

# The Spirit of Innovative Entrepreneurship Combined With A Diligent Workforce Is The Dominant Factor behind The Development of The Apparel Industries Of Bangladesh

Md. Dulal Mia

PhD in Management Limkokwing University of Creative Technology

Corresponding Author: Md. Dulal Mia

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**ABSTRACT:** Bangladesh is battling to keep its position as the world's second largest exporter of clothing after China, as it faces intensifying competition from Cambodia, Vietnam, Myanmar and now African countries like Ethiopia as global brands for cheap labor. Over the past several years, Bangladesh has been seeing a significant change in the engagement of youth leadership and also engaging available cheaper manpower to remain competitive as there is fierce battle of competition in fashion business around the world. This study followed a qualitative research approach. Data were collected from secondary sources like project contracts and records, media reports and publications, documents and articles from relevant agencies. The findings indicated that to the extent that the cultivation of a spirit of openness, the spirit of innovative business leadership, engagement of efficient manpower, transparency and democratic governance were installed and political strife confrontational politics and labor unrest were reduced or eliminated, the present success story of the ready-made garment sector would remain sustainable, guaranteeing the development of the apparel industries of Bangladesh.

**KEY WORDS:** Battling, Competition, Engagement, Efficiency, Confrontational, Sustainable, Eliminated, Guaranteeing.

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Date of Submission: 17-02-2019

Date of acceptance: 03-03-2019

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## I. INTRODUCTION

Though Bangladesh does not produce cotton, the ready-made garment sector (popularly known as RMG) accounts for almost 84% of the total exports of Bangladesh. The RMG has achieved a strong footing in international market and has reached 7% of the world apparel market share (Ahmed, 2015). This sector has also helped women to come out of poverty, as 4 million women are employed in the RMG sector (Islam, 2015).

The growth of the RMG sector now has put a positive impact on the overall economy and the human development index of the country. The RMG, within a short span of time, has become crucial to the economy as a source of export foreign earnings and employment creation. The RMG sector is basically a labor-intensive one and needs limited financial investment and relatively simple technology compared to other more highly technical industries. Although Bangladesh has a strategic advantage in terms of wages, India and Myanmar are breathing over the country's shoulder in this regard. Moreover, the low wages of workers in Bangladesh might be eroded since productivity there is lower than it is in India and Myanmar.

Bangladesh Textile Today, working for 10 years to change the mindset and culture of the industry and its associative people, organized Textile Youth Leadership Summit-2018 from the view point of the most successful young entrepreneurs in Bangladesh. There has been a healthy debate as to whether Bangladesh should open up Foreign Direct Investment (FDI) in the apparel sector, until now, the majority of investors are local entrepreneurs, with the exception of some foreign companies who have invested in garment business inside the Export Processing Zones (EPZs). Before analyzing the arguments in this regard, we need to explore why and when FDI is necessary and also consider the advantages and disadvantages of adopting this practice.

Many will find it surprising that the fledgling apparel industry of Bangladesh flourished in the hands of the first-generation businessmen who got the opportunity to start their business ventures only after the independence of Bangladesh in 1971. They didn't have much knowledge of the business. The man largely credited with the revolution of the apparel business in Bangladesh, was a bureaucrat with sound knowledge on how to keep government services functioning smoothly; he was by no means an expert in the apparel field.

Bangladesh ready-made garment industry is an established sector. It may seem that doing this business is very easy. But reality is different. People those who know the industry well and can manage the business efficiently they only should invest in the sector, opined Engr. Saiful Islam Khan, Managing Director, Essential Clothing Ltd. Mr. Khan being a successful young entrepreneur in Bangladesh motivates others to come in this

business. But he also warns that only the efficient businesses will survive. He added that management efficiency is the key to success. If the management is efficient many barriers will be easy to overcome.

