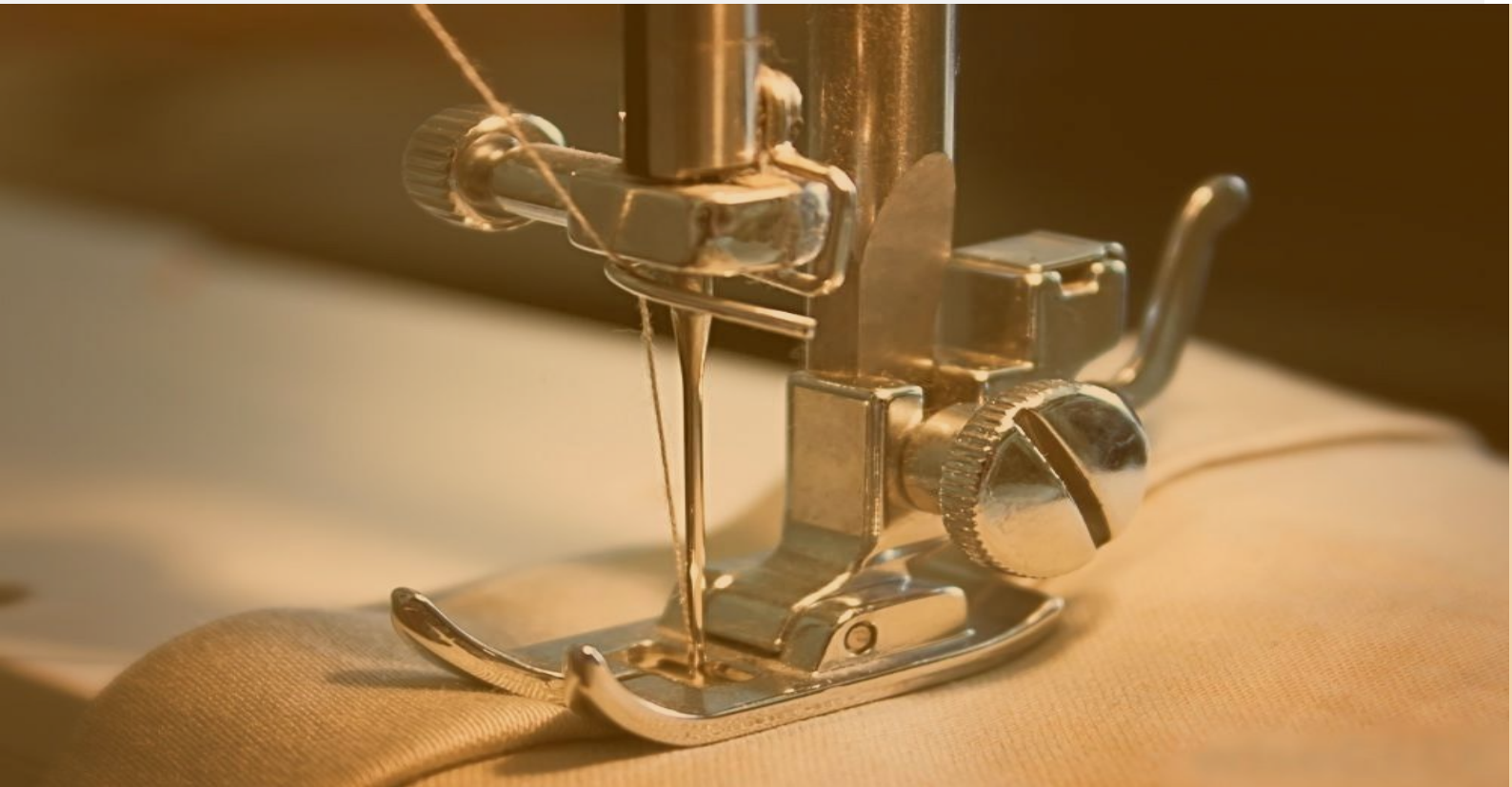




RMG Industry of Bangladesh: The Challenges and Opportunities



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Abstract

In terms of employment and foreign exchange revenues, the readymade garments (RMG) sector has the greatest potential of any other sector to combat poverty and strengthen the national economy. This study's objective is to identify the potential and difficulties that Bangladesh's RMG industry is facing. Data and Information were collected from secondary sources such as BGMEA, BKMEA, EPZ, various journals, Research Articles, and Working papers. In 1983-1984, when there were only 134 RMG units, only 4000 people were employed in this sector. By 2022, however there will be around 4.2 million people employed in this area, with nearly 80% of them being women (Rakib, 2015). In FY 1984, the national export in Bangladesh contributed by RMG was only 3.89%, but at present, 81.82% of national export in Bangladesh is contributed by RMG. In FY2022, the percentage of readymade garment's (RMG) contribution to the gross domestic product had been 9.25% but only 2.74% in FY1991.

