

Assessing Savings Position for Financial Safety of Ready Made Garments Workers in Bangladesh

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Abstract

The RMG industry has made significant strides and played a role in the socioeconomic development of Bangladesh in many ways. This sector has positioned itself as the pioneer manufacturing sector and employer in Bangladesh, with huge industrial competitive advantages. The unprecedented growth of this sector also made Bangladesh proud as the second-largest exporting nation in the global apparel trade. Many socioeconomic changes were observed based on the growth of the RMG industry, which had multiplier effects. A study was conducted to evaluate the socioeconomic status and formulate an asset-based socioeconomic index proxy using wide-ranging assets. Financial assets like income and savings are very critical variables. Savings indeed play instrumental roles in drawing socioeconomic effects. Since RMG workers rely on subsistent earnings, it often causes many challenges in maintaining a decent and comfortable living. Savings in banks are considered critical for improving their living standards as strong financing is the root of dealing with better lives containing vulnerabilities. Considering this inevitable asset for the improved living of RMG workforces, there is no research regarding the bank saving state of RMG workers. Some academic works found the need for better income, a better living wage, and the necessity of saving to secure the future of the post-retirement needs of workers and their families in local and regional contexts. Low income has always been an issue that limits the savings of industry workers to some extent. Above all, gender-based income disparity is partly responsible for the weak saving trend. Conventional composite welfare indices like HDI and

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MPI also do not consider savings and other key variables for socioeconomic status assessment. This research attempted to identify if the RMG workers have the capacity to save upon meeting all living expenses due to limited earnings. In the quantitative and exploratory research, the questionnaire technique received categorical responses in binary format. 150 samples were chosen from 4 RMG clusters: Dhaka, Savar, Gazipur and Narayanganj. The core variables of primary data were analysed through frequency distribution, mean and cross-tabulation. However, 70.7% of employees save money through Banks and NBFIs, and 29.3% of employees do not save. A gap between the saving rate of industrial workers and the national savings rate was measured. We found that 98% of low-income employees save, while 2% of high-income employees do not save—82% female and 18% male, indicating a large female share. In housing conditions, the percentage is higher for employees with unimproved housing. It was evident that RMG workers save money for a brighter and safer future amidst the fiscal shortcomings.

Keywords: *Generalised System of Preference (GSP) · Ready-Made Garments (RMG), Human Development Index (HDI) · Multidimensional Poverty Index (MPI) · Non-Banking Financial Institutes (NBFIs) · Household Income and Expenditure Survey (HIES).*

1. Introduction

The RMG sector contributes approximately 83% of Bangladesh's total export earnings (Uddin, 2022). Hence, Bangladesh earns the highest amount of foreign currency through the RMG Sector. The RMG sector is the highest export earner in Bangladesh at the moment. During the last two decades, this sector has remained unparalleled, outperforming other sectors in Bangladesh's export trade. Low labour cost is often cited as a primary strength behind the growth of the RMG industry in Bangladesh (Mostafa & Klepper, 2018). Since the 2010s, the RMG sector has become the second largest exporter after China in the \$700 billion global RMG export market. With this sector's rapid industrialisation and export growth, our economy has come across substantial improvements, including GDP growth and socioeconomic development. The relentless growth of the RMG sector through business and employment has caused a massive positive change in both social and economic indicators. In a labour-abundant economy like Bangladesh, the RMG industry has been playing vital roles in socio-economic improvement through foreign earnings, employment of vulnerable people and regular income for the elimination of poverty and acting as the driving force in the economic development journey (Rahman & Siddiqui, 2015).

This sector has helped increase per capita income, reduce extreme poverty, reduce living standards of people and minimum income disparity, eradicate rural poverty, and promote rapid urbanisation through livelihoods to millions of people

nationwide. Employment in this sector has grown over 4.2 million by 2020 from 4 million in 2015. More than 1.8 million employees are men and 2.5 million are women (Islam, 2021). RMG exports reached \$46.99 billion in FY2022-23 with 10% growth over the past year (epb. gov.bd).

Since the garment industry is the only dominant industry in Bangladesh, this sector has generated multiplier implications across the society and country regarding gender equality, income distribution, social inclusion and, women's emancipation and empowerment, non-discrimination to a large extent. Apart from the contribution of RMG export earnings to the economy, the income of the RMG workers keeps moving the economic cycle and local economy. At the same time, Bangladesh's exports are less than half of that of China, around USD137 billion, the world's top clothing exporter and importer. This illustrates how significant this sector is in our economy. Bangladesh Bank reported that RMG export-earning marked a 10.35% contribution to the GDP of Bangladesh in FY2023 (Modak, 2023).

In addition to foreign exchange reserve generation for the nation, the RMG sector is the second-largest employer in the economy after the agriculture sector. It employs the most women in Bangladesh in formal employment (Asian Centre for Development, 2021) (Labour Force Survey, Bangladesh, 2016-17). This sector is providing livelihoods to millions of people nationwide. The average household size of RMG workers is above 4.5 members. Traditionally, 95% of employees are migrant workers, including male and female workers from different parts of the country. These employees also contribute and support their families in rural areas, resulting in rural poverty cuts, and 63% of household heads are male. Though RMG sector employees have gradually supported local industrialisation and relentless export-earning, many challenges have grappled with industry workers' smooth and decent living. They often face wide-ranging challenges from low-income, irregular payment, job insecurity, unhygienic work and living-condition and deprivation of many fundamental rights, including inadequate healthcare and minimum employment-related-legal rights, which cripple the social recognition of RMG workers. There is a mixed observation regarding the required socioeconomic development of RMG workers since many development indicators or measures like GDP, Physical Quality Life Index (PQLI), Human Development Index (HDI), Inequality-adjusted HDI (IHDI), Human Poverty Index (HPI) and poverty measure largely failed to determine and analyse the socioeconomic development of industrial workers in a broader perspective. These indices primarily deal with a limited number of factors and dimensions which do not demonstrate a clear view of the socioeconomic reality of the industrial class. Instead, these indicators give a national sketch of human welfare instead of a comprehensive view of

