

A Report

On

Prospects and Barriers of RMG Sector in Bangladesh

By

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fulfillments of the requirements of the degree of
Master of Business Administration (MBA)

BRAC Business School

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Declaration

It is hereby declared that,

The case study submitted is my own distinctive work while completing degree at BRAC University.

The report is not published previously or written by a third party, except where this is appropriately cited through full and accurate referencing.

The report does not cover any material which has been documented, or submitted, for any other degree or diploma at any university or other institution.

I have acknowledged the main sources of help.

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Subject: Submission of Case Study.

Dear Sir.

It is my pleasure to submit my case study under your supervision. The topic of my case study is “Prospects & Barriers of RMG Sector in Bangladesh.”

I have tried my top to finish the case with the imperative data and recommended plan in a noteworthy, compact and inclusive manner as possible.

I trust that the report will meet the requirements.

Sincerely yours,

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Acknowledgement

First and foremost, I would like to demonstrate my thankfulness toward Almighty Allah for giving me the chance and ability to complete my internship program through developing a case study on RMG sector of Bangladesh.

Any kind of project needs the assistance of several people to be completed successfully. In addition, I received assistance from a variety of sources to prepare this paper. I'm making a small effort right now to express my sincere gratitude to the helpful person.

Therefore, I am very thankful for the assistance and support of my respected Supervisor Dr. Md. Kausar Alam, Assistant Professor (BBS), BRAC University. I am also gratified to my Co-Supervisor Dr. Md. Mizanur Rahman, Assistant Professor (BBS), BRAC University. Without their kind direction and proper guidance this study would have been a little success.

Finally, the case would not have been conceivable without the persons who helped me with significant data and enquiries related to the report.

Abstract

The export of ready-made garments (RMG) from Bangladesh has experienced stiff competition in recent years from a number of nations. The Covid-19 epidemic has made the problem even more difficult. Covid-19 is a serious danger to the apparel industry of Bangladesh. The endurance of RMG exports is essential for Bangladesh's steady economic evolution. This study tries to pinpoint potential roadblocks for Bangladeshi RMG exports as well as workable fixes. The study employs secondary data. Secondary data is acquired from a variety of publications, including books, websites, journals, and newspapers. RMG industry has faced a variety of difficulties, such as poor infrastructure, political unpredictability, fire adversities, a lack of raw material properties, the epidemic consequence, etc. Since the country's independence in 1971, the readymade garments business in Bangladesh has excelled all other industries in terms of both profits and viability in overseas exchange. By creating a huge number of job possibilities and eradicating poverty through social development, it has a significant impact on the national economy. We have done a survey and based on the responses findings are given. In 2026, Bangladesh will no longer be classified as a least developed country (LDC), posing additional difficulties for the RMG. Moreover, there are some barriers which are dragging the RMG sector behind. Some of the barriers are inadequate product diversity, fire tragedies, backward linkage, lack of R&D facilities, unskilled labor and etc. To overcome the situation, there are some possibilities like ensuring workers' safety, enhancing productivity through lead time reduction, constructing infrastructure and many other. By catching all the possible ways and overcoming all the barriers, Bangladesh hopes to get the first place in RMG sector.

Keywords: Bangladesh, Ready Made Garments (RMG), Barriers, Prospects

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Chapter 1:

Overview of RMG

Sector

1.1 Introduction:

The core of Bangladesh's national economy depends on the readymade garments (RMG) industry. It can also be said that, RMG division is the mainstay of Bangladesh's economy. The RMG has enormous potential in a variety of areas, from international export profits to job creation. The "Made in Bangladesh" label has given fame to the country from all over the world and offers the promise of an even more sparkling future amidst growth and progress. It also serves as a stimulant for national development. Despite the challenges the industry has experienced recently, it has established a position for itself in the worldwide market, and its strong performance is on the rise. According to newly disclosed Export Promotion Bureau (EPB) figures, Bangladesh's (RMG) disseminate for the July to May fiscal year 2021–22 generated \$38.52 billion. RMG export increased 34.87% over the first eleven months of FY 2021–22 compared to the same time the year before. To make sure that the millions of workers have safer workplaces and enhanced working conditions, is the RMG sector's largest concern right now. The Tazreen fire and Rana Plaza collapse, two significant incidents, have engaged all stakeholders and thrust workplace safety to the foreground of conversation. Following the incident, the nation as a whole, as well as the RMG industry, faced a significant problem due to the image issue. To meet the demand and standards of the world, it is a laborious and enormous task to guarantee workplace safety at all garment manufacturers. The most important obstacles for the industry, outside working safety, are establishing infrastructure and a competent workforce. Bangladesh's garment industry has less productivity than other major competitors on the global market due to political upheaval and compliance concerns. However, political steadiness is precise necessary for the industry to keep up its current rate of expansion in the days to come. The RMG sector's crisis may be addressed with the assistance of worldwide varieties and growth partners, opening the road for the nation's socioeconomic progress. It is the duty of all parties involved to safeguard the interests of this sector, which has improved the nation's economic standing by generating work for millions of people, particularly women, and rescuing them from the depths of abject chronic poverty. In order to heal the industry's wounds and continue to improve the sector for the nation, this research study examines the current state of the RMG sector along with its opportunities and problems.

1.2 Objectives of the Study

The core objective of this report is to explore the prospects and the reasons of why is Bangladesh lagging behind in the global high-end apparel market. The objectives include:

- To outline the RMG sector's current situation in Bangladesh.
- To demonstrate the sector's impact on the nation's economic development.
- To focus over the prospect of Ready Made Garments industry.
- To provide an overview of the barriers in the global high-end market.
- To offer some suggestions how to overcome obstacles as effectively as feasible.

1.3 Rationales of the Study

Since the RMG sector makes a significant contribution to the socioeconomic growth of the nation, it requires special consideration from all groups who depend on or benefit from it. The study highlighting the potential and problems is currently needed because this is the industry that generates the most foreign exchange. The study's disclosure of the true image of potentials and constraints may further motivate the sector to improve the core sector and realize the country's aspiration.

1.4 Scope of the Study

The difficulties and effects of the ready-made clothing industry are the key themes of this study. This study focuses on the positive effects that the RMG sector has on our economy. This report identifies certain issues facing the RMG industry and why Bangladesh is lagging behind. Finding a solution is a potential result that will assist in overcoming the difficulties.

1.5 History of the RMG Industry

Along with the Reaz store in Dhaka, the RMG sector's history began in 1960. They revised the name of the business to Reaz Garments Ltd. later in 1973.

Reaz Garments began boosting Bangladesh's garment market in 1978 by selling 10,000 tops in Paris for 13 million francs for the first phase. Merely nine garment industrial amenities, both huge and small, were running throughout the nation at the time. As a consequence, these manufacturers only made a few million dollars from exports. However, these firms also marketed goods in the neighborhood market in addition to exports. The RMG sector in Bangladesh began its journey with Riaz Garments, but the late Mr. Noorul Quader Khan remained as its founder. He invested 1.3 million USD in the construction of Bangladesh's first textile factory that was entirely focused on exports, Desh Garments, in 1979 (Source: [Business Inspection, 2022](#)). An important factor in the growth of Bangladesh's RMG industry has been Desh Garments. Mr. Qadir had the foresight to prepare the nation's youth for future leadership positions in business. 130 trainees were transferred to the Daewoo Corporation's Pusan facility in South Korea that same year to undergo training in order to create a skilled work force for the production of ready-made clothing. Following a six-month training period, they moved to Bangladesh and established the RMG sector's main human resource base.

Around the same period, a number of other businesspeople established their factories, including M Shamsur, Rahman's Stylecraft Limited, and AM Subid Ali's Aristocrat Limited, as well as Akhtar Mohammad Musa's Bond Garments, Mohammad Humayun's Paris Garments, and Azim Engineer Mohammad Fazlul. The Bangladeshi government granted permission to purchase duty-free garment machines to create export goods during the beginning of the 1980s. As a result, Bangladesh saw a sharp rise in the number of garment factories. In Bangladesh, there were 632 factories in 1984–1985, while there were over 2900 in 1999. whereby the majority of the factories are concentrated in Chittagong and Dhaka. By that point, Bangladesh was the sixth-largest distributor of T-shirts to the US market, the fifth-largest distributor of T-shirts to the EU market, and the 123rd-ranked garment exporter all over the world.

The exports of the RMG sector stood just 4.8 billion USD in the fiscal time 2000-2001; through the fiscal year 2010-2011, they had almost doubled to approximately 18 billion USD, growing at a rate of almost 14% yearly (Source: [Business Inspection, 2021](#)). The establishment of an EPZ by the government of the nation, which grants bondholders a 10-year tax holiday, tax-exempt importation of machinery and raw materials, the use of large warehouses, and initiatives like close LCs have all been credited with a significant contribution to the success of garment factories that

are entirely focused on exports. These are the causes of the nation's exports' rapid expansion. During that same time, the nation was home to over 5,000 garment factories that employed over 3.5 million people. The RMG industry in Bangladesh had a middling of 871 million dollars in foreign direct deal between 2005 and 2010.

Two textile employees died in a clash in July 2009, costing Hameem Group, the biggest clothing manufacturer in the nation, Rs 100 crore. In 2012, a fire at the Tazreen industrial unit resulted in minimum 112 fatalities and more than 200 injuries. The Rana Plaza building fell down in the same year, crushing over 1,100 people and injuring over 2,500 more. Considering such an instance, many overseas consumers backed off and stopped purchasing Bangladeshi clothing. The special tariff advantages for Bangladesh were likewise suspended by the US.

To prevent such disastrous mishaps, industrialists invest more than a billion dollars on providing constructive projects. To fix issues with factory structures, firefighting, and other concerns, hundreds of industrial unit should be close down in addition to the creation of the Accord on Fire and Building Safety, the Alliance for Bangladesh Worker Safety. By considerably enhancing occupational safety, Bangladesh was able to reach 84.1% rehabilitation by 2018.

