

EXPLORING CONTRIBUTION AND CHALLENGES TOWARDS SOCIOECONOMIC DEVELOPMENT IN BANGLADESH: THE CASE OF READY-MADE GARMENTS INDUSTRY

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ABSTRACT

This study aims to explore stakeholders' perspectives on the contributions and challenges of the Ready-Made Garments (RMG) sector which lead to socioeconomic development in Bangladesh. This research employs a qualitative approach, utilizing interviews, surveys, and focus group discussions to collect data. Participants include factory owners, government officials, industry experts, workers' representatives, and economists. The study finds that the RMG sector significantly contributes to poverty alleviation by providing employment opportunities, particularly for women and rural migrants. Employment in the sector enhances household incomes and promotes socioeconomic mobility. Additionally, RMG exports constitute a substantial portion of Bangladesh's total export earnings, supporting macroeconomic stability and economic development. However, the sector faces significant challenges, including labor rights issues, poor working conditions, and intense global competition. These challenges hinder the sector's sustainability and require targeted interventions to improve labor standards and competitive positioning. Stakeholders emphasize the need for policy reforms, technological advancements, and capacity-building initiatives to address these challenges and enhance the sector's sustainable growth.

Keywords: Ready-Made Garments (RMG), Socio-economic Impact, Globalization, Qualitative Case Study, Bangladesh.

1. INTRODUCTION

Bangladesh's Ready-made Garments (RMG) sector has been evolving since the late 1970s [1]. Tied to trade policy liberalization and Generalized System of Preferences (GSP), it provides Bangladesh preferential access to key markets [2]. The sector's global connections address not only local but also global unemployment and poverty challenges [3]. As a key player in the international apparel market, it influences global trade dynamics [4], creating employment opportunities within Bangladesh and the global supply chain. RMG exports contribute substantially to the international market, establishing critical trade relationships and stimulating employment globally. This global integration enhances Bangladesh's economic standing and plays a role in shaping [5], ethical practices within the global garment industry [6].

Over the last 25 years, the RMG industry became Bangladesh's most significant source of foreign earnings, contributing over 84% of total export earnings in 2019–2020 [7]. While showcasing the industry's stability, this growth raises concerns due to heavy reliance on a single source of foreign income [8]. Competitive advantages in garment exports are crucial for stability and further success [9]. Continued growth in the apparel industry has not only contributed to steady economic growth in Bangladesh [10] but has also positioned the country as a global apparel sourcing hub. The lower salary structure, with a monthly minimum wage of USD 97, attracts foreign buyers, resulting in an apparel export value of

USD 33.07 billion in 2019. Europe and the USA are major exporting destinations, comprising 80% of the country's total apparel exports. Bangladesh's strategic position as the second-largest garment exporter and its potential to replace sourcing in China [11], accompanied by challenges such as low productivity, poor infrastructure, and diseconomies of scale, impacting its global market share negatively [12].

This research, conducted through qualitative methods, aims to analyze the growth trajectory of the Bangladesh RMG sector and its interconnected contributions to poverty reduction and the national economy. The study also investigates the challenges faced by the industry in terms of sustainability, labor rights, and global market dynamics. How RMG can drive inclusive and sustainable socio-economic development.

RMG Industry in Bangladesh

The historical evolution of the Ready-made Garments (RMG) industry in Bangladesh has sparked various debates in the literature. Hossain & Alam (2022) states the specific socioeconomic conditions that led to the emergence of the RMG industry. Some argue that factors like low labor costs and favorable policies were primary drivers [14], while others emphasize the role of broader economic changes [15]. Researchers acknowledge a combination of factors, including entrepreneurial initiatives and global market demands [16], contributing to the industry's roots.

The literature debates the extent to which global connections and competitive advantages, such as cost-effective manufacturing and a skilled labor force [17], influenced the RMG industry's growth. Some argue for the industry's dependence on global factors, while others emphasize local dynamics. Researchers highlight the interconnected nature of global and local factors, acknowledging the significance of both in shaping the industry's competitive edge [18].

Contribution

Research recognizes the immediate economic contributions of the RMG industry, emphasizing its role in shaping Bangladesh's GDP and providing crucial foreign earnings [19]. Scholars also highlight the sector's adaptability to changing global demands. Bangladesh is well-known for as a global apparel sourcing hub [9]. The apparel industry's competitive advantages and its potential to replace sourcing in China [9], contributing to Bangladesh's global economic standing. Research highlights the industry's role in providing economic resilience, showcasing its ability to contribute to the nation's economic stability. The substantial foreign exchange earned through RMG exports is recognized as a key contributor to the national economy [19].

