

# Summary of ready made garments history economics essay

[Economics](#)



**ASSIGN  
BUSTER**

## **Abstract**

This research has been conducted to understand the how Bangladeshi Ready Made Garment (RMG) is contributing to economy of Bangladesh. Another consideration of this research was to measure the competitiveness of Bangladeshi RMG industry in the global apparel market. The foremost focus of the researcher was to understand the internal factors with a view that external factors play the role of barriers only. Assessment of surface level competitiveness has been discussed at less imperative view than the internal or deep level problem. The researcher has accentuated on the factors that are causing the sluggish of growth for the industry. The research has been conducted with the spirit of both qualitative and quantitative. Both primary and secondary data were used for this research, but secondary data was primarily used from the existed sources. To give the research an efficacious aspect the researcher understood the necessity of collecting primary data and to gain better thoughtful information from the individuals greatly involve in this industry. Some significant gap in performance was found by the researcher while understanding the internal or deep level factors. An optimistic view of upbeat future picture can be drawn as the gaps are within the capabilities of Bangladesh. The major gaps found were lengthier lead time, not complying to the code of conduct, scarcity of linkage firms, deficiency of both market and product diversification. Shortage of dynamism was the most vital one founded for the growth of RMG industry in Bangladesh.

## Chapter One

### Introduction

#### 1. 1 Summary of Ready Made Garments History

In the era of industrialisation and the enlargement of trade were done by the Ready Made Garments (RMG) and Textile. Many countries have increased their growth of economies by the influence and contribution by the RMG industry. A transformation from agricultural economy to industrial economy took place in Britain at 18th century by the conversion of manual labour to machine. In 19th century cotton textile fabrication at Britain had a major advancement. Many countries like USA, Japan and some European countries apparel industry had progression because of the invention of synthetic dye in 19th century as it happened in Britain. Distinguished changes happened in the apparel industries in the early part of 20th century by establishment of production houses which later on was extended to Asia and other parts of the world. Competitive wages in some Asian countries build up a strong cause to transfer apparel production from the western countries. This was backed up by the reason of a crucial difference between the wages of the workers of those countries since 1950s. A barrier in apparel industry is automation so it is more dependable in manual labour and the intensity. Because of the competitive wages in the industry exist; globally work load has been transferred towards countries like Bangladesh, Sri Lanka and Vietnam where low wages win over the high wages phase. As a result Ready Made Garments is the forerunner of globalisation since the last decades. A great achievement in export in some Asian Countries like India and China come about because of cotton and syntactic production by the low paid

<https://assignbuster.com/summary-of-ready-made-garments-history-economics-essay/>

worker. This added a major component of developing their economy at a great level and ultimately to become global leader in exporting RMG. For such reasons the developed countries are the consumers of RMG and the least developed or developing countries remain the exporter and helped them to trade globally effectively.

## **1. 2 Overview of Bangladesh RMG Industry**

A major transformation happened in the mid-1970s in the Ready Made Garments industry. The Leaders of RMG of that era like Singapore, Taiwan, Indonesia and some developed countries were protected by the quota system in the foremost ordering countries like USA, European Union. The exporting countries were given the option of transferring or shifting their production to an economical and trainable labour force that were not part of the quota system by the purchasing countries. Multi Fibre Agreement (MFA) in 1974 created barriers of export to nation like Korea but created new opportunity to countries those were restricted like Bangladesh. As a result Bangladesh became one of most promising nation to establish RMG industry and utilize opportunity of restriction free system. As stated by Zahed, A. M. (2007), at 1977 in the port city of Bangladesh, Chittagong became the first place to establish country's first RMG industry with the name of 'Desh Garments' which was joint venture with 'Korean Daewoo'. A local entrepreneur by the name of 'Reaz and Jewel' became the first one to export at the middle of the same year (Zahed, A. M, 2007). The journey of RMG industry started by those two events. Rahman (2004) identified that the joint venture of Desh-Daewoo played a dynamic role in the growth of the apparel industry in Bangladesh. This joint venture had agreement of

technical training, obtaining knowledge of machinery and fabric and proportion of export earnings to be divided within the company (Rock, 2001). A potential growth 90% was noted at an early stage when the operational value surpassed USD 5million and also created professionals who became key persons to contribute to the Bangladeshi apparel industry (Mahmood, 2002). After the liberation of 1971 Ready Made Garments industry became the main contributor of foreign earning for Bangladesh. This was achieved by the remarkable acceleration by the local entrepreneurs of the industry. Earning of foreign exchange, export, mitigation of poverty by creating jobs, empowerment of women have been achieved by RMG industry. The Government policy made it easy for this achievement with the help of availability of cheap labour and raw materials.

