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Chowdhury, Nasif and Ahsan, Moinul

City University, Bangladesh, University of South Asia, Bangladesh

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# Prospects of Garments Industries in the Economic Development of Bangladesh

Nasif Chowdhury<sup>1</sup>, Moinul Ahsan<sup>2</sup>

## Abstract

The significance of the material business in the economy of Bangladesh is high. The articles of clothing assembling area earned \$19 billion in the year to June 2012, one of the bankrupted country's greatest commercial ventures. At present this industry is confronting awesome difficulties in its development rate. The significant purposes behind these difficulties can be the worldwide subsidence, unfavorable exchange strategies, interior<sup>3</sup> security concerns, the high cost of creation because of expansion in the vitality costs, diverse wellbeing issues uniquely fire, and so forth. Devaluation of Bangladeshi Taka that fundamentally raised the expense of imported inputs, ascend in swelling rate, and high cost of financing has likewise affected truly the development in the material business. Thus neither the purchasers can visit much of the time Bangladesh nor are the exporters ready to travel abroad for viably promoting their items. With a top to bottom examination it was found that the Bangladesh material industry can be brought on top winning track if government and others people takes genuine activities in evacuating or normalizing the aforementioned obstacles. Furthermore, the legislature ought to give endowment to the material business, minimize the inward question among the exporters and pull back the withholding and deals charges and so forth. Acquiring new apparatus or improving the nature of the current hardware and presenting new innovation can likewise be exceptionally helpful in expanding the innovative work (R and D) related exercises that in the advanced period are vital for expanding the modern development of a nation.

**Keywords:** Economic growth, industrial challenges, market competitions, garments industries, Bangladesh

## I. Introduction

The articles of clothing industry has been driving the Bangladesh economy since the mid-1990s. Articles of clothing are the nation's greatest fare making up around 75% of aggregate fares, and the business is an image of the nation's dynamism on the planet economy. The business is likewise the principle non-ranch formal part making vocation open doors for poor people. Most of the workforce is female; less taught, and has relocated from country regions. Hence, the article of clothing industry is seen as adding to neediness diminishment in Bangladesh by furnishing work opportunities with higher wages for the poor who might some way or another be occupied with low-wage financial exercises in rustic ranges. There was much discourse about the survival of Bangladesh's article of clothing industry before the last eliminate of the Multi-Fiber Agreement (MFA) from 1 January 2005 which was

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<sup>1</sup> Senior Lecturer, Department of Textile Engineering, City University, Bangladesh, nafistextile@gmail.com

<sup>2</sup> Senior Lecturer, Department of Textile Engineering, University of South Asia, Bangladesh, engr.mahsan@gmail.com

relied upon to incredibly strengthen rivalry in the global piece of clothing business sector. A standout amongst the most compelling conjectures was that exclusive China and India would pick up from the MFA eliminate and that Bangladesh and other littler suppliers of pieces of clothing would miss out. Luckily, there was no quick major unfavorable impact in Bangladesh. Article of clothing fares to the United States became over the entire of 2005, while those to EU declined just somewhat. Be that as it may, the prospects for the business in Bangladesh are not sure and the future pattern in piece of clothing fares should be viewed (Roy Dilip Kumar, 2011)<sup>3</sup>.

Materials have been a critical piece of Bangladesh's economy for quite a while for various reasons. The material business is worried with taking care of the demand for attire, which is an essential need of life. It is an industry that is more work serious than some other in Bangladesh, and hence assumes a basic part in giving livelihood to individuals. As of now, the material business represents 45% of all modern occupation in the nation and contributes 5% of the aggregate national wage.

In any case, despite the fact that the business is one of the biggest in Bangladesh is as yet extending, it faces significant issues, primarily on the grounds that the nation does not create enough of the crude materials important, unfavorable exchange arrangements, and lacking motivating forces for extension. Accordingly, Bangladesh's material industry depends vigorously on imports, and the nation does not acquire as much remote trade from its material industry as it ought to.

