

Industry Analysis of RMG Sector of Bangladesh





Internship Report
on
Industry Analysis of RMG Sector of Bangladesh

Submitted to:

IBA Career Centre,

Institute of Business Administration

[to fulfill the degree of Master of Business Administration]

Supervised by:

Avijit Mallik

Assistant Professor

Institute of Business Administration, University of Dhaka

Submitted by:

Bristy Raha

Roll No: 56

MBA 61D

Date of Submission: 21st March, 2021

21st March, 2021

Mr. Avijit Mallik

Assistant Professor,

Institute of Business Administration,

University of Dhaka

Subject: Submission of Internship Report on “Industry Analysis of RMG Sector of Bangladesh”.

Dear Sir,

I am a regular student of MBA 61D batch. As a part of our internship program, I hereby submit the internship report based on secondary research and reflecting all the learnings I have gained during the organizational attachment period and the knowledge I have gathered throughout my MBA life on the chosen topic which is ‘Industry Analysis of RMG Sector of Bangladesh’.

I may, therefore, hope that you would accept the timely submission and oblige thereby. For any kind of explanation and clarification about any topic of the report, I will remain on standby as and when required.

Sincerely yours,

Bristy Raha

Roll: 56

MBA 61D

Institute of Business Administration,

University of Dhaka

Acknowledgement

My utmost gratitude goes to Mr. Avijit Mallik, Assistant Professor, Institute of Business Administration, University of Dhaka, who has guided me throughout the report writing process. His continuous support, motivation, supervision and enthusiasm has resulted into the initiation and execution of this report. Besides, I am grateful to the IBA authority, who has arranged an entire session on report writing which has been really useful to increase our report writing skills.

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Executive Summary

The RMG industry of Bangladesh is responsible for about 83% of our total export earnings on average. According to BGMEA, the number of active garment factory in Bangladesh is 4,560 in 2020. This industry is noted for employing more than 4 million people where the majority of the labor force is women. In the global market, Bangladesh holds the second position with 6.80% of the export share. But due to COVID-19 pandemic, the export earning has plummeted by 18.45% in the fiscal year 2019-20 compared to the previous year.

After liberation war, the journey of RMG sector in Bangladesh started in the 1980s and it never had to look back since then. The key resources of the RMG industry of Bangladesh is mainly the cheap labor of our country. The manufactured products of the RMG sector of Bangladesh can be classified into two broad sections, which are woven products and knitted products. The main demand for the export products of Bangladesh readymade garments is in USA, Canada and the EU countries. The largest export market is in EU countries constituting almost 55% of the total export. Then comes USA which takes almost 17% of the export products. Among the EU countries, Germany, UK, Spain and France are the major exporters of Bangladesh.

This industry follows the cost leadership strategy because of low cost labor availability. But in order to sustain in the long run product diversification, new product development is needed. Besides, non-traditional market exploration is necessary.

Though in the present global value chain Bangladesh puts a very small value in the smile curve, it is necessary to upgrade in the chain. In order to moving up the GVC, Bangladesh needs to go for industrial upgrade which includes both product and process upgrading. For product upgrading, higher value items are needed to be produced while for the process upgrading, automation in production methods as well as capital-intensive techniques and skilled labor force for maintaining them.

Though this industry is the most valued one in our country, the labors of this industry do not enjoy workplace safety. As a result, deadly incidents like Rana Plaza collapse, fire hazard at Tazreen factory etc. has taken place. Government and owner of the

factories has already taken various steps to improve the situation. Organizations are making their factory buildings green buildings. A green building means which follows the environmental policies while its construction and creates positive impact on the climate and natural environment. In Bangladesh, there are 280 green factories among which 67 are certified by USGBC (US Green Building Council). Some of them are Platinum rated which means they practice their operational works by protecting the environment and health issues.

Due to the outbreak of COVID-19, the RMG industry of Bangladesh is facing serious damages in the recent times. But various government schemes are there to save this industry.

1.0 Introduction

Overall development of a country depends on its economic progress which mostly depends on its journey from agro based economy to an industrial economy. Bangladesh has also followed the same path and has reduced the poverty rate and has earned a sustainable booming economic growth. As a result of this steady GDP growth, increased life expectancy, per capita food consumption, better health and education Bangladesh is likely to graduate from the LDC category by 2024.

The readymade garments industry of Bangladesh has played a synergetic role in the development of the economy. This sector has been creating employment opportunity for the people of our country from the very beginning of its industry life cycle and now this industry provides jobs for over 4 million people of our country and is responsible for almost 83% of total export earnings of our country. (Uddin M. , 2021)

Besides giving economic prosperity, this sector has brought glory for us and has made us proud of the “Made in Bangladesh” tag. Bangladesh has successfully shifted itself from the “bottomless basket” to a vibrant economy with the help of the growth of this sector.

Due to the overpopulation of Bangladesh, the labor is very cheap in this country. The available cheap labor is a great factor behind the fast production and competitive growth of this sector. Yet the environment for workers in the garments factories are not very friendly. Many deadly incidents have occurred in the history of garments sector of our country which have made negative impact on the profitability of this sector. This safety issue has put a serious impact and also influenced some government policies related to this sector.

For the raw materials of this sector, Bangladesh is highly dependent on China. But recently due to the outbreak of COVID-19, the export from China is hindered. As a result the RMG industry is going through a rough phase. The workers and the owners both are facing serious challenges. But government is taking initiative to overcome all those pitfalls and trying to boost up the progress of this sector.

This report is going to analyze all the important factors related to the RMG industry of Bangladesh and the future prospects along with strategies to overcome the pandemic downturn will be covered.

1.1 Origin of the Report

This report has been prepared as a part of our internship program in order to fulfil the requirements of the MBA program. As I have done my internship program in an apparel company, I have chosen the RMG industry of Bangladesh and done the analysis of the industry.

1.2 Objective of the Report

The main objective of this report is to analyze the RMG sector of Bangladesh. For this purpose some specific objectives have been made. Specific objectives are given below.

Specific Objectives:

- To analyze the global and local scenario of the sector.
- To analyze the structure of the industry.
- To analyze the profit potential in this competitive industry.
- To analyze the global value chain of RMG sector of Bangladesh.
- To find out major opportunities and challenges of the sector for fitting in the global apparel business.
- To find out COVID 19 effect on the export growth and strategies for overcoming the downturn.

1.3 Research Methodology

This report has been done based on secondary research. Various data and information have been collected from available online newspapers, websites and journal articles. Reports and op-ed articles from The Daily Star, Dhaka Tribune and The Financial

Express have been a great source of knowledge. Journal articles available in ResearchGate and Academia.edu has been used as references in this report.

1.4 Limitations

The main limitation of this report is no primary research or survey has been incorporated in this report. Recent data and information available online is limited. So some data included here may not be the reflection of recent times.

2.0 Overview of Bangladesh Economy

Assessing all the key risk factors, the Washington based International Institute of Finance (IIF) has announced that Bangladesh is expected to hold its position as the fastest-growing world economies in 2021 among the six Asian frontier markets. (Haroon, Bangladesh among likely 'the fastest growing' economies in 2021, 2021) Bangladesh has also taken position in the 'Next Eleven emerging market middle income' economies group.

In a recent report, the UK's Centre for Economics and Business Research (CEBR) has published their projection about the economy of Bangladesh. According to the report, Bangladesh economy will be 28th largest in 2030 and 25th largest in 2035 which is now owned by Austria. It is also mentioned in the report that in 2021, the position of Bangladesh economy will be 41st among the 193 countries which is similar to 2020 ranking. And by the year 2025, the position of Bangladesh will upgrade to 34th, which is now held by Egypt. (Haroon, Bangladesh economy to become 28th largest in 2030, 2020)

But in 2021, there is a huge challenge in front of the economy of our country due to the impacts of COVID-19 pandemic outbreak in 2020. Due to the pandemic, the unemployment problem has increased significantly which has a serious negative impact on the economic progress of the nation. According to a survey, 29.8% of young people including 47% of young women have been dropped from education, employment or training in the year 2020. The unemployment rate in 2020 is recorded to be 4.1%. (Nordea Trade, 2021)

So in order to continue the progress of our booming economy, we need to mitigate the circumstances created because of the pandemic situation. Coming out of the impact of COVID-19 pandemic is a great challenge ahead of us.

2.1 GDP Growth

According to the Asian Development Bank (ADB) report ADOS (Asian Development Outlook Supplement) the GDP growth of Bangladesh have fallen sharply in 2020 due to the fall in export earnings and remittances because of the coronavirus pandemic situation. Previously the projected GDP growth rate for 2020 was 8.2 percent, but the revised growth rate has decreased to 5.2 percent. (Byron & Rahman, 2020)

According to official data of World Bank and projections from the Trading Economics, in 2019, the Gross Domestic Product (GDP) of Bangladesh was 302.57 billion US dollars which holds 0.25 percent of the total pie of the world economy. (The Trading Economics, 2020)

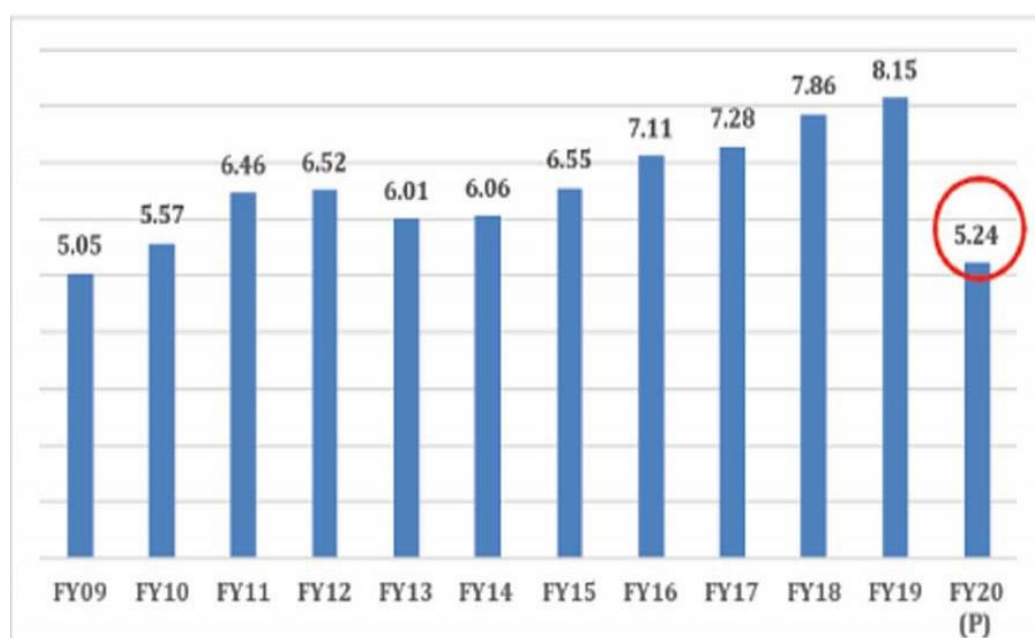


Figure 1: GDP Growth Rate of Bangladesh (%)
(Source: *The Financial Express*, 2020))

The reason for this fall in GDP growth is mainly the fall in the industry sector growth rate. But the growth of the service sectors has not decreased by any significant margin. Sectors like hotels and restaurants, transport, storage, communication, social and personal services etc. have not faced significant downturn.

Rather the private sector investment has grown notably, which is 23.63 percent in FY20 (as a share of GDP) which was 23.54 percent in FY19. This rise in the private sector investment is unexpected because many entrepreneurs have struggled to keep the full

operation ongoing during this pandemic situation. But due to governmental policies and support, private sector has kept flourishing in this time period.

Also the public sector investment (as a share of GDP) has grown to 8.12 percent in FY20 which was 8.03 percent in FY19. As a result, overall investment (as a share of GDP) has increased to 31.75 percent in FY20 which was 31.57 percent in FY19. (The Financial Express, 2020)

2.2 Interest Rate

From April 01, 2020 Bangladesh Bank has declared single digit lending rate to be 9.0 percent. On deposit interest rate maximum of 6.0 percent has been directed by the government. The reason behind this decision is that, this single digit lending rate would be beneficial to the investors and also the private investment would rise simultaneously. Though depositors would become helpless victims in this case and it would widen the income disparity.

