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**ECONOMIC OVERVIEW OF READY MADE GARMENT INDUSTRY IN  
BANGLADESH**

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**ABSTRACT**

Bangladesh is one of the fastest growing country in apparel sector .Bangladesh is the second largest manufacturer in readymade garment sector with a growth rate of 55% from 2002 to 2012. Exports of textiles, clothing, and ready-made garments (RMG) accounted for 77% of Bangladesh's total merchandise exports in 2002. By 2005 the (RMG) industry was the only multibillion-dollar manufacturing and export industry in Bangladesh, accounting for 75 per cent of the country's earnings in that year. Bangladesh's export trade is now dominated by the ready-made garments (RMG) industry. In 2012 Bangladesh's garment exports – mainly to the US and Europe – made up nearly 80% of the country's export income. By 2017 the RMG industry represented 81.13 percent of Bangladesh's total export. Much of the tremendous growth of the sector and its role as an economic powerhouse for the country is attributed to the availability of "cheap" labor. Of the four million workers employed by the RMG industry, 85% are illiterate women from rural villages. The main objective of this article is to clearly focus the current scenario of apparel industry /ready made garment industry of Bangladesh.

**Keywords:** Apparel, Ready Made Garment (RMG) Industry, Apparel Market, Apparel Contribution, Economic Growth

**INTRODUCTION**

**History of textile production in Bangladesh:**

From 1947 to 1971 the textile industry, like most industries in East Pakistan, were largely owned by West Pakistanis. During that period, in the 1960s, local Bengali entrepreneurs had set up their own large textile and jute factories. Following its separation from East Pakistan the newly formed Bangladesh lost access to both capital and technical expertise.

Until the liberation of Bangladesh in 1971, the textile sector was primarily part of the process of import substitution industrialization (ISI) to replace imports. After the liberation, Bangladesh adopted export-oriented industrialization (EOI) by focusing on the textile and clothing industry,

particularly the readymade garment (RMG) sector. Immediately after the founding of Bangladesh (1971), tea and jute were the most export-oriented sectors. But with the constant threat of flooding, declining jute fiber prices and a significant decrease in world demand, the contribution of the jute sector to the country's economy deteriorated.

In 1972 the newly formed government of Sheikh Mujibur Rahman who was also the head of the Awami League, enacted the Bangladesh Industrial Enterprises (Nationalization) Order, taking over privately owned textile factories and creating a state-owned enterprise (SOE) called Bangladesh Textile Mills Corporation (BTMC). President Rahman promoted democracy and a socialist form of capitalism. The BTMC never managed to match the pre-1971 output and in every year after the 1975–1976 fiscal year, lost money. Until the early 1980s the state owned almost all spinning mills in Bangladesh and 85 percent the textile industry's assets (not including small businesses). Under the 1982 New Industrial Policy (NPI) a large number of these assets including jute mills and textile mills were privatized and returned to their original owners.

In the devastating famine in 1974, one million people died, mainly of starvation caused in part by the flooding of the Brahmaputra river in 1974, and a steep rise in the price of rice. Partly in response to the economic and political repercussions of the famine, the Bangladeshi government shifted public policy away from its concentration on a socialist economy, and began to denationalize, disinvest and reduce the role of the public sector in the textile industry while encouraging private sector participation. The 1974 New Investment Policy restored the rights to both private and foreign investors. Bangladesh's development model switched from a state-sponsored capitalist mode of industrial development with mainly state-owned enterprises (SOE) to private sector-led industrial growth.

Post-liberation war, Bangladesh continued to focus on the agricultural sector to feed its rural and poor masses. Even in 1978, there were only nine "export-oriented" garment manufacturing units. That same year the first direct export of garments, 10,000 shirts to a Parisian firm, was shipped from a Bangladeshi firm. The Bangladeshi government began to realize potential for the industry to flourish and offered development stimulus such as "duty-free import machinery and raw materials, bonded warehouse facilities and cash incentives."

Ready Made Garment (RMG) - Ready Made Garment is that piece of clothing which is already made, primed without taking the previous order and measurement of the wearer. These kinds of costumes are made for the users comfort and to keep away from hassle of making dresses by the tailors. Economic and commercial convenience gives it a new dimension. Now a day's all developed countries people use readymade garments. Not only that, it has attained such popularity that all most all countries are going to be dependent on readymade garments. Wikipedia said that Ready Made Garments are mass-produced finished textile products of the

clothing industry. They are not custom tailored according to measurements, rather generalized according to anthropometric studies. They are made from many different fabrics and yarns. Their characteristics depend on the fibers used in their manufacture. Ready-made garments are divided into the following types: Outer clothing: Work wear and uniform, leisure wear, sportswear (e.g. suits, pants, dresses, ladies' suits, blouses, blazers, jackets, cardigans, pullovers, coats, sports jackets, skirts, shirts (short- or long-sleeved), ties, jeans, shorts, T-shirts, polo shirts, sports shirts, tracksuits, bathing shorts, bathing suits, bikinis etc.) Underclothing (underwear): jersey goods, lingerie (e.g. underpants, undershirts, briefs, socks, stockings, pantyhose etc.)

