

SUPPLY CHAIN MANAGEMENT PRACTICES OF GARMENTS INDUSTRY IN BANGLADESH: PROSPECTS AND CHALLENGES

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ABSTRACT

Garments sector in Bangladesh, as nice consideration towards our value, adds to the economy. Supply chain management (SCM) practices has also significant impact on developing competitive advantage in global market. The objects of the study are to narrate the major problems of supply chain management practices in Bangladesh compare on their growth and development. The study follows mainly secondary data available in publications of different organizations. Twelve years operational data have been used. Findings are that supply chain management practices are yet to be developed in our garments sector although there had been increasing trends in export earnings during the period under study. We need more market research and cost control, quality control and price control to develop competitive leadership in global market.

Key Words: SCM, Prospects and Challenges. Sustainable Development, Competitive Advantage, Product Development and Diversification.

1. INTRODUCTION

Supply chain management (SCM) is the flow of products starting from collection of raw materials to the distribution after timely production. It covers the storage of materials. WIP and stock of finished goods for production efficiency at competitive cost customer satisfaction through selling at competitive price rates. Practically procurement planning and control, production planning and control, capacity management, distribution planning and control through strategic approaches are the basic pillars of supply chain management. The fundamental objectives of supply chain management are to quicken the delivery schedule achieving increasing cost efficiency, high productivity and increasing cash flow for increasing the long term business growth combined with fulfilment of social responsibility.

Major determinants of the success of SCM are proper use of supply chain technology, block chain, artificial intelligence ie, machine learning activities, robotic efforts and automation activities which are suitable for creating competitive advantage in global market. SCM are also taken as logistics management.

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Supply chain structure comprises procurement policy, inventory management policy, forecasting market demand, sharing of information with supplier, wholesaler, retailer and customers. Managing the supply chain structure develops supply chain performance and vice versa. Expert in SCM tried to group the supply chain models based on continuous flow, Fast chain, efficiency chain, and customer based dynamic spirit and agile based outlook. There exists a good coordination among logistics manager, supply chain manager, purchasing manager, procurement manager, production manager, outsourcing manager etc. Logistics are also divided into procurement logistics production logistics and marketing logistics. While differentiating between logistics and SCM it is clear that logistics develop but good integration and maintenance of quality products in a business while SCM refers to effective coordination of related activities. Sourcing, processing and good delivery lead to SCM storage of goods is logistic function.

Now a days there is good use of apparel inventory management software quickening the supply chain activities, controlling cost, quality vendors, cooperation and providing customers satisfaction through market feedback and competitive leadership by way of cost leadership, price leadership and quality leadership in global market.

Categories of supply chain activities in garment sector are mainly push supply chain, pull supply chain and push/pull supply chain. Challenges of SCM activities of the garments sector are mainly difficulty in global forecasting, inventory accumulation due to lack of buyers, shortage of fabrics and other accessories in foreign market, high cost of supply items, world political instability, covid 19, fluctuations in dollar value, unfair competition with other exporting countries, infrastructural difficulties, power failures shortage of trained manpower, lack of spare parts etc. We need the use of latest technology and good liaison with various stakeholders through forward and backward linkage activities which might be possible unveiling the inherent weakness of supply chain activities of our garments sector.

Garments industry in Bangladesh provides 75% of our export earnings and employment, 9.25% to Gross Domestic Product (GDP). In financial year (FY) 2022, export earnings were \$42613.15 million i.e. 35.47% higher than that of 2021. China is the largest exporter of garments products like clothes, accessories, and textile articles, revenue amounted to US\$ 10.29 billion. As per Ranking of World Trade Organization (WTO) Bangladesh holds 2nd position while 3rd position was of Vietnam in 2021. Hamim group is the largest company having 26 garment units and 300 production lines. Importing countries are USA, China, Germany, Japan & UK.

Exporting countries are China, India, Italy, Germany & Turkey etc.²

2. OBJECTIVES OF THE STUDY

- i. To analyse the practices of supply chain management of the garments sector.
- ii. To locate the major problems on the way of effective supply chain management & causes behind along with their impact on financial performance.
- iii. To provide suggestions for controlling the limiting factors as to achieve sustainable development of our garments sector.

3. SIGNIFICANCE OF THE STUDY

Efficient supply chain management develops competitive advantage through producing in quality products at a reasonable cost to be sold at competitive price rates for the satisfaction of customers. Maximization of production through achieving producing efficiency might be the significant contribution. Different studies have been done covering manufacturing industries in Bangladesh, but no such study has been done in the garments sector. This study uncovers the role of supply chain Management practices, narrating the hindrances thereon. Possible ways for minimizing the challenges might be available from the study.

