

# Major industries in sri lanka meaning of industry economics essay



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Tourism is one of the main industries in Sri Lanka. Major tourist attractions are focused around the islands famous beaches located in the southern and the eastern parts of the country and ancient heritage sites located in the interior of the country and resorts located in the mountainous regions of the country. Because of precious stones such as rubies and sapphires being frequently found and mined in Ratnapura and its surrounding areas, they are a major tourist attraction.

The 2004 Indian Ocean Tsunami and the past civil war have reduced the tourist arrivals, from years the ratio of tourist visitors are increase. In March 2008 the ratio is increased by 8. 6%.

Source: [www. indexmundi. com](http://www.indexmundi.com). CIA world fact book

## **Tea industry**

The tea industry is one of the main industries in Sri Lanka. Tea business is operating under the Ministry of Public Estate Management and Development It became the world's leading exporter in 1995 with a 23% share of global tea export, higher than Kenya's 22% share. The central highlands of the country have a low temperature climate throughout the year and annual rainfall and the humidity levels that are suitable for growing tea.

Recently, Sri Lanka has become one of the countries exporting fair trade tea to the UK and other countries. It is believed that such projects could reduce rural poverty.

## **Apparel and textile industry**

The apparel industry of the Sri Lanka mainly exports to the United States and Europe. Europe increasingly relies on Sri Lankan textiles due to the high cost of labor in Europe. There are about 900 factories throughout country serving companies such as Victoria's Secret, Liz Claiborne and Tommy Hilfiger.

## **Rubber Industry:**

As the world's 6th largest exporter and the 8th largest natural rubber producing country, Sri-Lanka offer many types, forms and grades, such as ribbed smoked sheet (RSS); pale crepe, sole crepe, brown crepe, technically specified rubber (TSR), centrifuged latex and specialty rubbers, Sri Lanka being the major world supplier of crepe rubber. Sri Lanka has a winning combination of premier quality rubber, an abundance of highly trained chemists, technologists, engineers and technicians and technologically advanced manufacturing systems and sophisticated equipment, which collectively enables Sri Lanka to offer products at competitive prices.

1Source: <http://www.srilankabusiness.com>

## **Coconut industry:**

Sri-lanka was one of the leading coconut industry in the world and exports its products in many region like European and Asian country but now a days its market is down because of manifold reasons. Currently, there are more than one million acres under coconut plantation and most of the lands have been underutilized throughout the country. The reason being that an average number of trees for an acre is around 35 - 40 trees, which is below the required level. Sri-lanka's annual production 2. 6 billion nuts and they want

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to achieve target 3. 5 billion with the promotion in cultivation of coconut by providing subsidies to the North and Eastern region.

### **Tobacco industry:**

Tobacco has become a highly profitable commercial crop in Sri Lanka. During the past decade, many incentives, such as technical advice to rural farmers, provision of fertilizer and seeds etc., were given by CTC to promote tobacco cultivations. CTC claims that they have generated nearly 300 000 jobs nearly 8% of the total in Sri Lanka but official figures estimate that in there were only 8437 tobacco farmers in Sri Lanka. Tobacco advertisements are not permitted in the electronic media, but indirect smoking promotional scenes can be seen in teledramas on television.

### **Banking:**

The banking sector in Sri Lanka is monitored by the Bank Supervision Department of the Central Bank of Sri Lanka under the Banking Act, Monetary Law Act and the Exchange Control Act. The banking sector sustained its earnings via an increase in investment income from government securities and equities. All of the key performance indicators showed positive growths in 2010. central bank of Sri-lanka permitted three types of financial institutions like Licensed Commercial Banks, Registered Finance Companies, Licensed Specialized Banks.

2Source: <http://banks-lk.blogspot.ca/>

3Source: <http://www.Asiantribune.com>

4Source : Central Bank of Sri Lanka Annual Report

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### **Shipping industry:**

The country's shipping industry will continue its growth momentum as several mega port development projects were launched during the last five years. Government encourages growth in the shipping sector by giving them the policies and one of the key policy initiatives introduced by the 2012 budget is to open free areas in the Colombo, Hambantota and Trincomalee ports. This will help or boost for logistics related value added services and could attract major FDIs. Investment in shipping industry raise to US\$ 440 million in two years from 2011 while investment is expected to reach US\$ 2.8 billion during the period from 2017 to 2020.

### **Telecommunication industry:**

Sri-lanka Telecom (SLT) is a public profit seeking company with 51% shares held by the state but now a days the number of private companies are increasing rapidly by providing services like Cellular mobile telephone , Paging service , Stired& forward fax services Data transmission , Mobile radio trunking , Payphone. The Sri Lanka Telecom-INTERNET started it's Internet Service providing facility in February, 1996. Lanka Internet Service (LIS) became the first to provide on-line Internet access on a commercial basis in April, 1995. The privatization of SLT and the new licensing of private operators on trunk routes could drastically change the entire networking and data communication infrastructure in the country.

