

Contribution of the RMG Sector to the Bangladesh Economy

Paper 50

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CONTRIBUTION OF THE RMG SECTOR TO THE BANGLADESH ECONOMY

1. INTRODUCTION

At independence in 1971, most observers of the newly emerged country took a pessimistic view about the developmental prospect of Bangladesh. Many thought that the country would remain permanently locked in a 'below poverty level equilibrium trap'. Although there is little room for complacency Bangladesh has come a long way from there. About two-fifths of the economy is now connected with the global economy through exports, imports, factor and commodity markets; the degree of openness of the economy¹ currently stands at 40%. Bangladesh can now rightfully claim that she has graduated from a predominantly aid receiving nation to a trading nation.

The export-oriented RMG sector has made crucial contribution to this abovementioned transformation of the Bangladesh economy. The role of our RMG entrepreneurs, domestic fiscal and financial, institutional policy support and incentives put in place by successive governments, substantial RMG-supportive linkage activities within the domestic economy and global market opportunities combined to create a story which is, to be honest and true, unparalleled in the developing world. When jute and jute goods were losing their traditional markets, with the prospect of drastic fall in forex earnings it is the RMG sector which came in first to replace it, and then to overtake it. While traditional export sector could not yield expected results, the RMG sector gradually injected dynamism in the export as well as in the domestic economy through backward and forward linkage economic activities.

The export-oriented readymade garments (RMG) sector in Bangladesh, started its journey in late 1970s as a small non-traditional sector of export. Bangladesh exported RMG worth only US\$ 69 thousand when Reaz Garments exported its first consignment to USA in 1978. By FY2002, within a span of about two decades exports have gone up to US\$4.5 billion. Over the past decade alone, the sector registered a phenomenal growth rate of 15 percent per

¹ Share of the exports, imports and remittance in GDP.

annum, which is impressive by any standard². In fact, this was an exceptionally high growth rate for an emerging industry anywhere in the world. The industrial base which sustained such high growths also enjoyed a robust expansion, from less than 50 factories in 1983 to more than 3,400 in 2002, with the number of RMG workers reaching approximately 1.5 million.

Despite many difficulties faced by the sector over the past years, it continued to show robust performance, competitive strength and, of no less importance, social commitment. RMG's contribution to Bangladesh economy is well-known, well-appreciated and well-respected. However, often times the magnitude of its multiplier impact and implications will justify the support that this sector has been given over the past years and also the support it is currently seeking from the government.

In FY2002 Bangladesh exported RMG products worth 4.5 billion US dollars. Her share in total US imports of apparels was 3.2%; in EU it was 3.3% and in Canada it was 3.0%. Bangladesh is known in these countries as *a small country with a strong presence*. Everywhere, RMG serves as a flagship product of our country, inducing people's interest in Bangladesh both as a tourist and investment destination. These are the impacts which are difficult to quantify, yet without which the country perhaps would not have been able to project itself to a trajectory of high growth and higher standards of living. Thus, RMG's contribution to Bangladesh, both direct and indirect, needs to be recognised for what it is. In the following pages, an attempt is made to quantify the key role that RMG has come to play in the economy of Bangladesh. The RMG sector has also played a significant role in the social metamorphosis in a broader context. This paper attempts to qualify aspects such as women empowerment, population control, education, environmental awareness, elimination of child labour which contributed to overall improvement in the HDI (Human Development Index) Indicators. It should be noted that the study is not exhaustive, and can be further improved upon.

²Dr. Debapriya Bhattacharya and Dr. Mustafizur Rahman 2001: "Bangladesh's Apparel Sector: Growth Trends and the Post-MFA Challenges" in "Growth of Garment Industry in Bangladesh: Economic and Social Dimensions", edited by, Pratima Paul-Majumder, Binayak Sen.

Methodology of the Study

The present study has made use of both primary and secondary sources of information. As an initial input, CPD prepared a detailed structure of the relevant areas in which export-oriented RMG sector of Bangladesh was contributing. Subsequently, CPD Study team members held detailed discussion with the BGMEA leadership on the outline of the proposed study and its methodology. At the second stage in-depth discussion was carried out with a number of RMG entrepreneurs and BGMEA officials to elicit relevant information.

After the debriefing of the key informants, CPD conducted a survey of selected RMG units and made a detailed analysis of the statements of accounts of 15 RMG units, both woven and knit. The information was cross-checked with other available sources. The study team made exclusive use of CPD's Trade Related database. Information received from various secondary sources including the EPB, NBR, Bureau of Statistics, Bangladesh Bank and Commercial Banks, various chambers was also consulted.

On the basis of the primary data generated for the purpose of the study and also the secondary information, CPD carried out an in-depth study of the contribution of the RMG industry to the overall economy of the country and also to the various sub-sectors of the economy. Data generated from the sample survey served as the basis for these estimates. The estimates computed from the sample were then blown up by using the share of the various components in the export earnings of the sample units. These shares were then used to arrive at the relative contribution of the various components in the total earnings of the RMG sector for the year FY2002. Identification of the sectoral contribution was carried out in two parts: contribution through linkage industries and socio economic impact of the sector. For evaluation of the sectoral contribution a set of sectors were identified which included backward linkage industries, banking and insurance, transport and communication, ports, shipping, air cargo, utility services, hotels and tourism, real estate etc. The estimates were cross-checked with information from other sources mentioned above for consistency and, where possible, for accuracy.