These actions helped the nation's RMG sector grow, and export volume increased by twofold. The export revenue for the RMG industry was 19.08 billion USD in the Financial Year 2011–2012, but it rose to 31.45 billion in the Fiscal Year 2020–2021. Bangladesh currently boasts additional green clothing producers than any other nation in the sphere.

According to newly disclosed Export Promotion Bureau (EPB) figures, Bangladesh's (RMG) disseminate for the July–April period of FY 2021–22 brought in \$35.36 billion. RMG exports increased by 35.98% throughout the first ten months of FY 2021–22 compared to the same period the year before (Source: [Textile Today, 2022](#)).

Chapter 2:

Review of Literature

2.1 Overall Economic Impact of RMG in Bangladesh

The expansion of Bangladesh's ready-made clothing market is evidence of the victory of human potential. Professor Nurul Islam, the head of the Bangladesh Planning Commission in the post-independent Bangladesh, was recently questioned by a BBC reporter whether they saw Bangladesh as the world's no. 2 supplier of RMG. He said negatively because it was not even on their radar. Production of ready-to-wear clothing was not at all a high-growth industry in the 1980s. Egypt, Pakistan, and India, cotton-producing nations with substantial textile industry, appeared to have a distinct advantage in becoming significant garment exporters. Nevertheless, two decades later, it was Bangladesh's chance to demonstrate to the world what its innovators and workers could accomplish in the global marketplace with the right kind of policy support. The upward march continues as annual increases in exports and manufacture of clothing are noted.

2.1.1 Tragic Events Lead to Transformation:

A string of labor accidents that claimed more than 1,000 garment workers' lives and garnered international attention over the previous ten years helped alter Bangladesh's RMG sector. Large-scale issues with working conditions were brought to light by the 2012 Tazreen factory tragedy and the 2013 downfall of the Rana Plaza plant. As a result, some global clients clogged procuring from Bangladesh, and the United States withdrew from its satisfactory tariff contract.

Gratitude to ingenuities started in the wake of the tragedies, such as the Accord on Fire and Building Safety in Bangladesh, the Alliance for Bangladesh Worker Safety, and etc.; RMG area is currently a leader in limpidity concerning workshop security and value-chain accountability. Numerous hazardous, low-tier factories stayed shut down as an outcome of these activities, while rehabilitation efforts in countless others were scaled up.

Following actions, Bangladesh had a span of incredible evolution as its appeal in the worldwide market for clothing tracking was reestablished. McKinsey & Company estimated progress of between 7 and 9 percent ten years previously. With a multifactorial yearly growth ratio of 7%, RMG disseminates from Bangladesh have in fact further than doubled over, rising from \$14.6 billion in 2011 to \$33.1 billion in 2019 (Source: [McKinsey & Company, 2021](#)). From 4.7 to 6.7 percent throughout this stretch, RMG industry saw an increase in its proportion of worldwide apparel exports. This falls within the range they predicted in their research, but it also demonstrates

that the nation has not yet reached its full potential as predicted ten years prior. There were indicators of a decline, with 2019's second half showing worse growth than 2018. When COVID-19 struck in 2020, orders were reduced, cancellations were made, payments were put on hold, and terms were renegotiated. Many minor, fewer well-funded manufacturers secured their doors as the pandemic threatened the existence and livelihoods of Bangladeshi employees, and pressure for smaller orders grew. During the first year of the outbreak, Bangladesh's RMG exports saw a value decline of 17%, translating to income losses of up to \$5.6 billion.

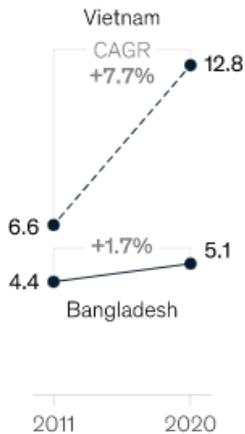
Bangladesh continues to be a desirable location for garment sourcing, according to McKinsey's regular surveys in the fashion industry, but the nation has recently encountered growing competition, which could exacerbate the issues of the pandemic. Vietnam trailed Bangladesh in terms of the top global sourcing hotspots, but it was the favored sourcing nation for US executives, according to their 2019 CPO study. The World Trade Organization has not yet released comparable data for world trade in 2020, but data from imports into Europe and the US suggest that Vietnam will likely surpass Bangladesh in 2020, knocking Bangladesh's RMG industry out of its position as the second-largest garment exporter in the world after China.

The European Union (EU) and Vietnam's new favorable trade deal, which was inaugurated in August 2020, may cause Vietnam's apparel exports to surpass Bangladesh's, even though Bangladesh's RMG sector endures to be a powerful exporter to Europe's fashion industry and has increased its market share substantially in the past span. Vietnam has long surpassed Bangladesh's RMG sector among US apparel importers; in 2020, Vietnamese apparel imports into the US were 2.5 times more expensive than those from Bangladesh. Vietnam is emerging as the largest winner as US purchasers shift their sourcing away from China which is showing in below table.

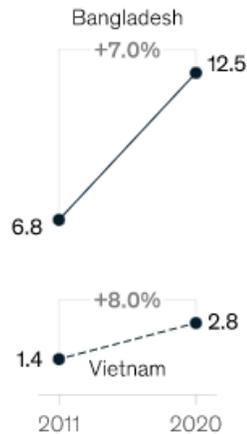
Growth of apparel imports from Vietnam is outperforming imports from Bangladesh.

Apparel import value

United States, \$ billion



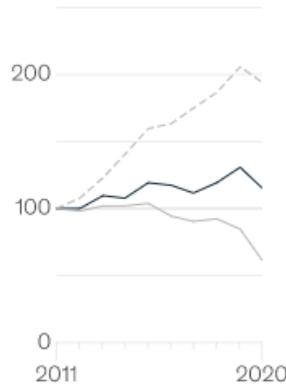
Europe (EU27), € billion



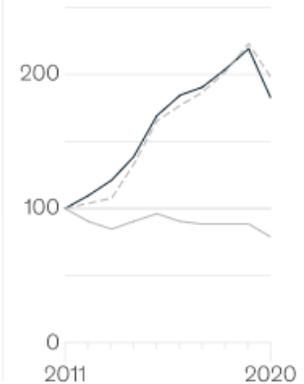
Apparel import value, index (2011 = 100)

Legend: — Bangladesh, --- Vietnam, — China

United States



Europe (EU27)

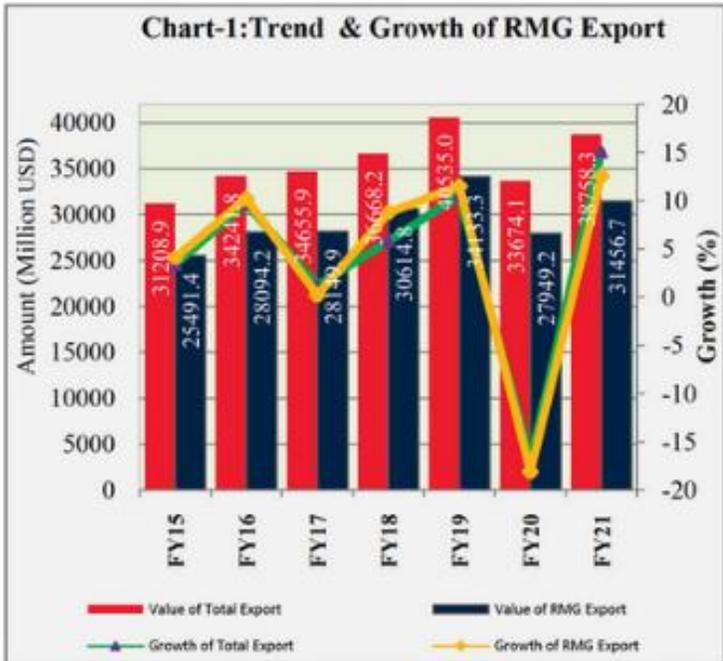


Source: McKinsey Analysis

2.1.2 Trend & Growth of RMG Export

When compared to the prior quarter, the nation's RMG export revenues climbed by in the January-March fiscal year 22 quarterly by 6.33 percent. Additionally, RMG's quarterly export earnings were 45.14 percent and 27.24 percent upper than both the trimestral benchmark plus the equivalent period from the prior year. Increased shipping of textile products to the US and European nations, as sound as various administration and significant bank engagement throughout the pandemic time frame, all contributed to this boom.

The RMG industry generated 7.66% of GDP in FY21. The total RMG export revenue for Bangladesh is USD 31456.73 million, an increase of 12.55 percent as of the prior fiscal time (Chart-1). In Chart 2, it is depicted how the RMG division and non-RMG goods contributed to overall carry across revenue in FY21.



