

Introduction of apparel industry economics essay

[Economics](#)



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Introduction of Apparel Industry:

Apparel industry is one of biggest manufacturing industry in Sri-Lanka and one which plays a key role in advancing the country's economy. The apparel industry of Sri Lanka employs about 15% of the country's workforce, accounting for about half of the country's total exports, and Sri Lanka is among the top apparel-producing countries in the world relative to its population. Sri Lanka's apparel industry began to grow significantly in the 1980s as an alternative to India's garment manufacturers, because of its open economic policy as well as the trade and investment friendly environment. Under the Multi Fiber Agreement, quota regime Sri Lanka became an attractive new venue for businesses. In 1985, Martin Trust, one of the pioneers in the development of " speed sourcing" for the American fashion retail sector, began working with Sri Lankan textile and apparel companies. In 1986 and 1987 he established joint venture partnerships with The Omar Group (formerly known as LM Apparels and part of the Brandix group) and The Amalean Group which helped make the country more competitive through knowledge transfers and technology, attracting further foreign investors. These were the first of nearly two dozen joint venture companies in Sri Lanka which made the country competitive in the garment sector. Including Trust's partnership with German brassiere maker, Triumph International, and Sri Lankan company, MAS Holdings, to create a new venture called Bodyline.[1]

Apparel Industry Scope of Operation

In Sri-Lanka, the apparel and garment industry in the country is work toward offering better price schemes to the buyers and develop their proficiencies in

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relation to design, product development and marketing. While highlighting the importance of designing the apparel industry, the design centre set up by MAS in 2005, has helped the company to grow from a contract manufacturer to a company that provides a full fledged system to its customers. It has even aided them to develop design expertise for their business, there are also developing marketing wings and a design center which has added value to the products and services they provide to their consumers. There are also have instituted research and innovation centre which aims to bring together product, technical know-how and process innovation. This initiative helped them to develop ground breaking products which are functionally more productive and more luxurious. Besides product and technology innovation, there are also introduced lean manufacturing which facilitated innovation in process and fully renewed the manufacturing process of the company by enhancing product quality, waste removal, cost cutting.

Brief Profile of the selected companies

Brandix Lanka Ltd.[2]

Brief Profile:

Brandix Lanka Limited through its subsidiaries, engaged in developing, manufacturing, and marketing apparel in Sri-Lanka. Its offers women, Knitted, and printed fabrics, casual, sleepwear and lounge wear, briefs and accessories, including hangers, button, and threads. The company was formerly known as Lux Shirts (Pvt) Ltd. And change its name to Brandix Lanka Limited in 2002. Brandix Lanka Limited was founded in 1972 and based in Colombo, Brandix Lanka Limited operates as subsidiary of Phonix

Ventures Limited. Founder of the Brandix Lanka Limited Mr. Ishan Dantanarayana – Chief People's Officer, Brandix Lanka (Pvt) Ltd.

Vision and Value of the company:

Vision:

To be the inspired solution for branded clothing.

Value:

Integrity, Teamwork, Customer Service, Learning and Development, Ownership and commitment

Management Body of the company:

Chairman: Desamanya Ken Balendra Chief Executive officer:

Ashroffomar Director: Aslamomar Director: Firozomar Director:

Ajit Johnpillai Director: Udena Wickremasooriya Finance Director:

Trevine Jayasekara Director (Non- Executive): Priyan Fernando

Selsan Clothing & Company.

Brief Profile:

Selsan Clothing & Company is an exporter of Sri Lanka Pants, Trousers & Jeans products. Selsan Clothing was established in 2003 and currently operating as a SME family business, based in Sri Lanka having its operations in Bangladesh as well. Our products range from men's, women's, teens, kids, sports, corporate, industrial / protective wear & accessories. In terms of services we can assist our clients from the stage of development to door step delivery. Our products always sell well in the worldwide markets, including North America South America Western Europe Eastern Europe

Eastern Asia Southeast Asia Mid East Africa Oceania. We consider quality as the most important and our clients as our god." At selsan clothing-we believe profits through-Values, Ethics & Social responsibility" We warmly welcome all friends from all over the world to be our business partners on the basis of equality and benefits to create a good future.[3]

Vision & Mission of the company:

Vision:

To set the standard for quality, delivery and personalized friendly service in the apparel manufacturing industry.

Mission:

to maximize growth within an ethical and socially responsible environment.
[4]

Board of Director of the company:

DhammikaPerera: ChairmanSampath Bank: Executive DirectorMr.

Senanayake: Senior Investment OfficerMr. Ranil Pathirana: Finance Director

Kanoka Screen Printing (Pvt) Limited.

The Chairman Mr. N. G. Dharmakeerthi was kept in his first step in 1987 for the screen printing industrial. With his courage and past 19 years experience opened his Owen factory as Kenoka screen printing (Pvt), Ltd at Makuluduwa in 2007. After that he is support service to export market with his sound of technical knowledge up now. Mrs M. P. S. Kumari Peries who Director of company and she has been the backbone supporting the company

development and is a committed and hard working individual who see through to the end.

Vision and Mission of the company:

Vision

To create inspiring solutions. To meet customer needs and provide results that exceeded. Customer expectation. To be the best . because together everyone achieve more.

