

# **JABM**

**JOURNAL of  
ACCOUNTING - BUSINESS & MANAGEMENT**

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## Role of Ready-Made Garment Sector in Economic Development of Bangladesh

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### Abstract

The ready-made garment sector has become an important issue in Bangladesh Economy. The main purpose of the study is to examine the contribution of RMG sector for the development of Bangladesh Economy. The study has used primary and secondary data. In order to collect primary data two sets of questionnaires are developed, which are prepared in the light of the objectives of the study. The secondary data are collected only relevant to the share of GDP, total export value, balance of trade, and employment generation etc. for measuring the economic development of Bangladesh during the period of 2003- 2013. The main reason to consider the certain period is the availability of data. This study revealed that the ready-made garment sector has made substantial contribution for the development of Bangladesh Economy. The result of the study also indicates that the ready-made garment sector in the country has brought the largest part of export earnings that minimize the trade deficit. But it has some realistic problems that retard the growth of ready-made sector. The study seems to carry an enormous academic value since a few studies have been undertaken in this area. It may be helpful to the ready-made garment entrepreneurs, BGMEA, Academic researchers and national policy makers who have been making endeavour to the development of RMG sector as well as Bangladesh Economy as a whole.

**Keywords:** ready-made sector, GDP, development, and Bangladesh economy.

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### I. INTRODUCTION

The ready-made garment sector has occupied an important place in Bangladesh economy. Bangladesh is a least developed, resource poor, over populated and labor surplus country in the world. Since independence, it has not much developed in industry. In the field of Industrialization garment sector is a promising step. At present there are about 5400 garment industries in the country. This sector is highly growing in Bangladesh economy. The growth rate from 2001 to 2012 is about 55%. The country's RMG industry grew by more than 15% per annum on average during the last 15 years. The main reason for this highly growing is the cheapest labor. The maximum garment factories are located 75% of them in Dhaka. The rest are in Chittagong and Khulna. In such a context, garment industry has been playing a vital role for the emancipation of socioeconomic condition through employment generation and foreign earnings and acting as driving force in the economic development. As over populated country, Bangladesh has a great number of unskilled, semi-skilled, and skilled workers but it cannot manage job opportunity for all workers. For this, the unemployment rate is very high and increasing. The RMG Industry has employed four million people and 85% of them are illiterate rural women. This sector has uplifted the neglected section of the population, thus radically transforming the socio-economic condition of the country. Such empowerment and

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employment raised awareness regarding children education, health safety, population control disaster management only so far. It is an epoch making event in the history of Bangladesh. The RMG sector has also brought a great opportunity in international trade for Bangladesh economy. Bangladesh suffers a long time trade deficit due to more import than export. RMG sector has been supply a large portion of total export earnings that shrink the trade deficit. The RMG industry is the only multi-billion-dollar manufacturing and export industry in Bangladesh. Whereas the industry contributed only 0.001% to the country's total export earnings in 1976, its share increased to about 79.75% of those earnings in 2012 (Haider, 2007). Over the years, it also has contributed to foreign exchange earnings, employment creation, poverty alleviation and the empowerment of women. The foreign exchange earnings and employment generation of the RMG sector have been increasing at double-digit rates from year to year. In the above background, an attempt has been made in this paper to examine the impact of RMG sector on Bangladesh economic development.

The study seems to carry an enormous academic value since a few study has been undertaken on this area of the problem. It may be helpful to the government, to the BGMEA, to the researchers, to the national policy makers, who have been making serious endeavor to protect the RMG sector and to develop the Bangladesh economy as a whole.

## **II. RATIONALE OF THE STUDY**

Bangladesh, a land of 1, 47,570 sq. km., emerged as an independent nation in the world-map in 1971 and Bangladesh had to start her economic activities from its inception. The two primary goals of independence among others were to establish political and economic independence and alleviate poverty and in turn, achieving a better standard living for its citizens. Although the country had achieved political independence but the second goal has yet to be realized even after four decades since its independence. Bangladesh is one of the poorest and most densely populated countries (i.e. 150 million people) in the world. Nearly half of the populations of Bangladesh are below the poverty line without access to any basic amenities of life (CIDA, 2003). The industry is also the main non-farm formal sector creating employment opportunities for the poor. The greater part of the workforce is female; less educated, and has migrated from rural areas. Thus, the garment industry is seen as contributing to poverty reduction in Bangladesh by providing employment opportunities with higher wages for the poor who would otherwise be engaged in low-wage economic activities in rural areas. Bangladesh has become the second largest apparel exporting country in the world. During the fiscal year 2011-2012, Bangladesh exports RMG totaled US \$19.09 billion and it is 6.56% increase over previous year. It accounts for 79.57% of country's export earning and contributes more than 20% to GDP. The RMG employees around 4.0 million people directly, 80% of them women. This sector has created a platform for 2.8 million women to engage in new productive role in the society and empowering the poor women. Around 20 million people are directly and indirectly depending on this sector for their immediate livelihoods (Solaiman & Hossain, 2013). There are over 5400 garment factories which produces garments for every part of the world. The RMG is accelerating the industrial growth and employment generation through exports in the country. The RMG is contributing in the economy of Bangladesh through skills development and employment generation; thus, the economy moving out from aid to trade. Literature in this area is scanty in numbers and partial in content. Existing literatures indicate that a few partial studies have been conducted, but the impact of RMG sector on Economic development of Bangladesh is not studied comprehensively as a whole. It is necessary to conduct a study to shed light on the role of

RMG sector in Bangladesh economy. The findings of the study can be helpful for the policymakers of the RMG entrepreneurs to formulate policies in order to improve the present condition by being more innovating in developing this sector.