industry workers. The income and expenditure data are rarely recorded, are largely confidential, and are available in the national database. The sources of these data are often unreliable. As a result, the income-based socioeconomic development assessment of RMG employees is complex. Conventionally, the wage of RMG workers is TK. 8000, equivalent to USD95, is one of the lowest in Asia and among key RMG-producing and exporting economies, including China, Vietnam, India, Indonesia, and Sri Lanka. The new wage commission has elevated the existing minimum wage, which is expected to be effective in 2024, though this wage does not reflect comfortable and subsistent living conditions. This wage is not commensurate with the growing cost of living in this context. Despite various sub-economy challenges, RMG employees are surviving and steering the growth of this sector with multiplier socioeconomic impacts. We have often seen small incomes help manage the struggling and hard-feasted living of RMG workers and their dependents to some extent. Savings are an economic asset that helps people of all walks in many ways.

Regarding the saving attitude of RMG workers, Frank et al. (2023) found a link between saving attitudes about personal financial planning and retirement planning and the financial literacy behaviour of Solapur and Pune in India. The export-earning of the RMG sector heightens our foreign exchange reserve and national savings in the country. The savings after the disposable earnings of working people often led to savings in the Banking sector and economic stability. The savings attitude of low-income working people is naturally weak enough to shield their miseries, though the value of the savings is fragile and volatile. HIES 2022 reported that the institutional saving by mass people rate is around 14.12%, meaning at least one person is in each household. Bangladesh Economic Review (2023) reported a saving to GDP rate of 30.22% in FY2023. Though it doubts the statistics do not specify all savers, the share of low-income group industrial workers. The savings report also does not retain and disclose the contribution of RMG workers to the national savings. Considering the importance of socioeconomic development, the huge workforce, and the mover and shaker of this sector, income and savings information play vital roles in securing improved socioeconomic conditions. The regular income and savings by RMG workers critically ensure safe and better living conditions for workers and their family dependents. With this view, learning and identifying if the country's primary industry workers have a savings mindset and rate of savers across the RMG workers is inevitable. This learning and industry-saving scenario helps to understand the fiscal solvency and strength of low-income group livelihoods, which in turn helps to know the labour productivity of RMG workers and their efforts to the national economy. The saving spree of RMG workers also enables policymakers to know their income

and savings perspective and the required activities and planned development of industrial workers who remain in the low-income rung of different occupations. Socioeconomic development can be measured using assets as the proxy measure of the working-class people. Conventional poverty measures and indices failed to determine the low-income RMG workers' overall welfare and socioeconomic position.

According to Apparel Resources News-Desk (2018), GoB formulated a rule under the labour law in 2016 for the mandatory contribution of .03% of export proceeds of RMG exporters considering the fiscal need and support of RMG workers in case of illness and physical health needs supported by BGEMA. It is often noticed that many factories do not contribute to this fund. Bhuiyan (2012) narrated the present socio-economic status of the apparel labour of Bangladesh. It was extracted that RMG workers are underpaid. Employees hardly rely on this fund as it is limited to health matters, and this information has not become very widespread. With regards to RMG workers, there have been many studies ranging from socioeconomic factors determination, living conditions, workplace-related matters, discrimination, job dissatisfaction and women's work conditions, socioeconomic development of women workers and the role of the RMG sector in national employment and economic development. In addition, the relationship between income and living conditions and gender-based income differences was also studied in both academic and industrial literature. No academic or empirical research study has been conducted on the savings trend of RMG workers in Bangladesh despite it being an inevitable area of focus in the socioeconomic context.

2. Background of the study

Bangladesh's ready-made garments (RMG) sector has emerged as a global powerhouse, securing its position as the world's second-largest Garment exporter. The phenomenal growth of this sector, marked by a CAGR of 10.27%, propelled Bangladesh to become a key player in the global textile market. However, This economic boom comes with a complex set of challenges, particularly concerning the living conditions and wages of the 4 million workers in the sector (Syed, 2020). There are manifold challenges for the RMG sector about the external market and local market competitiveness. Local industrial readiness involves industrial safety, occupational health and safety, and structural safety for sustainable industrialisation. On the other hand, labour welfare is always the centre of attention in the industry. Moreover, labour welfare is associated with the socioeconomic development of workers. It has been evident that RMG workers are spared from extreme poverty due to regular and consistent wage income despite the relatively

low wage for operational workers. The survival of RMG workers is intricately linked to the sustenance of this global industry, as they serve as the lifeline crucial for its continuation. Our RMG workers earn less than that of many RMG exporting nations. With this low income, they maintain their lives and their families. Despite immense struggles and hardships, they sustain and support their living. Income is the root of all sorts of welfare-related activities of RMG workers. The soaring cost of living is another pressing concern that holds back the desired socio-economic development of industry workers. The national average expenditure of people is less than the reported national average income. The average household expenditure is Tk. 41,424 against the average income of Tk. 45,757 in the urban area. The average income of the RMG workforce is below this benchmark (HIES,2022). RMG sector growth reduced the urban and overall headcount poverty to 5.6%. Despite its economic contributions, the labour of the RMG sector faces stiff challenges, such as rising living costs and decent living standards.

After disposing of expenditures for future safety, RMG workers require decent earnings and savings. In the changing and growing living standards and uncertain future, industry workers must have financial security to support their families, expenses, and other needs in urban living standards, such as healthcare and education and a safe retirement life. Therefore, it is inevitable to ensure savings in banks or NBFIs to cover future needs. While RMG sector employers predominantly disburse salaries through banks, many workers opt for institutional and informal savings within their families. The impending expiration of the Generalized System of Preferences (GSP) further compounds the industrial challenges. Despite the significant contribution of this sector, the disparity in wages persists, with workers receiving meagre pay. The low-income workers struggle to afford daily essentials, highlighting the urgent need for improved wages as food inflation hit a 12-year high of 12.54% in August 2023 (BBS,2023). In addition, approximately 60%-70% of the RMG workforce comprises women, underscoring the sector's significance in empowering women workers (Alamgir & Banerjee, [2019](#)). The positive impact of employment is overshadowed by exploitative conditions such as wage gaps, low salaries, irregular payments, and job insecurity. Despite the contribution of female labour to this sector, existing labour laws offer limited protection for labour. According to Wani (2019), socioeconomic status (SES) is one of the critical factors affecting the health of an individual or a family. This profile is analysed by various variables responsible for income, education, occupation, physical assets, social position, social participation, caste, political influence, and muscle power. EPS (2007) The Economic Profile System was designed to produce detailed socioeconomic profiles at various socioeconomic scales, including employment and personal income by industry, average earnings, retirement and other non-

labour income and earnings by industry.

