

E1-19 A Study on the factors influencing the performance of Garment Manufacturing Industry in Sri Lanka

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At the time of broad-based economic liberalisation in Sri Lanka in 1977, the garment industry played only a minor role in the Sri Lankan economy. Since then, the industry has recorded remarkable growth (an average growth of 38% in nominal dollar terms between 1977 and 1995) and assumed a leading role in the economy. By 1986, garments accounted for the largest share of all commodity exports (27%), and by 1992 was the largest net foreign exchange earner of the nation (US\$ 0.4 billion), and in 1995 garment exports exceeded US\$ 1.5 billion - nearly half of the value of all commodity exports. While earning foreign income for our nation, this industry has played a leading role in generating employment.

There is an array of factors influencing the performance of this industry. Identification of the relative importance of these factors is useful in identifying the policy implications for promoting this industry.

The main objective of this paper is to examine the relationship between the performance of the industry and the factors influencing the performance. We describe how parametric models can be used to examine the relationship between the performance of the industry and the factors. The performance is measured in terms of annual turnover of the manufacturing companies in the year 1994. The external factors like changes in the global environment and international demand patterns have not been considered in the analysis. A regression modelling approach is used to construct the models. The application of our methods is illustrated using a sample data set collected from Export Development Board, Board of Investment and Quota Board.