Table 1: Interest Rate of Bangladesh (Source: Statistics Department, Bangladesh Bank)

End of period	Bank rate	Weighted Average Call Money Market Rates 2		Scheduled Banks Weighted Average Interest Rate 1		Spread
		Borrowing	Lending	Deposits	Advances	
2021						
January	4.00	1.78	1.78	4.51	7.56	3.05
February	4.00	1.67	1.67	---	---	---
2020						
January	5.00	4.84	4.84	5.69	9.66	3.97
February	5.00	5.06	5.06	5.53	9.62	4.09
March	5.00	5.14	5.14	5.51	9.58	4.07
April	5.00	4.89	4.89	5.37	8.29	2.92
May	5.00	4.97	4.97	5.24	8.18	2.94
June	5.00	5.01	5.01	5.06	7.95	2.89
July	4.00	4.23	4.23	5.02	7.79	2.77
August	4.00	4.70	4.70	4.95	7.82	2.87
September	4.00	2.87	2.87	4.79	7.79	3.00
October	4.00	2.61	2.61	4.73	7.67	2.94
November	4.00	2.00	2.00	4.64	7.62	2.98
December	4.00	1.79	1.79	4.54	7.61	3.07
2019						
January	5.00	4.12	4.12	5.34	9.49	4.15
February	5.00	4.36	4.36	5.34	9.49	4.15
March	5.00	4.54	4.54	5.35	9.50	4.15
April	5.00	4.57	4.57	5.42	9.46	4.04
May	5.00	4.54	4.54	5.46	9.51	4.05
June	5.00	4.55	4.55	5.43	9.58	4.15

The weighted average interest rate of schedule banks for advances was reported to be 7.56 percent in January 2021 which has decreased from December 2020, 7.61%. This is the weighted average of lending rates of the whole Bangladesh's commercial banking system which was published by Bangladesh Bank.

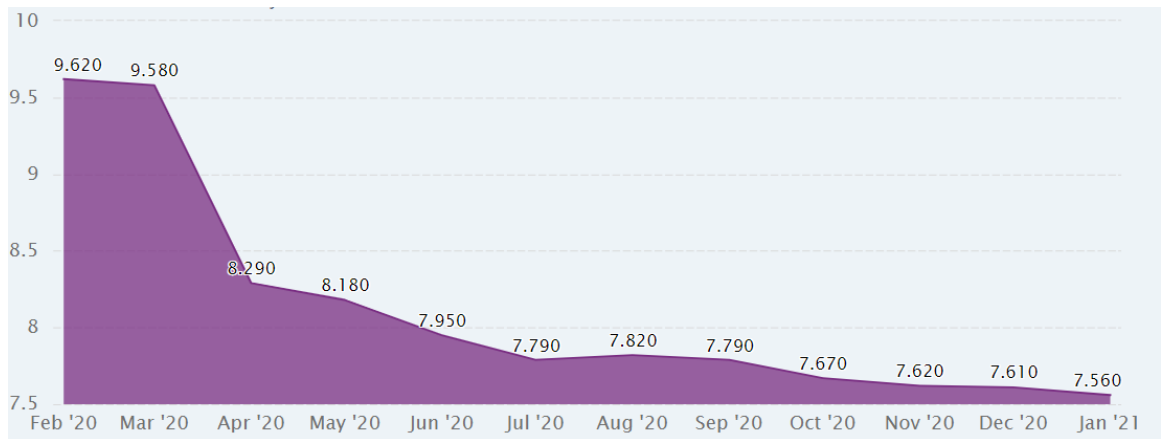


Figure 2: Weighted Average Interest Rate: Schedule Banks: Advances
(Source: (ceicdata.com (Bangladesh Bank), 2021))

For deposits, the weighted average interest rate has been reported to be 4.51% in January 2021 which has decreased from 4.54% of December 2020.

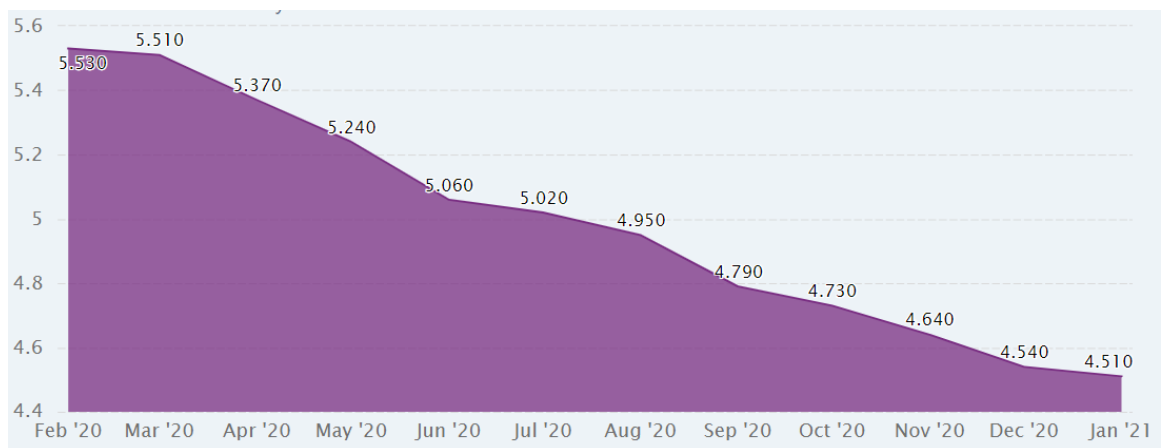


Figure 3: Weighted Average Interest Rate: Schedule Banks: Deposits
(Source: (ceicdata.com (Bangladesh Bank), 2021))

2.3 Inflation Rate

The point-to-point general inflation rate of Bangladesh in October 2020 increased to 6.44 percent due to the COVID-19 pandemic situation. The highest inflation rate was reached in 2011 (Figure-4) which was 11.46%. In September 2020, the general inflation rate was 5.97 percent and food inflation rate was 6.5 percent. (The Financial Express, 2020)

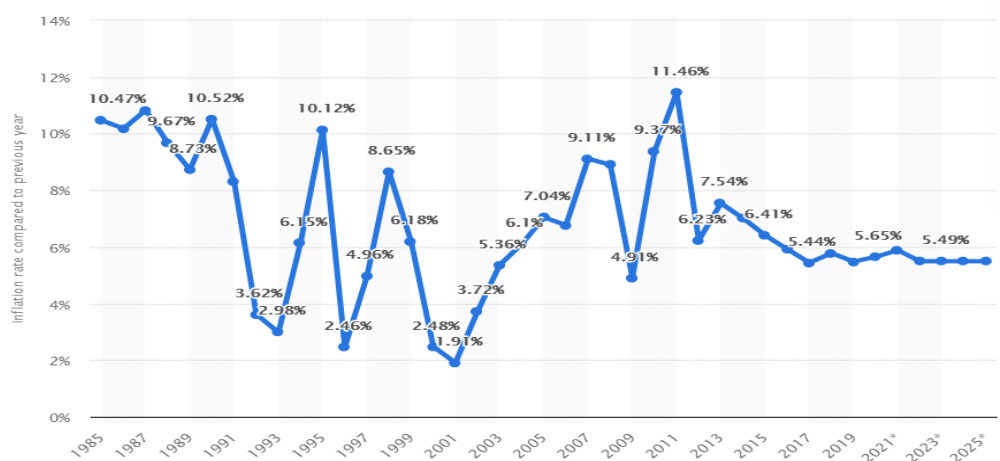


Figure 4: Inflation Rate of Bangladesh from 1985 to 2025 (predicted)
(Source: (Statista.com, 2021))

In January 2021, the annual interest rate of Bangladesh has been reported to be 5.02 percent which was 5.29 percent in December 2020.

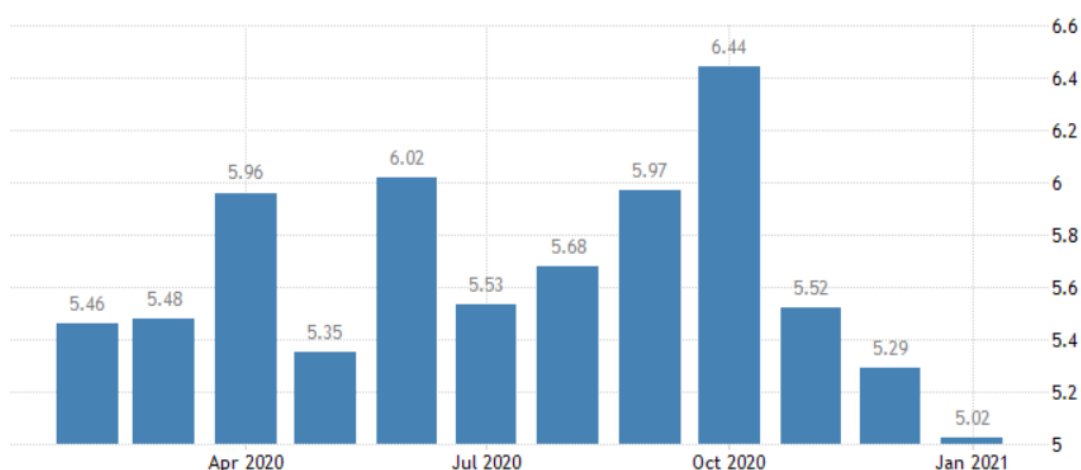


Figure 5: Bangladesh Inflation Rate (Source: (Trading Economics, 2021))

2.4 Economic Progress

Since the independence of our country, Bangladesh is emerging from a low-income country to lower-middle income status. In the Global Competitiveness Report 2019, Bangladesh has earned the position of 105 from the World Bank. The increasing competitiveness of our country is a remark of our improving living standard and sustainable development. (tutor2u.net, 2020)

But this progress of our country has been possible due to the development of our RMG sector. Our economy is very much depended on this sector. The garments trade in our country has begun in the 1970s and growing since then. But now-a-days with the digitalization of our country, many other industries are rising and growing at a very fast rate. The IT industry of our country is the center of this digital transformation. Above \$1 billion of technology products are being exported every year from our country and it is expected to increase at a sharp rate. (Rooney, 2019)

By 2030, Bangladesh is expected to be the 24th largest economy in the world and the main support will be the digitalization of every sector and technological growth of our country. (Palak, 2019)

3.0 RMG Industry of Bangladesh

Bangladesh is one of the over populated country in the southern Asia with a population of about 164 million. Though the economy of Bangladesh has been dependent on agriculture from the very beginning, the RMG sector has helped to transform our economy to shift from totally agro based to industry based one. (garmentsmerchandiing.com, 2015)

RMG sector is creating employment opportunity for millions of people of Bangladesh and contributes a high percentage in our GDP. This sector is powered by the young population of our country who are mostly urban oriented and most of them are women. By creating employment opportunity of the women of our country, RMG sector is playing a vital role in women empowerment.