4. REVIEW OF RELEVANT RESEARCH STUDIES

Islam and Roy wrote an article on “Prospects and problems of readymade garments sector in Bangladesh.” Objects of the study are to focus on the contribution of garment sector in our country and identify the problems and prospects thereon. The study is based on secondary data published by BGMEA, BKMEA, EPZ, Ministry of Finance, GOB of Bangladesh. They focused that garments sector has excellent contribution in our GDP through employment opportunities, foreign exchange earnings and value added to the economy.³

Ibrahim and Hamid wrote an article on “Supply Chain Management Practices and Supply Chain Performance Effectiveness”. Sample of the study was 110 manufacturing units in Sudan. They used convenient. sampling and identified the effects of various dimensions of supply chain management on supply chain performance effectiveness. They found that success in supply chain management practices have significant positive impact on supply chain performance effectiveness. This idea facilitates the formulation of strategic options for effective supply chain management practices in the context of global opportunities and threats.⁴

Mannan and Aowrangajab had an article on “Developing Core Competent in the Readymade Garments Business of Bangladesh”. They mentioned that during last 15 years garments sector had tremendous growth and development. They suggested for cost control, increasing labor productivity and developing good supply chain management practices for market leadership in global market. 5

Solaiman and Ghosh authored an article on “The Innovative Marketing in Bangladesh Focus on Small Industrial Sector”. They suggested the use of the basic principles of innovative marketing strategies for production of quality products and its good distribution through effective supply chain management practices. We need innovative marketing approaches to develop supplies and management activities in the context of global challenges.6

Shah et al had an article on “Market potential measurement – A Framework”. They prescribed that judging the market potential, facilitates the formulation of grand strategies for effective supply chain management practices based on both internal and external environment.7

Salim and Tusar had a study on “Sustainable Supply Chain Management Practices and Challenges of Agri-Business in Bangladesh”. They found that competitiveness in supply chain management practices develop production efficiency quality quality product at a reasonable cost favoring the sale of items at a competitive cost as per the expectations of customers.8

5. CONCEPTUAL AND THEORETICAL FRAMEWORK OF THE STUDY

We know that the concept of supply chain refers to the various stake holders engaged directly or indirectly to provide customers satisfaction. Parties involved in supply chain are suppliers, producers, transporters, wholesalers, retailers and customers etc.

Major objects of SCM are to enhance the value added to the economy through producing quality product at a minimum cost, selling the same at a competitive price rate, providing customers satisfaction, fulfilling social responsibility i.e contribution to the National Exchequer etc.

In reality thus is significant, relation between supply chain activities and the success factors of any business. Business failure is found due to weak supply chain management. Supply chain design, planning and executions lead to business growth and stability and vice versa.

Supply chain might be efficient supply chain and responsive supply chain. Efficient supply chain provides minimum cost of production high capacity utilization, lower inventory level, reduction of lead time, quality supply of raw materials in time at a competitive price rate.

Responsive supply chain follows flexibility to changing demand of customers, matches the demand/supply uncertainty higher margins, product differentiation and quick response to changing market opportunity, competitive advantage through creating market leadership in global environment.

We need strategic fit between customer's needs, uncertainty of supply chain, supply capabilities. Practically tailoring the supply chain is highly important for ensuring the strategic fit influenced by market in global context. Drivers of supply chain performance are mainly production sites, warehouse inventory volume, transportation information and price rates and competitive business environment.

6. METHODOLOGY

This study follows mainly secondary data available in web site. 10 years' operational data of the garments sector have been analyzed to see the trends in volume of export earnings rates with total export, classification of export earnings (product wise) etc. Relevant research studies have been reviewed to focus. The inherent problems and prospects of the garments sector. Conceptual and the theoretical review is also done to highlight. The impact of supply chain management on growth and development of garments industry in Bangladesh.

7. MAJOR FINDING AND OBSERVATIONS

In garments industry we have more than 5000 factories having 12 lakhs workers (85% is women). It is the major foreign exchange earner. These factories produce shirts pants, trousers, jackets and other products through cutting the imported fabrics.

It provides 71% of industrial production, 21% of GDP. 15% of export earnings and job opportunity for 45 million of manpower. Our Bangladesh is the second largest manufacturer and exporter of garments products in different countries¹⁰.

Climatic change, production difficulties, lack of trained manpower, shortage of inter city transportation, lack of technical and vocational education. No sick

leave or paid vacations are the hindrances of our garments sector.

Major problems of our garments sector might be as follows:

- i. Wrong sizing in product design.
- ii. Unattractive stitching and sewing.
- iii. Lack of effective market research.
- iv. Lack of training activities.
- vi. Infrastructural facilities.
- v. Good working conditions
- vi. Employees relation
- vii. Low productivity.
- viii. Lack of cordial HRM relation.
- ix. Power shortage.
- x. Decline in global demand.
- xi. High temperature.
- xii. Use of unhealthy chemicals
- xiii. Physical conflict and violence
- xiv. Changes in fashion design
- xv. Lack of standards and specifications.

