

Report On  
Risk management at the garments industry in Bangladesh during  
the Covid-19

By  
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An internship report submitted to the MBA Program in partial fulfillment of the  
requirements for the degree of  
Masters of Business Administration

BRAC Business School  
BRAC University  
July 2021

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## **Declaration**

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at BRAC University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

**Student's Full Name & Signature:**



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**Muhammad Hasan Imam**

Student Id: 18164077

**Supervisor's Full Name & Signature:**



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**Dr. M. Nazmul Amin Majumdar**

Professor (Adjunct)

BRAC Business School

## **Letter of Transmittal**

Dr.M Nazmul Amin Majumdar  
Adjunct professor,  
MBA program  
BRAC University  
66 Mohakhali, Dhaka-1212.

### **Subject: Submission of Internship Report.**

Dear Sir,

With respect, I am pleased to submit my internship report on ‘‘Risk management in the garments industry during the covid-19’’.As I am currently working as a commercial executive in this RMG industry. I tried my best to include real-life experience as well as theoretical knowledge in this report as part of my MBA program.

I'd like to express my gratitude for your continued assistance and advice during my internship and report preparation. And I hope you will be nice enough to point up any difficulties or errors that may have occurred without my awareness.

Sincerely yours,



---

Muhammad Hasan Imam  
18164077  
BRAC Business School  
BRAC University  
Date: 28<sup>th</sup> July 2021

Student ID: 18164077

BRAC University

Date: 27<sup>th</sup> July 2021

## **Non-Disclosure Agreement**

This report is made and entered into by and between Cold Asia Sweater Ltd and the undersigned student, Muhammad Hasan Imam, ID- 18164977 at BRAC University. During my time at CASL, I have access to "secret information" as well as an understanding of the CASL management process. So, without CASL's and my prior consent and notice, this "confidential information" is absolutely prohibited to share with any online, offline & other news, or print media.

## **Acknowledgement**

This article consists of my practical experience and theoretical knowledge gained while working at Cold Asia Sweater Ltd. I'd like to thank, Mr. Rahedul Alam, Manager (Admin, HR, and Compliance), who was really helpful and provided me with useful information on this issue.

I pay gratitude to the Supervisor of my report, Dr. Nazmul Amin Majumdar, an adjunct Professor of BRAC Business School for considering me enough time and assistance to finish the report perfectly.

I'd like to thank the co-supervisor of my report, Parveen S. Huda, for giving me such a wonderful topic.

Last but not the least, I thank the Almighty for keeping me healthy and fit and enabling me to complete my report on time.

## **Executive Summary**

Bangladesh was once recognized as the "bottomless basket." It has now set up itself as a land of miracles. When the major exporting commodity, golden jute, began to lose its shine, the garments industry stepped in to fill this gap. After China, we are now the second-largest clothing exporter with a high brand value named Made in Bangladesh. However, it is a matter of great regret that incidents like Rana Plaza and Tazreen Fashion have exposed us to international criticism. Bangladesh lacks the proper laws and regulations to reduce any risks that might endanger the country's future glory. There are different kinds of risks that may create problems during the Covid-19 like financial risk, supply chain risk, operational risk, and technological risk, etc. The garment workers are the ones who suffer the most because of the Covid-19. The owners began to lose work orders, and they were unable to pay their credit. To avoid such risks, the owners have no savings. They were too busy to make personal assets in different countries around the world, not minimizing risk. Even the owners are involved in many types of criminal activity such as tax evasion, excessive imports, and money laundering. The government is attempting to combat this risk by providing a stimulus package. Hiring experienced management, reforming the BGMEA's responsibilities, and creating strong trade unions are all effective ways to reduce this risk.

**Keywords:** Risk Management, Covid-19, Impact, RMG Industry, Risk management technique, RMG owner's crime.

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## **List of Acronyms**

CASL	Cold Asia Sweater Ltd
L/C	Letter of Credit
BTMA	Bangladesh Textile Mills Association
BGMEA	Bangladesh Garment Manufacturers and Exporters Association
BKMEA	Bangladesh Knitwear Manufacturers and exporters Association
RMG	Ready Made Garments
R& D	Research and Development
BTB	Back-To-Back
SCDs	Supply Chain Development Statement
ILO	International Labor Union

## Chapter 1: Overview of Internship

### 1.1 Introduction

<b>Name</b>	Muhammad Hasan Imam
<b>Student Id</b>	18164077
<b>Program</b>	MBA
<b>Major</b>	Human Resource Management

### 1.2 My Job Information:

#### 1.2.1 Company Details

<b>Period :</b>	4 Years (From 01.03.2017 to till now)
<b>Company Name:</b>	Cold Asia Sweater Ltd.
<b>Department:</b>	Commercial
<b>Address:</b>	238,Middle,Gazirchat,Dhamsona,Ashulia,Savar.

#### 1.2.2 Super visor's Information

Name: Rahedul Alam

Position: Manager (Admin, HR & Compliance)

### 1.2.3 My responsibilities:

I've been working as a commercial executive in Cold Asia Sweater Ltd since 01.03.2017. As a regular employee of this company, My Commercial Manager assigned me different kinds of responsibilities.

Some of my major duties:

- Prepare & submit Utilization Declaration from respective authorities which are required to export goods along with all kinds of BGMEA-related works.
- Responsible for monitoring the overall activities of the commercial department. Coordinates the activities of the commercial department with other & inter-department, outside parties, government offices, local liaison offices of the buyer, audit firms, bank, etc.
- To submit export documents to the bank for negotiation with the buyers' bank for bill realization.
- Follow up on the payment realization & disbursement of the funds after getting the payment.
- Organize Import documents to release Import consignment in time.
- Managing and collecting the BTMA certificate.

## 1.3 Job Outcome

### 1.3.1 Student's contribution to the company

As I said before, I have joined as a commercial executive at Cold Asia Sweater Ltd. I'm doing a variety of things, including all of the BGMEA work, preparing and submitting UDs, managing the BTMA, certificate, and assisting with cash incentives. I also perform banking activities like opening Back to Back LCs, submitting master LCs, preparing local documents for releasing the imported goods, and C and F activities, etc. I also maintain different kinds of books and when I have assigned different activities in different situations.

### 1.3.2 Benefits to the student

- By working at this firm, it has given me a better understanding of the whole manufacturing process, from raw materials to finished goods.
- By working with different buying houses and organizations, it helps me to improve my communication skills.
- I have gained four years' experience from this company.
- They have paid me good salaries from the beginning.
- I did not change my organization because it was very supportive of my MBA program from the beginning and provides leave when needed.

### 1.3.3 Problems/Difficulties

For newcomers, understanding the working process in the RMG industry is quite challenging due to the complicated and sensitive export-import procedure. A small mistake could probably cost the firm a lot of money. As a result, they put pressure on the employee as well. In this industry, I don't believe the working climate is really employee-friendly. This industry has fewer vacation days than others.

### 1.3.4 Recommendation

- There are no internship facilities for students if they start these facilities that could help many students.
- The company can improve its working environment for the well-being of the employee.
- The company can improve its learning process.
- The company should separate its commercial, accounts, and marketing department from the factory. The office could be shifted to Baridhara DOHS or Ghulshan. Because most of the buying houses are locked in either Baridhara DOHS or Gulshan.
- It will be very good for the intern if the company provides a certain amount of salary for the intern.

## **Chapter 2 Organization Part: Overview**

### 2.1 Introduction

#### 2.1.1 Purpose of the report:

Though it is a non-credit course, I am required to write this internship report to finish my MBA degree, and my topic is “the risk management at the RMG sector during Covid-19 in Bangladesh”. I’m doing this part according to the BRACU guideline.

#### 2.1.2 Company Name:

Cold Asia Sweater Ltd.

#### 2.1.3 Company’s Mission

Creating a standard in Bangladesh's RMG sector via technical innovation, Service Excellence and long-term sustainability .

#### 2.1.4 Company’s Vision

To become a leading and green RMG manufacture in the Bangladesh.

### 2.2. About the Company

Cold Asia Sweaters Ltd. is a 100% export-oriented garment manufacturer in the RMG sector, specializing in the production of various sorts of sweaters, particularly bottom wear, for the worldwide market. The company's headquarters and plant are located in Savar’s industrial zone, around 20 kilometers from the international airport. With continuous development in our Quality Management System; we are devoted to meet the demands of the open environment. Our experience led us to use different types of yarn and various knitting methods for making the best quality sweaters.

#### 2.2.1 Background

Cold Asia Sweater Ltd is a medium-sized garments manufacturer in Bangladesh that has been in operation since 2003, delivering high-quality goods and services to worldwide customers. This company began with only 250 employees within a tiny shed. It now has five-story buildings with a workforce of about 600 people. It contains 450 sewing machines that are

fully automated. The company has been steadily progressing and expanding its business from sweaters to knitted items.

## 2.3 HR practices in Cold Asia Sweater Ltd.

### 2.3.1 Human Resource Planning

Human resource planning is the process by which the manager ensures that they have the right number and kinds of capable people in the right places and at the right times. Through planning, the organizations avoid sudden people shortages. Cold Asia Sweater Ltd believes that human resources provide the firm with a major competitive advantage in terms of expertise and experience. Along with its commitment to embracing new creative and advanced technologies for its high-tech manufacturing facility, the firm continues to attract skilled and creative industry experts and take proactive efforts to improve the human resource pool's capabilities.

CASL's human resource department follows the procedures below to manage human resources.

- Selection
- Training
- Development
- Performance management
- Job analysis Job design
- Incentives
- Benefits
- Employee relation
- Labor relation

### 2.3.2 Recruitment and Selection process

Usually, garments like CASL use ads in newspapers and also make posters in BGMEA for recruitment. Sometimes, an employee working in the garments referred their known person from other organizations or family members that are assumed to be able to perform the job. It's the most common strategy in CASL.



### 2.3.3 Training and Development program

The long-term development of human resources as distinct from training for a specific job is of growing concern to HR departments. The CASL minimizes the company's reliance on new hires by assisting current employees in their development. If employees are developed, the job openings found through HR planning are more likely to be filled internally. The promotion and development process also shows that the employee has a career in this company.

### 2.3.4 Performance Management

Performance appraisal is the process of assessing an employee's past performance, primarily for reward, promotion, and staff development purposes. There are various kinds of methods for measuring performance appraisal. But CASL uses only two types of performance methods like Experience-based and Performance-based.