Source: Export Promotion Bureau (EPB)



Source: Export Promotion Bureau (EPB)

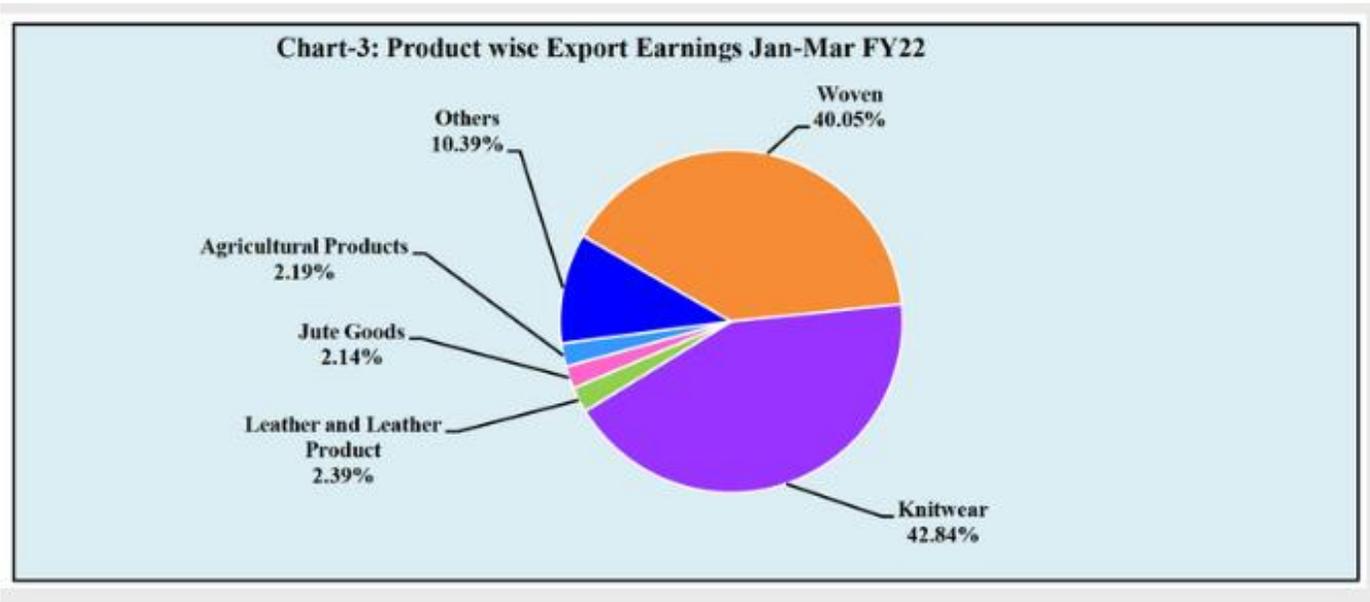
The left chart shows that trend and growth of RMG sector got down in 2020 and then again it started raising again from 2021 and growing in a continuous process. On the other hand, the product wise export earnings chart shows that the percentage of Woven and Knitwear are accordingly 37.40% and 43.76%, which carry the lion share of export earnings FY21. And we are hopeful that it is raising day by day.

2.2 Prospects of RMG Sector

2.2.1 Quarterly Increasing Performance of RMG: January-March FY22

RMG's distribute revenue for the 3rd quarter of FY22 was USD 11527.70 million. RMG's export revenue exceeded the quarterly objective by 27.24 percent as a result of a change in the COVID-19 scenario. Knitwear and woven clothing made up 40.5% and 42.84 percent of all export revenue over the time period under consideration, respectively (Table-1).

In addition, non-RMG items made the following quantities to total export earnings in this period: jute products (2.14 %), agricultural products (2.19 %), leather and leather products (2.39 %), and other products (10.39 %) showing in chart 3.



2.2.2 Knitwear

Due to the immense gain in exports the previous quarter, knitwear export earnings in decreased slightly to USD 5958.27 million, a decrease of 0.65% from the preceding quarter nonetheless a 44.34 percent rise from the same timeframe the year prior. Additionally, knitwear exports during the reviewed quarter exceeded the goal by 18.43%. (Table-1). On a quarterly basis, Knitwear export earnings are shown in Chart-4.

2.2.3 Woven

Woven garment export revenues increased significantly in the third quarter of FY22, reaching USD 5569.43 million, up and about 14.98 percent as of the second quarter and 46.01 percent from the same quarter the previous year. Woven clothing exports exceeded the quarterly export target by 38.23%. (Table-1).

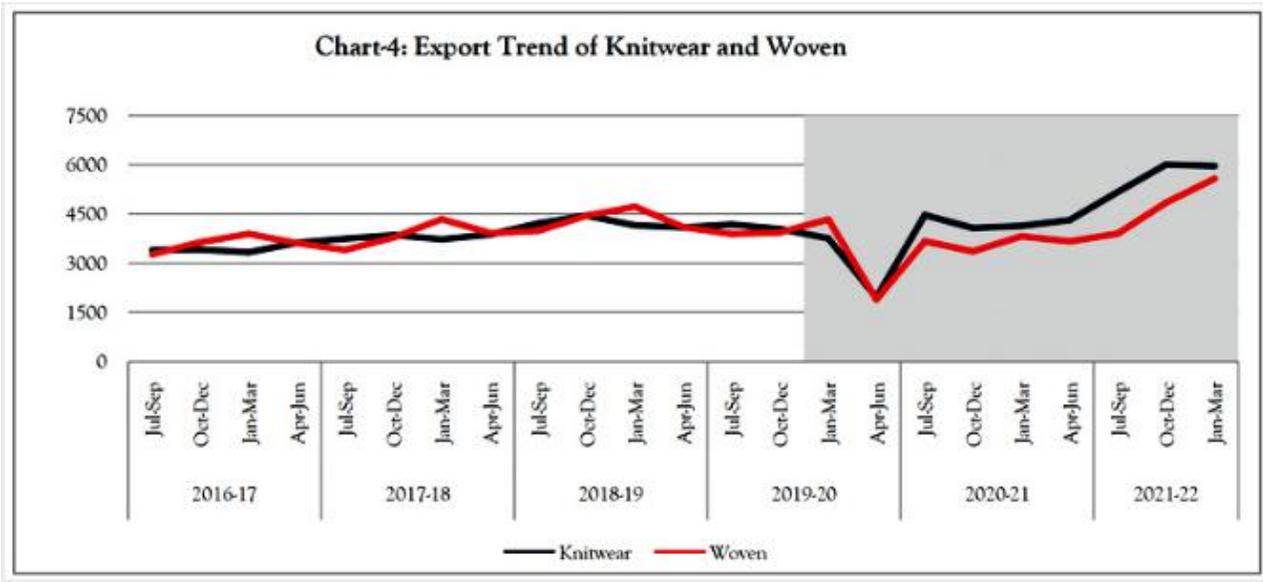


Table-1: Export of Readymade Garments

(From FY16 to Jan-Mar, FY22)

(Million USD)

FY	Total Export	Woven Garments		Knitwear		Total RMG (Woven + Knitwear)	Percentage Share in Total Export		
		Target	Actual	Target	Actual		Woven Garments	Knitwear	Total
1	2	3	4	5	6	7=(4+6)	8=(4÷2)	9=(6÷2)	10=(8+9)
FY 16	34241.82	14105.42	14738.74	13266.21	13355.42	28094.16	43.04	39.00	82.04
FY17	34655.92	16210.00	14392.59	14169.00	13757.30	28149.89	41.53	39.70	81.23
FY18	36668.17	15060.00	15426.25	15100.00	15188.51	30614.76	42.07	41.42	83.49
FY'19	40535.04	16539.00	17244.73	16150.00	16888.54	34133.27	42.54	41.66	84.21
Jul-Sep FY20	9647.99	4612.95	3887.34	4493.76	4170.22	8057.56	40.29	43.22	83.51
Oct-Dec FY20	9654.17	4797.10	3930.88	4673.14	4035.58	7966.46	40.72	41.80	82.52
Jan-Mar FY20	9671.67	5004.21	4330.95	4874.90	3748.75	8079.70	44.78	38.76	83.54
Apr-Jun FY20	4700.26	4935.74	1892.02	4808.20	1953.45	3845.47	40.25	41.56	81.81
FY'20	33674.09	19350.00	14041.19	18850.00	13908.00	27949.19	41.70	41.30	83.00
Jul-Sep FY21	9896.84	4025.39	3662.72	3934.68	4463.66	8126.38	37.01	45.10	82.11
Oct-Dec FY21	9336.61	4173.74	3356.67	4079.69	4062.51	7419.18	35.95	43.51	79.46
Jan-Mar FY21	9704.90	4418.35	3814.35	4318.78	4128.01	7942.36	39.30	42.54	81.84
Apr-Jun FY21	9819.96	4467.52	3662.96	4366.85	4305.85	7968.81	37.30	43.85	81.15
FY'21	38758.31	17085.00	14496.70	16700.00	16960.03	31456.73	37.40	43.76	81.16
Jul-Sep FY22	11021.95	3748.44	3895.26	4680.46	5164.18	9059.44	35.34	46.85	82.19
Oct-Dec FY22	13676.60	3934.56	4843.81	4912.84	5997.45	10841.26	35.42	43.85	79.27
Jan-Mar FY22	13907.12	4029.05	5569.43	5030.84	5958.27	11527.70	40.05	42.84	82.89

Source: Export Promotion Bureau, Bangladesh

2.2.4 Prospective Destinations of RMG Exports

Bangladesh's chief export markets for RMGs showing in Chart-6. The nine countries' combined export revenues from January to March of FY22 totaled USD 9286.95 million. From that, 90% or USD 8421.52 million came after the export of RMG (woven 46.06 % and knitwear 44.62 %) (Table-3). RMG global sales from these nine nations climbed by 5.85% during the reporting quarter compared to the previous quarter and was 50.41% greater than it was during the corresponding quarter of the prior fiscal year.