2. MACRO CONTRIBUTION

2.1. Contribution in GDP, Export Earnings and Local Currency Retention and Foreign Exchange Earnings by the Sector

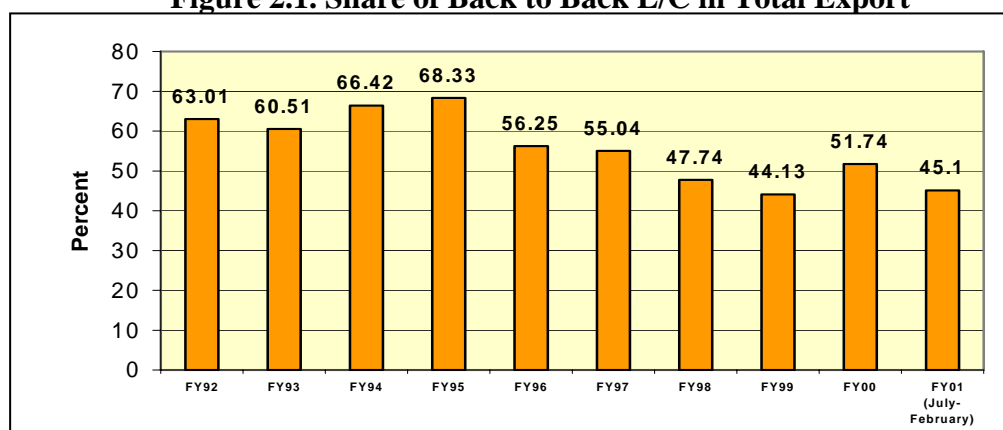
The Bangladesh RMG industry, with its woven and knit sub-components, is a predominantly export oriented sector, with 95 per cent of the woven and 90 per cent of the knit exports being directed to foreign markets. The cumulative foreign currency earnings by the sector, since 1978, when first export was registered, is estimated at 36.6 billion dollars. Bangladesh's RMG export earning stood at 4.58 billion US dollars in FY2002. In 2002 this sector contributed 76.6% of the total Bangladesh export of 5.9 billion dollars in the same year. RMG export in FY2002 was equivalent to 9.5% of Bangladesh's GDP over the corresponding year. At present the local value addition by the RMG sector is estimated to be 45%. Accordingly, local value addition by the sector in 2002 was about 2.1 billion US dollars which was equivalent to 4.3% of GDP for the same year. The value addition created by the sector itself is estimated at 25% of total RMG export earnings which amounted to about 1.2 billion dollars or equivalent to 2.4% of GDP [see Appendix Table 8].

Macro Contribution of RMG Sector

RMG Earnings	Amount (billion US\$)	As Percentage of GDP
Total RMG Exports	4.5	9.5
Local Value Retention	2.1	4.4
Direct Value-Addition by RMG Sector	1.2	2.4

Thanks to increasing local value addition, the share of Back to Back L/C has been declining secularly, from 63% in early 1990s to about 45% in FY2001 [see figure 2.1].

Figure 2.1. Share of Back to Back L/C in Total Export



If we consider that the total manufacturing sector's contribution to GDP was about 15.6% in FY2001, it would be seen that RMG sector contributed about 29.7% of the manufacturing GDP in FY2002.

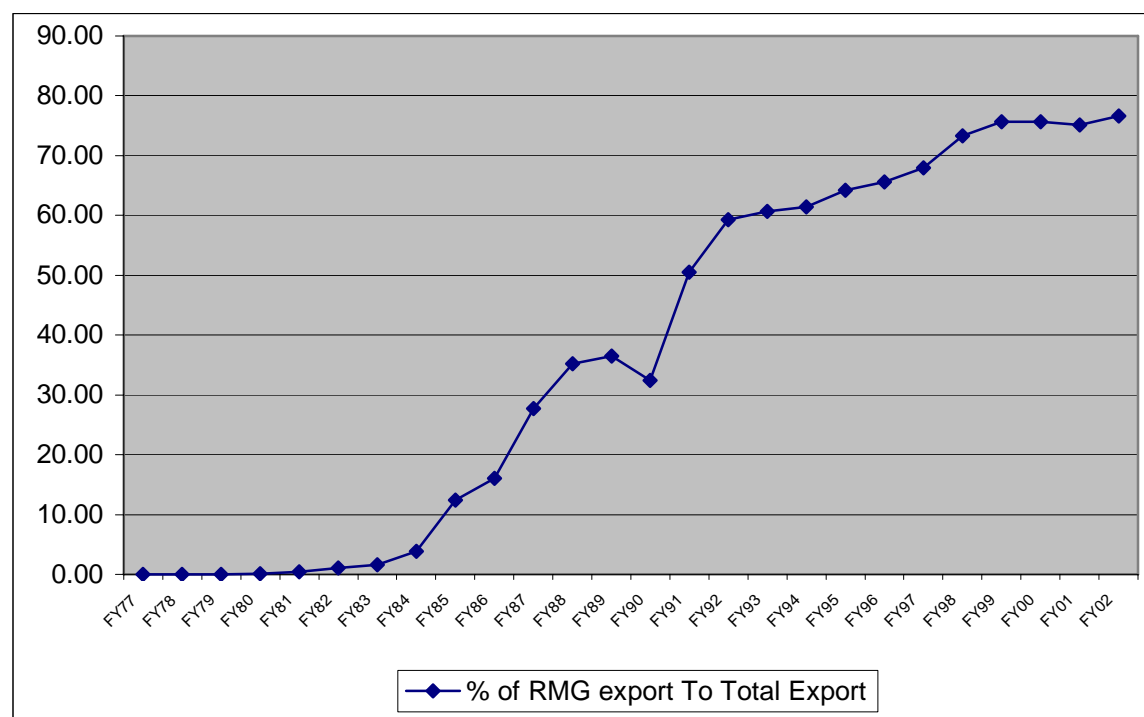
TABLE 2.1: TREND IN BANGLADESH'S RMG GROWTH RATE, 1985-2002

Period	% Change
Average 1985-90	82.45
Average 1990-95	29.73
Average 1995-00	14.5
1995/96	28.79
1996/97	15.97
1997/98	21.92
1998/99	16.15
1999/00	8.26
2000/01	11.67
2001/02	-5.69

Source: BGMEA.

The growing dominance of the sector in the country's export basket is evidenced by Figure 2.2.