Mission

To maintain quality and consistency in our product in socially responsible and professional manner. To seek new opportunities for growth and develop lasting relationships with our customers and partners to be company with global presence.[5]

History of Apparel Industry

Garment industry has an important place in Sri Lanka's economy. It has become Sri Lanka's largest export industry since 1986. It is also the country's largest net foreign exchange earner since 1992. Total value of export earnings in the sector was at US dollars 2, 424 million accounting for 52 per cent of the total export earnings in 2002. The contribution to the Gross Domestic Product (GDP) was 5. 3 per cent in 2002. This industry provides more than 330, 000 direct employment or 5 per cent of country's total employment in more than 1, 060 garment factories. Sri Lanka's garment exports have been largely governed by the Multi-fibre Arrangement (MFA) since 1978. The MFA is a system of export restrictions imposed by developed countries on textiles and garment exports originating in

developing countries to protect the garment industry in developed countries. The Uruguay Round Agreement on Textiles and Clothing (ATC) fought succeeded MFA in 1995. According to the new rules, the sector is to be fully integrated into normal rules of WTO by phasing out MFA in four phases by 2005. Sri Lanka has already fulfilled its commitments under Phase I and Phase II of the elimination of MFA phasing out procedures. The government submitted to the Textiles Monitoring Body of WTO in 1996 and 1998 lists of items on which Sri Lanka is ready to accept the removal of quota. The third phase of integration became effective on January 2002. The MFA, by providing a ready market, has restricted Sri Lanka's exports but has protected it from competitors. Phasing out of MFA will open up more markets to Sri Lanka's exports, and at the same time will intensify competition from other developing countries. The future of the garment industry depends, to a large extent, on the ability to compete in free market where both garment producing developed and developing countries in the world will be players in the market. Over the last 20 years, a strong foundation has been laid for the industry, on which the future of this sector could be strengthened further and safeguarded. Yet there is much to be done to meet the challenges of intense competition in the coming years. This paper identifies the threats and challenges faced by the industry and assesses the capabilities and prospects of the sector to face them. The rest of the paper is structured as follows. Section II of this paper discusses the international and domestic trade policy relating to textiles and garment industry. Section III examines the nature of Sri Lanka's textiles and garment industry and its challenges. Section IV provides the challenges that the garment industry face in the global environment and possible challenges in the post-MFA period. Section <https://assignbuster.com/introduction-of-apparel-industry-economics-essay/>

V evaluates the impact of liberalisation of world textiles and garment industry and Section VI identifies the areas in which the textiles and garment sector could maximize existing capacity to achieve its goals and objectives.

Role in the Economy.

1. Contribution of GDP and GNP of Apparel Industry in Silence.

Contribution in GDP of Apparel Industry in Sri-Lanka:

Year

GDP

Year

GDP

2001

-1.50%20076.80%

2002

4%20086%

2003

5.90%20093.50%

2004

5.40%20108%

2005

6.20%20118.20%

2006

7. 70%20127. 50%From the above table we can interpreted that the in initial stage the apparel industry is not paid contribution for growing the country.

But after that the Apparel industry grow and by the help of government support they can grow their industry. As compare to other year in 2011 and 2012 apparel industry provide more contribution in growing the country. So, now apparel industry is on growing stage.

Contribution of GNP of Apparel Industry in Sri-Lanka:

Year

GNP (Billion)

Year

GNP (Billion)

1982

\$14. 11996\$38. 2

1984

\$16. 11998\$43. 6

1986

\$19. 12000\$49. 8

1988

\$21. 22002\$53. 4

1990

\$24. 72004\$63

1992

\$28. 82006\$76. 4

1994

\$33. 82008\$89. 9 Unlike gross domestic product (GDP), which defines production based on the geographical location of production, GNP allocates production based on ownership. At initial stage the GNP of Sri-Lanka is very low. After that it is continuously increase. Contribution of apparel industry in GNP is increasing. It shows that the industry is on growing stage. In 2006 and 2008 the contribution of apparel in GNP is \$ 76. 4 billion and \$ 89. 9 billion respectively.

2. Contribution in National Income of selected country**Particular****2010****2011**

GNI (\$ Billion)4959 GNI Per capita income23492804 Share in the world GNI, (in %)
0. 770. 84 Growth rate of GNI, %119. 5120. 4 The GNI is similar to the gross national product, expect that in measuring the GNP one does not deduct the indirect business taxes. Gross National Income of Sri-Lanka in 2011 is 3. 04%.

3. Contribution in Budget Income of selected country:

The budgeted income of the Sri-Lanka of last Budget is \$8. 495 billion

4. Contribution in Foreign Investment of selected country:

In Sri-lanka 322 million dollars of the 1. 0 billion \$ secured in 2011, was invested in manufacturing, which represented a 101% increase over a year earlier. The bulk of the investment was in services and infrastructure, which increased 107% on the previous year to \$706 million. In the 2011 annual report, the Central Bank of Sri-Lanka, this tips \$2billion FDI this year. And last year's FDI in manufacturing was generated. The former state-run steel giant was sold off to a foreign investor few years ago, under a privatization drive. Tourist arrivals have swelled into Sri-Lanka, since the government ended the decade's long ethnic conflict with the Tamil Tiger separatists in May 2009.

