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Crisis Transmission in South Asian Textiles: Evaluating Bangladesh's Downturn and India's Competitive Position

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ABSTRACT

The textile and apparel industries of South Asia are intricately linked, with Bangladesh historically playing a pivotal role as the world's second-largest exporter of ready-made garments (RMG). However, recent economic and political crises in Bangladesh—including currency devaluation, energy shortages, labor unrest, and political instability—have significantly disrupted its textile sector. This disruption has created both opportunities and challenges for India, another major player in global textiles. This article examines how the ongoing crisis in Bangladesh is reshaping the Indian textile industry landscape. It explores the surge in export orders to India, increased raw material demand, labor market pressures, supply chain disruptions, and emerging investment opportunities. Supported by current data, the paper highlights that while India has benefited from shifting global sourcing patterns, it still faces structural hurdles such as higher production costs, logistical inefficiencies, and labor shortages. Strategic interventions, including infrastructure upgrades, skill development, ESG compliance, and proactive trade negotiations, are necessary for India to sustainably capitalize on these shifting dynamics. However, while the Bangladesh textile crisis has created immediate short-term advantages for India, long-term gains will depend on India's ability to adapt and strengthen its position as a reliable and competitive global textile hub.

Keywords: *Bangladesh Textile Crisis, Indian Textile Industry, Supply Chain Disruption, Logistical Inefficiencies, Export Opportunities, Strategic Interventions.*

Introduction

The global textile and apparel sector, valued at $1.79 trillion in 2024, is a significant economic contributor. The textile and apparel sector forms the backbone of South Asia's manufacturing economy. Bangladesh's Ready-Made Garments (RMG) industry accounts for over **84%** of the country's total exports, employing approximately **4.4 million workers** (World Bank, 2023). In contrast, India's textile and apparel industry contributes about **2.3%** to GDP, **13%** to industrial production, and **12%** to total exports (Ministry of Textiles, Government of India, 2023). India contributes 4–5% to the global apparel market and is expected to grow to $350 billion by FY30. The recent crises in Bangladesh — encompassing currency depreciation, energy shortages, labor unrest, and political instability — have destabilized the RMG sector, causing ripple effects across global supply chains. For India, this presents a complex mixture of opportunities for market expansion and challenges related to raw material prices, supply chain stability, and labor competitiveness.

This paper explores these dynamics in depth, providing a comprehensive analysis supported by current data.

Statement of the Problem

Bangladesh's textile industry, a vital contributor to its economy and global apparel supply chains, is currently facing a severe crisis driven by political instability, energy shortages, and disrupted export operations. These issues have resulted in factory shutdowns, increased production costs, and substantial financial losses, threatening the livelihoods of millions of workers and jeopardizing the country's export targets. As Bangladesh's manufacturing reliability declines, global brands are exploring alternative sourcing hubs, presenting a unique opportunity for India's textile sector. However, India's capacity to absorb this redirected demand is challenged by its own infrastructural, logistical, and financial bottlenecks. This research seeks to examine the implications of Bangladesh's textile disruption on regional trade dynamics and evaluate India's readiness to fill the emerging gap in global apparel supply chains.

Objective of the Study

- To analyze the impact of Bangladesh's current political and energy crisis on its textile and apparel export sector.
- To assess India's capacity and preparedness to absorb diverted textile orders from Bangladesh.
- To evaluate the potential economic and trade implications for both Bangladesh and India.

Research Methodology

The present study is mainly based on Secondary Data collected from:

- Economic reports, trade statistics, and export-import data from institutions such as the Ministry of Commerce (India), Bangladesh Garment Manufacturers and Exporters Association (BGMEA), International Monetary Fund (IMF), World Bank, and industry-specific databases like Statista.
- News articles, policy papers, and reports from reputable sources (e.g., The Economic Times, Reuters, Al Jazeera) documenting recent developments in Bangladesh and India's textile industry.
- Company reports and financial disclosures from Indian and Bangladeshi textile firms.

Scope and Limitations

- The study focuses on the immediate and short-to-medium-term impact (2023–2025) of the crisis.
- Limitations include potential data gaps, reliance on secondary sources for recent developments, and assumptions in projecting India's capacity to absorb new demand.