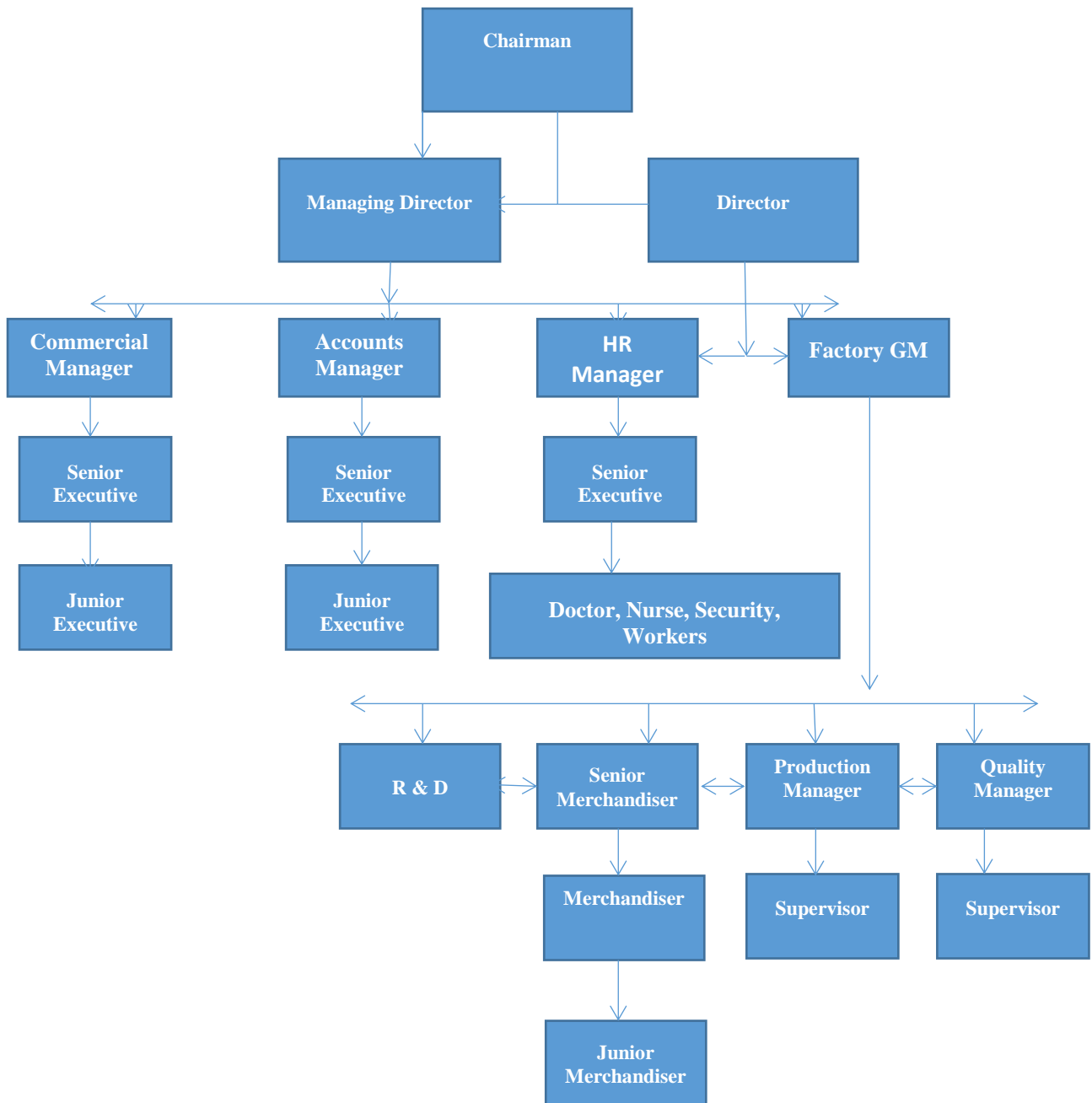
### 2.3.5 Job Analysis and Job Design

The plant and office are located too far from the city of Dhaka. However, the CASL's lien bank is located in Mohakhali. So they sent me to Lien Bank for 5 days and the office for only one day. That means CASL design its job according to need. CASL's job specification is a well-written explanation of the educational credentials, particular traits, degree of experience, physical, mental, technical, and communication abilities that are necessary.

### 2.3.6 Incentive and Benefits

Employees are offered several sorts of individual incentives, some based on performance and others based on productivity. Some are dependent on the length of time it takes to complete a project. Incentives enable individual workers to earn additional money while maintaining their productivity. In CASL Production, GM and merchandiser get the best benefit from it.

### 2.3.7 Organogram of the CASL



## 2.4 Marketing Practices

There is no marketing department at cold Asia Sweater Ltd. Our firm used to recruit Marketing GMs who were paid well. However, the outcome always zero is a cause of tremendous disappointment. That is why our MD terminates him after a short time though he has lost a significant amount of money. As marketing is crucial to the company's success, our MD is a one-man army that shines at what he does.

### 2.4.1 Masterminding Frequent Industrial visits for the Buyers

Our MD often offers to different foreign buyers and buying house owners to visit the factory. It helps to create a relationship between the company and the buyer. Before placing new orders, buyers often visit the factory and feel satisfied. During the visit, visitors mainly focused on the quality of the products and the capabilities of the company. However, if they have no quality requirements for buyers, then a strong brand image will not inspire buyers. Every time the buyer visits the factory, we get extra orders.

### 2.4.2 Research and Development

In order to maintain itself in the market and meet customer needs, research and development is an ongoing process. Our designers and traders are constantly trying to provide buyers with different styles based on recent trends. The R&D department is responsible for the continuous development of new sweater designs, yarn structures, dyeing effects and techniques, washing effects, and sweater finishing to efficiently and effectively meet buyers' requirements.

### 2.4.3 Manage customer relationships with buyers

Our MD frequently visits different countries and buys agents, manages a strong bond between the buyers. Every season we get certain orders from certain buyers, which mean how strongly he handles the buyer management. Treat customers like a king. Expanding the market of sweaters, it's all about making relationships with the respective buyers.

## 2.5 Financial Performance

Profit or net income is the most common criterion considered by CASL as the standard for measuring performance. This is the most traditional method. Then measures of revenue and operating efficiency are used, which is the modern method. Therefore, we can conclude that CASL uses both traditional and modern methods. The Benchmark for performance measurements are:

- Profit or net income
- Revenue
- Operating efficiency
- Cost control reduction
- Contribution margin

## 2.6 Operations Management

CASL can successfully address its priorities with a solid operational plan. Because a comprehensive operational plan defines the day-to-day tasks required to run a business. This will be achieved when every member of the organization achieves operational excellence. CASL operations try to be managed by a planning team that defines capacity, projections, and cash flow plans for organizations. Marketing, finance and supply chain teams stay on track to meet the overall plan.

## 2.7 SWOT Analysis

<p style="text-align: center;"><b>Strengths</b></p> <ol style="list-style-type: none"><li>1. The location of CASL.</li><li>2. Good relationship with Buying Agents.</li><li>3. Certain permanent buyers.</li><li>4. Highly skilled and trained staff.</li><li>5. Green factory.</li><li>6. Good relationship with the lien bank.</li><li>7. Good reputation for timely shipment.</li></ol>	<p style="text-align: center;"><b>Weakness</b></p> <ol style="list-style-type: none"><li>1. Higher Bank credit.</li><li>2. High turnover of the labor.</li><li>3. No Marketing department.</li><li>4. Lack of working capital.</li><li>5. It relies on generators for power supply two days a week.</li></ol>
<p style="text-align: center;"><b>Opportunities</b></p> <ol style="list-style-type: none"><li>1. Multiple sisters concerns for financial backup.</li><li>2. Huge land and fixed assets.</li><li>3. It is going to start its yarn business.</li><li>4. Frequent expansion of the factory.</li></ol>	<p style="text-align: center;"><b>Threats</b></p> <ol style="list-style-type: none"><li>1. Decreasing the unit price.</li><li>2. Order cancellation.</li><li>3. Buying agents dominance</li><li>4. Shipment delay.</li><li>5. Financial Instability.</li><li>6. High-interest rate.</li></ol>

## 2.8 Conclusion:

Currently I'm working in CASL as a commercial executive. Though my main topic is "the risk management at the garments industry in Bangladesh". During the Covid-19 pandemic, I'm doing this part as a BRACU guideline as part of my MBA program. Cold Asia Sweater Ltd is a 100-percent export-oriented ready-garments factory. CASL is a small private company. Its yearly export is around 10 million US dollars. I want to input a lot of things in this part. It is quite difficult to do this part due to the lack of a proper website and availability of information. This is my first job, I learn a lot of things from this company. Working here is a great pleasure for me.

## 2.9 Recommendations

- CASL should expand its business to a woven and knitted factory.
- Marketing is a major part of the company. CASL should recruit a skilled marketing person.
- CASL should strengthen the fire service and enhance its capacity to carry out inspections and quickly respond to incidents.
- CASL should improve its organizational structure.
- It should reduce its credit amount.
- The salary structure should be improved.
- It should reduce worker turnover.

# Chapter 3

## Main Project

RISK MANAGEMENT AT THE GARMENTS INDUSTRY IN BANGLADESH  
DURING THE COVID-19



## **3.1 Introduction**

### **3.1.1 Abstract**

The primary objective of this research is to examine the risks associated with the ready-made garments industry and to determine how Bangladeshi garments failed to manage risk during the Covid-19. I'll provide some suggestions for mitigating these risks. And I'll try to demonstrate how the owners associate with various forms of criminality rather than investing for future prosperity. Different types of research papers related to this topic will be discussed in the letter part of this topic

### **3.1.2 Origin of the Report**

This is an internship report, which is a partial requirement of my post-graduation program. Currently, I'm working as a commercial executive in Cold Asia Sweater Ltd in the RMG sector. Therefore, as a part of my internship, I have selected my research topics titled" Risk management at garment industry in Bangladesh during the Covid-19 pandemic". Specifically, to illustrate different types of risk in the ready-made garments sectors of Bangladesh.

### **3.1.3 The objective of the Study**

- To define different types of risk associated with the garments industry.
- To find out the covid-19's impact on the RMG industry.
- Covid19's impact on RMG's supply chain.
- Try to find out various forms of crime are committed by owners instead of investing with potential volatility.
- I will try to evaluate the safety issue of the workers, awareness of precautions and jobless workers and their family condition with hunger.
- To find out the possible solution to the problems.