RMG sector is the single biggest export earner of our country. This sector is responsible for about 83% of our total export earnings on average. (Hassan, 2014) In 2018-19 fiscal year, the contribution of RMG sector was about \$34.13 billion which was 11.49% higher compared to the last fiscal year. (Ishaque, 2020) But due to COVID-19 pandemic, the export earning has plummeted by 18.45% in the fiscal year 2019-20 compared to the previous year. (The Daily Star, 2021)

As per the World Trade Statistical Review 2020, Bangladesh holds the third-largest position as the exporter of clothing when the first and second position are owned by China and European Union (EU) accordingly. But if European Union (EU) is not considered in the combined way, rather differed by countries, then Bangladesh will be the second largest exporter country of RMG industry. Vietnam, India and Turkey is ranked in the fourth, fifth and sixth position respectively. (Textile Today, Bangladesh, 2020)

3.1 Global Scenario of RMG Industry

In the July 2020, the World Trade Organization (WTO) released World Trade Statistical Review in Geneva unveiling the figures of RMG industry of the world. According to the report, the position of the top clothing exporter in the world is owned by China with 30.80% share, which was 31.30% in 2018. Bangladesh holds the second position with 6.80% of the export share, whereas Vietnam has 6.20% of the share while holding the third position. The annual growth in export of Vietnam has been registered to be 8.0% while that of Bangladesh is 2.0% in the garments export sector. In the report it is also shown that in 2018, the annual value of the top 10 garment exporters was \$421 billion, which decreased in 2019 by almost \$10 billion (\$411 billion). (Textile Today, Bangladesh, 2020)

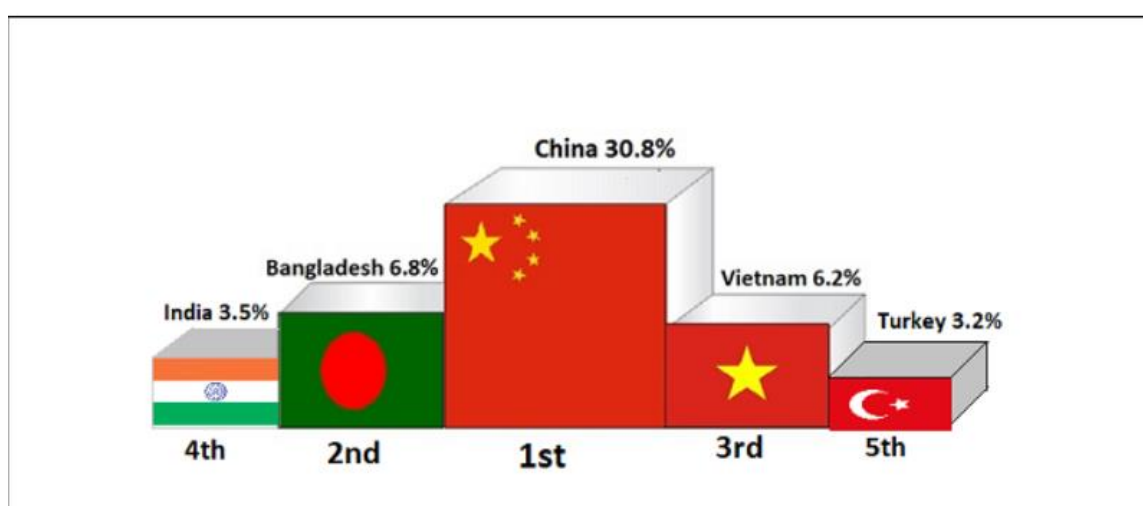


Figure 6: Showing global apparel export market shares of the top five countries.

3.2 Development of RMG Industry in Bangladesh

Before the independence of Bangladesh, the foundation of RMG sector was established in this region in Karachi. In 1960s, Mercury shirts were produced there and exported to the European market. (garmentsmerchandiing.com, 2015) After liberation war, the journey of RMG sector in Bangladesh started in the 1980s and the pioneer of this sector was the late Nurool Quader Khan. He is the man who had the vision that RMG sector is going to transform the total economic structure of our country. In order to fulfill his dream, he sent 130 trainees to South Korea so that they could learn the overall procedure

of garments and lead the country towards a great future. ‘Desh Garments’ was the first factory which was set up by the pioneer himself for producing export quality products with the help of those trainees. At that time, many other visionary people for example, the late Akhter Mohammad Musa of Bond Garments, the late Mohammad Reazuddin of Reaz Garments, Md Humayun of Paris Garments, Engineer Mohammad Fazlul Azim of Azim Group, Major (Retd) Abdul Mannan of Sunman Group, M Shamsur Rahman of Stylecraft Limited, the first President of BGMEA, AM Subid Ali of Aristocrat Limited came forward and established the very first garment factories in the history of Bangladesh RMG sector. (Hassan, 2014)

By following the footstep of these visionary people, many other thoughtful and wise entrepreneurs started their business in this sector. Since then this sector is thriving and never needed to look back in its way towards success.

3.3 Sector Profile Analysis

According to BGMEA, the number of active garment factory in Bangladesh is 4,560 in 2020. (Akil & Tonny, 2020) Though this industry is noted for employing more than 12 lack labors where 85% is women, it is reported that almost 0.5 million workers have lost their jobs permanently in this sector and many are on the verge of being laid off due to the COVID-19 pandemic. (Textile Today , 2020)

The amount of export by the RMG industry in Bangladesh in 2020 is approximately \$27.95 billion which was \$34 billion in 2018. Out of this total earnings in 2020, \$11.92 billion was earned in the January- June period and \$15.54 billion in the July- December period. (New Age Business, 2021)

According to World Bank and BGMEA, in the fiscal year 2018-19, the export earned by the RMG sector comprises 10% of the GDP of Bangladesh and 83% of the total foreign exchange earnings. The major products of the RMG industry of Bangladesh are T-shirts, polo shirts, jerseys, pull overs, trousers and the major markets are in EU, USA and Canada. (Textile Focus, 2020)

3.4 Key Partners

Key partners for the RMG industry of Bangladesh are-

- Bangladesh Garments Manufacturer and Exporter Association (BGMEA),
- Registered trade unions,
- Alliance for Bangladesh Worker Safety,
- Accord on Fire and Building Safety in Bangladesh,
- Bangladesh Bank and the Government of People's Republic of Bangladesh.

Bangladesh Garments Manufacturer and Exporter Association (BGMEA):

BGMEA works as a common platform for the manufacturers and exporters for negotiating with the government on various issues like, incentives, legislative issues, export promotions, exchanging knowledge and views among the companies, Accord and Alliance and also keeping balance among all the key stakeholders like owners, labors, buyers. BGMEA also works for the society and environment and protect and glorify the RMG industry of Bangladesh.

Alliance and Accord: The Accord on Fire and Building Safety in Bangladesh is an aftermath of the Rana Plaza incident which was signed on 15 May, 2013. The objective of this accord is to build a safe and healthy RMG industry in Bangladesh. This is a five year independent legal binding between retailers, brands and trade unions. It contains six major components which assure worker empowerment. It inspects firms and factories to ensure safety of workers and make public disclosures of their inspection reports.

The Alliance for Bangladesh Worker Safety (AFBWS) also formed after the Rana Plaza building collapse in 2013. This is also a five year binding, made by a group of 28 major global retailers in order to improve the safety condition in the RMG factories of Bangladesh.

Bangladesh Bank and Government of People's Republic of Bangladesh: The government of Bangladesh also works as a partner of the RMG industry. Bangladesh Bank gives loans on applied conditions, grants cash incentives, tax rebates and tax holidays. Along with the eight established EPZs, the government has taken initiative to open the ninth one and has also declared that 100 new EPZ will be established within

next 15 years. These Export Processing Zones (EPZ) helps RMG manufacturers to get cheap utilities and also give them investment opportunities. For encouraging the exploration of new markets, in 2018, the Bangladesh Government decided to give incentives to the exporters if they could sell their products other than their destination countries. (Jahan, Rahman, & Islam, 2018)

3.5 Key Resources

The key resources of the RMG industry of Bangladesh is mainly the cheap labor of our country. The minimum wage for the RMG workers in Bangladesh is \$69 which is the lowest among China (\$155), Cambodia (\$140), Vietnam (\$107), Indonesia (\$104) and Bangladesh (\$69). (Kibria, 2018) Also the government incentives, capital, entrepreneurs' initiatives acts as key resources of this industry. Government policies like bonded warehouse facilities and back to back LCs allow low cost investments and thus help to increase the resources of the sector.

3.6 Key Activities

From importing raw materials to exporting finished goods and maintaining the whole business, there are various activities in this industry, which are as follows:

- Importing raw materials and fabrics,
- Washing and dyeing of clothes,
- Cutting, Sewing and other works till finishing,
- Human resource management,
- Finance management,
- Dealing and following up with the buyers and other partners,
- CSR activities etc.

3.7 Production, Market Size and Seasonality

The research director of Centre for Policy Dialogue (CPD), Khondoker Golam Moazzem, has said that “In the global market, the share of Bangladesh's apparel market is nearly 7% and it is continuously growing. It gives a positive remark for our export-led economy that the gap with China, the largest exporter of clothing, is reducing.” In

the report of WTO, the annual export by the RMG industry of our country in 2019 was \$34 billion which is about 84% of our total export amount. (Mujeri, 2020)

Again, the growth of the RMG industry of our country has been showing an upward trend. The growth rate was 0.2% in 2016-17 which increased to 8.7% in the fiscal year 2017-18 and was registered to be 11.49% in 2018-19 fiscal year. (Light Castle Analytics Wing, 2020)

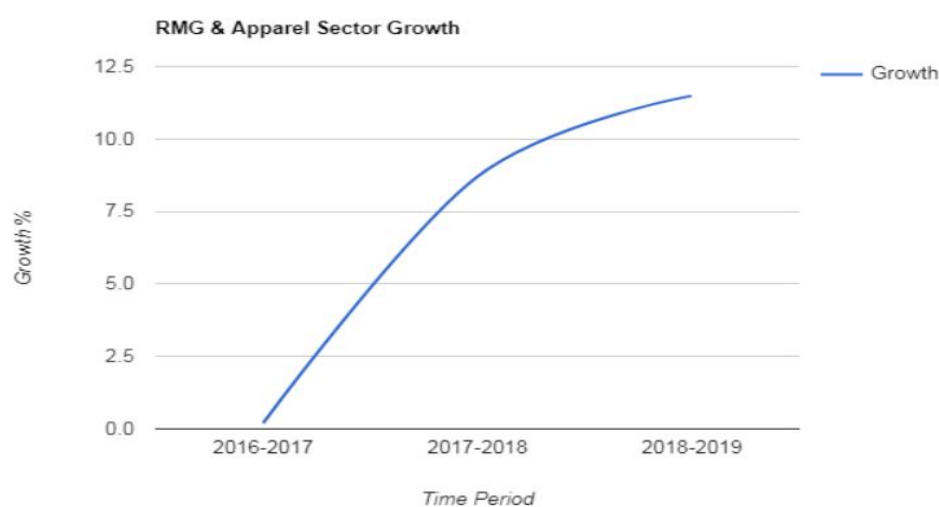


Figure 7: Growth of RMG Sector of Bangladesh
(Source: *(Light Castle Analytics Wing, 2020)*)

The reason of this growth of the RMG sector of our country is depended on various reasons. Few of them are rise of non-traditional markets such as Africa, depreciating currency allowing policy for easier exports and also as an effect of the US-China Trade War.

The manufactured products of the RMG sector of Bangladesh can be classified into two broad sections, which are woven products and knitted products. In the category of woven products, there are shirts, pants and trousers whereas the knitted product section includes t-shirts, polo shirts, undergarments, socks, stockings and also sweaters. Though the export earning is mainly dominated by woven garment products, the knitted products are responsible for almost 40% of the earning, which is also very important part. (garmentsmerchandiing.com, 2015)

According to a survey which was conducted by Brac University and Canada Foundation, the factories of RMG sector of Bangladesh are using only 55 percent of their capacity due to the pandemic crisis situation. As an impact of this the RMG sector of Bangladesh has lost around \$5 million orders in the 2019-20 fiscal year and more than 350000 people have lost their job. (Akil & Tonny, 2020)

Seasonality: The apparel industry is seasonality driven. January and February comprises the spring and are comparatively good months for this sector. After February the demand falls and then it goes up in June. From June to October, the demand of winter goods and holiday goods rise. So based on the seasonality of the sector, the companies and firms need to design their raw materials, labor and capacity usage throughout the year.

3.8 Export Destinations

The main demand for the export products of Bangladesh readymade garments is in USA, Canada and the EU countries. The largest export market is in EU countries constituting almost 55% of the total export. Then comes USA which takes almost 17% of the export products. Among the EU countries, Germany, UK, Spain and France are the major exporters of Bangladesh.