### **1. 3 Development and progression of Bangladesh RMG Industry**

The Bangladeshi Ready Made Garments industry is now a multi-billion export industry. The growth of the economy and GDP of Bangladesh is mainly backed up by this industry since its establishment. In 2011-2012 the share of total export earning was 78. 60%. This is tremendous achievement compare to 1976 share of export earning where it was only 0. 001% by this industry (Haider, Z. M, 2007). The graph below shows how this industry became the main contributor of export earning of Bangladesh. According to the BGMEA (2012), the total RMG Export in the fiscal year 2011-2012 was US \$19089. 69 million where 60% exported to the EU, 24% the USA and other 16% to the other counties like Canada and Australia. Currently 5400 industries are involved in manufacturing RMG. This is a major boost comparing to 385

existed in 1985 (BGMEA, 2012). The industry is heavily dominated by the local entrepreneurs. 95% ownership belongs to local authority and few foreign firms which are located in export processing zone. The RMG firms are located mainly in the capital city of Dhaka, port city Chittagong and industrial city. Foreign Direct Investment (FDI) is restricted in Bangladesh RMG therefore local entrepreneurs dominates the industry. But Ahmed, N (2006), pointed out that some critics acknowledge this the barrier for growth and technology and expertise are been disregarded. The size of the RMG firms differs from each other in Bangladesh. According to BGMEA data, in 2011-2012 4 million workers are employed by this industry where 80% of them are women. This is very encouraging for a nation like Bangladesh where literacy of population especially women is significantly low. But this employment is giving the neglected part of the population empowerment of being involved in developing economy of the nation. Manufacturing activates and risk of production has been shared by some popular firms along with some small scaled firms. A serious competition from other exporting countries has been a key issue of growth since the end of Micro Fibre Agreement (MFA) in 2004. So for RMG industry of Bangladesh extensive duration of sustainability is the major area to focus on. Bangladeshi RMG manufacturing is divided into two categories woven and knit. For woven products Polo, T-shirt, Denim are main products and Socks, Sweaters, undergarments are major for knit products produce by Bangladeshi RMG industry. Both of these kinds of products are growing their export share over the years but woven remain the leader among them. The following table illustrates some key facts about the history of Bangladeshi RMG industry:

•

### **1. 5 Problems and justifications:**

The global apparel market has grown over the years by globalization. The common practice of this industry remains gathering resources in one part of the world; manufacture them in different one and ultimately reaching out the global customer worldwide. For this whole process manufacturing product in cheap labour base countries play vital role. That is when country Bangladesh, who is endowed by cheap work force come into play. The RMG industry of Bangladesh changed rapidly since the phase out of MFA in 2004. But the unprintable export market remains the major concern for Bangladeshi RMG industry. The industry has seen 95. 5% in 1991-92 and 95. 6% in 1998-99 reflecting no potential in USA and EU market (BGMEA website). Since the post MFA era focus on market concentration got better off market diversification for the growth of this industry. Lack of backward linkage is the dominant factor deflecting the growth of the RMG industry. As Bangladesh is endowed with cheap labour across the country the export remains only 25%-30% of the whole production of RMG industry. Another factor of worrying for RMG industry is the scarcity of raw material for the production level. Although cheap labour remain the strong fact for the rapid growth of RMG industry but the threat of low productivity by this labour force is continuous fact. Bangladeshi RMG is producing low price product such as trousers, t-shirt etc. to low value consumer. As Bangladeshi apparel industry is in the race of been competitive with other big players like China, India, Sri Lanka and Vietnam therefore the competition is very inflexible. Over the history of Bangladeshi apparel industry unrest labour force has always been

an area concern. Job satisfactions of the workers have never grown up to the admirable level. Low wages, low literacy and poor skill are the areas to be developed in this industry.

### **1. 6 Research aim:**

The main aim of this research is to justify how RMG industry is contributing towards economy of Bangladesh, future opportunity of earning foreign exchange with the focus of competitiveness of this industry towards global market.

