



The contribution of garments industry in Bangladesh economy

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Abstract

Though Bangladesh is an agro-based developing country, garments sector plays the most significant role to be laid on with the industrialization process. Actually before the independence this sector was introduced, but it is booming just after the independence in a large scale. Nevertheless, today the garments export sector has grown into a \$6 billion industry that employs over millions of people. However, from a different look, its contributions is not regarding to the economic factors, rather than more important to the social factors including the process to reducing gender discrimination by empowering woman, balanced distribution of social power management by reducing socio-economic inequalities etc. Well consultation, training and development program may help to overcome the constraints from the garments industry and by the way, near future, the contribution of garment industry towards socio economic development of Bangladesh will be improved a lot as well as be sustained longer too.

Keywords: Garments Industry, Bangladesh Economy, Woman Empowerment, Socioeconomic Development

1. Introduction

The shift from a rural/agro based economy to an urban/industrial economy is an essential part of the process of economic development. Although policymakers in the least developed countries (LDCs) have, at various times, attempted to make agriculture the primary engine of economic growth and employment generation, this approach has not worked, not least because of the contributions of the Green Revolution, which has had the dual effect of increasing agricultural productivity in the LDCs and displacing the rural labor force at the same time.

Bangladesh, one of the representatives of LDCs, has also been following the same direction after her independence. New rules had come to govern the international trade in textiles and apparel, allowing low-cost suppliers to gain a grasp in American and European markets. Assisted by foreign partners, and largely unaided by the government, entrepreneurs seized the opportunity and exploited it to the fullest. However, the garments export sector has grown into a \$6 billion industry that employs over a million people (EPB, 2008) [4]. In the process, it has boosted the overall economic growth of the country and raised the viability of other export-oriented sectors too.

2. Literature Review

Several authors have analyzed aspects of the garment industry in Bangladesh. Of the various aspects of the industry, the problems and the working conditions of female workers have received the greatest attention.

However, a study by Md. Salim Uddin and Mohammed Abu Jahed (2007) [7] revealed that how the garments sector is contributing as prime mover of the socio economic development of Bangladesh. According to them, the garments industry has been leading the Bangladesh economy since the early 1990s. Garments are the country's biggest export making

up about three quarters of total exports, and the industry is a symbol of the country's dynamism in the world economy. The industry is also the main non-farm formal sector creating employment opportunities for the poor. The greater part of the workforce is female; those who are less educated and migrated from rural areas. Thus, the garments 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.

Dr. Greg Gajewski & Alex Riley (2005) [5] discussed about Bangladesh's export trade practices and their effect on the competitiveness of the garments industry. They said, a wide body of evidence suggests that increased openness to trade and greater export competitiveness contribute to higher rates of economic growth.

A study by Munir Quddus & Salim Rashid (2008) [6] looks at the aspects of garments exports from Bangladesh. They summarized that, the success of readymade garment exports from Bangladesh over the past two decades has surpassed the most optimistic expectations.

However this paper is trying to review the literature on this industry and then presents recent data on the sector's performance, and evaluates future trends in the international and domestic clothing industry. In this particular study we will be focusing on the contribution of garments sector in the economy of Bangladesh, the involvement of women workforce in this sector.

3. Methodology of the Study

This study is a descriptive research and it is also developed from the qualitative point of view. Only the secondary sources are used for the study in order to collect or gather necessary information. The sources include Journals, literatures,

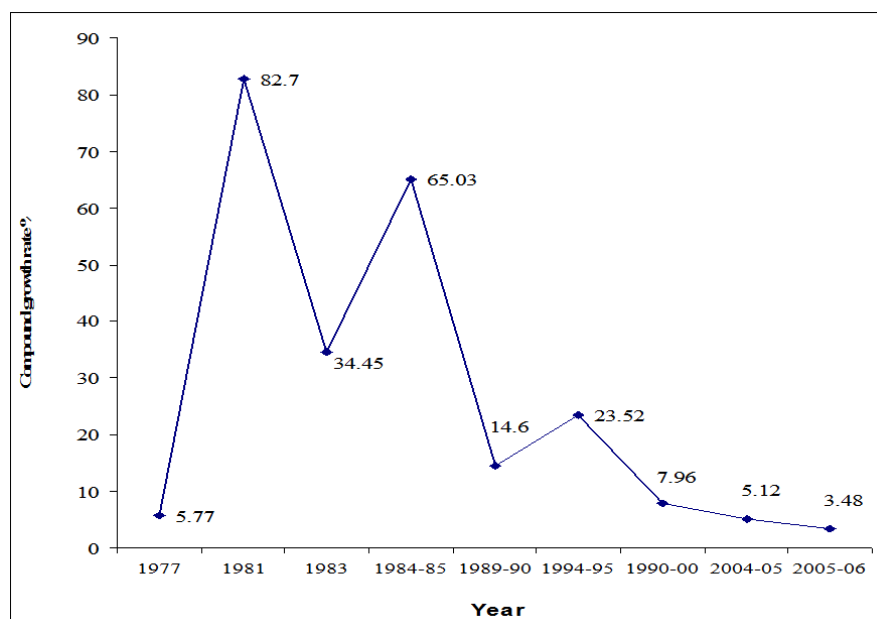
internet/web sites and books/magazines etc. Besides this, both the simple graphs and tables are used for the easy understanding.