RMG industry as a major driver of job creation [20], emphasizing its inclusive hiring practices. Besides, research highlights the positive impact on reducing unemployment rates, particularly in regions with limited employment opportunities [21].

Challenges

Scholars recognize the RMG industry's initiatives to address sustainability concerns [22], emphasizing the importance of balancing growth with environmental responsibility for long-term industry viability. Scholars engage in discussions about the effectiveness of the RMG industry's commitment to fair labor conditions, raising concerns about wage disparities and working conditions [23].

Scholars highlight the RMG industry's resilience in the face of global competition [24], exploring strategies for sustained competitiveness and market share amidst evolving market demands [17].

RMG Industry's Competitive Advantage

Cost Advantages:

One of the primary drivers of competitive advantage for the RMG industry in Bangladesh is its cost-effective production capabilities. The availability of low-cost labor coupled with efficient production processes enables Bangladesh to offer competitive pricing for its garments [24]. This cost advantage is significant in a global market where price sensitivity is high. According to research by [27], the wage structure in Bangladesh's RMG sector, though facing scrutiny for being low, provides a crucial edge in maintaining cost competitiveness.

Global Market Positioning:

Bangladesh's strategic positioning in the global RMG market is also strengthened by its ability to meet large-scale orders and deliver within tight timelines [28]. The integration of advanced supply chain management practices ensures that Bangladesh can respond swiftly to market demands and fluctuations. This agility in supply chain operations is a critical component of the competitive strategy employed by Bangladeshi RMG firms [29].

RMG's Competitive Advantage affecting on Socio-Economic Development

Social Development

Literature underscores poverty alleviation strategies within the RMG sector [25], emphasizing income generation and socio-economic initiatives. These strategies are crucial in addressing poverty at both individual and community levels. The RMG industry's job creation and inclusive hiring practices contribute significantly to reducing unemployment rates in Bangladesh. Research emphasizes the industry's role in providing meaningful employment opportunities.

Economic Development

Studies highlight the pivotal role of foreign exchange earnings from the RMG industry in contributing to economic development [1]. These earnings are instrumental in funding critical sectors, driving economic growth.

2. RESEARCH METHOD

This research conducts qualitative methods such as in-depth interviews and focus group discussions with entrepreneurs, stakeholders, and workers from 10 selected garment enterprises in Bangladesh. Interview questions focus on (1) What factors have contributed to the economic growth of Bangladesh's RMG sector and how its substantial social impact on poverty reduction? (2) What challenges does the sector face in terms of sustainable practices, labor conditions, and global competition, and how might these impact poverty reduction efforts?.

3. RESULTS AND DISCUSSIONS

Factors Contributing to RMG Growth

The RMG sector's expansion is attributed to various factors, including favorable government policies, competitive labor costs, skill development and inclusive hiring practice, technological advancements and international trade agreements.

International Trade Agreements:

The impact of trade policy liberalization and preferential trade agreements, such as the Generalized System of Preferences (GSP), in facilitating market access and fostering sectoral growth. These policies have reduced trade barriers, enhanced market access, and attracted foreign investments, thereby fostering the sector's expansion and has been capitalized on global trade opportunities, thereby boosting employment and economic activity.

"Our strategic policies, meticulously crafted to align with global trade trends and preferences, have positioned Bangladesh as a favored destination for apparel sourcing. Trade policy liberalization, coupled with preferential trade agreements such as the Generalized System of Preferences (GSP), has facilitated market access and fostered sectoral growth."- Entrepreneurs

Cross-analysis of literature and interview content found 1

Digital transformation (paperless) in the financial and insurance industry can be said to keep pace with the times, but with the investment of time of each insurance company, the injection of funds, the company's culture, the governance environment and other timeline evolution, each insurance company has a differentiated phenomenon, the labor contract of Taiwan's life insurance company is divided into employment system and contract system, because of the different systems, the choice of financial and insurance owners into the company's choice and original intention and the strength of the achievement of organizational performance, the integration of the above two phenomena, in the interview content to analyze the interviewee's seniority, The observation of the timeline, the company's policies, and the leadership style of the financial and insurance industry has made the leadership style of the financial and insurance owners present three current situations: entrepreneurship-oriented, learning-oriented, and people-oriented, which can be seen to be different.

Technological Advancements and Competitiveness:

Factory managers emphasize the importance of technological investment and lean manufacturing principles in enhancing productivity and operational efficiency. These advancements not only improve production processes but also enable the sector to adapt swiftly to changing market conditions.