## **II. Development of Garments Industries in Bangladesh**

In the field of industrialization, part of material industry is discovered extremely noticeable in both created and creating nations. In the course of recent years piece of clothing industry is found to have assumed such a critical part during the time spent industrialization and monetary development. The development of piece of clothing industry in Bangladesh is a similarly (Mac Kinsey and company, 2012)<sup>4</sup>late one. In the British period there was no piece of clothing industry in this a player in the Indo-Pak-Sub-Continent. In 1960 the primary article of clothing industry in Bangladesh (Then East Pakistan) was built up at Dhaka and till 1971 the number rose to give. From 1976 and 1977 a few business visionaries approached to setup 100% fare arranged piece of clothing industry. Both residential and universal environment supported the fast development of this industry in Bangladesh. By mid-seventies the built up created suppliers of pieces of clothing on the planet markets i.e. Hong Kong, South Korea, Singapore, Taiwan, Thailand, Malaysia, Indonesia, Srilanka and India were seriously compelled by the portion limitations forced by their real purchasers like USA, Canada and European Union. To keep up their business and aggressive edge on the planet markets, they took after a procedure of migration of article of clothing production lines in those nations, which were free from share limitations and at any rate same time had enough trainable modest work. They discovered Bangladesh as a standout amongst the most reasonable nations. Accessible records demonstrate that the main

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<sup>3</sup> Roy Dilip Kumar, (2011), Challenges for Bangladesh Asian Development Review, Bangladesh Textile Journal, vol 14 ,p 112-119.

<sup>4</sup> Mac Kinsey and company, (2012), Bangladesh's ready-made garments landscape: The challenge of growth, Available at [https://www.mckinsey.de/sites/mck\\_files/files/2011\\_McKinsey\\_Bangladesh.pdf](https://www.mckinsey.de/sites/mck_files/files/2011_McKinsey_Bangladesh.pdf)

relegation of pieces of clothing was sent out from the nation in 1977 by Reaz and Jewel Garment. Desh Garment was the principal greatest production line that began working at Chittagong in 1977. Truth be told that was the modest start of new joint endeavor article of clothing production line in Bangladesh. From that point numerous business visionaries got to be intrigued and began to setup piece of clothing production lines taking after the Desh article of clothing and understanding the future prospects all around too. Accessible records likewise demonstrate that one reason of the development of article of clothing industry in Bangladesh is the joint effort of a neighborhood private piece of clothing industry, Desh piece of clothing with a Korean organization, Daewoo.

**Table-1: Growth of Garments factories in Bangladesh**

Year	No. of Factory	Compound Growth Rate in %
1971	5	-
1977	7	5.77
1981	78	82.70
1983	141	34.45
1984-85	384	65.03
1989-90	759	14.60
1994-95	2182	23.52
1999-00	3200	7.96
2004-05	4107	5.12
2005-06	4250	3.48

*Source: Various articles and Annual Report of BGMEA*

The Table-01 demonstrates that the development was moderate till 1977 and got energy from 1977 to 2005-06 regarding number of industry (Annual Report BGMEA, 1971-2006)<sup>5</sup>. Be that as it may, the compound development rate was most astounding till 1981 and the rate was great amid 1989-90 to 1994-95 and from there on i.e. 1994-95 to 2004-05, the modern development have been declined however the quantities of businesses have been expanded. The limit and in addition number of types of gear is great pointer to look at the real position of the piece of clothing industry and additionally size of the business. In such a setting, the accompanying Table arrangements in such manner.

**Table-2: Garments Industries with number of Machine**

Year	Garment Industry having No of Machine			Total
	Upto 100	101 – 200	201 and over	
2004	2253 (64)	726 (21)	531 (15)	3510 (100)
2005	2275 (62)	773 (21)	620 (17)	3668 (100)

Source: Annual Report of BGMEA. Figures in parentheses indicate percentage

From the Table 02 it is found that more than half of the aggregate article of clothing commercial ventures in Bangladesh have the quantity of machines up to 100 or under 100 and not very many businesses have the machine more than 200. It demonstrates that the little scale commercial enterprises have been overwhelmed in the article of clothing area (Annual Report BEMEA, 2004-05)<sup>5</sup>.