4. Development of Garments Industry in Bangladesh

In the field of industrialization, role of textile industry is found very prominent in both developed and developing countries. Economic history of Britain reveals that in the 18th Century the cotton mills of Lancashire in Britain ushered in the first industrial revolution of the world. Moreover, during the last 200 years or more many countries of the world have used textile and clothing industry as an engine for growth and a basis for attaining economic development. Now garment industry is found to have played such an important role in the process of industrialization and economic growth. This

industry is in fact trying to put the wheel of her declining economic back to the track by giving essential life blood to it. 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. 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 and then, Bangladesh did not need to look back for its development. Table-01 shows the trend of growth and development of garment industry in Bangladesh.



Source: Annual Report of BGMEA, 2007 [3]

Fig 1: Growth of Garments Factories in Bangladesh

The Figure 01 shows that the growth was very slow till 1977 and got momentum from 1977 to 2005-06 in terms of number of industry. But the compound growth rate was highest till 1981 and the rate was very good during 1989-90 to 1994-95 and thereafter i.e. 1994-95 to 2004-05, the industrial growth has been declined though the numbers of industries have been increased. (See Appendix 01)

5. Contribution of Garments Industry in Bangladesh Economy

Garments Industry occupies a unique position in the Bangladesh economy. It is the largest exporting industry in Bangladesh, which experienced phenomenal growth during last two decades. The industry plays a key role in employment generation and in the provision of income to the poor. Nearly two million workers are directly, and more than ten million inhabitants are also indirectly associated with the industry. The sector has also played a significant role in the socio-economic development of the country. In such a context, the trend and growth of garments export and its contribution to total exports and GDP has been examined the following table shows the position.

Table 1: Growth & Trend of Garments Exports, and Contribution to GDP (Amounts in Million USD)

Year	Garment Export	Total Export	Share to Total Export in %	Share to GDP in %
1984-85	116	934	12.42	-
1989-90	624	1924	32.43	-
1994-95	2228	3473	64.15	5.87
1999-00	4349	5752	75.61	9.23
2004-05	6418	8655	74.15	10.63
2005-06	7901	10526	75.06	12.64

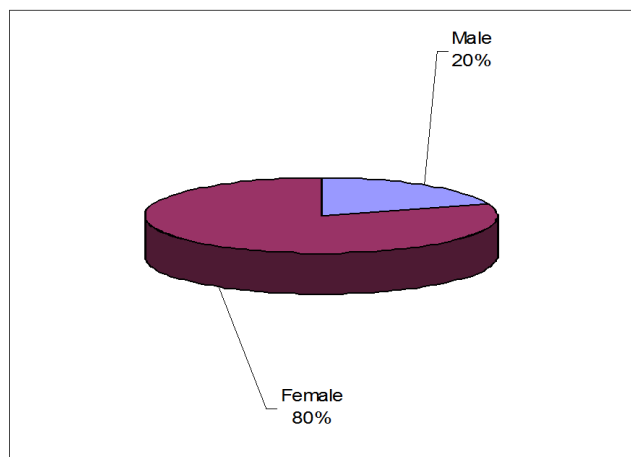
Source: Bangladesh Economic Review, 2007 [2]

