

Problems and Prospects of Silk Industry in Bangladesh

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Abstract:

Bangladesh is an underdeveloped and agro-based country. Silk industry is one of the important sectors of our national economy. It has a long and glorious past history but the growth and market share is not satisfactory of this industry to the national and global context. Thus it is an urgent need to mark the existing problem and future expectations of silk industry in Bangladesh. In our study we find out some problems of silk industry in Bangladesh like old technology, poor advertising, limited showroom, shortage of raw materials, inadequate capital, insufficient governmental facilities etc. We also find out some prospects of this industry like growth of sales and market share, low cost of labor, increasing demand, good geographical location, employment opportunity etc. So, it is essential to make effective plan and proper execution of that plan to get back the glorious position of our silk industry as well as to help the economical development of our country.

Keywords: Silk, Mulberry, Industry Growth, Market Share, Technology, Quality Control.

1. Introduction:

Silk is a highly valued animal fiber used almost entirely for the production of high quality textiles. Its strength, luster, softness and the graceful line in which it hangs makes it the most attractive of textile. On the other hand, silk is a fine soft tread produced by the larvae of silk worms or cocoon. Silk is considered the queen of fabrics even today. Historical evidence shows that silk was developed in China at least 4,500 years ago. For many countries, it was a closely guarded secret, but gradually knowledge of sericulture spread both eastward to Japan, Korea, India, Persia and eventually Western Europe and the American. Silk is one of the agricultural products and national wealth in our country. Our country earns a lot of foreign currency by cultivating silkworm. As an agro-based industry sericulture holds out a great deal of prospects in Bangladesh. Since British period, silk production occurs in Rajshahi zone as British Government selected the Rajshahi zone for cultivation of mulberry tree, because the weather and soil are suitable for mulberry tree. After 1947 most of the silk was exported to India. East Pakistan Govt. established 12 silk nurseries, 20 expansion centers, 1 silk factory and 1 silk research and training institute in Rajshahi under the control of small and cottage industry. Bangladesh Sericulture Board was established in the year 1978. A sericulture school was established in Rajshahi in 1897 and a silk business committee was formed here in 1889. Bangladesh currently produces about 30 to 32 tons of raw silk even though the total demand for raw silk in the country is around 200 tons. Finding no alternative silk factories is importing raw silk from abroad to meet up their requirement. The NGO sector has been trying to revive the industry as a potential employment and income generating opportunity for poor rural farmers; in particular the poor women. Bangladesh is an agricultural country. About 80% people of this country are directly or indirectly depend on it. Most of the small and cottage industry of this country is built up on the basis of the supply of agro-products. This agro-industry leads a significant role in national economy and national development. Many studies in the past have shown high expectation from silk sector in terms of generation of employment and income. Further, the industry has a strong equity orientation as large number of landless labors,

marginal and small farmers depend on this industry for their livelihood and cash requirement. In the non-firm sector a large number of urban poor are also engaged in silk reeling activities. More importantly the money is being transferred indirectly from rich to the poor in the sense that a majority of the silk products are used by richer section of the society as silk products are costly where as the cocoon growers and raw silk makers are from the poorer section of the society. Thus, sericulture industry has its own significance in country like Bangladesh where income inequality is high.

2. Objectives of the Study:

The main objective is to assist the Bangladesh silk sector to develop effective approaches for production and create goodwill in both home and abroad. The key objectives of the study are given below:

- To evaluate the overall business environment in silk industry of Bangladesh
- To identify the main obstacles to the way of progress of silk industry in Bangladesh
- To mark the strengths and prospects of silk industry in Bangladesh
- To find out some possible solutions if any threat observed in the silk industry of Bangladesh.
- To recommend how to save this industry from deterioration in the national and global market