Figure 2.2. Growing share of Apparels in Bangladesh's Exports



Emergence of Knit-RMG

The growth dynamics of the sector over the last decade evince two clearly discernible phases: during the initial period it was the *woven-RMG* which dominated the structure of apparel exports, whilst in recent years which could be termed as a second phase, it is the *knit-RMG* which emerged as no less of an important segment in the RMG sector with its share growing up steadily and local value retention fast approaching the level of woven-RMG.

Diversification

Within the apparels sector, Bangladesh has been able to accomplish product diversification. RMG sector has been able to extend its product line from T-shirts, pyjamas, ordinary shirts, shorts, caps, women's and children's wear to shirts of complicated designs and jackets; and some *brand* items have also emerged where the value was added to both the export earnings and the local value retention [Table 2.2].

TABLE 2.2: MAIN APPAREL ITEMS EXPORTED FROM BANGLADESH

(in Million. US\$)

Year	Shirt	T-Shirt	Trousers	Jackets	Sweater
1993-94	805.34	225.90	80.56	126.85	-
1994-95	791.20	232.24	101.23	146.83	-
1995-96	807.66	366.36	112.02	471.73	70.41
1996-97	759.57	391.21	230.98	309.21	196.60
1997-98	961.13	388.50	333.28	467.19	296.29
1998-99	1043.11	471.88	394.85	393.44	271.7
1999-2000	1021.17	563.58	484.06	439.77	325.07
2000-2001	1073.59	597.42	656.33	573.74	476.87
2001-2002 (Jul-Mar)	666.18	403.98	449.18	296.82	362.23

Source: BGMEA.*Incremental Contribution*

The increasing importance of the apparel sector in the Bangladesh economy is best brought out by its share in the country's incremental export growth. Table 2.3 shows that the growth of the sector was enough to push up the aggregate export growth rate and also compensate for the shortfalls in the export earnings in other sectors.

TABLE 2.3: ANNUAL INCREMENTAL CONTRIBUTION OF RMG EXPORTS

(As % of Total Incremental Exports)

Year	Incremental Contribution
1984/85	67.2
1989/90	59.5
1994/95	57.8
1998/99	92.8
1999/00	75.59
2000/01	71.01
2001/02	57.46

Source: Computed from EPB data.*Value Addition in the Manufacturing Sector*

Table 2.4 shows that the contribution of RMG sector in Bangladesh manufacturing value added (MVA) went up from 6.5 per cent in 1993-94 to 30 per cent in 1998-99. Elasticity

of the MVA to RMG value added was about 0.3, implying that 10 per cent growth of RMG exports leads to an increase in the MVA by 3 per cent³.

TABLE 2.4: VALUE ADDED RATIO (VA) AND CONTRIBUTION OF RMG TO MVA OF THE COUNTRY

Indicators	1981-82	1993-94	1997-98	1982-94	1994-98	1982-98
Output	171	54937	175096			
Input	128.2	44652	133090			
RMG VA	42.8	10285	42006			
VA to Output (%)	25.0	20.0	24.0			
MVA	23447	159215	203626			
Share of RMG VA in MVA	0.18	6.5	20.6			
Growth of RMG VA				58.0	42.2	53.8
Growth of MVA				17.3	6.3	14.4
Elasticity of MVA to RMG VA				0.298	0.15	0.27

Source: Nath 2001.

Employment Creation and Wage Bill

RMG sector is one of the major employers in the economy. Total employment at present stands at about 14 lakh about 70 per cent of which are women. As a matter of fact in the 1990s a large part of the incremental labour force in the manufacturing sector was absorbed by the RMG sector. The RMG workers received USD 315.25 million as their wage in FY 2002. This purchasing power contributed significantly to the growth of the economy through its multiplier impact in terms of consumption expenditure and savings.

3. SECTORAL CONTRIBUTION

Backward and Forward Linkages

Growth of RMG sector has spawned a whole new set of linkage industries and facilitated expansion of many service sector activities. The RMG industry not only propelled the growth of spinning, weaving, dyeing and finishing industries, production of accessories and spare parts, but also rendered large externalities by contributing to other economic activities in such areas as banking, insurance, real estate, packaging, hotels and tourism, recycling, consumer goods utility services and transportation.

As shown in Table 3.1, the RMG sector has overwhelmingly high backward linkage with textile sector providing fabrics, yarn and other ancillaries. It has important backward linkage with utilities such as electricity, gas, and machinery and spare parts supplying

³ Dr. N.C. Nath 2001: "External Competitiveness of Ready-made Garments Industry of Bangladesh: Analysis of Status and Strategies" in "Growth of Garment Industry in Bangladesh: Economic and Social Dimensions", edited by, Pratima Paul-Majumder, Binayak Sen.

sectors. It has forward linkage with transport, communication, banking and insurance and trade services. Besides, there is a considerable subcontracting linkage within the sector. The buying house also plays important role towards bringing the manufacturers and buyers of the finished goods closer. As the input-output table shows, the RMG value-added ratio to output stood at 19% in 1993-94. Since then the RMG sector has undergone important changes, with substantial movements in terms of enhanced value addition. Direct value addition by the RMG was estimated to be about 25%.

Though the country had some base in cotton textile industry even before the emergence of export-oriented RMG sector, its linkage with global market was insignificant. Realizing the importance of the backward linkage industry in terms of supplying export quality yarn and fabric to satisfy the need of the growing RMG sector, the Bangladesh government took an early initiative to declare the textile sector as a *thrust sector*. Since the textile policy was put in place in 1995, the sector registered remarkable growth. In response to the incentive provided by the government and a ready market provided by the RMG industry, private sector came forward to invest in backward linkage industries. Backward linkages and other related activities marked remarkable progress in the last decade, particularly since mid-1990s.

