

# The Consequence of Backward Linkage of RMG Sector in Bangladesh - an Overview

A T M Mohibullah<sup>a\*</sup>, Umme Magreba Takebira<sup>b</sup>, Sabbir Ahmed Abir<sup>c</sup>, Farhana Jannat<sup>d</sup>

<sup>a,b,c,d</sup>Lecturer, Department of Apparel Manufacture & Technology, BGMEA University of Fashion & Technology (BUFT), Dhaka, Bangladesh.

<sup>a</sup>Email: [mohib@buft.edu.bd](mailto:mohib@buft.edu.bd)

<sup>b</sup>Email: [magreba@buft.edu.bd](mailto:magreba@buft.edu.bd)

<sup>c</sup>Email: [abir.sabbir@buft.edu.bd](mailto:abir.sabbir@buft.edu.bd)

<sup>d</sup>Email: [farhanajannat@buft.edu.bd](mailto:farhanajannat@buft.edu.bd)

## Abstract

In the context of Bangladesh backward linkages are playing the major role, as in the global apparel market buyers place order with competitive pricing along with the shortest possible lead time. So, to sustain with the other countries in the open market economy this RMG is facing too many challenges due to lack of industrial exposure in our economy and the sector cannot get adequate support from backward linkage industries. On that note most of the cases we need to depend on the external sources for the raw materials. The purpose of the study is to identify the current status of backward linkages of RMG sector in Bangladesh and also how we can improve the conditions of backward linkages compared to the demand. The research contains the condition of backward linkage industries in Bangladesh, the barriers of RMG sector, the findings and solutions of those barriers and last but not the least the opportunities of this growing industry. The research is focusing on how the backward linkage industries help RMG sector to meet the buyer's lead time and what the initiatives should be taken to set up more backward linkage industries for being more competitive in the open market economy.

**Key words:** Backward Linkage; Global Market; Industries; Raw-Materials; RMG; Sustain.

---

\* Corresponding author.

## **1. Introduction**

The RMG sector of Bangladesh is the largest contributor to GDP about 81% in the 2015 fiscal year [7]. This RMG industry has increased in tremendous amount since 1978 [1]. The growth of this sector has led Bangladesh to become one of the middle earning countries of the world by 2021. But this sector has always faced some problems to stand up to its true potential. The compliance issue of the RMG sector was the first, now day by day the number of threats is increasing rapidly. The most significant threat to this sector is its backward linkages. Though the industries forward linkage, the production unit has made its ground properly but the raw material production of this sector is way below to the total demand. The backward linkage industry of Bangladesh in RMG sector is 5-8% to the total demand. For this Reason the raw-materials like fabric, trims and accessories are being imported from other countries. A huge amount of raw-materials are being sourced from foreign market. To purchase the raw-materials 60-70% of product price go away in overseas market and the profit gain from these production order is very less [1]. Purchasing raw-materials from other countries takes a lot time. There are a lot of factors is considered when purchasing the raw-materials. The main problem is faced is making insurance of lead time provided by the buyer. When the raw-materials are being purchased from the foreign market the manufacturer has to make sure of the timing of the raw-materials arrival because if the raw-materials are not in-housed in time the production and shipment of buyer will not be on time. So, when the products are not delivered on time the buyer change the factory of order or the country. So maintaining the lead time has become very important for competing in the global market. Bangladesh RMG industry has many competitors and many of the competitor's condition of backward linkages are stronger than that of Bangladesh. So, to sustain in the global market Bangladesh has to develop its textile sector more and ensure the raw-materials crisis to be solved. If the problem of raw-material is not solved Bangladesh will go into a very deep trouble they are now. So, to overcome the problem Bangladesh should take initiatives to solve the problem.

### ***1.1. Objectives of the Study***

- Analyzing the weakness of backward linkage of RMG sector.
- Neutralizing the weakness and increasing the sufficiency.
- Analyzing the future opportunity of RMG sector of Bangladesh.

### ***1.2. Limitation of the Study***

The limitations of the study are getting limited information, getting not enough time for better study, only backward linkages information was provided and there were a lot of difficulties for interview.

## **2. Literature Review**

To reduce the dependence on imported immediate materials, the RMG sector felt the need for support of backward linkage. In the early 80s the condition of textile industry was not that good, but after that with the growing demand for raw materials the linkages started flourishing [9]. Day by day our woven fabric manufacturing and processing capacity is also growing rapidly that has reached 2 billion meters per annum and

