Problems and Prospects of Jute Industries in Bangladesh: A Study in Khulna Division

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ABSTRACT:

Golden fibre 'Jute' has a golden history. It once flourished the name of 'Bengal' globally by virtue of self-excellence and successively became an integral part of Bengali culture. The main objective of this paper is to show the problems and prospects of jute industries in Bangladesh. The study has conducted in the Khulna division and selected state-owed jute industries. Total five state-owed jute industries have been selected randomly. Since state-owned jute industries are facing many problems in operating their business, so this sector has been selected for analysis. Both primary and secondary data have been used to focus the problems and prospects. This paper has also tried to show the other aspect of jute industries in Bangladesh. Finally, some recommendations have been made for the improvement of the performance of the jute industries in Bangladesh.

Key Words: Jute, Jute Industries, Problems, Prospects, contribution.

1. Introduction:

Jute Industry played an important role in the economic development of Bengal. At the beginning of the twentieth century, Bengal could boast of only one manufacturing industry - jute. It employed about a half of the total industrial workforce of Bengal. In 1900–2001, the export value of jute manufactures accounted for nearly a third of the entire export trade of Bengal.

Jute industry in Bangladesh has been facing several problems over the years: a) increase in the cost of productions in the face of the stagnation or decline in export price, b) decline in productive efficiency of machine which have now became old, c) labour problems, d) widespread corruption, e) inefficient management and the consequent accumulation of huge operational losses. In other words, due to a whole range of factors, a vibrant industry of the past is now being regarded as a 'sunset' industry and the golden fibre has lost of much of its shine. Still the jute industry must be said to be playing an important role in the national economy: it provides direct employment to about 150 lakh people even after the closure of 40 per cent of its production capacity, pays over Tk 100.00 crores for insurance and similar amount as cost of internal transport of raw jute, earns about Tk 150.00 crores worth of foreign unchange and consumes 30 lakhs of raw jute, thereby benefiting millions of jute cultivators.

2. Review of Related Literature

Islam, Xiaoying, Uddin and Bhuiyan (2015) conducted a research and identified three categories of constraints that hinder sustainable jute production. These are lack of capital and inputs, knowledge and natural resources, and market information. They have collected their data through structured interview schedule from 803 jute farmers sampled conveniently. They have mentioned that farmers cultivate jute for earning profit but they are not conscious about forward market. Their findings may help policy makers and stakeholders for taking effective decision in addressing the barriers to jute cultivation in Bangladesh.

Akter, Sadekin and Islam (2020) stated that in Bangladesh, jute is a vital sector from economical, agricultural, industrial, and commercial perspectives. They have stated that there exist many problems in the jute industry of Bangladesh, such as; lack of scientific knowledge and modern tools, market tools, unavailability of quality seeds, low productivity, inappropriate market forecasting, land fragmentation, natural calamities, conflicts and economic crisis in the world market, etc. They have given some policies that may help to eradicate the problems and improve the present conditions of the jute industry in Bangladesh.

Hossain and Nishu (2021) published a research paper and focused that, the production and export of jute have been declining since the 1970s due to the various internal and external problems. The main aim of the paper was to determine the reasons behind the state-owned jute mills failure and feasible solutions to unravel the problems. They mentioned that because of having some major problems such as mismanagement and corruption of BJMC, lack
of modern machinery, lack of skilled workers, weak marketing and government policies etc. Most state-owned jute mills under BJMC are stuck in dishonesty and lavishness alongside ageing infrastructure. They conclude that there are no reasons to shut down the production where reformation is adequate to make the state-owned jute mills profitable.

Akter (2015) conducted a research and has shown that how to explore a new market for Bangladeshi jute items. The author has mentioned that after successful export experience in USA, Europe and Middle East, Bangladeshi export industries are considering Australia as a potential market. The author mentioned many reasons for this like the rapid increase of total consumer because of rise of multi-cultural immigrants, government policy against synthetic/polypropylene products, the awareness of environmental role and impact of products among local consumers, the presence of different segment of consumers.

