



A Report on Readymade Garment Industries of Bangladesh

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Executive Summary

The report attempted to highlight the prospects and opportunities of garment sector in Bangladesh. Like other economic sector in the country, garment is one of major sector which contribute to the national economy. The report tried to brief country profile includes general information and main economic indicators, and specifies business environment for garment industry development in Bangladesh. The report also present profiles of leading garment producers and lists major suppliers in the country.

The performance of the readymade garment (RMG) sector has been one of the most notable success stories of the Bangladesh economy over the last two decades. Nearly two million women workers were directly and more than ten million people were indirectly associated with this industry. Over the past twenty years, the number of manufacturing industries grew from 180 to over 4500. On the average this sector alone fetches over 78% of the total export earnings of the country (BGMEA, 2013). Today, the RMG export sector consists of multibillion dollar manufacturing and export industries in the country. The overall impact of the readymade garment export is certainly one of the most significant social and economic developments in contemporary Bangladesh. Because the economy of Bangladesh largely depends on the RMG sector, in short, this sector is still considered as the lifeline of the Bangladesh's economy and plays an indispensable role for the social stability of the country.

1. Introduction

The tremendous success of readymade garment exports from Bangladesh over the last two decades has surpassed the most optimistic expectations. Today the readymade garment sector is a multi-billion-dollar manufacturing and export industry in the country. The overall impact of the readymade garment exports is certainly one of the most significant social and economic developments in contemporary Bangladesh. With over two million women workers employed in semi-skilled and skilled jobs producing clothing for exports, the development of the apparel export industry has had far-reaching implications for the society and economy of Bangladesh.

The RMG industry has been Bangladesh’s key export industry and a main source of foreign exchange for the last 25 years. In 2013, more than 78 percent of Bangladesh’s export earnings reportedly came from the garment industry, which in 2012 contributed 10 percent to the country’s GDP. The ready-made garments (RMG) sector has a greater potential than any other sector in terms of employment and foreign exchange earnings to reduce poverty and make a contribution to the national economy (Ahamed, 2013). According to the France Bangladesh Chamber of Commerce, Bangladesh is one of the leading manufacturers and exporters of textile goods in the world; its garment exports currently account for more than half of total exported goods. In particular, the country has increased its specialization in the ready-made garment (RMG) sector, and becoming one of the main exporters of RMGs of the worldwide.

2. Historical Background

Bangladeshi garments industry is the largest industrial sector of the country. Though the history of Readymade Garment Industry is not older one but Bangladeshi clothing business has a golden history. Probably it started from the Mughal age (16th to the 19th century) in the Indian subcontinent through Dhakai Musline. It had global reputation as well as demandable market around the globe especially in the European market.

Important issues related to the Bangladesh readymade garments industry

Years	Issue
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1977-1980	Early period of growth
1982-85	Boom day
1985	Imposition of quota restriction
1990s	Knitwear sector development significantly
1993-1995	Child labor issue and its solution
2003	Withdrawal of Canadian quota restriction
2005	Phase-out of export quota system

Source: Bangladesh Garment Manufacturers and Exporters Association and Export Promotion Bureau, 2013.

After industrial revolution in the west they were busy with technological advancement & started outsourcing of ready-made garments to meet up their daily demands. Many LDC's took that chance & started ready-made garments export at that markets. Bangladesh took this chance enjoyed quota & other facilities of them. Thus readymade garments industry started to contribute in our economy from late eighties (1977). The history of the garments industry dates back to 1977 when the first consignment was exported to then West Germany by Jewel garments. The number of units, however, remained a meager 46 until the end of 1983. From a humble beginning the sector has thus made phenomenal growth over the last two decades, the number of units growing to around 4500 (BGMEA, 2013).

3. Backward linkage of Readymade Garment Industries of Bangladesh

Backward linkage means the use by one firm or industry of produced inputs from another firm or industry (Alan V Deardorff, 2001). That means the finished garment relies on three steps; first level for converting fibers/cotton to yarns, second step for converting yarns to gray fabrics to dyed, printed or other finished fabrics. These three steps are integrated into each other as shown below diagram. It shows that these three steps are essential for backward linkage integration (BGMEA, 2005).