Organization Structure or Industry Structure

1. Unorganized or organized (Proportion, trend Etc.):

In apparel industry organized and unorganized sectors are as under:

Organized Structure Type

Apparel Industry

Percentage

Unorganized

75%

Organized

25%

2. Type of Organization Structure:

In apparel industry types of organized structure as under:

Type of Structure

Apparel Industry

Centralized

Decentralized

3. Hierarchy & Departments in selected company

Functions and Business Activities of selected Industry

1. Forms of Business (Sole proprietorship, partnership Etc.):

Forms of Business

Srilankan Rubber Industry

Sole Proprietorship

Partner ship

HUF

Co-operative

2. Business Customs & Practices:

Industry leaders have moved corporate responsibility and compliance into their sourcing business units. A significant change came at LeviStrauss& co. when " each global sourcing team became accountable for social and environmental standards. " Nordstrom realigned its independent corporate social responsibility team into each of its business units-Men's, women's, footwear, etc. The CSR experts now " sit with the brand and they have a dotted line reporting into the director of supply chain responsible for sourcing decisions." Companies also link factory performance to management performance reviews and compensation. At one company, " many people at various levels of the organization have social and

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environmental sustainability targets included in their work plans, and they are evaluated on them annually. Corporate staff and management on compliance issues, training is necessary. Staff must understand the " bigger picture" of the true and total cost of bringing goods to market. Phillips-Van Heusen considers it important that training in the ripple-effects of purchasing practices be extended throughout the company.

3. Transportation & Communication System needed for specific Industry:

Sri Lanka is having much advantage on the infrastructure conditions against other apparel manufacturing countries in South Asia mainly due to its strategic location. Present expansion in Bandaranayake airport at Katunayake and also newly suggested port at Hambanthota area will provide positive initiatives towards the transportation infrastructure as input/output port for apparel exporters. Also the efficiency in customs procedures complement each other in minimizing transit periods for shipments involved in international trade have made Sri Lanka more internationally competitive. The rates of telecommunication charges (IDD rates) are clearly cut down for certain countries (USA/UK) with the use of new technology internet calling. This is a major advantage for Sri Lankan apparel industry as most buyers are concentrated in US & EU countries

Modes of Transportation:

Modes of Transportation

Sri-Lankan Apparel Industry

Railway

Road

Sea

Modes of Communication

Srilankan Apparel Industry

Telephonic

E-Mail

Post

4. Labour Force (Size, Potential Etc.):

No

Name of Company

Total Employees

1

Brandix Apparel Ltd100

2

Berhard Botejue Industries Limited120

3

Comfortwear Pvt Ltd150

4

Eskimo Fashion Knitwear Pvt Ltd250

5

Hirdramani Industries Limited116

6

Noyon Lanka Pvt Limited250

7

Smart Shirts Lanka Ltd1200

8

Tip Top International Pvt Ltd10

9

Brandix Textile Ltd100

10

Emerald International Pvt Ltd120

11

Gaat Lanka Pvt Ltd40

12

Interfashion Private Limited100

13

Sintesi Limited200

14

Texwin Clothing Pvt Limited110

15

Tolarams Industries Pvt Limited200Apparel industry provides more employment to their customers. It provides more employment as compare to other industry. More than 30, 000 peoples of Sri-Lanka is dependent upon apparel industry. Also labour force is available for apparel industry.

5. Development in science & technology, Current technology Available (Computers Machinery, tools Etc.), Percentage of GNP Invested in R & D, Technological Skills of Labor Force & General Population Development in science & technology, Current technology Available:

Investment in technology

Technology used in production is considered to be a highly important factor as it determine the quality of output, time consumed for production which ultimately decides the lead time.

Investments are to be made in order to upgrade the technology in use. This will enable the country to be in par with the global trends and the other competitors. Usage of obsolete technology will indeed act as a barrier in the apparel industry. Sri-Lanka is currently challenged by the above situation as many factories other than few large players, do not possess advance technology in manufacturing and designing.

The technology levels of the apparel industry vary significantly at present:

The ratio of worker and machine is 1. 8: 1. This is compared to our competitor high. The ratio of competitors is 1. 2: 1. The apparel industry and technology both grow with each other.

By this way investment technology define in different parts. It is capable to servicing the industry in the way of quick response time and efficient manufacturing process.

The diversified manufacturing system helps product and efficiency could be improved and also they can reduce the production cycle time.

Marketing Technology focus on new application of Automatically Identification and Data Capture (AIDF). Electric Data In charge (EDI) facility to improve global supply chain management and customer relationship management. This effectively opens window of access for buyers and manufacturing site.

Information technology, informs technology to focus on effective use of information and aid the efficient management of resources within organization.

Enterprise Resource Planning (ERP) software such as SAP, BARN and ID Edwards which help to effectively streamline manufacturing operations, would add much value to the industry.

Value chain Model:

Support Activity

Inbound Logistic

Operation

Outbound Logistic

Sales and Marketing

Services

Administration and Infrastructure

Human resource Management

Product/ Technology/ Development

Procurement

Primary Activity

Natural fibres (cotton, wool, silk etc...)