### **Methodology:**

Data mainly collected from secondary sources. Though few primary data collection has been made too. For research purpose face to face interview has been made and few factories have been visited to see their production level and also measure the standard of quality.

This study is followed exploratory research design based on quantify and qualitative research approach. Whereas qualitative research is an unstructured, exploratory research methodology based on small samples intended to provide insight & understanding of the problem setting (Malhotra and Dash, 2010). This research focused on different methods and least square method of trend analysis is one of them. Data required for this quantitative and qualitative analysis were collected from primary sources and secondary sources like, face to face interview, project contract and records, Data and information from secondary sources were collected by consulting various relevant journals, studies conducted by various donor and development agencies, Bangladesh export statistics published by Export Promotion Bureau and Bangladesh Bank, Economic review of Bangladesh, annual reports of BGMEA and the publication of WTO. The information published in the different newspapers and websites in recent times have been consulted in order to present the recent labor unrest situation in garment sector. The collected data and information were then processed, tabulated and analyzed to present the findings in a logical and objective manner.

### **Literature Review:**

Bangladesh is no more in the group of Least Developed Country (LDC). It has been declared as lower Middle Income Country by the World Bank on 01 July 2015. This is decided on the basis of per capita income which is at present 1340 US dollar. It is expected that Bangladesh can be graduated as middle income country with in 2021 if it can continue its growth at present speed. In this moment it needs to improve not only in economic sector but also in social and human development sector. Bangladesh's growth has been recognized. Goldman Sachs included

Bangladesh in the "Next 11" emerging countries to watch following BRIC (Brazil, Russia, India, and China) and JP Morgan lists Bangladesh among its "Frontier Five" emerging economies in

which it is worth investing. Readymade garment sector is major contributor of the economy of Bangladesh. RMG sector is the largest export earning source of our country.

**McKinsey report (2011): Bangladesh as next hot spot, next China:**

Currently Bangladesh is second largest ready-made garments (RMG) manufacturer after China, by the next five years Bangladesh will become the largest ready-made garments manufacturer. Bangladesh was the sixth largest exporter of apparel in the world after China, the EU, Hong Kong, Turkey and India in 2006. In 2006 Bangladesh's share in the world apparel exports was 2.8%. The US was the largest single market with US\$3.23 billion in exports, a 30% share in 2007. Today, the US remains the largest market for Bangladesh's woven garments taking US\$2.42 billion, a 47% share of Bangladesh's total woven exports. The European Union remains the largest regional destination - Bangladesh exported US\$5.36 billion in apparel; 50% of their total apparel exports. The EU took a 61% share of Bangladeshi knitwear with US\$3.36 billion exports.

According to a 2011 report by international consulting firm McKinsey & Company, 80 percent of American and European clothing companies planned to move their outsourcing from China, where wages had risen, and were considering Bangladesh as the "next hot spot" making it the "next China" offering 'the lowest price possible' known as the China Price, the hallmark of China's incredibly cheap, ubiquitous manufacturers, much "dreaded by competitors."

**Data Analysis:**

According to the IMF, Bangladesh's economy is the second fastest growing major economy of 2016 (Dec), with 7.11 percent Gross Domestic Product (GDP) growth rate where the growth rate was 6.12 percent in 2015. Contribution of industry to the GDP was 28.1%, where RMG sector donate the biggest part. Since 2004, Bangladesh averaged a GDP growth of 6.5%, which has been importantly driven by its exports of readymade garments.