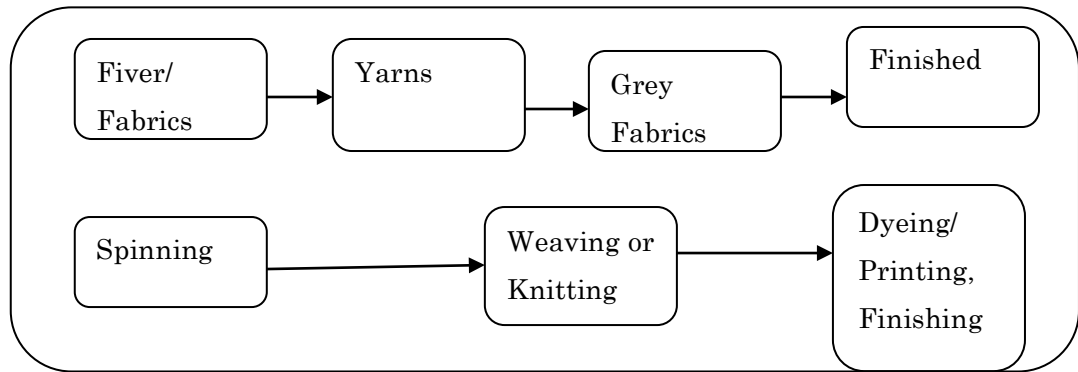


Figure: Steps from fibers/ fabrics to finished fabrics

Out of three steps, Bangladesh is only capable of knitting, finishing in knitwear sectors but far behind in producing yarn, fabrics which is a major factor for woven section. The success of the garment industry very much depends on how effective RMG sector linkages may operate backward and forward.

4. Types of RMG Industries

Before exploring strategic options for the industry, it makes sense to take a quick look at the industry structure and the scale economies it presents. Bangladesh Garment Manufacturers and Exporters Association (BGMEA) Members' Directory 2004-2005 lists 3560 member firms exist. Among them 700 knitting factories, 525 sweater factories, and the remaining 2275 are woven garment units. In addition, Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), boasts a membership of another 860 knitwear firms, of which some 300 are believed to have dual membership with BGMEA, leaving 560 units with exclusive BKMEA membership. The garment industry in Bangladesh is broadly classified into Knitwear, RMG, woven, specialty/ linen including terry towels and others. The types of the garment industries are below:

Structure of RMG industry

Garment Category	Number of firms	Share (%)	Employment
Woven	1673	47	836,500
Knitwear	1495	42	747,500
Sweaters	392	11	337,120
Total	3560	100	1,921,120

Source: World Bank 2005.

Above the table we found that, just about half of the firms are into woven garments, while knitwear and sweaters together make up the other half of the industry.

5. Readymade Garments wage of Bangladesh

The two important factors that influenced the growth of the RMG industry in Bangladesh were: (a) availability of cheap labor, and (b) a favorable export environment created by the Multi-Fibre Arrangement (MFA) quota system. The labor cost in Bangladesh is one of the lowest. The table compares average hourly wage (including fringe benefits) in the RMG industry are below:

Average hourly wages (including fringe benefit) of RMG industry

Country	Hourly wages (US\$)
Singapore	3.56
Mexico	2.40
Malaysia	1.20
Thailand	1.04
Philippine	0.78
India	0.58
Pakistan	0.49
Indonesia	0.43
Vietnam	0.40
China	0.69
Sri Lanka	0.46
Bangladesh	0.30

Source: World Bank Report, 2005

With the cheap labor advantage, the garment industry of Bangladesh is still holding competitive position in the global apparel market.

6. Market Structure of Garment Industries of Bangladesh

Textile sector in Bangladesh is predominately made of natural fiber cotton. This sector is broadly classified into the following stage/ sectors based on the value condition.

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- Yarn
- Fabric
- Apparel

Apparel is the high growth sector of garment sector. Bangladesh is active to achieve a phenomenal growth in export of the RMG. The export of RMG from Bangladesh has increased from a meager USD 7 million during 1981-82 to about USD 1.95 billion during 1995-96. The RMG sector has achieved a growth of 20% per annum over the past 10 years. Such high growth was catalyzed by the low wage along with Multi-fiber Agreement (MFA) on textile quotas principally with USA, Canada and European countries. The Generalized System of Preferences (GSP) provided import tax breaks worth about 15% of the import valuation, giving Bangladesh's RMG export a considerable advantage in these markets. In addition to the above, the financing agreements created through a system of back to back Letters of Credit (LOC) covering imported inputs and finished exports, greatly contributed to the accelerated growth of RMG sector. The above factors enabled Bangladesh to become the fifth largest exporter of RMG to the European Union and sixth largest to the USA.