### **III. OBJECTIVES OF THE STUDY**

The present study on RMG sector is a driving force for the socio economic development of Bangladesh. In such a context, the main objective of the study is to evaluate and analyze the some important economic factors of RMG that affect the Bangladesh economy. In order to materialize the main objective, the following specific aspects of garment industry in Bangladesh have been studied:

1. To study and evaluate the growth and development of ready-made garment sector in Bangladesh.
2. To examine the impact of ready-made garment Sector on Bangladesh economy.
3. To identify the problems involved in the ready-made garment sector that hinder the development of ready-made garment sector in Bangladesh.
4. To suggest some measures for improving the identified problems in the ready-made garment sector of Bangladesh.

### **IV. METHODOLOGY OF THE STUDY**

The study has been designed to examine some important economic factors of RMG sector that have contributed to the development of Bangladesh economy. The study is based on both primary and secondary data. Primary data were collected through a structured questionnaire which was administered personally to the garments' employees. Convenient sample technique has been used to interview the employees. The target population of this study was garments' employees in Dhaka and Chittagong because significant number of garments factories is located in both cities. There are 5600 garments factories are operating in Bangladesh of which 100 factories have been selected as sample for collecting primary data in terms of their operational experience, and number of employees. The total number of 200 garments' employees taking 2 (one official and one worker) from each selected garments factory has been considered for necessary data. In view of the limited resources and time at the disposal, all the garments factories of the population could not be investigated. It was decided to allocate equal portion of questionnaire to each of the garments factories from Dhaka and Chittagong. Secondary data and information were collected from various journals, studies conducted by various donor and development agencies, Bangladesh export statistics published by Export Promotion Bureau and Bangladesh Bank, Bangladesh Economic review, and annual report of BGMEA. The information published in the different newspapers and websites in recent times have been consulted in order to present the recent labor unrest situation in garment sector. Time series data have been collected on gross export earnings of RMG sector, Total export earnings of Country, Balance of Trade, Employment and GDP for the period of 2003 to 2013. Descriptive statistics such as 5 point likert scale, average, percentage, growth rate, and Ratio have been used in this study. Data and information have been collected and processed manually. The results of the study have been analyzed critically in order to make the study more informative, useful and acceptable to the readers, academicians, policymakers, and those people who are devoted to the development of RMG sector in Bangladesh.

## V. DEVELOPMENT OF GARMENTS INDUSTRY IN BANGLADESH

The importance of RMG sector can hardly be over emphasized. There has been a steady growth in the field of RMG during last four decades. The growth of garment industry in Bangladesh is a comparatively recent one. In the British period there was no garment industry in this part of the Indo-Pak-Sub-Continent. In 1960 the first garment industry in Bangladesh (Then East Pakistan) was established at Dhaka and till 1971 the number rose to give (Islam, 1984). But these garments were of different type intended to serve home market only. From 1976 and 1977 some entrepreneurs came forward to setup 100% export oriented garment industry. Both domestic and international environment favored the rapid growth of this industry in Bangladesh. By mid seventies the established developed suppliers of garments in the world markets i.e. Hong Kong, South Korea, Singapore, Taiwan, Thailand, Malaysia, Indonesia, Srilanka and India were severely constrained by the quota restrictions imposed by their major buyers like USA, Canada and European Union. To maintain their business and competitive edge in the world markets, they followed a strategy of relocation of garment factories in those countries, which were free from quota restrictions and at least same time had enough trainable cheap labor. They found Bangladesh as one of the most suitable countries. Available records show that the first consignment of garments was exported from the country in 1977 by Reaz and Jewel Garment. Desh Garment was the first biggest factory that started functioning at Chittagong in 1977 (Uddin & Jahed, 2007). The RMG industry enjoyed a meteoric rise from 30 enterprises in 1980 increased to about 5400 in 2011-2012 fiscal years. The growth of the industry in terms of the number of units from 2002 to 2013 is shown in table 1.