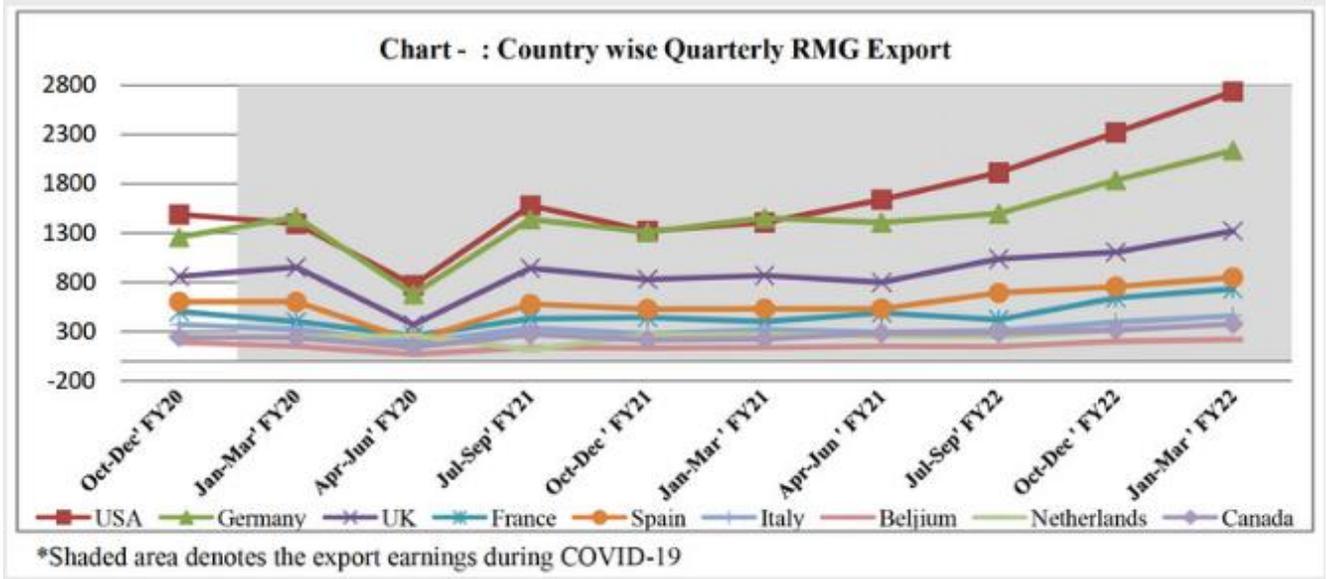


Chart-5

Here, we can see RMG export is increasing after FY20. USA is the highest RMG marketer of Bangladesh. Then comes Germany, UK, France and many other countries. Bangladesh is very hopeful to increase their export more in future days. Furthermore, table 2 shows county wise RMG export in January-March, FY22.

Table- : Country wise RMG Export in January-March, FY22

(Million USD)

Countries	Total Export	Woven Garments	Knitwear	Total RMG	Other Exports	Share of RMG in Total Export (%)	Others Share in Total Export (%)
1	2	3	4	5=(3+4)	6=(2-5)	7=(5÷2)	8=(6÷2)
USA	2734.83	1593.37	764.89	2358.26	376.57	86.23	13.77
Germany	2138.90	979.58	1057.82	2037.40	101.50	95.25	4.75
UK	1320.43	539.56	692.08	1231.64	88.79	93.28	6.72
France	733.77	240.18	407.61	647.79	85.98	88.28	11.72
Spain	848.86	360.09	458.22	818.31	30.55	96.40	3.60
Italy	459.91	165.56	265.93	431.49	28.42	93.82	6.18
Belgium	218.55	59.37	129.95	189.32	29.23	86.63	13.37
Netherlands	454.58	174.18	209.96	384.14	70.44	84.50	15.50
Canada	377.12	165.33	157.84	323.17	53.95	85.69	14.31
Sub-Total	9286.95	4277.22	4144.30	8421.52	865.43	90.68	9.32
Others Countries	4620.17	1292.21	1813.97	3106.18	1513.99	67.23	32.77
Total	13907.12	5569.43	5958.27	11527.70	2379.42	82.89	17.11

Source: Export Promotion Bureau, Bangladesh

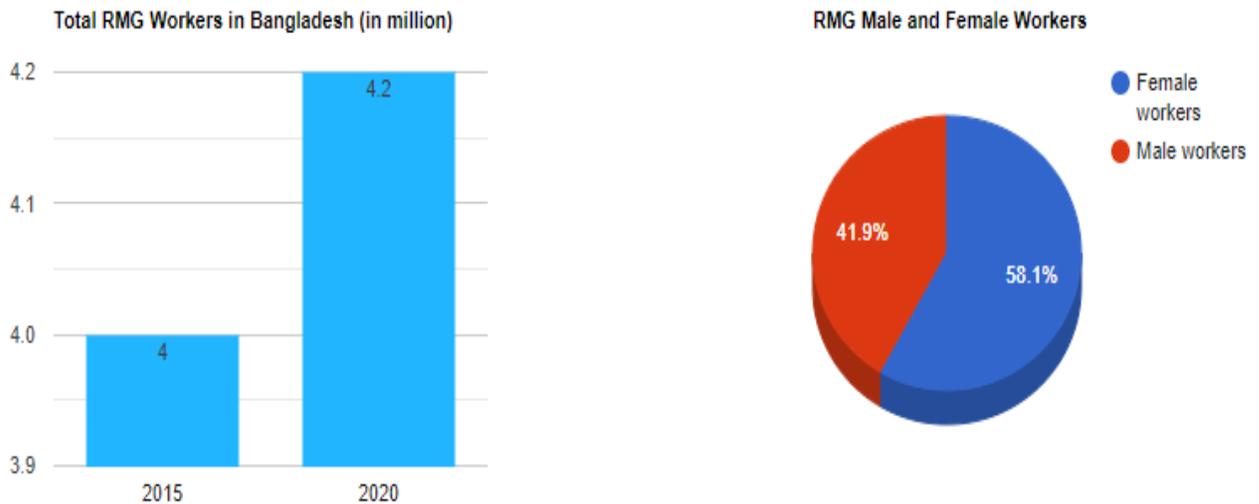
Table-2

In order to promote RMG development and export, the government has taken a number of steps and made funds accessible. The aforementioned funds are crucial: Pre-shipment Discount: The Corona pandemic has prompted Bangladesh Bank to establish a refinance fund with a BDT 50.00 billion value in order to maintain the export activities of export-oriented RMG firms. Loans from this fund are available to RMG business owners over banks at a ratio of interest of 6%. The interest rate on this loan fund was recently lowered by BB from 6% to 5% at the recipient level and from 3% to 2% at the bank level in an effort to improve economic growth in the export sector.

2.3 Barriers of RMG Sector

The RMG sector, which began its journey over forty years ago, is currently the backbone of Bangladesh. This trade interprets for around 80% of Bangladesh's overall disseminate profits. Bangladesh made 31.45 billion USD from RMG distributes in the 2020–21 FY.

In addition to its contribution to bringing in foreign income, this industry employs millions of people nationwide. More over 4 million RMG employees worked in 2015; by 2020, that figure had increased to additional 4.2 million. Above 1.8 million of these employees are men, and 2.5 million are women.



The trade consumes numerous encounters and persistent complications that limit its ability to boost competitiveness besides enhance export results. RMG sector is primarily dealing with the issues listed below:

2.3.1 Inadequate Product Diversity

One of the main issues facing this sector is a lack of product diversification. Despite the fact that Bangladesh has been exporting garments for almost 40 years, there are more products in the low-cost category. However, rival nations like China, India, Vietnam, Cambodia, and others are

creating goods for the luxury market. In consequence, less than 80% of Bangladesh's overall manufacturing capability is used to produce just five low-cost commodities. The majority of the overall export items are clothing items such T-shirts, pants, and sweaters.

Currently, Bangladesh is able to produce complicated goods like coats, fitted clothing, and lingerie in addition to materials made from synthetic fibers. However, the majority of the nation's factories do not yet own the tools required to produce such goods, and the owners of those factories don't appear particularly eager to offer such resources.

2.3.2 Fire Tragedies

The RMG sector is extremely competitive, and lowering costs is highly valued. However, because safety is not generally valued in the nation, cost-cutting methods regularly endanger the health and safety of personnel. Fire is significant frequent & destructive accidents in Bangladesh's textile division since clothing is extremely ignite. In this industry, fire is also the main factor in workplace fatalities and injuries. Accompanying accident harms industry's repute abroad, especially in light of the precarious working environments in evolving nations' industrial sectors.

Due to the importance of fire protection in the clothing industry, the administration, BGMEA, and international buyers of clothing goods have all worked together to create the fire safety nation, which has led to a marked decline in occurrences also damages. Yet, fires continue to frequently occur in garment factories despite the numerous actions, rules, and guidelines put in habitation over the centuries, causing significant harm of life, livelihoods, machinery, and constituents. A five-year peak in factory fires for ready-to-wear clothing was reached in 2020. However, the number of industrial fires has reduced during the past five years. Data from the Bangladesh Fire Service and Civil Defense show that there were 383 industrial fires there in 2020, 273 of which were in the RMG industry.

2.3.3 Backward Linkage

The RMG industry in Bangladesh remains to lack sufficient backward connection support. As a consequence, we typically need to purchase raw resources from outside sources, including other

nations. For instance, Bangladesh still relies on China in lieu of clothing equipment alike lace, woven materials, etc. The profit margin in the sector is still minimal, despite the fact that Bangladesh leads in relationships of exports and export profits are coming in. Nevertheless, overwhelming majority of export funds are used to buy these supplies and equipment, which is eroding exporters' and producers' trustworthiness.

On the contrary side, rival nations with strong backward links include Cambodia, Vietnam, China, and India. Bangladesh still lags behind in terms of backward linking, aside from circular knits.

2.3.4 Increased Lead Time

Lead time assures RMG industry maintains its competitiveness in comparison to its rival nations.

The lead time used for importing raw supplies is, however, far greater in Bangladesh's RMG sector than the prime time for transferring goods. Ineffective port and airport management as well as other forms of physical assets are the main causes of lead time.

2.3.5 Lack of R&D Facilities

The inadequacy of competence and substructure expansion in Bangladesh is the country's chief RMG sector disadvantage.

As forming a new plant in the state and applying for permission to connect to utilities like gas and electricity both involve regulatory challenges. Additionally, effective workforce development is a significant difficulty. Likewise, the majority of Bangladeshi factories lack an R&D division. Bangladeshi factories need three to four months to complete the design and sample-making stages of a product, but China can do the same procedure in just 15 to 30 days. There are excellent R&D facilities in rival nations as well. The country's RMG industry will increase greatly as a result of strong R&D facilities, and businesses will be able to produce at a higher capacity in a shorter period of time.