3. Review of Related Studies:

Jones (2009) stated that as compared to regional competitors' sericulture in Bangladesh suffers from a less proactive attitude from the Government. The Ministry of Textiles, Bangladesh Sericulture Board (BSB) and its Research and Training Institute (BSRTI) all requires a more outward looking approach, sadly excessive bureaucracy is also stifling innovation. Time and motion studies are urgently required to improve every aspect of business efficiency. Greater deregulation would certainly help companies compete and access improved silk moth varieties. With a fragmented industry, a largely unskilled workforce and rising import costs the whole industry is suffering. There is also the issue of the disparity between the tonnage of yarn produced and that needed by the local industry. Rival silk industries are forging ahead, from investment in Research & Development to design and new technologies. The sector demands change. Sericulture in Bangladesh has a long and illustrious history, but must adapt to survive. Sericulture in Bangladesh is at a crossroads, the choice is clear, stagnation and decline or innovation and survival. Umesh et. al (2009) stated that the silk industry in India is showing a dismal performance in the post WTO period. This profile of performance can be treated as warning signal for the industry because if the industry starts declining at this rate, it will be difficult to revive the industry in the near future. Therefore, there is a need for appropriate policy intervention to remove the clogs in the system to make it more vibrant in the changed context of WTO regime. The declining trend of area under mulberry is a clear signal emanating from the near stagnant or decreasing prices of primary products like silk cocoons and raw silk in the country. The sliding down in the growth of silk industry has to be prevented and it should be vitalized with new growth impetus so as to increase its contribution to the economy. In order to be competitive in the world market, it is imperative to ensure adequate domestic production of high quality long staple silk yarn, which will also overcome the present quality problems, which are coming in the way of enhancing Indian silk exports. Export competitiveness should be enhanced through increased productivity and quality. To increase production and exports there is a need to expand production and income enhancing support to the silk industry. Ishtiaque (2011) stated that the owner of the silk industries of Bangladesh though are very disappointed on the role of silk board to the development of silk industries, they are still expecting some assistance from the board. Most of the small industrialists demand debt from the silk board with simple condition. Invention of new seeds & thread is also their major demand. Niranjana and Vinayan (2001) suggest that by addressing the urgent needs of the handloom industry, substantial growth in both employment and output can be achieved. Detailed research into yarn production, yarn availability, structure of weaver cooperatives and the major agents and factors in this process is necessary. Only a holistic approach to these interlinked issues will provide an impetus to the growth prospects of the handloom industry in India. It is clear that contrary to the general perception, the industry exhibits vitality in a number of places. If, due to a combination of circumstances, there is a decline of weaving in some areas, this is offset by a reorganization and rejuvenation of the industry in other regions. Bajpai and Shukla (1998) concluded that at present the state silk products are facing a tough competition from different handloom corporations in India and the consumers are also giving preference for mixed fabrics. There is also an organized

attempt of silk yarn trader's against the Government. Hence there is an urgent need to overcome these problems. Government should patronize this industry and the supply of silk yarn should be under Government control. Silk reeling units must be established in the districts which has sericulture firms and at least one weavers training centers must be opened having free training and lodging facilities. Interest free loan to the weavers through the banks should be given for the establishment of silk textile units. Introduction of silk garments for different sex and age is essential because in the state almost 95% weavers are engaged in making silk Shari.

4. Methodology of the Study:

We have used various methods for data collection. There are two types of data: primary data and secondary data. Primary data are collected from the silk mills through direct interview methods with the help of structured questionnaire. The only source of secondary data was the official records and financial reports of the silk mills. We have also reviewed some published and unpublished research papers, websites, journals, and articles to conduct the study.

5. Findings and Discussion:

5.1 Problems:

One of the weaknesses of the silk mills is its dearth of raw materials. The rayon (raw material) is cultivated some specific season. They also need to collect raw materials from foreign country. For this reason they need a lengthy process which retard in supply of raw materials. From the Table-01 we see that the collections of raw materials are not equal. Sometimes they collect huge amount of materials. For handling this material they need to expand more money. Again in some seasons raw materials are not available which cause breaking in production.

The consumer seeks attractiveness. It is a luxurious product. When the customer takes purchase decision than they emphasis on attractive design, price etc. Market size has increasing trend but on decreasing growth rate owing to increasing competition. A large number of customers are not aware of silk product. Working environment in the silk mills is not good. The silk mills' management is not sufficient to make proper plan. The product design of silk mills is traditional. The silk mills have no research and development department. It has no training arrangement for the workers. The knowledge of technician is poor about the various processes of production. There are information gap about the latest product that can be used for the processing of silk.