**Objectives of the Study:**

1. To identify the strength, weakness,, opportunities and threats that this industry faces;
2. To identify the contributions of innovative entrepreneurship and efficient workforce skills ;
3. What are the strategies to overcome the impediments faced by this industry?
4. To identify the future of the ready-made garment business;

**Background of the Study:**

Over the course of economic globalization, the innovation aspect of entrepreneurship has gained critical importance in almost all sectors, including the fashion industry. The emergence of an entrepreneurial economy simulated a new type of competition in the fashion industry and changed the face and nature of the competitive advantage around the world. Actually, fashion businesses and fashion employers require high level of innovativeness and entrepreneurship to produce high performing firms. As specially emphasized in the literature, innovation increases firm performance and contributes to competitive advantage. To support this argument, evidence on innovation-based entrepreneurs and how innovativeness relates to entrepreneurship were given from fashion companies, entrepreneur-fashion designers and their various innovations. The fashion industry provides numerous examples of individuals who are simultaneously inventors, owners and managers of fashion business firms. These emerged as a product of commercialized fashion ideas and design, manufacture, business or marketing methods that caused revolutionary or incremental change in the fashion industry. Despite the high influence of fashion in modern society, its analysis from a management perspective has not been sufficiently conducted, and hence “fashion creativity and business intellect” have been categorically viewed separate. Today, global business of fashion requires sophisticated management techniques in addition to a high level of creativity and innovation in view of the rapid development of business strategies that relate to fashion management.

In Bangladesh, 3.5 million workers in 4900 garment factories produce goods for export to the global market, principally Europe and North America. The Bangladeshi garment industry generates 84% of the total export revenue. However, the wealth generated by this sector has led to few improvements in the lives of garment workers, 85% of whom are women. The majority of garment workers in Bangladesh earn little more than the minimum wage, far below what is considered a living wage but contributes a lot behind the development of the country’s apparel industry.

**II. LITERATURE REVIEW**

The spirit of innovative entrepreneurship combined with a diligent workforce is the dominant forces behind the development of the country’s apparel industry. Local entrepreneurs have put their efforts and made huge investment to expand the sector both vertically and horizontally, making Bangladesh the second largest ready-made garment exporter in the world. However, Bangladesh’s share in the global apparel market is still relatively insignificant only 6.36% where as China’s share is 36.37%. In addition, most of our apparel items are cotton-based while 65% of global apparel is non-cotton. The majority of Bangladesh’s apparel export items are concentrated in five basic product categories trousers, t-shirts, sweaters, shirts, and jackets. We have to consider manufacturing more non-cotton apparel items where Bangladesh has huge potential. So investment in non-cotton textile is a highly feasible proposal as we have a captive market and a skilled workforce. It will, however, be necessary to continue to find methods to reduce our production and lead-time. If we continue to keep our export products limited to a small number of categories, the growth in our industry runs the risk of stagnating or may even take negative turn. Moreover, with the increasing socio-economic development of Bangladesh, the living standards of people are improving also. In line with improvements in living standards, it is inevitable that wages will also gradually increase. To manage the demand for increased wages, the industry needs to start focusing on the production of higher valued apparel items.

Upgrading of product in order to achieve a higher purchase price is an approach that needs to be adopted in order for our apparel industry to sustain its growth. For value-added products, we need factories equipped with the most advanced machinery and staff with sound technical knowledge, for which we need huge investment. Value-added items like blazers, jackets, swimwear , lingerie, sportswear, uniforms, raincoats, and fishing wear require man -made fibres (MMF) Including viscose, rayon, spandex, polyester and so on. But the MMF production capacity of our existing textile mills are still significant. MMF production is complex and constantly requires sophisticated machinery and regular research and development (R&D). Presently, we lack expertise in this area. However, knowledge and guidance can be gained by allowing foreign companies to set up the necessary textile mills in Bangladesh. The benefits of this approach are two-fold: our ready-made garment factories will be able to procure the necessary materials from these mills, and lead-time will be greatly reduced

as our dependency on importing materials from China and India will be significantly reduced. In addition, it will facilitate knowledge transfer as local people, recruited in these fabric mills, will get the opportunity to work with, and learn from, experts in their field the same way we had developed our garment industry in the 1980's with technical assistance from South Korea. So, the foreign direct investment in the apparel and textile industry offers the prospect of good returns. However, we must remember several things while considering FDI in the apparel industry.