2.3.6 Unskilled Labor

For the businesses to develop, there must be an enough number of qualified employees with the necessary skills. The abolition of the quota system in 2005 put the Bangladeshi manufacturing industry in an open market environment, which means that the RMG business there has a critical need to upgrade the skills of its executives and workers. A lack of skilled professionals, particularly in middle management, is impeding the growth of this industry. Currently, the industry employs 4.2 million people, 80% of whom are women, most of whom are uneducated, unqualified, also originate from rustic as well as isolated areas. Lack of competence has considerably reduced productivity. Bangladesh nevertheless needs to boost its forward connectivity even though its backward connecting has increased over the last year. The bulk of ready-made clothing companies do not have internal training resources. Due to a shortage of instructors with professional certifications, the quality of the training facilities as they stand is poor.

2.3.7 Risks Associated with the Sourcing of Raw Materials

A most commonly utilized and necessary of the imported raw materials is cotton. Bangladesh is the global highest supplier of cotton due to the RMG sector's heavy reliance on the commodity. Bangladesh acquired \$5275.67 million worth of cotton from the international market and ultimately in 2016, making up 10.8% of all exports.

The two countries that Bangladesh imports cotton from most frequently are China and India, which both export RMG. Bangladesh's dependency on imports results in longer delivery times and increased sourcing risk. While the timeframe for woven materials from Bangladesh is typically a week, the lead times for materials commencing from China and India can range from 15 days to 30 days. Additionally, there are substantial swings in the price of yarn and additional raw ingredients utilized in Bangladesh's fabric industry.

2.3.8 Increasing Rivalry

Bangladesh's RMG business has recently experienced fierce competition. Together, India as well as Myanmar have already taken the required steps to strengthen their standing in the global RMG

market. In 2020, Bangladesh's proportion of the global apparel market decreased to 6.3% commencing 6.8% the year before, besides the country's market value was \$28 billion. Vietnam's contribution to global RMG distributes increased from 6.2 percent to 6.4 percent in 2020. By the end of 2020, It's market value of equity was \$29 billion. Vietnam overtook Bangladesh to overtake it as the second-largest exporter of ready-made clothing in the world (RMG) (Source: [Dhaka Tribune,2021](#)).

2.3.9 Poor Transportation Facilities

Roadways in bad condition as a result of inadequate production and conservation presents a serious threat to RMG division. The principal route between Dhaka and Chittagong is continually clogged with heavy traffic, making it possible to travel the journey in up to 12 hours. The railways are not used to their full potential despite having a surplus of freight capacity and uninterrupted transportation. Exporters and importers have less interest in the area as a result of the inadequate rail vessel loading services between Chittagong and Dhaka. Around 85% of the nation's goods pass through the Chittagong port, which is afflicted by labor conflict, poor supervision, plus a lack of essential infrastructure and apparatus. Transportation issues often arise as a result of political objectives at the regional and national levels. The free-market investment portfolio in the Bangladeshi apparel industry has largely failed due to the power problem and a lack of transport facilities. Water, electricity, gas, and oil are a few instances of the elements required for the growth of the sector. The manufacturing industry had a rapid fall in regard to the reduction in power supply, which had an impact on the export order. Approximately 85% of the nation's commerce commodities are maintained at the Chittagong port, which is plagued by employee issues, poor management, and a lack of equipment. Because of the absence of a deep-water port necessary for the mother vessel's entrance, the seaport's lead time for sea merchandise has risen by about 10 days. The condition of the roads is a threat to RMG's growth (Source: [The Canadian Center of Science and Education, 2022](#)).

2.3.10 Insufficient Energy

The free market venture approach in our apparel industry consumes largely failed due to the power problem and a lack of infrastructure systems. Water, electricity, gas, and oil are a few instances of the resources required for the growth of the sector. The industrial sector had a rapid fall in regard to the reduction in power supply, which had an impact on the export order. Due to the abrupt spike in power prices, production costs have gone up. Industries owners are compelled to use alternate energy sources, like generators, as a result of the frequent power outages, which drives up the cost of production overall. Energy is especially important in Bangladesh's situation because it is a developing country with rapid economic growth and a protracted energy crisis. In Asia, Bangladesh is a booming and developing nation with a rising need for fuel and energy.

These are the most common barriers of RMG sector in Bangladesh. However, there are some more barriers as well.

Chapter:3

Survey and Analysis

This research investigates the prospects, reasons as well as challenges that our RMG sector is facing to compete with the world class apparel industry. The report is both descriptive and quantitative in nature. It is accomplished by gathering primary as well as secondary data.

3.1 Selection of RMG

I have selected some garments factories as well as buying houses for the survey. The survey comprises the approach of top management, relationship with the workers, prospects of the organizations, barriers of the organization as well as the culture of the organization. Each organization has minimum 30 workers. All the selected organizations are 100% garments export oriented buying house or factory. The size of the organizations is small to large. The survey is conducted to get an overall real idea of prospects and barriers of RMG sector of Bangladesh. The targeted people for the survey are the top level management as well as the managers of the organizations.

3.2 Product

Jeans, Trousers, Shorts, Skirt, Tops, Shirt, Dress, Swimwear, Nightwear etc.

3.3 Data Collection Method

The data of the report is collected from Primary Data by doing survey.

3.4 Data Analysis

Data will be analyzed in different ways. Descriptive analysis by using statistical apparatuses.

Assessment is conducted from primary data. 34 samples have been collected and with the help of Microsoft Excel we found data based graphs, bar charts, pie charts etc.

3.5 Sample

I choose the simple random sampling method to carry out the survey. The sampling method known as simple random sampling gives every member of the population an equal chance of being selected for the sample. As a result, because the investigator did not apply his discretionary preference in the selection of individuals, the selection is free from personal bias.

From sample I documented the following diversity of the sample-

Total sample size was 34. Among them 29 members were male and 5 members were female. All of them are from top level management. The average age of the sample is 40-70 years. Everyone was asked to answer a set of 20 questions separately.

3.6 Limitations

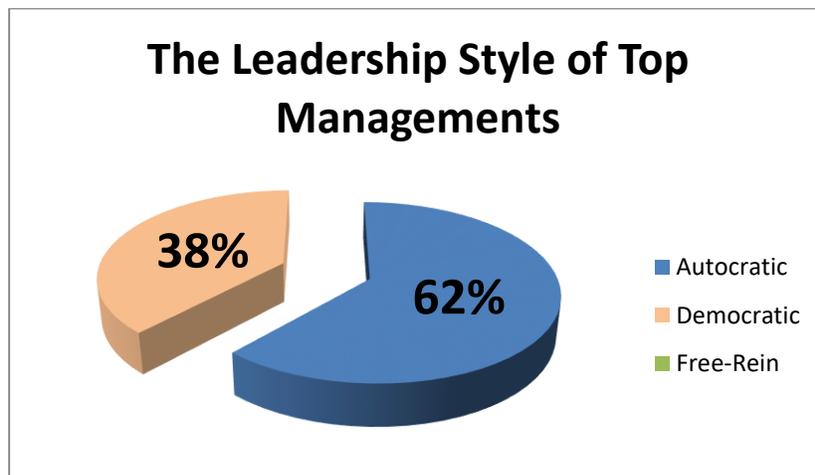
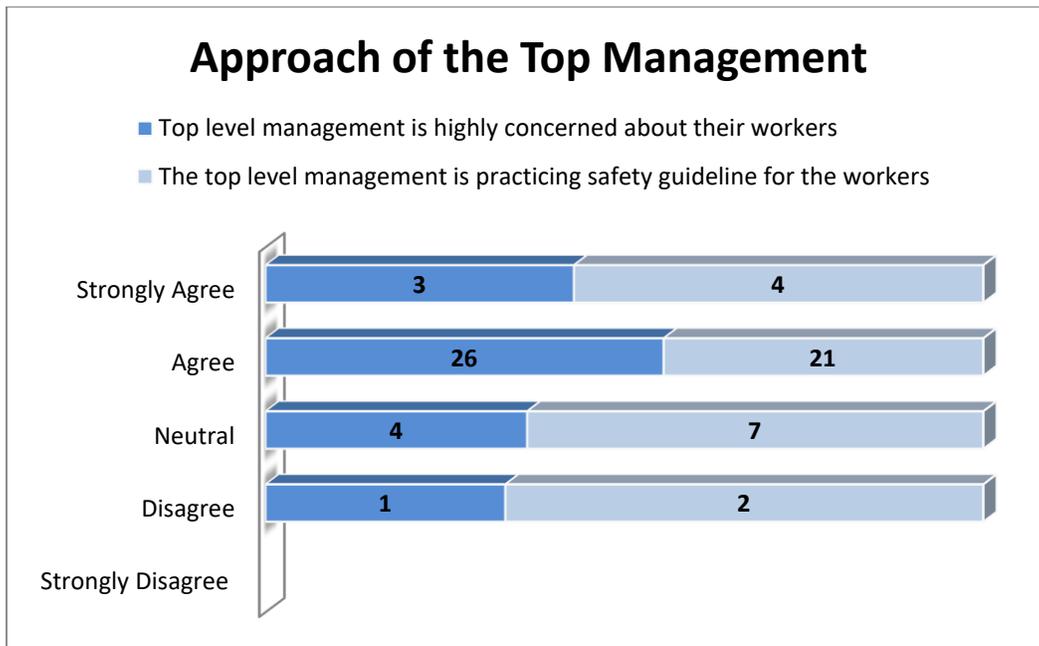
In every way, the RMG division is the largest manufacturing sector. This report simply focuses on the sector's opportunities and difficulties while outlining its previous, existing, and forthcoming. The subject of opportunities and problems, however, can be focused on all relevant parties, including employers, employees, and the government. Each stakeholder has a unique perspective on the sector's opportunities and difficulties. Therefore, the triangular stakeholders are concerned about the delicate harmonization presenting the genuine opportunities and problems. This study, however, focuses on common issues and challenges that are of significant importance to all parties involved. Furthermore, to prepare this report there are some limitations which are given: Time limitation, all necessary data are not available in website and annual report, some information is confidential so that is not available in the market and lack of experience.

3.7 The Survey Analysis: Prospects & Barriers of RMG Sector

A. Approach of the Top Management

The approach of the top level management plays a vital role in RMG sector. A good approach can increase productivity as well as workers' potential.