Khan (2019) provided information about the jute export management system. Most of the jute export companies still work manually, from preparing documents to updating different files, paperwork from before and after shipment, etc. which takes up a lot of time as well as there remains the possibility of possible errors; errors that could result in disastrous result. To overcome the existing problem, he proposed a system with the help of new technology. That system focuses on overcoming the manual maintenance of the business and ensuring a systematic overflow. This system enabled the work more efficiently, utilizing more time to focus on the business.

Bag (2016) published a paper and the study was theoretical in nature. Objective of the study was to focus the prospects of Bangladesh and Indian jute industry in contributing towards the economic development of the nation as a whole. The data was collected from secondary sources and has analyzed through secondary review and content analysis to arrive at conclusion and discussion. Author stated that the government should give mandatory order to use jute bags as packaging materials for specific sector like food grains, cement, sugar, fertilizer etc. Indian, Chinese Jute diversified goods are more popular because of their product range and depth, colors, designs and quality. Author recommended that government should take strategic planning for the promotion of jute sectors in short, medium and long terms.

Golam, Tariqur and Sobhan (2009) made a paper and described about the periodic trend of jute goods production sales of jute goods in domestic and international market. They have focused time profile of denationalized of the jute industry, gross profit for manufacturing jute goods, prospects of jute and jute goods in the global market unit price (Tk.) of different products in sample mills, changes of production, changes of selling price etc. into their paper. They have stated that both public and private sector jute mills sell their products in either the domestic market or the international market and also shows the position of sales of jute product during the year 1961 to 2007.

Islam and Ali (2017) performed a study on the economic importance of jute in Bangladesh in terms of production, research achievements, and diversification. They mentioned that jute was grown in Bangladesh almost solely as a rainfed crop with no irrigation or draining arrangements. Bangladesh’s position for jute as a cash crop was by no means satisfactory. A large number of folks in Bangladesh is dependent on all jute related affairs. The problems faced with jute fiber development in Bangladesh were found to be a lack of due governmental policy on jute, lack of production of jute, random shutdowns of jute-factories, failure to keep the cultivation system and production plants modernized, lack of management and presence of malpractice, falling demand for jute in the global market, using the alternative jute sources, etc.

Mohiuddin (2015) wrote an article and the main objectives of the paper were to identify local sales and foreign sales for both BJMC and BJMA and to introduce the present scenario of jute and jute product’s export in Bangladesh. To conduct the study researcher had collected data from secondary sources like annual report of BIMC and BJMA. Researcher had mentioned some challenges of jute marketing such as the Cultivable land is decreasing due to increase of population day by day, Extensive governmental support in the jute sector by neighboring countries made their jute products more competitive in international markets.

Dass (1999) found that the jute sector of Bangladesh is hindered by lack of availability of quality seed, retting problems, mill efficiency, product diversification issues and market linkages.

Maheswari (2013) published a paper and the objectives of this research work were to examine the role of industrial dispute and to examine the role of special compliance and its head. The study had been deliberately kept confined to the jute industry in west Bengal only. Total 162 respondents from the jute mills were taken and they had been categories into top, middle and lower level of management. Author focused the conflict between employers and workers in jute mills. Researcher also showed the way of modifications in jute mills so the management of the mills can increase their profit. Author suggested that management and union should develop constructive attitudes towards each other.

Sheheli and Roy (2014) made a paper and stated about the constraints and opportunities of raw jute production in Bangladesh. They have mentioned into their article that most farmers have improved their socio-economic conditions through jute cultivation. They have also explained that a large number of cultivable lands are converted into jute cultivation and majority farmers believe that jute farming is more profitable than rice or other agricultural crops. Authors have also taken the opinion of jute farmers regarding impact of jute cultivation on their livelihood and Jute farmers were asked whether there had been any changed aspect of their lives since performing jute cultivation over the last four years. Five items of livelihood were selected as the major areas that changed by the income of jute cultivation and result shows that maximum variable have fallen under positive result.