### **Petroleum Refinery:**

Lanka IOC, IndianOil's subsidiary in Sri Lanka, is the only private oil company other than the state-owned Ceylon Petroleum Corporation (CPC) that

operates retail petrol / diesel stations in Sri Lanka. Lanka IOC is ranked no. 1 among the island nation's leading listed companies. Presently, it holds a market share of about 43. 5%. In a highly competitive bunker market, catering to all types of bunker fuels and lubricants at all ports of Sri Lanka, viz., Colombo, Trincomalee and Galle. It is the major supplier of lubricants and greases to the three arms of the Defence services of Sri Lanka. Lanka IOC is making phased investments to provide world-class quality petroleum products and services to the Sri Lankan customers.

5[http://www. Asiantribune. com](http://www.Asiantribune.com)

### **3. 2 Ratio to Private to Public Sector:**

#### **Industry**

#### **No. of Private Companies**

#### **No. of Public Companies**

#### **Ratio to Private to Public company**

Tea

33

10

33: 10

Apparel

9

5

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9: 5

Rubber

34

24

17: 12

Telecommunication

2

4

1: 2

To find out ratio to private to public sector is important to know the economy condition of particular industry. Mainly in the Tea industry there are private players are more in number with compare to the public. And ratio of private to public is 33: 10. Means there are 77% private players and 33% public. And in the Apparel industry the ratio is 9: 5. That means private players are 65% and public 35%. This percentage reflects that major portion of this industry is covered by private companies. In Rubber industry private to public ratio is 17: 12. From this we can interpret that 59% is covered by private and rest means 41% covered by public company. In Telecommunication sector the ratio is 1: 2. From these we can conclude that in telecommunication major players are public and it is 67% and private players are 33%. It shows that

telecommunication sector is restricted for the private company with compare to the public company.

### **3. 3 Major Players & their operations in each Industry:**

#### **1. Tourism:**

Major players in tourism industry are Acme Lanka (Pvt.) Ltd, Andrews Travel Service Ltd., Anton Jayakodi Travels (Pvt) Ltd., Columbus Tours (Pvt) Ltd., Globe Jeter Travel Services, Ncar Travel and Tours Ltd. Rus – Lanka Travels & Tours, Sunway Holidays etc. Acme

#### **2. Tea industry:**

There are mainly two players who produce tea in Sri Lanka. They are Dilmah and Bogawantalawa.

#### **Dilmah:**

The main product of dilmah are Ceylon Tea, Flavoured Tea, Green Tea, Speciality Tea, herbal infusions, Masala Chai, boutique tea – the t-Series Designer Gourmet Tea [www. teatimerocks. com](http://www.teatimerocks.com), Watte Single Estate Tea. Dilmah is a brand of Ceylon tea. The company was founded in 1974 by Merrill J. Fernando. The name Dilmah was chosen by combining the first names of Fernando's sons Dilhan and Malik. It is available in over 92 countries including UnitedKingdom, Lithuania, Russia, Hungary, Canada, South Africa, Australia, Japan and New Zealand.

#### **Bogawantalawa:**

Dilmah is a family tea company founded by Merrill J. Fernando. The company's products include black tea, green tea, white tea, herbal tea,



organic tea, and flavored tea. It is situated at 1514 m elevation above sea level. Situated about 150 km east of Colombo, famous for its Tea estates. It offers its products in the form of string and tea bags, as well as in tins and wooden boxes.

**6Source: <http://white.dilmah.com/>**

**7Source: <http://www.bplteas.com/news.htm>**

### **3. Rubber Industry:**

The players of rubber industry Ansell Lanka (Pvt) Ltd, Associated Motorways Ltd, Ceat-Kelani Intern. Tyres (Pvt) Ltd, Ceytra Ltd, Dipped Products Limited, D Samson Industries Ltd, Elastomeric Engineering Co. Ltd, Hanwella Rubber Products Ltd, Jafferjee Brothers Exports Ltd, Lalan Rubbers (Pvt) Ltd, Lancor Rubber Industries, Loadstar (Pvt) Ltd, Microcells Ltd, Richard P. Exports Ltd, Samson International Ltd, Sinwa Holdings Ltd, Textrip Ltd, Trelleborg Lanka (Pvt) Ltd etc...