Synthetic Fibers (oil, Natural Gas)

Yarn (Spinning)

Fabric (Weaving, Kitting, Finishing)

Petrochemicals

Synthetic fibres

U. S garment factories

(Designing, clothing, sewing, buttoning, ironing)

Asian Garment Contractors

Domestic & Mecsicanlcaribbean basic sub-contractors

Domestic overseas subcontractors

Brand named apparel

Trading companies

Overseas buying offices

Department Stores

Off price factory outlet, mail order

Speciality Stores

Discount Chain

Off price factory outlet, mail order

Department Stores

Mass Merchandise Chains

Speciality Stores

Raw Material NetworkComponentNetworksProductionNetworkExport

NetworkFrom the above value chain model industrial commercial; chain promoted globalization. There are different networks are used by the apparel industry. Those are, Raw material networkComponent networkProduction networkExport networkThere are two types of international economic network. Producer drivenBuyer drivenProducer driven value chain are large, usually transitional, manufactures play middle role for coordinating production networks. This is technological incentive production method. In buyer driven value chain large retailers, marketers and branded manufactures play and provide role of setting up decentralized production network in the different countries. The company produces without factories with the physical production of goods separated from the designing and marketing. Producer driven chain is combination of high value research, design and marketers to act as strategic broker in linking overseas factories and traders with the product niches in the consumer market.

COMPARATIVE POSITION OF APPAREL INDUSTRY OF SRI LANKA AND INDIA

Particulars

Sri-Lanka Apparel Industry

Indian Apparel industry

Technology

BackwardForward

Pricing

Relatively High Relatively low

Communication

Newspaper, magazines, internet, television, leaflets & other

Media Newspaper, magazines, internet, television, leaflets & other Media

Transportation

Road, Railway, Sea (Mostly used) Road (Mostly Used) , Railway, Sea

Distribution

Indirect Direct & indirect

Usage

Festival, Regular Bases Festival, Regular Bases

Purchase Pattern

Direct & Indirect Direct & Indirect

Target Market

Kids & Youngsters Kids & Youngsters

Raw Material Availability

Easily Available Easily Available

Natural Resources

Easily Available with high quality Standard Easily Available with Medium quality Standard

Compare Technology Advancement:

India is more competitive in technology needed in apparel industry, compared to that of Sri Lanka. India have adopted Backward and Forward Integration in Apparel sector, where as Sri Lanka is better in only Forward Integration. India has competitiveness in mainly 3 technologies, i. e. Ginning, Spinning and Weaving & Knitting processes. It has leadership in Handloom materials. Sri Lanka imports more than 50% of raw materials from different countries and then exports the finished goods. Sri Lanka is backward in manufacturing of raw material at cheaper cost and so it imports at larger extend from India. It has started the best technology in Garment Industry, world's 1st Eco-friendly " Green Garment Factory" for providing eco friendly products by reducing bills and producing environmental friendly products. Still, Sri Lanka needs to adopt and make efficient technologies like " Supply Chain Management and Enterprise Resource Planning".

Pricing:

Prices in India are lower than Sri Lanka. The cost of labor and machines used are much lower compared. Also, much part consists of labor intensive technologies. Whereas, Sri Lanka have high labor cost and as a result high prices of products. They have strategy of quoting price by adding profit to cost but as cost of production are high; the net price is also high. Therefore, Sri Lank imports most of the raw material from India to save cost and achieve high profit.

Usage:

Mainly, apparels are consumed on festivals in both the countries. In India it is mainly consumed during Diwali, Idd, and other important festivals of

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Christians and Sikh. While in Sri Lanka it is mainly consumed at the eve of Vesak, Kandy Esala Perahera and even on Diwali.

Purchase Pattern:

Purchase pattern is of 2 kinds: - Direct Purchase and Indirect Purchase. In India and in Sri Lanka, both, purchasing pattern is same. Both purchase using Direct as well as Indirect Purchasing Pattern. The person who wants apparel, can either purchase himself (Direct Pattern) or anyone can purchase on his behalf (Indirect Purchase).

Target Market:

Generally apparel is a product which is being consumed by everyone in every country. So the Target Market for this industry is Kids, Youngsters, Men and Women. People of all ages need apparel and so there is Full Market Coverage and no different segmentation.

GDP Contribution:

In India As per the ministry of textiles apparel sector contributes 14% to industrial production, 4% to GDP and 17% towards export earnings. As per estimation it is said that the Indian apparel and textile share would be increased in the world to 8% from present level of 4. 5% and by 2020 will reach to US\$80billion. Whereas in Srilanka As per 2010 data, the apparel sector of Sri-Lanka has contributed 10% of country's GDP accounting for US\$ 3. 2 billion.

Transportation

In India transportation of apparel is done through various ways like railways, airways, roadways and waterways. In Sri-Lanka majority of transportation is <https://assignbuster.com/introduction-of-apparel-industry-economics-essay/>

mainly based on roadways since it is centered in Colombo moreover there are also railway network, waterways, airways and harbors.

Communication system:

In India various modes are adopted to communicate or to aware the customers about apparel sector, it is through newspaper, magazines, internet, television, leaflets etc. Thus in order to aware the customers about the sector various modes are available. In Sri-Lanka, the various modes adopted for communicating or awaring the customers about the apparel sector is newspaper, magazines, internet, television, leaflets etc.