moreover, currently we have around 9 million spindles installed that can produce up to 1.7 billion kgs of yarn in every year [9]. There was a tremendous effect of the current one-stage rules of origin, the country's 100 percent apparel exported to EU, Norway, Switzerland and Turkey was availing the GSP benefit, earlier only 42.72 percent of the woven-wear textiles could benefit from the GSP system [10]. A general documentary on backward linkage of RMG sector of Bangladesh has been done on executive forum on 'National Export Strategies' in 2002 by Mr. A.S.M Quasem chairman of new age, Bangladesh [11]. In that report the growth of RMG sector in period of the 90s to 2000. It was shown that in 1989-90 a number of garments export was \$867 million and in 2000 the amount increased to \$4.67 billion [1]. The number of growth in Knitwear was 15.14% to 29.14% and woven growth decreased 84.86% to 70.84% because of the growth of backward linkage in knit sub-sector including own knitting and dyeing section giving them advantage to provide shipment within time [1]. Where woven sector falls because of lack of the backward linkage. From the total amount 75% of the money was invested to purchase raw-materials from foreign market which leads to a very low gross profit. The number of back to back L/C share in 1992 was 63.01% and number decreased to 45.10% in 2001 showing the growth of backward linkage growth in the late the 90s [1]. In this growth only the knitting sector developed at large because to develop a knit composite factory it would take \$3.5 million and to set a woven composite it takes about \$35 million dollars [1]. So, due to higher investment in woven manufacturing, the growth of this sector is very low to some extent. According to GOB the number of annual weaving fabric is 222613000 meters. In 2000 and the number of knitting fabric is 104751000 kgs [1]. Bangladesh has been improving their backward linkage back in 90s importing textile machinery in about 36% and importing raw-materials about 37.4% [1]. So, this review shows the growth of RMG sector in the year 90-2000 and the weakness of backward linkages of Bangladesh on that time. Despite some improvements are seen for overcoming this difficult situation, yet the number is too poor compared to the demand. Because of high importing materials from foreign the number of profit is too less, so to overcome the situation a fully backward linkages have to be established.

### **3. Methodology**

The study was conducted for a review of the literature on backward linkage effect in RMG in order to develop research hypotheses. The study is intended to confine the current status of all the backward linkages effect in RMG where we found out the weakness and lack of availability of backward linkages. It was carried out primary research to collect quantitative data to give an overview of backward linkage industries and factories in Bangladesh and it is analyzed quantitatively using descriptive and approximate statistics. The survey was designed to collect information directly from individual into group and the assistance to improve shortage of those items which used in RMG. The sections were provided working definitions and assumption related in the study, followed by detailed descriptions of the data collection methods were used. A questionnaire was developed with questions to collect recent problems of backward linkage availability based on personal interview, telephone interview and online survey (email). Each problem led to a hypothesis. The purpose was to determine the current state of what is available in the field and the study will identify the problems of availability that may exist. The consultant was provided their perspectives on current assessment trends and practices, problems they found and limitations. All the collected data had processed and analyzed chronologically. After conducting the research work, the findings processed are completed to solve backward linkage problems.

#### **4. Hypothesis**

The RMG sector of Bangladesh is the pioneer of the country's export earnings sector. RMG sector is considered the heart of our economy. More than 80% of the foreign currencies are earned from this sector. So, the development of this sector according to requirement is mandatory. From the briefing of the study the objective was to identify the main problems regarding the backward linkages of the RMG sector because of the sectors increasing demand by the buyer for the reason that of still Bangladesh the lowest profit service provider in the world. So, to meet the future requirement the RMG industry must solve the current problems which are currently in position.

As the most of the raw-materials are imported from the foreign market, the cost value of the product decrease dramatically this reduces profit margin of the country. If the materials would come from the domestic market no money with go overseas and the time and money both would have been saved. So, this importing materials harming the RMG industry big time. As mentioned in the report Bangladesh spends about more than\$7 billion to import the materials from foreign market especially cotton. The world apparel buyers have now reduced the order time giving the manufacturer only 40 days lead time to complete an order. But due to importing of materials from other countries takes time to order the materials and get them in house in time to start the production. It has now become quite difficult for the industries which do not have composite factories. Bangladesh RMG sector only has 6-8% of composite factories which have full efficiency to complete the orders in time for the apparel buyers. Other factories overly go for extension or sailing the goods by air. Asking for extension or shipping the goods by air is a very fragile thing to the buyer. The apparel buyers have also their retailer customers whom they have to send goods in time, as making shipment late because a very bad effect for this reason a lot buyer has now become interested to purchase order other South Asian countries except Bangladesh. So, to provide the raw-materials to Bangladesh is hampering the other exporting country's forward linkages. If they feel the necessity to avoid Bangladesh providing the raw-materials Bangladesh will face a huge crisis in the future. Rather also increasing price of the raw like cotton and yarn it would become so difficult to offer good price to the customers which would make difficult situation for apparel producers of Bangladesh. Bangladesh only advantage in the apparel industry is the lowest value product compared to other countries they offer in the world. If the price increases there are lot of buyers which may feel to move from Bangladesh because of the environmental factors of Bangladesh and the political unrest situation of Bangladesh. Also other raising threats in this sector which are still harming the sector in huge measure.

#### **5. Backward linkage in Bangladesh**

Bangladesh RMG sector is the largest export-oriented business in Bangladesh. This industry's contribution on countries development is indescribable. "From a statistics it's known that, in FY 2003-04 RMG sector of Bangladesh earned US\$ 5,686.06 million, in FY 2004-05 the value was US\$ 6,417.67.67 million, in FY 2005-06 the value was US\$ 7900.80 million, in FY 2006-07 the value was US\$ 9,211.23 million, in FY 2007-08 the value was US\$ 10,699.80 million, in FY 2008-09 the value was US\$ 12.35 billion and finally in FY 2013-14 the value stands at \$24.49billion" [3,8]. In the running year 2016 so far 211.16 billion BDT garments have been exported [3]. So, the contribution of RMG sector in countries development is beyond measure. But the RMG

sector of Bangladesh facing some major problems on the current time. The buyers from South America and Europe have reduced the export lead time to 40 days. Because of the reason the garments industry is now facing which problems meeting the buyer requirement. As now the most of the raw materials of this has to be imported from abroad like China, Vietnam and Shanghai. It takes time to get the raw-materials in time and start able production. Though Bangladesh has reached huge success to upgrade their backward linkage industry over the decade still they have to depend on overseas market.