**Table 1**

**The Growth of Ready-Made Garment Factories in Bangladesh**

Year	Garments Factories in Numbers	Growth Rate	Year	Number of Garments Factories	Growth Rate
2002-03	3760	Base	2007-08	4743	5.63
2003-04	3957	5.24	2008-09	4925	3.84
2004-05	4107	3.79	2009-10	5063	2.80
2005-06	4220	2.75	2010-11	5150	1.72
2006-07	4490	6.40	2011-12	5400	4.85
			2012-13	5600	3.70
Growth Rate			Growth Rate		
			4.07%		

Source: official website of BGME

The study describes the growth and development of RMG sector in Bangladesh economy. The average growth rate from 2002-2003 to 2012-2013 is 4.07%. The ready-made garment has been significantly expanding in every year.

## VI. RESULT AND DESCRIPTION

The RMG sector has played a significant role in the socio-economic development of Bangladesh. Specially, the sector has contributed to the total export earnings, reducing in deficit balance of trade and GDP of the country. In these context, the trend and growth of garments export and its contribution to total exports and GDP has been examined the following table 2 show the position:

**Table 2****The Growth Rate of Export Earnings, Import Earnings, Balance of Trade, Export Earnings of Ready-Made Garment Sector, and Shares of RMG Export Value**

Year	Export Country	Growth Rate	Import Country	Growth Rate	BOT	Growth Rate	Export of RMG	Growth Rate	Ratio of RMG to Total
2003	6492	Base	8707	Base	(2215)	Base	4912	Base	75.66
2004	7521	15.85	9840	13.01	(2319)	(4.70)	5686	15.76	75.60
2005	8573	13.99	11870	20.63	(3297)	(42.17)	6418	12.87	74.86
2006	10412	21.45	13301	12.06	(2889)	12.37	7901	23.11	75.88
2007	12053	15.76	15511	16.62	(3458)	(19.70)	9211	16.58	76.42
2008	14151	17.41	19481	25.59	(5330)	(54.14)	10700	16.17	75.61
2009	15581	10.11	20291	4.16	(4710)	11.63	12348	15.40	79.25
2010	16233	4.18	21388	5.41	(5155)	(9.45)	12497	1.21	76.99
2011	22592	39.17	30338	41.85	(7746)	(50.26)	17914	43.35	79.29
2012	23992	6.20	31987	5.44	(7995)	(3.21)	19090	6.56	79.57
2013	27027	12.65	33576	4.97	(6549)	18.09	21516	12.71	79.61
Total	164627	156.77	216290	149.74	(51663)	(141.54)	128193	163.72	848.74
Growth Rate	13.84%	15.67%	13.05%	14.97%	(10.36%)	(14.15%)	14.37%	16.37%	0.46%

Source: official website of Bangladesh Bank

This table 2 has revealed the significant impact of RMG sector on total export, and size of balance of trade in Bangladesh Economy. The Bangladesh Economy had historically more import then export value. This has been negatively influencing on value of foreign reserve, currency value, and living cost of the people in the economy system. The study indicates that the RMG has occupied an important place in achieving foreign currency that mitigates the risk of balance of trade. The growth rates of total export, RMG export value and balance of trade are 15.67%, 16.37%, and (14.15%) respectively of which the growth rate of RMG export value is the highest and average value of total export is 76.91%. This means that the RMG sector is uniquely contributing in the export value of the economy.

### 6.1. Measuring Economic Significance of Ready-Made Garment Sector in Bangladesh

RMG contribution to the economic development can be measured by the ratio of gross export values of RMG Sector to GDP. Although this measure always does not give a complete picture of the RMG sector contribution to an economy, it is an important approach to the development of an economy. For evaluating this ratio, we have used data on gross export value of RMG Sector and GDP during the period of 2003 to 2012. This data series is very limited to 10 years because complete time series data is not available.

This table 3 shows the growth rate of RMG, growth rate of GDP and ratio of RMG export to gross domestic product (GDP) for Bangladesh economy are 16.37%, 11.92% and 2.19%. The growth rate of RMG export earning is the highest of all. The result clearly reflects that the present position of RMG sector in the country is significantly contributing in the Bangladesh economy.

**Table 3**  
**Ratio of RMG Export Values to Gross Domestic Product (GDP)**

Year	Export of RMG	Growth Rate	GDP	Growth Rate	Share in GDP (%)
2003	4912	Base	30058	Base	16.34
2004	5686	15.76	33297	10.77	17.08
2005	6418	12.87	37071	11.23	17.31
2006	7901	23.11	41573	12.14	19.01
2007	9211	16.58	47248	13.65	19.50
2008	10700	16.17	54582	15.52	19.60
2009	12348	15.40	61480	12.64	20.08
2010	12497	1.21	69432	12.93	18.00
2011	17914	43.35	78750	13.42	22.74
2012	19090	6.56	91478	16.16	20.87
2013	21516	12.71	103799	13.47	20.73
Total	128193	163.72	648768	131.93	211.26
Growth Rate	14.37%	16.37%	11.92%	13.19%	2.19%

Source: official website of Bangladesh Bank

**6.2. Using Regression Method**

The relationship between the ratio of export earnings of RMG sector to GDP and the growth rate of GDP is hypothesized to be a linear relationship and is estimated by ordinary least square. The general regression equation to be estimated is the following:

$$Y = \alpha + \beta X + \epsilon \dots\dots\dots 1$$

Where y is the dependent variable of interest, that is, economic growth. X is a explanatory variable while  $\beta$  is the vector of co-efficient to be estimated and  $\epsilon$  is the error term.