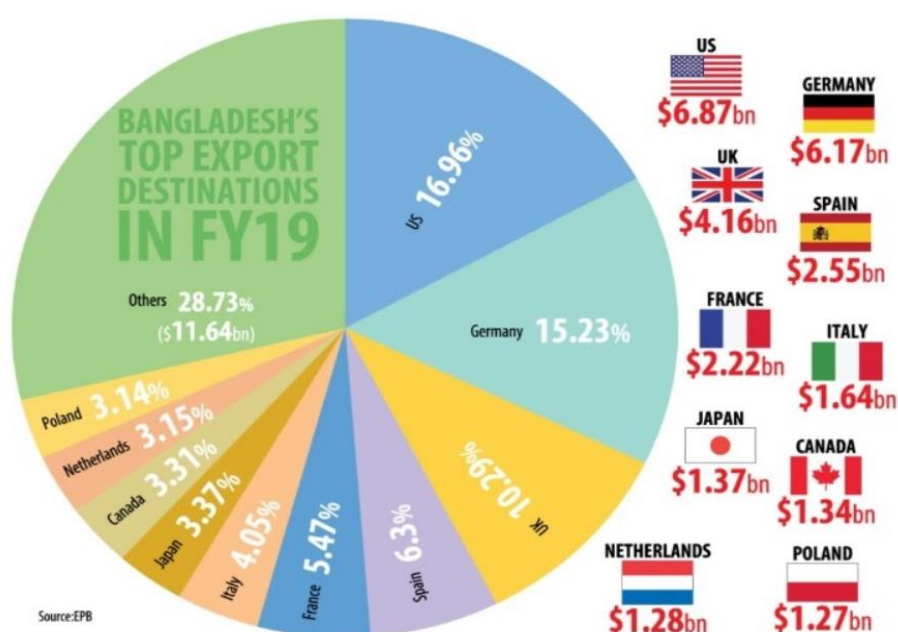


Figure 8: Bangladesh's Top Export Destinations in FY19

(Source: (Light Castle Analytics Wing, 2020))

Other countries except the major ones such as EU, the United States and Canada, are called non-traditional markets. Among the non-traditional markets, India, China, Russia, Japan, South Africa, Turkey, Malaysia, Australia, Brazil, Chile, Mexico, South Korea, New Zealand etc. are the potential ones. The government gives incentives to the exporters if they can export to any of these non-traditional markets. (Textile Today, 2018)

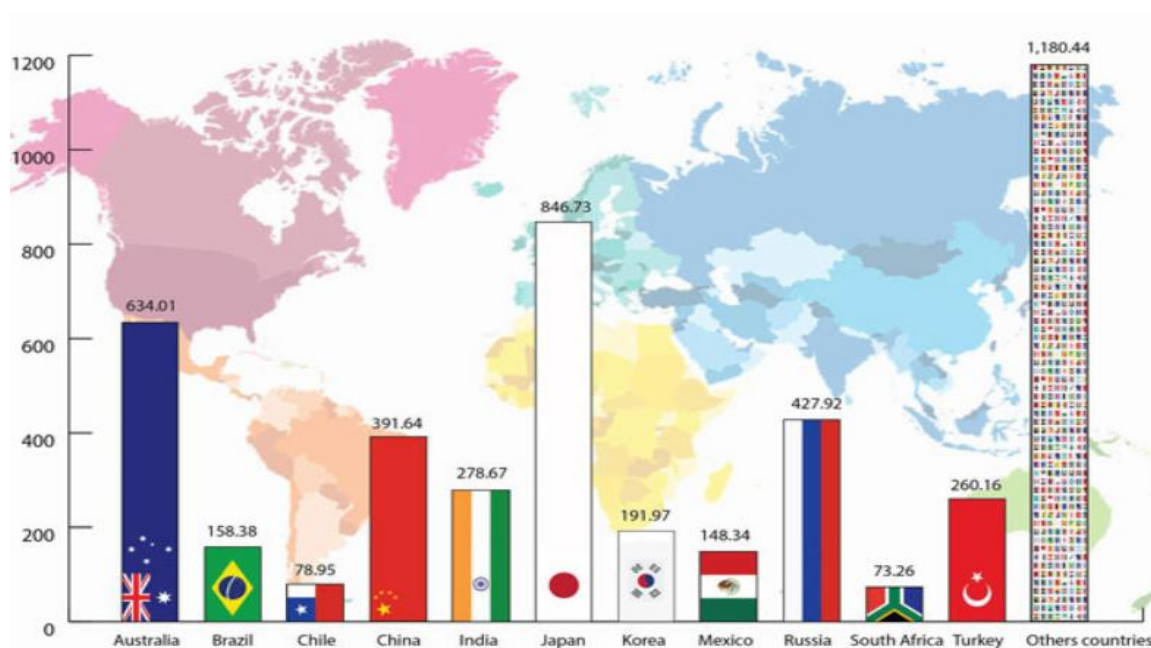


Figure 9: Bangladesh's RMG Exports to Non-traditional Markets in FY18 (\$ million)

The RMG products of Bangladesh is supplied to many world's renowned apparel brands, such as, Walmart, Levi's, Adidas, Nike, Zara, H&M, M&S, C&A, PVH Corp, Target, Kiabi, Benetton, Decathlon, Puma, Primark, Tesco etc. The origin of these brands are mainly in United Kingdom, North America or European Union countries. (Uddin J. , 2020) Hugo Boss, a world class brand, takes footwear supplies from a shoe-maker at Chittagong EPZ, Bonshoe Bangladesh Limited. These products are of high quality and enhancing the pride of Bangladesh all over the world. (RMG Bangladesh, 2017)

3.9 Major Players of the Industry

As the products manufactured in Bangladesh readymade garment factories are high quality and top notch at a lower price than other competitive countries, the reputation of our RMG industry is worldwide. As a result, along with the permanent importers, there are many new ones who are coming to our country to place new orders. The medium through which they come and place orders are the garments buying houses. These buying houses are very significant in this industry.

The major players, top 5 manufacturers of the RMG sector of our country are-

1. Ha-meem Group: This is private company that owns 26 garments factories in this country. So, Ha-meem group is one the major players of this industry. The average revenue of this company is yearly 560 USD on average.

2. Beximco Group: Another leading player of the RMG industry of our country is Beximco. Though this company runs several types of businesses, the Beximco fashions are emerging to be one of the major players of the sector and making massive investments in the industry. They produce dress and casual shirts for distinguished brands and retail shops which are situated in USA, Canada and Europe.

3. Square Fashions Ltd: Square Fashions which was founded in 1997, is a sister company of the Square group of companies. This company owns two garments Units and two Fabrics units in which a wide range of readymade knit apparels and circular knit fabrics are produced.

4. Opex Sinha Group: This Company is one of the major players in Bangladesh RMG sector because it the amount of annual export done by this company exceeds \$300 million. Opex group is one of the two subsidiaries in the apparel business of Sinha group, the other one is Medlar group.

5. Fakir Garments Ltd.: This group has earned the prestigious reputation of being the most dependable garments company because of the world class quality knit products of various styles. They have the capacity of producing 3.6 million pieces of knitted products annually.

3.10 Contribution of RMG Sector to the GDP of Bangladesh

RMG sector plays such a big role in our economy that it is called the heart of the economy of Bangladesh. The reason is that this sector's contribution to our gross domestic product (GDP) is the biggest. But in recent years, this percentage of contribution is declining. Figure 9 shows the declining rate of the contribution in GDP of the RMG sector of Bangladesh.

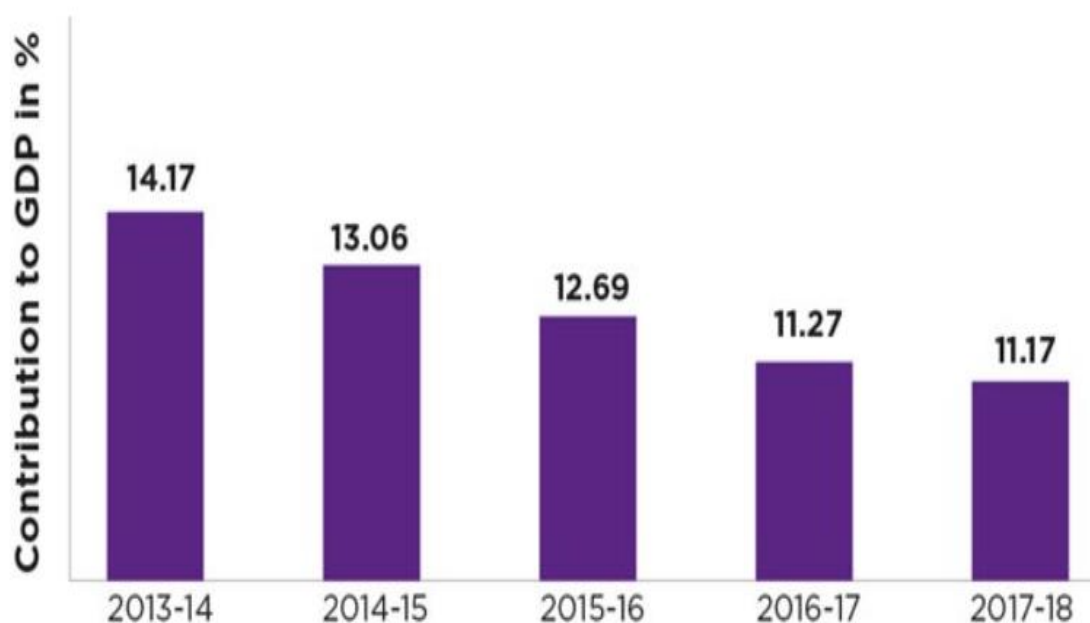


Figure 10: Contribution to GDP of RMG Sector of Bangladesh
(Source: *Textile Focus*, 2019))

In the fiscal year of 2018-19, the contribution of RMG export was \$34.13 billion to the total foreign earning, which had 11.49% growth rate. The amount of total exports of Bangladesh in that year was \$40.53 billion among which the percentage of RMG sector was 84.21%. From figure 10 we can depict that the contribution of RMG in the export basket has increased to about 10 billion dollars in the time span of 2014-15 to 2018-19, which means it has grown at the rate of 2 billion dollars each year.

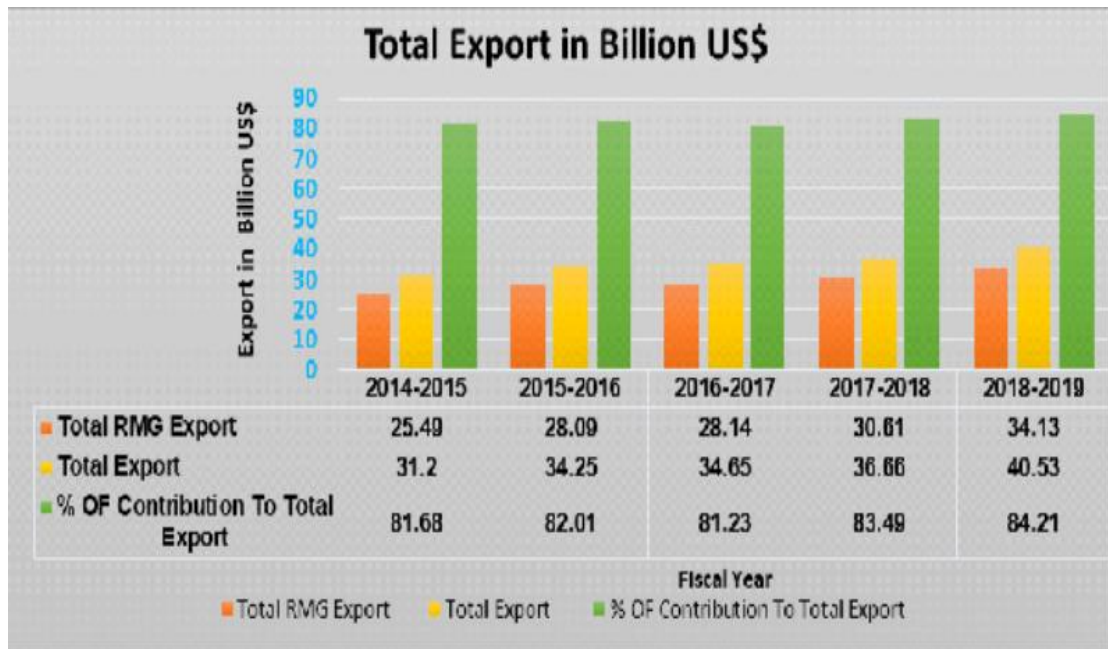


Figure 11: Bangladesh's Total Export Earning with % Contribution

(Source: (Textile Focus, 2019))

3.11 Current Export Situation of RMG Industry of Bangladesh

The top three export partners of Bangladesh are- The United States, Germany and the UK.