To operate the business effectively it must be needed a stable political environment. But the political situation of Bangladesh is not stable which may create barriers to the economic development as well as the development of commercial sector. So, it is a vital thing for silk mills. To produce quality product with lower production cost is essential. By using latest technology firm's can get some extra benefits from its competitors which builds strong competitive position of the firm. Our neighbor countries use those technologies and their product somehow enter in our market. But there is a lack of modern technology in silk industry. In spite of enough demand of silk products the mill does not yet use modern media to publicize their products except some exhibition in local papers. Excess price of the product create obstacles in marketing and the industry does not follow more sales total profit principles. It tries to achieve more profit by increasing the price of product. Limitation of product design creates problem in marketing. There are no facilities of enough designing to expand the market. The industry has no sufficient sales center in marketing of its products. So, it creates problem to expand market in marketing. Producer makes their product design by his or her own experience. But they do not follow the consumer taste. So there are many products that can not satisfy the consumer. As a result, the products remain unsold or it is sold at a lower price in comparison with market price.

Promotional activities are very limited. The dealers are not interested to take any steps for promotional activities. But the silk industry is growing rapidly. So, to increase market share and growth silk mills need to use more and effective promotional tools. Huge amount of substitute products are available in the market. So customers have a big chance to shift from their product to another. So it is a big threat. Now a day, customers' choice and attitudes are changes rapidly. Now they want different styles and types of clothes every time. Their choosing criteria are changing very quickly. So, it is very tough to match with the customer's choice and attitude.

Silk mills have no sufficient transport system. So it faces problem to carry goods to its distributor. It has no owned

transportation system to send goods to its distribution. It causes higher transportation cost which reduces profit. Auditing is a systematic examination of the books and records of a business or other organization in order to ascertain and verify and to report upon; the facts regarding the financial operations and the results thereof. There is no provision for audit in this industry because of the possibility of important secrets being lacked out, but auditing is necessary for every industry. With the help of auditing accounts and financial activities can be checked and verified, errors can be found out and the real financial condition of the industry can be known.

Insufficient loan facilities are one of the problems of silk industry. Producers do not get available loan from Government. At present Government is distributing the loan among them whose have maximum 5 looms. But who is the owner of more than 5 looms needs more current or fixed capital to run and expand their business. According to producer's opinion, they suffer capital problem and to reduce this problem they collect money from local bank with high rate of interests. The Government does not provide what types of facilities are needed to make cloth. Government took steps to create that opportunity for the producer but unfortunately 10 years was required to run the project. During that period private pre-weaving facility was built. So, that project did not run and it is not possible to provide quality service to producer for lacking of modern technology and efficient worker in private pre-weaving center and comparatively high price is charged that is a problem for weaver.

The success of any organization depends on skilful management. Management controls the whole body of the organization. If the management of an organization is weak, the organization will not reach the goal. So, skilful management is necessary in silk industry. In the silk industry there is a high entry barrier because some established organizations have achieved economies of scale and strong brand image which gives them some extra benefits from those companies which are trying to enter in this business sector. So, it is very difficult for any organization to start the business in silk sector.

5.2 Prospects:

According to Bangladesh silk foundation domestic demand for silk fabric is 32,000,000 meters but local production is only about 18,000,000 meters. In this situation rest amount is imported and considering this huge demand the NGOs taken various steps for silk expansion including helping the Govt. to restore the feasibility and reserve foreign currency. As a result, various programs accepted like encouraging silk yarn producer, to create market for silk product, to make silk production at international standard and to use high technology etc. Demographic environment is very much important for marketing silk product. In Bangladesh the numbers of woman are increasing, the rates of higher education of woman are increasing. They are engaging the various high standard jobs, their personal income as well as distribution of income are increasing. Besides this the patterns of educated family are small. So, they can spend a large number of amounts of their income for fashionable goods that affect silk mills.

The major customers of silk industry of Bangladesh are people of Bangladesh and some foreigners. Their economic condition is very strong, disposable income and purchasing power is high, standard of living is high and people are much consuming. Moreover, their per capita income and purchasing power are increasing day by day. The Govt. is encouraging private business, especially middle and small industry. The political parties are always emphasis on reducing poverty alleviation. Bangladesh is a country where most people are Muslims and Bangladeshi women always prefer to use Shari, Scurf etc. In addition Bangladeshi women are participating in outdoor job. Silk product is very much comfortable to them. Even the demands of silk to women are also increasing outsides of the country like London show room.

The industry's product is well qualified, price is reasonable and distribution is sufficient. The silk mills have sufficient human resources in administration, procurement, production and distribution sector who are engaged to perform their assigning activities. It has adequate skill and efficient workers. The consumers of silk product are increasing day by day. It has an opportunity to export product to abroad. Silk product has a great consumer image. Many more sellers are interested to take dealership. The industry's labor cost is low.