The demand for a fair salary for RMG workers has gained momentum as labourers perceive it as crucial to fuel our economic engine. IBC survey in 2016 found that 64% of RMG workers did not earn enough for their basic needs, and 77.2% resorted to overtime to compensate for inadequate wages. CPD (2018) reported that RMG workers' living expenses have increased by 85%, and workers' non-food expenses have mounted significantly compared to food expenses. These are holding back the scope and potential of saving for future prosperity.

The Human Development Index (HDI) is a tool for assessing a country's development. It comprises a country's main attainments in terms of a long and healthy life, knowledge, and a decent standard of living. The wealth index was constructed using principal components analysis (Vyas & Kumaranayake, 2006). The wealth index cannot justify the impact of income and savings on future income.

Most studies on socioeconomic status dealt with health-related matters, including expenditures. Filmer and Pritchett (2001) discussed the asset-based household strengths for child enrolment in India.

The minimum wage was set by TK. 8,000 in 2018, and the RMG sector witnessed significant development. The new minimum wage structure 2023 sets the minimum wage for unskilled garment workers at Tk.12,500, equivalent to \$113.6 (at the current dollar rate). However, BGMEA anticipated potential challenges. Though this is the low wage rank, the top minimum wage tier workers would be higher around TK. 28000, equivalent to \$254.84 (at current USD rate). If this wage is implemented, employees may better cope with the growing living expenses to some extent. Of the workers in the RMG Sector, over 50% of employees are junior operators, operators and machine operators, cleaners, and iron operators, which belong to the low-income bracket TK.12,500 and maximum TK.14,750 in grade 5 (Minimum Wage Board, 2023). RMG workers demanded minimum wage TK. 23,000, leading to protests by RMG workers with high expectations from the government (Khatun, 2023). Adding to the Bangladesh Centre for Workers Solidarity, RMG workers' wages increase by 5% annually while commodity prices increase much more. Many workers revealed that rising prices forced them to opt for low-quality fish options (Hossain, 2022).

The wage gap becomes even more apparent when compared to neighbouring countries. The labour cost of Bangladesh is around US\$95, which is much lower than US\$518 in China, US\$234 in Vietnam, US\$170 in Cambodia and US\$150 in India, and US\$107 in Pakistan, the competitors of Bangladesh in RMG export trade (Hossain, 2018). The minimum salary for a cleaner on the government pay scale is Tk15,250, while a garment worker's minimum wage is Tk.8,000. According to a Survey Report on the Garment Workers of Bangladesh (2020), the monthly family

expenditure per household is Tk. 16,596 against their monthly family income of Tk. 23,699 (ACD Survey, 2020). Approximately 60% of workers rely solely on the garments industry for their livelihood, and workers from other supplementary income-generating sectors- agriculture, fishery, livestock, and sewing. (Moazzem et al., 2018).

Overall, the cost of living has surged annually by 17.2% between 2013 and 2018, outpacing the growth of the national consumer price index. Living standard disparity is evident across different RMG hubs in Bangladesh due to diverse demographic and economic conditions in different cities and industrial areas. The cost of living in Dhaka, Narayanganj, and Gazipur varies according to house rent, utility bills, living standards, healthcare standards, and amenities. Family size significantly influences expenses, with larger families incurring higher costs. To ensure the smooth and recognised socioeconomic condition of RMG workers, saving may help attain a good living and socioeconomic position.

Income is an essential factor in the socioeconomic profile of RMG workers. Despite having various works on the socioeconomic condition of RMG workers, savings opportunities, outcomes and benefits were least attended. In this context, there is no work to ensure the savings profile and savings state of RMG workers since they work in a low-income occupation but in the mainstream industry in Bangladesh. The livelihood issues include accommodation challenges, limited household assets, financial liabilities, and lack of basic public facilities and amenities, which portray the multifaceted challenges RMG workers face beyond their living expenses (Moazzem & Radia, 2018). Due to unreliable, multifarious data on income and expenditure, socioeconomic measures could not be developed as income does not represent and affect variables of socioeconomic development. Therefore, asset-backed socioeconomic status checks were a priority in social science. The country's per capita income is incremental, but the growth of RMG wage is far from the GNI per capita. As Bangladesh strives for further economic growth after LDC graduation in 2026 through the growing RMG sector, the study on income-led saving trends and the position of RMG workers would present the fiscal strength of RMG workers. Savings are also aligned with improving workers' living conditions and socioeconomic welfare.

3. Problem Statement

The RMG sector in Bangladesh has emerged as a significant contributor to the economy, playing a pivotal role in employment generation and export earnings. However, a critical concern within this industry is the glaring income inequality among workers, which seriously threatens their survival and well-being. The rationale for conducting this study lies in recognising the pressing socio-economic

issues prevailing in the RMG sector, focusing on the persistent problem of inadequate wages. The importance of investigating this issue stems from the profound impact on the livelihoods of workers, specifically through the consequential reduction in disposable income. The RMG sector plays a crucial role in the global economy, and the well-being of its workforce directly influences the overall welfare and sustainability of this sector. Secondly, the ongoing struggle of workers to secure a decent standard of living despite their contributions to society raises concerns about social justice and fair labour practices. Moreover, RMG labourers are forced to work long hours with limited sick leave, holidays, vacations, pensions, bonuses, festival allowances, and trade unions (Islam & Zahid, 2012).