Review of Literature

Maheshwari K. (2024) in his article highlighted that the Bangladesh textile crisis creates short-term challenges for India (notably in fibre export), it presents a long-term opportunity to strengthen domestic garment production and reduce reliance on external markets. With Bangladesh's apparel exports valued at \$47 billion in FY23, India can potentially absorb 10–12% of that export demand, creating a \$2.4 billion opportunity. To capitalize on this, India must ramp up production capacity, adopt advanced technologies, align skill development programs (e.g., ITI curricula) with industry needs, and ensure adherence to global quality standards.

Tripathy N. and Suri B. (2024) outlined that Bangladesh's garment industry, a major contributor to its economy, is facing serious challenges due to political unrest, labor disruptions, and impending loss of trade privileges with its graduation from least developed country (LDC) status. These disruptions have caused substantial economic losses and impacted the global textile supply chain, particularly affecting India, a key trade partner. However, the situation presents India with an opportunity to strengthen its position in the global textile market. By investing in infrastructure, supporting exporters, diversifying products, attracting foreign investment, and upskilling its workforce, India can fill the supply gap left by Bangladesh and emerge as a reliable, competitive global textile hub.

Bangladesh's Textile Crisis: A Snapshot

Bangladesh's textile industry is a key driver of its economy, employing millions—mainly women—and serving as the second-largest apparel exporter globally. The sector relies heavily on ready-made garments (RMGs) for export revenue and has seen rapid growth due to low labor costs, a favorable business climate, and strong global demand for affordable clothing. However, the rising political, economic and other infrastructural crisis in Bangladesh has caused serious damage to its textile industry.

- **Economic Instability**

In 2023, Bangladesh's foreign exchange reserves fell below \$20 billion, covering less than three months of imports, down from \$48 billion in 2021 (Bangladesh Bank, 2023). The Bangladeshi Taka depreciated by 28% against the US Dollar between 2022 and 2023, inflating the costs of imported raw materials like cotton and dyes.

- **Energy Shortages**

Bangladesh faced acute power outages throughout 2023. The country's dependence on imported LNG exposed it to global energy price volatility. Industrial areas such as Gazipur and Narayanganj reported power cuts lasting **up to 8 hours per day**, severely impacting factory outputs (Dhaka Tribune, 2023).

Bangladesh's industrial sector, particularly the vital ready-made garments (RMG) industry—which contributes over 80% of the nation's export revenue—has been severely affected by frequent power outages. Factory owners claim the energy crisis has significantly increased production costs and led to reduced output and delays.

Shamsul Alam, an energy adviser at the Consumers Association of Bangladesh (CAB), stated that ongoing power crisis is unlikely to be resolved soon due to not only the external factors like the Ukraine war but also to domestic policy failures (Aljazeera, 2023). He further emphasized that the country's overdependence on natural gas, accounting for 52% of electricity generation, has made its energy sector vulnerable, underscoring the need for diversification in power sources.

- **Labor Unrest**

In November 2023, protests over minimum wage demands led to the closure of over 600 factories temporarily (Liberation, 2023). The four million workers comprising mostly women workers, of garment sector are discontented despite a raise in wages by government-appointed panel from 8300 ($75) taka to 12500($114) (56.25%) per month (The Economic Times, 2023), which is likely to increase the production costs for manufacturers and compromise their cost-advantage position among other garment manufacturing countries.

- **Political Instability**

Political demonstrations ahead of the 2024 general elections further disrupted transportation and logistics. Exporters reported delays in shipping schedules and increased insurance premiums on cargo movements The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) has reported significant financial losses amounting to Tk 6,400 crore (approx. ₹4,500 crore) due to recent shutdowns and communication breakdowns. BGMEA President Khandoker Rafiqul Islam indicated that the industry's export target of USD 45 billion for the year is unlikely to be achieved in present condition. (The Business Standard, 2024).

Impact on India's Textile Industry

- **Surge in Export Orders**

The immediate effect of Bangladesh's crisis has been a diversion of global apparel orders to alternative manufacturing hubs. India, particularly regions like Tiruppur (Tamil Nadu), Ludhiana (Punjab), and Surat (Gujarat), has benefited.