### **3.1.4 Limitations of the study**

There are a few limitations to this study. To begin, I'd like to point out that the study is based on online research. Because traveling outside for data is extremely difficult due to the pandemic, all data is collected over the internet.



Secondly, Bangladesh is the world's second-largest garment exporter, even though only a small percentage of research has been done to enhance the CM and decrease supply chain problems, as well as how to avoid major hazards such as Covid-19.

### **3.1.5 Rationale of the Study**

I have selected the topic of this report as “Risk management at the garment industry in Bangladesh during the covid-19 pandemic”. I've worked in this field since 2016. I've attempted to combine my theoretical understanding of risk management with real-world experiences that I've seen while on the job. I have tried to cover all the major risks associating with the garments sector in Bangladesh during the Covid-19 like technological risk, financial risk, operational risk, supply chain risk, logistics, and transportation risk.

## **3.2. Literature review**

Bangladesh is highly dependable with its RMG industry. Because this industry accounts for around 83 percent of total exports. However, we seldom see anyone taking steps to reduce their risk. The Covid-19 pandemic shows how fragile risk management is in Bangladesh. Only a few papers have been published regarding risk management during this pandemic. Morshadul Hasan and Appel Mahmud attempt to give in their study work the term for the possible risk in the RMG sector and provide a solution to reduce the risk. Another study titled "Ready-made Garments Sector and covid-19 in Bangladesh" is available. Md. Lutfor Rahman Shimanta, Hridoy Gope, and Israt Jahan Sumaiya present an overview of how the Covid-19 affected the garment industry, economy, and jobs. A study published by UNICEF titled "Covid-19 Impact on Ready-Made Garment Workers in Bangladesh" illustrates how this pandemic affects RMG workers in Bangladesh regarding safety measures, health issues, and guidelines. The major goal of this study is to identify the risks connected with the ready-made clothes industry and to determine how these risks might be reduced.

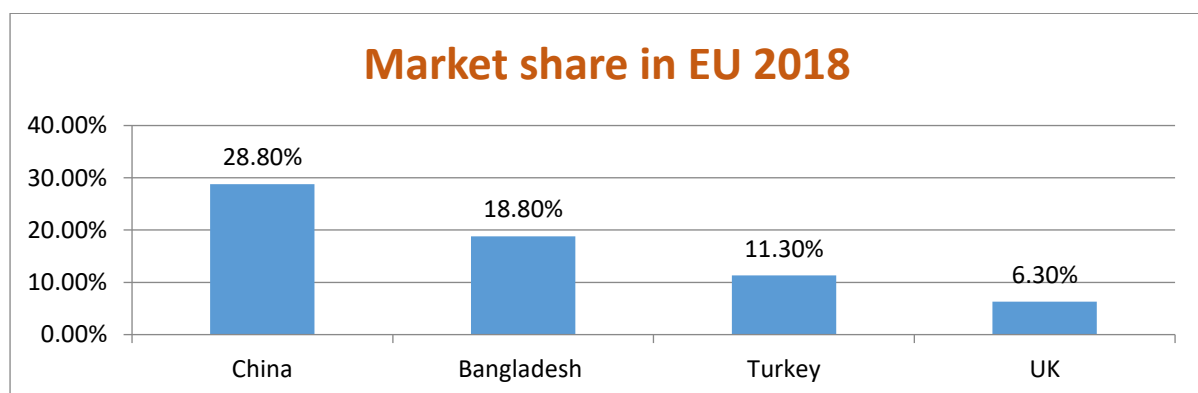
## **3.3 Methodology of the Study**

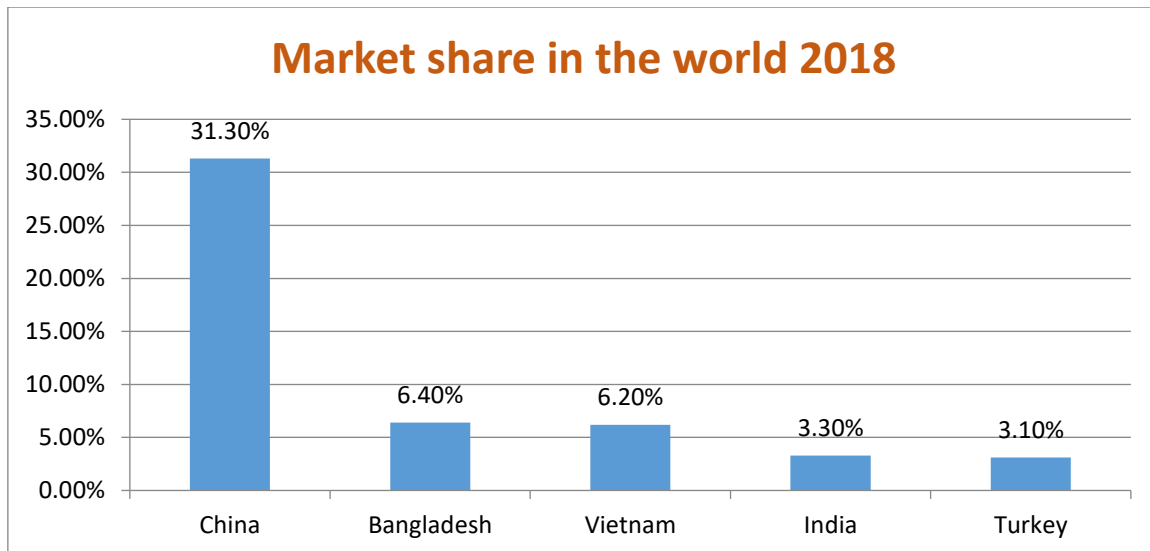
Currently we are dealing with the second wave of the pandemic, so it is very difficult to go outside to collect information. I want to use many articles, reports, journals, newspapers, and other materials related to the MGMEA and BKMEA web sites that will be available from various sources.

### 3.4. Overview of the RMG sector

#### 3.4.1. Bangladesh and RMG Exports around the World.

Bangladesh's development is boosted by the ready-made clothing industry. The "Made in Bangladesh" badge has also given the honor to the country, establishing it as a globally renowned brand. Bangladesh has progressed from being called by critics a "bottomless basket" by critics to a "basket full of miracles". The readymade garment sector, which is Bangladesh's single largest export earner, has played a critical role in rebuilding the country and its economy. The industry contributes 83 percent of the country's overall export profits. While our single largest export earner, the jute industry, began to fade, the RMG sector moved in to fill the gap, ultimately surpassing it. There are now around 5000 garment industries in Bangladesh, especially Dhaka accounting for 75-percent of them. The rest are located in Chittagong and Khulna. These industries have employed fifty thousand individuals; the majority of whom are uneducated rural women. Bangladesh is the world's second-largest garment exporter, the sixth-largest provider to the United States, and the fifth-largest supplier of T-shirts to the European Union. Bangladesh has 18.8 –percent market share in the European Union behind only China 28.8-percent .During the 1990s; the industry grew at a pace of about 22 percent per year. Bangladesh has a 6.5-percent market share in worldwide RMG trading. After China, which captured 31.3 percent of the world clothing market, Bangladesh might be regarded as the second-largest exporter. Bangladesh is anticipated to become the world's top RMG exporting country one day, and that day is not far away. Bangladesh is the source of clothing for almost all well-known worldwide fashion brands like H & M, Wal-Mart, Zara, and Gap.



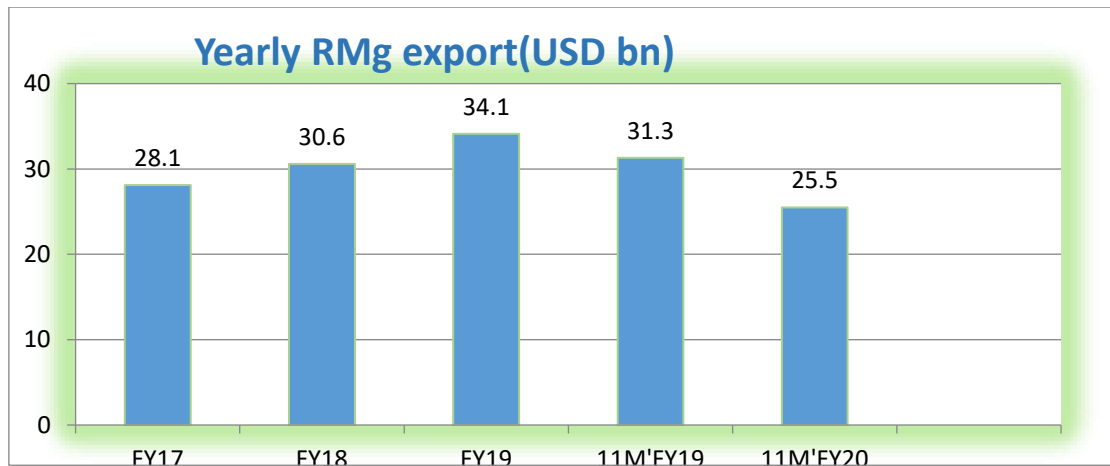


### 3.4.2 Covid-19 hit the RMG sector in Bangladesh

The RMG industry is an example of a human and economic disaster never seen before. To slow the spread of the coronavirus, the government has announced national holidays until April 25, 2020, and all commercial and industrial operations have stopped, except for emergency services. Many foreign buyers are canceling or postponing approved purchase orders from their retail locations in Europe, North America, Asia, and other parts of the world that are significantly closed. International customers have canceled or halted \$3.16 billion worth of shipments involving 1,142 companies, affecting 2.26 million employees, according to the Bangladesh Garment Manufacturers and Exporters Association (BGMEA). Because of the worldwide effect of the coronavirus pandemic, RMG exports fell 18.84 percent to \$27.70 billion in the fiscal year 2019-20 from \$34.13 billion in the fiscal year 2018-19.

### 3.4.3 Bangladesh's RMG industry has suffered massive losses

During the Covid-19 pandemic, the textile sector is going through a difficult period. The industry's development momentum had slowed due to increased competition from peer nations, lack of technical innovation, weak infrastructure, rising electricity prices, wage demands, and insufficient port capacity. The exports in 2020 were down 18.4% to USD 31.3 billion in the first eleven months from the previous year.