TABLE 3.1: INPUT-OUTPUT RATIO WITH DIFFERENT SECTORS (1993-94)

Inputs supplying	Sectoral Input-output Ratio
Yarn	0.59
RMG	0.004
Other Textiles	0.01
Food and Entertainment	0.10
Paper and Board	0.001
Printing and Publishing	0.002
Chemicals	0.0004
Petroleum and its Products	0.002
Fabricated Metals	0.14
Machinery	0.0046
Transport Equipment	0.0006
Miscellaneous Industries	0.005
Urban Building	0.009
Rural Building	0.00005
Construction: Electricity and Gas	0.000002
Electricity	0.0044
Gas	0.000173
Trade Service	0.029
Transport Service	0.016
Health Service	0.000029
Public Administration	0.00081
Banking and Insurance	0.00164
Professional Service	0.00115
Communications	0.002
Total Intermediate Input	0.81
Total Output	1.00
Value Added to Output	0.19

Source: Nath 2001.

About US\$ 0.5 billion of investment came to the RMG sector in the last five years of the 1990s by the private sector (CPD 2000). Many new mills have come under operation and some others are being set up. As of 2002 Bangladesh Textile Mills Association (BTMA) includes 524 members with 158 Spinning mills, 312 Weaving mills, and 58 Dyeing and finishing mills which meet a substantive part of cotton yarn requirement for circular knit export, cotton fabric requirement for woven export and domestic requirement for yarn and fabric. Again, installed capacity in Spinning increased from 0.76 million in 1984 to 1.46 million in 1995, and to 3.2 million in 2002 (BTMA). Currently BTMA member spinning mills have 3,000,000 spindles. The chart below illustrates the growth in the spinning sector since 1980⁴.

TABLE 3.2: THE GROWTH IN THE SPINNING SECTOR SINCE 1980

Year	No. of Mills	Spindles	Growth
1980-85	24	547,662	
1986-90	44	929,130	70%
1991-95	76	1,456,846	57%
1996-2002	158	2,910,204	99%

Source: BTMA.

Actual *production capacity in weaving* has increased from 190 million meter in 1996 to 830 million meter in 2000. *Dyeing finishing capacity* also increased from 366 million meter to 680 million meter within this time. With expansion of production capacity, capacity utilization rate also marked some improvement.⁵ (Rahman and Rahman, 2001:2). In FY 2002 the domestic textile and fabrics producers' had a share of about 38% in the total export earnings accrued from the RMG sector. This was equivalent to about 1495 million dollars in FY2002.

Thanks to the flourishing RMG sector, there is a captive yarn-fabrics market of 3 billion dollars at present, providing ample scope for the growth of backward linkage industries. To cater to the requirements of garment industries, a good number of accessory industries have also been set-up which earn approximately Tk 200 crore per annum from the RMG sector.

Data on *machinery imports* (1989-1999) reveal that import of textile machineries ranged between 10%-17% of total machinery import (Appendix Table 5)⁶.

⁴ A Matin Chowdhury 2002, "BTMA Presentation on Post MFA", Powerpoint presented by BTMA at a seminar held on July 27, 2002 at Hotel Sheraton Dhaka.

⁵ Rahman, Shamsur & Rahman, A K M Atiqur, 2001, "Development of Backward Linkage Industry in the Textile Sector: Promises and Achievements" Paper presented at the TexBangla Seminar held on May 28, 2001.

⁶ Shamsur Rahman &, A K M Atiqur Rahman 2001, "Development of Backward Linkage Industry in the Textile Sector: Promises and Achievements" Paper presented at the TexBangla Seminar held on May 28, 2001.

Banking and Insurance

Growth of the RMG sector and the related activities have contributed a lot to the robust growth of the financial sector in Bangladesh. In FY 2002 the banking sector earned about 37 million dollars from business with the RMG sector in the form of interest and charges and L/C charges. More than one-tenth of the commercial banks' asset portfolio belongs to the RMG and textile sector in the country [Appendix table 2]. In FY 2001 commercial banks lent Taka 4400 crore to the textile sector, while the amount lent to the woven-RMG sector was Taka 812 crore. The export financing business of the commercial banks is largely dependent on the textile and RMG sectors. The RMG sector received Taka 2175 crore as export-finance in FY 2001 which was 46.14% of the total export financing portfolio of the banks. A World Bank⁷ survey revealed that almost all firms (98%) are the clients of the commercial banks for working capital and procurement of machines and equipment (57%).

The RMG sector has also contributed to the growth of the country's insurance sector. On average, every year the premium paid by the RMG sector to the insurance companies was about 6 million dollars. All firms have their machines and plants insured and, additionally, 87% of importers of input and 15% of the RMG exporters get their imports/exports insured.

Shipping and Logistics

The RMG sector has contributed to the shipping business in Bangladesh and stimulated setting up of several container yards, expansion of port facilities to handle large container carrying trains, increase of cargo handling and storage facilities. RMG manufacturers also extensively use services of Clearing & Forwarding Agents for the purpose of customs clearance of inputs and finished goods. It is estimated that port usage fees earned from the RMG sector account for more than 40% of the income of the port authority. RMG sector contributed about US\$65 million in FY2002 to earnings of the Shipping business of the country by way of port charges, C&F Agents commissions, freight charges, forwarding charges etc.

⁷ Azad. A K. (2000), *Inter Industry Linkages of Services in the Bangladesh Economy (With a Case Study of the Ready-made Garments Industry) And Potential Service Trade*.

Transport Communication

The growth and development of inland transport services to a considerable extent owe to the growth of the RMG industry. Both wheel transport service and railway service are widely used by RMG sector for activities related to manufacturing and cargo movement. The concept of *covered van* emerged in Bangladesh for safe transportation of the RMG products in particular. In 2002 the inland transport industry received about 27.3 million dollars as revenue from the RMG sector.

Contribution to Government Exchequer

The RMG sector contributes to the government exchequer both directly and indirectly. In FY 2002 the sector paid 6.3 million dollars as stamp and postage, license renewal fee etc.

Payments made for visa form, license form, GSP form and other forms to the Export Promotion Bureau amounted to 58.85 million dollars in FY2001 [See Appendix Table 6 and 7]. The sector also paid USD 2.4 million to the government as direct taxes in FY 2002.

