

Current Scenario of Textile Sector in Bangladesh (2019); A Comprehensive Review

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Abstract: *The development of socio-economic condition perspective to Bangladesh is largely depended on the garment manufacturing sector since it has earned 34133.27 million USD with 84.21% of total export items during 2018-19. Currently, this sector is facing challenges to cope with other dominating country's business market globally. The reason behind this is the global recession, unethical trade policies, energy cost, safety issues, lack of monitoring systems etc. However, Companies are looking forward to overcoming those obstacles from the path of the growth by implementing newer technology, appointing skilled manpower, finding alternative energy source and alternative newer market to ensure the achievable target of \$50 billion by 2030. However, there exist no policies to develop hardware sectors for the smooth development in this sector yet and if this is not ensured recent future, undoubtedly Bangladeshi textile industries will have to suffer a lot. So, a strong business policy needs to set focusing the target of business policy, definitely only then each and every hindrance of the development of this sector in Bangladesh will remove.*

Keywords: *RMG sector, foreign export, contribution to GDP, FDI, challenges and growth.*

1. INTRODUCTION

The textile and clothing industry undoubtedly is playing a significant role in the development of the economic growth of Bangladesh by exporting textiles and garments products to a different region of the world [1]. According to the report of World Bank (2019), Bangladeshi gross domestic product (GDP) increased from \$6.29 billion to \$286 billion from 1972 to 2019 where \$41 billion generated by exporting and surprising around 84% comes from exporting textile and garment goods; apart from generating employment to the tune of 4.4 million, 80% of which are women [2]. Not only this, Bangladesh has been targeted to achieve \$50 billion by 2030 and already secured the second world's largest textile producer throughout the world [3]. At present the export contracts around 60% with European buyers and 40% with American buyers [4]; surprisingly less than 5% owned by foreign investors [5]. Bangladesh's garment industry has been a part of an open trade regime and successfully it has to observe its flourishing significantly. As a result, this sector has observed a marginal growth from 0.2% to 8.7% for 2016-17 and 2017-18 [6]. It has become possible due

to taking short to medium term approach in decision making by the policymakers.

All this has become possible due to the green revolution, refers to environmentally-sustainable production practices in the sector especially in waste management, energy efficiency and water conservation [7]. As concern for climate change rises globally, producers, buyers, and consumers are all becoming aware of the transparency and implications of the apparel industry supply chain. Bangladesh has the highest-rated LEED Platinum denim factory, knitting factory, washing plant, and textile mill in the world [6]. With fast fashion threatening to increase the environmental footprint of the industry dramatically, it is now more necessary than ever to promote green practices.

After several incidents like Rana plaza collapse, Tajrin fashion fire gutted results thousands of death of workers and it has faced huge criticism from every party; however, despite all this, the industry is still going on its track rightly. Nowadays, many are concerned about worker safety and better working environment in the industry by abiding safety standards [8].

Although the textile and apparel industry is the largest in Bangladesh and is expanding, however, it faces massive challenges, principally because the country does not produce enough of the raw materials necessary, unfavourable trade policies, and inadequate incentives for expansion. Consequently, it imports raw materials heavily which is a threat for more sustainable production of the country.

2. BANGLADESHI ECONOMY DEPENDS ON RMG SECTOR

Country's growth depends on export items mainly. At present, Bangladesh is exporting, RMG, medicine, software, manpower etc. where RMG sector dominating and running the productivity to achieve SDG by 2021. The textile sector in Bangladesh is comprised of two divisions mainly Primary Textile Sector (PTS) and export-oriented Ready-Made Garments (RMG). Over the last 35 years of fight and dedication, Bangladesh is now experiencing a higher growth rate and secured the second position after China. The following data table shows the contribution of Textile products in the country's foreign currency.