Distribution System:

In India the distribution channel is extensive and consists of wholesalers, distributors and small retailers selling garments and textiles. Moreover there are agents who help the producer in getting order for the product. In Sri-Lanka the distribution is similar to that of India. The only point where it lacks as compared to India is that they have to import raw material and there are retail distribution channel & networking that is selling the apparels through retailers and owned distribution which are generally carried by large scale producers they have their own chain of distributors.

Availability of Raw Material:

India is naturally blessed with easy availability of raw materials required in apparel sector but specialised and high technological material are not manufactured sufficiently. A large variety of fibres like cotton, silk, jute and other fibres are available in India. Since many year the growth in production of cotton has increased the availability of raw cotton at competitive price

providing it a push in the global market. Sri-Lanka is not blessed with easy availability of raw material that is required in apparel sector as a result it is heavily dependent on imports which affects the pricing pattern. Their only core strength is producing readymade garments.

Natural Resources:

India is self-sufficient in production of cotton that is required in apparel sector. India is largest in production of jute and second largest in production of cotton, silk and cellulose fiber. The country ranks fifth in production of Synthetic fibres and sixth in producing clean wool. Sri-Lankan apparel market is totally dependent on imports. Their only core strength is production of readymade garments and they even lack in adopting latest technologies.

Present Position and Trend of Business with India during last 3 to 5 years

Rank as importing or exporting country and quantity Imported /Exported

(In Dollars, Rs & Local Currency)[6]

Particulars

Rank

Quantity (Billion \$)

Import

75th20. 02

Export

94th10. 19From the above table we can say that as per the data Sri Lanka is developing country. Those countries which possess rank at the top ten are treated as developed countries.

Major Exports/ Imports

Particulars

Details

Import Products

Mineral fuels, Neutrals pearls, Metals jewelry, Boilers, Machinery, Electric machinery, Organic chemicals, Iron and steel, Plastic and articleExport ProductsTubes, Tyres, Auto parts, some industrial outputExport countryU. S. A., U. A. E, China, Singapore, U. K, Hong-Kong, West Africa, East Europe, Latin AmericaImport countryNorth America, EU Country, Latin America, European free trade association, South Africa, West Africa, Central Africa, AsianAbove table shows the basic main raw materials as well as main products related with the garment industry. It also includes main Import and Export countries from and to export and import products and raw material.

[7]

Product Wise Export of Sri Lanka in Apparel Industry

Particulars

2007

2008

2009

2010

2011

Silk

\$1, 918\$66, 218\$9, 021\$233, 568\$296, 033

Cotton

\$22, 163, 070\$16, 727, 196\$19, 235, 595\$16, 596, 652\$26, 188, 461

Special woven fabrics

\$15, 650, 175\$14, 711, 862\$15, 440, 891\$25, 006, 084\$23, 504, 257

Knitted fabrics

\$180, 819\$357, 682\$90, 789\$8, 310\$38, 327From the above table we can say that export of products related with apparel is fluctuate year to year.

Product Wise Import of Sri Lanka in Apparel Industry

Particulars

2007

2008

2009

2010

2011

Silk

\$7, 632, 156\$8, 555, 196\$5, 412, 117\$4, 819, 237\$9, 558, 317

Cotton

\$522, 626, 322\$547, 828, 293\$468, 592, 227\$583, 584, 065\$677, 382, 581

Special woven fabrics

\$141, 972, 684\$154, 249, 074\$139, 646, 553\$169, 016, 217\$204, 216, 145

Knitted fabrics

\$8, 465, 443\$11, 246, 045\$9, 698, 229\$10, 533, 012\$12, 548, 165

Above table shows the data about basic products which are importing from the other countries.[8]

Dollar value & trend of Exports/imports

Year

Export (M. US. \$)

Year

Import (M. US. \$)

2005

3. 177200586. 31

2006

8. 208200696. 47

2007

7. 0582007112. 02

2008

3. 0912008140. 56

2009

3. 1072009140. 56

2010

1. 002010161. 00From the above table we can say that the Sri-Lanka and India have a strong business relationship. As per above data interpret that the Sri-Lanka import raw material more than they exporting final garments to India.

Present Position and Trend of Business (import / export) with Gujarat during last 3 to 5 years

Balance of Payment and Exchange rate:

Following table shows the data of Balance of Payment of Sri Lanka.[9]

Year

Balance of payment

2006

(\$1, 498, 011, 000. 00)

2007

(\$1, 400, 900, 000. 00)

2008

(\$3, 885, 400, 000. 00)

2009

(\$214, 700, 000. 00)

2010

(\$1, 418, 400, 000. 00)

Exchange Rate of Sri Lankan Rupees:

Indian Rupee to Sri Lankan Rupee Exchange Rate

Indian Rupee

Sri Lankan Rupee

2. 35511. 731023.