Professional Services

The RMG sector extensively uses professional services from CA firms, legal agencies, business consultants. In FY 2002 total payment for professional services is estimated at 3.61 million dollars.

Engineering Sector

The RMG industry paid 14.2 million dollars to the engineering sector which included payments to repairing and maintenance service industry (USD 4.29 million), electrical engineering (USD 4.38 million), transport vehicle maintenance service (USD 2.87 Million), and machine tools service (USD 2.63 Million).

Utility Services

Payment of Electricity bill by the RMG industry is estimated to be 14.74 million dollars in FY2002. Utility payments for gas, WASA etc. amounted to an additional 3.75 million dollars.

Information and Communication Technology

The RMG sector also plays a catalytic role in the growth of the country's ICT sector. The services consumed by the RMG industry generated revenue for the ICT sector. Payments for ICT services which include communication, hardware and software services is estimated at 9.88 million dollars in FY 2002.

Real Estate

Demand for real estate development by the garment industry to accommodate offices and factories of over 3400 garment units has generated a lot of activities in the Construction Industry. The RMG industries paid approximately 26.24 million dollars as factory, office and garage rent in FY 2002.

Hotel and Tourism

About 1000-1500 overseas apparel buyers and their representatives visit Bangladesh every year for business purpose. In FY2002 the RMG industry created a business of approximately 4.42 million dollars for the country's tourism industry.

Waste Recycling Industry

Approximately 0.2 million people are engaged in waste (mainly, the waste out prices of fabrics) recycling industry of the country which get their materials from the RMG industries. With these waste materials, they are making stuff toys, patterns, quilts, cushions etc.

Emerging Consumer Market

The 1.6 million workers in the industry have created a large demand for consumer goods. A regular source of earning increases the basic consumption needs such as improved diet, better healthcare, improvements in family utensils and housing conditions etc. The sector has created an increasing demand for consumption of low cost commodities, cosmetics items, dresses, footwear, fast food and other products. A whole industry has been created to service this growing demand and created employment opportunities for hundreds of thousands of people.

4. SOCIAL IMPACTS OF THE RMG SECTOR

Women Empowerment

It is well recognised that women's participation in income generation activities lends them a better status within the family and provides them with considerable freedom. A job ensures equitable access to household resources (nutrition) and larger investment on female human capital (health and education). Employment opportunities draw attention to women's needs for public facilities such as transportation, communication, safety etc. and creates a demand for policy response in these areas. It also has created a demand for education and health. As the income by the female member reduces dependency on male income it reduces their vulnerability. It also reduces the possibility of domestic violence against women. Expansion of women's employment has contributed positively to the improvement of the savings behaviour of the poor people since women tend to be better savers.

Employment in the RMG industry has provided direct access to cash income for the first time to many poor women. A survey, conducted by the BIDS in 1997 showed that for 96 percent of the female workers in the non-EPZ areas, work in the garment industry was the maiden wage employment⁸. The survey also showed that women were taking up such roles paying for house rents and schooling expenses for their children or brothers and sisters. Despite the fact that they have lower incomes, the female garment workers were spending the same amount as the male workers on the studies of their family members. The same survey further showed that female workers were spending their earnings on their marriage, thus taking a big burden off their families. The independent earnings also allow these women to have a greater share in household decision making. Evidently, wage work at the garment industry has empowered women and improved their status.

Savings

Regular earning enables a large number of the garment workers to go for some savings. Workers investments on family pension schemes etc. create savings. A BIDS survey conducted in the early 1990s found that 21 percent of both male and female workers aged 15 years and above had their own bank accounts. A higher proportion of workers (30

⁸ Dr. Salma Chaudhuri Zohir, 2001: "Social Dimensions of the Growth of Garment Industry in Bangladesh: 1990-97" in "Growth of Garment Industry in Bangladesh: Economic and Social Dimensions", edited by, Pratima Paul-Majumder, Binayak Sen.

percent) had bank accounts in the EPZ. Findings showed that women are on average better savers than men and save about 7.6 percent of their otherwise small income.⁹

Child Labour

In recent years, international debate on child labour has intensified. The elimination of child labour is also among the core labour standards in the ILO Convention. The Harkin Bill placed at the US Senate entitled “The Child Labour Deterrence Act of 1993” which called for the elimination of child labour in the export oriented manufacturing and mining industries. As a consequence many garment industries had to retrench child workers from their factories. In many countries these retrenched children ended up in more strenuous and less-remunerative jobs, or worst, turned to begging in the street. The Bangladesh RMG sector set a unique example through collective efforts which eventually led to the development of a safety-net programme for the child labours. The BGMEA/ILO/UNICEF Child Labor Project in the garment industry of Bangladesh, funded by the US Development of Labour was the first of a series of child labour programmes executed by the International Program on the Elimination of Child Labor of the ILO. This project, initiated in 1995, is based on a Memorandum of Understanding (MOU) signed by the BGMEA and two international organisations, the ILO and UNICEF, with the aim of progressively phasing out child labour from more than 2,500 factories that are members of the association.¹⁰

The key elements of the MOU were:

- (a) A fact-finding survey to determine the extent of child labour in the garment industry;
- (b) The establishment of an education programme in which identified child workers should be enrolled;
- (c) The establishment of a monitoring and verification system;
- (d) The provision of income compensation in the form of a monthly stipend of Tk. 300, the equivalent of (at that time) US\$ 7. The costs are to be shared by on fifty-fifty basis by BGMEA, the ILO and other donors.

⁹ *ibid*

¹⁰ Haarlem, Rijk van & Jose, San (2001), “*The BGMEA/ILO/UNICEF Child Labour Project in the Garment Industry, Bangladesh*” A presentation during the symposium “Child Labour & the Globalizing Economy: Lessons from Asia/Pacific Countries”, Stanford University, California.

Many of the retrenched child workers have been placed in schools and are receiving a monthly stipend. Football manufacturing industry of Pakistan has been following the globally acclaimed BGMEA Model of Child Labour Elimination. BGMEA has so far spent over 600,000 US dollars for the project.