If the demand of the raw-materials like fiber, yarn, fabric, trims and accessories can't be make up by the domestic market this industry will face many problems in the future. The backward linkages of RMG sector are spinning mill, weaving mill, knitting mill, Fabric dyeing mill, printing mill, interlining and lining manufacturer, poly bag manufacturer, sewing thread manufacturer, zipper manufacturer, button manufacture, label manufacturer, embroidery factory, washing factory, elastic manufacturer, carton manufacturer, hanger manufacturer etc.

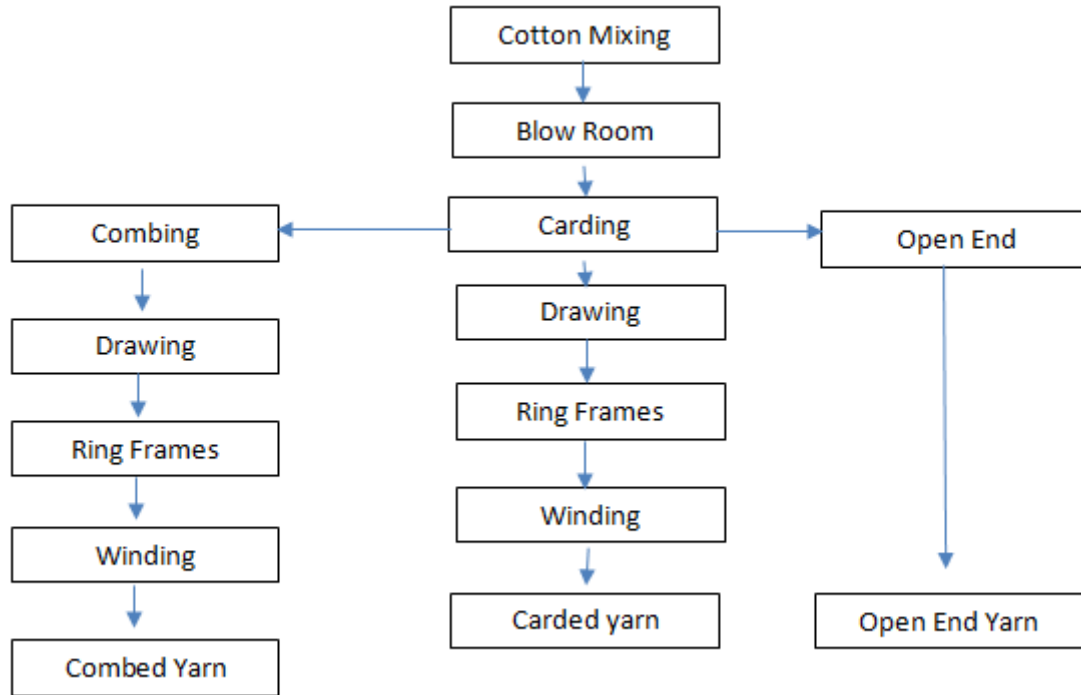
### **5.1. Cotton**

The basic raw materials which are needed to make yarn are cotton. Cotton is the main source of making yarn and fabric. All the apparel made all over the world where 95% apparels are made from cotton. But the farming of cotton requires a vast amount of land. But Bangladesh is a small country which does not have vast amount of lands. Also the special kind, of soil to produce good cotton which Bangladesh does not have. Bangladesh Cotton development board has undertaken the situation to develop cotton production but the result is unsatisfactory [2]. The farmers find cotton farming fewer beneficiaries in Bangladesh therefore they move on to different fiber materials. This is why Bangladesh has to depend on other countries like China, Pakistan, America, Egypt, Turkey, and India for cotton [2].

It leads a huge amount of cotton imported from overseas market and a lot of money go away in the overseas market. In the fiscal year 2012-13 Bangladesh spent \$5.23 billion to import cotton [2]. In 2014-15 Bangladesh increased the amount of importing cotton by 7.6% [2]. Now a days buyer are now very conscious about the organic product because of the harmfulness of chemical product on human body so every buyer is now preferred organic cotton for yarn and fabric. So this cause of more increase in the product value. The use of cotton is like 95% of total Garments product. So to meet this Bangladesh has to depend on the foreign market very much [2].

### **5.2 Spinning mills**

Spinning mills are where the yarn is created from fiber. It is a very important section of RMG industry it is where yarn is created for sewing, weaving and knitting. The main products of spinning are cotton yarn, polyester yarn, synthetic yarn and mix yarn of cotton and polyester of different count. According to BTMA the number of spinning mills was 148 in 2000, 202 in 2005 and in 2009 the numbers were 350 producing 7.6 spindles of yarn per year [1]. Though it has meet the demand of sewing threads in Bangladesh but the demand of weaving and knitting is by far. So to meet the demand progress Bangladesh has to develop more mills in order to cope with the current demand of the RMG sector.