### 3.4.4 The assistance of the Bangladesh government

Because of the pandemic's effects on the economy, Prime Minister Sheikh Hasina proposed a stimulus package on March 25th, even before the country went into shutdown. The first package, worth about \$580 million, was aimed at export-oriented industries. A week later, it was revealed that the money was in the form of loans with a 2% interest for the period of six months. RMG manufacturers have been delayed to put the money to work, which is expected. As a result, thousands of workers are still waiting for their salaries. Both the government and the BGMEA have pushed employers not to lay off workers due to human rights concerns in this crisis.

### 3.4.5 The vulnerable are the workers.

Due to the drop in worldwide demand for apparel, the factory owners were having financial difficulties. They were unable to pay the salaries and millions of employees are facing joblessness. COVID-19 had the greatest impact on workers in this industry. Workers were spotted protesting for their salaries on the road as the situation worsened, the workers breaking the lockdown. This situation made it easier for the infection to spread among the workforce.

### 3.4.6 Reopen factories with health protocols

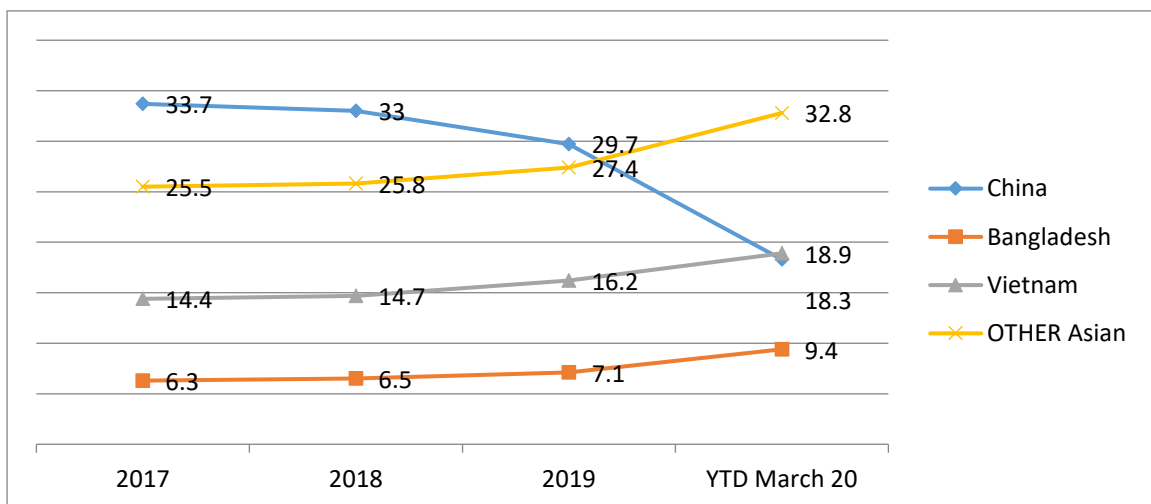
Several clothing companies were restarted during the lockdown by enforcing proper COVID-19 guidelines. When the workers failed to follow the health instructions, the scenario changed. Moreover, in the garment factories, there was lack of knowledge in keeping health

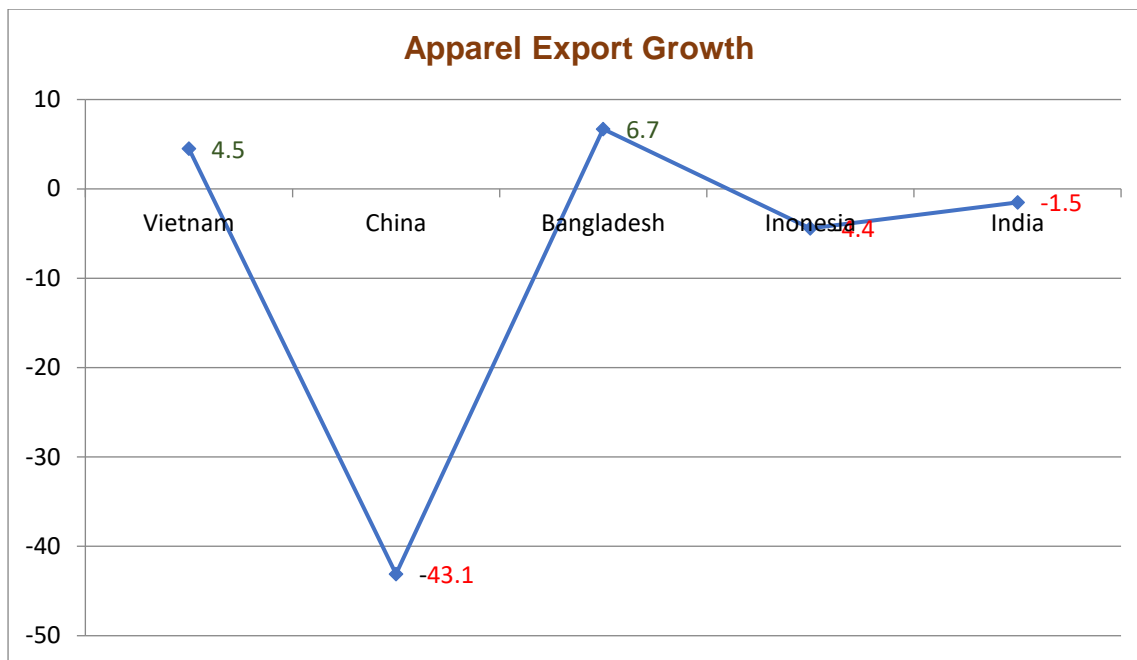
safety requirements during factory entrances and working on the floor, which increased the risk of infection spreading.

### 3.4.7 Way Forward into the Post COVID-19 World

The Bangladesh textile sector is expected to see a variety of game-changing dynamics in its key export destinations, competitive strengths, and supply chain model, which might result in new opportunities. If we do not address this sensibly, that might be a permanent loss of competitive advantage.

Since 2018, President Donald Trump has imposed tariffs and other trade restrictions on China in an attempt to get it to enter into favorable trade agreements. As a result, the market share of Chinese clothing exports to the United States has decreased from 33 percent in 2018 to 18.3 percent in March 2020. Before COVID-19, U.S. fashion manufacturers and retailers began to limit their exposure to sourcing from China, particularly since October 2019 as a result of worries about the US-China tariff war. Other Asian producers have mainly taken up China's lost market share, especially Vietnam (18.9% YTD in 2020 vs. 16.2% in 2019) and Bangladesh (9.4% YTD in 2020 vs. 7.1 percent in 2019).





### 3.5 Risk Management

Risk Management is “a systematic way of looking at areas of risk and consciously determining how each should be treated. It is a management tool that aims at identifying sources of risk and uncertainty, determining their impact, and developing appropriate management responses”

Risk management is the process of identifying, evaluating, and prioritizing risks, then utilizing resources in a coordinated and cost-effective approach to reduce the possibility and impact of unfortunate outcomes or to maximize the realization of opportunities. Risk management is all about anticipating what may go wrong and taking steps to decrease uncertainty to a manageable level.

#### 3.5.1 Different types of risk in the RMG Sector in Bangladesh

Uncertainty is usually the source of risk. The country's ready-made garment (RMG) industry faces major threats to its long-term sustainability and steady growth if it is not properly and appropriately restructured. For many years, fires and building collapses have posed a serious threat to Bangladeshi garment workers. For example, The Rana Plaza building in Savar, Bangladesh collapsed on April 24, 2013, killing over 1,100 people, the majority of whom were textile workers. A fire broke out on November 24, 2012, at the Tazreen Fashions garment factory, which produced clothing for a variety of foreign brands. At the time, about 1150 individuals were inside the building. The fire claimed the lives of 112 people and

wounded more than 200 more. The most recent pandemic, Covid-19, exposes how unstable Bangladesh's RMG sector is. There is a variety of dangers that might hinder Bangladesh's RMG sector's long-term growth. The following are the most significant risks facing the RMG industry.

- Financial risk
- Supply chain risk
- Operational risk
- Technological risk
- Other risks

### 3.5.2 Financial risk

The possibility of losing money on an investment or business operation is referred to as financial risk. Credit risk, liquidity risk, and operational risk are some of the most common and diverse financial risks. Financial risks occur when garments factories faced different types of financial crises. Because of the Covid-19 pandemic, the world economy is going to downfall.

#### 3.5.2.1 Credit risk

The probability of a loss resulting from a borrower's refusal to repay a loan or fulfill contractual commitments is referred to as credit risk. It usually refers to the risk that a lender will not recover the promised principal and payments, resulting in a disruption in cash flow and higher collection expenses. According to BGMEA President Dr. Rubana Huq's, interview, with The Daily Star, Bangladesh faces \$8 billion credit risk from international retailers and brands.

#### 3.5.2.2 Payment periods risk

The risk that participants in the transaction will not be paid for an overdue claim is known as credit risk. Credit risk occurs when one of the partners becomes insolvent. The risk of creditors borrowing money and not being able to meet their payment obligations on time is known as liquidity risk. In the RMG sector, these types happen on a regular basis. The buyer refuses to pay the agreed amount on time. This late payment makes it difficult for the exporter to open further Back to Back L/Cs for their manufacturing.

### 3.5.2.3 Financial uncertainty

A risk may be taken or avoided, and uncertainty is a situation that company owners and others in the financial sector must deal with. For example, the Covid-19 has caused a global economic downfall, which has influenced on product supply and demand. This type of economic downturn is now affecting the RMG industry.

### 3.5.3 Supply chain risks

The unexpected and unpredicted occurrences that disrupt the flow of products and services throughout the supply chain are referred to as supply chain risk. The worldwide costs of raw materials and intermediate suppliers have increased as a result of the production shutdown and transportation interruption during COVID-19. Natural disasters or human-made events that interrupt supply chains tend to raise the cost of doing business for multinational retailers and textile producers.

#### 3.5.3.1 Delivery delays

The term "delayed" denotes that unanticipated logistical circumstances have happened and that the delivery date will most likely be postponed. For example: Because of the lockdown, the exporter is unable to create and deliver products on time. The period will not be extended by the foreign buyer. As a result, the exporter will face a significant penalty, as well as an air shipment and the cancellation of the work order.

#### 3.5.3.2 Logistics & Transportation Risk

Transportation refers to the movement of products, where logistics refers to the management of goods input and output from the manufacturer to the end -user. This is one of the key challenges in the RMG sector during the COVID. The supply chain is affected. Due to shipping delays, several work orders were canceled.