Figure 12: Bangladesh's Trade Partner Structure

(Source: (Serai Trade, 2020))

The export sector of Bangladesh is dominated by articles of apparel and clothing accessories and the import section is dominated by the textile yarn and related products.

Exports	Rank	Imports
Articles of apparel & clothing accessories 83%	1	17% Textile yarn and related products
Textile yarn and related products 5%	2	6% Textiles fibres and their wastes
Footwear 2%	3	6% Fixed vegetable oils and fats, crude, refined or fractionated
Fish, crustaceans, molluscs and preparations thereof 2%	4	6% Petroleum, petroleum products and related materials
Leather, leather manufactures and dressed furskins 1%	5	5% Specialised machinery

Figure 13: Bangladesh's Trade Product Structure
(Source: (Serai Trade, 2020))

The RMG industry of Bangladesh, which now dominates the export sector of Bangladesh, rose from the ashes. This sector grew rapidly within few years of its first shipment in the 1980s. Within only three decades of starting its journey, the export earning value from this sector rose unimaginably. The value of export earnings grew to US\$30 billion in 2018-19 which was only US\$868 million in 1990-91. (Serai Trade, 2020)

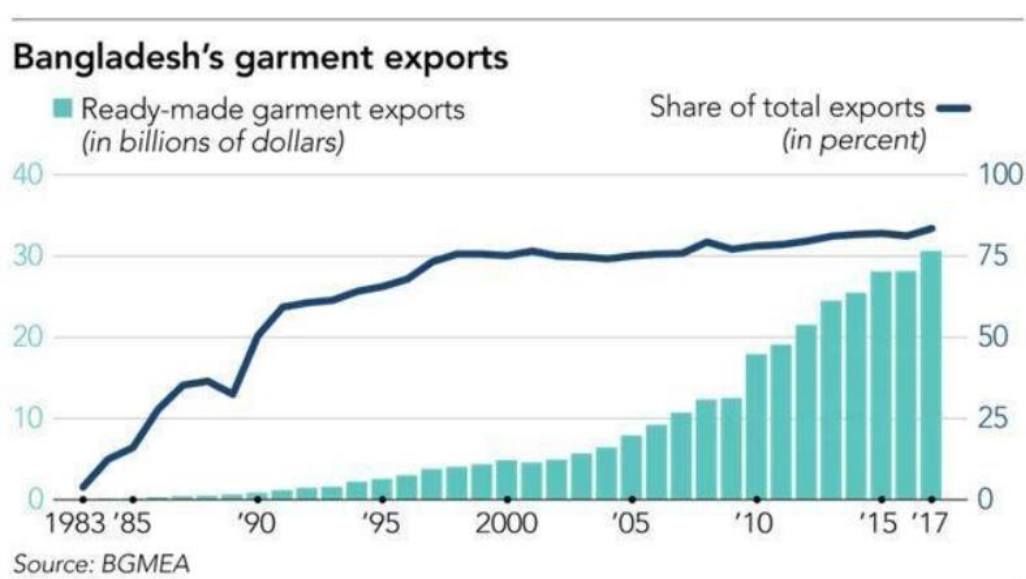


Figure 14: Bangladesh RMG Sector Export Growth
(Source: (Serai Trade, 2020))

Due to COVID-19 outbreak in March 2020 in Bangladesh, consecutive negative growth has been seen in the RMG sector of Bangladesh in the first half of 2020. But in August 2020, a positive robust 44.63% year-on-year growth has been witnessed. Before this, the last positive growth 1.26% was recorded during December 2019. (The Financial Express, 2020)

According to Bangladesh Garment Manufacturers and Exporters Association (BGMEA) data which has been prepared from the data available at National Board of Revenue (NBR), the export earnings of the RMG industry of Bangladesh in August 2020 has been recorded to be US\$3.24 billion. Whereas, in August 2019, the export earning of this sector was \$2.23 billion. (The Financial Express, 2020)

The lockdown due to the pandemic situation has cost the RMG industry a lot. During that time the highest negative export growth of over 85% has been recorded in April 2020. Compared to the export earnings of 2019, this industry has faced decline at export earnings by 20.14%, 85.25%, 62.06%, 6.63% and 1.98% respectively in March, April, May, June and July of 2020. (The Financial Express, 2020)



Figure 11: Bangladesh's Apparel Export Trend Comparison between 2019 and 2020
(Source: (The Financial Express, 2020))

3.12 Cost Structure and Key Cost Drivers

The cost structure of every RMG company is unique which involves various elements like raw material cost, salaries and wages of workers and officers, administrative expenses, finance cost, utility cost, depreciation of assets, manufacturing overhead etc. It is important to identify every element of costs correctly and making proper allocation to them and keep good track upon all of them for making the process cost-effective. (Textile Today Analysis, 2020)

For this purpose it is very important to identify the cost drivers. The factors which control the cost and make them upward or downward are called cost drivers. These factors can be classified as internal and external factors.

Internal factors:

- **Scale of Production:** If the production amount is high, then the company may enjoy economies of scale. Which means fixed cost per product may decrease up to an optimum amount. So it is necessary to try reaching the optimum production amount for enjoying economies of scale.
- **Backward Linkage:** Backward linkage can be an important factor of costs because it reduces the lead time and also gives support in ordering competitive price in the international market.

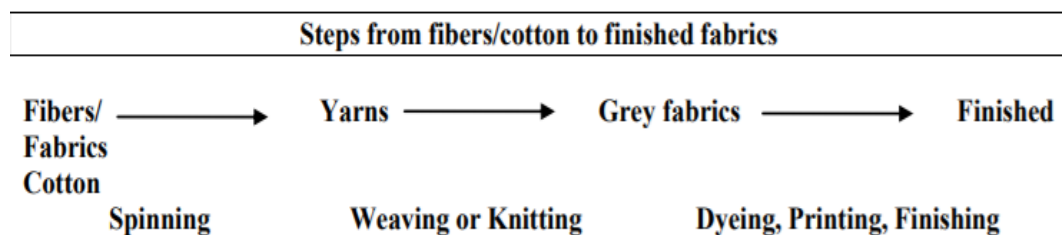


Figure 15: Steps from fibers/ cotton to finished fabrics

For backward linkage integration, these three steps are important. But the RMG industry of Bangladesh only does the knitting, finishing tasks but it does not produce yarns or fabrics. Ultimately the success factor of the companies depend upon how effectively they can manage the operations between the backward and forward linkages.

- **Cost of Inputs:** The inputs of the RMG industry of Bangladesh is mainly imported from foreign countries. Yarns, fabrics, garment accessories etc. which comprises

70% of the inputs of the RMG industry of Bangladesh, are imported from China, South Korea, India and Pakistan. The price of the import is rising day by day. In FY 1990 the import price was USD 435 million whereas in FY 2000 it rose to USD 3.2 billion. (Sattar, 2020)

- **Value Added Services:** Value added services like designing, shipping add some values in the product which adds some cost. These services affect the cost and tends to raise the price.

External Factors:

- **Exchange Rate:** As raw materials and inputs come from abroad companies and our products are mainly exported, the currency exchange rate is very important as a cost driver of this industry. According to a report by RMG Bangladesh, for a long time the depreciation of the taka against the US dollar has been demanded by the exporters and Bangladesh Bank also feels the need to of depreciation.

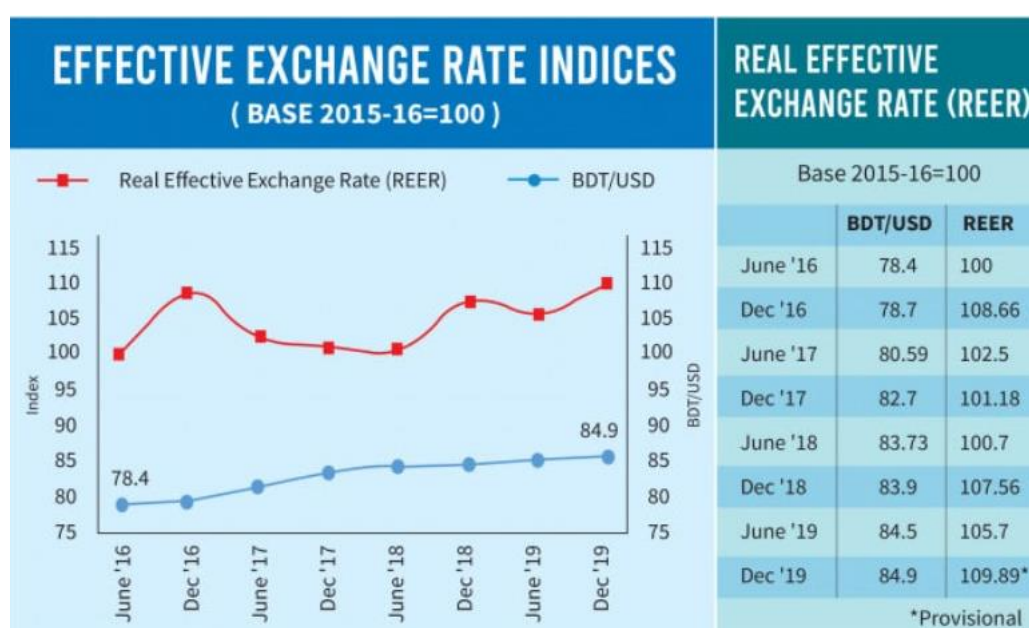


Figure 16: Effective Exchange Rate Indices
(Source: (RMG Bangladesh, 2020))

During the first half of 2019, the Real Effective Exchange Rate for Bangladesh declined and reached to the lowest point 105.70 but then it started to rise again and in September 2019, it reached the peak of 111.66. And in December 2019 it was 109.89. This is of the REER might have lowered the competitiveness of Bangladesh in the International export market. (RMG Bangladesh, 2020)

- Political Factors: If the political situation of a country is not stable, the production of an industry becomes uncertain. Political unrest not only hampers the production capacity, but also the investment in the sector reduces.

Table 2: How Political Unrest Squeezed the RMG Sector in Different Time Frames
(Source: (Kamal & Kaiser, 2015))

Time Frame	Stated Loss Amount in RMG	Academic Source	Non-academic Source
1991–1993	USD 51.18 million	UNDP Report (Roy and Borsha, 2013)	
1994–1996	USD 493 million	UNDP Report (Roy and Borsha, 2013)	
1997–2000	USD 614 million	UNDP Report (Roy and Borsha, 2013)	
1995–1999	USD 50 million (per day in total economy)	World Bank Report (Roy and Borsha, 2013)	
2006	USD 14 million (per day for RMG sector)		BGMEA Report 2006 (Roy and Borsha, 2013)
2000–2010	Strikes causes USD 827 million loss in RMG sector.		businessnews24bd.com
2013	USD 200 million (per day for the RMG sector)		ICCB Report 2013 (UNDP Report, 2005: 86–97) http://www.ijst.org/final-print
2013	USD 1.3 billion (per day)		FBCCI Report 2013, http://www.theindependentbd.com/index
2013	The average loss incurred by a garment factory due to the most recent spell of shutdown and blockade would cross USD 600,000		Centre for policy Dialogue Report 2014, http://cpd.ord.bd/wp-content/url.ds .

Table-2 shows the effect of political unrest on the RMG industry of Bangladesh. In 2013, there were about 55 days of political unrest which included 27 national strikes. (Wiig, 2018) Due to this political crisis, the RMG industry of Bangladesh had to bear the burden of huge loss during and after that period.

4.0 Porter's Analysis, GVC Analysis and Strategies

For understanding the condition of market, proper assessment and analysis of the industry is very vital. This analysis helps the analysts to predict and forecast demand-supply condition and determines the competitiveness of the industry. Besides, the profitability of the business can be identified by doing the analysis.

4.1 Porter's Five Force Analysis

For doing in depth analysis of the industry and identifying the profitability, we need to do the Porter's Five Force analysis of the industry. By using this unique tool, we can find out the main competitive forces which are present in the industry.