If we want to attract companies that produce higher valued items, we need to refine our regulatory system in such a way that the majority of investors will find manufacturing high-end products in Bangladesh beneficial, as too many restrictions may discourage the investors. Additionally, if we want to obtain FDI in a particular type of apparel item, we may have to consider setting up an apparel business park facilities such as fabric and accessories suppliers, testing labs, consultants etc. all conducive to manufacturing that particular product type. Here, we need to remember that it is not possible to fully dictate what a manufacturer is going to produce. A winter jacket factory will produce basic items for about 5 – 6 months a year during the summer delivery period. Likewise, a swimwear manufacturer may produce light weight basic blouses during winter delivery period. An investment friendly policy and environment is required to attract FDI in Bangladesh. The investment regime will need to be credible and predictable while it should be ensured that there are no frequent changes in policies and regulations. Facilities like infrastructure, energy supply, double tax deduction, etc. should be provided by the government to bring in investment. Tax incentives for machinery import are very important for the apparel industry as automated machines will improve productivity and at the same time the quality of the products. When a factory increases its investment, it will feel empowered to take orders of higher value products to cope with its higher overheads.

A rule can be enforced to allow the import of only new machines or machines less than an agreed age, so that FDI will not attract companies wishing to dump outmoded machinery in Bangladesh. It should be ensured that foreign investors can bring in their own managers and supervisors. However, the government must be strict to ensure that license will be used only if a company complies with all the FDI rules. New factories should install all necessary equipment to control pollution and any negative environmental effects. The rising production cost in china and their shifting to higher-value goods and services has created opportunities for other countries to take the shifting orders Bangladesh is graduating very soon from least developed country to developing country. India is following us in garments sector and we are weaving at China's neck with our robust demand in garments sector. Bangladesh is the second largest in ready-made garment sector and it's not very far that we become the highest exporter in the world. In front of me I see such an army of youth and pre-quote that I cannot they say world never stop trying, never stop believing, never give up, youth they will come. Take Bangladesh as an example, Bangladesh is moving forward with a great speed. In 1972, foreign currency reserve of Bangladesh was only 270 millions, now it is about 33000 millions. You are our future leader, we have come this far and now the responsibility goes to you. I hope you will not let us down. Life is not a bed of roses. You have to be creative, innovative overall there is no alternative for hard work. You people may be interested to hear success stories.

Confidence and hard work are the best medicines to kill the failure and making that your success. On the death bed Abraham Lincoln's mother said, 'Be something Abraham,' this became inspiration to him, the driving force, which elevated him from Lord House to White House. Yes my dear friend, be something, hardworking be a remark. Success is when your signature becomes autograph. You are your destiny. Your destiny is the story of your life. You get to tell the story in your own way. Of course, life is full of many barriers in your control, but at the end of the day, you determine the action that influences your path. Remember, as the wise man says, success is 99% desperation and 1% inspiration. In the end, I will say something, which regrets such a lively workforce finished their education priority to bank, MNC, FMG, FMCG, Company and buying house rather than factory floor. Textile and ready-made garment sector has a very bright future. But we have to be very cautious, as there are reports that some manufacturers in China, whose standard were not up to the mark and were notorious in polluting the environment, are now trying to scatter their production plants in different parts of the world. So, it will be necessary to for the concerned departments of our government to strictly monitor the issue.

Adaptability to the changing trends is a must to sustain growth in our apparel industry in the long run. We must keep pace with the demands of the time. Our industry has now arrived at a juncture where we need to move up the value ladder by shifting from basic to higher-end products to sustain our growth.

### III. DISCUSSION AND RESULT

There is no doubt that Bangladesh has emerged as a powerful garment manufacturing country in the past decade. Country's 84% of exports come from this sector and textile and apparel sector contributes around 20% to Bangladesh's GDP. It employs more than 20 million people in the country and is the major driving force of the country's economy.

Bangladesh plans to get the middle income country status by 2021 and this sector is going to play a major role in it. Bangladesh has set itself a target of achieving apparel exports worth 50 billion USD by 2021, and it seems to be on the right track. In the FY18, the export promotion bureau (EPB) states that Bangladesh's overall exports grew by 5.81%, reaching 36.67 billion USD, owing to the growth in apparel exports. The garment exports as per EPB registered an 8.76% growth in this fiscal year which was 1.51% higher than the set target.