It is revealed from the Table-01 that the value of garment exports, share of garments export to total exports and contribution to GDP have been increased during the period from 1984-85 to 2005-06. The total garments export in 2005-06 is more than 68 times compared to garments exports in 1984-85 whereas total country’s export for the same period has increased by 11 times. In terms of GDP, contribution of garments export is significant; it reaches 12.64 percent of GDP in 2005-06 which was only 5.87 percent in 1994-95. It is a clear indication of the contribution to the overall economy. It

also plays a pivotal role to promote the development of linkage small scale industries too. For instance, manufacturing of intermediate product such as dyeing, printing, zippers, labels has begun to take a foothold on limited scale and is expected to grow significantly. Moreover it has helped the business of basling, insurance, shipping, hotel, tourism and transportation. The sector also has created jobs for about two million people of which 80 percent are women (see Figure 2). However, a well-designed plan with diversified product manufacture still provides more opportunities to our economic development, and it can be developed by making wide range of diversification too (see Appendix 2). Nonetheless, the sector opened up employment opportunities for many individuals through direct and indirect economic activities, which eventually helps the country’s social development, woman empowerment and poverty alleviation. In such a way, the economy of Bangladesh is also getting favorably contribution a lot from this industry.

6. Participation of Woman in Garments Sector

Garment sector is the largest employer of women in Bangladesh. The garment sector has provided employment opportunities to women from the rural areas that previously did not have any opportunity to be part of the formal workforce. This has given women the chance to be financially independent and have a voice in the family because now they contribute financially.



Source: World Development Report, 2008 [8]; ADB, 2007 [1]

Fig 2: Female Participation in Garments Sector in 2006

However, the women workers are facing many problems but they did not unprovoked to switch form the sector. Most women come from low income families and so, a small amount of money helped them a lot. Side by side, the low wage of women workers and their compliancy have enabled the industry to compete with the world market by decreasing the total cost of production. Women are paid far less than men mainly due to their lack education and they are also reluctant to unionize because factory owners threaten to fire them. Even though trade unionization is banned inside the Export Processing Zones (EPZ), the working environment is better than that of the majority of garment factories that operate outside the EPZs. But somehow, the pressure from buyers to abide by labor codes has enabled factories to maintain satisfactory working conditions. After all, participation of female is really become the part of modernization. Only to see

this scenario, the females are encouraged to participate to the other working places. A few years back, it was quit difficult to find a woman in work place, but today it is become a common trend to earn money and contribute to the family as a male member of the family. Nonetheless, this trend maximizes their freedom and independence too, as they easily contribute to the family as well as the economy together. So, this sector is empowered the females and also opened the opportunity a step ahead for them to develop themselves.

7. Recommendations and Conclusion

Bangladesh’s exports are heavily concentrated in the garments sector, which has been a main driver of growth and poverty reduction. The challenge is therefore to improve competitiveness, both in the garments sector and economy wide and diversify exports. Garment industry in Bangladesh has been facing multidimensional problems since its establishment. Power crisis, chronic labor unrest, lack of infrastructural facilities, inadequate supply of material and accessories, inability or lack of efforts to diversify the products and markets, high cost of production due to import capital goods, are the significant deterrence to the growth of this sector.

Now the relevant government agencies and nongovernmental authorities can take some strategic and effective measures together, which includes liberal bank loan facilities for reviving sick garment units, development of primary textile sub sectors for fulfilling the raw materials needs, arrangement for captive power supply for utilization of production and its continuation, strategic arrangement for quick resolution of labor dispute, creation of separate ministry for garment industry etc. Thus, it can be possible to overcome the problems thoroughly; and subsequently this sector will play the significant role to contribute for a sustainable socio-economic development of Bangladesh.

Table 1: Growth of Garments Factories in Bangladesh

Year	No. of Factory	Compound Growth Rate in %
1971	5	-
1977	7	5.77
1981	78	82.70
1983	141	34.45
1984-85	384	65.03
1989-90	759	14.60
1994-95	2182	23.52
1990-00	3200	7.96
2004-05	4107	5.12
2005-06	4250	3.48

Source: Annual Report of BGMEA, 2007 [3]

Table 2: Export Performance of Different Garment Products (Amount in Million US \$)

Year	Shirts	Trousers	Jackets	T-Shirts	Sweaters	Others
1994-95	791	101	147	232	N/A	N/A
1999-00	1021	484	440	564	325	1515
2004-05	1053	1668	430	1350	893	1024
2005-06	1057	2165	390	1782	1044	1463
CGR (%)	2.67	32.13	9.28	20.36	21.47	-

(CGR stands for Compound Growth Rate.)

Source: EPB, 2008 [4]; Annual Report of BGMEA 2007 [3]

8. Reference

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