Global demand for our garments product is estimated to be \$208.5 billion by 2024 and by 2025 global market will develop up to \$ 2.1 trillion. In 2022 our garments sector had 9.25% contribution to GDP export earnings were \$ 42613.15 million i.e. 35.47% higher than 2021. 85% of workers do not have minimum wage and they are paid a price rate of 2-6 cents per piece. They work for about 60-70 hours in a week having 300 dollars. No facility of over time, unhealthy working condition, no social welfare facility and other motivations are the major limiting factors. Major strength of our garments sector is the availability of cheap labour, weakness is related to safety factor and low worker's productivity.

Maximum opportunity is that our producers can afford to sell at competitive price rates prevailing in global market. while major challenges are created due to political disturbance and declining price rates in export market. We know that our garments products are of two varieties. one is woven and another is Knit. share of woven exports is about 6 times of knit exports.

Table-1: Ratio of Garments Export to total Exports during 2010-2011 to 2021-2022 (Millions)

Year	R.mg Exports	Total Export	%
2010-2011	17914.46	22924.38	78.15
2011-2012	19089.73	24301.90	78.55
2012-2013	21515.73	27027.36	79
2013-2014	24491.88	30186.62	81.13
2014-2015	25491.40	31208.94	81.68
2015-2016	28094.16	34257.18	82.01
2016-2017	28149.84	34655.90	81.23
2017-2018	30614.76	36668.17	83.49
2018-2019	34133.27	40535.04	84.21
2019-2020	27949.19	33674.09	83
2020-2021	31456.73	38758.31	81.16
2021-2022	42613.15	52082.66	81.82

Source: BGMEA Annual Report-2021

Table-1 shows that export earnings from garments had an increasing trend during 2010-2021 to 2021-2022. Volume of exports earnings was \$ 19914. million in 2010-11 while it rose to 42613 million in 2021-2022. Percentage of export earnings from garments sector with total export earning was 78.15 in 2010-2011 while it was 81.82% in 2021-22.

Table-2: Bangladesh Garments exports to world during 2011-2012 to 2021-2022 million\$

Year	Woven	Knit
2011	8432.40	9482.06
2012	9603.34	9486.34
2013	11039.85	10475.88
2014	12442.07	12049.81
2015	13064.61	12426.79
2016	14738.74	13355.42
2017	14392.59	13757.25
2018	15426.25	15188.51
2019	17244.73	16888.84
2022	14041.19	13908
2021	14496.7	16960.03
2022	19398.84	23214.32

Source: BGMEA Annual Report-2021

Table-2 shows that export earnings in woven products were \$8432.40 in 2011 as against & 19398.84 in 2021-22 export earnings from knitwear were 9482.06 in 2011, but in 2021-22 these were \$23214.32

Table-3: Details of exports during 2017-2018 to 2021-2022

Year	Trousers	T.S Knitting	Sweater	Shir Blane	Underwear
2017-18	10833.83	7153.84	3674.7	2927.34	1410.70
2018-2019	11754.86	7902.27	4255.91	3190.23	1640.36
2019-2020	9362.64	6273.77	3597.68	2449.65	13.58.72
2020-2021	10681.52	7239.74	4051.53	2048.4	1789.70
2021-2022	14507.50	9857.54	5640.45	2765.91	2343.56

Source: BGMEA Annual Report-2021

Table-3 It reveals that export earnings from different products had also increasing trends highest earnings were from trousers followed by T-Shirts, sweaters, Blouse and underwear respectively.

8. CONCLUSION

Garments sector provides 40% value addition to our manufacturing sector. Rural poor women are employed in this sector, 200000 are engaged in the recycling industry attached to garments sector. We have 1430 textile mills consisting of 796 woven fabrics. China is the largest exporter and manufacturer and having \$ 266.4 Billion followed by India, Bangladesh has the third position in sharing the garment export products followed by Indonesia, Vietnam and Cambodia. We had \$ 42 billion export earnings in 2021 as against \$ 30 billion five years ago while Vietnam’s earnings were \$32.75 billion.

We know that our export items are mainly readymade garments & knit wear products, locally made textile products followed by leather goods, agricultural products, fish sweeps, ceramic wares etc. In 2022 Bangladesh occupied 2nd position next to China in export of garments products (32.81 of market share) Export promotion bureau mentions that during the 1st and 2nd quarters of 2022-23, export earnings were \$22.996 billion as against \$ 19900 billion in July – Dec 2021.

Bangladesh has astonishing improvement in GDP growth in 2021 i.e. \$ 416 billion as against \$ 4 billion in 1960, 100 times increase by 50 years. Per capita income is about \$ 2500 i.e., more than Indian per capita income. In Canada, US, Belgium, France, Germany, Italy the Netherlands Spain and UK. We export 70% of our garment’s products.

Suggestions for developing on garments sector:

- i. Hygienic working condition.
- ii. More warehouse for good storage.
- iii. More shipping accommodation.
- iv. Good use of machines for cutting, sewing and finishing tasks.
- v. Use of quality fabrics.
- vi. Good use of wool, cloth cotton, silk etc.
- vii. Extensive market research
- viii. Product development and diversification
- ix. Formulation of grand strategies
- x. Market leadership etc.

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