4550117100235250586500117310002345300070355000117251000023451

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As on 15 February, 2013

Above data shows the exchange rate between Indian rupees and Sri Lankan Rupees. From the above table we can say that values of rupee is strong than Sri Lankan rupees. When India make any transaction with Sri Lanka than first up all convert Indian rupees into Sri Lankan rupees and vice versa.[10]

Policies and Norms of Sri Lanka for Apparel Industry for import / export**Trade Restrictions**

Trade Restrictions which are apply at the time of Exporting and importing something from and to the other countries. The basic Trade Restriction is as follow:

Trade Restrictions**Srilankan Apparel Industry****Embargo****Quotas****License****Customs****Embargo**

Embargo is one type of prohibition of commerce and trade with the other countries. It is also considered as legal barriers to trade. In Sri Lanka also some prohibition are also applied to some basic products related with garment products.

Quotas

Quotas are one type of limit of purchasing and selling of the some particulars goods and services. So that Sri Lanka also has some restriction on Import quotas and Export quotas.

License

License means to give permission for trade between the countries under particulars rules.

Customs

Customs means particulars duties which are must follow by the every country. It restrict on those products which are hazardous of the life of people.

Indian customs Notification:

Government of Sri Lanka gives some concession related with freely movable products which are export from India which are as follow: Zero duties o items which shown into the Annex F - 1 before entering any agreement. 50% of margin of preference products which are shown in Annex F -2[11]7

Agreement between India and Sri Lanka are signed on 28th December 1999.

Trade Restrictions of government toward Apparel Industry:

Import: the government of India has agreed to increases Sri-Lanka's duty free export quota for Apparel Industry. Export: establishment of their textile processing in order to enhance value edition in apparel export. The garment exporter found difficulty to compete with devolution the sri-lankan currency

& started to lobby to the government did not allow devolution of the currency.

Trade norms of Indian government for Apparel Industry:

The government of Sri-Lanka & the private sector have joined forces further develop the textile and clothing industry with added focus on backward integration. Government has launch various fiscal incentives like text holidays, import duty, exceptions and the lowering of concessionary taxes till 10% for the first two year from the normal 20%. The garment exporter found difficulty to compete with devolution the sri-lankan currency & started to lobby to the government did not allow devolution of the currency. Free trade zone (FTZ) was set up offering many concessions to foreign investors.[12]

Counter trades

In the different countries different types of counter trade systems are used. Meaning of Counter trade is as follow: Counter trade is one type of trading system in which goods and services are exchanged instead of goods and services or money.

Kinds of counter trade:

Counter trade

Srilakan Appeal Industry

Barter

Not Applicable

Switch trading

Not Applicable

Counter purchase

Not Applicable

Buyback

Not Applicable

Offset

Not Applicable

Compensation trade

Not Applicable From the above table it is predicted that Sri Lanka & India does not any type of counter trade in-between.[13]

Labour Laws

In Sri Lanka labour laws are available for following areas.

Labour Law

Covering Area

Statutes on regulation of wages and conditions

Employee holiday, Leave, Budgetary Relief Allowance , Special Allowance,
Wages

Statutes on employee welfare

Workmen's Compensation, Employee provident fund, Payment Gratuity

Statutes on industrial relations

Trade Union, Industrial Dispute, Employee Council

Statutes on obtaining jobs & training

Service contract, National Apprenticeship, Foreign Employment Agency,

Statutes on women, young person and children

Maternity Benefits, Mines, Quarries and Minerals, Employment of Women, young Persons & Children

Statutes on Indian labourers

Estate Labour, Medical Wants, Minimum Wages Statutes on regulation of wages are mainly related with employee holiday and wages. Statutes on employee welfare are focused on workman compensation and provident fund. Industrial relation is related with trade union and industrial Dispute. Obtaining jobs & Training is focused on Service contract Foreign Employment agency. Women and children are related with Maternity benefits of women and Employment of young and women. Indian labours focused on Medical wants and minimum wages of the labour.

Taxation

Following table shows the several tax rates and time duration for paying tax.

Rate

Period

5%

Not exceeding 10 days

15%-

Between 10 days to one month

20%-

Between 1 month & 3 months

30%

Between 3 months & 6 Months

40%

Between 6 months & 12 months

50%

Exceeds 12 months

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Above table shows the information about surcharge rate and the time duration.

6. Present Trade Barrier for Import & Export

The garment manufacturing in Sri-Lanka has relied on dealing with local buying houses and agents and has not established direct links with major retailers. This has left them somewhat remote from the market place.

1. The General Agreement on Tariffs and Trade (GATT)

GATT provided an international framework that established ground rules for worldwide trade among its members. GATT's primary purpose was to reduce trade barriers, particularly tariffs and quotas, among its members. (Going Global: The Textile and Apparel Industry 2007)

2. The Multi-Fiber Arrangement (MFA)

Developing countries have a competitive advantage in the garment sector, with significantly lower labor costs. The MFA was introduced to allow developed countries to adjust to the competition of imports from developing countries.

3. Tariff barriers for poor countries

As countries could choose which products to restrict from which countries, the MFA resulted in preferential treatment for certain countries; in the case of the UK, these included 'least developed countries' such as Bangladesh and Sri Lanka. World Bank studies have suggested that 19 million jobs have been lost in developing countries due to quota restrictions imposed by the MFA, plus 8 million due to high tariffs.

4. Phasing out the MFA

With the end of MFA quota restrictions, countries which previously faced high quotas suddenly have much more power to take the market by storm and consequently countries that had been protected by the quotas such as Bangladesh, Indonesia and the Philippines will see their US market share for clothing cut by half by the quota elimination.