#### 3.5.3.3 Lower order quantities

There is lacking demand for clothing in Europe because of the pandemic. The buyer reduced the quantity of the order from what they had previously ordered. This type of incident occurs regularly in Bangladesh.



### 3.5.4 Operational risk

Operational risk is a term that describes the risks and uncertainties that a firm faces when doing day-to-day business activities in a certain area or industry. Product quality, worker health and safety, regulatory compliance, and the control of externalities are all examples of operational risk. The garments manufacturer is having a tough time managing raw materials, consumables, critical spares, and tools inventories to assure their availability for scheduled production programs during COVID-19.

#### 3.5.4.1 Hazards in the Workplace and the Risk to Human Health

Workers in the garments industry might be impacted physically, chemically, biologically, and mentally if they work in a toxic workplace. Physical dangers are created by the heat, cold, noise, and vibration of garment machines. Chemical hazards are caused by dust, smoke, and other circumstances. Workers at RMG companies in Bangladesh may be faced with a variety of illnesses as a result of an unhealthy working environment.

#### 3.5.4.2 Workers safety issues

The RMG sector's working conditions regularly violate international labor laws and Codes of Conduct. Workers are forced to stay in unsatisfactory employment during the COVID-19 and other hazardous times due to fear of losing their jobs and lack of other job options. Fire and building collapse injuries, deaths, disablement, and death are common in the RMG industry.

#### 3.5.4.3 Regulatory Risks

The risk that a change in laws and regulations will have a significant influence on security, business, industry, or market is known as regulatory risk. For example, The COVID-19's shutdown of the border with India, lockdown obstructs the entry of raw materials. Another regulatory risk is the imposition of additional taxes on raw materials.

### 3.5.5 Technological risk

Any danger of financial loss, interruption, or harm to an organization's reputation as a result of the failure of its technological systems and supply of equipment is referred to as technology risk

### 3.5.6 Other risks

#### 3.5.6.1 Reputational Risks

The term "reputational risk" refers to the negative publicity, public perception, or uncontrolled circumstances that may have a negative influence on a company's reputation, hurting revenue. Several tragedies, such as the Rana Plaza and the Tazreen Fashion, drew international media attention and civil community criticism. H&M, ZARA, and GAP, among the world's most recognizable brands, have declined to sign contracts with Bangladeshi garment manufacturers due to the lack of worker safety standards. In June, the US administration, led by President Barack Obama, banned Bangladesh's membership in the Generalized System of Preferences (GSP), which enables duty-free entry of over 5000 items from least-developed nations into the US market. Even Bangladesh's GSP, or duty-free and quota-free access to the EU market, was threatened by the European Parliament in December 2013.

#### 3.5.6.2 Stakeholder Relationship Risk

Failure to effectively manage stakeholder risk may lead to many issues, including disagreements, project delays, and staff turnover. It can even result in fines, lack of stakeholder acceptability, and project failure in some cases. The stakeholder relationship is critical in the RMG industry to avoid order cancellation and supplier changes.

#### 3.5.6.3 Accidental risk

An unanticipated occurrence or one that occurs without obvious reason, or anything that occurs by chance misfortune, is referred to as an accidental risk. Various tragedies, including building collapses and fires, have taken the lives of over a thousand textile workers in Bangladesh during the last five years. For example, A 5-storied Phoenix Garments building in Tejgona collapsed on February 25, 2006, killing 22 people and injuring 50 others. Workers at Ashulia's Hameem Group plant were assaulted and burnt on December 14, 2010. It resulted in the deaths of 22 of their coworkers and the injury of almost 400 others. Accidents like these happen all the time in Bangladesh.

#### 3.5.6.4 Labor disruption

Chaos in Bangladesh's Readymade Garment sector has become a regular occurrence in recent years as a result of disagreements between employers and employees over compensation and other perks. This instability can also be caused by major accidents. Recent major accidents and protests in this industry have had a significant negative impact on Bangladesh's readymade garment exports to overseas markets. There is a national and worldwide agenda to cause unrest in the garment sector so that customers would avoid purchasing Bangladeshi goods.

#### 3.5.7 The impact of the risk in the RMG sector during the COVID-19

The garment industry was shocked by COVID-19. Order cancellations, reduced-order amounts, extended payment terms, and delivery delays have left many in the industry in financial uncertainty, if not outright despair. As a result, there are a lot of interests in figuring out what represents good risk management and how suppliers might adapt it to continue in business. During the COVID -19, there are several forms of risk associated with the RMG sector, making the RMG business more vulnerable.

##### 3.5.7.1 Financial Risk

Bangladesh's RMG industry has a significant influence on the country's overall economy. The majority of commercial bank insurance companies are heavily reliant on this industry. During this pandemic, order cancellation and postponements create a significant credit risk for the banking sector as well as the RMG business in Bangladesh.

##### 3.5.7.2 Credit risk

Back to Back LC is issued on behalf of a client against the security of Export LC for the purchase of raw materials locally or internationally, and timely shipments are made. The customer has the option to open a BTB LC for 75% to 100% of the FOB value of the Export L/C. The exporter produces the finished items using fabric or yarn after opening the back-to-back LC. If the buyer cancels the order or reduces the amount, the exporter will be in serious financial trouble. They may be unable to repay their credit balance after 60 or 120 days. Even they are unable to sell their finished product. As a result of buyer order cancellations during the COVID-19, several factories had to shut their business since they couldn't pay back-to-back payments and other expenses. According to the BGMEA president, Bangladesh has around 8 billion credit risks during Covid-19.

### 3.5.7.3 Longer payment periods

Because of falling consumer numbers, forced shop closures, and rising stock inventories, several fashion designers and retailers have reduced in size or delayed existing manufacturing orders to Bangladesh RMG producers. RMG manufacturers have had serious cash flow issues, they had to generate the required funds to pay their immediate suppliers and cover overhead and electricity expenses. We must evaluate the present payment arrangement inside the textile supply chain, which has resulted in the financial stability of the Bangladesh textile manufacturing community crashing catastrophically. Payment arrangements in the garment sector are complex and unusual from standard business practice. It's natural to believe that if a consumer orders a product for manufacture, they'll pay for it, just as they would in any other commerce or retail transaction. Different payment methods emerged over time as the Bangladesh textile manufacturing sector and our relationships with our clients developed. The usage of Letters of Credit (LCs) was the first and foremost. A letter of credit is essentially a bank assurance that a certain seller will receive money from a specific buyer. LCs can have a variety of payment conditions. Normally, payment is made at sight, which means that the manufacturer is paid when the order is shipped and the manufacturing is completed satisfactorily. The classical purchasing approach included telegraphic transfers (TTs), in which the manufacturer received 60-70 percent of the order value of the products being purchased in advance. After the final product was sent, the buyer would settle the outstanding balance for the final product. Most of the time this is not the case since a system of payment arrangements has evolved through time that favors the consumer while exposing the supplier to financial risks. During Covid-19, a large number of buyers cancel their orders while they are still being processed. Due to the transit difficulties and lockdown, several of them had to be postponed. As we all know, the entire process is based on credit. It puts strain on the banking industry and causes cash flow issues. As a result, exporters who are unable to provide salaries, utilities, or rent must close their factories.

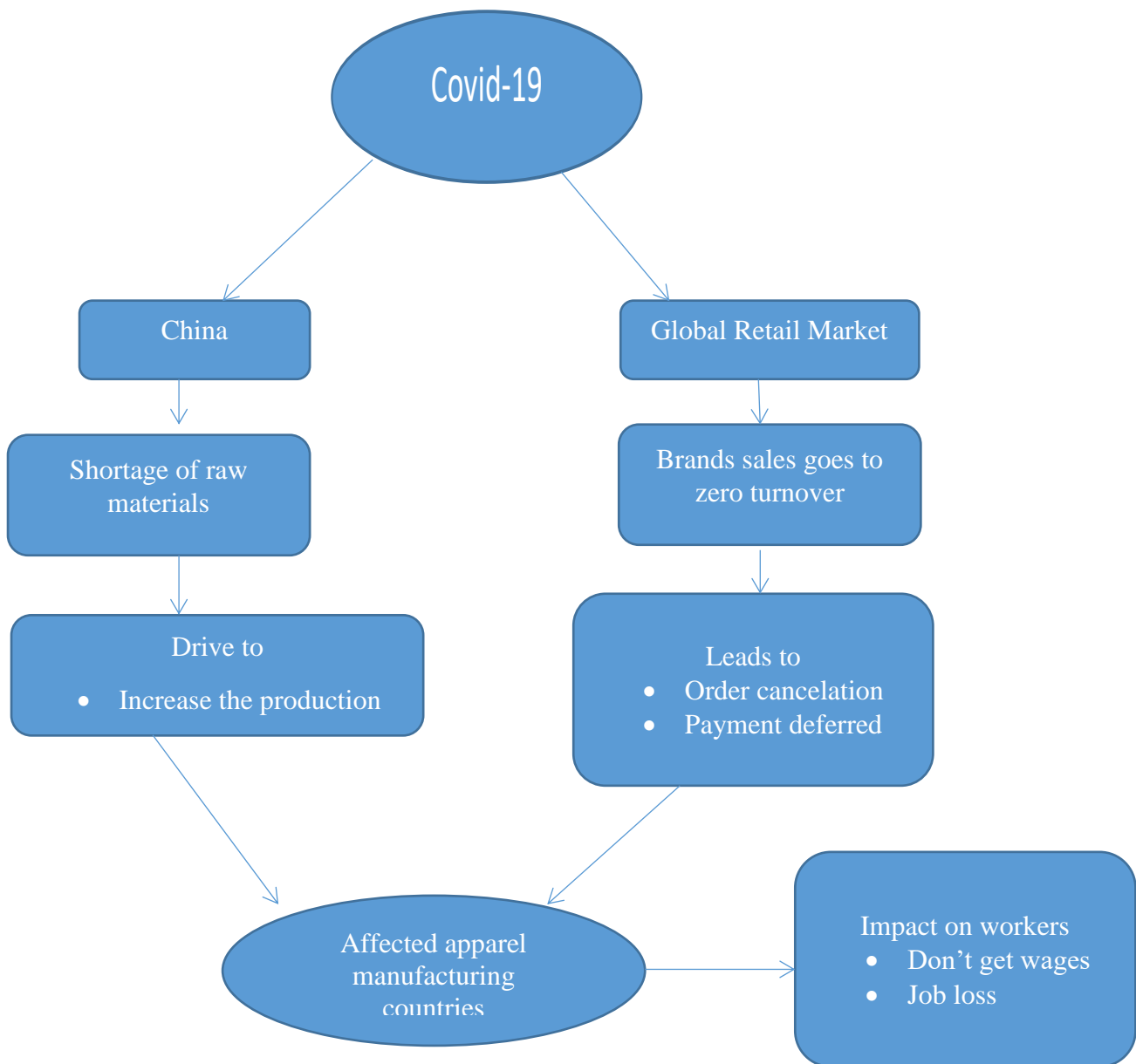
### 3.5.7.4 Financial uncertainty

We may be doing exceptionally well in business for the moment, but we have no idea what the future holds. We have no way of knowing the profit margin, and CM will show up on time. Covid-19 is one example of the danger that might severely impact the sector. That is why Squire Pharmaceutical has set aside extra funds to combat potential financial unpredictability and vulnerability. By utilizing this saving, this firm is now performing far