The low wage in this sector has been identified as a critical factor leading to the financial safety of workers, affecting their ability to meet basic needs such as housing, sanitation, education and healthcare. Inadequate income results in a struggle to deal with contingency-carrying debt or involvement in financial deals (Lusardi, 2011). The minimum wage in the RMG sector, while a crucial step towards safeguarding workers' rights, is insufficient to meet the basic needs of the labour force. Despite several revisions to the minimum wages over the last decade, the livelihood conditions of workers, particularly regarding their housing, children's education, and health, remain poor. A large section of workers regularly borrowed loans from informal sources for sustenance (Moazzem & Arfanuzzaman, 2018). This study dealt with the disparity between rising wages and actual living expenses, investigating elements that contribute to the limited disposable income of workers. However, the national average income is Tk. 15,988, according to HIES 2016. The income groups were recorded into two groups based on employees' income level. We have realised a discrete number as the value of the salary.

A study on Thai industrial workers in the Mincerian wage equation and its impacts on wages by Wannakrairoj (2013) provided an indication and outcome that a positive relationship is found among the Thai labour's education, experience and income. One of the primary concerns is the ongoing struggle of workers to secure a decent standard of living. The cost of essential goods and services continues to rise, eroding the purchasing power of the increased wages. Due to such a financial crisis, they cannot fulfil their basic needs (Narayan & Patel, 2000). They are not concerned with food, clothing, accommodation, health and hygiene. This deprivation not only impacts their well-being but also acts as a catalyst for social delinquency despite their significant contributions to society. Unfortunately, a considerable number, around 89% of garment workers, are not satisfied with their monthly salary (ICMAB, 2019). Considering this weak income and saving the context of RMG workers, this research aims to evaluate how inflation affects the well-being of RMG workers, potentially pushing them toward financial crisis and

compromising their ability to meet fundamental needs such as housing, education, and healthcare. Yeasmin (2023) revealed that RMG workers constantly face income shortages that hinder their future planning. Despite long working hours, the financial strength of low-income RMG employees lacks planning for potential income loss, unexpected costs, financial assets and retirement savings. ADB first absorbed the sustainable livelihood approach framework to assess sustainable livelihood based on five major assets: social, physical, financial, human, natural, and productive use (Krantz, 2001). It indicates that financial assets are essential for sustainable livelihood or socioeconomic development. Breza et al. (2020) found that in Bangladesh, paying garment workers' wages digitally gradually leads to increased account use and savings and greater financial capability. Approximately 85% of all salaried employees in developing economies receive their wages in cash. Despite having documented regular income, they often cannot open a formal financial account without an employer's help. 2.5 million digital accounts were opened by the RMG workers during the pandemic to receive the salary stimulus package of \$600. WEF (2021) reported that 62% of employees agreed to digital payment receipts and preferences. Despite having a structured wage rate and income plan, there is an income disparity due to gender-led income discrimination and many external economic factors, including labour unrest, low productivity, weak workers' management, and weak business turnover; wage discrimination often leads to dissatisfaction in work and low motivation.

In light of the above, this research attempts to address the critical issue of income inequality among RMG workers in Bangladesh. Their survival is challenged due to the absence of a living wage and their weak socioeconomic position. Amidst the low disposable income and rising cost of living experience of RMG workers, the research aims to understand and identify whether RMG workers can save after meeting for a decent living and safer future.

4. Research Question

Taking into account the research problem of the study, the core research question emerges from the given literature of relevant academic works, empirical analysis on income base and income discrimination of RMG workers; the research gap has been evident that no specific study to define the rate and ratio of savings by the RMG workers amidst their professional life. The research question is, can RMG workers save for safe and secure living conditions?

The overall objective is to critically examine the relationship between RMG workers' earnings and savings after meeting all living expenses.

5. Objectives of the study

The specific objectives are given below:

- To determine if RMG workers save money after meeting living expenses.
- To relate the savings rate by RMG workers with the national saving rate.

6. Scope of the work

This study mainly considered primary data from a survey of factory workers in major RMG clusters. Blue-collar workers are the primary targets. Socioeconomic conditions through Bank savings by the workers are the main scope of work. No personal saving mode is considered; it is an institutional mode of savings. This study was arranged with some data and findings of a primary survey on constructing a socioeconomic index to measure the socioeconomic status of RMG workers. The income and saving variables were extracted from that work to disseminate key findings on the saving behaviour and state of RMG workers. No secondary data were used in this work.

7. Literature Review

This section assorted and explored the literature relevant to the proposed research, explaining this issue, different aspects of socioeconomic development and income-related disparity, limitations, different socioeconomic measures, and the impact of income. Haque et al. (2020) explored the women's current socioeconomic position at the workplace in the RMG sector in Bangladesh regarding wages, promotion, safety and security. This study had some remarkable findings: Though female workers were doing the same job, they were deprived of getting desired job postings, salaries and promotions due to their skills. Absar (2009) found that the RMG sector of Bangladesh has tremendous development in the world, though the wage pattern is not unsatisfactory for all.

HDI, the most renowned human welfare measure, must be supplemented by other economic and social cohesion indicators, sound development strategies, and other economic factors to be more reflective. The MPI-SL (Multi-dimensional Poverty Index) measures three dimensions of well-being: health, education, and standard of living (Alkire & Santos, 2010). These indices also exclude saving and fiscal security and do not address the needs of low-income industrial workers.

Yeasmin (2023) revealed that most of the RMG workers had a lack of knowledge about financial products and services. The reliance on informal financial arrangements and lack of resources for future savings contributed to a focused mindset among these workers. They struggled to meet their ends, rarely had money left, and struggled to maintain savings. They believed investment in land and animals is more profitable and easily accessible in emergencies than saving in financial institutions.