The RMG industry is the multi-billion-dollar manufacturing and export industry in Bangladesh. Whereas the industry contributed only 0.001 per cent to the country's total export earnings in 1976, its share increased to about 75 per cent of those earnings in 2005. Bangladesh exported garments worth the equivalent of \$6.9 billion in 2005, which was about 2.5 per cent of the global total value (\$276 billion) of garment exports. The country's RMG industry grew by more than 15 per cent per annum on average during the last 15 years (World Bank, 2005). The foreign exchange earnings and employment generation of the RMG sector is increasing from year to year.

Ready-made garments manufactured in Bangladesh are divided mainly into two broad categories:

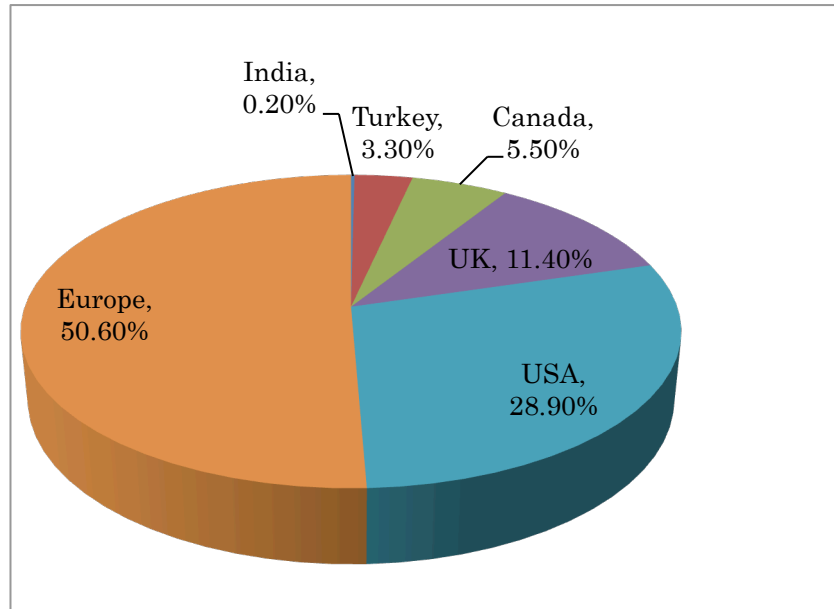
1. Woven products and
2. Knit products.

Shirts, T-shirts and trousers are the main woven products and undergarments, socks, stockings, T-shirts, sweaters and other casual and soft garments are the main knit products. Woven garment products still dominate the garment export earnings of the country. The share of knit garment products has been increasing since the early 1990s; such products currently account for more than 40 per cent of the country's total RMG export earnings (BGMEA website). Although various types of

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garments are manufactured in the country, only a few categories, such as shirts, T-shirts, trousers, jackets and sweaters, constitute the major production-share (BGMEA website; and Nath, 2001).

Export of Readymade Garments by Destination, 2010-11 (%)



Source: BGMEA Data Sheet, 2013.

Currently, there are more than 4,000 RMG firms in Bangladesh. More than 95 percent of those firms are locally owned with the exception of a few foreign firms located in export processing zones (Gonzales, 2002). The RMG firms are located mainly in three main cities: the capital city Dhaka, the port city Chittagong and the industrial city Narayanganj. Bangladesh RMG firms vary in size. Based on Bangladesh Garment Manufacturers and Exporters Association (BGMEA) data, Mainuddin (2000) found that in 1997 more than 75 per cent of the firms employed a maximum of 400 employees each. Garment companies in Bangladesh form a formal or an informal group. This grouping helps to sharing manufacturing activities, to diversify risks; horizontal as well as vertical coordination can be easily found in such group activities.

Export of RMG 2001-05 (US\$ million)

Year	Woven Garments	Knit Garments	RMG Total
2000-01	3,364.2	1,496.4	4,860.6
2001-02	3,124.6	1,459.2	4,583.8
2002-03	3,258.3	1,653.8	4,912.1
2003-04	3,538.1	2,148.0	5,686.1

2004-05	3,598.2	2,819	6,417.7
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Source: World Bank, 2005

7. Leading Market player in Bangladesh

A. First World Fashion

A garments manufacturing group was established in 1992, works with buyers from EEC, Scandinavia and U.S.A. It makes a variety of garments products such as woven, sweater, knit, baby items, infant items and under garments.