Table 1: Total export earned, compared with Textile sectors [9]

Year	Export of rmg (in million us\$)	Total export of Bangladesh (in million us\$)	% of rmg's to total export
2012-13	21515.73	27027.36	79.61
2013-14	24491.88	30186.62	81.13
2014-15	25491.40	31208.94	81.68
2015-16	28094.16	34257.18	82.01
2016-17	28149.84	34655.90	81.23
2017-18	30614.76	36668.17	83.49
2018-19	34133.27	40535.04	84.21

3. MAJOR EXPORT TEXTILE AND APPAREL ITEMS FROM BANGLADESH

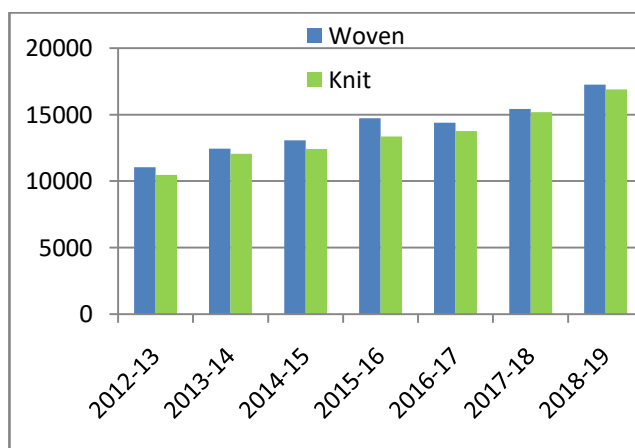
Over the last 23 years, major exported RMG products include shirts (4.16%), trousers (19.22%), jackets (14.64%), T-shirt (13.16%) and sweaters (18.76%). The following data table has shown the types of products and the amount it incurred during a specific period of time.

Table 2: Main exported items from Bangladesh (MN. US\$) [9]

Year	Shirts	Trousers	Jackets	T-shirt	Sweater
2012-13	1972.89	5185.48	2634.28	5143.22	2620.73
2013-14	2173.73	5690.78	2973.16	5863.81	2932.94
2014-15	2271.43	5697.83	3183.17	6064.13	2829.16
2015-16	2317.09	6319.00	3774.08	6118.53	3182.47
2016-17	2108.38	6026.69	3546.88	5861.98	3361.53
2017-18	2063.57	6389.38	3978.47	6292.25	3674.70
2018-19	2324.85	6939.61	4384.81	7011.26	4255.91

4. VALUE OF TOTAL APPAREL EXPORT

Bangladeshi Textile industries mainly produce knit and woven garments with a huge diversification of products items. Compared with the knit items woven items are production and export value seems high (graph 1). [9]

**Figure 1:** Export values of apparel products (in Million US\$)

5. MARKET OF BANGLADESHI TEXTILE ITEMS

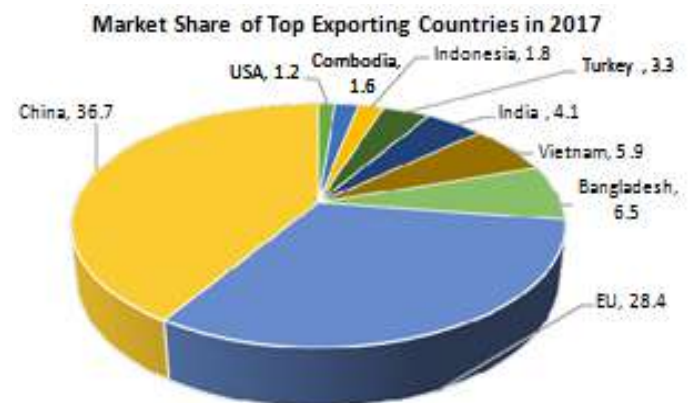
Major exporting destinations for RMG are European Union, USA, Canada and Non-traditional markets [9-10].

Table 3: Growth rate of Bangladeshi RMG exports to the foreign country (in Million US\$)

Million US\$	Woven			Knit		
	2016-17	2017-18	2018-19	2016-17	2017-18	2018-19
EU Countries						
EU % of World	54.59	55.88	53.21	71.92	72.49	70.80
Growth%	1.62	9.71	6.46	5.01	11.28	8.61
% of USA	27.11	25.79	26.79	9.46	9.05	8.97
Growth%	-7.73	1.94	16.12	-6.75	5.55	10.21
% of Canada	3.76	3.58	3.78	2.94	2.71	3.13
Growth%	-5.94	1.97	17.93	-4.24	1.53	28.50
% of Non-Traditional	14.54	14.76	16.23	15.68	15.76	17.11
% Growth of Non-Traditional	-5.01	8.83	22.91	1.98	10.98	20.68

6. GLOBAL MARKET SHARE IN APPAREL EXPORTING

Global market share of Bangladesh has increased to 6.5% in 2017 while it was 6.4% in 2016. The largest global market share is still held by China though Chinese export has observed almost zero growth in 2017. China is losing its global market share which is creating an opportunity for Bangladesh.