Huang and Lee (2015) studied low-income households of RMG workers. They found that people's experience of economic hardship was not related to financial literacy but instead relied on the external environment, i.e., access to financial services, planning and managing money. However, according to Rothwell et al. (2016), financial knowledge enriches the saving behaviour of low-income RMG workers. Kabir et al. (2022b) showed that increased wage, to some extent, improves savings and meeting capability. However, with ongoing price hikes of daily commodities and physical and psychological health challenges, workers could not realise any financial benefit to meet savings needs and emergencies.

Akhter (2022) mentioned that earnings from assets and savings are the major sources of economic security for a household to meet emergencies like unemployment. Bhattacharya et al. (2002) argued that the expansion of women's employment contributed positively to the improvement of the poor's savings behaviour since women tend to be better savers. Chowdhury and Ullah (2010) addressed the job satisfaction of female RMG workers, which was concerned with saving, duration of maternity leave, medical allowance, bonus structure, job environment, accommodation, education, etc.

In the study on RMG worker's status, Bhuiyan (2012) discussed the present socio-economic status of the garment workers in Bangladesh. Data on their income, job security, accommodation, education of their spouse and children, compliance, savings, bank deposits, and recreation were collected to measure their socioeconomic position. It was found that garment workers were underpaid. In the same way (Chowdhuri, 2012). identified socioeconomic status factors of RMG workers were health care, education, social security, attachment to a labour union, overtime, savings, job security, working hours, and fringe benefits. Shyam (2019) found that a highly educated RMG worker will likely have a good income from properties and savings temporarily. The nature of work may be informal, but income is secured. Shyam (2019) recommended that pension, a basic social security system for RMG workers, should be based on certain broad principles, viz. universal coverage benefit, equity, fairness, protection against poverty, replacement of lost income, and a guarantee of the minimum rate of return on savings.

Khanam (2021) states that financial benefits are prime employee motivational factors. After meeting the expected compensation level, their following demands are a good working environment, job security, savings plan, and social recognition, which need to be met by employers. However, fixing minimum wages in the RMG sector is challenging because employees are dissatisfied with the existing wage rate and unable to make small savings at the end of the month. Employers always claim that production costs are gradually rising and employees are struggling to

afford the additional cost of the minimum wages.

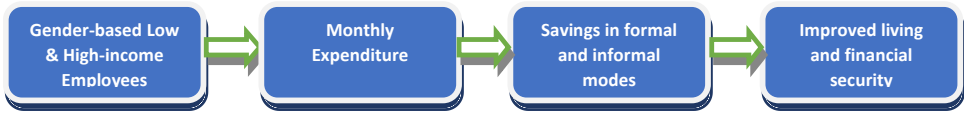
According to Hansen et al. (2021), due to uncertainty about the job apparel sector, income prospects and global impacts on the supply chain, RMG workers are in a terrible state. Despite that, the RMG industry allowed millions of young women who would not otherwise be employed in the global economy. Chilton et al. (2019) state that the RMG sector growth provided significant job and income-earning scopes for various people, especially young women. Against the drawbacks of income and expenditure data in SES assessment, the household wealth index was considered a reliable proxy for household economic status encompassing household assets, dwelling characteristics and consumer items possession in some South and Southeast Asian countries (Sreeramareddy et al., 2014). The average female worker receives little formal education in Bangladesh, Cambodia, and Vietnam. In addition to income generation and poverty reduction, this sector has also created indirect jobs in Cambodia (Han & Mah, 2015). Mustafa et al. (2016) mapped the socio-demographic profile of women workers in the RMG sector and assessed the impact of employment in RMG on livelihood change. They found that women RMG workers brought positive changes in different livelihood assets such as financial, physical, human, social, and natural capital. Almost 90% of women employees claimed income and savings increased after their employment with a contribution to society and the economy.

8. Research Gap and Conceptual Framework

To justify the relationship between RMG workers' income and savings-led socio-economic development in Bangladesh, various academic references are found that indirectly discuss the nature of socio-economic changes in the RMG sector. The various scholarly works on wide-ranging avenues of socioeconomic condition of RMG workers identified different works covering socioeconomic aspects, factors and their studies in Bangladesh, Asian contexts and women's welfare and their socioeconomic development. Income and savings factors were discussed along with other factors of socioeconomic development. The study has not focused on saving by industrial workers and whether RMG workers tend to save, as most studies cover their exploitation and other industry-related challenges. The savings of RMG workers seek due attention to whether workers can save after maintaining their major living expenses.

The inductive approach is required to make the conceptual framework for this work. Inductively, we collected relevant variables from relevant academic works, theories, and literature on income and saving and the need for saving for low-income industrial workers to ensure decent living and socioeconomic improvement. Since there is no knowledge and empirical evidence on how institutional savings lead to

the future safety of RMG workers, a process design of a Conceptual framework can be followed to show the relation of these variables considering income variables and the rate of RMG workers as savers.



9. Methodology of the Study

The study aimed to narrate income and savings trends for the better socioeconomic status of the RMG industry workforce and socio-economic development in Bangladesh. This study followed a survey research method, which required the researcher to find information from relevant industrial populations by using different sub-set features of the population.

This research is essentially quantitative. An in-person survey of target sample units was conducted using a survey research technique and questionnaire approach.

The epistemological assumptions concern the kind of possible knowledge and how this knowledge has become adequate and effectively legitimate (Blaikie, 2000).

Scientific knowledge is generated significantly from a positivistic paradigm in both natural and social science. The research question, respondents' selection, data collection tool, and data analysis are filled under the positivistic research paradigm. Due to the small diversity of the population, a two-stage stratified cluster with 150 samplings was used to adequately represent the samples in this work.

We used random sampling to select factories and to identify the sample units. Samples were collected from major RMG industry clusters like Dhaka, Savar, Narayanganj, and Gazipur.

Secondary data on RMG exports, GDP, industry size, poverty, employment, and household expenditures were referred from BGMEA, EPB, BKMEA, BBS, Bangladesh Bank, Export Promotion Bureau, Finance Ministry, and GoB database publications.