The population growth rate is high in Bangladesh. We know that the growing population means growing human needs. So, there is a possibility for silk industry to create demand about their product. The showrooms of silk are well decorated and air conditioned. That's why when customers come here they feel that they are going to get a better product. So, it is their strength because they have excellent inanimate environment.

In the showrooms silk mills sell their product in fixed price. So, buyers don't have any chance to bargain about the price of the product. The target customer of silk is middle and upper income class people. These classes of people are capable enough to purchase their product. The demand of silk products is increasing day by day because the people are going to be more fashionable. That's why the markets of silk products are expanded rapidly. From the Table-02 (Graph-01 and 02) we see that industry sales and industry growth are increasing. With increasing population silk product market is also increasing. In 2002-03 periods its industry growth was 2.81% but in 2005-06 it reached in 8.20%. So, this sector is growing rapidly. In 2002-03 period industry sales was Tk. 48.19 crores and in 2005-06 its sales increased to Tk. 57.90 crores. So, silk industry's sale is increasing rapidly. From the Table-03 (Graph-03) we see that the competition is mainly among the Sopura, Usha, Adarsha and Antara Silk Mills. Sopura Silk has been playing the dominant role in the market by controlling 10% of total share of the silk products market in Bangladesh. Then Usha Silk has only 8% of total market share and Adarsha Silk has 7% market share.

6. Recommendation:

The silk mills should increase the number of sales center and production, the advertising and other promotional expenditure to increase the market share and to retain the leading position in the market. The product line of the industry may remain same but some old design may be changed and attractable design would be introduced. It is needed to establish research and development department for latest design, innovative product category, latest production process etc. It will help to hold to present customer and to attract new customer. Silk fabrics market is highly fashion dominated. It demands new innovate design, novelty print, better texture and performance. Eye catching color combination, free hand brush point and boutique in silk products are increasingly gaining popularity. So, silk industry also needs to do those things to gain more market share. The silk mills should use latest technology to increase product quality. It is needed to develop infrastructure facilities for the processing of silk yarn fabrics. The silk mills should provide training facilities for existing personnel and need to employ institutional expert person. The silk mills should established distinct marketing department and proper marketing structure. The silk mills should develop market analysis, demand analysis, consumer analysis, quality control system etc. The silk mills should use package system because it increases the acceptance of products and customer mental satisfaction. The silk mills should take proper care to reduce the amount of wastages at yarns, fabrics, paints etc. The silk mills should develop a separate quality control department and to use modern technology. The industry should go to geographical diversification with its silk fabrics. At that time, the industry should follow a great intention to increase market. As there are many silk consumers outside the domestic one. The companies are included to get that market. The company will have to participate in various trades fair inside and outside of the country. As the products are luxurious one it is needed to know to customer in a luxurious means. Price should not be based on only cost components. For effective pricing consumer perceive value for a particular item should be considered. Productivity will reduce the rate of wastage, increasing the volume of production for a given period of time and the quality of products. In effect it will reduce production cost and lead to develop competitiveness in terms of price and quality. For the marketing of this industry all the political parties have to keep away the industry from their political activities. It is also essential to change the Government policy. In order to make attentive the labor in their works it is necessary to take steps to provide satisfactory salary and financial and non-financial motivation. Loan sanctioned of Govt. should be in easy conditions. Plugging of sericulture in the suitable regions and advising farmers in season and out of seasons is essential. Export costs will be reduced and import policy should be favorable to import machines of well weaving.

7. Conclusion:

Bangladesh is a developing and small country. Silk industry plays a vital role in our national economy. It has a remarkable goodwill but the growth and market share is not satisfactory of this industry to the national and global context. Many people get employment opportunity from this industry and Govt. is getting huge income tax from the silk mills. In the present study we find out some problems of silk industry in Bangladesh like old technology, poor advertising, limited showroom, shortage of raw materials, inadequate capital, insufficient governmental facilities etc. Besides this we also mark some prospects like growth of sales and market share, low cost of labor, increasing demand, good geographical location, employment opportunity etc. So, it is essential to make effective plan and

proper execution of that plan to get back the glorious position of our silk industry as well as to help the economical development of our country. For this purpose we proposed some recommendations for silk industry of Bangladesh in the study. We believe that if the industry follows that recommendation, it will be benefited and able to gain more profit and overcome all of its obstacles.