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Introduction

Within a short period, Readymade Garments (RMG) industry has contributed significantly to the Bangladesh's exports, foreign exchange profits, industrialization, and GDP contribution. When it comes to creating jobs, the industry has played an important role. The industry indirectly impacts more than four million workers and has put more than 1.12 million women into the workforce (BGMEA, 2022). RMG's contribution to GDP is incredibly impressive; it increased from 3% in FY1991 to 9.25% in FY2022. In FY2022, the RMG sector fetched USD 42.61 billion, more than 81.81% of the country's total export earnings of USD 52.08 billion (BGMEA, 2022). However, the sector is still recovering from the vicious strike of Covid-19 when the international political war and economic changes created turbulence in Bangladesh along with rest of the world. Bangladesh, which fetched orders aplenty during post-lockdown periods from its European and US markets to cater to consumer needs, now receives 20-30% fewer orders in the ongoing Russia-Ukraine war with fueling global inflation. The single-month readymade garment (RMG) exports from Bangladesh in September 2022 recorded negative year on year growth of over 12% to USD 3.0 billion, which decreased by 19% from the previous month of August 2022 (BGMEA, 2022).

Nevertheless, in 2026 Bangladesh will no longer be classified as a least developed nation (LDC), posing additional difficulties for the RMG as Bangladesh will not be eligible for the trade advantage given to least developing nations. There are several opportunities which need to be explored for this sector that can help it recover, for example, receiving overseas orders from China and Vietnam, cheap labor, technological advancements, government support for textiles and apparel, special export processing zones, etc. Therefore regulatory organizations like the BGMEA, BKMEA, and the government should take the required steps to remove these impediments from their respective areas before experiencing any new problems (BGMEA, 2022).

Challenges of the RMG Industry

Based on the present national and global situation, this analysis discovered the following challenges of the RMG industry:

- **Recent Russia-Ukraine War:** As the war between Russia and Ukraine began in February 2022, the global economy entered a new phase of tension. The Russian invasion of Ukraine occurred while the globe was only beginning to recover from the effects of the Covid-19 pandemic. This would have a long-term impact on RMG export of Bangladesh because the main customers are EU countries and USA. Moreover, Bangladesh also exports RMG products to Russia, although the export is insignificant. Even with small-scale buyers, the shipment of readymade clothing from Bangladesh to Russia and the export payments from the buyers are dropping on a daily basis. Around 150 local apparel exporters in Bangladesh are exposed to

risk of losing a significant size of the emerging market if the conflict does not end (BGMEA, 2022).

- **Lack of skilled labor:** The expansion and development of industry depend on knowledge and ability. If an industry suffers from a shortage of skilled labor, the development of that industry stops. In the RMG sector of Bangladesh, approximately 4.22 million workers are working, where 90% are women, and most are uneducated, illiterate, and come from rural areas (BGMEA, 2022).
- **Energy Crisis:** Energy problems, including gas, oil, and electricity, have hampered production and affected the sales of this sector. Due to electricity load-shedding, the export supply has declined, and the production cost has increased, reducing income and profits.
- **Raw materials price & quality:** Bangladesh imports cotton and thread colors, including other textile materials. The over-dependence on raw materials hinders the expansion of the garment industry. In addition, foreign suppliers frequently provide low-grade materials, resulting in inferior products. Moreover, the prices of cotton and other raw materials used in the textile industry vary substantially in Bangladesh.
- **Structure of Factory:** When the RMG sector first started, factory buildings were scattered, and most of the factory was established in random buildings without following specific compliance. The structure of the building was not designed, keeping in mind the safety of the workers. As a result, numerous accidents have occurred, such as Rana Plaza and Tazrin tragedies, and we lost several lives. Now, we have a significant number of world-class RMG factories, but all of the factories did not install safety equipment, which is a challenge in this industry.