For primary data collection, the questionnaire with close-ended questions enshrining demographic features of the research respondents, employee income level, migration status, and savings was used. Different literature reviews on earning and saving helped to identify the variables that were empirically tested for the generalisation of new knowledge.

The survey questionnaire had 30 items, and six variables were shortlisted, analysed, and extracted to identify the population's findings. Marital status of the employees, Age, Gender, Residence style of employees, Migration status, Income level and Savings behaviour of employees. SPSS and MS Excel tools were used for data analysis.

10. Findings on data result and analysis

The descriptive analysis also covered the demographic variables and aspects of the RMG industry survey respondents. Later, the demographic features of the survey respondents, the frequency, mean, standard deviation cross-tabulation of Income state and frequency of Savings by employees are included. For different analyses of the relation of variables of factors, the relevant cross-tabulation has been shown below:

The Survey record on the housing condition of RMG employees and their housing or accommodation style has been classified into “Improved” and “Unimproved” housing styles based on four categories of standard housing: semi-pucca, shared house, rented house and own-house. One hundred four employees live in improved housing conditions, and the rest, 44, live in unimproved housing states. Table 1 below recorded that 14% of respondents, equivalent to 21, are Male, and 86%, equivalent to 129 employees, are female.

Table 1: Gender of Employees

Gender	Frequency	Percent	Valid Percent
Male	21	14.0	14.0
Female	129	86.0	86.0
Total	150	100.0	100.0

With regards to the age status of employees or respondents, it was found that 69, the highest number of employees, are from the age group of 31-40 years, followed by 40 workers from the age group of 41 to 50 years and 34 from the age group of 20-30 years. The lowest number of employees, 22.7%, was 20 to 30 years old. We have collected data on all employees’ ages for data classification; all discrete age numbers have been recorded into age groups. The average age was 36.35 years.

Table 2: Age of Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
20-30	34	22.7	22.7	22.7
31-40	69	46.0	46.0	68.7
41-50	40	26.7	26.7	95.3
51-60	7	4.7	4.7	100.0
Total	150	100.0	100.0	

Table 3: Marital status of RMG workers

Marital Status	Frequency	Percent	Valid Percent	Cumulative Percent
Unmarried	103	68.7	68.7	68.7
Married	29	19.3	19.3	88.0
Divorced	18	12.0	12.0	100.0
Total	150	100.0	100.0	

Regarding the marital status of employees of the respondents, it was viewed that 103 employees, equivalent to 68.7% of all samples, are unmarried, 19.3%, equivalent to 29 employees, are Married, and 18 equivalents 12% are Divorced and 0 Widows.

Table 4: Income position of RMG workers

Income Range in TK.	Frequency	Percent	Cumulative Percent
0 to 80000	109	72.7	72.7
8001 to 15000	36	24.0	96.7
15001 to 22000	5	3.3	100.0
Total	150	100.0	

RMG workers get paid based on minimum wage. Based on the income data collected by RMG workers, diversity has been noticed in the income of all employees. The income data have been grouped into four classes. The highest number of RMG workers, around 72.7%, equivalent to 109, remains within the 1st or low-income bracket up to TK. 8000, followed by 24% of employees in the income bracket Tk. 8001 to TK.15000. The lowest number of employees, 3.3%, are attached to TK. 15001 to Tk. 22000 income bracket. Later, these four segments of the income bracket were converted into “Low” and “High” income groups. The low-income group has been denoted as those who earn less than TK. 8000 to maximum TK. Fifteen thousand employees with over 15,000 are treated as “High-income group” workers. The average monthly income of the employee is TK. 9068.67, and minimum and maximum income were Tk. 7,500 and TK.17,000 respectively.

Table 5: Income New and Gender Cross-tabulation

		Gender		Total
		Male	Female	
Income New	Low	21	126	147
	High	0	3	3
Total		21	129	150

The income data has been converted into income level. The cross-tabulation of the income level of RMG workers and gender to show their relation from Table 5 depicted that out of 147 low-income group employees, 21 are male and 126 are female. Besides, among the high-income group employees, there are three female and 0 male workers. Female employees are omnipresent as they belong to both Low-Income and High-income employees.

Table 6: Savings in Bank Accounts by RMG Workers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	44	29.3	29.3	29.3
	Yes	106	70.7	70.7	100.0
	Total	150	100.0	100.0	

Respondents were asked whether they could save money after meeting all disposable income. With recorded responses, we found that 106 employees, equivalent to 70.75%, can save money in the Bank, and 44 employees, equivalent to 29.3%, replied “No” as they cannot save. This number of Savings in the bank is remarkable among RMG workers.

Table 7: Savings in Bank Account and Gender Cross-tabulation

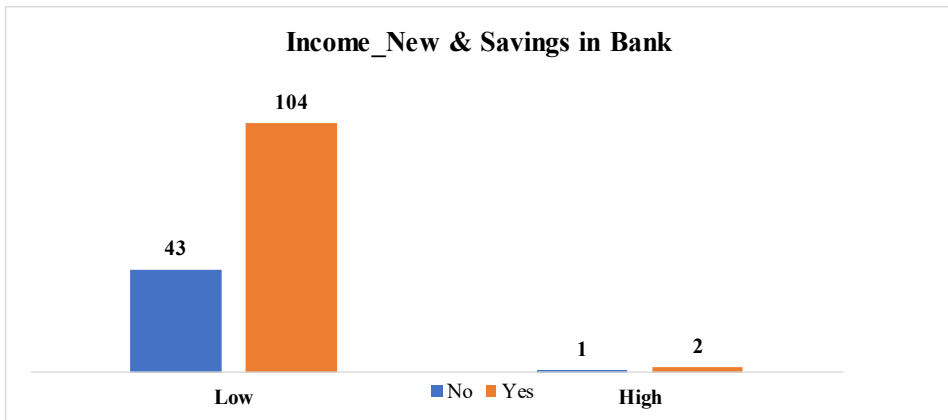
		Gender		Total
		Male	Female	
Savings in Bank Account	No	2	42	44
	Yes	19	87	106
Total		21	129	150

Table 7 states a cross-tabulation of Gender and saving and reports that two males cannot save and 19 can save in banks out of 21 male employees. Out of 129 female respondents, 42, or 32.56%, do not have savings in the Bank, and 87 female

employees, equivalent to 67.44%, can save money in the Bank after meeting their regular living expenses. It has been evident that female employees save more than male employees in the RMG sector.