### **4. Tobacco industry:**

The players of tobacco industry are Orient Lanka Limited, Agio Tobacco Processing Co (Pvt) Ltd, Sslanka, Arvegie (Pvt) Ltd, Ceylon Tobacco Company Ltd, Thansher And Company, Vistart (Pvt) Ltd, Wins Management Pvt Ltd etc...

### **5. Telecommunication industry:**

There are many Tele communication companies in Sri-Lanka that Mobitel (Pvt) Ltd, SLT Visioncom (Pvt) Ltd, SLT Publications (Pvt) Ltd, SLT Hong Kong Limited, Sri Lanka Telecom Services (SLTS), SLT Manpower.

## **6. Petroleum Refinery:**

Lanka IOC PLC Indian Oil (Mauritius) Ltd., IOC Middle East FZE Chennai Petroleum Corporation Ltd., (CPCL) Indian Oil – CREDA Biofuels Limited. etc are the petroleum refinery in Sri-Lanka.

## **7. Banking Industry:**

There are many players in banking industry.

### **Central Bank of Sri Lanka**

#### **Savings Banks**

National Savings Bank, MBSL Savings Bank, Sri Lanka Saving Bank, Merchant Banks Sterling Merchant Investment Merchant Bank of Sri Lanka, Mercantile Merchant Bank, Seylan Merchant Bank, People's Merchant Bank

#### **Local Banks:**

Bank of Ceylon 17. 5 People's Bank, Commercial Bank of Ceylon, Hatton National Bank, Sampath Bank, DFCC Vardhana Bank, Seylan Bank, Union Commercial Bank, Nations Trust Bank Pan Asia Bank Amana Bank, NDB Bank

#### **Foreign Banks**

**HSBC, Standard Chartered Bank, Citibank, Deutsche Bank, State Bank of India, ICICI Bank, Public Bank Berhad, Habib Bank, Indian Bank, IOB, MCB**

#### **Commercial Banks**

#### **Savings Banks**

National Savings Bank, MBSL Savings Bank, Sri Lanka Saving Bank

## **Merchant Banks**

Sterling Merchant Investment, Merchant Bank of Sri Lanka, Mercantile Merchant Bank, Seylan Merchant Bank People's Merchant Bank

## **8. Apparel Industry:**

There are many companies working under apparel industry those are MAS Holdings, Jay Jay Mills Lanka (Pvt) Ltd, Brandix Lanka Limited , Hayleys PLC, Hemas Garments, Hirdarmani Group, Jinadasa Holdings, KASH Garments , BAM , Shiran Garments, Orit Apparels , Sumithra Garments (Pvt) Ltd etc...

## **3.5 Penetration in Rural & Urban Area:**

There are approximately 16, 405 manufacturing enterprises in urban area and 6, 20, 000 manufacturing enterprises in rural areas.

Under Rural enterprises, it gives employment to 1. 5 million workers i. e. 20% of labor force of country. However the data does not consider informal firms operating in urban area but considers both formal and informal firms working in rural areas. Thus, contrary to the opinion 59% of the businesses in case of rural area have a place to carry out the businesses other than their home.

In case of urban area 50% of the manufacturing activities are from textiles, Ready-made garments, Food and Beverages, Industrial equipment and Rubber. Urban manufacturing firms are export oriented where 93. 5% of the firms are exporting 10% of sales in case of garment industry, 75. 4% in case of Rubber, 62. 2% in case of food and beverages. More of the Manufacturing activity is carried out in Colombo Metropolitan area, even though the

geographic distribution varies in different sector. Though Garment and industrial equipment firms are limited to Colombo area, three quarters of food and beverages are carried outside Colombo, so that they can be closer to supplier. However textile enterprises are found in both colombo and in other urban centers.

Many of the Rural nonfarm enterprises are involved in either production with 41% , trading with 38% and minimum share in service with 21%. Moreover approx. 10% of them are into manufacturing and sale of processed agricultural goods. Non agricultural production includes garments, nonmetallic mineral products, furniture and wood products. Many of the rural trading establishments are involved in selling processed i. e. 65% and unprocessed agricultural products i. e. 57%. However in case of service industry largest share is in repairing service with 24% followed by personal service 17% and hotels with 14%.

However Nonfarm enterprises of rural area are found throughout the country. The highest concentration is found in Western Province with more than 20%, and then in North Eastern and South Eastern Province. Urban manufacturing enterprises employ roughly a median of 105 workers including 15 temporary workers. However 2. 4 workers on average covering family members are employed by rural enterprises. Half of the family members of rural nonfarm enterprises employed the highest in trading enterprises with 60% and smallest in production with 42%. With an average of three workers, production enterprises is considered to be larger. As per survey there are 181 workers in the largest rural enterprise. There are more than 5 workers in 6% of rural enterprises. Amongst different sectors the <https://assignbuster.com/major-industries-in-sri-lanka-meaning-of-industry-economics-essay/>

participation of women is highest in textile sector. Almost a quarter of all enterprises are runned by women in rural non farm sector.