**Figure 1:** flow chart of yarn manufacturing

### 5.3 Weaving

Weaving is the process of making woven fabric. Woven fabric manufacturing condition in Bangladesh is not satisfactory. Because of the textile industry of woven is very costly. To set a minimum woven composite factory it would take \$35 million dollars [1].

So much investment losing the market value of this sector. To run this sector and maintain the buyer requirement a huge amount of fabric is imported from China, Shanghai and Vietnam. After getting the order first the industry has to search for reliable source to import the fabric and yarn then purchasing the order through back to back L/C and take lot of time reach the factories in house and start production. This importing of woven fabrics cost 75% of the total amount of an order cost [1]. This takes away a lot of money of the country. After phasing out of the MFA in 2005 the requirement of fabric increased and Bangladesh has to find another choice to meet the demand [1].

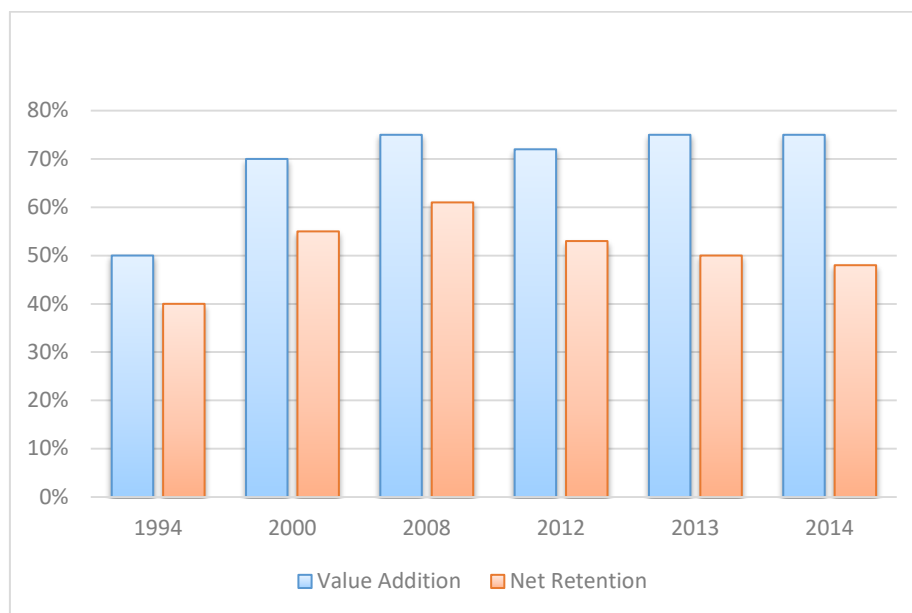
Today there are 4321 woven factories which are registered in BGMEA [3]. According to the BTMA the number weaving mills in Bangladesh was 302 which is very low according to the registered number of woven factory. The lead time of finishing an order is 40 days provided by the buyer but to fulfill the order within lead time the necessity of own backward linkage industry or something that can meet the requirement of the woven industries of Bangladesh.

### 5.4 Knitting

Knitting is the process of making knit fabric by interlooping of yarn. Knitting industry in Bangladesh is the leading market contributor of Bangladesh. Because of low cost machineries knitting and available up gradation this industry has merged in huge amount. There are lot composite knit garments industries in Bangladesh in the last decade. Some industries like Square, Beximco, Pallmall, Viyellatex and much more they have been example of true market leader. “In 2013-14, the contribution of knitwear in national export earnings is 39.81% [4]. The direct contribution of knitwear sector on GDP of Bangladesh is almost 7%, but the backward linkage sector of knitwear sector has another 2% contribution to GDP” [3]. This statics shows the power of knitwear industry in Bangladesh and the integration of backward linkage industry in the knitting sub-sector. Over the time the knitwear industry growth has been remarkable this industries contribution on countries GDP is 75% and the contribution of knitwear industry is bigger than woven industry. The contribution of knitwear apparel industry is 10% on national GDP [3].

**Table 1:** Value Addition and Net Retention Rate of Bangladesh Knitwear Sector

Year	1994	2000	2008	2012	2013	2014
Value Addition	50%	70%	75%	72%	75%	75%
Net Retention	40%	55%	61%	53%	50%	48%



**Figure 2:** Value Addition and Net Retention Rate of Bangladesh Knitwear Sector

Bangladesh knitwear industry provides some extremely value added quality full products which demands are full in Europe and America. Here is the state of Bangladesh knitwear products in Europe and America comparing with other apparel producing countries.