better than any other in Bangladesh. During this pandemic, Squire Pharmaceutical is paying the full salary. They don't even need to fire a single person. The clothing industry, on the other hand, is the most vulnerable in this circumstance. They do not set aside funds for an uncertain future. Before the shipping, they purchase all of their documents in a certain dollar amount. They have a significant amount of liability hanging over their heads. Even though the government has provided a stimulus package to counter the Covid-19, we now know that the offer is just another loan with a 2% interest rate. The owners of the garments are too focused on accumulating personal riches outside of the country.

### 3.5.8. Supply Chain Risk

The Coronavirus pandemic has shown the partnership's weaknesses in the RMG value chain. The supply of raw materials was substantially reduced in January and February of 2020 owing to the Chinese economic shutdown. Bangladeshi suppliers have suffered significant losses as a result of their heavy reliance on Chinese raw materials in the absence of a reasonable alternative. Bangladesh is reliant on China for more than half of its clothing raw materials, as well as roughly 40% of the machinery and spare parts used in the sector. As a result of the Chinese shutdown, the Bangladesh RMG industry's supply chain came to a halt. During the pandemic, 93 percent of Bangladeshi suppliers said they experienced delays in raw material shipments, according to a study. The Covid-19 pandemic has spread over the world, infecting a large number of people. Due to the worldwide lockdown, major production hubs have shuttered, causing significant supply chain disruptions (SCDs) in all manufacturing sectors, including the RMG sector in Bangladesh. Border restrictions have caused a total ban on human mobility and transportation, putting an extra burden on ships and road freight and posing serious barriers to international trade.



**Note.** The flowchart shows the impact of Covid-19 on the entire clothing supply chain. It started in China and spread around the world, leading to the closure of the brand's showrooms. Global retailers canceled orders and delayed payment to manufacturers. As a result, workers cannot receive a salary and are unemployed.

### 3.5.8.1 Delivery delays

Fabric delivery delays that result in air shipping of garment export orders are a nightmare for both fabric suppliers and the unlucky garment exporter. The timely delivery of fabric is critical to the clothing industry's supply chain reliability. Even yet, most fabric and garment makers run into this problem now and then, leading to purchasers demanding that the product be shipped by air, or worse, canceling the purchase and charging a heavy penalty. The expense of shipping by air is excessively high. One air shipment can wipe out the profit from numerous additional orders. The cost of air freight can often be as much as 40% to 50% of the cost of the clothing. Furthermore, all three participants in this supply chain, the fabric supplier, the garment exporter, and the buyers, have a negative relationship, making future business difficult. During the Covid- 19 epidemic, supply delays were common due to lack of suitable transportation, a forceful lockdown, market closures, and delayed supplies in Bangladesh. The exporter is suffering significant loss as a result of the delivery delays in the country. According to a report, shipment delays and late presentation of paperwork to Bangladeshi authorities are among the most serious difficulties facing the country's garment industry during this pandemic.

### 3.5.8.2 Order cancellations

Bangladesh's textile makers and employees are suffering as a result of the coronavirus outbreak, which has reduced long-term demand and lead to the cancellation of orders from major fashion brands. Because of the worldwide coronavirus pandemic, brands and retailers have canceled orders worth more than \$6 billion for Bangladeshi garment companies. According to the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), orders for about 650 million garments worth a total of US\$2.04 billion have been canceled, affecting 738 companies and around 1.42 million people. Because of the COVID-19 pandemic in the month of April, many countries' supply chains have been badly impacted, as brands cancel or postpone purchases and shut down outlets throughout the world. Buyers were unhappy with the delay in importing raw materials for manufacture since they insisted on fulfilling basic deadlines on existing orders.

### 3.5.8.3 Lower order quantities

Just when Bangladesh's textile industry was beginning to recover from the pandemic's effects, a new wave of coronavirus has begun to cause problems. According to preliminary findings

by the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), among 50 out of 350 key factories, worldwide clothes shops and brands have placed 30 percent fewer work orders for the next four months. Buyers are unable to visit factories in Bangladesh to evaluate product quality, compliance, and whether or not there is a safe working environment because they are afraid of having Covid-19. As a result, customers have lowered the number of work orders for manufacturers in the area. The BGMEA President expressed her concern that the crisis's impact would result in an irreversible supply chain catastrophe.

#### 3.5.8.4 Logistics and transportation risk

According to RMG exporters, globally, logistics and transportation play a critical part in the RMG value chain, and these operations come with several risks. Carriers' negligence and delays may result in the loss of money, resources, and consumers. Robbery, theft, and hijacking during the transit of products are not prevalent, both locally and internationally. This is a risk that my firm has recently faced. We have had to rely on new delivery services as a result of Covid-19. After arriving at the port, our C & F personnel discover a significant net weight and gross weight disparity of sweaters. The truck driver stole over 4,000 pieces and was later caught. All of this occurred because of the relationship breakdown with the previous delivery agency.

#### 3.5.9 Operational risk

##### 3.5.9.1 Workers Health risk

On March 8, 2020, Bangladesh confirmed its first COVID-19 case. In comparison to other Asian nations, Bangladesh has had a larger increase in confirmed cases. As a result, since the beginning of the year, the country's garment sector has been severely impacted economically. Workers were observed protesting on the road for their salaries as the crisis worsened, breaking the lockdown. It made it easier for the virus to spread among the employees. Covid-19 positivity was discovered in 97 workers in April, with 10 of them dying. Following correct guidelines about Covid-19, several clothing companies were able to reopen during the lockout due to the general situation. However, the scenario changed when the staff failed to show up. Following the health guidelines Furthermore, there was lack of understanding in keeping health safety norms often found at textile factories at factory doors and on the production floor, which led to the probability of infection spreading. This is not a usual phenomenon in Bangladeshi garment manufacturers. RMG employees are prone to a variety



of chronic health problems, including headaches, respiratory difficulties, poor working posture, and depression because of the hazardous working circumstances, the nature of their labor, and the dust generated by raw materials. Covid-19, together with these health risks, might now be more harmful in terms of death and socioeconomic status if the scenario remains.

**For example:** Covid-19 has had a significant detrimental impact and creates a huge health risk on Bangladeshi textile workers, according to the Daily Prothom Alo Published on 2 May 2020. A couple who worked in the textile industry in Gajipur had to sell their newborn kid because they couldn't manage the taka around 25,000 medical bills. They were jobless since their garments factory had closed because of the Covid-19 pandemic, and they couldn't pay the medical bills. The infant, however, was rescued by local authorities and returned to his or her parents. This tragedy highlights the vulnerability of garment workers in the case of the Covid-19 pandemic and so on.

### 3.5.9.2 Workers safety issues

Covid-19 hit Bangladesh in March 2019, and despite the lockdown, some industries have continued to operate while others have reopened sooner than predicted. Guidance on factory health and safety practices was not released until April 22nd. This was only four days before the formal factory reopening on April 5th, and a long time after the initial set of reopening. The BGMEA, not the Bangladeshi government, has established regulations and criteria for factory reopening.

### 3.5.9.3 Bangladeshi textile workers face job cuts and hardship

According to the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), the major trade association, almost 70,000 people have been fired from garment factories since April as the sector has lost over \$3.5 billion in orders. Bangladesh's garment industry is the second-largest behind China's and the country's largest industrial employment. With roughly 4 million employees, most of whom are underprivileged rural women. Since March, when the government declared a statewide closure to combat the coronavirus epidemic, people have been losing their jobs. Hundreds of enterprises in industrial zones began reopening on April 26 after being locked down for over two months. According to Babul Akhter, head of the Bangladesh Garment and Industrial Workers Federation, told UCA News that around 150,000 employees have already lost their jobs, with more being laid off every

day. Furthermore, older employees who have been in the business for a long time have suffered severe pay cuts.

**For example:** Chuknagar, Bangladesh's Jessore district, The Halima's family started to fight poverty 12 years ago. The family moved to Savar, where they worked as sewing operators in one of the many textile manufacturers. They were able to get out of poverty and provide enough food for their family and send their children to school because of their work. They have changed occupations at least five times in the last few years due to a variety of factors, but they have never gone without a job. They were fired for the first time in April of this year owing to a decline in manufacturing productivity and business caused by the coronavirus. In Savar, the couple might earn around Taka 25,000/- taka per month. They were no longer able to pay their rent or afford their daily costs due to the loss of their employment.

Sabuj Biswas, 29, is an ethnic Paharia Catholic from Ghoraghat, Dinajpur district. He had been working as a quality controller at a textile factory in Gazipur, another industrial region near Dhaka, until April. Sabuj might make around Taka 20,000 per month, including the normal salary and overtime. He used to send money to his relatives back home after retaining part for himself. Sabuj, the family's eldest son and sole provider, has come home after losing his job. To support the family, he and his 16-year-old brother have taken on the role of daily income earners. He's concerned that many garment factory workers like him were fired without warning since they didn't have a fixed contract.

Since Covid-19 impacted the local and global economy, thousands of employees in Bangladesh's \$30 billion export-oriented garment sector have lost their employment, including Maloti and Sabuj. The workers are going through a difficult period and are still looking for a job.