Bangladesh's ready-made garment sector has many factors that attracts global attention. **First, quick returns** -- the biggest factors being the quick returns this segment offers the investors. This is the only sector in the country that gives returns in 3 to 5 years which attracts most of the young entrepreneurs and also being the second biggest apparel exporter globally, there are huge growth opportunities that the sector offers. Moreover, China is losing ground, owing to its growing production costs which opens an immense prospect for Bangladesh to seize more market share. Secondly, **availability of low cost labor** --- the biggest strength that Bangladesh has over its competitors is its cheap and vast workforce. The minimum wage in Bangladesh is lower than that in China, Cambodia, India, and Vietnam compared with China. The country also increased its share of global clothes exports to 6.3% in 2016 from 4.0% in 2001, according to world trade organization data. But compared with China, which has a share of 34.5%, it is still distant second along with countries like Vietnam, Italy and India. Labor in Bangladesh is still cheap. The average monthly wage is just \$ 101, compared with \$135 for Myanmar, \$ 170 for Cambodia, \$ 234 for Vietnam and \$ 518 for China, according to surveys on select cities conducted by the Japan External Trade Organization between December 2017 and March 2018. But there are countries with even lower wages, such as Ethiopia with monthly average wage

#### **Labor costs are rising across Asia**

And Bangladesh is no exception of that. With the recent general elections the ruling party Awami League has approved a 51% wage hike for garment workers, a decision that is weighing on the country's garment industry. Companies operating in special economic zones, such as Universal Menswear, typically offer a 10% wage increase every year. But in election years, which come every five years, the government tends to promise more generous pay hikes. These has put the industry in a bind, as their Western customers, faced with online competition from Amazon and others, are demanding that prices be kept under control. Price pressure is intense, says Sharif Zahir, the CEO of Ananta Group of Industries, a leading apparel maker and the joint venture owner of Universal Menswear. It's a very tough business, " the 41-year old managing director said, " If you don't work efficiently, you cannot make money and if you don't have innovative business leadership skill, you will be out of track".

### IV. CONCLUSION

As per the information from factory owners, ready-made garment is the only sector in Bangladesh where one can get back his investment by 3 to 5 years. The ratio of the return against investment is very high compared to other business or industry. This sector is a people oriented industry. Currently it has 4 million of employees (Source; Bangladesh Garment Manufacturers & Exporters Association). So, it can generate a lot of employment opportunity for both skilled and unskilled people. Government is also encouraging to the entrepreneur by providing incentive on export earnings (4% for traditional market and 7% for nontraditional or emerging market) and low taxing policy on the income. And also the social recognition and honor is the main achievement of an ready-made garment entrepreneur. Employment of huge number of people is a great motivation for the industry owners. The main strength for this business is available workforce. Labor cost is lowest in Bangladesh among the other competitors. Skilled and relevant educated manpower is also increasing in this industry. There is around 50 public and private universities and colleges which are producing merchandiser, production manager, quality control manager, textile graduates and generating skilled manpower for building capacity in every year for this sector which in other word saves our hard earn foreign currency.

The ready-made garment industry occupies a unique position in the Bangladesh economy. To remain successful, government needs to take more strategic policy for investment in this trade to maintain competitiveness in the global ready-made garment market. Despite of all the challenges that exist in the ready-made sector of Bangladesh, still there are unlimited countries like Bangladesh prospects and can look forward to advancing its share of the global apparel market. After multiple incidents like Rana Plaza, Bangladesh came on global radar for its labor practices and safety standards. Since then, Bangladesh has come to a long way building green factories and meeting safety standards and compliance strictly. What still worries industry experts is the

fact that garment workers are still being paid one of the world's lowest minimum wages in the country. Fashion industry thrives in the west but standing on the backbone of the workers from the third world countries like Bangladesh, which struggle everyday to survive above the poverty line. The Government's vision of achieving USD 50 Bn worth of apparel exports by 2021, nowhere mentions of concern itself with the well-being of its workers.

An Oxfam research has highlighted that for every garment sold in Australia; only 2% of its price goes to the factory worker who made it. Cheap diligent workforce is the main factor; Bangladesh's apparel industry is capitalizing on when it comes to attracting big retail brands. Hence, the demand of raising the minimum wages substantially cannot be fulfilled, at least in the near future.

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Md. Dulal Mia. "The Spirit of Innovative Entrepreneurship Combined With A Diligent Workforce Is The Dominant Factor behind The Development of The Apparel Industries Of Bangladesh." International Journal of Business and Management Invention (IJBMI), vol. 08, no. 03, 2019, pp 51-55.