### **III. Contribution of Garments Industries for Economic Growth**

Bangladesh's material industry, which incorporates knitwear and instant pieces of clothing alongside particular material items, is the country's main fare worker, representing 80% of Bangladesh's fares of \$15.56 billion in 2009. Bangladesh is third in world material fares behind Turkey, another low volume exporter, and China which sent out \$120.1 billion worth of materials in 2009. The business utilizes about 3.5 million laborers. Current fares have multiplied subsequent to 2004. Compensation in Bangladesh's material industry were the most reduced on the planet starting 2010. The nation was viewed as the most imposing opponent to China where wages were quickly rising and cash was increasing in value (Bloom P, 2001)<sup>6</sup>.

Articles of clothing Industry possesses a one of a kind position in the Bangladesh economy. It is the biggest trading industry in Bangladesh, which experienced extraordinary development amid most recent two decades. By exploiting a protected business sector under the procurement of Multi Fiber Agreement (MFA) of GATT, it accomplished a prominent as far (Bashar M., 2012)<sup>7</sup>as outside trade income, fares, industrialization and commitment to GDP

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<sup>5</sup> Annual Report BGMEA and Bangladesh Textile Mills Corporation (BTMC) , (2005), Available at <http://www.btmc.gov.bd/>

<sup>6</sup> Bloom P., Retailer power and supplier,(2001), *The Journal of Industrial Economics*, 33, 339-148.

<sup>7</sup> Bashar M, Garments industries and Bangladesh Economy, (2012), Available at <http://www.fiber2fashion.com/ Garments industries and Bangladesh Economy>

inside a limited ability to focus time. The business assumes a key part in occupation era and in the procurement of salary to poor people. Almost two million laborers one straightforwardly and more than ten million tenants are by implication connected with the business. The division has likewise assumed a huge part in the financial advancement of the nation. In such a setting, the pattern and development of articles of clothing fare and its commitment to aggregate fares and GDP has been inspected the accompanying table demonstrates the position.

**Table-3: Growth and Trend of Garments Exports, and contribution to GDP**

(Amounts in Million USD)

Year	Garment Export (Min USD)	Total Export (Min USD)	Share to Total Export in %	Share to GDP in %
1984-85	116 -	934 -	12.42 -	-
1989-90	624 (40)	1924 (16)	32.43 (21)	-
1994-95	2228 (29)	3473 (13)	64.15 (15)	5.87 -
1999-00	4349 (14)	5752 (11)	75.61 (3)	9.23 (9)
2004-05	6418 (8)	8655 (9)	74.15 (-1)	10.63 (3)
2005-06	7901 (23)	10526 (22)	75.06 (1)	12.64 (2)

Source: *Economic Review of Bangladesh, BGMEA and Computation made by author. Figures in parentheses indicate compound growth rates (CGR) for the respective periods.*

It is uncovered from the Table 03 that the estimation of piece of clothing fares, offer of articles of clothing fare to aggregate fares and commitment to GDP have been expanded essentially amid the period from 1984-85 to 2005-06. The aggregate articles of clothing fare in 2005-06 is more than 68 times contrasted with pieces of clothing fares in 1984-85 while aggregate nation's fare for the same period has expanded by 11 times. As far as GDP, commitment of articles of clothing fare is noteworthy; it achieves 12.64 percent of GDP in 2005-06 which was just 5.87 percent in 1989-90 (Economic Review of Bangladesh, 1984-2006)<sup>8</sup>. It is an unmistakable sign of the commitment to the general economy. It additionally assumes a significant part to advance the improvement of linkage little scale businesses. For example, assembling of halfway item, for example, coloring, printing, zippers, marks has started to take an a dependable balance on restricted scale and is required to become essentially. In addition it has helped the matter of basling, protection, shipping, inn, tourism and transportation. The segment additionally has made occupations for around two million individuals of which 70 percent are ladies who generally originated from provincial zones. The area opened up vocation open doors for some more people through immediate and circuitous monetary exercises, which in the end helps the nation's social advancement, lady strengthening and neediness lightening. In such a way the economy of Bangladesh is getting positively commitment from this industry (Bangladesh RMG export annual report, 2012)<sup>9</sup>.