**6.3. Model Results**

Using 11 years data for both dependent and independent variables, the output provided by computer is shown in table 4 given below:

**Table 4**  
**Estimated Values of Bangladesh Ready-made Garments’ Parameters**

Multiple R	0.991			
R Square	0.982			
Adjusted R Square	0.980			
Standard Error	3455.271			
F statistic	494.170			
Observations	11			
Parameter	Coefficient	Standard Error	t Stat	P-value
Intercept	9124.275	2472.846	3.690	0.005
X -Variable	4.278	0.192	22.230	0.000

Source: estimated by author using Minitab

**6.4. Coefficient of Determination of R<sup>2</sup>**

In our model, the value of R<sup>2</sup> is 0.982. This figure indicates that 98.2% of the total variation in the ratio of RMG export earnings to GDP has been explained by the regression model. It also indicates that 2% variations in GDP’s growth were attributed to other factors that not covered by the present study. Results of the estimation of RMG export earnings to GDP’s growth indicate that the linear regression function is relatively better fit for ready-made garment activities (R<sup>2</sup>= 0.982).

In our model, the adjusted  $R^2$  is equal to 98%. This adjusted co-efficient of determination is also indicating that only a minor adjustment to  $R^2$  given the sample size relative to the number of estimated coefficients included in our model

### 6.5. F-Statistic

It is another useful statistic for measuring the overall explanatory power of the regression equation. To comment on the overall explanatory power of our model, let us have a closer look at the F-distribution table provided in any book of econometrics that presents critical values of the F-distribution for various levels of statistical significance. In our model, F-statistic= 494.170, and  $n = 11$ .

Since the F-statistic for our model is highly significant at zero percent significance level, we can reject the hypothesis of independence between the dependent and independent variables and conclude that our model explains a statistically significant proportion of the total variation in the dependent variable.

**Table 5**

#### **Growth Rate of GDP and Ratio of Export Earnings of RMG to GDP**

Year	GDP Growth Rate (%) Constant Price (FY 1996)	Ratio of Export Earnings to GDP
2003	5.3	0.1634
2004	6.3	0.1708
2005	6.0	0.1731
2006	6.6	0.1901
2007	6.4	0.1950
2008	6.2	0.1960
2009	5.7	0.2008
2010	6.1	0.1800
2011	6.7	0.2274
2012	6.2	0.2087
2013	6.0	0.2073
Average	6.14	0.1921

Source: estimated by the author using BGMEA and BES data

As it is standard in the economic growth literature, the dependent variable is the average rate of real per capita GDP growth. The explanatory variables of interest are measures of RMG export earnings proxied by the ratio of RMG export earnings to GDP. These measures could be considered as measures of RMG sector role in the economy. We use only 11 years time series data for the period 2003 to 2013 which is inadequate for time series analysis. This data is limited for particular periods due to non-availability of data of ratio of RMG export earnings to GDP. Bangladesh garment manufacture exporters' association has recorded and provided us only these data.

### 6.6. Growth of RMG Factories and Employment

The country's RMG sector is now a creditable level in the economy. The sector has relieved Bangladesh from over populous unemployment burden through providing the largest employment next to agriculture, transport, trade and other industry sector. This sector has uplifted the neglected section of the population, thus radically transforming the socio-economic condition of the country. Such empowerment and employment raised awareness regarding children education, health safety, population control, disaster management only so far. It is an epoch making event in the history of Bangladesh.



**Table 6**  
**The Growth of The RMG Sector and Employment**

Year	Garments Factories in Numbers	Growth Rate	Employment (in Million Workers)	Year	Number of Garments Factories	Growth Rate	Employment (in Million Workers)
2002-03	3760	Base	2.00	2007-08	4743	5.63	2.80
2003-04	3957	5.24	2.00	2008-09	4925	3.84	3.50
2004-05	4107	3.79	2.00	2009-10	5063	2.80	3.60
2005-06	4220	2.75	2.20	2010-11	5150	1.72	3.60
2006-07	4490	6.40	2.40	2011-12	5400	4.85	4.00
				2012-13	5600	3.70	4.4
Growth Rate						4.07%	7.43%

Source: official website of BGMEA

The RMG sector plays a key role in employment generation and in the provision of income to the poor. Nearly two million workers one directly and more than ten million inhabitants are indirectly associated with the industry (Ahmed & Hossain, 2006). The above table shows that the RMG sector had around 3760 units across the country in 2002-03. It employed 2 million Workers, most of whom are poor women. During the period from 2002 to 2013, The RMG factories have increased from 3760 units to 5600 units around the country. The growth of factories has employed 4.4 million peoples. It has created double employment opportunity during 2002-2013.