Source: The World Trade statistical Review 2018 and EBSL Research

Figure 2: Market share of Exporting countries

7. FDI IN BANGLADESH

Since Bangladesh is highly dependent on import for higher-end fabrics, Foreign Direct Investment (FDI) in the sector would further boost the textile industry. According to Bangladesh Bank (BB) data, in 2017, Bangladesh's textile and apparel sector received a foreign investment worth \$421.68 million, which is 15.70% higher than \$364.44 million in 2016. According to the BGMEA, around TK 6,900 crore has been invested in this sector and expecting to triples by 2022.

As per the BTMA, there are 430 yarn manufacturing mills, 802 fabrics manufacturing mills, and 244 dyeing-printing finishing mills in Bangladesh, along with 32 denim fabrics manufacturing mills and 22 home textile manufacturing mills.

Bangladesh's textile and apparel sector has seen a sharp rise in Foreign Direct Investment (FDI) in the last year, thanks to government initiatives to entertain foreign investors. FDI in Bangladesh textile and apparel sector rises 15.70%

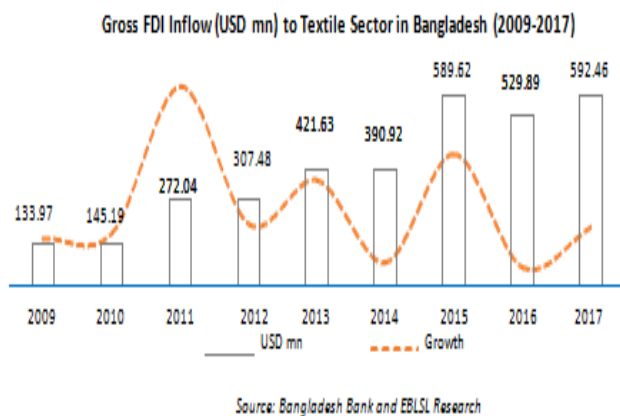


Figure 3: FDI growth for Bangladesh

8. BACKWARD LINKAGES

- ✓ Dependency on raw materials i.e. cotton fibre imports
- ✓ Shortage of fuel i.e. gas, the Bangladeshi government is importing LNG however, imposing new cost structure
- ✓ RMG wage board has recently set the minimum wage at BDT 8,000 despite
- ✓ Cancellation of quota and tax-free benefits

9. APPROACH TOWARDS THE SUCCESS OF BANGLADESHI TEXTILE INDUSTRY

- ✓ Bangladeshi Government entitled with 4% cash incentives for 100% direct export and deemed export companies
- ✓ 2% extra incentives for the export-oriented industries for exporting to EU countries
- ✓ The Govt. of Bangladesh reduced source tax from 0.70% to 0.60% and corporate tax from 15% to 12.5% and green factories will be taxed at 10%
- ✓ The VAT has been increased to 5% from 4% on buyer while purchasing branded garment products

10. RECOMMENDATIONS TO OVERCOME THE CHALLENGES TO GROWTH OF TEXTILE INDUSTRIES

- ✓ Together work with the government, suppliers and buyers can overcome from any hurdles of success
- ✓ Zero-rating exports, tariff reduction, supply of energy, market access and quality products timely delivery
- ✓ Attracting more FDI focusing on value addition, technological up-gradation and capacity building
- ✓ Awareness creating on zero chemical discharge and dumping to make sustainable apparel products

11. THE FUTURE OF THE TEXTILE INDUSTRY IN BANGLADESH

Compared with the last 5 years, Bangladeshi textile and apparel sectors have seen significant development even after some incidental issues arises. It has become possible to set the target, planned all unplanned manner, reducing the gap between supply chain management. Technological support, material availability, infrastructural development, political stability paves that way to achieve the target \$50 billion by 2021. This is not too much far behind since we already have achieved around \$30 billion by 2019. Now, the important factor is to keep continuing the trust of buyers upon ourselves. It is hoped that the country will achieve its target with the stipulated time frame.

12. CONCLUSION

The aspects of this survey are to expect sustainable and potential textile industries growth in Bangladesh. With the new challenges, the country's this sector passing through the toughest periods since it has been affecting both the global recession and some serious internal issues. Besides, the hike in electricity tariff, cost of production, energy crisis, removal of subsidy and internal dispute plays a negative role in the growth of the sectors. However, the fact is that Bangladesh is overcoming all these backdrops and going forward to achieve its utmost target \$50 billion by 2021.

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