<sup>8</sup> Economic Review of Bangladesh, (2006), available at <http://www.asiantextilejournals.com/>

<sup>9</sup> Bangladesh Ready made Garments Export Annual Report,(2012), Available at [http://www.epb.gov.bd/Bangladesh\\_Readymade\\_Garments\\_Export\\_Annual\\_Report\\_2011\\_2012](http://www.epb.gov.bd/Bangladesh_Readymade_Garments_Export_Annual_Report_2011_2012)

#### **IV. Future of Garments Industries in Bangladesh**

The material business in Bangladesh has developed in an impromptu way and a basic interest supply hole has emerged for both yarn and fabric. The emergency will actually extend unless suitable in reverse linkages, the consolidation of the crucial strides in the material business all through to the RMG business, can be worked to meet the quickly drawing closer difficulties in the worldwide material business sector. As the populace is developing and the way of life is expanding in Bangladesh, the interest for materials is expanding quickly. This introduces an earnest need to drastically expand limits in turning, weaving, sewing, and coloring, printing, and completing sub-divisions. This will require the reception of the most advanced and fitting innovation to guarantee quality items at focused costs. The likelihood of expanded yarn creation in Bangladesh is an issue that has been investigated widely by numerous analysts. These examinations have uncovered the nation really has a similar point of preference over all rivals as far as the cost of yarn creation. Be that as it may, as to the aggregate yarn cost, Bangladesh's leverage over India and Pakistan vanishes, despite the fact that it stays focused with different makers. This is basically a consequence of the higher expense of crude materials in Bangladesh, as most should be transported in.

Bangladesh has a lower waste rate than every one of its rivals. Power alongside Korea is the least expensive in Bangladesh amongst all the yarn makers. The nation likewise has a low deterioration rate and a genuinely low financing cost also, supported by a low change cost too. Notwithstanding, the cost of assistant materials in Bangladesh is the most noteworthy among all the yarn makers, just like the cost of crude materials. Because of these two variables Bangladesh loses its near leverage over India and Pakistan.

A large portion of the crude cotton imported by Bangladesh originates from abroad. The nation is not just debilitated by the import levies and transporting costs, however India and Pakistan sponsor the crude cotton, which is sold locally, bringing about nations like Bangladesh paying more for the same cotton. The result for the Bangladeshi turning plants of such value differentials is that they acquire crude cotton of the same quality at costs, which<sup>9</sup> are roughly 30% higher than the Indian factories, and Pakistani plants. Furthermore, Bangladesh's turning plants need to pay another 6 to 7% for taking care of, cargo, and commission charges which place them in a disadvantageous circumstance. The new framework advancement extra charge, or IDS, on all imports, which was stipulated in the 1997/98 monetary year, added another 2.5% to the cost of imported crude cotton (Special Report, 2012)<sup>10</sup>

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<sup>10</sup> Special Annual Report,(2015), Business Recorder Bangladesh, Available at <http://www.brecorder.com/>

The weaving and sewing sub-parts will likewise need to extend at a fast rate, as there is a huge interest supply crevice in the nation. With expanded interest in the sub-parts and modernized apparatus, Bangladesh could benefit significantly from bigger and more aggressive weaving and sewing divisions.

As the present coloring offices are for the most part subject to imported fabrics, they are extending at a rate which is not reliant on any of alternate divisions. Be that as it may, as neighborhood dark turns out to be more focused, and its generation is expanded, the coloring, printing, and completing sub-area will likewise need to extend to oblige for the expanded supply.

The spillage from fortified distribution center offices and pirating of materials crosswise over outskirts additionally should be checked nearly keeping in mind the end goal to guarantee the intensity of the nearby business. The diminishment of such issues will naturally enhance the business sector position bringing about enhanced open doors for the extension of the Bangladeshi material industry (Rahman M,2014)<sup>11</sup>.

