to be provided with diesel at a subsidized price. Many of the garment factory owners resorted to generators, but the recent crisis of diesel has worsened their woes.

5.2.3. Promoting export diversification

This write-up primarily seeks to provide a diagnostic of the tariff-related constraints to export diversification by examining existing incentive regimes in the manufacturing sector of the Bangladesh economy, and identification of trade policy biases, besides taking note of the standard issues of cost-competitiveness and inadequacies of trade infrastructure. While making a strong case for eliminating anti-export bias for non-readymade garments (RMG) exports by rationalizing the tariff structure, some critical barriers related to export diversification that were not raised or adequately discussed in the past, are being highlighted here. The forthcoming budget for fiscal year (FY) 2013-14 might be a good opportunity to take some of the recommendation for tariff adjustment. In terms of international trade, Bangladesh aptly fits the

description of a small open economy that is a price taker in the world market, for its exports as well as imports. Consequently, it must face the consequence of adverse movements in its terms of trade (TOT), stemming from exogenous price shocks in its imports or exports. Typically, such exogenous TOT shocks have originated in adverse movements in the prices of imports such as petroleum, food grains, and raw materials, such as cotton - a major import of Bangladesh's textile sector. Research shows that TOT shocks or variability have adverse impacts on gross domestic product (GDP) growth.

5.2.4. Inadequate supply of material and accessories

Bangladesh imports raw materials for garments like cotton, thread color etc. This dependence on raw materials hampers the development of garments industry. Moreover, foreign suppliers often supply low quality materials, which result in low quality products.

Working hours:

Though the wages are low, the working hours are very long. The RMG factories claim to operate one eight-hour shift six days a week. The 1965 factory Act allows women to work delivery deadlines; however, women are virtually compelled to work after 8 o'clock. Sometimes they work until 3 o'clock in the morning and report back to start work again five hours later at 8 o'clock. They are asked to work whole months at a time the Factory Act, which stipulates that no employee should work more than ten days consecutively without a break.

Poor accommodation facilities:

As most of the garment workers come from the poor family and comes from the remote areas and they have to attend to the duties on time, these workers have to hire a room near the factory where four to five huddle in a room and spend life in sub human condition. For four to five workers there is one common latrine and a kitchen for which they have to pay from Tk=2000 to Tk=2500/-. They share this amount among themselves to minimize the accommodation expense. One cannot believe their eyes in what horrible condition they have to pass out their time after almost whole day of hard work in the factory. After

laborious job they come into their roost, cook their food and have their dinner or lunch in unhygienic floor or bed and sleep where they take their food. They share the single bed or sleep on the floor. The owners of these factories must not treat the workers as animals. The owners of these factories who drive the most luxurious car and live in most luxurious house do ever think that these are the workers who have made their living so juicy. Will these selfish owners ever think of these workers of their better living for the sake of humanity by providing better accommodation for these workers in addition to providing with the job.

Safety Problems:

Because of the carelessness of the factory management and for their arrogance factory doors used to be kept locked for security reason defying act Safety need for the worker is mandatory to maintain in all the organization. But without the facility of this necessary product a lot of accident is occur incurred every year in most of the company. Some important cause of the accident are given below-

- ❖ 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

Political crisis:

Garments industries often pay dearly for political unrest, hartal and terrorism etc. The international market has withdrawn quota advantage over garments export from Bangladesh since December 2005. Bangladesh has to advance cautiously for getting better position of her garments in the world market. Finally destruction of twin tower in 11 September 2001, invasion on Afghanistan and Iraq and depression in world Economy have seriously affected the export trade of Bangladesh.

5.3. Discuss about the Limitation of the study.

This is the study that show the Impact of Garments Industry Economic Impact In Bangladesh Economy. This study has some limitation to describe on Different categories such as macro and some cases Micro economic research.

- ✓ In this research It is seen that the data are not limited to preserve the in the respective website.
- ✓ There are very few sources to collect data regarding economical Analysis as per the study required.
- ✓ In this economic impact assessments ignore certain costs involved in projects, including construction costs, time costs etc. This type of analysis technique also often underestimates environmental costs.
- ✓ Persistence is often expressed in terms of number of years (usually based on assumptions developed in the literature). Future impacts over this period need to be appropriately discounted.
- ✓ Problems are finding with the real Scenario assumption not with the analysis of previous experiment.