### **1. 7 Research Objectives:**

To measure economic contribution made by RMG industry of Bangladesh. To analysis the opportunity and obstacle of RMG export. Identify the impacts of MFA phase out and rules of WTO. Analysis the internal complication and effect of it to the external performance Finally identify the gaps of growth of the economy of Bangladesh and how RMG industry could contribute more towards it.

## **Chapter Four**

Finding and Data Analysis

### **4. 1 Introduction:**

The Ready Made Garments of Bangladesh is proved to be the leader of earning sector. The country has seen dynamic growth of this industry over 30 years which became the frontrunner of export earnings. The achievement of RMG industry could be recognized by the exceptional GDP growth and foreign exchange (FX) earning. Researcher tried to analysis the data and



information collected through primary and secondary sources in this segment. Website of BGMEA was primarily chosen as the source of secondary data to collect data regarding growth of factory and cost of labour of the apparel industry of Bangladesh. Economical contribution and the effect of natural gas were also analysed from some recent research prepared by some other researcher. To gather knowledge of export volume, GDP growth and the overall export of Bangladesh was collected from Export Promotion Bureau website. The researcher also concluded some charts and figures to portrait the scene of labour condition, lead time and production process as they are crucial parts of the research. From the interviews and survey the author gathered information about different types of product produce by the RMG industry. Understanding the level of competitiveness and unrest of labour market were thoughtfully processed from the interview's data. The attitude of Bangladesh government's towards RMG industry was also found by the primary research. Analyses of all this data has been presented by the researcher in this section. Finally an integrated analysis was conducted to associate the research objectives and the finding of the research.

## **4. 2 Growth of RMG industry**

According to BGMEA website the following table point out the overall growth of the RMG industry. But unfortunately the statistic indicates sluggish growth from 1983 to 1990 year of the factories. Nevertheless a quota free environment since 2005 helped to achieve the apparel industry for a major evolution. This was because of the establishment of strong global market and the existence of competitiveness among the industries. The table below

<https://assignbuster.com/summary-of-ready-made-garments-history-economics-essay/>

shows how over the years number of factories of this industry has grown into a large number. .

### **4. 3 Employment Growth**

Bangladeshi labour force for the RMG industry has grown significantly over the years and created opportunity for deprived population. According to BGMEA (2012), 70% of total workforce involve the rural women. This enormous workforce is contributing towards the economic growth of the country as well as building up their own welfare. Majority of the workforce did not enjoy any opportunity of this earning capacity before as they are illiterate and unskilled. The table below shows how over the years employment of this industry has grown at a large number. Bangladeshi apparel market is blessed with cheap labour existence and therefore enjoys a competitive advantage with its competitors from all over the world. As a developing nation, Bangladesh has a huge part of the population unemployed hence unable to create employment opportunities like what has been done by the apparel industry. This had an impact on job security for the workforce and therefore cannot raise their voice for a constructive wages structure. Mohiuddin (2008), pointed out that unlike the developed nation's apparel industry minor gap can be found for both skilled and unskilled in regards to wages. This has created a massive opportunity for Bangladeshi apparel industry to create competitive advantage over the competitors. But the worrying fact is nonexistence of constructive wages structure in Bangladeshi RMG industry hence produce the big question of meeting the compliance of labour welfare. But the 'Daily Star report' (11th April 2010), suggested that a wages structure for RMG industry could exist from August

2010 for full time worker for BDT 5000 monthly (USD 71. 43 approximately). Unfortunately this was hoax promise given by the Bangladeshi Government and BGMEA which is quite cultural of their nature. Both the workers and union leader created tremendous pressure over this two body only a minor development happened over the years. A comparison of labour wages with the major competitors is given the following table.

#### **4. 5 Competitive edge: Natural Gas**

The RMG industry of Bangladesh has the lowest energy cost and emission level compare to the major contender like India and China. Expensive consumption of electricity was dogged by using the cheap and extensively available natural gas by the Bangladeshi apparel industry. But the industry faced challenged as reported by Daily Star (17th March, 2010) as scarcity of natural gas form the national grid, which was followed by disturbances for both production and distribution. Many companies failed to produce their consignment on time because of this created by government by not providing power and gas on due time. Revenue of those companies was heavily dented as they choose expensive way to deliver their production to the final destination. Distribution cost by air is USD 4. 3/kg but only USD 0. 5/kg is used for the sea way. A negotiation for smooth supply and rate was discussed among the government and the BGMEA leaders as some report suggested that. The demand was to get similar kind of subsidiary of power enjoyed by the agricultural sector of Bangladesh in order to remain competitive with global competitors. The following data shows the comparison between Bangladesh and other major competitors.