## **V. Recommendations to defeat the difficulties to development of Textile Industries**

In spite of all the difficulties that exist I organizations can even now very profit by its sourcing offering. Together exertion from three fundamental investors like government, suppliers and purchasers can work to conquer these different obstacles to success<sup>13</sup>. A few Recommendations are given an import of all material hardware, Zero rating trades, duty diminishment, Incessant vitality supply to material units, Issues identifying with the business sector access, Quality items with auspicious conveyance, Single digit imprint up and unique force duty for the material business. Obligation free market access to European Union and United States, Remedy however Foreign Direct Investment (FDI), Image Building of Bangladesh to Attract Foreign Direct Investment (FDI), Focus on Value Addition, Technology Up-degree and Capacity Building, Human Resources Development, Reducing the expense of working together in Bangladesh, Need for Improving Textile Production, Awareness of International Quality Measures, Introducing idea of at work preparing, Introducing proficient administration procedures, Subsidy evacuation ought to be taken a back, Interest rate ought to be abject in request to survive this industry, Electricity and gas levy, Removal of Energy Crisis, Exploration of new Export Markets, Bonded distribution center offices, Duty free importation of crude materials of trade in the RMG, Avoidance of twofold tax assessment for joint endeavor ventures, Income charge exception for up to three

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<sup>11</sup> Rahman M ,(2011),Garments industries and Bangladesh Economy, Available at [http://www.fiber2fashion.com/Garments\\_Industries\\_and\\_Bangladesh\\_Economy/](http://www.fiber2fashion.com/Garments_Industries_and_Bangladesh_Economy/)



years for remote experts, Duty on colors and chemicals will be pulled back, Duty free import of capital hardware, Closer observing of spillage in the business sector, Appoint an admonitory board of trustees to speak to the business to the administration, Improvement of examination and PC innovation, All parts of the business will be modernized, Rehabilitated however much as could be expected, Tariffs will be defended.(Ara Laila Arjuman and Rahman M Masudur,2014)<sup>12</sup>

The strategy requires the foundation of numerous new production lines and activities, yet does not give a plan to financing them, The absence of preparing and innovation is said, yet <sup>12</sup>no strides are proposed for upgrading the murders of the workforce and designers, No proposals are made for setting up establishments to direct the specialized and showcasing research expected to redesign the nature of Bangladeshi items to make them all the more engaging in the global business sector, The requirement for the development of the Bangladesh's framework, for example, street, port, and railroad abilities to suit expanded imports and fares is not specified, The immense issues emerging from the deficiency of arrive on which to construct the fundamental processing plants is additionally not considered. The strategy expresses that natural contamination is insignificant, yet does not go further into the matter. Be that as it may, it was exceptionally evident to me on one of my processing plant visits that prosperous treatment and transfer in the business is an intense issue. The requirement for more power is specified, yet no arrangements have been concocted on how the development will be attempted (Annual Report, 2015)<sup>13</sup>

## **VI. Conclusion**

The significance of the material business in the economy of Bangladesh is high. Besides, the industry is relied upon to be the impetus in the industrialization of Bangladesh, and has been pronounced as a push segment by the legislature. There is at present a genuine absence of co-appointment among the different government offices that are associated somehow with the material business. As an aftereffect of this absence of specialization, duplication of work, and exercise in futility and assets, arrangements are regularly found to conflict with each other. A hefty portion of these issues would be minimized on the off chance that a portion of the administration strategies with respect to acquire expedient answers for these issues (Shaheed M Abdus,2015 )<sup>14</sup>.

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<sup>12</sup> Ara Laila A. and Rahman M. M.,(2012) The Competitiveness and Future Challenges of Bangladesh in .International Trade, available at [http://www.wto.aoyama.ac.jp/file/090126laila\\_paper.pdf](http://www.wto.aoyama.ac.jp/file/090126laila_paper.pdf)

<sup>13</sup> Annual Report, (2015).Financial Market-Developments and Challenges in Bangladesh, available at [http://www.plancomm.gov.bd/wp-content/uploads/2015/02/9\\_Financial-Market-Developments-and-Challenges-in-Bangladesh.pdf](http://www.plancomm.gov.bd/wp-content/uploads/2015/02/9_Financial-Market-Developments-and-Challenges-in-Bangladesh.pdf)

<sup>14</sup> Shaheed M Abdus,(2015), Standard and Poor's, Textiles Industry Survey Monthly Investment, Available at <http://www.textiletoday.com.bd/>

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