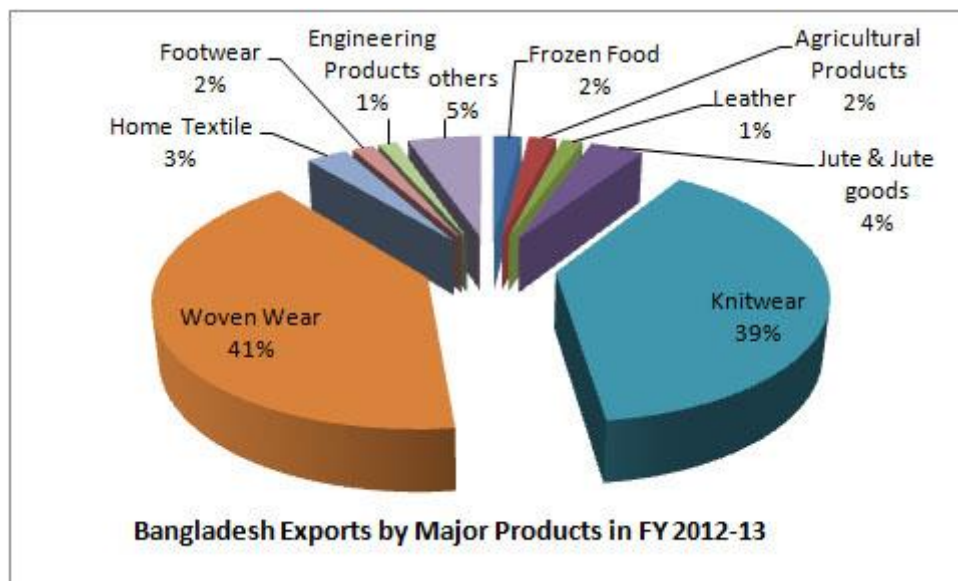


Figure: 1, shows that near about 80% readymade garment had exports in the fiscal year 2012-2013. Woven wear was in top position. 41% of woven wear has been exported & among with 39 % of knitwear. (source -BKMEA)

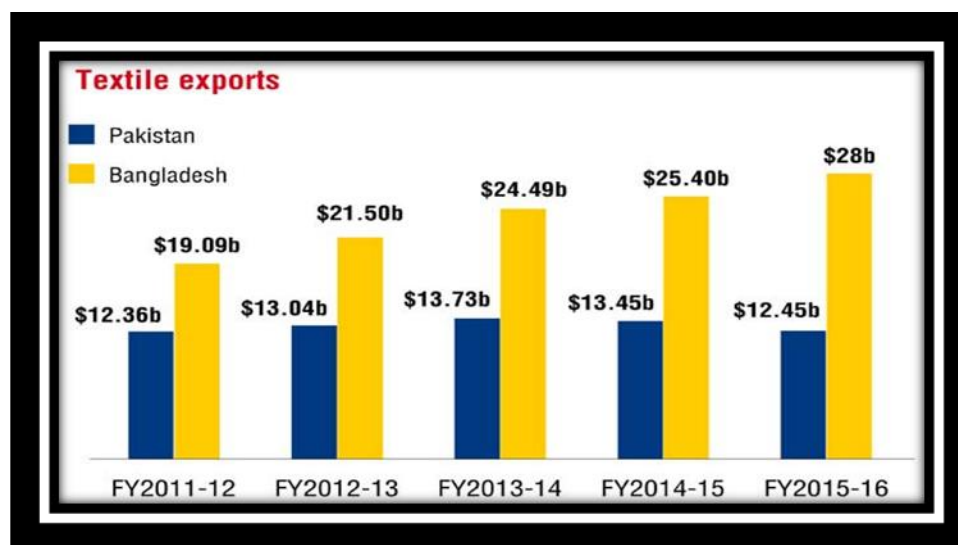


Fig.-2: a comparison between Bangladesh and Pakistan in the fiscal year 2011 to 2016 (source: BGMEA)

Figure-2 shows the textile exports between two major countries Bangladesh & Pakistan. In 2011-12 Pakistan exported 12.36 billion us dollar where Bangladesh had export 19.09 billion us dollar. In 2015 Pakistan had exported 12.45 billion usd where as Bangladesh had exported 28 billion.

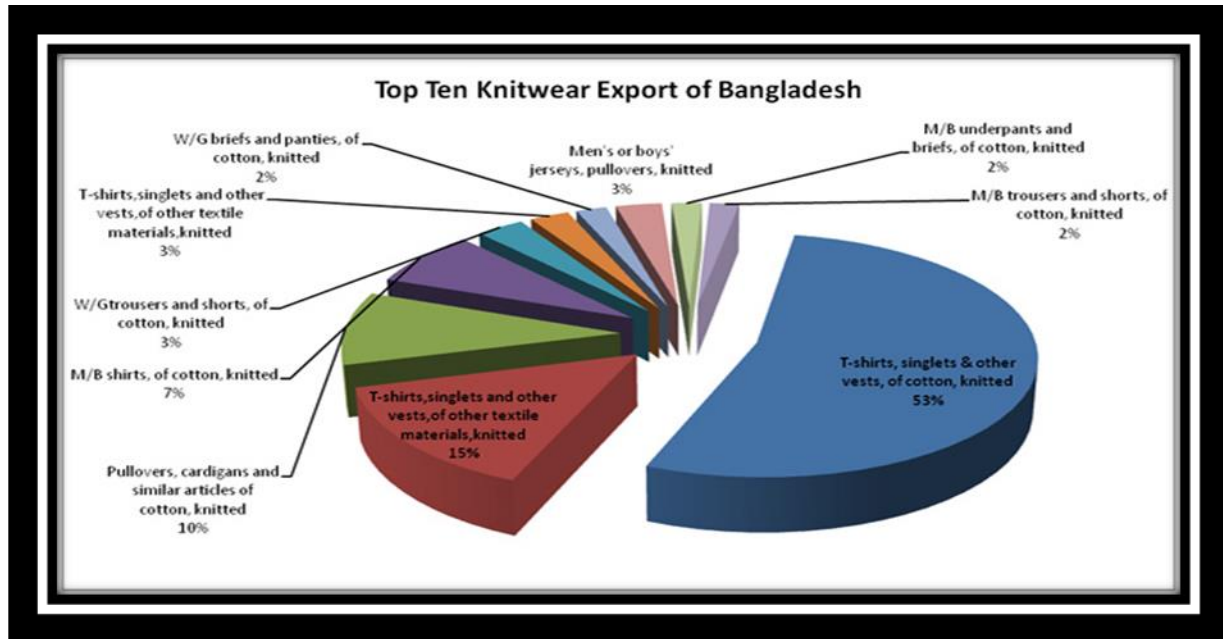
## Export scenario: contribution to the GDP