#### **4. 6 Export:**

Success story of ' quota system' was the major element to develop the RMG industry. As the ' quota system' ended in 2004 the industry became very competitive for the existing and newcomer companies. Unilateral restriction, Multi-fibre arrangement (MFA), Term Arrangement was the major components of the ' quota system' which ended in December 2004. RMG contribution toward the Bangladesh economy has grown over the years. The apparel industry has been the key element of GDP growth. Total export of RMG industry was dramatically changed since 1990-91 as it became 50. 47% from 32. 45% of 1989-90. In 2011-12 it became 78. 60% which is a excellent achievement for this industry. The following table demonstrate the total export compare to RMG export.

#### **4. 7 Contribution towards National income**

The Ready Made Garments industry is contributing highest among any other products exported by Bangladesh. The following data clearly indicates how this industry remains the leader in the recent past in terms of export.

#### **4. 8 Review of Government Policy towards RMG industry**

The development of RMG industry of Bangladesh was assisted by several government policies. Those policies helped the industry to have competitive edge since the demolition of quota system in 2004. The assistance helped the industry to gain major markets like USA and EU countries. Khan (2008) pointed out some strategies of the government like cash incentive to new entrepreneurs, bonded warehouse, tax holiday, zero tax on imported garments items, and credit guarantee scheme along with some other

favourable policies. An extraordinary achievement was gain by the industry on knit textile and woven garments. This success came because of some intellectual and innovative decision by the government about the domestic industries, with the focus of making them solid backup for exporting industries. Cash compensation policy was introduced by government in 2006 for domestic or exporting companies like awarding 5% cash payment of net FOB value of the total exported garments (Ahmed N & Hussain s, 2006). There were some others policies by the government, like in 2004 only 10% income tax was charged rather than 30% (Ahmed N & Hussain s, 2006). This policy turns out to be more effective on surface level performance. But sometimes the government of Bangladesh could not react on due time and therefore missed some great opportunities to build up the RMG industry further (overview of Bangladesh, 2006). The business pattern for this industry in mainly done by focusing on buyer and B2B (Business to Business). The common practice is to get order either from the buyer directly or by a buying house. Mutual understanding between the producer and buyer is very crucial because of this pattern. As Khan (2008) rightly identify some key factors which could be developed by the government like corporate level liaison, acquaintance with buyers by lobbying, maintenance of compliance standard and a upright setup. But unfortunately government failed to meet the expectation by not taking those challenges seriously. Government did not take any realistic action and did not act promptly for the changes happen globally and failed to give the industry the competitive advantages. More polices should have taken to make stronger production level base for the RMG exporting companies. Another failure of the

government was not making any educational system to build up apparel personnel. Public university could have developed some teaching and research faculty in this regard. The only development is noticeable is the attempt of BGMEA teaching some individual through a fashion institute. This is not sufficient to make RMG industry stronger as only few of them learn the techniques of taking the industry forward. Porter (1998), mentioned some advance aspects like a solid infrastructure and skill labour force to back it up. This cannot be inherited as this needs to be developed by a nation. In order to become more competent as a nation, a skilled workforce is much needed. A clear gap exists with the major competitors like India, in the communication and IT sector (overview of Bangladesh, 2006). Another criticism of the government is that they do not monitor the negative reports publish by the media. These reports are mainly prepared with the focus of the compliance performance of the industry. These adverse reports are really injurious to the Bangladeshi RMG industry's reputation as buyer's decision is affected. The buyers always look for companies who are ethical and capable to meet the standard compliance. When any local and global media publish any negative comments about the Bangladeshi apparel market, the whole industry face challenge to build the good relationship with their buyers. Government support is much needed to achieve a desirable lead time. Bonded warehouses are provided by the government but they are insufficient in number and lots of obstacles needs to overcome in order to use them. Therefore SMEs are suffering and only few companies can use those warehouses. Bangladesh government needs to act on this by

developing more warehouse and give priorities to SME to reduce lead time of the RMG industries.

