

PREFACE

The textile sector occupies a very important position in Bangladesh. It is the largest manufacturing sector making a significant contribution to the economy in terms of value added and employment. Employment in textile industry accounts for 45 percent of the total employment of the industrial sector. The contribution of this sector is more than one third of the total value addition of the industrial sector, about 5 percent of national income and about 65 percent of the total export earnings of the country. As it has a tremendous scope for expansion, it can make substantial contribution to the achievement of planned objectives of poverty alleviation (employment) and self-reliance (balance of payment).

In spite of the above fact, the performance of this industry is not said to be satisfactory. The profitability of public sector textile industries was far from expectation. More clearly, they failed to contribute positively to the national economy, rather they became a burden on the economy with their continual huge amount of losses. Mismanagement, inefficiency and corruption are more pronounced in the public media for such poor performance of public sector textile industries. It is widely felt that the situation should not be allowed to drift further and thus, there is a demand for the privatisation of these industries like other nationalised industries. Many of the research studies highlighted the different aspects of textile industries in Bangladesh but no in-depth studies dealing with inter-sectoral comparison of operational and financial performance has been made. It was therefore, considered necessary to make an in-depth study in this field and hence, the present study was undertaken with the purpose of looking at the operational and financial performance of cotton textile industry in Bangladesh with a view to find out the inter-sectoral differences.

The study is mainly based on the annual reports and accounts of Bangladesh Textile Mills Corporation (BTMC) and member mills of Bangladesh Textile Mills Association (BTMA). The period of study is ten years from 1987-88 to 1996-97. The findings of the study have been enumerated and presented in seven chapters as under:

Chapter-1 of this study deals with the historical development, role and importance of cotton textile industry in Bangladesh, objectives, scope, methodology and limitations of the study. A brief account of the prior studies conducted in this field is also given in this chapter. A discussion on related terms of the study forms part of **Chapter-2**. In **Chapter-3**, an effort has been made to analyse the production performance and productivity of the selected textile mills. A detailed comparative analysis of production efficiency and productivity of labour and capital has been worked out. **Chapter-4** covers the Cost of production and Sales Performance and contains the analysis of elements of cost of production, sales trend and sales efficiency in both public and private sectors. In **Chapter-5**, profitability of the selected textile mills under study has been evaluated and compared between the two sectors. In **Chapter-6**, along with examining the working capital position of the industry, liquidity and efficiency of working capital of the textile mills under public and private sector has also been tested. The **Last Chapter** contains the concluding observations and suggestions for improvement of the overall performance of the industry.

The study indicates an extremely unsatisfactory performance on the part of the public sector textile mills. Their profitability position was highly adverse particularly in the later years of the study period. But both the operational and financial performance of the private sector textile mills was far better during the period. The denationalised textile mills performed much better in private sector as compared to the existing textile mills under public sector. Some private textile mills were performing very well with 90% to 100% capacity during 5 to 7 years of

their existence. The observed factors influencing the profitability of public sector textile mills are low production efficiency in terms of per spindle per shift production and capacity utilisation, low labour productivity, high cost of production, poor sales performance, shortage of working capital and over manning. It is believed that modernisation and replacement of the existing machinery, maximum utilisation of capacity, removal of excess man power, introduction of standard costing and thus efficient management at all levels will raise the efficiency in production and productivity and will pull down the cost of production. Establishment of Research and Development cell in each unit and implementation of new technology, preferring low profit margin and high sales volume in pricing of yarn and prevention of smuggled yarn will improve sales performance and thus profitability of the mills under public sector. In short, each mill will have to struggle hard to survive in the industry.

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