5.4. Recommendation for solving Problem

5.4.1. Market Diversification

Bangladeshi RMG products are mainly destined to the US and EU. Back in 1996-97, Bangladesh was the 7th and 5th largest apparel exporter to the USA and European Union respectively. The industry was successful in exploring the opportunities in markets away from EU and US. In FY10, a successful turnaround was observed in exports to third countries, which having a negative growth in FY13 rose three-fold in FY14, which helped to record 23.1 percent overall export growth in the RMG sector. It is anticipated that the trend of market diversification will continue and this will help to maintain the growth momentum of export earnings. At the same time a recent WTO review points out that Bangladesh has not been able to exploit fully the duty free access to EU that it enjoys. While this is pointed out to be due to stringent rules of origin (ROO) criteria, the relative stagnation in exports to EU requires further analysis.

Table 1: Region-wise Share of RMG Export Year	Export Share to USA	Export Share to European Countries	Combined Share of USA & EU (%)	Export Share of Other Countries (%)
2009-2010	42.67	55.43	98.10	1.90
2010-2011	38.02	57.12	95.14	4.86
2011-2012	28.64	65.42	94.06	5.94
2012-2013	30.64	64.24	94.88	5.12
2013-2014	33.67	49.77	83.43	16.57

5.4.2. Infrastructure

Infrastructure constraints for Bangladesh are not a state secret and most commonly known as the main bottleneck for the countries investment and development. UNCTAD (2014) expert meeting on Textiles and Clothing also emphasized that, among others, investment in infrastructure ease process in delays in shipping and customs clearance, and the removal of export duties and other taxes. 1 An inadequate infrastructure, such as congestion and customs delays at Chittagong port, inadequate telecommunications infrastructure, uneven ‘professional office practices,’ and uncompetitive and unreliable energy supplies – all of which contribute to high costs towards Bangladesh textile and apparel industry (Bow 2001). The Bangladesh Ministry of Commerce appointed a Swiss consultant Gherzi Textil Organisation, to examine the impact on Bangladesh post MFA, which recommended a number of comprehensive changes in infrastructure, for instance reduction in bureaucracy, enhanced information technology, new ports, better roads, and improved law and order enforcement.

5.4.3. Electricity:

Electricity was considered to be the most critical constraints. Bangladesh Enterprise Institute survey in 2003 revealed that Bangladesh loses around \$1 billion per year in economic output due to power outages and unreliable energy supplies. Electricity supply is not consistent, which causes machine failure. Most of the apparel factories run 16 hours a day and if their production is interrupted for 4 hours, woven and knitwear together might lose production worth \$2 billion.’ 1 The erratic electricity supply forced firms to use alternative source of power; more than 70 percent rely on gas or diesel fueled generator-which increased the production cost. On average, these generators cost more than \$20,000 to purchase and 50 percent more per kilowatt-hour to operate than the price of power from the public grid (The World Bank 2011). The situation worsened when country faced its ongoing oil crisis in first week of May of 2014. BGMEA said in press conference that prevailing diesel and power crises kept their factories idle for around five hours of a ten-hour working day, which might result in 50 percent production loss and 25 percent cost increase.

5.4.4.Chittagong port and road transport

The investment climate survey by The World Bank 2003 described the condition of Chittagong port this way, Much of the inefficiency in Bangladesh ports is centered in Chittagong port, which handles nearly 85 percent of the country's imports and exports. One of the most inefficient and costly ports in Asia, Chittagong is plagued by labor problems, poor management, and lack of equipment. Most firms also expressed the same concern about Chittagong port, which supposed to be a greater advantage. The competitive advantage is offset by port congestion. Shipping delays at port are very common and are often worsen by union violence, procession and work stoppages. The RMG firms frequently asked the government to reduce the bureaucracy, red tapes and make it simpler to export and import. Manual handling, inefficient uses of port make the export import delays around seven to ten days, which adds to the production lead time.² The good news is a fully automatic high capacity new port is going to be open very soon, in which BGMEA is also included in the committee of operations; it gives the exporters hope to resolve their problem. Poor road transport also the other anxiety for the firms, especially poor construction of roads and bridges, serious traffic jam, lack of maintenance of roads to name a few. Government poorly failed to assure us the minimum electricity requirement, even as gas pressure is also decreasing at an alarming rate. Physical infrastructure has deteriorated in many cases and the port facility is worse. If these are not worked out on a priority basis and improved immediately, then it will act as a detriment to the industry as we will not be able to reach the targets.