## 4. 9 Compliance

Compliance is also judge as a form of code of conduct. International buyers' code of conduct suggests that the preservation of labour rights is the hard-core of compliance in the RMG industry. Therefore compliance is the vital factor for RMG industry of Bangladesh. The competitive advantage in the global RMG industry is fulfilling the compliance standard and the product quality is less prioritise before any kind of order is pursued (Baral, L. M. 2008). Harvey (2007), defined compliance as a legal instruction like procedural manual, policies of a company and follow the code of conduct. Compliance can be described as what is expected as norms of an organisation to satisfy other expectation. Generally compliance is legal requirement which is imposed by the authority. The International Compliance training 2010 identify two types of compliance- internal and external and both of them must be followed by organisation as instructed by the external authorities. Bangladesh apparel industry is always facing the challenge of meeting the compliance as expected. But some factors are identified as non-compliance of the Bangladeshi RMG industry such as child labour, wages discrimination along with delay, recruitment, lack of drinking water along with sanitation and unhealthy work environment (Khan 2008). According to Baral (2008), if turnover is compared on the basis of investment with compliant and non-compliant factories a clear variance can be found as 247. 72% and 334. 01% respectively. In a competitive market, in order to remain competitive and thrive through the obstacles and perform as expected a

good compliance is a must for any kind of company. Baral (2008) pointed out some key rewards like the turnover rate of worker is being reduced, productivity is increased because of high morality of worker, unrest of labour does not exist, higher price for product and strong relation within the business community etc. Therefore compliance is a vital element in order to achieve maximised productivity, labour and performance of the organisation.

## **Labour Code of Conduct for RMG Industry**

**Source: Adopted from “Baral, L. M. (2008)” p 121**

### **4. 10 Lead Time**

Lead time is considered as the period of time is needed for buyer to receive finished goods or consignment received by the retailer. The norms of lead time in RMG industry is 120-150 days. Khan (2008) has indicated that in the recent past knit sector has improved lead time to 60-80 days and woven sector to 90-92 days. The other major competitors like China and India enjoy better lead time than Bangladesh RMG industry. Indian industry takes 50-60 days for knit, 60-70 days for woven and China is in leading position with 50-60 days for knit and 40-60 days for woven products (Haider, Z. M. 2007). The apparel industry as a whole specially knit sector is working hard to achieve better leading time and this as a result of strong linkage and availability of raw materials. For woven industry Central Bonded warehouse and home production is the best remedy for an excellent lead time (Bhattacharya, D. 2001).



#### **4. 11 Linkage Industries**

For any kind of industry the major factors of growth are supply of raw material and primary input source (McCane, 2001). But the barrier for growth for RMG industry of Bangladesh is the backward linkage competence. But unfortunately no development was noticed. The demand is quite high in regards to the yarn production so they do not meet at a same point. But the most worrying fact is the price and quality assurance which not competitive in the global scenario. Hence the apparel industry is heavily dependent on import of raw material. In Bangladesh the yarn cost is USD2. 80/ KG but in India it is only USD 2. 10/KG (Haider, 2007). As important fact was pointed out by Khan (2008) is China is the leading figure of Bangladeshi RMG industry in term of importing goods which can easily be terminated at any point of time.

#### **4. 12 Production and Distribution Time**

The production and distribution time is one of the major areas of concerns. These factors are crucial to be more competitive in this industry. The following chart explains these two factors.

#### **4. 13 Analysis & Finding (Primary Data)**

On the basis of interviews and feedback form questioner survey the researcher was able to find to important information about the RMG industry of Bangladesh.

## Sample size of Garments Company

### Table 9: Size of the Garments Company

Sample size of the Garments Company	Large Scale Company	Medium Scale Company	Small Scale Company
	USD 85-95 Million	USD 40-45 Million	USD 20-25 Million

### 4. 14 Export Countries:

European Union is the region where most export 59. 59 %, is done by Bangladeshi apparel industry. United States is followed by EU with 23. 73% and the next big market is japan 17. 47%. Other countries like Australia and Turkey are considered to be the next important ones. Reports collected by the researcher suggested that the RMG individuals are in a mission to grab new and exciting market rather than focusing only on existed market.