### 3.5.10 Other Risks

#### 3.5.10.1 Reputational Risks

According to ACA news, Maloti Mondol, her husband, and three children moved their home in RMG workers' protests claiming unpaid wages. The mismanagement that resulted in thousands of RMG workers crowding to the Dhaka, Savar, and Gazipur hubs on April 4, and misunderstanding about the plants' reopening have all lately made the news. When big merchants claim to pay the percentage of their bills that cover workers' wages, and the

government allocates cash at 2% interest rates for wages payment, claims of withheld salaries can have a long-term bad influence on the industry's reputation, leading to future order loss.

### 3.5.10.2 Technological risk

The COVID19 issue has long been a threat to the clothing industry. The epidemic's impact is unparalleled. Machine tool demand and the supply chain are predicted to be significantly impacted. The disruptions of Chinese industry, as well as the overall demand for metallurgical products, are major concerns.

Bangladesh is reliant on Chinese machinery and replacement components in a great portion. Bangladesh imports around 40% of its machinery from China. The Covid-19 pandemic is impeding the development of existing factories as well as the creation of new ones. Transportation between Bangladesh and China has come to a standstill as a result of the lockdown. Because of the strong reliance on China, expansion, new factories, and logistic support establishments have come to a halt in Bangladesh.

### 3.5.10.2 Accidental risk.

The Rana Plaza disaster and Tazreen fashion a perfect illustration of how only two manufacturing units' errors or misdeeds may harm the whole industry's image. If we can keep control over overseas orders and economic activities. Covid-19 may be a term card for Bangladesh because of the western world's unfavorable stance against China. Covid-19 has put Bangladesh in a terrible financial condition, and if the Rana and Tazreen type of man-made disaster occur again, the image of the RMG industry would be severely harmed.

## **3.6 Techniques for Managing Risks**

### **3.6.1 How to Deal with Risks**

To minimize turbulence in the RMG sector, promote more social compliance and labor regulations to better salaries, working hours, overtime, job security, the right to establish trade unions, social security, and occupational health and safety. Independent risk management functions with a strategic cost-cutting emphasis should be established. An internal control system that covers all aspects of operations should be created, with senior management providing ongoing support and monitoring. Due to a lack of effective management systems and monitoring of operations and expenditures, many small and medium-sized businesses face financial challenges.

### **3.6.2 Hire experienced management**

It is common to notice in the RMG industry lack of expertise in management. Proper investing will assist in reducing risk and avoiding future financial instability.

### **3.6.3 Establish a labor regulation**

Bangladesh's workplace safety and health requirements are defined under the Factories Act of 1965. Due to lack of resources and unethical practices in the system, it is rarely enforced like every other component of the Labor Code. Bangladesh's government must conduct a comprehensive reform of labor regulations to improve working conditions. Working conditions and environments must be adjusted in line with the country's present reality, and resources must be provided to assure compliance.

### **3.6.4 Reforming the RMG Industry Strategy**

To reduce risk issues, the government should collaborate with the multilateral to offer funds, training, and other capacity-building assistance, as well as structural adjustment facilities.

### **3.6.5 Responsibilities and Reforms of the BGMEA**

BGMEA may also help with self-monitoring and compliance by providing mandatory training programs. They should make it mandatory for all of its members to guarantee that the owners or their chosen representatives and the directors and managers of manufacturing units attend week-long training sessions. Which focuses on worker rights, workplace safety, facility inspection and remedial actions, legal duties to employees. BGMEA should offer the factories at least three months of fire training. BGMEA might also compel its leasing facilities members to examine the facility's property and building papers to ensure that it complies with local building codes.

### 3.6.7 Continuous Monitoring of Compliance

Building safety, other manufacturing safety, and workspace health concerns are only a few of the topics covered by compliance. The manufacturer should ensure compliance by recognizing high-risk or probable danger situations that require quick attention.

### 3.6.7 Improving infrastructural obstacles

The availability of adequate facilities is a requirement for economic growth. Bangladesh's RMG sector needs to have a solid supply chain to reduce lead times. Other issues limiting Bangladesh's RMG export competitiveness were the lack of appropriate physical infrastructure and utilities.

### 3.6.8 Strong Trade Unions

Dr. Fazle Hasan Abed believes the answers begin with the employees themselves; their employers must enable them to form unions so that they may engage in collective bargaining and hold their employers accountable for basic wage and safety requirements. The only thing that can stand up to the owners' and politicians' poor business policies is their organized power.

### 3.6.9 Social Compliances

Bangladesh is regularly advised by the international buying community to adopt a code of conduct. The social compliance concept is extensively focused on these buyers' rules of behavior. In general, frequent audits or inspections are used to verify a manufacturer's adherence to a specific standard or code of behavior. Buyer or third-party auditors are appointed by the buyers to conduct these examinations. The following are the essential features of general codes of conduct.

**Discipline:** There will be no physical abuse, pressure, or verbal abuse.

**Working Hours:** Comply with relevant regulations, but no more than 48 hours per week in any case, with at least one day off every seven days.

**Compensation:** Wages provided for a typical work week must fulfill legal and industry requirements, as well as be sufficient to support employees' and their families' basic needs; no disciplinary reductions are permitted.

**Forced Labor:** There will be no forced labor, such as jail or debt bondage labor. Employers or outside recruiters will not be required to deposits or identity papers.

**Health and Safety:** The owner of the garments must provide a safe and healthy working environment as well as take safety steps to avoid injuries. They must give regular health and

safety training to their employees. It's a method for detecting risks to one's health and well-being. Access to toilets and potable water must be guaranteed.

**Discrimination:** There will be no discrimination or sexual harassment based on race, caste, origin, religion, handicap, gender, sexual orientation, union or political affiliation, or age.

**Right to Collective Bargaining and Associational Freedom:** Respect for the freedom to organize and join labor unions, as well as the right to trade unions. Allow parallel ways of association and bargaining if the law bans these freedoms.

**Effective HRM practice:** Most RMG manufacturers lack a well-defined HR or Personnel section and do not perform HR activity. They ineffectively address labor rights and neglect labor rules, rejecting fair labor practices, ignoring health and safety concerns, and prohibiting trade unions. As a result, employees' rights in the RMG industry are often violated, resulting in labor unrest. So the garment industry should have a good human resource management system.

### **3.7 Different Crimes committed by Garments owner**

The future is quite unclear. It's impossible to predict what will happen in the future. When many businesses attempt to safeguard their future. On the other hand, the owner of the clothing business is completely different when it comes to putting money aside for future sustainable growth. They are obsessed with accumulating personal possessions and prosperity. The Covid-19 demonstrates how vulnerable Bangladesh's RMG business is. During this pandemic, Bangladesh faces significant credit risk. When the government provides various sorts of facilities, some business owners take advantage of them. They are involved in a variety of criminal activities, including money laundering, excessive importation, and tax avoidance. Many ready-made garment owners have reportedly been engaged in money laundering and the violation of bond facilities, in addition to receiving all of the government's benefits. According to reports, money laundering through back-to-back LCs or other means continues, causing havoc on the economy and destroying the government's revenues. It was discovered that several garment owners used the laundered funds to build a paradise in another nation.

#### **3.7.1 Money laundering by free of cost (FOC) facilities**

The National Board of Revenue (NBR) has identified some garment manufacturers that were laundering money and avoiding duty under the free-of-charge facility by importing raw materials. In the previous two fiscal years, the factories are suspected of laundering about Tk 20 corer and avoiding revenue of Tk 185 corer. Several garment manufacturers imported raw

materials without LC and under the FOC since Customs Intelligence has been watchful against money laundering. They also utilized to import products using acknowledgment of bills of entry and the FOC facility without the usage of letters of credit. It is also claimed that powerful export and import business owners are frequently not audited. There are also claims that these smuggling-related textile companies are evading taxes by using duty-free bond privileges.

### 3.7.2 Excessive importation

According to NBR RMG owners, often make use of using bond and duty-free privileges, selling items that are covered by bond privileges on the open market. Bangladeshi garment manufacturers are now benefiting from duty-free imports for 100% export-oriented ready-made garments. They can open 60 percent of the time back-to-back LC against the master LC. Sometimes they're opening more back-to-back LC than their limit. They don't always send the entire order quantity. They keep a large amount of fabric and yarn on hand and sell them at the local market. As a result, the government was deprived of a large sum of taxes. This enabled the owner of the garments to become wealthy overnight.

### 3.7.3 Tax avoidance

About 36% of taxable money is laundered from Bangladesh in a variety of methods. If present trends continue, money laundering may reach \$14.13 billion by 2030, according to Global Financial Integrity (GFI). The benefits of importing products under the duty-free bonded storage facility on the condition of re-export are available to garment factory owners, who are the top currency earners through export. However, some unethical dealers take advantage of the system and sell their products on the open market. Even some of the owners do not contribute to the country's revenue.

### 3.7.4 Black money

According to economic analysts, the majority of garment manufacturers have set up factories in the nation to do business, but a small percentage of company owners are laundering money in a variety of ways by abusing their facilities. Many Bangladeshis have purchased expensive homes in different countries like Begum Para, using money laundered from their own country. Begum Para refers to the houses where the wives and children of the Bangladeshi wealthy live. It is often assumed that politicians and textile business owners are the majority of those who have purchased homes in the area with black money. Some garment manufacturers are attempting to whiten their black money by raising the unit price of a certain product. It becomes legal money if they can return it through a bank. Economists have

also expressed concern that the country's hundi trade is involved in money laundering by a garments owner.

### **3.8 Causes that hinder the proper development of the RMG sector in Bangladesh.**

This industry is about 40 years old and started from nothing. RMG exports from Bangladesh were only US\$3.5 million in 1981. Bangladesh continues to enjoy duty-free access to some developed countries, especially the European Union, with the result that in 2018, Bangladesh's RMG exports reached \$36 billion in the 2019 fiscal years and continues to grow. Bangladesh is now firmly established as the world's second-largest exporter of clothing and textiles. The forty-year is enough to reach the apex of the RMG industry around the world. But still, Bangladesh is facing different kinds of problems with its sustainable growth.

#### **1. Lack of Research and Development (R & D)**

In the absence of world-class design and research institutes, RMG factories in Bangladesh produce clothing. Items that match the design provided by the buyer are often referred to as “cut and paste developments”. As a result, Bangladesh remains focused on low-value products. With proper research on brands and fashion trends in Bangladesh, we are able to capture value segments and high-value-added products. The negotiating skills of Bangladeshi vendors are also weak due to the lack of training. There are only a bit of education and training institutions related to garment technology, but the number is not huge. However, very few initiatives are taken to develop new products from these institutes.