Contact address:

House# 434, Road # 30, Mohakhali, DOHS

Phone: 88-02-8850848

B. Posh Apparels Ltd.

Posh Apparels Ltd. is a leading manufacturer and exporter of Readymade Garments. Since 1989, the company has been exporting MENSWEAR, LADIES WEAR and CHILDREN CLOTHING many countries around the globe. The company is well equipped with all the facilities required for designing, cutting and making an entire range of garments for men, women & children.

Corporate office: Lane # 23, House # 334 (Ground Floor)

New DOHS Mohakhali, Dhaka-1206, Bangladesh

Phone: +88-02-989 1945, 989 9828

Fax: +88-02-988 0294

Email: info@poshapparel.com ,

C. DIRD Group

DIRD GROUP started its operation with its engineering company DIRD PRIVATE LIMITED in 1983. In 1984 the group stepped into the garments sector with DIRD GARMENTS LIMITED, now DIRD GROUP has diversified into different textile sub-sectors of Bangladesh.

Corporate Head Office of DIRD GROUP

Faruk Rupayan Tower (12th & 13th Floor)

32, Kamal Ataturk Avenue, Banani, Dhaka 1213, Bangladesh

Tel: +880-2 8825397

JBBC K.K. Tokyo To, Toshimaku, Higashi Ikebukuro, 1-20-2, Room 502, Japan. info@jbbc.co.jp

Fax: +880-2- 8823621

E-mail: info@dirdgroup.org

D. ANTIM KNITTING DYEING & FINISHING LTD.

ANTIM KNITTING DYEING & FINISHING LTD is a 100% Export Oriented Knit Composite Textile Factory. It is the pioneer in manufacturing and exporting finest quality knitted garments items. It has maintaining state of the art in its production process. ANTIM KNITTING DYEING & FINISHING LTD. was established in 1997 with a vision to build a premium Garments house.

Head Office: 39, Dilkusha (4th floor), Motijheel, Dhaka, Bangladesh.

Phone: 88-02-9567811

E. NRB Fashion Garments manufacturing company

NRB Fashion Garments manufacturing company established in 1995. NRB Fashion is a prominent apparel sourcing organization based in Bangladesh that offers garments for men, women, boys, girls and kids/babies. Over the years, they have gained immense industry expertise that has enabled them in identifying prominent vendor base across the country from which they procure range of products.

House# 21 (1st Floor) Flat# 102

Road# 06, Block-D, Niketon, Gulshan-1

Dhaka-1212, Bangladesh

Phone: +88 02 8810025

E-mail: nrbfashionbd@gmail.com

F. BASE Textiles Limited

BASE Textiles Limited a leading Knit ready-made garments factory (Knit composite), Base Textiles Limited, was set up in 1996, located in Chittagong (the port city and business capital) and has established itself in Bangladesh as a confident supplier of knit fabric and garments.

Corporate Office & Factory:

9 CDA Industrial Area, Al-Amin Baria,

Kalurghat, Chittagong 4221, Bangladesh

Phone: +880 31 2573327-8

Fax: +880 31 670118

JBBC K.K. Tokyo To, Toshimaku, Higashi Ikebukuro, 1-20-2, Room 502, Japan. info@jbbc.co.jp

Email: info@basetextile.com

G. Euro Group Bangladesh

Euro Group has always been the trendsetter in providing total solution package to its customers in the field of Textile and Garments, ensuring value for price and in turn achieving the entire customer satisfaction.

Office address:

Eurotex International, House no -542, Lane-12(2nd floor)

D.O.H.S Baridhara

Dhaka-1206, Bangladesh

Contact e-mail address: eurinco@dhaka.net

Phone: +880-2-8849165

Fax: +880-2-8849168

H. Greenland Garments

Greenland Garments Ltd. is a vertically integrated knit manufacturer. Our siege of the garment production process begins with the knitting of yarn into fabric and extends into and beyond the dyeing and manufacturing of various types of knit garments.