### 4. 15 Exporting Products:

The researcher found that Bangladeshi RMG industries are manufacturing and exporting low value product such as t-shirt, trousers, polo t-shirt, various undergarments, sweater and leather jacket. BGMEA data indicates growth in all products in 2010-11 . They have a growth of on average of 5%- 7%. The reports suggest that Bangladeshi RMG industry at this point is capable to produce sufficient fabrics which are essential for both knit and woven product. The following table exhibit the major exported product by the RMG industry.

### 4. 16 Competiveness

According to the primary survey, the market condition is very competitive where more than 40% respondent feel that market condition is very

<https://assignbuster.com/summary-of-ready-made-garments-history-economics-essay/>

sophisticated. Business professionals feel that price is more competitive in the global apparel market in the Most of the responders realize that competitiveness is in surface level (External). Because, various competitors feel that new economic giant like India have got assistance from several government policies to grade their apparel export. On the other hand the Bangladesh government seems remaining dumb and had no incentives declared recently or no new innovative policies have been put forward.

#### **4. 17 Surface level competitiveness:**

Price is the main issue to remain competitive in RMG industry as this important strength for most of the global competitors. Reports suggested that it has reach 47% of the surface level. Additional issue is the lead time. Whichever competitors enjoy less lead time advantage level gets increase. Internal strength and skills play the major role to achieve the competitiveness in the apparel industry.

#### **4. 18 Job satisfaction:**

Job satisfaction is another concern for Bangladeshi RMG industry. Wages structure is poorly constructed as a result 80% of the work force are unsatisfied. Job security almost does not exist for them. There is also discrimination between the men and women wages structure. Although women are the majority still their demand is not meet by the industry. Labour unrest is quite high. All of these factors are hugely affecting the overall economy of the nation as RMG is the backbone of the countries earning.

## **Figure 7: Job Satisfaction**

### **4. 19 Government Support:**

Government support by creating necessary policies toward this industry was supported by almost 55% of the responders of the survey. But rest of the 45% responded gave opinion quite strongly against some unfavourable policies. The comparisons were mainly based on the competitiveness issues. As most of them felt that government could not react on time when global scenario of apparel industry was changing rapidly.

## **Figure 7: Government Support**

### **4. 20 Deep Level Factors:**

Compliance is still regarded as the key concerns for Bangladeshi RMG industry due to the labour unrest happen in frequent basis. The reports suggest most of the companies in Bangladesh is following compliance on paper but on reality they are deceiving the authority. As time to time labour unrest damages the reputation and production time the competitive edge become more crucial. Government needs to act strongly on these issues in order to face the challenges of the competitors.

## **Figure 8: Deep Level Factors**

### **4. 21 Integrated Analysis:**

The above analyses suggest that industry growths, employment growth, low wages, availability of gas are the some key factors which are contributing extremely on the economy of Bangladesh. Although few government policies has been implemented for the better growth of the industry, so policies such as lead time, labour unrest, violating code of conduct has crated barriers for

growth of the RMG industry. The understanding of economical contribution was understood by conducting surveys with focus of fulfilling research aims and objectives

## **Chapter Five**

### **Conclusion**

#### **5. 1 Future prospects judgement:**

Bangladesh Ready Made Garments has grown over the years and have overcome some obstacles along the way. The above analysis is accurate in regards to hypothesis and practical view point. Although presence of some giant competitors has given stiff challenges towards the Bangladeshi apparel industry they have overcome most of them. RMG industry made adjustment both internally and externally in order to remain competitive. The analysis found that obstacles for growth of this industry were mainly deep or internal factors which were primarily had effect on surface or deep level. RMG industry still focuses on traditional activities and failed to remain opportunist for the future aspect. Strategically Bangladeshi RMG industry was relaxed in the post MFA era where more strategies and policies should have conducted in order be competitive in the global scenario. Some recommendation is given below as the result of the detailed analysis conducted above:

#### **5. 2 Development of backward coordination with supportive industries:**

RMG industry does not pose any luxurious time to waste in regards to the making strategical decision as far as growth is concerned. Backward linkage like with textile is the most important part of this growth in order to face

challenge of increased demand. Foreign Direct Investment (FDI) can be considered as a convenient way of developing this sector rather than the relocation in the developed countries. This could prove to be crucial for the industry to achieve shorter lead time. This achievement could be used to grab Duty and quota free market in the developing country. For example, 95% of the total productions in knitwear products are exported to EU. In order to maintain sustainability and steady growth of the industry the supportive sectors needs to strengthen.