I am choosing the following points to clarify the topic.

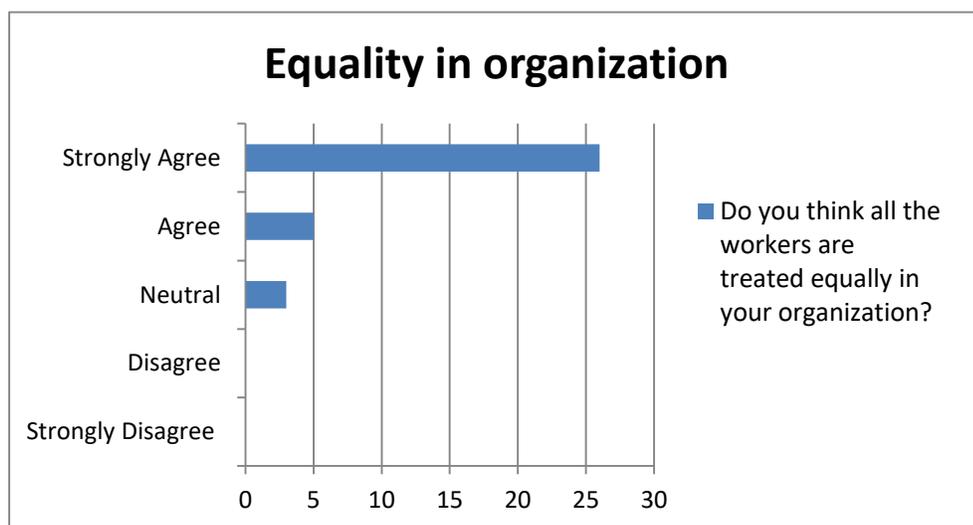
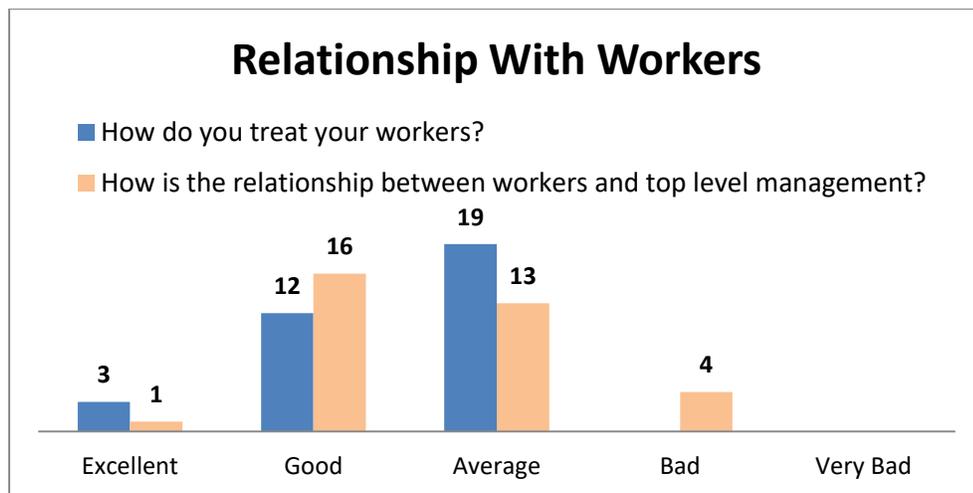


Results Analysis

From the first chart, we can see top level management believe that they are highly concerned about their workers and also practicing safety guideline for the workers. The responses are mostly positive. However, only three people disagreed in this matter. Moreover, 62% organizations maintain Autocratic leadership style and other 38% follow Democratic leadership style.

B. Relationship with the Workers

We were curious to learn more about the collective and personal relationships between employees and upper management. We selected three concrete questions to pose to the workers in order to clarify their true relationship to one another.

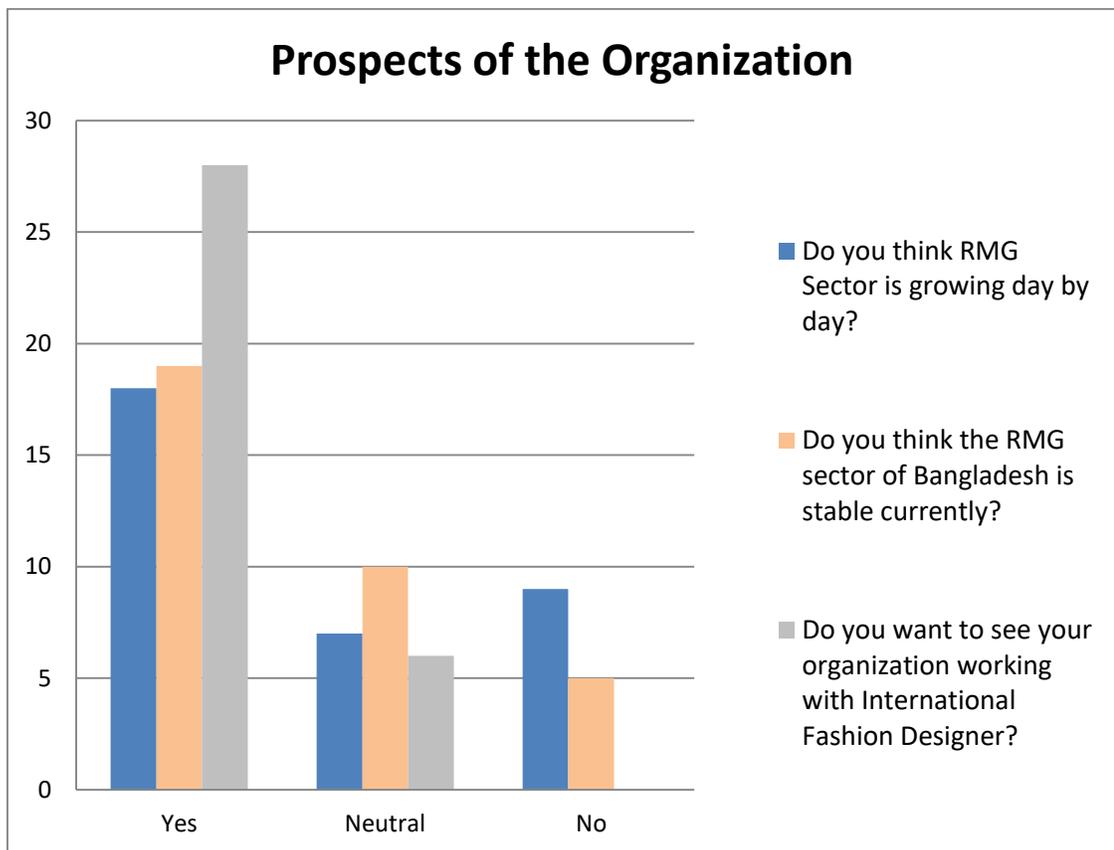


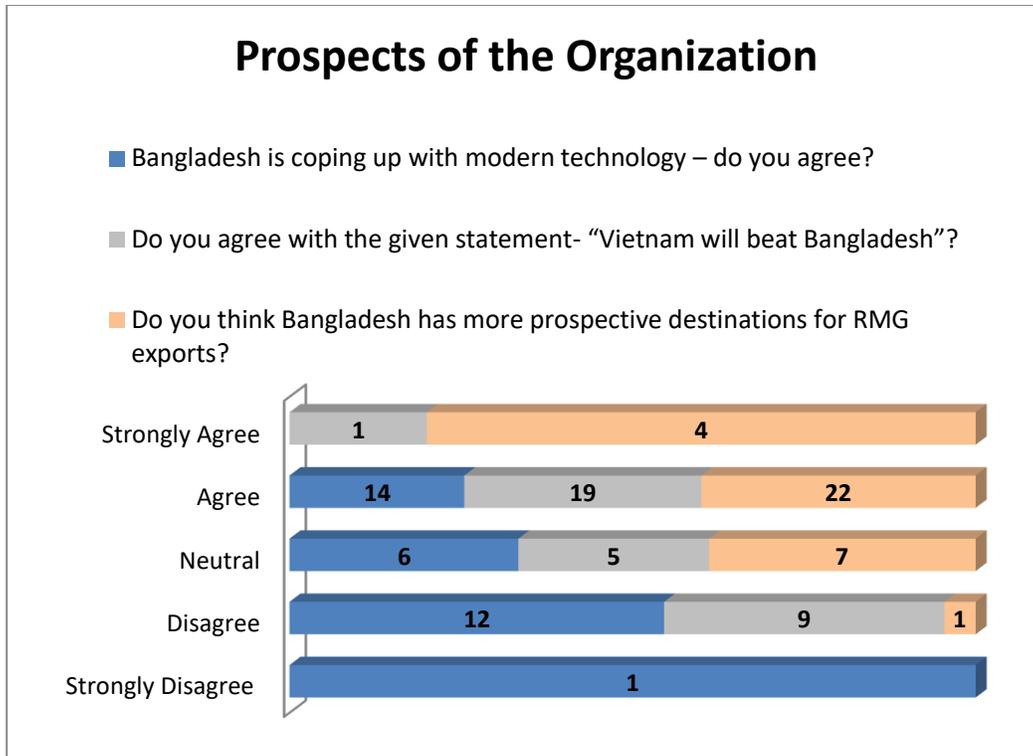
Results Analysis

Here from the first chart, we can see that most of the top management believe that the workers are treated in an average and good way by them. There was no one who told that they treat badly to their workers. Also, they think the relationship between workers and top management is good. Very few people like only 4 person said the relationship is bad between them. On the other hand, they were asked about the equality of the workers in the organization. They strongly believe that they treat equally to their workers.

C. Prospects of the Organization

This part includes some questions related to the prospects of the RMG sector. To know the idea from the real world the questions are made. This will give us a practical idea about the prospects of RMG sector.