In terms of employment growth in urban area, export oriented firms are the most dynamic one. However under rural area small firms that have employees less than five are most stable compared to larger firms that are shrinking or growing with market demand or fluctuations in seasons. Thus since 90% of rural enterprises are not making any change in the number of employees, there is little flux in employment in rural enterprises.

Compared to rural enterprises, urban enterprises are more older and stable because the average age of urban manufacturing firms are 30 years whereas rural enterprises are upto 9 years or a bit more than that. Rubber, food and beverage sector are the oldest while garment sector are the youngest, among various urban enterprises. Trading enterprises are expected to be younger in rural areas since the start up capital requirement is less. Moreover more than 85% of rural enterprises have conducted their operation in same location, Majority of them have stayed in the grama niladhari i. e. a community.

Compared to rural firms, urban firms are more capital intensive and productive. Under urban manufacturing the per worker value added annually is almost 8 times than in ruarl manufacturing. The labor costs is low in rural enterprises productivity is low and short lived among nonfarm rural enterprises to earn agriculture income and supplement the family.

Industrial equipment and Rubber products are considered to be the most productive in urban sector. Since textile and garment industries are labor  
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intensive they lag far behind. Rural firms productivity differs according to regions and sectors. Western and central province are more productive, compared to North Eastern province. Service firms have the highest productivity among various rural enterprises.

In spite of difference in productivity in urban and rural areas, contribution of rural nonfarm enterprises is significant to GDP. Rural enterprises to be registered and pay taxes are larger and are there in stand alone establishment. Compared to production enterprises, trade and service enterprises are more likely to be registered, because it operates as stand alone business. Most of [8] the firms has not registered because the process was expensive, time consuming, or it was in order to avoid high tax. Further the cost of registering a business in srilanka has been declining. The links between rural nonfarms enterprises and urban firms are weak. From survey it was found that rural enterprises sell their products to multinationals, parent companies or larger urban firms. Larger rural nonfarm enterprises having larger production and trading are likely to have links with larger firms

Both urban manufacturing and the rural nonfarm sector are linked with each other for agriculture. Export of processing of tea and coconut are big earners for srilanka. The rubber industry was also prominent, but with the fall in world rubber prices, its value has been declined. There is backward and forward links for production, agriculture provides inputs and thereby demands chemicals and equipment produced by industry. Agriculture, urban manufacturing and rural nonfarm activities are related with each other through labor and capital markets and sales in all three rural nonfarm

sectors increase during april and decrease when house old income reduces  
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when there is low agricultural labor required i. e. in the middle of the slack season.

### **3. 6 Distribution channel of different Industries:**

#### **1. Tea:**

Sri-lanka has a largest business of a tea. They uses different type of distribution. They also doing international business.

For tea sri-lanka generally uses one level and two level distribution channel.

This two types of distribution channel used by tea industry.

Dilmah, the world's third largest tea brand owned by Sri Lanka's MJF Group , has entered into a distribution tie-up with Dabur Foods. Under the arrangement, various brands of packaged Dilmah tea would be shipped to India and distributed by Dabur using its 45, 000-strong distribution network. The target is to make available in 15, 000 retail outlets this year.

#### **2. Rubber:**

The distribution sector handles the distribution of all company manufactured products as well as certain external products. We are one of the leading distributors in the country for Hardware and Fishing Gear Outlets, Furniture Outlets, covering over 6, 000 dealers. Some of our main products include plastic water tanks, PVC pipes & fittings, rubber & plastic hoses, rubber mats, polyurethane mattresses, cushions, furniture, domestic water pumps, agri pumps, CFL bulbs and PVC doors..

They uses zero level distribution channel.

The company further secured the largest tyre distribution network with 1300 dealers who have spread throughout Sri Lanka. Recently the company introduced the “ Altima Battery “ range to the market.

We are one of Sri Lanka’s largest distribution outfits, with a large centralized warehouse and a modern transport fleet, supported by a computerized logistics operation. Further developments are in progress for the Distribution network through information technology and a well-developed product range, which should enhance the performance in the future. The close coordination between the distribution operation and the manufacturing units through the restructure of operations is expected to enhance the performance of the sector in the future.

### **3. Tourism Industry:**

Tourism industry is service based industry. They directly services provided to the customers. They also have a agents in different countries.

They use zero level and one level distribution channel.

### **4. Apparel Industry:**

Apparel industry uses three level distribution channels. They have a agent.

Agent is generally who arrange executions.