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Tables and Graphs

Table-01 (Insert the Table after 5.1): Collection of Raw Materials.

Month	Amount
May-June	25%
August-September	25%
November -December	50%
March-April	20%

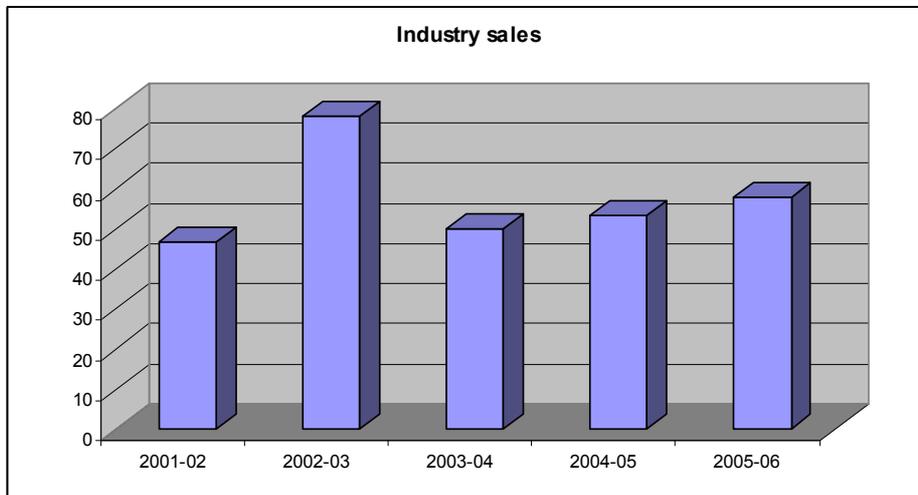
Source: Official Records of Silk Mills.

Table-02 (Insert the Table after 5.2): Industry Sales and Industry Growth.

Year	Industry Sales (In Crore Tk.)	Industry Growth
2001-02	46.87	--
2002-03	78.19	2.81%
2003-04	50.00	3.75%
2004-05	53.51	7.02%
2005-06	57.90	8.20%

Source: BSCIC Reports.

Graph-01 (Insert the Graph after 5.2): Industry Sales.



Graph-02 (Insert the Graph after 5.2): Industry Growth.

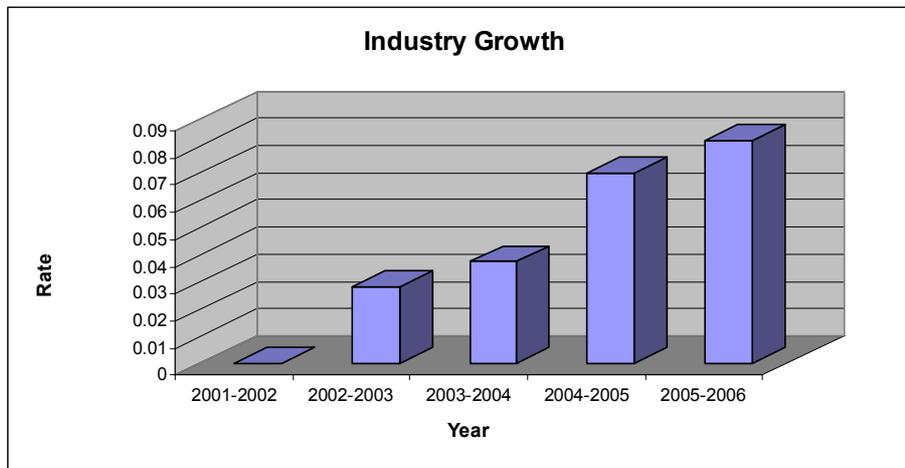


Table-03 (Insert the Table after 5.2): Market Share of the Competitors.

Competitors	Market Share %	Competitors	Market Share %
Usha	8%	North Bengal	5.3%
Sopura	10%	Amena	4.6%
Doel	5%	Fousdar	4.4%
Adarsha	7%	Naoshad	4.2%
Antar	6%	Tanzil	4.0%
Sunflower	5.5%	Others	36%

Source: BSCIC Hand-Book 2006.

Graph-03 (Insert the Graph after 5.2): Market Share of the Competitors.