Head Office: Hasney Tower (6th Floor), 3/A Kawran Bazar, Dhaka - 1215, Bangladesh.

Telephone: (880-2) 913 0058-9

E-mail: info@greenlandgarments.com

I. Givensee Group

Givensee Group of Industries is one of the largest composite garments manufacturers in Bangladesh. Established in 1982, it has more than 17000 workers producing over 70000 pieces of garments per ranging from knitwear items to heavy denim wear. The group was one of the pioneers of Garment business in Bangladesh.

Contact address

Givensee Group of Industries

House # 06, Road # 13

Sector # 03, Uttara Model Town, Uttara, Dhaka, Bangladesh.

JBBC K.K. Tokyo To, Toshimaku, Higashi Ikebukuro, 1-20-2, Room 502, Japan. info@jbbc.co.jp

Tel: 8932813

J. AFTAB GROUP

AFTAB GROUP is one of the leading enterprises with businesses in banking sector, textile, food, readymade garments, agriculture, compressed natural gas, industrial pump manufacturing so on and Real Estate in New York USA. Aftab Group has well-established enterprises in these fields and most of its projects have been success stories.

Contact address

AFTAB GROUP HEAD OFFICE

Uttara Bank Bhaban (4th & 5th Floor)

90, Motijheel C/A, Dhaka-1000

Phone: 9551381

Fax: 7166227

Email: aftab_g@aitlbd.net

K. Zaber & Zubair Fabrics Bangladesh

Zaber & Zubair Fabrics was incorporated in 1997 with a mission to grow up as an internationally recognized home textile manufacturing company, by meeting day today's market requirement and achieving customers' satisfaction.

Contact address

Marketing Office & Factory

Address: Pagar, Tongi, Gazipur, Bangladesh

Email: sales@znzfab.com

Phone: (8802) 9802646

Fax: (8802) 9800200

8. Japanese Company in Bangladesh

Some Japanese companies are doing their business in Bangladesh These are below:

Company Name	YAGI Bangladesh Garments Ltd.
Principal	YAGI, Japan
Address	10th floor, house=23, road=113/A, gulshan-2, Dhaka-1212
Telephone	01677266990 , 01759112234

JBBC K.K. Tokyo To, Toshimaku, Higashi Ikebukuro, 1-20-2, Room 502, Japan. info@jbbc.co.jp

Email	motidas@yaginet.jp, suddin62@gmail.com
Products	Garments Product

Company Name	Leatherex Footwear Ind Ltd
Principal	K & K Co. Ltd, Regal Corporation, B.Z. Moda S. R. L. Kansai Action. Co. Inc
Address	HO; House #34/A, Road #10/A, Dhanmondi, Dhaka, Factory: Dewan Iddris Road, Durgapur (Kathgara), Ashulia, Savar, Dhaka, Bangladesh
Telephone	88-02-8112543/9129192
Fax	88-02-9129192
Email	leatherex123@gmail.com
Website	www.leatherex-footwear.com
Products	Ladies Pumps Shoe, Ladies Boot, Men's Shoe, Sandal and others

9. Problems of Ready Made Garment Industries of Bangladesh

The New York Times and the US Department of State reported in 2012 that low productivity due to low skill, poor management, insufficient infrastructure, inefficient machinery, and power cuts are the main challenge for the RMG sector.

Bangladeshi garments industry main severe problems are below:

1. The main problem of garment industries in Bangladesh is paid low wage of the workers. Garment industries owner never provides perfect wages to the workers.
2. Electricity problem is another problem of garment industries of Bangladesh. It hampers production process. It also reduces production.
3. Increasing price of raw materials is another problem for garment industries of Bangladesh. Raw materials are imported by high tax. It is a vital problem for garment industries of Bangladesh.
4. Employees of garment industries are not well trained. There is no training system for garment workers in Bangladesh. It is a vital problem to garment industries of Bangladesh.
5. Bangladeshi garment owners do not have sufficient capital. So they cannot form large-scale business and large-scale production.
6. Unstable political situation hampers production. Political groups are not aware about this. So in

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'hartal ' Bangladeshi garments faces a huge loss.

7. Most of the garments owners are not educated in business administration. Some of them even do not know about scientific method of keeping accounts. So it is also a major problem of garment industries of Bangladesh.