**VII. PROBLEMS AND FAILURES OF RMG SECTOR IN BANGLADESH**

In recent time, the crisis in the RMG sector has become a talk of the country. This problems are not only limited to the wages and allowances of the workers. Moreover, serious and untoward incidents have been frequently occurred in the form of chaos and confusions in this sector on the basis of rumors and petty demands of the workers. It cannot also be denied that there occur frequent abnormal deaths of workers in the garments factories. Major shocking incidents like the collapse of Rana Plaza in Savar on April 24, 2013 killing 1130 workers and crippling about another 1500 of 2438 rescued alive and with about 316 missing. Fire incidents in Tazreen Fashions in Ashulia on November 24, 2012 killed at least 112 workers (Fasin, 2013; May 21). The present garments sector has some realistic problems which have been addressed by the opinion of employees of garments factories in Bangladesh. The opinion of garments employees was taken through the survey of structural questionnaire includes the physical, institutional and management and social problems as follows:

**7.1. Demographic Profile of the Respondent**

In the questionnaire, there was a section concerning respondents’ profile to get a general idea about the respondents’ age, education, designation, as various factors might also influence their perception. A profile of respondents’ is presented in the following table 7.

The above table 7 indicates that 25% of the respondents’ were male and 75% were female in the study. Out of the total respondents, 42% of the respondents’ were between 20 and 30, 48.5% of respondents’ were between 30 and 45, and 9.5% of respondents’ were between 45 and 60 years range. 48% of respondents’ were single. While married accounted for 52%. A large number of percentages (50%) were executive level followed, maximum of them were top executive and 50% were workers. The table also revealed that a significant number of respondents were educated.

**Table 7**  
**Demographic Information of the Respondent**

N=200		Frequency	Percentage
Gender	Male	50	25%
	Female	150	75%
Age	20 -30	84	42%
	30-45	97	48.5%
	45-60	17	9.5%
Marital status	Single	96	48%
	Married	104	52%
Working status	Workers	100	50%
	Executives	100	50%
Education	Below HSC	100	50%
	Graduation	60	30%
	Post graduation	40	20%

Source: field investigation

Worker's perception on the issues relating to their jobs and working environment of ready-made garments factory in Bangladesh (shown in table 8). The study had made an attempt to identify the satisfaction of workers with present facilities and environment of garments factories in Bangladesh as follows:

**Table 8**  
**Worker's Perception on the Issues Relating to Their Jobs and Working Environment of Ready-Made Garments Factory in Bangladesh**

Factors	1	2	3	4	5	Total	Mean
The factory is paying low wages		12	9	184	225	430	4.30
The factory provides production bonus, bonus good overtime & sick leave		182	18	8		208	2.08
You feel job security		162	30	36		228	2.28
You(women) have protection in working environment		102	66	104	5	277	2.77
The factory abides by labour law	1	162	30	32		225	2.25
The factory pays wages in time		170	21	32		223	2.23
The factory provides medical allowance and insurance		112	99	44		255	2.55
The factory provides maternity leave with pay	12	112	81	20		225	2.25

Source: field investigation

The above table 8 indicates that the garment factories in Bangladesh are paying low wages which has been identified by acceptance of opinion of workers. The significant numbers of factories are not providing production incentives such as bonus, good overtime and sick leave and feel no job security in the industry. The garment industry of Bangladesh had not yet has sufficient protection for women and also not followed by labor law. The workers also opined that the garment industry was not providing medical allowance and maternity leave etc.

Officer's perception Officials perceptions on the following issues relating to ready-made garments industry of Bangladesh that hinders ready-made garments sector development in Bangladesh (shown in table 9). The study was conducted to identify problems which are present in ready-made garments sector of Bangladesh as follows:

**Table 9**  
**Officer’s Perception Officials Perceptions on the Following Issues Relating to Ready-Made Garments Industry of Bangladesh That Hinders Ready-Made Garments Sector Development in Bangladesh**

Factors	1	2	3	4	5	Total	Mean
The factory is not paying sufficient salaries to maintain living standards		40	45	120	200	405	4.05
You feel job security		156	21	60		237	2.37
The factory provides gratuity, bonus, provident funds, medical allowance, maternity leave, insurance etc.	6	76	108	80		270	2.70
The factory follows proper principles of management	10	80	135	20		245	2.45
The factory having separate human resource division	5	10	60	84	20	179	1.79
The factory has lack of skilled workers		66	72	168	5	311	3.11
The factory practices proper recruitment and selection of employees	14	86	66	84		250	2.50
The factory regularly arranges training & development programs	35	50	51	92		228	2.28
The factory having no qualified officials	6	74	63	144		287	2.28
The factory having no special protection for women	8	108	69	60		245	2.45
The sector is facing international conspiracy		14	135	192		341	3.41

Source: field investigation

The garments industry had been suffering a significant number of problems from a long time which were found in the study. The study critically traced out major problems which were low salaries, lack of job security and no facilities of gratuity, bonus, provident funds, medical allowance, maternity leave, insurance etc. This study also indicates that the garments industry were obstacles in following principles of management and separate human resource department for training and development. The garment industry did not practice the proper recruitment and selection for employees. The respondents in the study opined that the garment had been suffering for the lack of skilled and qualified official and had no special protection for the women workers. The respondents felt that the garments industry is now facing international conspiracy.