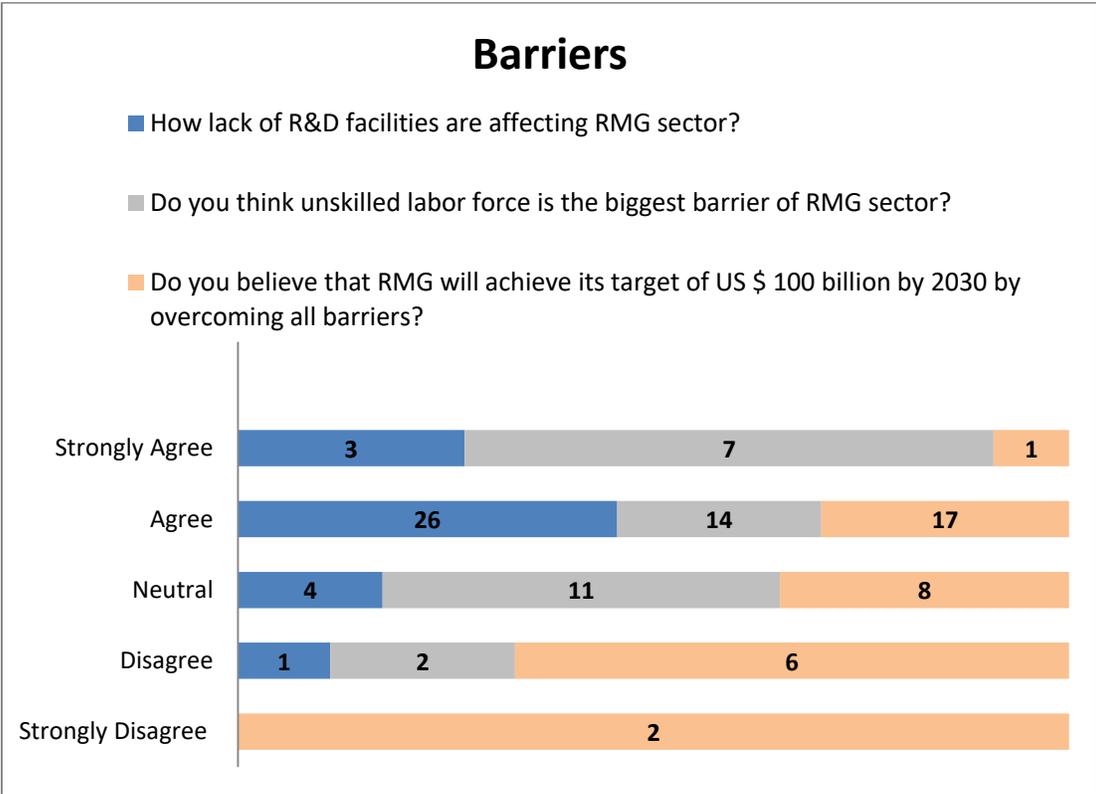
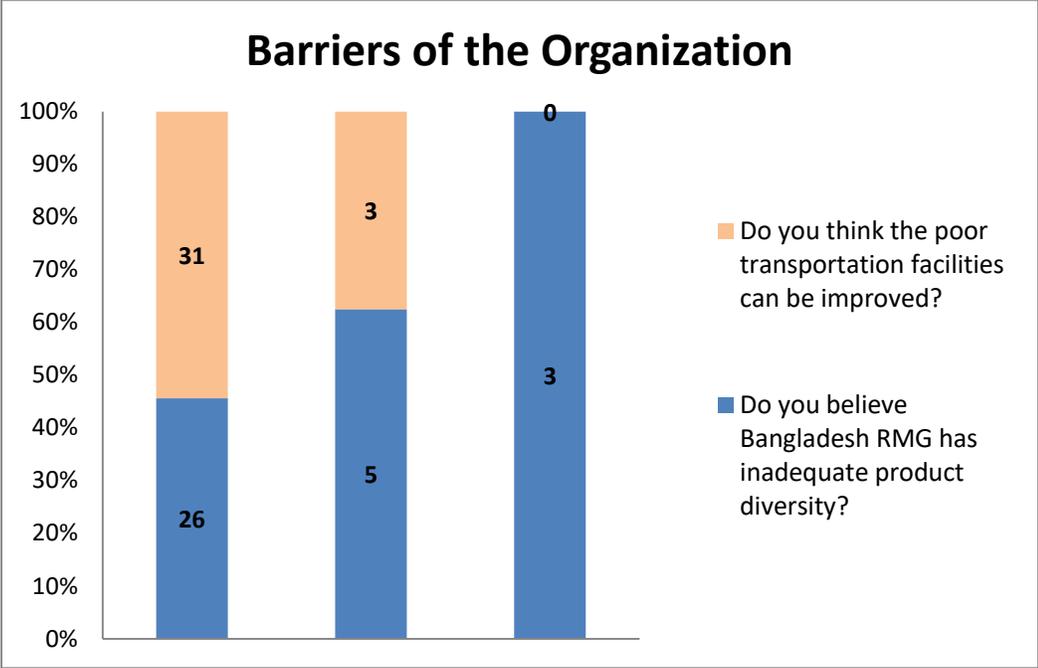
Results Analysis

The first chart represents that most of the top management think that the RMG sector is growing day by day. On the other hand, very few samples are also expressing negative vibe against it. Moreover, we found 19 samples who think the RMG sector of BD is currently stable, 10 samples are being neutral and only 5 samples are expressing negative. The last question of the first chart represents that; more than 90% top management want to work with International Fashion Designer and others are being neutral.

The second chart comes up with personal opinions of top management. Almost balanced opinions came for the first question that Bangladesh is coping up with modern technology. Furthermore, 19 samples agreed that “Vietnam will Bangladesh”, and 9 samples disagreed. Last but not the least, majority (22) agreed that Bangladesh has more prospective destinations for RMG exports.

D. Barriers of the Organization

This part has taken to get a major over view regarding the barriers that the RMG sectors are facing in Bangladesh. The following charts will make the clear view that how the top management think of that.