4.1.1 Rivalry among Existing Firms

There are 4560 mills in the RMG industry of Bangladesh. Many of them have very large firms and others are moderate in size. So the number of competitors is high, but also the growth rate of the industry is high. Besides, the entry barrier in this industry is low because there is no strict government policy and requirement of capital is moderate. The exit barrier is high because it is difficult to liquid the assets and get away from the industry. Next, the quality of the products of the companies are almost the same because every firm imports the raw materials and fabrics and quality is almost same.

So, we can say that the competition among the existing players are moderate as the industry has a good growth rate and export rate is also rising.

4.1.2 Threat of New Entrant

The threat of new entrant, if considered for the local market, is moderate because the capital requirement is moderate and complexity is not very high. The growth rate of the industry is high and also the economies of scale can be reached in this sector as labor cost is very low. Also as a huge percentage of export income comes from this industry, our government always encourage growth of this industry, so there is no significant entry barrier and no restrictive requirements for new entrants. So, as the growth is high, the threat of new entrant in the local market is moderate.

On the other hand, if we consider global market, the threat of new entrant is high there. Because internationally there are China and India with their huge labor force and Vietnam is also rising and is just behind Bangladesh in the global market share. The countries with technological advancement will enjoy more privilege and new players can easily capture the international market and if Bangladesh does not cope with the technologies, it will lose its global market share in future.

4.1.3 Threat of Substitute

If we consider product substitute, tailored clothes can act as a substitute of readymade garments. But for tailored clothes, the price is higher than the readymade ones and so the switching cost is high. This confines the threat of substitute product. So, the threat of substitute is low in this consideration.

But if we consider the global market, for the RMG industry of Bangladesh, there remains the threat of substituting Bangladeshi products by the available Chinese and Indian products. Though our product quality is world class and is available at a very cheap price, yet the amount of branding necessary for getting the attention all over the world is not done. On the other hand, Vietnam, which now holds the 3rd position in the global market share and is a rising star in the global RMG industry. As a result, Vietnam is becoming a great threat for Bangladesh RMG sector.

So, the threat of substitute products of Bangladesh RMG industry is high.

4.1.4 Bargaining Power of Buyers

The buyers of the RMG sector of Bangladesh have more power of bargaining. The switching cost here is very low and many brands are available in the market. They can switch to China or India for the products they need anytime if Bangladesh RMG industry fails to fulfill their demand and expectation. Yet the products manufactured in Bangladesh are earned reputation all over the world because of its quality and price. As the labor force is available at a very cheap price in our country, the cost of products are low. Because of high switching opportunity available for the buyers, the RMG industry of Bangladesh always needs to perform their best. That is why the strategy here is cost-effectiveness to attract the buyers. Also as Bangladesh is offering the best quality in the lowest price possible, many brands and companies are outsourcing products in

Bangladesh. So most of the companies of our country are subsidiaries or franchisors. Besides, Bangladesh has an advantage as many countries are willing to use Bangladesh as a hub as China is banned in many countries after the COVID-19 outbreak.

So, we can say that the bargaining power of the buyers are moderate.

4.1.5 Bargaining Power of Suppliers

In the RMG sector of Bangladesh, the firms need raw materials and semi-finished goods. Those who produce this inputs and sell them to the firms are suppliers and the firms are the buyers. If there remains a mutual understanding between these two parties, it makes the environment helpful for growing. But if somehow one party grows stronger than the other, the bargaining starts and the stronger party wants to gain profit from that.

In this industry, the suppliers of the Garments in Bangladesh are possess superior power because most of the raw materials are imported and the switching cost of the firms is high. According to an assessment report done by the Bangladesh Trade and Tariff Commission (BTTC), about 60% of the woven fabrics of Bangladesh are imported from China. Not only are that, but also 15-20% of the raw materials and 80-85% of dyeing chemicals and accessories of knitwear sector imported from China. (The Loadstar, 2020) But still Bangladesh has not fallen in the back foot because of the good reputation of timely payment and B2B LC permit of Bangladesh. This is why our firms are collecting raw materials at world price from abroad. Though the local suppliers are entering into the supply chain gradually, it will take time to grow.

On the other hand, the labor supply for this industry is locally available at a very cheap rate. As a result, the owners are in the advantageous position because the suppliers are not strong enough b as there are plenty of labor force available in the country.

As a result, the bargaining power of raw material suppliers is high.

4.1.6 Remarks

The summary of the above analysis is given below.

Forces	Remarks
Rivalry among Existing Firms	Moderate
Threat of New Entrant	Moderate to High
Threat of Substitute	Low (in consideration of product) High (in consideration of global market)
Bargaining Power of Buyers	Moderate
Bargaining Power of Suppliers	High

From the first three forces, we can say that the profit potential of the RMG industry of Bangladesh is moderate. And from the last two force analysis, it can be said that the actual profitability is moderate. In the time of economic growth of the country, this sector can be profitable as a high percentage of export earning of our country comes from this industry.

4.2 Analysis of Porter's Generic Model Matrix for RMG Industry of Bangladesh

Cost Leadership	Differentiation Strategy
Focus Strategy (Low Cost)	Focus Strategy (Differentiation)

For achieving competitive advantage from the market, it is important any industry to follow any of the four strategies from above matrix. The RMG industry of Bangladesh falls under the Cost leadership strategy. Because of the available cheap labor, it has been possible for Bangladesh but with the continuous rise of the price of the raw materials and others it will pose some difficulties in the future to hold the position. That is why, the industry should focus on product diversification from now on.

4.3 Global Value Chain Analysis of RMG Sector of Bangladesh

The garments sector of Bangladesh is mainly governed by GVC-led production and distribution channels from the very beginning. In the firms of Bangladesh RMG, the main activity is manufacturing, while the raw materials are imported and product development through the R&D section is observed by the global brands of the developed countries. The after- sales services are taken care in the consuming countries. This can be represented by the ‘smile curve’ where the manufacturing process adds a very little value compared to the final retail product prices but activities like R&D, design, marketing and selling produces greater amount of value in the chain.

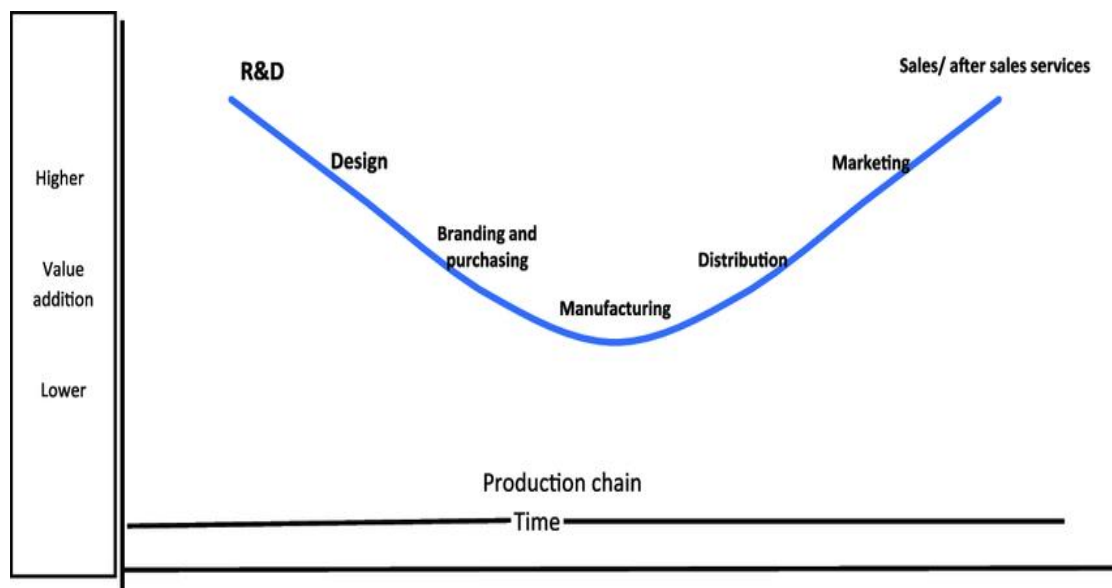


Figure 17: The ‘Smile Curve’ Stages in the Global Value Chain

As Bangladesh has the advantage of available labor at the cheapest rate, it is involved in the manufacturing process of the value chain which involves two stages of the lower value- CMT (Cut, Make and Trim) and OEM (Original Equipment Manufacturing)/ FOB (Free on Board). ODM (Original Design Manufacturing) and OBM (Original Brand Manufacturing) fall under the higher value adding models where the RMG sector of Bangladesh does not have participation. As a result, our country is has earned its fame as a source of low-cost garments items. (Razzaque & Rahman, 2019)

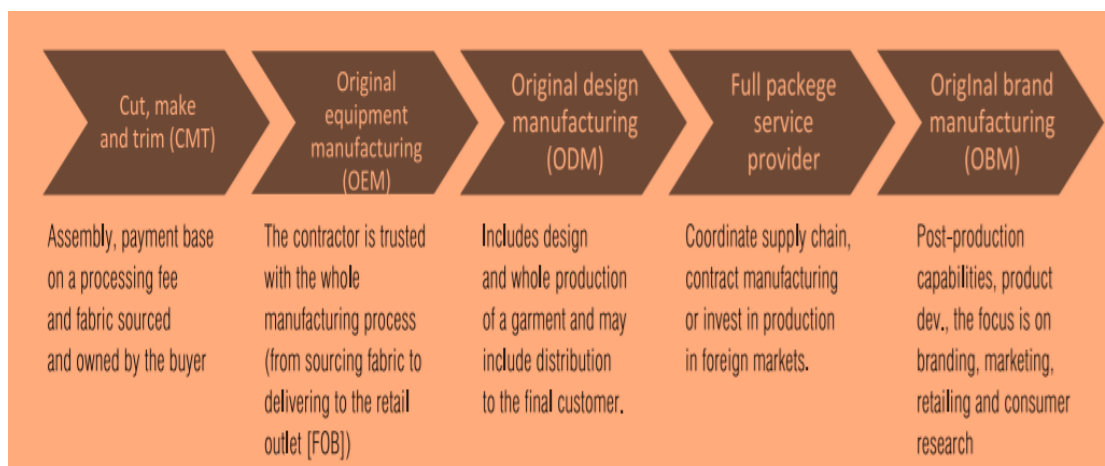


Figure 18: Stages of Value Addition in the RMG Industry

In order to moving up the GVC, Bangladesh needs to go for industrial upgrade which includes both product and process upgrading. For product upgrading, higher value items are needed to be produced while for the process upgrading, automation in production methods as well as capital- intensive techniques and skilled labor force for maintaining them. (Mujeri, 2020)

On the other hand, the global production chain and linkage of the RMG industry has faced great damage due to the COVID-19 pandemic situation. As a result, it has become necessary to explore the possibilities of moving towards RVC (regional value chain) from the GVC (Global Value Chain) in order to sustain the export growth.

Though the GVC oriented RMG sector of our country is producing a very narrow range products of lower value but is creating jobs and contributing to the export earnings of our country. But if we move towards the RVC oriented RMG sector, the product range and category would get wider and also vertical integration to the textile sector would be needed for the production of yarn, fabric and other raw material inputs from our own country. Also activities of higher value addition like design and branding would need to be involved and more inputs from regional market would be required.

4.4 Strategies by Firms

Before coming up with strategies to run the firm, it is important to identify the key factors which have influence on the growth of the RMG industry of Bangladesh. The main factors among them are given below.

- Cheap labor force,
- Government policies and support,
- International support like GSP, duty-free access,
- Advanced technology,
- Skilled workers,
- EPZs,
- Incentives and tax reduction,
- Focusing on non-traditional markets,
- Widening product range,
- Achieving economies of scale etc.

Keeping these factors in mind, the firms need to develop some strategies in order to reach the priority list of the world class buyers' top list. Based on the factors, some strategies are discussed below.

Cost- Effective Strategy: For applying cost- effective strategy in a firm, the organization must try to include two key points, which are- cost reduction strategy and improvement of labor productivity.

In order to reduce the cost, establishing backward linkage for reducing the dependency on the imported products is necessary. Also achieving economies of scale and utilizing overall capacity throughout the year is important.