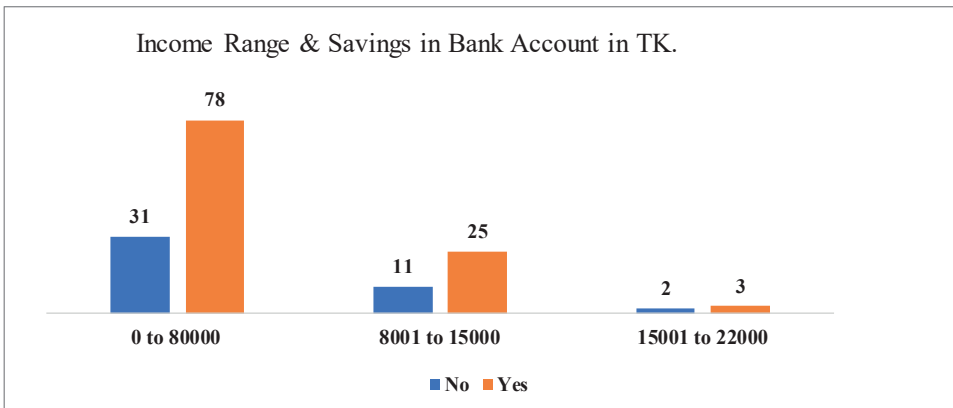
The relation of Income new status and Savings in Bank by RMG employees can define which income group workers are inclined to save more and which are not. Accordingly, it was found that out of 147 low-income group employees, 43 employees do not save in Bank, and 104 employees can save in bank or institutional mode. Among the three high-income group workers, only one high-income worker can save money, and the remaining 2 of 3 total high-income workers do not save money in the RMG industry. It has been evident that the saving tendency is higher among low-income workers.

Figure1: Income New and Savings in Bank Account



Source: Survey Report, 2023

Figure 2: Income Range and Bank Savings Cross tabulation



Source: Survey Report, 2023

*Table 8: Income Range and Savings in Bank Account
Cross-tabulation*

		Savings in Bank Account		Total
		No	Yes	
Income Range in TK.	0 to 80000	31	78	109
	8001 to 15000	11	25	36
	15001 to 22000	2	3	5
Total		44	106	150

Cross-tabulation of the Income Bracket of RMG workers and Bank savings found that the highest number of savers belong to the low-income bracket TK.8000, as 78 employees replied positively, and 31 employees of this income bracket do not save. We found 11 employees who do not save in the following income range, while 25 put money in the banks. In addition, three employees save while two do not save among TK's third highest income brackets, Tk. 8000 to Tk. 15000.

*Table 9: Savings in Bank Accounts and Migration for
Livelihood Crosstabulation*

		Migration of workers		Total
		No	Yes	
Savings in Bank Account	No	6	38	44
	Yes	14	92	106
Total		20	130	150

Table 9 describes the cross-tabulation of workers' migration status and employees' bank savings. The tabulation extracted the number of bank savings by the migrant workers. Out of 20 non-migrants, 6 have no savings in the Bank, while 14 have savings in the Bank. On the other hand, out of 130 employees, 92 employees save through the Bank, and the remaining 38 do not save through bank accounts. It can be inferred that many migrants and non-migrants intend to save in the bank.

Table 10: Savings in Bank Account and Residence Type New Cross-tabulation

			Residence type New		Total
			Unimproved	Improved	
Savings in Bank Account	No	Count	17	27	44
		% Savings in Bank	38.6%	61.4%	100.0%
	Yes	Count	29	77	106
		% Savings in Bank	27.4%	72.6%	100.0%
Total		Count	46	104	150
		% Savings in Bank	30.7%	69.3%	100.0%

Table 10 shows the relationship between Savings in the Bank and the household conditions of employees. There are 44 employees with 17 unimproved residence conditions and 27 improved residences who do not save money in the Bank. On the other hand, 29 employees with unimproved households save in the bank, while 77 employees with improved households save in the bank out of 106 employees.

Table 11: Migration and Savings in Bank Account Cross-tabulation

			Savings in Bank Account		Total
			No	Yes	
Migration for livelihood	No	% Migration	6	14	20
			30.0%	70.0%	100.0%
	Yes	% Migration	38	92	130
			29.2%	70.8%	100.0%
Total			44	106	150
		% Migration	29.3%	70.7%	100.0%

The cross-relation of migration status and bank savings of employees reported that out of 20 non-migrant workers, 14 reported saving in the bank, while the remaining six reported not saving after meeting living costs.

On the other hand, 38 employees save in banks, and the remaining 92 cannot save in banks out of 130 migrant workers. It can be inferred that migrants have relatively weaker fiscal strength. For sustenance in their living in Dhaka and urban areas, they are more enthusiastic about saving to support the future. In case of job

loss due to factory closure, this saving will strongly back up the subsistent income-grouped workers.

11. Relating the Industrial workers' savings with national socio-economic data

The socioeconomic development report underscored that Bangladesh had made essential strides in various socioeconomic parameters like poverty reduction, life expectancy, literacy rate, and growth (Finance Division, 2022). The Ministry of Finance also pointed to the cut of hardcore poverty to 10.5% in 2019 from 24.2% in 2006 and women's participation in the labour force to 36.3% in FY2017. Women's participation and empowerment have significantly contributed to poverty elimination.

The Household Income and Expenditure Survey (HIES) regularly reports every five years, projecting household conditions to meet economic needs dealt with by the Bangladesh Bureau of Statistics (BBS).