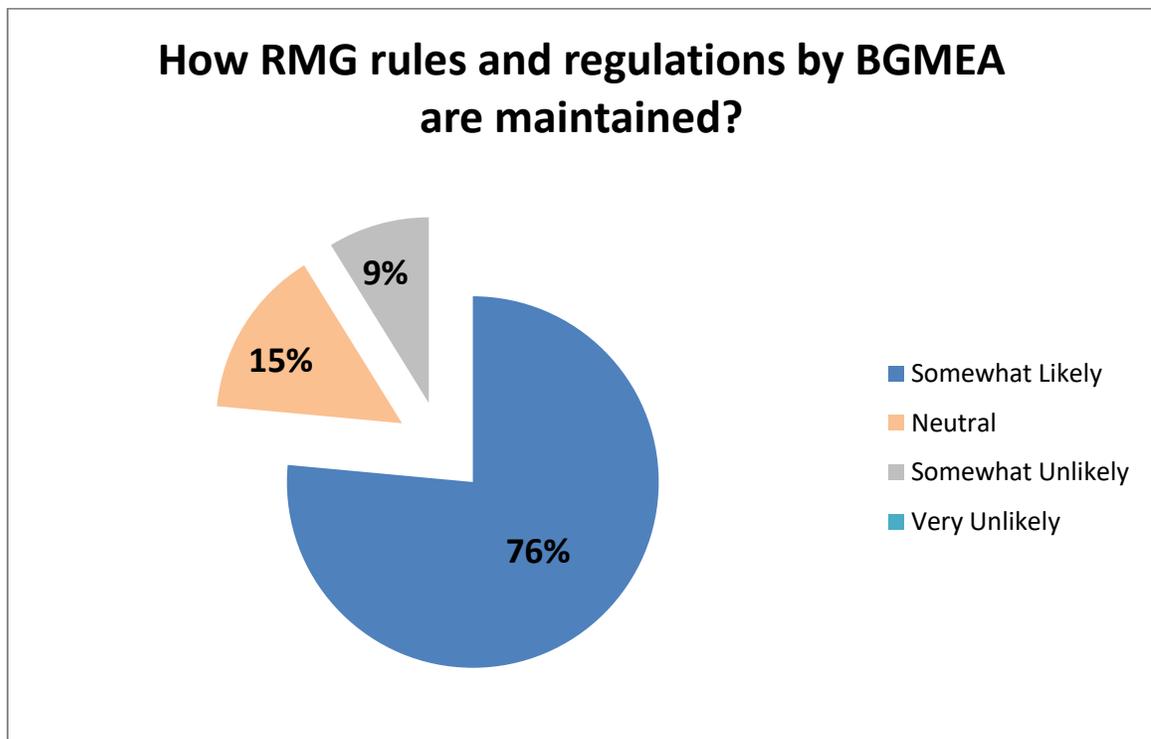


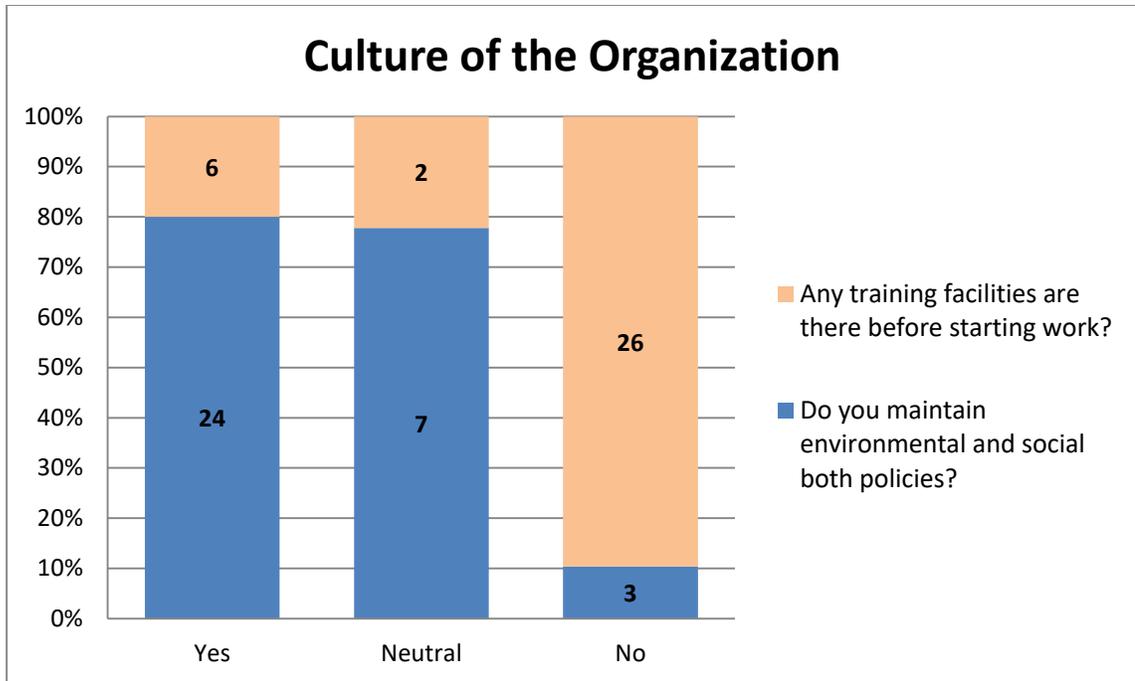
Results Analysis

According to the first chart, almost all (31) samples strongly believe that poor transportation facilities can be improved. Also, most of them (26) think that Bangladesh RMG has inadequate product diversity. The second chart shows the personal thought of the top management. They (26) think lack of R&D is affecting the RMG sector. 14 samples expressed that they think that the unskilled labor force is the biggest barrier of RMG and 7 samples strongly agreed with that. On the other hand, positive vibe came from the majority that they believe that RMG will achieve its target of US \$ 100 billion by 2030 by overcoming all barriers whereas 2 samples strongly disagreed with that.

E. Culture of the Organization

This part includes the overview of culture and the environment of the organization. The survey analysis is given below.





Results Analysis

The first chart represents how RMG rules and regulations by BGMEA are maintained by the organizations. 76% organizations expressed positive results, 15% showed neutral and 9% expressed being somewhat unlikely regarding this issue. Furthermore, according to the second chart, 24 samples said that they maintain environmental and social both policies in their organizations whereas 7 samples remained neutral and 3 samples do not maintain the both policies. Moreover, most top management (26) stated that there are no training facilities for workers before starting work and 6 organization said that they maintain training facilities whereas 2 managers remained neutral about it.

Therefore, after the analysis, we have an overview of the prospects and barriers of RMG sector of Bangladesh. According to the analysis, we can recommend some solutions in the next chapter.

Chapter:4

Recommendations & Conclusion

Significant issues and concerning factors of Bangladesh's RMG industry were discussed by researchers in the preceding chapters. Researchers also looked for potential answers to such problems in this work. The following list of possibilities for responses to those problems is provided:

4.1 Research and Development-Based Productivity Growth

The only source of competitive advantage will no longer be poor salaries. Both effectiveness and productivity need to be properly improved at the same period. The management and other global bodies can assist publics in improving their talents as well as knowledge by funding training and education opportunities. To boost research and development, the administration can proceed the lead to start an investigation organization.

4.2 Ensuring Workers' Safety

The administration can hold the first measures to implement innovative legislation to preserve guidelines and protocols in order to prevent fire accidents at work. To safeguard themselves from fire accidents, the workforce must abide by the laws that are being enforced. Last but not least, young people might create some awareness campaigns to educate the public and disseminate knowledge about the important precautions to take in order to prevent such catastrophes like workplace fire accidents.

4.3 Enhanced Productivity through Lead Time Reduction

Highways, railroads, seaports, and other types of road building should be built and maintained by the government. By reducing lead time, export and import schemes can happen swiftly. We should concentrate on keeping an appropriate lead time because trading in raw resources is alternative major factor in increased lead times.

4.4 Construction of Infrastructure

For an industry to grow over time, a strong infrastructure is necessary. By making the necessary investments in ports, highways, and other transportation infrastructure, the government should take the lead in developing infrastructure. The potential of the ports of Chittagong and Mongla should be fully used.

4.5 Various Methods of Importing Raw Materials

It takes longer to ingress raw ingredients from China as well as India, which both require 30 days and 15 days, respectively. To drive growth, our country should look for different methods to purchase raw ingredients from China as well as India. Our country can bring in raw resources from alternative nation at the same time to cut down on import time.

4.6 Compete against rivals

China, Vietnam, Myanmar, and India are currently Bangladesh's main rivals. To compete with these rivals, Bangladesh must right now boost productivity and efficiency, attract trained people, build out its infrastructure, shorten lead times, and lower production prices.

4.7 Foreign Direct Investment (FDI)

The RMG sectors need foreign direct investment to expand their brand portfolio and boost competitiveness for elevated and non-traditional products, such as in the form of a joint speculation or a strategic agreement with technologically progressive businesses.

4.8 Increasing Productivity by Offering Employees Financial and Non-Financial Incentives

The wage rate is the main source of discontent for labor force in the industry. Employees that are more satisfied at work are more optimistic and assume greater responsibility. Ample salary, consistent advancement, and performance review all have a favorable impact on employee

performance. Because of this, pay should be set at a level that will encourage employees to work hard, which will ultimately affect their performance. Equally significant is how pay levels affect workers' social lives. Financial stability and social standing have been found to have a direct impact on employee performance in the labor-intensive manufacturing sector.

4.9 Conclusion

The RMG sector accounts for the majority of Bangladesh's GDP. It creates jobs for men and women in order to address the nation's labor shortages. A sizable group of individuals can forge ahead thanks to this RMG sector. Bangladesh also generates foreign revenue by exporting goods made from ready-made garments. The RMG sector has been plagued by significant worker protection difficulties, poor infrastructure development, inadequate investment, a lack of commodities, an unemployment problem, weak bank loan systems, inadequate transportation infrastructure, company rivalries, political turmoil, an energy crisis, etc. Due to these various problems, the competitiveness of the RMG sector is constantly diminishing. As a result, Bangladesh's GDP is currently in risk. The government has some options for resolving these problems. For example, they can regulate the financial loans system, build transit infrastructure, and increase their spending in this sector. The ministry can establish a research laboratory to solve the issue of research and development. The problem of unskilled labor can be resolved by investing in educational and training institutions. It's critical to give employees a safe working environment and a living wage. Relationships between employers and employees need to be improved. Founders of RMG enterprises should concentrate more attention to both the monetary and non-monetary needs of their workers because they are the largest potential commodity of the Textile sector. Prior to it being too serious, financial innovations should be studied as promptly as possible. Every company needs to have fire safety equipment. Building codes should be followed. Government assistance and appropriate guidelines issued from organizations like the BGMEA and BKMEA are crucial for the industry to realize its full potential. We can only expect that by implementing all of the aforementioned tactics, Bangladesh's RMG sector will one day be the greatest in the world.

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Annex

Questionnaire

Name:.....

Name of the Garments Factory/Buying House:.....

Position:.....

A. Approach of the Top Management

1. Top level management is highly concerned about their workers
 - Strongly Agree
 - Agree
 - Neutral
 - Disagree
 - Strongly Disagree
2. The top level management is practicing safety guideline for the workers
 - Strongly Agree
 - Agree
 - Neutral
 - Disagree
 - Strongly Disagree
3. The leadership style of top managements
 - Autocratic
 - Democratic
 - Free-rein

B. Relationship with the Workers

4. How do you treat your workers?
 - Excellent
 - Good
 - Average
 - Bad
 - Very Bad

5. How is the relationship between workers and top level management?
 - Excellent
 - Good
 - Average
 - Bad
 - Very Bad
6. Do you think all the workers are treated equally in your organization?
 - Strongly Agree
 - Agree
 - Neutral
 - Disagree
 - Strongly Disagree

C. Prospects of the Organization

7. Do you think RMG Sector is growing day by day?
 - Yes
 - No
 - Neutral
8. Do you think the RMG sector of Bangladesh is stable currently?
 - Yes
 - No
 - Neutral
9. Do you want to see your organization working with International Fashion Designer?
 - Yes
 - No
 - Neutral
10. Bangladesh is coping up with modern technology – do you agree?
 - Strongly Agree
 - Somewhat Agree
 - Neutral
 - Somewhat Disagree
 - Strongly Disagree
11. Do you agree with the given statement- “Vietnam will beat Bangladesh”?
 - Strongly Agree
 - Somewhat Agree
 - Neutral
 - Somewhat Disagree
 - Strongly Disagree
12. Do you think Bangladesh has more prospective destinations for RMG exports?
 - Strongly Agree

- Somewhat Agree
- Neutral
- Somewhat Disagree
- Strongly Disagree

D. Barriers of the Organization

13. Do you believe Bangladesh RMG has inadequate product diversity?
- Yes
 - No
 - Neutral
14. Do you think the poor transportation facilities can be improved?
- Yes
 - No
 - Neutral
15. How lack of R&D facilities are affecting RMG sector?
- Strongly Agree
 - Agree
 - Neutral
 - Disagree
 - Strongly Disagree
16. Do you think unskilled labor force is the biggest barrier of RMG sector?
- Strongly Agree
 - Agree
 - Neutral
 - Disagree
 - Strongly Disagree
17. Do you believe that RMG will achieve its target of US \$ 100 billion by 2030 by overcoming all barriers?
- Strongly Agree
 - Agree
 - Neutral
 - Disagree
 - Strongly Disagree

E. Culture of the Organization

18. How RMG rules and regulations by BGMEA are maintained?
- Very Likely
 - Somewhat Likely

- Neither Likely Not Unlikely
- Somewhat Unlikely
- Very Unlikely

19. Do you maintain environmental and social both policies?

- Yes
- No
- Neutral

20. Any training facilities are there before starting work?

- Yes
- No
- Neutral