Successfully addressing of this issue has created a very favourable image about Bangladesh abroad and has promised continued market access for the sector.

Population Control

Employment opportunities especially for women created positive impact on family planning and population control in the country. Independent working-women are getting more conscious about the advantage of a small family, and are exposed to modern family planning methods. Working adolescent girls tend to avoid early marriage as they have their own source of income and are self-dependent. The mean age at marriage for girls working in RMG factories tend to be higher than the national average.

5. SOCIAL WELFARE PROGRAMMES OF BGMEA

BGMEA, the Trade Association of over 3000 garment factory owners in Bangladesh, has undertaken a number of projects under its social welfare programmes to ensure better occupational safety and health and enforcement of labour rights as per the local laws and ILO convention guidelines.

BGMEA Healthcare Activities for Workers

Since 1994, BGMEA has established seven Medical Centres for the garment workers in Dhaka, Narayanganj and Chittagong, where most of the factories are concentrated. The medical centres are providing free primary health care, medicine and advocacy services on *reproductive health* issues to the garment workers. From July 1994 to June 2002, a total of 1,72,917 workers have been provided services from these seven centres. BGMEA plans that an estimated number of 8,60,000 workers from 1687 factories will be brought under these services in phases. In addition, construction of a 150-bed modern hospital at Mirpur, Dhaka has been initiated at the initiative of BGMEA. The hospital will be equipped with burn and emergency units. An estimated Taka 10.96 crore will be spent for the hospital project.

BGMEA-UNFPA-GOB Project

Since October 1998, with the technical assistance from the *United Nations Population Fund* (UNFPA) and the *Government of Bangladesh*, BGMEA is implementing a project titled "Family Welfare and Reproductive Health Education Services for Garment Workers" in Dhaka. BGMEA has already contributed US dollars 323,000 to this project, while UNFPA share is US dollars 216,000. More than 160,801 workers have so far benefited from the project.

Following successful outcome of the project, UNFPA, under its sixth country programme has included the project for yet another phase between 2003-2005. Two other areas (one in Dhaka and the other in Chittagong) will be covered by the project. The BGMEA will contribute US\$ 430,000 and the UNFPA will provide US\$ 290,000 for its implementation.

BGMEA-MSH-TAI Initiative

According to the MOUs signed on 10 May 2001 between BGMEA and two US-based organizations, Management Science for Health (MSH) and Technical Assistance Inc., two of the BGMEA's health centres have been upgraded with the technical support provided by these organisations.

Workers' Health Check-up Project

Under this project, BGMEA and BRAC have provided annual health check for more than 20,000 garment workers during the period of 1998-2001.¹¹

Non-formal Education Programme

Under this component of the Child Labour Elimination Project, 8,200 students were enrolled in 336 schools, run by two local NGOs, *Bangladesh Rural Advancement Committee* (BRAC) and *Gono Shahajya Sangstha* (GSS). At present, 36 schools are providing education to the remaining 650 students from the target group.

¹¹ BGMEA

Earn and Learn Programme

Under this programme, BGMEA has provided part time job to 900 students through BRAC and GSS. ILO and UNICEF are also providing skill development training on tailoring, embroidery, garments machine maintenance, manufacturing and wool knitting to these students.

BGMEA-ILO Extended Projects

The BGMEA, with support from the ILO Dhaka office, has undertaken another two projects for the former child labourers. This project will cost 1.2 million US dollars. Under the project, over 1400 students will be provided skill development training and 450 families of them would be provided micro-credit ranging from Taka 5000 to 15,000 for income generating activities. The Underprivileged Children Education Programme (UCEP) and SUROVI, two reputed local NGOs, along with Singer Bangladesh, a multinational company, have been providing skill development training to the students.

BGMEA-ILO New Partnership

ILO has initiated a three-year (2002-2004) project with BGMEA on improving labour relations and working conditions in the garment sector of Bangladesh. Financial involvement of BGMEA is 600 thousand dollars and ILO will contribute US\$ 1.5 million with assistance from the US Department of Labour. The project is basically aimed at raising awareness on national labour laws and ensuring occupational health and safety, human resources management, labour and welfare and continued monitoring of child labour elimination.

Work Place Safety Programmes for Workers

BGMEA has been implementing a number of programmes to ensure work place safety for workers as well as management personnel of its member units. In addition to providing support to the members to comply with the safety rules set by the government, BGMEA has been organising training and awareness building programmes for the workers and the management staff. The association regularly monitors and follows up proper implementation of safety compliance by individual member factories.

The BGMEA Safety Measures Cell, which organises the awareness and training programmes, has provided fire prevention and safety training to 9,194 employees of 794 factories from Dhaka and Chittagong between December 1997 and July 2002.

The BGMEA is also providing compensation to the affected workers and their families. In case of death or injury on work, BGMEA pays the cost of treatment and extra compensation to the affected worker or his family. The association also employs the members of the victim's family to help them support financially. Between December 1990 and September 2001, BGMEA has paid Taka 5.4 million as compensation to the affected workers from the association's fund.¹²

The Crash Programme to Avert Work Place Accidents

BGMEA took up a Crash Programme in September 2001 to further raise awareness among the workers and management to avert work place accidents. The programme included awareness building on fire prevention, first aid, fire fighting equipment, proper electric wiring and evacuation facilities.

Teams formed of experts from the Fire Service and Civil Defense Department, visited and checked the fire safety measures of 3,409 factories where they demonstrated the fire prevention and evacuation drills in the factories both in Dhaka and Chittagong.

Garment Village

BGMEA is also working towards setting up of garment village to relocate the garment factories from the busy and crowded cities to suburbs.