5. GATT and the World Trade Organization

The World Trade Organization absorbed GATT and set about to operate the same fundamental goals of GATT. The WTO put in place 'safeguarding measures' to end in 2008. These were designed to limit the impact of the phase out of the quotas on industrialized countries and least-developed countries.

Trade Barriers

Trade Restrictions which are apply at the time of Exporting and importing something from and to the other countries. The basic Trade Restriction is as follow:

Trade Restrictions

Srilankan Apparel Industry

Embargo

Quotas

License

Customs

Embargo

Embargo is one type of prohibition of commerce and trade with the other countries. It is also considered as legal barriers to trade. In Sri Lanka also some prohibition are also applied to some basic products related with garment products.

Quotas

Quotas are one type of limit of purchasing and selling of the some particulars goods and services. So that Sri Lanka also has some restriction on Import quotas and Export quotas.

License

License means to give permission for trade between the countries under particulars rules.

Customs

Customs means particulars duties which are must follow by the every country. It restrict on those products which are hazardous of the life of people. Indian customs Notification: Government of Sri Lanka gives some concession related with freely movable products which are export from India which are as follow: Zero duties o items which shown into the Annex F - 1 before entering any agreement. 50% of margin of preference products which are shown in Annex F -2[14]1516Relationship between India and Sri LankaSri Lanka is India's nearby neighbor. The connection within two countries is greater than 2, 500 years old. The relationships between two countries have developed and diversify with the route of time till the today's date. The common culture of both the country and civilization heritage of the both countries have extensive communication of their citizen provide the establishment to build a multi faced partnership. In recent years, with the help of political issues the relationship between both the country, co-operation in the field of development, education culture, etc. as well as a wide understanding on most important issues of worldwide interest. The Government of India put make a healthy programmed of help to help out these IDPs comes again to normal life as quickly as possible. In June 2009, the Prime minister Dr. Manmohan Singh announced that a grant of INR 5 billion for therapy in Sri Lanka. Then after India provides 2, 50, 000 reliefs pack for IDP. After that also establish emergency medical unit in the IDP. Which was treated over 50, 000 IDP's and carried over the 3000 surgeries from the March to September 2009. India also again and again advocated they require for IDPs to be resettled to their original habitations as early as promising. For that giving help India provides protection help by supplying <https://assignbuster.com/introduction-of-apparel-industry-economics-essay/>

10, 400 tones of galvanized sheets between August 2009 and May 2011 for constructing short-term housing for IDPs. The Government of India also supplied 400, 000 bags of cement to help IDPs. Since the need of de-mining was a major limit on the speed of movement, the Government of India fully financed seven Indian de-mining teams, engaged in various sectors in northern Sri Lanka to help accelerate movement. Sri Lanka is the one of the developing country. A line of credit of \$167. 4 million progression of the tsunami in Colombo-Matara rail link is fully operational. The upgraded coastal railway track between Galle-Matara was in corporate on 16 February 2011. During his visit to Sri Lanka in January 2012, another line of credit of \$800 million for track laying and supply of rolling stock for the northern railway line was announced during the visit of the President of Sri Lanka to India in June 2010. Of this amount, an agreement for a credit line of US \$416. 39 million was signed in November 2010 to support construction of Medawachchiya to Madhu, Madhu to Talaimannar and Omanthai to Pallai railway lines in Northern Sri Lanka. Another agreement for a credit of US \$ 382. 37 million for track laying on the Pallai-Kankesanthurai railway line and other projects as may be agreed upon the Governments of India and Sri Lanka was signed while visited by the Minister Krishna in January 2012. From last few years witness are increased trend of Sri Lankan savings into India. major examples include Ceylon Biscuits (Munchee brand), Car sons Cumber batch (Carlsberg), Brandix, MAS holdings, John Keels, Hayley's, and Aitkin Spence (Hotels), relating from other investments in the freight services and logistics department. In today's scenario are the India and the Sri Lankan relationship is strong and balanced for a quantum jump by construction on

the rich contribution of historical linkages and strong economic and growth partnerships that have been bogus in recent years.

Bilateral Relations with India and Sri Lanka

India is Sri Lanka's closest neighbor and the relationship between them is of greater than 2500 years. In past years, the relationship defines that there should be close contacts at the high political level, investment, education, culture or a broad understanding on the issues of international interest. The past three-decade defines there should be clash between Sri Lankan forces & the LTTE came an ends in May 2009. Throughout the clash, India supported to the Sri Lanka to take action beside the terrorists. Just then, it conveyed at the highest point its profound fear at the troubles of the mostly Tamil civilians, emphasizing that their rights & welfare should not get trapped in fighting against the LTTE. Sri Lanka is single of the main recipients of growth credit given by the Government of India. India involved in projects for renovation of Kankesanthurai Harbour, construction of Cultural centre at Jaffna, Palaly Airport, interconnection of electricity grids among India and Sri Lanka. The construction of a 150-bed Hospital in Dickoya and sets up a coal power plant at Sampur as a joint venture between National Thermal Power Corporation (NTPC) and Ceylon Electricity Board (CEB). India also supports Srilanka for smaller developments projects related to various areas like health, transport connectivity, education, medium & small enterprise expansion & coaching in many parts of the country throughout its grant funding. India's largest trade partner is Sri Lanka in South Asia. After the March 2000 India-Sri Lanka Free Trade Agreement trade between the two countries grew speedily. In accordance with Sri Lankan statistics shows the