**Table 2:** Bangladesh Bureau of Statistics, 2016

Competitiveness of Bangladeshi Apparel (Knit) Products in EU								
Polo Shirt	Bangladesh	3.63	T-Shirt	Bangladesh	2.10	Pull over	Bangladesh	5.46
	China	7.36		China	2.74		China	8.00
	Indonesia	7.52		Indonesia	4.15		Indonesia	7.01
	India	5.33		India	3.10		India	6.93
	Cambodia	5.02		Cambodia	2.99		Cambodia	6.39
	Sri Lanka	7.64		Sri Lanka	2.71		Sri Lanka	6.79
	Vietnam	6.06		Vietnam	2.68		Vietnam	6.53

Source: Bangladesh Bureau of Statistics, 2016

**Table 3:** Bangladesh Bureau of Statistics, 2016

Competitiveness of Bangladeshi Apparel (Knit) Products in USA								
Polo Shirt	Bangladesh	3.39	T-Shirt	Bangladesh	1.70	Pull over	Bangladesh	2.94
	China	5.47		China	2.32		China	5.70
	Indonesia	3.87		Indonesia	2.40		Indonesia	3.53
	India	4.37		India	2.33		India	3.94
	Cambodia	3.25		Cambodia	2.20		Cambodia	3.36
	Sri Lanka	6.50		Sri Lanka	3.46		Sri Lanka	5.08
	Vietnam	4.74		Vietnam	2.94		Vietnam	3.60

Source: Bangladesh Bureau of Statistics, 2016

The above charts those were collected from a source of 'Bangladesh Bureau of Statistics, 2016' are showing the competitiveness of Bangladeshi knit products mainly polo shirt, t-shirt and pullover respectively in European Union (EU) and United States of America (USA) markets compared to some other competitive countries those also exporting RMG products to the global market.

### 5.5 Trims and Accessories

As the RMG industry grows rapidly the demand of raw-materials grew in enormous form. Bangladesh trims and accessories industry is very much top level. It can maintain the demand fully and provide value added service and products. The quality of trims and accessories produced in Bangladesh is very remarkable. Since the



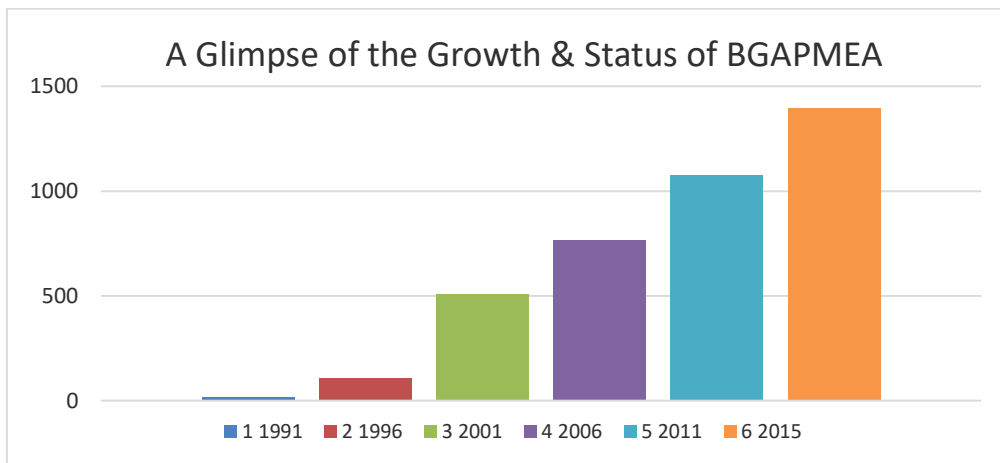
growth of RMG industry the trims and accessories industry become very much sufficient. Today Bangladesh has 1327 trims and accessories industry in Bangladesh meeting the challenges provided by the global market and providing the best quality full products [5].

Here are static showings the growth and trims and accessories industry in Bangladesh.

**Table 4:** A Glimpse of the Growth & Status of BGAPMEA

A Glimpse of the Growth & Status of BGAPMEA		
Serial No.	Year	Total No. of Members
01	1991	17
02	1996	109
03	2001	508
04	2006	764
05	2011	1075
06	2015( as on 07-12-2015)	1397

Source: BGAPMEA



Source: BGAPMEA

**Figure 3:** A Glimpse of the Growth & Status of BGAPMEA

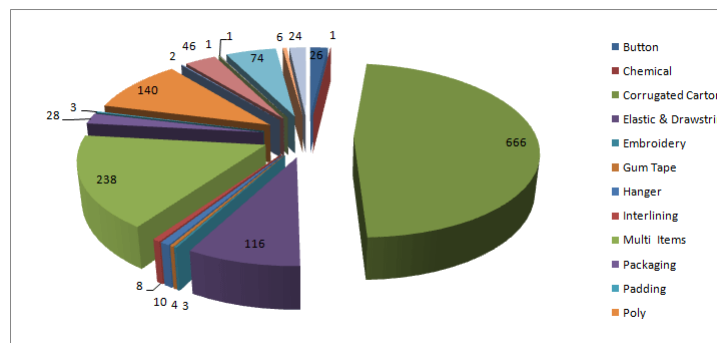
The above data has been taken from a source of Bangladesh Garments Accessories and Packaging Manufacturers and Exporters Association (BGAPMEA). We can see in 1991 the number of trims and accessories industries was 17, later in 2001 the number was 508, then it increased in 2011 to 1075 number and now in 2016 there are almost 1400 trims and accessories industries in Bangladesh which is really remarkable. Above all we can say with the enormous growth of RMG industry the demand for the trims and accessories has increased and the capability of Bangladesh to meet the demand of trims and accessories is quite sufficient. From the table above shows the growth and statics of Bangladesh trims and accessories of garments consist of the

following product like button, zipper, main label, price label, care label, size label, hang tag, bar tag etc. Bangladesh RMG industry is capable of meeting all the products demand and quality. Here some data of item wise accessories industry in Bangladesh.