Factors influencing the development of ready-made garments sector in Bangladesh (shown in table 10). The study was an attempt to trace out factors that had been constraint for the development of ready-made garments sector in Bangladesh as follows:  
 Insert table 10 here.

It was found in the study that owners of garments factories are highly profit oriented and autocratic in operating the garment business. They paid low wages and providing no working environment to employees for which they are dissatisfied with their jobs. The respondents also opined that the garments industry of Bangladesh didn’t maintain the professional code of ethics such as social compliance and labor law. A significant number of respondents agreed that the garments factories are presently

affected by some factors that include labour unrest, sexual harassment, international conspiracy, political instability and so forth.

**Table 10****Factors Influencing the Development of Ready-Made Garments Sector in Bangladesh**

Statement	1	2	3	4	5	Total	Mean
The owners are highly profit oriented and autocratic	1	8	30	168	215	422	4.22
The factory is not maintaining the social compliance	1	16	54	188	145	404	4.04
The factory is paying low wages		18	30	156	210	414	4.14
The factory has lack of good working environment	4	56	36	224		320	3.20
The factory is violating the labour law		16	108	152	90	366	3.66
The factory is recently facing the labour unrest	8	24	57	156	110	355	3.55
In the factory is happening the sexual harassment	2	48	126	128		304	3.04
The sector is facing international conspiracy		44	144	120		308	3.08
The RMG sector is being highly affected by political instability	3	20	18	272	65	378	3.78
The government is playing role in developing the RMG sector		84	51	80	105	320	3.20

Source: field investigation

Role of ready-made garments sector in economic development (shown in table 11). The study made an attempt to take into accounts of respondents' opinion towards the role of the garments sector in Economic development as follows:

Do you think that Ready-made garments sector is contributing in Economic development of Bangladesh (Tick marks) :

**Table 11****Role of Ready-Made Garments Sector in Economic Development**

Factors	1	2	3	4	5	Total	Mean
The RMG sector is bringing a large portion of export earnings			36	40	390	466	4.66
The RMG sector is contributing in social development to the low classes people of Bangladesh		6	12	20	440	478	4.78
The RMG brings a good foreign currency that minimizes the balance of trade		4	6	112	340	462	4.62
The RMG sector is creating good employments			27	128	295	450	4.50
The factory abides by labour law	10	108	36	96		250	2.50
The RMG sector has good impact on GDP of Bangladesh economy		12	9	212	190	423	4.23

Source: field investigation

The above table indicates that the garments sector was contributing significantly in Economic development of Bangladesh by the means of export earnings, employment generation, covering the balance of trade and socio-economic development of lower class people and so forth.

The following problems have been explored by taking the opinion of high officials and workers of garment factories in Bangladesh:

### **7.2. Autocratic Approach**

The RMG sector is now being directed by the owner's intention as to earn too much profit. The intention of all owners is almost identical of thought in operating system of the industry. They earn much profit by the excessive use of laborer at low cost. The laborers are being suffered in this sector. From these sufferings, there always exists unrest.

### **7.3. Social Compliance Problems**

Social compliance problems have now turned into vital issue from the buyers. A number of factors are not practicing the social compliance. It ensures labor rights, labor standards, fair labor practices and a Code of Conduct. Social compliance issues of Bangladesh garments includes building standards in the factories, working conditions, workers' rights, workers' health and safety measures, child labor and environmental safety issues.

### **7.4. Lack of Green Environment**

Sound working policies and procedures, and accepted rules and regulations provide the ethical standard of organization. This is very useful to conduct the organization smoothly and also gain the social recognition. This focuses on the ecological context and now, it has been shifted to more sustainability issues in the organization. Bangladesh's garment industry can save at least \$150 million a year by introducing an environment friendly production method (SEDF, 2012). Cleaner production will also make the industry more competitive in the global market. The garment factories are greatly not practicing the green environment.

### **7.5. Working Environment**

The working environment of garments industry is below standards. Most factories do not have adequate ventilation and exhaust fans that leave the garments workers exposed to toxic substances and dust. Raw materials contain dust and fiber particles that hang in the air. Dye, a toxic substance emitted from colored cloth, spreads in the workroom. As a result, many workers suffer from constant fatigue, headaches, anemia, fever, chest, stomach, eye and ear pain, cough and cold, diarrhea, dysentery, urinary tract infection and reproductive health problems due to overwork, uncongenial working conditions, and wide-ranging labor law violations.