bilateral trade in between January to November months of 2011 amounted to US \$ 4. 46 billion, which is about 72% higher than the last year (Jan-Nov of 2010 – US \$ 2. 59 billion). Sri Lanka's exports to India amounted to US \$ 481. 85 million, which increases of 14% from the last year. A very vital note of the bilateral relationship is Cultural cooperation is & the Agreement related to the Cultural Cooperation signed between the Government of India & the Government of Sri Lanka on 29 November, 1977 at New Delhi. The (CCP) for 2010-2013 was signed in the June 2010 State visit of President. The CCP seeks to increase the height of cooperation in a wide range of fields such as libraries, museums, achieves, performing arts, visual arts, cultural documentation, sports, handicrafts & youth affairs, mass media and publications. A core area of cooperation between India & Sri Lanka is education. Both countries decided to set up an India Sri Lanka knowledge Initiative through the making of small visit by the President Rajapaksa to India in June 2010. India is one of the huge source markets for Sri Lankan tourism and Tourism also makes a very vital link between India & Sri Lanka. In 2010, out of the total 6, 54, 976 tourists, 1, 26, 882 were from India constituting as regards 20%. In the time of January to November in 2011, the tourist sector improved to 7, 58, 458 from 5, 70, 349 in the corresponding period of 2010 showing boost of about 33%. The India-Sri Lanka Foundation set up in December 1998 as an intergovernmental initiative also promotes unbreakable understanding among the peoples of the two countries, including throughout improvement of technical, educational, scientific, and cultural cooperation. The Foundation focuses particularly on the sponsorship of civil society cooperation & enhancing contact among the younger generations of the two countries. The relationship has been clear by high

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level exchanges of visits. Minister of External Affairs Mr. S. M. Krishna visited Sri Lanka from 16-19 January 2012. Mr. Ranil Wickremasinghe, representatives of the Tamil National Alliances & other Sri Lankan parties. Dr. A. P. J. Abdul Kalam former president of India visited Sri Lanka from 20-24 January 2012 to launch the 'National Plan for a Trilingual in Sri Lanka', at the invited by the President of Sri Lanka. At present, the relationship between India-Sri Lanka is well-built & balanced for a quantum jump by rich at the heritage of past linkages & strong progressive and economic partnerships that have been forged in current years. Memorandum of Understanding with India and Sri Lanka India and Sri Lanka Sign the first Memorandum of Understanding in Colombo city. In that agreement includes plenty of things such as telecom, railways, agriculture, water supply, housing, etc. The First Memorandum of Understanding declared that housing project should be implemented with India's assistance of 260 million U. S Dollars was signed between S. M. Krishna and his Sri Lankan counterpart G. L. Perris. The Memorandum of Understanding involves the construction of 49, 000 houses among all of a total of 50, 000 houses and includes inter alias reconstruction of 38, 000 houses, repairs of 5, 000 houses under the owner-driven model for IDPs, and construction of 6, 000 houses by agencies for vulnerable sections of IDP who are unable to build their own houses. India Tuesday also signed Memorandum of Understanding extend the credit 382. 37 million USD for the restoration of Northern Railway Services in Sri Lanka. The credit will be track lying on the Pallai-kankesanthurai railway line, setting up of signaling and telecom facilities and other projects permitted by the Governments of India and Sri Lanka. Memorandum of Understanding was signed for Buyer's Credit Agreement for 60. 69 million US Dollars between EXPORT AND IMPORT Bank <https://assignbuster.com/introduction-of-apparel-industry-economics-essay/>

of India and Government of Sri Lanka provide money Greater Dam bulla Water Supply Project for supply, erection and commissioning of water plant around near Dam bulla region in Srilanka. A Memorandum of Understanding to promote development in the department of agricultural science and technology. It also includes agricultural production and agriculture process through come together all and perform their activities. And the Memorandum of Understanding on telecom provides for establishing a mechanical tool of technical and institutional in the field of telecom, with the purpose of development of telecom sector in this both the countries. Srilanka external affairs minister addressing a press conference a short while ago with the Sri Lankan Foreign Minister GL Peires, SM Krishna stated that it was pleasure to hear the Sri Lankan President's commitment on the 13th Amendment. Mr. Krishna said that in the quest of a genuine political settlement, India will help Sri Lanka in whatever way it can in the spirit of partnership and cooperation., if implemented will mark a step forward in genuine national reconciliation. Mr. Krishna said that the talks between Tamil National Alliance, TNA and the government, would pave way for the Parliamentary Select Committee. On the issue of straying of fishermen, the External Affairs Minister said, it was an emotive issue and there should be no use of force in dealing with them. He said the fishermen should be treated in a humane manner. On that Memorandum of Understanding signed by the both party's ministers, it built the powerful relationship between the India and Srilanka. Hence the both the countries leads the worldwide. India becomes the most second emerging nations in this global world. So by that way the nations become closer.