**Table 5:** Item wise BGAPMEA members

Sl. No.	Item Name	No. of Unit
01	Button	26
02	Chemical	01
03	Corrugated Carton	666
04	Elastic & Drawstring	116
05	Embroidery	03
06	Gum Tape	04
07	Hanger	10
08	Interlining	08
09	Multi Items	238
10	Packaging	28
11	Padding	03
12	Poly	140
13	PP Band	02
14	Labels	46
15	Quilting & Padding	01
16	Resin	01
17	Sewing Thread	74
18	Screen Print	06
19	Zipper	24

Source: BGAPMEA



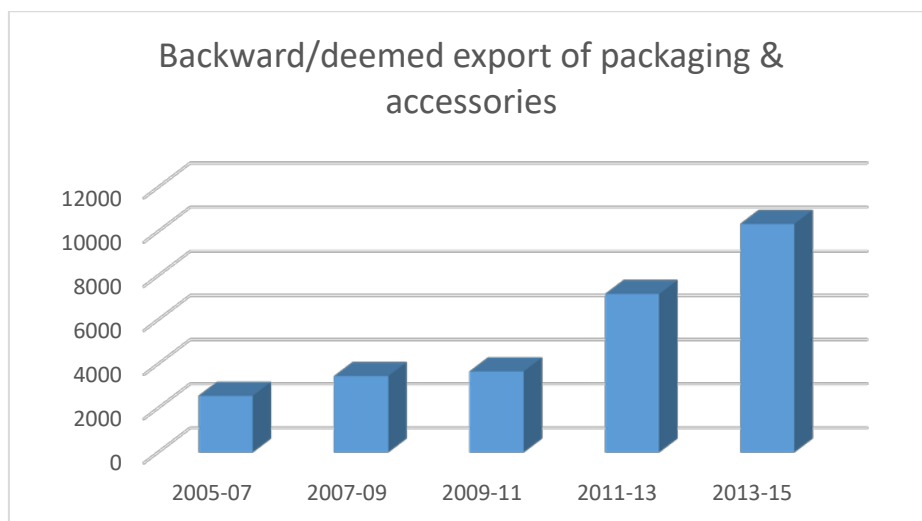
**Figure 4:** Item wise BGAPMEA members

As the demand for Bangladesh apparel is increasing day by day the profit margin has increased in tremendous amount over the year. The success of Bangladesh trims and accessories is well remarkable in last five years. In the last FY 2014-15 the total export earnings of trims, accessories and packaging industry is \$5600 million dollar [5].

**Table 6:** Growth Rate of Total Export Earnings, RMG & garment Accessories & Packaging Sector of Bangladesh (in million US\$)

Year	Total Export Earning	RMG Export Earning	Percentage & growth rate of RMG, Packaging Accessories sector	Backward/deemed export of packaging & accessories
2005-07	22704.02	17112.03	75.37	2566.80
2007-09	29675.99	23047.57	77.67	3457.14
2009-11	36833.38	31110.61	84.46	3670.64
2011-13	50731.55	41875.78	82.25	7175
2013-15	61395.56	49983.28	81.41	10350

Source: Export Promotion Bureau



**Figure 5:** Backward/ deemed export of packaging & accessories

From the above statistics of 'Export Promotion Bureau' as the demand for Bangladesh apparel is increasing day by day the profit margin has increased in tremendous amount over the year. The success of Bangladesh trims and accessories is well remarkable in last five years. In the last fiscal year 2013-15 the total export earnings of trims, accessories and packaging industry is \$10350 million dollar, whereas in the year 2005-07 it was only \$2566.80. So we can say that the total export earnings have increased tremendously with the increase of RMG

export earnings, so is the export earnings of trims and accessories.

### 5.6. Barriers

Bangladesh RMG industry has been under dilemma since it's grown. This industry felt the execution now quite a lot of time now. But it is somehow for some reason surviving, there are some barriers in the sector threatening its extension.

**Political Unrest:** The political unrest of Bangladesh is the oldest issue since the independence. The countries politics has threatened the growth of the country as well as hampered a lot of industries of the country. In the election of 2013 the country was shut down for 1 month because of the continuous strikes by the opposition political parties. During that period a lot of buyers choose to suspend Bangladesh product and go to other countries for apparel sourcing. Right now Bangladesh is going through to become one sided power nation which means democracy of Bangladesh is the worst scenario in the 80s. So there are a lot of dark days ahead of Bangladesh RMG industry. If the political issue of Bangladesh is not solved, the western countries will be sure to source from different nation.