HIES (2022) stated that household living status and socio-economic status improved. Key findings of the survey are that access to electricity increased from 75.9% in 2016 to 99.3% in 2022. 92.3% have access to improved sanitation, and 96.1% have improved water sources. The average income of each household has enhanced to TK. 32,422 in 2022, along with expenditure to TK. 15,715. Both food and non-food expenditures have increased by 45.8% and 54.2%, respectively, though the income of RMG workers has not escalated in line with this trend.

National socioeconomic statistics are believed to represent the industry population since national data is supposed to represent industrial employees. It helps to know the gap between socioeconomic status categories and the given national results. This needs to be addressed if there is any major difference in survey data on any socioeconomic variable and national socioeconomic status. We have found the resemblance in data of many variables like access to water, electricity and literacy between industrial and national grounds. However, other key asset variables of micro-level people, including industry workers, demand special attention to understand the accurate picture. The savings statistics by industrial workers can be checked against the national data on institutional or bank savings recorded to determine whether the industrial scenario is almost identical to the national context. HIES (2022) stated that the rate of people who prefer to save and deposit in micro and financial institutions is 21.30%. The surveyed data on this variable has been checked against this given rate to know the position of savings of RMG workers and the gap.

The survey on RMG workers reported that 106 equivalents, 70.7% of the given sample units, while 29.3% reported having no bank accounts. The industrial

workforce survey resulted in a sizable gap between the results of the two statistics. The gap in the statistical position was reported at 49.4%, indicating a massive gap in the rate of employees having bank accounts. Differences in the rate of having and not having a bank account and saving are noticeable. However, it is worth mentioning that formal savings through banks and saving data of the RMG sector may not be hugely reflected in the national statistics. However, it is worth encouraging that RMG industrial workers have a positive attitude toward institutional deposits and savings.

12. Policy Contribution of Study

This study's findings on institutional or bank savings are likely to contribute to Bangladesh's socioeconomic condition, macroeconomic avenues, policy framing, and reforms, above all labour economics. Fiscal strength and gap of labour forces and the elevation of their financial capacity can be well-assessed.

We have found some relevant findings on the state of the social and economic conditions of the industry workforce. Against these findings, some policy suggestions for the Government are considered for improving the socio-economic condition of industrial workers.

- Most RMG workers belong to low-income groups. Since wage income is associated with various household assets and improved living conditions, the minimum wage needs to be raised to support employees' living standards.
- Introducing a living wage is another much-needed expectation of the RMG sector workforce. This living wage can ease further improvement of workers' socio-economic conditions. Our findings may provide a rationale for a living wage to offer decent living and income in urban areas.
- The saving position of RMG workers enhances national savings and investment to GDP. Small savings from marginal people have huge macroeconomic implications in the long run, enhancing the saving spree. Saving also heightens the motivation of workers, especially in women-dominated industries.
- Decent income and savings may secure improved living conditions and reduce government external borrowing from development agencies to meet the resource needs for the growing economic development needs. Better saving options encourage job security of employees to a large extent.
- Monetary policy can advise commercial banks to add higher incentives or interest for marginal savers' savings. Since Bangladesh Bank keeps

a provision to retain .03% of export proceeds for the welfare of labour, enforcement of this provision among the RMG sector employers will be facilitated.

- The socioeconomic condition of RMG workers, savings, and income availability reduce the government's social safety net budget. The government may allocate an extensive social safety net budget to ensure the social safety of low-income, distressed people and jobless workers. Savings can reduce government borrowing in the national budget.
- The Decent work concept by the ILO includes productive work, fair income, workplace safety, social protection, and decision-making for workers. The findings may ease the savings and income hikes of employees.
- The study's findings may lead to timely reforms in the existing labour rules regarding labour welfare, wages, and employee benefits, resulting in labour supply growth and improvement of labour economics.

13. Limitations of Study

Access was limited as visiting the factory during working hours was challenging. Understanding the purpose of this work, financial and saving needs behaviour, and challenges of industrial workers was a bit hard. Employees were found less keen to discuss financial and income matters as these are sometimes confidential to most of the respondents. Employers were reluctant to allow access to factories.

14. Brief findings, Conclusion and Recommendation for future research

The research has attempted to identify if the RMG workers have the capacity to save money after meeting all living expenses since they have inadequate earnings. In response to that, it is found primary challenges were low-income and growing cost of living standards crippling the scope of savings for meeting unforeseen needs and future demand from the relevant literature review. The demographic variables found that 68.7% of total employees are Unmarried, 19.3% are Married, and 12% are Divorced. 13.33% of employees were local descendants, whereas 86.67% were migrants. 30.6% of employees live in unimproved housing, and 70.3% live in improved housing.

However, the survey on core variables found that 98% of employees belong to the low-income bracket, while three belong to the high-income bracket. On the other hand, the Gender-based saving trend mentioned that about 106 employees save money using institutional options, including banks, where 87 are female and 19 are male, indicating female dominance in savings engagement. From the

housing condition context, a higher percentage of workers with improved housing prefer to save, around 74% or 77 more than unimproved houses, around 63.04%, equivalent to 29 employees. Regarding the gap in savings data, it was found that 79% of employees are saving in banks, contributing to the family and national savings. There is a considerable gap between the national savings statistics and savings by the country's largest industrial workforce. It was proven that the saving tendency looks higher among low-income working people in Bangladesh. In addition, migrant workers also save and deposit more than non-migrant workers. The smooth deposit can overcome existing socioeconomic challenges to a large extent. However, for the socioeconomic advancement of RMG workers, the correlation of income and savings with socioeconomic status may be studied. Economic variables, such as inflation, cost of living, and living wage, may be studied.

We believe that the low-income groups' standard minimum wage and saving pattern may be improved through policy reforms. The relationship between RMG workers' earnings and savings has been empirically tested. In addition, the upcoming economic change trend can discuss how the saving of RMG workers affects the national saving-to-GDP ratio. The decent work initiative considers the development of low-income group workers, which may be facilitated. Resource allocation in the national budget and mapping of a five-year plan may be effectively made, considering the study's findings for the industrial workers' best interests. With this growing saving attitude, industrial employees may save money for future needs and desired prosperity to some extent.

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