#### **2. Lack of Proper Market and Product Diversification**

Bangladesh RMG products are mainly exported to the USA and EU. Over the past three decades, Bangladesh recovered and won from a mediocre position in 2nd and 3rd places in a row. In the EU and the US, currently, over 80% of clothing exports come from the US and the EU. The EU market has thrived thanks to Bangladesh's quota system and its range of low-cost products. Empirical study indicates that the outcome might have been considerably better if the EU's duty-free policy had been used wisely and efficiently in EU nations; particularly Germany, the United Kingdom, France, and Italy. Almost 80% of all EU exports are held by the country. It's risky to rely on just a few major purchasers. Instead, Bangladesh should look for a new market in the EU to reduce its reliance on these customers. Traditional markets for Bangladeshi garments might include Japan, Australia, South Korea, Brazil,



Mexico, Hong Kong, Taiwan, China, Singapore, Russia, and the United Arab Emirates. RMG's exports from Bangladesh are mainly focused on T-shirts, shirts, sweaters, and jeans. These are low-value products with low-profit margins and account for almost 75% of the production of RMG in Bangladesh.

### 3. Lack of modernized equipment

The textile industry has obsolete equipment and machinery. Failure to modernize equipment and machinery in a timely manner has reduced the competitiveness of Bangladesh's textile industry<sup>6</sup>. Due to outdated technology, production costs in Bangladesh are higher than in other countries like India, Pakistan, and China.

### 4. Lack of new investment

Due to obsolete textile machinery, Bangladesh's textile sector has low productivity. Bangladesh's textile sector will require significant capital investment to solve this challenge and differentiate itself from the competitors. For many years, the tendency has been to invest in spinning. Bangladesh is faced with both foreign and internal issues that restrict new investment. Bangladesh is extremely unstable internal situation.

### 5. Increasing Cost of Production

The cost of producing textiles is increasing for many reasons such as rising interest rates, double-digit inflation, and the declining value of the Bangladeshi taka. The above reasons have increased production costs of the textile industry, which creates difficulties for the competitiveness of the textile industry in the international market.

### 6. This dependence on raw materials on other countries

This dependence on raw materials in other countries is slowing down the growth of the clothing industry. Sometimes the foreign suppliers often provide poor quality raw materials leading to poor quality products.

### 7. Difficulty to create loan

Sometimes a garment factory has to borrow money to ship an order. But they don't get it from the government and private banks with low-interest rates. At that time, they faced the problem of not being able to borrow money on time, which often hampered the industry.

#### 8. The lack of proper safety in the workplace

The garment owners took advantage of the workers' poverty and ignorance by forcing them to labor in dangerous and hazardous environments that were packed with people beyond the factory floor's capacity and had no ventilation. It leads to damage, which results in the death of the employees. They also break the law in order to make a large profit. The salary scale of workers is relatively very low compared to the standard of living. Women workers do not even receive the minimum wage, leading to labor unrest.

#### 9. Gas and Electricity shortage

Gas outage continues in the textile and garment industries despite the significant increase in demand. The industry has been affected and cannot accept export orders from all over the world. The gas shut off continuously through the years causing large output loss and seriously affecting the capacity of the industry. For the broader benefit of the economy and exports, the government should ensure that utility companies provide a steady supply of electricity and gas to the textile industry. The major obstacle to the growth of ready-made clothes is the diesel and power problem. Around 90% of the generators used in garment factories are diesel-powered, with only 5% being gas-powered. Because of diesel and power shortages, clothing manufacturers are obliged to send their items by air to make up for lost time and meet deadlines.

#### 10. Tight Monetary Policy

The pursuit of a tight monetary policy raises manufacturing costs. Financial expenses grow when interest rates rise, putting a strain on production. The 1% withholding tax has a negative impact on production. The high cost of conducting business is a result of the recent increase in interest rates, which has worsened the industry's challenges. The government must move quickly to reverse the trend.

### 3.9 Recommendation

1. Due to the RMG industry's traditional payment mechanism, avoiding credit risk is extremely challenging. To eliminate this type of risk, the TT advance payment technique is highly useful. If the exporter receives 60 to 70-percent advance payment. The exporter can easily cover his costs. On the other hand, the customer is obligated to take all of the pre-ordered quantities. There's a lower probability of an order being canceled. The exporter can verify the buyer's past credit history before offering to finance. Building strong relationships with buyers by delivering the highest value to them can help you be paid on schedule.
2. The ideal answer for this situation is sight L/C. It takes around 21 days to pay the exporter. A positive relationship with the lien bank might help you avoid this type of risk.
3. The future is a very uncertain thing. Work orders may not always arrive in the same flow. In the RMG industry, there are a lot of competitions. If the global economy suffers a setback, it will have an impact on the RMG business, both in terms of demand and supply. The factory should set aside a specific amount of money to combat the risk of short and long runs. It will assist the manufacturer in paying its employees' salaries, rent, utilities, and other costs.
4. During Covid-19, lockdown may occur at any time. Setting a minimum and maximum shipment time will be beneficial for a factory.
5. There are several advantages to using a particular delivery service. It reduces operational expenses, increases corporate focus, flexibility, and, most importantly, eliminates delivery delays. Delivery times can be cut significantly using automation. Although automated logistic software is costly, it will save you time and money by preventing delivery delays. If a company can sit down with its carriers and match their requirements with the carrier's services and costs, they may considerably minimize their risk. The lockdown during Covid-19 hampered transportation and logistic support. As a result, a positive connection with the delivery service may be beneficial to the manufacturer. It would be a poor idea to change delivery services regularly.
6. To avoid order cancellation, the exporter should establish a good connection with the buyer and make every effort to manufacture the product according to the buyer's

specifications. Maintaining a timely delivery date will give you more negotiation power.

7. The RMG factories should ensure that workers are kept at a safe distance from one another. Furthermore, the enterprises must provide adequate facilities for soap and water hand washing. It is now an urgent need to raise awareness among employees about how to prevent the disease in the workplace and at home. The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) should inspect the factories to see if they are following the law.
8. For eliminating the operational risk the shipment should be placed as soon as possible, there should be less waste, Excessive labor requires proper planning, Overtime work should be limited or eliminated, A specific production strategy should be created, and so forth.
9. There are several steps that the firm owner and employees may take to mitigate the risk of labor unrest. These are summarized below. Salary and bonuses should be provided to employees and workers on time, and stress at work should be avoided at all costs. Physically harassment should be avoided at all costs and job cuts should be avoided.
10. Lack of timely shipment, improper product quality maintenance, disregard for international law, and worker safety issues all have a negative influence on brands. Maintaining all requirements helps in the development of a solid relationship with the buyer as well as the avoidance of reputational damage.
11. China's reliance should be decreased. Alternative sources for machinery and raw materials should be developed. South Korea, Germany, and Pakistan are all viable options.
12. The BGMEA rules should be reformed, and a strong regulatory body should be established. They should conduct frequent audits of the company. As long as everyone follows the rules.
13. Within the workplace and in the areas where the employees live, safety measures according to WHO-approved norms and those designed by local authorities must be followed.
14. Transporting millions of employees from around the nation to RMG hubs, which are already hotspots for coronavirus transmission, is a huge worry that must be handled with extreme care.

15. At the same time, worldwide campaigning is required to guarantee that buyers do not leave Bangladeshi producers. Embassies, envoys, and multi-nation trade organizations must emphasize to buyers the devastating consequences of canceling orders for millions of RMG employees.
16. It's necessary to look after the people who run the sector, as well as the firms that utilize them. Carefully devised modes of operation and strategic trade-related activities can protect the RMG industry from the short-term risks of losing immediate orders, and the long-term risk of losing markets due to poor work conditions.
17. To create a sustainable industry, a solid infrastructure is needed. The government should play an important role in creating better infrastructure through adequate investments in roads, highways, and port facilities. The Dhaka-Chittagong four-lane highway should be given priority; Along with Chittagong Port, Mongla Port should be used at full capacity. The rail road infrastructure between Dhaka and Chittagong requires improvements in yard architecture, storage, and wagon management. Biman, the national airline, should expand its cargo wing by prioritizing RMG export at a reasonable freight rate. The development of deep sea ports and a specialized industrial zone for RMG should be prioritized.
18. Only cheap labor will not be a competitive advantage in the future. Along with the efficiency of cheap labor and productivity must be increased. The BGMEA, together with governments and other international organizations, must launch initiatives to develop workers' skills and expertise, investing in education and training.
19. RMG industries need foreign direct investment or investment in the form of joint ventures, strategic alliances of high technology companies in order to diversify products for high added value and non-traditional products.
20. Consistent energy supply is a prerequisite for a long-term and profitable industry. The government must ensure adequate energy supply.
21. The RMG business has suffered greatly throughout the years because of political unrest. As a result, the RMG sector faces a significant challenge in the political situation. All political activity must be maintained apart from corporate operations.
22. Safety in the workplace has become very important to a sustainable industry. To create positive stimulation and strong participation of workers in labor law in order to implement an effective system of labor inspection, regular monitoring of the safety of all garment factories, arranging injury workers, to ensure safety and health at work, the application of group insurance is necessary.

23. Bangladeshi clothing manufacturer and exporter is expected to shift focus from low-value, high-value finished products such as t-shirts to high-value products such as clothing to increase sustainability for the country. Large potential markets with large buyers from middle-income groups such as Russia, Brazil, Spain, Japan, Mexico, and India can be lucrative targets for high-value products and short-term investments.
24. Government trade diplomacy should be more targeted and result-oriented. All public and private level business and political entities, such as the ministry of foreign affairs, the export promotion bureau, businesses, BGMEA, BKMEA, and trade associations, should look into cohesion and consensus initiatives.

### **3.9 Conclusion**

In this study, it was discovered that various risk factors or incidents are acting as stumbling blocks in Bangladesh's developing ready-made garments sector during Covid-19. The major goal of this research is to address or control the detected risks to boost the company's purchase order as well as keeping workers right. All parties involved in the operation of a factory are closely tied. However, none of the stakeholders are accountable for ensuring that all resources are controlled. Different parties are responsible for different risks. As a result, to achieve the goals of this study; all of the parties involved must collaborate. If all of these risks can be managed by various techniques and regulations, it will provide buyers from other nations a favorable impression of Bangladesh's ready-made garment business.

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