Along with this, improvement of our labor force is also important because cheap labor does not always mean higher productivity of the labors. Our workers are not as efficient as those of South Korea or Hong Kong. So for making the whole process effective and efficient, the work force needs to be improved and skilled.

New Product Development Strategy: Surviving the world's competitive market is the common goal for each and every brand and company. Customers of this advanced

world are always in search of new products. They do not like to buy and wear similar products for long time. So, if a company wants to hold their customer, they need to come up with newer products with good quality. So, to capture the market and hold the position it is important to produce new products in a regular basis and maintain the quality as well. But in Bangladesh RMG sector, production of new products is very limited which needs to be changed. New products must be developed, produced and exported to the foreign market.

Product Diversification Strategy: The competitor countries of Bangladesh like China, India, Thailand, Hong Kong, Singapore etc. are ahead in product diversification strategy already. To reach out the whole available market, diversifying the product category is important for our country.

Market Diversification Strategy: As discussed earlier, EU countries constitute almost 55% of the total export and USA takes almost 17% of the export products. Non-traditional markets must be explored after doing enough market research. (garmentsmerchandiing.com, 2015)

5.0 Social Impacts, Future Prospects, Challenges and SWOT Analysis

The RMG industry of Bangladesh has vital impacts on every socio- economic sector of our country. Along with the contribution in the GDP and export of the country which are described in the previous sections, this industry has a huge impact on creating employment opportunity and empowering the women of our country. This section is going to analysis those impacts and also discuss about the future prospects and challenges of the industry. Later SWOT analysis of the industry will be done.

5.1 Creating Employment Opportunity

The RMG industry of Bangladesh has created employment opportunity to almost 4 million people among the 69 million total labor force of our country. From the beginning of the 80s, this sector is providing livelihood to a large amount of people of our country and decreasing the poverty rate.

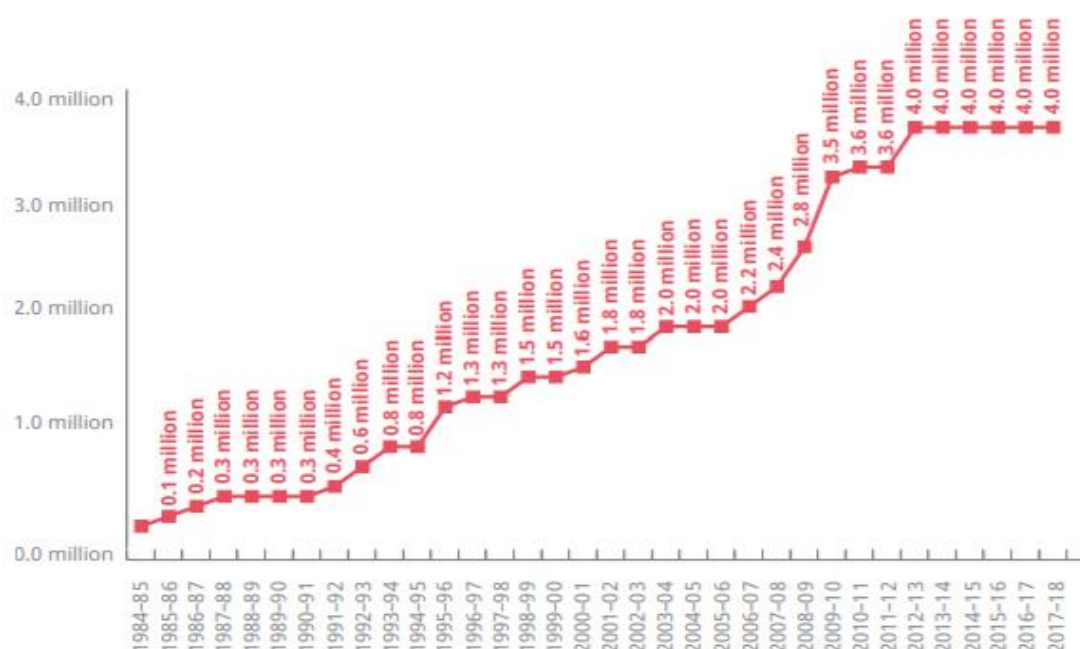


Figure 19: Employment in the ready-made garment industry in Bangladesh (Workers in millions) (Source: *International Labor Organization* , 2020))

But the growth in the employment increase rate in this sector has been stagnant in the last decade. According to BGMEA, the membership of garment factories in the association has declined from 5150 (2010-2011) to 4621 (2018-2019). This indicated that the number of organizations and enterprises working in the sector has decreased in the last ten years. As each of these organizations employs huge number of workers, shutting down one means losing a lot of employment opportunities.

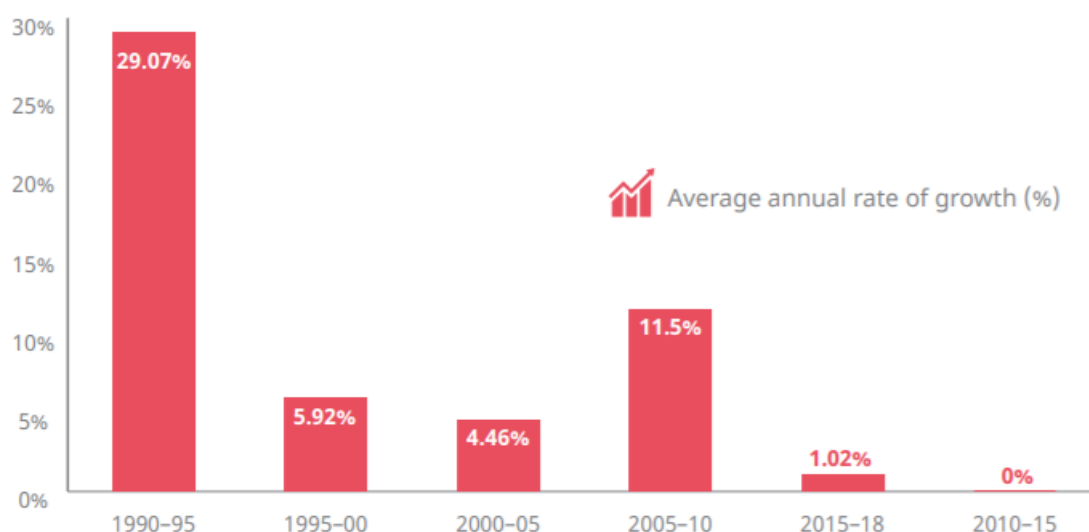


Figure 20: Growth of employment in Bangladesh's RMG sector (1990–2018)

(Source: (International Labor Organization , 2020))

5.2 Women Empowerment

The RMG sector of Bangladesh has a special contribution towards the rise of women of our country. The employment opportunity for the women of the country has made them self-dependent, made them financially independent and has given them confidence and courage. In a word, this sector has empowered the women of Bangladesh.

Due to this sector, the participation of women in the labor force has increased up to 36.4% in 2017 which is the higher than most of the South Asian countries. But in 1980s and 1990s, about 90% of the labor force in this sector were women. Which indicates that the percentage of women in the labor force of RMG sector is decreasing. According to a recent study, the male workers occupy 53.82% jobs in the RMG sector whereas female workers hold only 46.18%. This decreased rate may be the reason that women

lack proper technical knowledge and skills which make them less reliable in this competitive world. (Avi, 2020)

Table-3 shows us the change in percentage from 2010 to 2018 in the average number of workers by major production section of RMG industry. Where we can see that in every section except in the packaging and printing section, the number of women workers has been decreased in the last decade.

Table 3: RMG workers by major production sections, 2010-2018
(Source: (*International Labor Organization* , 2020))

Production section	Average number of workers by section						Change in percentage points 2010-2018	
	2010			2018			Men	Women
	Men	Women	Total	Men	Women	Total		
Sewing	190 (29.9%)	446 (70.1%)	636 (100%)	325 (32.6%)	670 (67.4%)	995 (100%)	2.7	-2.7
Knitting	102 (57.6%)	75 (42.4%)	177 (100%)	154 (61.9%)	95 (38.1%)	249 (100%)	4.3	-4.3
Cutting	48 (59.3%)	33 (40.7%)	81 (100%)	82 (59.8%)	55 (40.2%)	137 (100%)	0.5	-0.5
Finishing	82 (37.3%)	138 (62.7%)	220 (100%)	162 (42%)	224 (58%)	386 (100%)	4.7	-4.7
Dying	177 (98.3%)	3 (1.7%)	180 (100%)	204 (98.4%)	3 (1.6%)	207 (100%)	0.1	-0.1
Packaging and printing	88 (56.5%)	68 (43.5%)	156 (100%)	109 (53.8%)	93 (46.2%)	202 (100%)	-2.7	2.7
Washing	110 (82.8%)	23 (17.2%)	133 (100%)	125 (82.9%)	26 (17.1%)	151 (100%)	0.1	-0.1
Embroidery	305 (98.7%)	4 (1.3%)	309 (100%)	452 (98.9%)	5 (1.1%)	457 (100%)	0.2	-0.2
Total	1,102 (36.6%)	790 (63.4%)	1,892 (100%)	1,613 (39.5%)	1,171 (60.5%)	2,784 (100%)	2.9	-2.9

5.3 Deadly Incidents in the RMG Industry of Bangladesh and its Impact

The RMG industry of Bangladesh has many deadly incidents in its history which makes a very negative impact on the sustainability and profitability of the sector. Company owners only paid attention to the profit earning. The workplace condition or safety factor of the workers were not a matter of concern to them. As a result various devastating incidents has occurred in the factories of Bangladesh. Among them most terrible ones are the collapse of Rana Plaza on 24th April, 2013, fire hazard in Tazreen Fashions Ltd on 24th November, 2012, building collapse of Spectrum Factory in 2005, fire incident in KTS Textile Factory in 2006 and many more.

More than 70 deadly incidents took place in the last 25 years. Among which 94.2% occurred due to fire hazard, 3% by building collapse and other 3% by different factors. From this data we can observe that the most common incident in the RMG industry is fire hazard which is mainly caused by short circuit in the factory building. Besides, building collapse occurs due to illegal construction and poor structural configurations of factory buildings. (Hasan, Islam, & Mahmud, 2017)

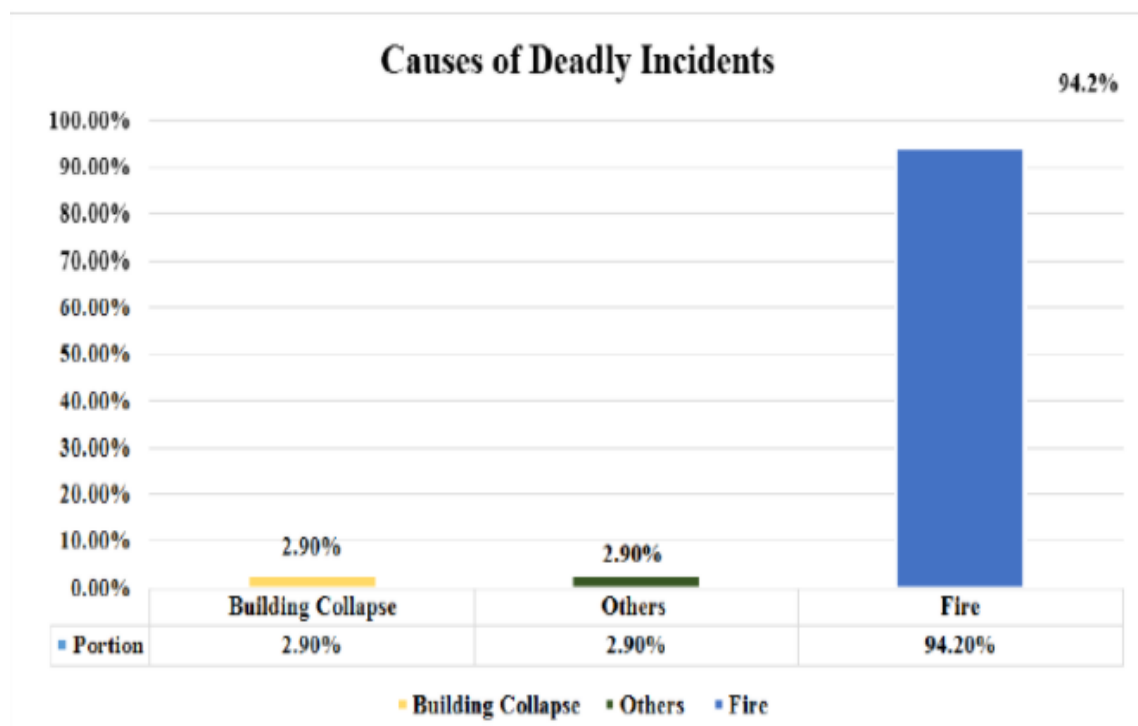


Figure 21: Causes of Deadly Incidents in the RMG Industry of Bangladesh
(Source: (Hasan, Islam, & Mahmud, 2017))

5.3.1 Impact of these Deadly Incidents

After all these deadly incidents, the reputation of Bangladesh RMG industry faced serious drawbacks in the international market. The Rana Plaza incident became headlines in the international newspaper and drew attention of the world renowned brands and buyers. The retailers refused to give orders to the Bangladeshi manufacturers if they cannot provide work place safety to the workers.