**Labor Safety issue:** The labor safety issue of Bangladesh has been the greatest threat in the RMG sector of Bangladesh. The incident of 'Tazreen Fashion' in 2012 causing over 100 dead in the factory fire and the 'Rana Plaza' strategy in 2013 which caused more than 1100 dead and countless injured create a really tragic scenario in the RMG sector of Bangladesh [6]. The buyers all over the world created some major changes to purchase any order in Bangladesh. The compliance and labor safety factor now has become a major issue in every department. So to meet the buyer requirement a lot of money is being spent and the facilities of the factory regarding the fire issue and factory safety is being taken care very carefully. Here is a list of deadly accidents those occurred in the past few years in RMG industry-

So we can say that the total export earnings have increased tremendously with the increase of RMG export earnings, so is the export earnings of trims and accessories. [12]

**Table 7:** A list of deadly accidents those occurred in the past few years in RMG industry-

Year	Factory	Brand/Buyers	no. of Death
2010	Gharib & Gharib	H&M	21
2010	Hameem / TIS	Gap, Target, VF, PVH, others	29
2012	Ali Enterprises	KiK	262
2012	Tazreen Fashions	Walmart, Sears, ECI, others	112
2013	Smart Export	Inditex / Zara	8
2013	Rana Plaza	Benetton, WM, JC Penney, others	1127
2013	Tung Hai	Primark	8
Total Death			1601

**Increased Wages:** Bangladesh still holds the minimum wages record of the world. But the workers are going for strikes over for some time now. In 2012 the workers of the RMG industry went on strike to increase their minimum wages nearly doubled. Though the wages were increased and the strikes were off but the pressure is still on and the wages of worker and employee are demanding to be increased because the higher cost life system now in Bangladesh. The price of regular need things are increasing rapidly and the effect is sure to get on the industries of the country. So Bangladesh RMG industry may no longer provide the lowest price value in the global market.

**Terrorism Impact:** Now the world is facing a new tremendous threat. Terrorism threat is creating very much problem all over the world. There has been significant event over the last decade in the world which has cost more than thousand lives. This terrorism is merging towards Bangladesh. In July 1st 2016 in the diplomatic area of Dhaka 7 terrorist attacked the 'Holy Artisan' bakery killing 17 foreigners and 3 local which created a terrible image of Bangladesh. Now the people of all over the world are feeling unsafe for coming to Bangladesh. This new turn of event will have great impact on Bangladesh RMG industry. If the buyers feel unsafe to come to our country then the business with other countries will sure to hamper.

**Infrastructure:** Transportation bottlenecks create inefficient lead times for garments and delay deliveries to customers. This issue will become even more important in the future, since buyers want to source more fashionable products with shorter lead times.

**Raw materials:** Bangladesh lacks a noteworthy supply of natural or artificial fibers, and its dependence on import creates sourcing risks and lengthens lead times. Compounding the problem is the volatility of raw-material prices over the past few years. The development of a local sector would improve lead times.

## 6. Findings

There have been significant changes occurring in the RMG sector. There are some possible solutions that can change the industry's future and create more opportunities to develop as a unit in this sector. Here are some solutions offering to the problems facing:

- Creating an artificial environment to produce cotton in the country. To produce cotton a lot of lands and special soil needed to produce them. If the environment is created then there maybe chance of meeting up the demand for cotton in the industry. Bangladesh spends about \$6 billion to import cotton fiber which is huge number so the number could be reduced which would help the growth income of the country.
- The problem of making shipment in time because of insufficient number of backward linkages in the country. If the textile sector of our country is not developing both by number and technologically the demand of the future cannot be met.
- A central bonded warehouse must be set. It is warehouse where the fabric and yarn will be imported in a large amount and it would be controlled by both government and private sector. Whenever needed and how much needs will be provided from there to each factory. This would reduce the time of

importing apparel products in the overseas market. A proposal was also produced in the 2012 but due to the strikes of local fabric manufacturer the warehouse program was shutdown. This is causing much damage to the country but due to the blindness of some people the country is facing many problems.

- As day goes problems are increased. But the creators of these problems are people. So, to make sure the survival of this sector the people has to be caution and understand the importance of this sector in Bangladesh because this industry is the main source of foreign earnings sector in the country. So, to hit this sector they eventually damage the growth of the country. The RMG sector of Bangladesh is a leading example of how can an industry rise from zero to top. This RMG sector rises from nowhere of the 80s and now grown the world's second largest apparel manufacturer. So the person of this country has stopped the conflicts between each other and faces the problems to solve the upcoming challenges ahead.

## 7. Opportunities

Bangladesh has the lowest labor cost in the world. That is the reason Bangladesh can offer lower price valued goods than other countries. This is the reason of success of Bangladesh in the last two decades in the RMG industry. The American and European buyers are interested to buy apparel from Bangladesh so they can earn more reliable profit. That is why Bangladesh is the most competitive in the sector. A chart shows how the Bangladesh is at the top of labor cost.

**Table 8:** Labor cost of different Countries

Countries	Cost per hour(\$)
Bangladesh	0.22
Cambodia	0.33
Pakistan	0.37
Vietnam	0.38
Sri lanka	0.43
Indonesia	0.44
India	0.51
China	0.55-0.80
Malaysia	1.18
Thailand	1.29-1.36

So from the above table it is clear Bangladesh process the most low budget labor in the Asia part and that is why the buyers from the Europe and America are still interested to take apparel products from Bangladesh instead of China and Vietnam which are the most eligible competitors of Bangladesh. According to 'McKinsey' survey done in 2012, 86 percent of the chief purchasing apparel product buyers of Europe and America are going to reduce their sourcing from China and Vietnam because higher costing [6]. So they are very much interested in

buying apparel products from Bangladesh. Bangladesh has achieved a lot success in the textile. Now Bangladesh has the latest technology which helps the RMG sector to achieve more sufficiency and quality products. This improvement showing a lot of aspects to the future.