Uddin, Hossain & Hoque (2014) made a study and the objectives of their study were to introduce the present scenario of jute industry in Bangladesh and to conduct a comparative performance evaluation of public and private sector jute mills. Authors conducted the research on the basis of secondary data. They focused production efficiency, export and local sales performance, employment, structure of jute industry in Bangladesh, position of jute mills in Khulna and success of the private sector. Authors have made suggestion regarding cost control, effective production planning, employment, raw jute
pricing policy, training program and research & development. They concluded that jute industry is beset with certain very serious problems and depend on heavy subsidies from government.

3. Objectives of the Study:

The objectives of the study are given below:

(i) To show the overview of the jute industries in Bangladesh
(ii) To focus the problems in jute industries
(iii) To find out the major weakness of the jute industries in Bangladesh
(iv) To make recommendations to overcome the problems of the jute industries.

4. Methodology of the Study:

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. (Kothari, 2004).

4.1 Sampling Techniques

Sample is a part or portion of whole population. Operational and functional activities of 25 (twenty five) public sector jute mills are same which are controlled by Bangladesh Jute Mills Corporation (BJMC). Researcher has selected public sector jute mills because there is lot of problems (both internal and external) which does not exist in private sector jute mills in Bangladesh. Khulna division is selected as sample purposively. Out of 09 (nine) jute mills 03 (three) jute mills like Platinum Jubilee Jute Mills Ltd. (PJJML), Carpeting Jute Mills Ltd. (CJML) and The Crescent Jute Mills Ltd. (CML) are selected as sample as per simple random sampling technique. The study has not select private sector companies because of non-availability of data and reluctance of the industry to supply necessary data.

4.2 Sources of Data & Their Collection

The study has involved collection of data from both primary and secondary sources. But for the reasons of the nature of study the secondary data has found importance. Primary data have been collected through a different set of interview schedule. Some cases free discussion has been made with the concerned officials like manager, executive and other officer of sample jute mills. Secondary data has been collected from the sources of official records, operational information, published financial statements, official website of BJMC and sample mills.

5. Overview of the Jute Industries in Bangladesh

Jute is a natural fibre popularly known as the golden fibre. It is one of the cheapest and the strongest of all natural fibers and considered as fibre of the future. Jute is second only to cotton in world's production of textile fibers. India, Bangladesh, China and Thailand are the leading producers of Jute. It is also produced in southwest Asia and Brazil. The jute fibre is also known as Pat, kosta, Nalita, Bimli or Mesta (kenaf).

Jute Industry played an important role in the economic development of Bengal. At the beginning of the twentieth century, Bengal could boast of only one manufacturing industry - jute. It employed about a half of the total industrial workforce of Bengal. In 1900-2001, the export value of jute manufactures accounted for nearly a third of the entire export trade of Bengal.

Prior to the establishment of the first jute mill in 1855, handloom weavers used jute fiber to make twines, ropes, coarse fabrics for the poor, and also for fishing and for mooring vessels. Towards the end of the eighteenth century, jute attracted the attention of the British east india company, which sent a consignment of jute samples to England in 1791 that were successfully spun by flax machinery.

The British also found out means to soften the hard and brittle nature of jute fiber by adding oil and water. This made the fiber more pliable and easily separable, and resulted in the production of a usable thread.

Table 1: Growth of jute industry in Bengal, 1879-1939

<table>
<thead>
<tr>
<th>Year</th>
<th>Mills</th>
<th>Looms</th>
<th>Spindles</th>
<th>Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1879-80</td>
<td>22</td>
<td>8,000</td>
<td>11,000</td>
<td>27,000</td>
</tr>
<tr>
<td>1900-01</td>
<td>36</td>
<td>16,100</td>
<td>331,400</td>
<td>14,800</td>
</tr>
<tr>
<td>1920-21</td>
<td>77</td>
<td>41,600</td>
<td>69,900</td>
<td>288,400</td>
</tr>
<tr>
<td>1938-39</td>
<td>110</td>
<td>69,000</td>
<td>3,70,000</td>
<td>599,000</td>
</tr>
</tbody>
</table>
Before it was put to industrial use, jute was used mostly for domestic purposes. With the conversion of the Dundee flax mills into jute processing mills, the demand for jute increased manifold in the world. Bengali peasants were highly experienced in jute cultivation and could respond quickly to meeting this increased demand.