**Table 1: Value of total apparel export- calendar year basis. (Source- BGMEA)**

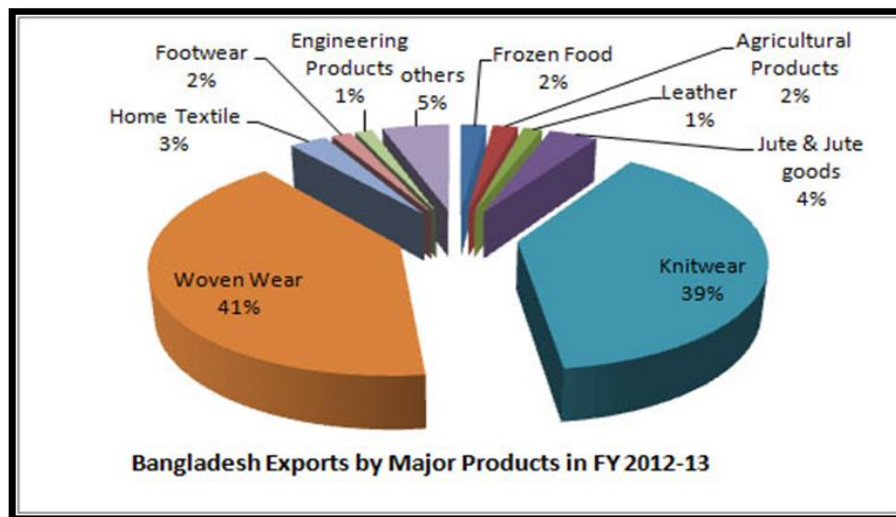
Year	USD (million)	YonY Growth (%)
2007	9350.33	4.67
2008	11878.92	27.04
2009	11890.49	0.10
2010	14854.6	24.93
2011	19214.47	29.35
2012	19788.14	2.99
2013	23500.98	18.76
2014	24583.96	4.61
2015	26602.7	8.21
2016	28668.29	7.76

**Table 1: Table 1 shows that Bangladesh RMG have been securing a consistent growth through the decade.**

From 2007 to 2016 average yearly growth was 12.84% which shows strong potential of the sector. The data also shows that growth has been slowed down through last five years which was 8.47 percent average. And this was even greatly contributed by the spectacular growth of the year 2013. As Bangladesh RMG is moving towards achieving a target of reaching USD 50 billion by 2021 the country requires more growth than it has been getting for last three years in particular. 2017 is to be a very crucial year in that path. If the country can secure a growth around of 15% in this year, it may proceed well achieving the goal.



**Table 2 :** Table 2 shows the percentage of knitwear export of Bangladesh (Source – BGMEA)



**Table 3:** According the data from fiscal year 2012-2013 garment products both knit and woven exported almost 80% and compare to other products jute and jute type products earned the 2<sup>nd</sup>



topmost revenue .almost 4% are exported from Bangladesh ,though the number is very poor compare to garment products.

Bangladesh garment industry has generated \$28.67bn exports in the calendar year 2016 which is 7.76% higher than the previous calendar year. The export in the last fiscal year 2015-16 was \$28.09bn with a 10.21% growth from the previous fiscal year, according to Export Promotion Bureau data. Of the total figure of 2016 export, the knitwear constituted \$13.74bn and woven products \$14.93bn.

**Conclusions:**

Ready Garment Sector is the biggest sector to earning revenue .Near about 4.2 million Bangladeshis are working in this sector .Mainly those workforces comes from rural area and are women forces. The garment sector has provided employment opportunities to women from the rural areas that previously did not have any opportunity to be part of the formal workforce. This has given women the chance to be financially independent and have a voice in the family because now they contribute financially. Building proper infra-structure throughout the country and special freedom should be given to the livelihoods of the workers and staffs in and around the RMG factories.

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