5.4.5.Research and Training

The country has no dedicated research institute related to the apparel sector. RMG is highly fashion oriented and constant market research is necessary to become successful in the business. Here India has had a head start and Mumbai and Delhi are on line to become fashion centres on a global scale. At present whatever design work is done in the country, these are mostly carried out with foreign workers and experts. BGMEA has already established an institute which offers bachelor's degree in fashion designing and BKMEA is planning on setting up a research and training institute. These and related initiatives need encouragement possibly intermediated by donor-assisted technology and knowledge transfer. A facilitating public sector role can be very relevant here.

5.4.5. Conclusion.

Bangladesh economy at present is more globally integrated than at any time in the past. The MFA phase-out will lead to more efficient global realignments of the textile and clothing industry. The phase out was expected to have negative impact on the economy of Bangladesh. Recent data reveals that Bangladesh absorbed the shock successfully and indeed RMG exports grew significantly both in FY05 and (especially) in FY06. Due to a number of steps taken by the industry, Bangladesh still remains competitive in RMG exports even in this post phase-out period.

Cheap labor is no longer seen to be a mainstay of comparative advantage. The need for establishing strong backward linkage was appropriately realized and accordingly necessary steps were taken by all quarters of the RMG industry, which has been reflected in the decreased pattern of back-to-back import supported by increased domestic value addition. However further progress is in order, and a strong public sector role is necessary to mediate the establishment of textile mills with global standards. An appropriate policy regime is needed to encourage the importation of technology, intermediate and raw materials, so that the local industries get a chance to reduce its average cost to international level and narrow the lead time.

Presently, Bangladesh's apparel sector operates mainly at the lower-end segment of the international market. Although knitwear products achieved tremendous growth but these are low-value products with small profit margins. Bangladesh can enhance its value addition capacity substantially through diversification of apparel products and by moving into more value-added, high-priced, high-fashion products. Woven category can be more attractive via large capital investment. If cost effective investment can increase in the spinning and weaving sub-sectors, as it has been in the past few years, Bangladesh has the possibility of building a competitive export-oriented RMG sector with strong backward linkages in the textiles sector.

Training is always considered as an effective instrument for upgrading skills and raising efficiency of human resource, which eventually ensures increased productivity. Some initiatives have been taken by the entrepreneurs of the relevant sector but much more needs to be done. Necessary steps should be taken both by the public and the private sectors, and development partners to establish appropriate fashion and technology institutes. Improvement in working conditions and organizational environment can also result in increased productivity, which eventually renders these enterprises more competitive.

To remain competitive in the post-MFA phase, Bangladesh needs to remove all the structural impediments in the transportation facilities, telecommunication network, 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. Emergence of the global market has heightened the role of trade in world economy and made industrialization as an integral system of global trade and production. Bangladesh economy at present is more globally integrated than at any time in the past. The MFA phase-out will lead to more efficient global realignments of the textile and clothing industry. After the introduction of Agreement on Textile and Clothing (ATC), the RMG industry of Bangladesh is facing new and unique challenges. The phase out was expected to have a negative impact on the economy of Bangladesh. But recent data reveals that Bangladesh absorbed the shock successfully and indeed RMG exports grew significantly. Due to a number of steps taken by the industry (e.g., successful in diversifying products and markets, increased backward integration, high level of investment, and supportive policy regime), Bangladesh still remains competitive in RMG exports even in this post phase-out period. But much more needs to be done (e.g., removal of structural impediments, establishment of training and research institute, sharing of knowledge and technology) in order to maintain the competitiveness in the RMG market.

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