In 1872, when industrial use of jute had begun, it was mainly grown in the districts of Pabna, Bogra, Darjeeling, Dinajpur, Rangpur and Hughli (West Bengal). The ratio of land under jute cultivation to total cropped land in these districts in 1872 was 14%, 11%, 9%, 7%, 6% and 5% respectively. Subsequently, jute cultivation spread to other districts. In 1914, leading districts in terms of the above ratio were Rangpur (28%), Bogra (25%), Tippura (Comilla, 24%), Pabna (21%), Dhaka (18%), Faridpur (16%), Hughli (West Bengal, 13%), Jessore (11%), Jessore (10%), Nadia (10%), and Dinajpur (7%).

After the end of the First World War in 1918, the world demand for raw jute decreased. This had a negative impact on the area under jute cultivation. The situation worsened for jute cultivation during the Great Depression of 1929-33. The prices sank so low that jute growing became unprofitable. As a result, peasants greatly reduced their area under jute cultivation. By 1939, economic recovery took place. The breaking out of the Second World War caused an increase in the demand for jute and between 1939 and 1945; peasants put more areas under jute cultivation.

After the Partition of Bengal in 1947, it was found that all jute mills of the region were in West Bengal, which became a part of India and all major jute growing districts became part of East Bengal, a province of Pakistan. As it had no jute mills, East Bengal faced problems in marketing of raw jute. The problem was, however, quickly overcome by establishing jute mills in East Bengal.

The jute industry in the public sector, by virtue of its location in East Pakistan, became the property of Bangladesh after independence in 1971. Pakistani mill owners (about 68% of the total loom strength) left the country, leaving the industry in disarray. Abandoned jute mills were subject to heavy looting. The new government of Bangladesh had to take up the responsibility of rebuilding the industry. By a Presidential order, about 85% of industries, including all jute mills, were nationalized.

Bangladesh Jute Mills Corporation (BJMC) was formed to manage and look after all the 73 jute mills having 23,836 looms at that time. At one stage the number of jute mills under the jurisdiction of BJMC went up to 78. BJMC had to revive the industry from a ruined position. Immediately after liberation, it became very difficult to solve problem of financial hardship of the jute industry because financial institutions were not working well. The short supply of spares, labour unrest, wastage in production etc. shook the industry severely.

Bangladesh Jute Mills Corporation (BJMC), a public corporation in Bangladesh, is the largest state owned manufacturing and exporting organization in the world in the jute sector.

Table 2 Bangladesh Jute at a Glance

| 1. Average land area under jute cultivation | : | 14.75 Lac acres |
| 2. Average production of jute carryover | : | 78 Lac bales (1.40 Million Ton) |
| | : | 9 “ (0.16 Million Ton) |
| | : | 87 Lac bales (1.56 Million Ton) |
| 3. Average internal consumption of jute | : | 61 Lac bales (1.12 Million Ton) |
| 4. Average Export of raw jute with value | : | Quantity Value |
| | : | 16.00 Lac bales (0.29 Million Ton) 1070 Cr. Tk. |
6. Problems of Jute Industries

There are difficulties in running state-owned jute mills although the private sector ones are doing well and making profits. The following problems are provided:

(i) **Mismanagement**

The main reasons attributed to losses in public sectors jute mills are mismanagement. For example, raw jute procured in the mills late in the season.

(ii) **Shortage of funds**

Shortage of fund is another problem of these mills. Funds are not made available in time.

(iii) **High cost of raw material**

It is found in the study that the officials in these mills are purchasing raw material at a higher cost.

(iv) **High production cost**

Source: Bangladesh Jute Spinners Association (2015)
Because of the existence of old machineries productivity in public sectors jute mills is low and cost of production is very high.

(v) Payment of wages

Government owned jute mills in Khulna often fail to pay wages to the workers.

(vi) Burden of fixed expenses

During the study period the selected jute mills were not reached at the break-even point. Although the contribution margin of the mills were positive but due to burden of fixed expenses management could not reach at BEP.

(vii) Negligence of BJMC

Negligence of BJMC has caused huge stockpiling of jute goods in the factories.