### **8. Recommendation for Backward Linkage**

This research briefly discussed present condition of backward linkages and there prospect as well as impact on Bangladesh RMG industry in future. The accomplishment of the garment industry very much depends on effective control over the supply of raw materials components and ancillary services needed to produce final product, the production flow is likely to be interrupted. From fiber to finished products all steps involved such as spinning, weaving, dyeing, printing, finishing accessories are the integral parts of backward linkages. The alternative support of central bonded warehouse is essential unless backward linkage satisfies itself in each sector by its component, especially in spinning and weaving sector. So, to face the future challenge in RMG industry we need to develop backward linkage availability. First need to analyze the present condition to minimize cost of production backward linkages need to be integrated. Need to develop on effective marketing service strategies that provide right signal of raw materials.

It will be developed a policy for target achievement. It will require developing the sourcing of backward linkages sector first need to develop the infrastructure of the department as well as training, workshop, seminar, conference, about new technology and RMG sector in Bangladesh. To implement this need to adequate logistic support. Bangladesh needs to develop the information technology sector. As a part of sourcing textile materials it will have to organize exhibition about raw materials and garment trims and accessories. It will be also needed to more effective research on backward linkages as well as new technology in RMG industry. Here are some solutions offering to the problems facing: creating artificial environment to produce cotton in the country. This would reduce the time of importing apparel products in the overseas market. The RMG sector of Bangladesh is a leading example of how can an industry rise from zero to top.

### **9. Conclusion**

The RMG industry of Bangladesh has become the gold giving eggs in the context of Bangladesh. After the independence of the country revolution the RMG industry has a lot of effort. It balances the country from poverty line and creates opportunity for work and entrepreneurship.

Now today this industry has become the biggest earning source of the country. So, this industries development is very important in self-reliant of the country. But the weakness of backward linkage industry in this country possessing a huge threat to the growth of the sector. For to surpass the threats in this sector effective measures should be taken and utilized it on correct measure. If the industry falls the countries development would be hampered in huge quantity. So, the importance of the sector is indescribable. The RMG industry of Bangladesh is facing dramatic problems of meeting the demand of the buyer because of the lacking in the backward linkages industries. Bangladesh has proven its worth in quite some time now, so we believe the people of the country understand the value if this industry takes necessary step.

## References

- [1]. Q. A.S.M., "Backward Linkages in the Textile and Clothing Sector of Bangladesh." State Secretariat for Economic Affairs SECO Economic Cooperation and Development, 2002.
- [2]. M. R. I. Habib, "Backward linkages in the readymade garment industry of Bangladesh: Appraisal and policy implications," The South East Asian Journal of Management, vol. 3, no. 2, Apr. 2016.
- [3]. "Contribution of RMG sector in Countries Export Business." Internet: [www.BGMEA/RMG Statics](http://www.BGMEA/RMG Statics), Dec. 11, 2016.
- [4]. "BKMEA Knitwear Statics of Bangladesh" .Internet: <http://www.bkmea.org/index.php/about> , Dec. 11, 2016.
- [5]. "BGAPMEATrim and Accessories Industry Item Wise." Internet: <http://www.bgapmea.org/index.php/about/statistics>, Dec. 11, 2016.
- [6]. "Impacts\_of\_terrorism\_in\_Bangladesh\_andRole\_of\_media\_managers".Internet: <http://https://www.academia.edu/20122454/>, Dec. 11, 2016.
- [7]. A. Merchandiser, "Readymade garments industry of Bangladesh," in Report, Garments Merchandising, 2015. Internet: <http://www.garmentsmerchandising.com/readymade-garments-industry-of-bangladesh/>, Dec. 11, 2016.
- [8]. M. Islam Kiron, "Readymade Garments Industry of Bangladesh," Internet: <http://www.garmentsmerchandising.com/readymade-garments-industry-of-bangladesh/> , Sep. 6, 2015.
- [9]"Why Bangladesh is the best for ready made garment production?,". Internet: <http://textiletribune.blogspot.com/2015/01/why-bangladesh-is-best-for-ready-made.html> , Dec. 11, 2016.
- [10]. "Market-insight-Bangladesh-spinning-industry Market Insight: Bangladesh Spinning Industry." Internet: <http://Estimatedreading time: 4 minutes http://www.lightcastlebd.com/blog/2015/02/>, Dec. 11, 2016.
- [11] "Backward Linkage Issue in RMG Sector Backward Linkage Issue in RMG Sector," in Subject: Textile | Topics: Term Paper. Internet: <http://www.assignmentpoint.com/science/textile/backward-linkage-issue-rmg-sector.html>.



[12] M. Shaniaz Islam, "RMG Industry of Bangladesh (Ready-Made Garments Industry)," Internet: <https://www.scribd.com/doc/52648740/RMG-Industry-of-Bangladesh-Ready-Made-Garments-Industry>.

[13] "Impacts of terrorism in Bangladesh and Role of media managers." Internet: [https://www.academia.edu/20122454/Impacts\\_of\\_terrorism\\_in\\_Bangladesh\\_and\\_Role\\_of\\_media\\_managers](https://www.academia.edu/20122454/Impacts_of_terrorism_in_Bangladesh_and_Role_of_media_managers)