8. Bangladeshi garment owners do not have developed technology. So they cannot produce products so well.

9. All policies made by government are not favorable to garments. Sometimes it faces problems.

10. Promotion departments of garment industries are not active. So selling rate of products is low.

10. Overcoming the challenges

From the RMG industries perspective, longer-term plans and investments to accommodate the future growth are most important. The top priorities for investment are infrastructure, education, and trade support.

- The current infrastructure investments are a start, but are far from enough to either provide the capacity needed today or come close to what is required for the future. Increased investments, diligent planning, and project management are required. If the infrastructure is provided, additional incentives to decentralize the industry could support its healthy growth.
- Investment in education requires broad initiatives. On the one hand, middle management education should be combined with an effort to improve the image of the garment industry. And on the other, vocational training needs to be developed and the appropriate institutions must be established either by the government or via public-private partnerships.
- Continued trade support for Bangladesh's RMG industry, especially with regard to bilateral agreements, is the third core priority. For the latter, the focus should not be on export market only, but a long term strategy needs to be developed in order to secure the required raw materials supply as well.

11. Possibilities of the Garment Industries

There are huge possibilities of the garments sector in Bangladesh. These are below:

- Garments industry of Bangladesh has a great opportunity to become a major sector of the national economy. As we know that availability of a lower labor cost in Bangladesh helps the garment industry to secure a very strong position in the world.

- As a Least Development Country (LDC) Bangladesh has duty free access to global market for garment products. This advantage may accelerate expansion and growth of Bangladeshi garments industry.
- Bangladeshi garment products are being exported different countries. Its export is increasing worldwide gradually.
- Bangladeshi garment industry is very much capable to ensure proper quality of the product as per requirement of the global buyers of the international garment market.
- Increasing labor cost all over the world. However, Bangladeshi garment sector labor cost is comparatively cheap; as a result Bangladeshi garments products may be fulfilled global demand.

12. Recommendations

12.1. Trade policy

- Reduce maximum tariff to 15 percent or lower over the next 5 years or so.
- Replace all trade-related QRs with appropriate tariffs.
- Strengthen commercial sections of Embassies, with performance-based appointment and promotion of commercial counselors.

12.2. Fiscal issues

- Phase out export subsidy, including some new ones added in the past 2-3 years.

12.3. Regulatory processes and governance

- Simplify procedures for registration of firms, issuance of licenses, and abolish unnecessary licenses. Streamline inspection regime.
- Streamline import-export regime for other exports; Improve customs administration.

12.4. Labor

- Modify labor policy to allow night shift work for women.
- Provide adequate dormitory facilities for workers.

12.5. Finance

- Strengthen financial sector reforms to bring about lower interest rates.

12.6. Infrastructure and utilities

- Invest in port infrastructure and container terminals. Install ship-to-shore gantry cranes.
- Grant permission to establish off-dock yards to handle inbound containers.

- Introduce metered gas with necessary investment in gas pipelines and infrastructure.
- Widen roads and increase capacity of Dhaka-Chittagong road corridor.
- Adjust prices of freight services and increase number of freight trains. Introduce commercial management in Railways.

12.7. Quality, social and environmental standards

- Establish good quality testing laboratories and increase existing laboratory capabilities.
- Improve Govt. and industry capabilities in hygiene and other food safety controls.

12.8. Enterprise capacity and marketing

- Develop information services in EPB, BGMEA and/ or BIFT.
- Support trade missions, participation in trade fairs, buyer-seller match making and training.
- Develop financing mechanisms for sustainable training (esp. contribution from industry)

13. Conclusion

Bangladesh is the best placed for textile & garments industry due to cheap labor & favorable trade status. Bangladesh has earned nearly \$8 billion by exporting garment products, mainly to Europe and the United States. This is about 75 percent of total export earnings of the country. The RMG industry has around 4,250 units across the country. It employs more than 2 million workers, most of whom are poor women. Whenever the country is criticized for its high level of corruption and confrontational politics, its garment industry is held up as a success story. After the end of the Multi-Fiber Agreement at the beginning of 2005 and the changeover to the new World Trade Organization regime, it was feared that the Bangladesh's booming textile industry would suffer as it would lose business to countries like China and India. But fortunately for Bangladesh, so far this prediction has been proved wrong. In fact, the industry has continued to grow at a healthy rate of 20 percent. However, this does not indicate that the Bangladesh garment industry has become more competitive