According to the **Apparel Export Promotion Council (AEPC)**, India's apparel exports grew by **11.2%** year-on-year between April 2023 and March 2024, reaching **$17.6 billion**, compared to **$15.8 billion** in 2022–23 (AEPC Annual Report, 2024). Industry analysts estimate that if 10–11% of Bangladesh's export orders shift to Indian hubs like Tiruppur and India could see a monthly business boost of $300–400 millions (Angelone, 2024).

"We are witnessing a clear shift of global orders to India, especially for knitwear and casualwear categories,"

— AEPC Chairman Narendra Goenka, 2024.

Tiruppur alone recorded a **15%** increase in export volume in 2023 (The Hindu Business Line, 2024).

- **Indian Firms Reconsider Presence in Bangladesh Amid Crisis**

A number of Indian companies with significant operations in Bangladesh are considering relocating back to India due to ongoing challenges. Approximately 25% of manufacturing units in Bangladesh are operated by Indian firms such as Shahi Exports, House of Pearl Fashions, and Gokaldas Images.

Companies like VIP Industries rely on Bangladesh for 30–35% of their production capacity, while others—including Marico, Dabur, GCPL, Britannia, Jubilant Foodworks, and Trent—maintain varying levels of engagement in the Bangladeshi market.

- **Higher Raw Material Exports**

Indian cotton and yarn exports to Bangladesh increased by **18%** in 2023 (Cotton Association of India, 2024). However, this rise triggered volatility in domestic cotton prices. The Cotton Association of India reports that Indian cotton prices rose from approximately ₹62,000 per candy (356 kg) in January 2023 to around ₹71,000 by December 2023. This represents an increase of about ₹9,000 per candy.

While exporters of raw cotton and yarn benefited, Indian downstream industries (weaving, knitting) faced margin squeezes due to elevated input costs.

- **Supply Chain Disruptions**

India's export of textile machinery and chemicals to Bangladesh declined by **7%** in FY2023–24 (Directorate General of Foreign Trade, India). Payment defaults and longer receivable cycles were reported, affecting working capital for Indian ancillary industries.

Moreover, delays in importing finished garments and intermediary products from Bangladesh have impacted Indian brands reliant on "Made in Bangladesh" labeling for their retail collections.

- **Labor Market Pressures**

Increased export orders created a demand for more labor in India's textile hubs. However, a **post-pandemic labor shortage** has constrained scaling-up efforts.

Tiruppur exporters estimate a **20% shortfall** in available workers (Knitting Views, 2024). Rising competition for skilled labor could push up wage rates, affecting India's price competitiveness.

- **Investment and Joint Ventures**

Sensing risks in Bangladesh, several Bangladeshi companies are exploring **joint ventures** or **satellite manufacturing** in Indian states like West Bengal, Assam, and Odisha. The **West Bengal Industrial Development Corporation (WBIDC)** reported receiving investment proposals from Bangladeshi textile firms between mid-2023 and early 2024.

Challenges India Faces Despite the Opportunity

While Bangladesh's crisis opens doors, India faces structural challenges that must be addressed:

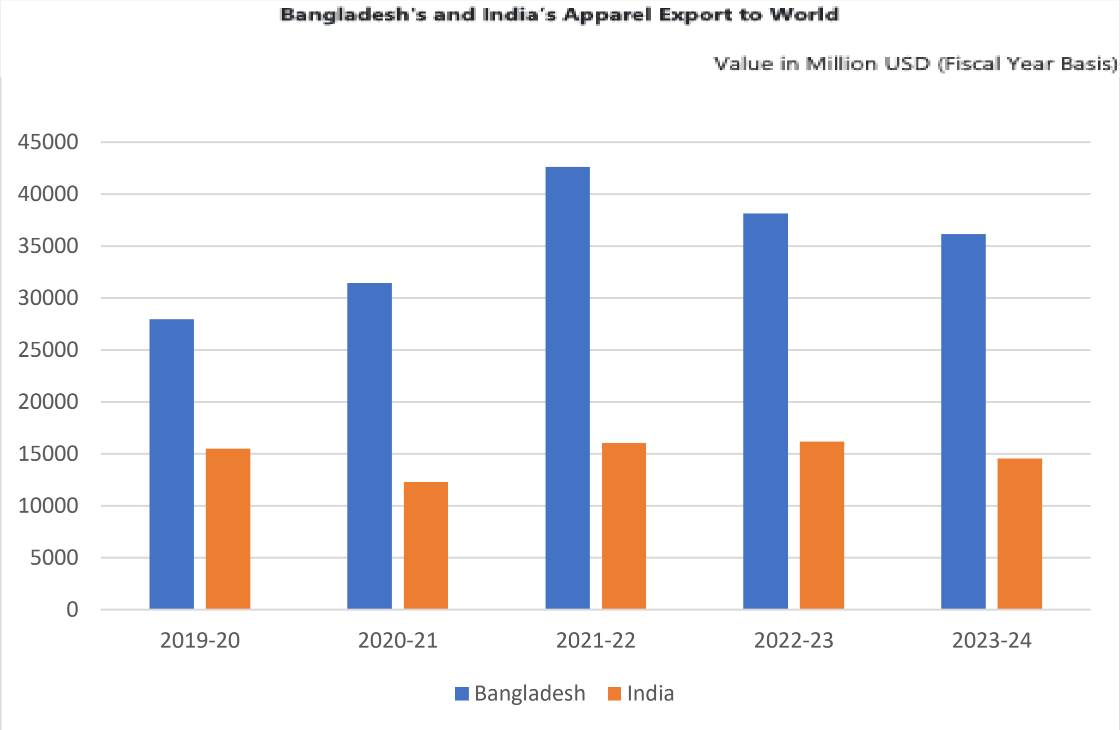
Challenge	Impact
Higher Production Costs	Indian labor costs are higher than Bangladesh's, affecting cost competitiveness.
Logistics Inefficiency	Port congestion (e.g., Mumbai, Chennai) can delay shipments.
Energy Costs	Power tariffs in India are higher than in Bangladesh, raising operational costs.
Environmental Compliance	Global buyers now demand strict ESG standards, requiring investment in green manufacturing.

Comparative Wage Data (2024)

Country	Average Monthly Wage in Garment Sector
Bangladesh	$114
India	$180–$220
Vietnam	$250–$280
China	$500+

(Source: International Labour Organization, 2024)

Bangladesh's apparel exports, amounting to approximately $3.5 to $3.8 billion per month, hold a dominant position in key international markets such as the European Union, the United Kingdom, and the United States. In comparison, India's monthly apparel exports are relatively lower, ranging between $1.3 and $1.5 billion (Angelone, 2024).



Source: https://bgmea.com.bd/page/Export_Performance#:~:text=34133.27,2020%2D2021 and https://texmin.nic.in/sites/default/files/India%E2%80%99s%20Export %20%28Principal%20Commodity%20wise%29%20in%20the%20last%205%20years.pdf

Strategic Recommendations for India

To sustainably capitalize on the crisis, India must implement a multi-pronged strategy:

- **Infrastructure Investment**

  Accelerate upgrades in logistics, warehousing, and port facilities. The **PM Gati Shakti** plan is a step in the right direction but needs faster execution for textile hubs.

- **Labor Skill Development**

  Expand programs like the **Samarth Scheme**, aimed at upskilling textile workers. Focus particularly on semi-urban clusters in Uttar Pradesh, Rajasthan, and Bihar.

- **Cost Rationalization**

  Offer targeted subsidies for energy use in textile clusters, possibly through solar-powered industrial parks, to lower operational costs.

- **ESG Compliance**

  Encourage investment in sustainable textile production — water recycling plants, zero-waste production techniques — to attract ESG-conscious brands.

- **Trade Negotiations**

  Push for early finalization of Free Trade Agreements (FTAs) with the **EU** and the **UK**, both of which are major buyers of textiles, to enhance tariff-free access.

Conclusion

The crisis in Bangladesh's textile sector presents India with an unprecedented strategic window for India's textile industry.With ample production capacity and strong trade ties, Indian firms are well-positioned to capture a significant share of diverted orders, enhancing their footprint in global markets. The short-term gains in export orders and raw material demand are already visible. However, India's long-term benefit will depend on its ability to address systemic inefficiencies, scale up production responsibly, and build a strong "Brand India" in textiles.

India's textile sector is prepared to step up, potentially driving higher exports and contributing to broader economic growth. If managed effectively, India could not only fill the temporary void created by Bangladesh's crisis but also reposition itself as a dominant force in the global textile and apparel industry for the decades ahead.

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