The government and the owners took the buyers' demands and requirements into account and started giving priority in implementing the guidelines issued by world class organizations for controlling the deadly incidents and making the workplace safe and eco-friendly. (Apparel Resources, 2018)

Organizations are making their factory buildings green buildings. A green building means which follows the environmental policies while its construction and creates positive impact on the climate and natural environment. In Bangladesh, there are 280 green factories among which 67 are certified by USGBC (US Green Building Council). Some of them are Platinum rated which means they practice their operational works by protecting the environment and health issues.

Though buyers do not pay more money for ensuring green buildings in the factory, it helps in the branding of the company and the country. Green building also reduces energy usage by 40% and water consumption by 30%. They also emit less carbon so that the environment does not get polluted by the operational process of the factory. (Kiron, 2020)

5.4 GSP status and Free Trade Agreements in Bangladesh

Bangladesh enjoys GSP (Generalized Scheme of Preferences) status in 38 countries among which 28 are European Union countries and the other 10 countries are- Australia, Belarus, Canada, Liechtenstein, Japan, New Zealand, Norway, Russian Federation, Switzerland and Turkey. (Bangladesh National Portal, 2016)

The US market gave Bangladesh the GSP facilities from 1980 but after the Rana Plaza incident, President Obama suspended Bangladesh from US GSP facility. Though

Bangladesh has made development in workplace safety assurance, and addressed the fire hazard issues, US government has not withdrawn the suspension yet.

With the graduation from LDC countries list, Bangladesh will lose the GSP facilities as per rules. But the UK government has made commitment to Bangladesh that even after the graduation to a developing country, UK will continue to provide the GSP facilities to Bangladesh. Also the European Union countries have committed to continue the GSP facilities under EBA (Everything But Arms) scheme up to 2027, giving Bangladesh the time to prepare for new economic challenges. (The Daily Star, 2021)

5.5 Impact of COVID-19 on the RMG Industry of Bangladesh

The year 2020 has been a year of great sufferings and turmoil to the whole world. The outbreak of COVID-19 has hampered every life on earth. All of the industries have faced great loss and many of them are totally shattered. In our country, it is playing the role of a ticking time bomb which can destroy our whole economy.

The RMG industry of Bangladesh has been hit hard by this pandemic crisis. Bangladesh needs to import almost Tk 14,000 crore worth of raw material products from China each and every year. As the majority of the raw material imports come from China and due to the pandemic, China has stopped exporting their products, the manufacturing process of the our RMG industry has almost got shattered. Again, the main market destination of our RMG product is European countries which consumes almost 60% of the total consumption. But many buyers cancelled their orders in the first half of 2020, as a result many factories stopped the production process and were unable to pay the minimum wages to their workers. (Akil & Tonny, 2020)

In August 2020, the president of Bangladesh Garment Exporter and Manufacturers Association (BGMEA), Rubana Huq said that, the RMG industry of Bangladesh had gone through \$1.51 billion loss, 58% of the factories shut down and around 1.2 million workers had lost their jobs within the first half of the year 2020. But as a response to this, the government of Bangladesh sanctioned USD 588 million stimulus package for saving the industry. (Akil & Tonny, 2020)

On 2nd May, 2020, the Daily Prothom Alo published a story to depict the situation of the life of the garment workers during the time of the pandemic. According to that article, parents who worked in a garment factory in Gazipur were unable to pay their hospital bill which was BDT 25,000. For managing the money, they had to sell their newborn baby. This whole situation occurred because they lost their job in the garment factory due to COVID-19 pandemic shutdown. From this story, the terrible situation of the working class due to the pandemic can be understood. (Kabir, Maple, & Usher, 2020)

5.6 Fourth Industrial Revolution and Its Impact on RMG Bangladesh

The FIR (Fourth Industrial Revolution) is changing the every dimension of the world. And sooner or later it is going to hit Bangladesh. In order to cope up with the flow, Bangladesh needs to be prepared from now on. Otherwise it will very difficult to sustain in this competitive global market and flourish in the future.

Though fourth industrial revolution brings up all kinds of opportunities and opens up many possible doors, for graduating LDC country like Bangladesh, it poses more challenges. Because we have lack of skilled population, lack of expertise and technologically sound personnel. Though there is a ray of hope that the ICT division of the country is developing day by day and making the country a digital one. So fourth industrial revolution may bring some positive implications too. With the automation, productivity may increase and we will get competitive advantage in the global market. But many labors who are not skilled and educated enough to understand the process may lose their jobs and become unemployed. Which may lead to poverty rate increase in the country. Hence, it is more important to upgrade the skills of the labor force with proper train and education from now on. So that they can manage their livelihood with the technological advancement as well.

From this discussion, we can say that in order to get ready for the fourth industrial revolution, we need to focus on two sections immediately. Which are-

- Upgrading technological skills and education level of the labor force and
- Upgrading the system and process for achieving market efficiency.

About 4 million workforce is involved in the RMG sector of Bangladesh. This whole population will become a liability of the country for both cases. The first case is if our industry loses the market share in the global economy due to lagging behind the technology, the workers will lose their job. Secondly, even if we adopt the technological advancements and the workforce is not skilled enough to handle that they will become redundant. So not only the present workers need to be trained but also who are in the pipeline in the next 5 to 10 years are needed to get better education and technological skills to sustain in this revolutionary world. Because human skill is the most required one in the automation system rather than the maintenance and administrative skills.

Upgrading the system is also important so that the technologically advanced systems can be introduced gradually in the industry. Automation and process optimization are necessary in this competitive market to increase productivity as well as efficiency. To hold and increase the market share, we need to attract more buyers and customers with our product which needed to be comparatively better than our competing countries. For this reason, developing the whole system from now on is essential. (Mohsin, 2019)

5.7 SWOT Analysis

Taking knowledge from the above analysis, the SWOT analysis of the RMG industry of Bangladesh can be done.

Strength:

- The RMG industry of Bangladesh has almost 40 years of history and experience in the manufacturing process which is a great advantage in capturing market share in the global market.
- The available labor force in the cheapest price is another reason of the growing industry in our country.
- As a LDC country, Bangladesh has been enjoying GSP (Generalized Scheme of Preferences) advantages in the EU countries. Because of this, Bangladesh has been able to utilize the zero tariff benefits and has got preferential market access. Even after graduating from the LDC status, the zero duty access to the EU market will continue for three years. (Moazzem & Khandker, 2021)

- Associations like BGMEA, BEPZA etc. are always working for the improvement of the sector, for making advantageous collaborations and taking facilities in the international market.
- Huge capacity of the factories is available to fulfill the demand of the international market, which needs to be properly utilized.

Weakness:

- Having limited range of product category and fewer export destination are major weaknesses of the RMG industry of Bangladesh.
- Low level skill of workers resulting in lower productivity is another weakness.
- Due to the lack of technological advancement, our RMG industry is lagging behind in the global market.
- High tax rate and exchange rate is lowering the profit earning of the sector.
- Enough research work on the market is not done. As a result, gap between the knowledge of demand and supply, existing market and production available is weakening our industrial performance as a whole.

Opportunities:

- There are 91 LEED (Leadership in Energy and Environmental Design) certified green RMG factories in Bangladesh among which 6 hold the highest ratings and stand in the top ten list. (Mujeri, 2020) This opens great opportunity for attracting the eyes of foreign buyers and investors towards Bangladesh and makes the country to look as a lucrative destination for foreign direct investment (FDI).
- There is opportunity to explore non-traditional markets.
- More value added services can be incorporated in the chain.

- As Bangladesh is graduating from the LDC status and also in its way to become digital country, technological advancement can be achieved in the upcoming time.
- Political stability is growing in the country along with the infrastructure and transportation development which creates the opportunity of decreasing the lead time and become more competitive in the global market.

Threats:

- Vietnam, the close competitor of Bangladesh, is putting a great threat ahead of the Bangladesh RMG industry. In 2019, Vietnam had 6.2% of global market share and also has higher export growth than Bangladesh. This country has shown great performance during the COVID-19 pandemic situation and posing threat of capturing the 2nd position of Bangladesh from the global RMG exporter list.
- Political instability can act as a massive threat for destroying this sector.
- Though millions of workers are contributing their energy in this sector, the safety of their life is not assured by the authority. This lack of safety in the workplace has become a huge challenge now-a-days, after the Rana plaza collapse and Tazreen fire incident, to uphold its prestige and relationship with buyers in the international market. Though many steps have been taken and huge amount of money has been invested for this issue, the challenge is not over yet.
- As the world is shifting towards automation and including 4IR technologies in every sector, it is posing threat to our labor intensive RMG industry.
- COVID-19 pandemic situation has become a great threat towards this industry of our country as many orders have been cancelled by the buyers and also importing raw materials has become stagnant as China is not exporting currently.

6.0 Conclusion and Recommendation

6.1 Conclusion

In a survey by McKinsey, it is seen that the leading apparel companies of Europe and United States are planning to decrease their sourcing from China and evaluating options in the Far East and Southeast Asia, which opens a potential door for Bangladesh RMG sector to capture more market share and be the hotspot in the RMG industry. (garmentsmerchandiing.com, 2015)

But for availing that opportunity it is important to develop the technology and make the workforce skilled and educated enough to walk on that way of the revolution. The development of the value chain has become vital. To produce more diversified products and decreasing the dependence upon the raw material importer are important for holding a stable position in this industry. For doing this, the trade policies of Bangladesh needs to be redefined and changes in strategies must be implemented.

6.2 Recommendations

Bangladesh RMG sector is flourishing and has already come a long way now. As this industry is the backbone of our economy, we must keep its wheel running and take all the necessary steps for that. To hold the position in the global market and to go further in the direction, collective initiatives must be taken.

- Although BGMEA, BRAC and other organizations are taking initiatives to train the workers and develop their skill for making them prepared to adopt in the upcoming revolutions in the industry, more programs need to be arranged and the engagement rate must be increased in order to fulfill the objective properly. Also the budget allocation needs to be increased for arranging skill development projects.
- Though the number of labor available in our country is huge, we have a shortfall of professional and competent personnel in this industry. BUFT (BGMEA University of Fashion and Technology) is offering degrees on various subjects related to this industry. More universities and professional courses should be there for making

skilled workers for the sector which contributes the major part of the export and GDP of our country.

- New export destinations must be explored in order to reduce the dependency on the concentrated markets. Along with that new product development and proper research on the market should be done before launching them. Government should pay more attention to develop the research and development in this sector.
- As Bangladesh is going to graduate from the LDC status, we are going to lose the GSP facilities in the future. So, it is high time we reconsidered our business model and value chain and made proper changes in them in order to sustain in the future race.
- In the post COVID-19 world, assuring the safety and health of the workers are very important. So, more attention should be given on the workers' welfare regulations and maintaining safety standards.

The dominance of RMG industry in the economy of Bangladesh does not need be explained more. It is quite clear that to retain the sustainable growth of the industry and hold the position in the competitive market is very difficult, unless we provide proper attention to this industry.

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