CONCLUDING REMARKS

The above analysis brings out, in a very succinct manner, the increasingly crucial role the export-oriented RMG sector of Bangladesh has come to play in the economy and society of Bangladesh. In its turn, the BGMEA, as the apex body of all entrepreneurs in the RMG sector, takes all possible measures to promote the interest of the workers and the sector. BGMEA strives to promote the cause of the sector and raise public awareness about the

¹² BGMEA

important role the sector is playing in the life of the country. BGMEA hopes that appreciation of the role of the sector will enable policy makers to undertake further initiatives in order to enable the sector to achieve yet greater heights to the benefit of the country and its people.

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APPENDIX TABLE 1: GROWING SHARE OF APPAREL IN BANGLADESH'S EXPORTS

Year	Export of RMG (In Million US\$)	Total Export of Bangladesh (In Million US\$)	% of RMG export To Total Export
1976-77	0.012	417.00	0.02
1977-78	0.069	493.74	0.01
1978-79	0.104	618.81	0.02
1979-80	0.672	749.44	0.09
1980-81	3.36	709.85	0.47
1981-82	6.99	625.90	1.12
1982-83	10.84	686.60	1.58
1983-84	31.57	811.00	3.89
1984-85	116.20	934.43	12.44
1985-86	131.48	819.21	16.05
1986-87	298.67	1076.61	27.74
1987-88	433.92	1231.20	35.24
1988-89	471.09	1291.56	36.47
1989-90	624.16	1923.70	32.45
1990-91	866.82	1717.55	50.47
1991-92	1182.57	1993.90	59.31
1992-93	1445.02	2382.89	60.64
1993-94	1555.79	2533.90	61.40
1994-95	2228.35	3472.56	64.17
1995-96	2547.13	3882.42	65.61
1996-97	3001.25	4418.28	67.93
1997-98	3781.94	5161.20	73.28
1998-99	4019.98	5312.86	75.67
1999-2000	4349.41	5752.20	75.61
2000-2001	4859.83	6467.30	75.14
2001-2002	4583.8	5986.09	76.57
Total	36551.03	61470.20	--

Source: BGMEA.

APPENDIX TABLE 2: DEPENDENCE OF BANKS' ASSET PORTFOLIO ON TEXTILE AND RMG INDUSTRY, 1997-2001

(In Millions of Taka)

Economic Purposes	1997	Share	1998	Share	1999	Share	2000	Share	2001	Share
Cotton Textiles (Spinning, Weaving, Dyeing) (Other than working capital financing)	29271.60	6.69	38867.90	7.63	39386.50	6.98	38764.80	6.14	43963.60	6.04
Wearing Apparel (Other than working capital financing)	3542.90	0.81	5916.20	1.16	5135.60	0.91	6996.40	1.11	8119.60	1.12
Total Export Financing	24657.90	5.63	30459.60	5.98	30907.60	5.48	44645.10	7.07	47142.00	6.48
Export Financing: RMG	10201.80 (41.37%)*	2.33	13095.70 (43.0%)*	2.57	15363.90 (49.7%)*	2.72	27415.80 (61.41%)*	4.34	21753.50 (46.14%)*	2.99
Total Import Financing	30791.00	7.03	34163.30	6.71	33703.80	5.98	45697.30	7.23	51113.20	7.03
Import Financing: Textile & Textile Products	--	--	--	--	3842.20 (11.40%)*	0.68	7170.50 (15.70%)*	1.14	4404.10 (8.62%)*	0.61
Grand Total	437834.00	100.00	509420.50	100.00	563982.20	100.00	631722.60	100.00	727490.80	100.00

Source: Scheduled Bank Statistics (different years).

Note: * As percentage of total Export Financing, and as percentage of Total Import Financing

APPENDIX TABLE 3: NET FLOW OF CREDIT TO TEXTILE AND RMG INDUSTRY, 1997-2001

Economic Purposes	1998	As % of Grand total	1999	As % of Grand total	2000	As % of Grand total	2001	As % of Grand total
Cotton Textiles (Spinning, Weaving, Dyeing) (Other than working capital financing)	9596.30	13.41	518.60	0.95	-621.70	-0.92	5198.80	5.43
Wearing Apparel (Other than working capital financing)	2373.30	3.32	-780.60	-1.43	1860.80	2.75	1123.20	1.17
Export Financing: RMG	2893.90	4.04	2268.20	4.16	12051.90	17.79	-5662.30	-5.91
Import Financing: Textile & Textile Products	--	--	3842.20	7.04	3328.30	4.91	-2766.40	-2.89
Grand Total	71586.5	100.00	54561.7	100.00	67740.4	100.00	95768.2	100.00

Source: Scheduled Bank Statistics (different years).

Note: All figures are of end of calendar year. The figures are for all scheduled commercial banks

APPENDIX TABLE 4: SHARE OF RMG EXPORT IN THE COUNTRY'S GDP

Values in Million US \$

Year	GDP at current price	RMG Export	GDP RMG Export ratio	RMG export as percentage of GDP
FY84	19636	31.57	0.00	0.16
FY85	21644	116.20	0.01	0.54
FY86	21170	131.48	0.01	0.62
FY87	23759	298.67	0.01	1.26
FY88	25604	433.92	0.02	1.69
FY89	27710	471.09	0.02	1.70
FY90	30477	624.16	0.02	2.05
FY91	30975	866.82	0.03	2.80
FY92	31335	1182.57	0.04	3.77
FY93	32031	1445.02	0.05	4.51
FY94	33853	1555.79	0.05	4.60
FY95	37940	2228.35	0.06	5.87
FY96	40726	2547.13	0.06	6.25
FY97	42319	3001.25	0.07	7.09
FY98	44034	3781.94	0.09	8.59
FY99	45713	4019.98	0.09	8.79
FY00	47125	4349.41	0.09	9.23
FY01	46934	4859.83	0.10	10.35
FY02 (p)	47374	4583.80	0.10	9.68

Source: CPD IRBD Database.

APPENDIX TABLE 5: IMPORT OF TEXTILE MACHINERY

(Values in Million Tk.)