### **5. 3 Priorities given to FDI and apparel and textile should be strongly bonded**

Foreign Direct Investment (FDI) is not regarded as the element of growth by the Bangladeshi government. This measure was considered as a level of protection for the local entrepreneurs in the quota period. (MFA ended in 2005). Modern technology is essential to develop the RMG industry in order to meet demand on time. It is reasonably an impossible task for the local entrepreneurs to achieve that goal. Therefore introduction of new and modern techniques is needed to achieve productivity within the anticipated time scale. In order to get FDI in this industry building up a strong and fair image is necessary like what has been achieved by China, Turkey and Hong Kong. The strategies need to be focus on a value chain system and disregard the traditional way. More advance level standard pollicises can be judge by balance scorecard. So FDI should be encouraged by the Government but cautious approach should be considered.

## **5. 4 Market Diversification**

Bangladeshi RMG industry has been focusing only in EU and USA markets. This is because the volume of export achieve by exporting to those part of the world. But now the competition is very rigid because of the large competitors. Moreover the economic climate of USA and EU countries are now very gloom. Hence the export of Bangladeshi apparel market has taken some blow for last few years. Therefore market diversification is necessary for the growth of the industry. Some potential markets like Australia, Canada and Japan should be highly recommended. Some other exciting markets like Turkey, some African countries and Latin America can be considered as potential.

## **5. 5 Diversification of Products:**

Bangladeshi RMG industry is not competent like its competitors China and India in regards to product diversification. The industry mainly export low value added product therefore chances of diversification is quite low. World famous and leading brands can be introduced by government to achieve for product diversity and ultimately add value and style to the products. Another area of focus is the bringing up new professional and designer for this industry. They can lead the industry into a new dimension. Product diversification is necessary to be remain competitive in fashion world. As fashion world changes very rapidly the industry need to react to the changes immediately. The industry leader can focus on making expensive item like the branded items and other companies can still provide the low value added products.

## **5. 6 Contractive infrastructure and lead time**

Lead time is the essential factor for receiving orders from the buyers. Buyers satisfaction can be met by ensuring a strong backward linkage and excellent infrastructural base. Insufficient utilities facilities and lack of physical infrastructure is the two concerning factors in order to achieve expected lead time. As a result combination of backward linkage is important. Price & power of gas, seaport, airport, transportation, telecommunication and most importantly government backed up policies are the other concerns about lead time.

## **5. 7 Meeting the Compliance and Labour Efficiency**

Code of conduct through compliance has to be maintained in order to remain attractive toward the buyers. Labour unrest the main compliance to meet by the Bangladeshi RMG industry. Labour efficiency needs to be improved by justification or honouring the labour welfare. Education and training could certainly increase the productivity of the labour force. Majority of them are rural area women and has little or no educational background at all. Labour productivity can be improved by training, schools and follow the code of conduct which at least meets the satisfying standard. Therefore the negotiating management or equivalent individuals must maintain an adequate communication. Therefore communication development of those individual are essential.

## **5. 8 Final Remarks**

RMG industry is one of the major driving elements of Bangladeshi economy. A massive growth has been achieved since the end of MFA era. The main



competitive advantage of this industry is the availability of cheap labour. Some other factors were also involved for this growth as they are discussed above. Some barriers need to be overcome as several recommendations are discussed in the analysis. If those are overcome by the industry in the near future, this industry will grow further and eventually have more market share than now. The traditional competitive advantage of cheap labour now no longer considers as the only factor of the industry. Some key aspects of RMG industry need to be judged with highest regards. Now the global scenario is much more competitive than the recent past. Michael Porter's theory is not compatible to analyse the Bangladeshi RMG industry in regards to the growth as some key external challenges were not discussed. But the researcher has demonstrated that if Bangladeshi apparel industry develops strong infrastructure along with meeting the code of conduct, a positive outcome is expected. This industry provides the highest employment for the country. Labour welfare must be considered to mitigate the current discrimination. Market and product diversification along with constructive investment is also required for the growth. But to remain competitive among the competitors, both Government and the RMG industry have to work together in order to continue the contribution toward the Bangladeshi economy.