### **7.6. Low Wages**

The growth of RMG sector in Bangladesh much depends on the hard work of the laborers. But unfortunately they are deprived of minimum facilities. They are to live a sub-standard life in city slums for years. The wage they get is low. Very often they do not get their salary, overtime bills and bonus in time. Their recruitment system is hiring and firing as they do not get any appointment letter and identity card of the factory and having no job security. The following table 12 shows a comparative study of minimum wage of workers of RMG sector with other industries of Bangladesh.

**Table 12**  
**Sector-Wise Monthly Minimum Wage for Workers**

Sector	Monthly Minimum Wage (in Taka)
Oil-mills.	7,420
Re-rolling mills.	6,100
Foundry	5,100
Ship breakers	4,645
Ayurvedic	4,350
Pharmaceuticals	3,645
Cosmetic	3,300
Shrimp	2,645
RMG	3,000

Source: Daily New Age, 13 Aug, 2010

### 7.7. Labor Unrest

Labor unrest occurs when the labor-force is aggrieved with some decisions of the authority or their demands are not fulfilled, they organize themselves, come out to the street to protest the decision of the authority or pressurize the authority to fulfill their demand. Sometimes, they engage themselves in violence and vandalism.

### 7.8. Lack of Proper Management

Principles of management are not properly being practiced in the RMG sector. The sector is directed by the guides of owners and ignored the sound principles of management. Management is an important part of organization that brings out the good output from the input. Efficient management would make proper use of human and non-human resource of the organization. The RMG sector has failed to build an efficient management.

### 7.9. Absence of HR

Most of the RMG factories do not have the practice of HR and have no well-defined HR or Personnel unit, ineffectively address labor rights and ignore labor standards, discarding fair labor practices, overlook health and safety issues and disallow trade unions. The organization must hire the right persons who can translate the organizational opportunities into productivity. Organizational capability relates to hiring and retaining competent employees and developing competencies through effective human resource management practices (Ulrich & Lake, 1991).

### 7.10. Lack of Skilled Worker

The socio-economic condition of labor force of RMG industry of Bangladesh, in no way, can be said well. As most of them are uneducated and unskilled, they get very poor salary in contrast to ever-increasing expense of livelihood. Very often they do not get their salary, bonus and overtime bills in time and productivity is also poor.

### 7.11. Lack of Training and Development

Lack of skilled management is one of the major barriers of developing in RMG sector. To develop true professionalism in factory management, there needs enough training programs to provide proper training regarding RMG activities for the officials of garments industry.

### **7.12. Lack of Proper Recruitment Policy**

Recruitment policies are highly informal compared to western standards and there are no written formal contracts and appointment letters. They are therefore vulnerable to losing their jobs at any time. However, fear of losing their jobs and lack of alternative job opportunities compel workers to continue in unsatisfactory employment. Continuous work schedule, wage penalties, physical and verbal abuse are common.

### **7.13. Lack of Qualified Official**

Garment factories perform their activities by recruiting fresh and less educated people. High educated people are not interested to develop their career in this sector because there are no motivational factors to retain them. If any high educated people joined herewith then switch from here to elsewhere having high potential career.

### **7.14. Lack of Security for Women Worker**

Women workers face physical abuse and sexual harassment inside as well as outside the factories but management does not ensure the security of women workers

### **7.15. Home and International Conspiracy**

Conspiracy of home and abroad is responsible for the unrest in the RMG sector of Bangladesh. Sometimes it is found that workers of a factory attack intentionally another factory to damage the factory. Some interested international quarters are hatching conspiracies to divert the attention of the buyers from the Bangladesh garments industry. These interested quarters want widespread unrest in the sector so that the buyers rush to them for buying apparels and become beneficiaries. Under different pretext the rival competing countries are deeply feeding fuel behind different movements of the garments workers to engage in destructive activities such as breaking of and torching spree to garments factories.

### **7.16. Political Unrest**

Political unrest has become a common phenomenon in Bangladesh. The opposition and government call strike for which it has been greatly hampered in timely shipment and production. It also makes foreign buyers reluctant to render future orders and causes enormous loss to the owners, cripples the economy.

### **7.17. Poor Public Image**

This sector is not being greatly recognized by people of the society due to having some unhygienic problems. Poor public image is raised in absence of codes of conduct, low wages, unrest in the sector, and poor working environment etc.

### **7.18. Religious Problems**

The RMG sector is a female abundant industry. The mixture of man and woman is freely doing their jobs in this sector. Every time, there is happening sexual harassment in the working place. Islam is a practical, and responds to human needs and life situation that permit the woman to do work outside the home. The work place which prevents from any of her Islamic obligations, like *hijaab* or prayer, is not an option to be considered. Islamic jurisprudence has sanctioned that women can work within the confines of *shari'ah* value outlined in verse 71, chapter *al-Tawbah* (the repentance) which means: “the believers, men and women, are protectors one of another: they enjoin what is just, and forbid what is evil: they observe regular prayers, practice regular charity and obey Allah and his messenger: on them will Allah pour his mercy for Allah is exalted in power, wise”. The context of “protectors one of another” can be said to be appropriate to the current social

change where education opportunity and economy have led women supporting their husbands in building a happy and comfortable family by venturing outside the household.