(viii) Poor operating activities

The operating activities of the sample jute mills are not up to the mark. The workers are not working properly to reduce the losses of these mills.

(ix) Poor contribution margin

Contribution margin (CM) and CM ratio of the selected jute mills were very poor.

(x) Negative margin of safety (M/S)

Since the actual sales were below the break-even sales so, all jute mills have shown negative margin of safety (M/S).

(xi) Unfavorable variance of production

Variances of production of the jute mills were unfavorable.

(xii) Poor gross margin ratio

Gross margin ratio is very poor in each and every selected jute mills.

(xiii) Lack of knowledge of workers

Most of the workers are illiterate. They don’t know how to work with machine. As a result many problems arise while working in the factory.

(xiv) Relationships between sales and expenses

There is high degree of positive correlation between sales and expenses. It is very dominant problem in the selected jute mills.

(xv) Relationship between sales and contribution margin

Relationship between sales and contribution margin is low degree of positive correlation of three jute mills and negative correlation of the two jute mills.

(xvi) Unfavorable variances of different elements

Average variances of different elements were unfavorable of each jute mills during the study period.

(xvii) Decreasing international demand

Fall in international demand for jute and jute goods have also affected the factories in Khulna division.

7. Prospects of Jute Industry in Bangladesh

About 4 million farmers cultivated Over 8 lakh hectares of jute and jute crops are in Bangladesh. According to BJMC, government jute mills used to buy an average of 13 lakh bales of jute a year. Around 50-55 lakh bales of produced jute are used in private sector jute mills. According to Export Promotion Bureau (EPB), every year an average of 20 lakh bales of raw jute exported till 2012-13; but now it has come down to 7-8 lakh bales. However, exports of jute-products have increased significantly.

The jute industry has played an important role in the national economy at different times despite facing several problems. The jute sector contributes 0.26 percent to GDP and 1.4 percent to agriculture GDP. In the 2017-18 fiscal year, Bangladesh earned the US $1.02 billion from this sector. Though in the fiscal year 2018-19, the export earnings were US $816.3 million. Again, Export earnings from jute and jute products increased by 8.10 percent to the US $882.35 million in the fiscal year 2019-20. Even in the corona-epidemic, the jute sector has demonstrated positive growth compared to other export sectors throughout the fiscal.

8. Recommendations to Overcome the Problems

(i) Government should establish proper management in case of buying of raw jute.
For overcoming this problem Govt. should provide available fund in proper time.

Government should take necessary action in case of buying of raw to reduce cost.

Government has to replace old machineries to reduce cost of production.

Government should take steps so that workers get their wages in time.

Management should try to reduce the burden of fixed expenses.

BJMC has to be more careful to reduce the losses in this industry.

If the management of the sample units wants to keep their operating activities smoothly then they should maintain a quality of their production.

Management can improve this ratio by increasing selling price or reducing variable expenses. Variable expenses can be reduced by proper utilization of the resources.

To overcome this situation management should increase selling price or reduce both variable expenses and fixed expenses.

To increase the production management should take initiative to improve all the machineries and technologies for the mills.

To increase gross margin ratio management should try to reduce overall direct costs which have a significant impact on gross margin. A small increase in prices can make a significant impact on gross profit. Therefore, correct costing of products is very important. They should review the costing of products regularly and adjust prices accordingly.

Management should give the facilities to maximize their production by giving them proper training so that they can work efficiently.

Management should reduce expenses or increase sales so that the degree of relationship between these can be reduced.

It can be increased by increasing selling price or reducing variable expenses.

Management should try to continue their operations as per budget.

Government should create international market for jute and jute goods.

9. Conclusion

This study tries to identify the problems and prospect of jute and jute products in Bangladesh covering its present situation. For doing this, the study used primary data from different local and international sources. The paper provides necessary insights into the structure of Bangladesh's jute industry. The jute industry is facing trouble with some problems that hinder the development path of the jute industry. Selected jute mills are passing through a critical stage. They have both opportunities and challenges. The weaknesses and strengths of the jute mills need to be identified in order to provide appropriate directions of reform and restructuring for the growth and development of these mills. As a result each jute mills will earn profit instead of incurring loss.

References