"The relentless pursuit of operational excellence and efficiency has been a cornerstone of our success. Continuous investment in technology, coupled with lean manufacturing principles, has enabled us to achieve sustainable competitive advantage and adapt to dynamic market conditions."- Factory Manager

Skill Development and Inclusive Hiring Practices

By investing in human capital through targeted capacity-building initiatives, the sector enhances labor productivity and competitiveness. Inclusive hiring practices promote economic equality and maximize the potential of the labor force, aligning with labor market theory's focus on human capital development.

"The RMG sector has been instrumental in transforming our lives. Through targeted capacity-building initiatives and skills development programs, we have acquired valuable expertise, empowering us to meet the evolving demands of the industry. Moreover, the sector's inclusive hiring practices resonate with labor market theory, emphasizing the pivotal role of skill development in driving economic growth."- Academic Scholars

RMG Contribution:

Poverty Alleviation

Garment workers and their families attest to the positive impact of RMG employment on poverty alleviation. The stable income provided by the industry allows workers to improve their living conditions, access better healthcare, and invest in education. Garment Workers' Perspectives:

"Working in the RMG sector has lifted many of us out of poverty and empowered us economically." - Garment Worker

"We can now afford to send our children to school and provide better healthcare for our families." - Female Garment Worker.

Employment

Employment in the RMG sector offers not only livelihoods but also economic mobility among workers. The sector's rapid expansion has absorbed a significant portion of Bangladesh's labor force, contributing to urbanization and industrialization. Workers' perspectives highlight the transformative impact of RMG employment on their lives, enabling access to education, healthcare, and better living conditions. Workers' Perspectives:

"Employment in the RMG sector has provided us with steady jobs and financial stability." - RMG Worker.

"This job has allowed me to support my family and improve our living conditions." - Female RMG Worker.

Export Earnings

RMG exports constitute a substantial share of Bangladesh's total export earnings, generating critical foreign exchange reserves and supporting macroeconomic stability.

"The RMG sector is a major contributor to our export earnings and foreign exchange reserves." - BGMEA Representative.

"RMG exports have positioned Bangladesh as a key player in the global apparel market." - Export Manager.

Intergenerational Impact and Social Mobility

Stable jobs in the RMG sector enable families to achieve financial stability and invest in their children's education, fostering social mobility. Workers' Parents' Perspectives:

"Our children's employment in the RMG sector has improved our family's financial stability and provided opportunities for upward mobility." - Workers' Parent.

"Thanks to the RMG job, we can now invest in our children's education and future." - RMG Worker.

Economic Development in Bangladesh

The RMG industry in Bangladesh plays a pivotal role in the country's economic development by creating employment opportunities, alleviating poverty, and contributing to export earnings.

"The RMG industry has been a catalyst for economic growth in Bangladesh, creating numerous employment opportunities and driving export earnings." - Entrepreneur

"Investments in the RMG sector have stimulated other sectors of the economy through increased demand for goods and services." - Economic Analyst

RMG Challenges:

Barrier to Sustainable Practices:

The RMG sector in Bangladesh encounters substantial obstacles in implementing sustainable practices, primarily due to deficiencies in regulatory frameworks and enforcement mechanisms. Weak regulations undermine sustainable practices, risking environmental harm and limiting the sector's long-term viability in poverty alleviation. The perspectives of Garment Experts emphasize:

"The lack of stringent environmental regulations and enforcement is a significant barrier to sustainable practices in the RMG sector." - Garment Experts.

Ensuring Fair Labor Conditions:

The challenge of balancing competitive pricing with fair labor conditions persists as a pressing concern among entrepreneurs in Bangladesh's RMG sector. Persistent high turnover rates in Bangladesh's RMG factories highlight ongoing challenges in worker retention.

"Worker turnover is high due to poor working conditions and low wages, which affects productivity and overall industry growth." - Factory Managers.

"Global competition is fierce, and our industry struggles with maintaining competitive pricing while ensuring fair labor conditions." - Entrepreneurs.

Financial Support:

Facilitating technology adoption via subsidies or loans aids sustainability transitions. Financial analysts highlight financial barriers to adopting sustainable technologies in Bangladesh's RMG sector.

"Investment in sustainable technologies is costly, and many smaller factories cannot afford these upgrades without external financial support." - Financial Analysts.

International Collaboration:

Collaboration with international stakeholders proves pivotal in advancing labor conditions within Bangladesh's RMG industry. BGMEA representatives' perspectives:

“Collaboration with international buyers is essential to meet global standards and improve labor conditions, but it requires significant resources and coordination.” – BGMEA Representatives.