### **7.19. Government policy**

Government plays an important role either in establishing or facilitating the process of setting suitable codes of conduct by striking a delicate balance between the realistic country scenarios and the need for protecting its workers. Enforcement of these conducts will be most important in ensuring the credibility of the official machinery and winning the confidence of buyers and consumers. An effective initiative by the government in this regard can also provide a basis for negotiating with buyers for a unique set of codes of conduct that is based on national laws and core standards. Without the government support and cooperation their enforcement and sustainability over the long-run are uncertain.

### **7.20. Unfavorable Law and Order Situation**

The disrupting law and order situation is constraint which hinders not only the development of the national economy but also the development of the export-oriented RMG sector. Due to the depreciating law and order situation, the interest of both the employers and the employees are being affected. In this relation it should be mentioned that the Factories' Act and labor laws of the country are old and do not support the development of the export-oriented RMG sector.

## **VIII. CONCLUDING REMARKS AND RECOMMENDATIONS**

RMG industry has made significant contribution to the economic development of Bangladesh. It is the largest exporting industry in Bangladesh, which experienced phenomenal growth during the last two decades. By taking advantage of an insulated market under the provision of Multi-Fiber Agreement (MFA) of General Agreement Tax and Tariff (GATT), this sector attained a high profile in terms of foreign exchange earnings, exports, industrialization and contribution to GDP within a short period (Ahamed, 2010). In addition to its economic contribution, the expansion of the RMG industry has caused noticeable social changes by bringing more than 2.85 million women into the work force. In 1980, estimates show around 50,000 female garment workers in this sector (World Bank, 2008). Despite the phenomenal success of the RMG sector, poor working conditions in the factories and the lack of Social compliance are serious concerns, which have, since 2006, led to labor unrest and damage to institutions and properties. Working conditions in the RMG sector are below the ILO standards. The research identifies ways to improve the working conditions leading to the mitigation of labor unrest through establishing Social compliance in the RMG industry. The establishment of human resource (HR) or personnel management (PM) unit throughout the RMG industry is a high priority for the improvement of working conditions. Other prerequisites include fair labor practices, suitable building codes for improving health and safety, comprehensive labor legislation and regulation. Finally, the study states that Bangladesh economy has mostly dependent on two sector of the economy viz; RMG sector and foreign remittance. The government should take care to protect the RMG sector from any unrest.

The RMG entrepreneurs and government of Bangladesh should take necessary measures for improving the existing problems and for sustainable development of this sector:

1. The government of Bangladesh (GOB) should enforce the owners of RMG sector to maintain the social compliance in the factory. The factory must follow the building



standards in the factories, codes of conduct, working conditions, workers' rights, workers' health and safety measures, and environmental safety issues.

2. The RMG sector should practice proper HR to develop human capital. This will strengthen the monitoring system between supervisors and workers that minimizes the conflicts.
3. The RMG sector should provide the minimum salaries and other benefits to the workers and employees so that they can maintain their minimum living standards.
4. The government of Bangladesh (GOB) should be cordial and aware to protect the RMG sector from any national and International conspiracy.
5. The government of Bangladesh (GOB) should formulate the rules and regulation and policies for RMG sector by creating separate regulatory entity.
6. The government of Bangladesh (GOB) should need to strengthen its support for the development of port and other physical infrastructure, for smooth utility supply, improve the security systems, the attainment of a corruption- free business environment and political stability. Such steps will contribute to reducing the lead time while building the confidence of international buyers.
7. The RMG sector should hold the existing market providing quality products with the conformity of buyer's need and explore the extent of markets as form of alternatives.
8. The RMG sector should practice the green production system that will ensure resource efficient Production and save the environment by setting up effluent treatment plants in every factory.
9. The RMG entrepreneurs should provide the Islamic shari'ah based working environment that can protect the women from sexual harassment. The RMG sector encourages the women to maintain hijab and timely prayer in separate place for them. The work place will protect them from any unislamic culture thus in turn to increase the productivity of this sector.

### **8.1. Direction Towards Future Research for Improving the Present Undertaken Study**

The present study has been conducted on "Role of RMG sector in Economic development of Bangladesh". Besides this specific area, the following study may be undertaken that will improve the present study of this area.

1. Factors affecting the Sustainability of RMG Industry in Bangladesh.
2. Impact of RMG sector on the Socioeconomic Development of poor women in Bangladesh.
3. The Challenges and Prospects of RMG sector in Bangladesh
4. Human Resource Management Practices in RMG sector of Bangladesh.
5. Impact of Export Earnings of RMG sector in Bangladesh Economy
6. The Economic Significance of RMG Industry in Bangladesh.
7. Poverty Alleviation and RMG Industry: Evidence from Bangladesh.

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