Opportunity for RMG Industry

The RMG business in Bangladesh experienced a consistent expansion thanks to a few important factors. The expansion of the RMG sector has given rise to a vast array of new linkage businesses and supported the growth of several service sector activities. The RMG industry contributed to other economic activities in sectors like banking, insurance, real estate, packaging, hotels and tourism, recycling, consumer goods utility services, and transportation, in addition to driving the growth of the spinning, weaving, dyeing, and finishing industries and the production of accessories and spare parts. Due to foreign investors choosing Bangladesh's RMG industry over China and Vietnam for various reasons, Bangladesh has a chance to grow in this sector. In recent years Bangladesh has been receiving orders from China and Vietnam, which will help create more employment in this sector. If this industry take advantage of this chance then it can ascend to a better position. Globally the share of cotton textile and clothing consumption is 25% only, whereas 75% of Bangladesh's RMG product is concentrated on cotton (Chowdhury, 2022). That means this sector has an ample opportunity in the readymade garments industry. The following are the primary driving forces that have a significant

impact on Bangladesh's RMG sector such as a sizable labor force, skilled human resources, technological advancements, government support for textile and apparel, special export processing zones, the establishment of textile and apparel villages, incentives for using local inputs, duty reductions for input imports, income tax reductions, etc.

- Setting up backward links should be given top attention in any cost-reduction approach. Backward connections will help to become less reliant on imports, which will lower the overall and average cost of producing clothing. Due to this strategy, the products will be more competitive in the global market for readymade clothing.
- Bangladeshi workers are less productive than their counterparts in Sri Lanka, South Korea, and Hong Kong (Nabi, 2017). Bangladesh also has low wages and increasing wages can increase productivity. Productivity needs to be increased to maintain its position in the most competitive market in the world.
- Bangladesh produces very few product categories. Shirts make up 60% of the product categories we sell to overseas markets, followed by jackets (11%), knit items (10%), pants (7%), and others (11.50%) (Nabi, 2017). New product items must be created with several variations in order to compete in the most fierce RMG market in the world.
- Using a product diversification strategy is crucial to maintaining one's position in the global market for readymade clothing. Utilizing fashion should result in the production of various things. Bangladesh's primary rivals include Thailand, China, India, Pakistan, Hong Kong, Singapore, Malaysia, Indonesia, and others. Regarding the product diversification strategy, they are already in front of Bangladesh.
- Bangladesh has sold its goods to a small portion of the global market. The USA, Canada, and Europe account for the majority. 14% go to Canada, 46% to the United States, and the remainder is sold in the European market (Nabi, 2017). Bangladesh's rivals have continuously increased their marketplaces and changed their products by utilizing fashion.

Using the aforementioned important factors, and we can effectively compete fiercely on the global market for readymade clothing. However, there's still another important element. If we take into account those crucial elements in our industry of readymade clothing, we will be given precedence in the renowned buyers' notebooks.

Conclusion and Recommendation

In Bangladesh, the readymade garment (RMG) industry significantly contributes to GDP development, job creation, and foreign exchange inflow. The results of this analysis demonstrate that the conflict between Russia and Ukraine and COVID-19 had a detrimental effect on the RMG sector, which caused Bangladesh's economy to lag. Due to several problems, including inadequate infrastructure, a lack of energy and a supportive regime, inept management, and industrial integration, this industry

has not been able to fulfill its full potential. Bangladesh economy may fulfill its development objectives, improve the standard of living, and get closer to being a middle-income economy by tackling these problems collectively. Facilities for multimodal transportation through public-private partnerships and dependable infrastructure facilities, including a stable supply of electricity, are to be built for the development of this sector. Civil society and other socio-political players must act decisively to foster a hospitable political environment, reduce corruption, and maintain a business-friendly environment. The government also has a part to play in resolving the issue by creating appropriate policies to safeguard the apparel industries, resolving the regulatory issue, providing quick loading facilities in the port, creating a suitable working environment, and protecting the sector from any political issues and bias. Bangladesh is currently experiencing a power problem that can be reduced with the help of alternative power production and renewable energy.

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