Sustainability and Ethical Practices

The need for sustainable and ethical practices in the RMG industry is critical. Addressing labor rights violations and promoting ethical business practices not only protect workers but also enhance the industry's reputation and attract conscientious consumers and investors. NGOs and Academic Scholars' Perspectives:

"Addressing labor rights violations and promoting sustainable practices are critical for ensuring the long-term viability of the RMG industry." - NGO Representative.

"Sustainable and ethical business practices are essential for the future success of the RMG sector." - Academic Scholar.

Adopting Sustainable Practices:

Integrating ethical practices bolsters sector competitiveness. Sustainable operations elevate global appeal, attracting conscientious consumers and investors. Strategic sustainability enhances sectoral viability, underpinning poverty alleviation and enduring economic growth.

"Implementing sustainable practices is not just an ethical imperative but a strategic necessity for long-term competitiveness in the global market." - CEOs.

Socio-Economic Impact and Community Development

By providing substantial employment opportunities locally, the RMG sector mitigates rural-to-urban migration pressures and fosters regional economic stability. This localized approach contributes to balanced development and strengthens community cohesion, reflecting labor market theory's geographical implications.

"The burgeoning RMG sector has catalyzed economic development in our communities. By providing employment opportunities locally, it has stemmed the tide of rural-to-urban migration, thereby bolstered local economies and fostering a sense of belonging."- Garments Expert

Employment dynamics within the Bangladesh RMG sector and their implications for socio-economic development:

Economic Importance and Employment Conditions:

The RMG sector significantly contributes to Bangladesh's GDP, yet challenges persist in improving employment conditions for sustainable growth. Stakeholders' perspectives:

"The RMG sector has significantly contributed to Bangladesh's GDP, but the employment conditions need improvement to ensure sustainable growth." - Stakeholders

"Enhancing job quality is crucial for sustained growth in the RMG sector, aligning economic benefits with improved worker welfare." - Entrepreneurs

Financial Strain of Compliance with International Standards:

Compliance with international labor standards poses financial challenges despite its role in maintaining export market access.

"The cost of compliance with international labor standards is high, but non-compliance can lead to losing valuable export markets." - Financial Analysts.

Role of Education and Training in Workforce Development:

Investment in education and training is essential for enhancing workforce skills, productivity, and wage levels.

"Investment in education and training is crucial for enhancing the skills of the RMG workforce, which can lead to higher productivity and better wages." - Academic Scholars.

Technological Advancements and Employment Dynamics:

Technological advancements improve productivity but require careful management to mitigate job displacement risks.

"Technological advancements can improve productivity but may also lead to job displacement if not managed properly." - Garment Experts.

Legal Frameworks and Worker Protections:

Effective enforcement of labor laws is critical for safeguarding worker rights and improving RMG sector working conditions.

"Effective enforcement of labor laws is critical to protecting workers' rights and improving working conditions in the RMG sector." - Legal Experts.

Advocacy and International Influence:

Grassroots advocacy and international pressure drive positive labor practice changes within the RMG industry.

"Grassroots advocacy and international pressure have been instrumental in bringing about positive changes in labor practices within the RMG industry." - NGOs.

4. CONCLUSIONS AND SUGGESTIONS

Our study on the growth of Bangladesh's Ready-Made Garments (RMG) industry provides significant theoretical implications across several dimensions. Firstly, through an exploration of factors contributing to the sector's growth, as perceived by industry experts and workers, we enhance understanding of how industrial policies, workforce dynamics, and market conditions interact to drive economic expansion. This aligns with labor market theories that emphasize the role of industry structure and policy interventions in shaping employment outcomes and poverty alleviation strategies.

Secondly, by examining the RMG industry's contributions to poverty reduction, employment generation, export earnings, and overall economic development, we underscore the sector's pivotal role in Bangladesh's socio-economic landscape. This theoretical exploration supports existing frameworks on industrial development and economic growth, highlighting the RMG sector as a catalyst for broader socio-economic advancement.

Thirdly, our analysis of challenges faced by the RMG sector in terms of sustainable practices, labor conditions, and global competition offers theoretical insights into the complexities of balancing economic growth with social and environmental sustainability. This discussion

integrates perspectives from stakeholders on regulatory frameworks, technological advancements, and international standards compliance, contributing to theoretical frameworks that advocate for sustainable industrial practices and equitable labor conditions.

Finally, by aligning empirical findings with theoretical frameworks, the study explores how industries like RMG can drive inclusive and sustainable socio-economic development in developing countries.

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