Year	Machines for Preparing Textile Fibre	Weaving Machines (Looms)	Knitting Mach Stitch-Bond Machines etc	Aux Machinery for Extrude Draw Machines etc	Total Import of Text Machinery	Total Import of Capital Goods	Growth Rate
1988/89	256000	27000	81000	573000	1056920	11230000	9.41%
1989/90	442000	17000	73000	410800	1097443	12988800	8.45%
1990/91	858000	91000	118000	377000	1998319	16110800	12.40%
1991/92	1079000	80000	320000	257000	2952055	16687400	17.69%
1992/93	815442	86470	310873	273389	2952158	17252000	17.11%
1993/94	623719	71127	264630	394990	1832773	16501000	11.11%
1994/95	758670	173215	374338	195208	2132009	21695000	9.83%
1995/96	2536912	1082521	795750	271173	5457527	35867000	15.22%
1996/97	2986318	1080456	752177	435464	6283155	45025000	13.95%
1997/98	2473394	301360	748573	350216	5594881	43809000	12.77%
1998/99	1593000	430000	637000	303000	31357241		
Average Growth Rate(89-94)	28.92%	75.30%	41.05%	-3.50%	19.15%	8.46%	
Average Growth Rate(95-99)	44.19%	111.42%	51.31%	-7.96%	21.65%	11.62%	

Source: NBR data.

APPENDIX TABLE 6: CHARGES PROVIDED TO EPB BY THE RMG UNITS (YEAR 2001)

Components	Existing Rate/ Fee per Form (in Taka)	Total number of Forms	Total (in million Taka)
1. Visa Form (USA)	40	61,061	2.44
2. License Form (Canada)	20	5382	0.11
3. GSP Form	50	53913	2.70
4. CO Form	20	60000	1.20
5. Allocation & Transfer Form	20	40013	0.80
6. Clearance Form	40	19408	0.78
First Total			8.02

Source: EPB, BGMEA.

APPENDIX TABLE 7: CHARGES PROVIDED TO EPB BY THE RMG UNITS (YEAR 2001)

Components	Existing Rate/ Fee per Visa or Unit	Total Unit	Total (in million Taka)
1. Visa Fee (For 24 hours delivery)	500	61061	30.53
2. Visa Fee (For 72 hours delivery)	150	--	--
3. Visa cancellation Fee	100	882	0.09
4. License Fee (Canada)	Nil	--	--
5. License cancellation Fee (Canada)	Nil	--	--
6. New Registration Fee	2000	150	0.30
7. Registration renewal Fee	1000	2929	2.92
8. Duplicate/Replacement issue of GSP	1000	100	0.10
9. Duplicate/Replacement issue of CO	1000	100	0.10
10. CO issue Fee	100	60000	6.00
11. GSP issue Fee	200	53913	10.80
12. Export License issue Fee	nil		
Second Total			50.83
Grand Total (First total + Second total)			58.85

Source: EPB, BGMEA.

**APPENDIX TABLE 8: CONTRIBUTION OF BANGLADESH RMG SECTOR
TO NATIONAL ECONOMY, FY 2002**

Sector	Contribution of the RMG Sector in Bangladesh Economy [Million USD]	Share in Total RMG Export
Local Fabrics Inputs	952.97	20.79
Imported Fabrics and Other Inputs	2484.88	54.21
Employment (Wage and Salary Bills)	329.13	7.18
Management Payment	108.12	2.36
Workers Payment	221.01	4.82
Linkage	90.81	1.98
Buying House Commission	39.77	0.87
Dying & washing Industry	28.76	0.63
Process Contract	17.97	0.39
Printing & Stationery	4.31	0.09
Banking	36.5	0.79
Earnings from interest & charges	14.86	0.32
L/C charges	21.64	0.47
Insurance	5.90	0.12
Insurance on import	3.85	0.08
Fire Insurance	2.05	0.04
Professional Services	3.61	0.08
Professional Services	2.66	0.06
CA Firms [Audit]	0.64	0.01
Legal Services	0.31	0.01
Tours & travels including hotel	4.42	0.10
Engineering Sector	14.17	0.31
Repair & maintenance Service industry	4.29	0.09
Transport Vehicle Maintenance Service Industry	2.87	0.06
Electrical Engineering	4.38	0.10
Machine Tools Services Industry	2.63	0.06
Machinery Trade	30.64	0.67
Operational equipment purchase	14.39	0.31
Spare parts	5.79	0.13
Depreciation	10.46	0.23
Shipping & Port	64.92	1.42
C&F Agents	32.95	0.72
Freight charges	26.05	0.57
Forwarding charges	5.92	0.13
Transport Sector (Land and Railway)	27.32	0.60
Petrol & lubricant	2.86	0.06
Real estate	26.24	0.57
Factory rent	25.55	0.56
Office rent	0.65	0.01
Garage rent	0.04	0.00
Information and Communication Technology	9.88	0.21
Electronics and Compute Services Industry	2.73	0.06
Mobile & telephone bill	6.58	0.14
Telex, fax, internet	0.57	0.01
Other	6.44	0.13
Security & Protection	2.31	0.05
Media (Business promotion)	3.82	0.08

Sector	Contribution of the RMG Sector in Bangladesh Economy [Million USD]	Share in Total RMG Export
News and Publications	0.17	0.00
Gift & souvenir	0.14	0.00
Payment to Government	136.5	2.96
<i>Direct Payment</i>	8.83	0.18
Stamp & Postage	1.95	0.04
License renewal, rent, rates	3.38	0.07
Payments to EPB	1.11	0.02
Tax	2.39	0.05
<i>Indirect Payment to the GOB</i>	127.67	2.78
WASA bill	1.49	0.03
Electric bill	14.74	0.32
Gas	2.26	0.05
Miscellaneous	109.18	2.38
Gross Margin	356.61	7.82
Total Export	4583.80	100.00
<i>Memo Items</i>		
Direct Value Addition by the RMG Sector	1145.95	25.0
Local Value Retention	2098.92	45.0

Source: Estimated on the basis of Analysis of Statements of Accounts of selected RMG units.