

Constraints in Local Raw Material Supply for Sri Lankan Apparel Export Industry

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ABSTRACT

Apparel exports is the leading export industry in Sri Lanka with a turnover of USD 5.42 billion in 2021 and targeting to reach USD 8 billion mark in 2025. Apparel industry is the largest employment opportunity provider in the country securing females' financial stability. Yet, 51% of the revenue earned through apparel exports is paid back to overseas countries for raw material purchases. To retain that amount of money spending on importing raw materials, the possibility of supplying required raw materials through local suppliers was investigated in this study. The percentages of raw materials supply through importation and local suppliers were investigated through a questionnaire survey conducted with a selected no of apparel manufacturers representing the four major groups of apparel exporting companies. Based on the data collected in questionnaire survey, ten most significant barriers to develop local raw material supply and increase local value addition percentage in existing raw material sources were identified through literature survey and Delphi technique. A secondary questionnaire survey was conducted with 30 selected local suppliers representing all different raw material types to gather information on current percentage of local value addition, the way how these barriers would affect them and restricting them expanding to cater 100 % raw material demand in Sri Lankan apparel export industry. Interactions among the ten identified barriers were detected using Interpretive Structural Modelling (ISM) method. The barriers were prioritized based on their interrelationships. Furthermore, their dependency and driving powers also were obtained through the ISM method. MICMAC analysis was performed based on the dependency and the driving power of the barriers. According to the results of the ISM analysis, the main barrier to develop local raw material supply and increase local value addition of existing local raw materials is, the unavailability of base materials. Lack of investments and lack of technology are also two major barriers which are independent and having a high driving power. Facilitating the base materials supply through promoting local Cotton plantations, manufacturing synthetic fibers such as Polyester and Nylon through crude oil refining and strategic joint venture partnerships to attract foreign direct investments would be reliable solutions for pertaining raw material supply issues. Also findings of this study would pave the way for sustainable economic and investment decision making, policy making, strategy formulating to enhance the economy of the country, in

a way of uplifting the retention of foreign exchange, earned through Sri Lankan apparel industry.

Keywords –Barriers in local supply, Interpretive Structural Modelling, Local raw material supply, Local value addition, Sri Lankan Apparel export Industry

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LIST OF ACRONYMS

- (1) **AGOA** - African Growth and Opportunity Act
- (2) **AS** - Antecedent Set
- (3) **CB** - Caribbean Basin
- (4) **CBSL** - Central Bank of Sri Lanka
- (5) **EDI** - Electronic Data Interchange
- (6) **EU** - European Union
- (7) **FRM** - Final Reachability Matrix
- (8) **ICT** - Information and Communication Technology
- (9) **ISM** - Interpretive Structural Modelling
- (10) **MICMAC** - Cross-Impact Matrix Multiplication Applied to Classification
- (11) **MTS** - Make To Stock
- (12) **MTO** - Make To Order
- (13) **NAFTA** - North American Free Trade Agreement
- (14) **RFID** - Radio Frequency Identification
- (15) **RS** - Reachability Set
- (16) **SKU** - Stock Keeping Unit
- (17) **SSA** - Sub-Saharan African countries
- (18) **UK** - United Kingdom
- (19) **USA** - United States of America
- (20) **USD** - United States Dollar
- (21) **WTO** - World Trade Organization

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