Problems and Prospects of Nepalese Readymade Garment Industries in the International Market

A THESIS

SUBMITTED BY:

Rabi Prasad Lamichhane Roll No.: 289/056 T.U. Regd. No.: 38822-91 MBS S.N.: 2786/058 Nepal Commerce Campus

SUBMITTED TO:

Office of the Dean Faculty of Management Tribhuvan University

In partial fulfillment of the requirements for the Degree of Master's of Business Studies (M.B.S.)

> New Baneshwor, Kathmandu April, 2009

RECOMMENDATION

This is to certify that the thesis

Submitted by: Rabi Prasad Lamichhane

Entitled

"Problems and Prospects of Nepalese Readymade Garment Industries in the International Market"

has been prepared as approved by this department in the prescribed format of Faculty of Management . This thesis is forwarded for the examination.

Gopal Thapa (Thesis Supervisor) Dr. Bihari Binod Pokharel (Head of Research Department)

Diwakar Pokhrel (Campus Chief)

Date:_____

VIVA VOCE SHEET

We have conducted the viva vice examination of the thesis presented by

Rabi Prasad Lamichhane

Entitled

"Problems and Prospects of Nepalese Readymade Garment Industries in the International Market"

And found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement of Master's Degree in Business Studies (MBS)

Viva Voce Committee

Chairperson, Research Committee:_____

Member (Thesis Supervisor): _____

Member (External Expert): _____

Date:....

DECLARATION

I hereby, declare that the work reported in this thesis entitled **"Problems and Prospects of Nepalese Readymade Garment Industries in the International Market"** submitted to Research Department of Nepal Commerce Campus, New Baneshwor, from T.U., is my original work done in the form of partial fulfillment of the requirements for the Masters of Business Studies (MBS) under the supervision of **Mr. Gopal Thapa** Nepal Commerce Campus, T.U.

Rabi Prasad Lamichhane Nepal Commerce Campus Campus Roll No. : 289/056 MBS Symbol No: 2786/058 T.U. Regd. No: 38822-91

ACKNOWLEDGEMENTS

This research "**Problems and Prospects of Nepalese Readymade Garment Industries in the International Market''**, which is a partial fulfillment for MBS, under the faculty of TU, is based on research models involving the use of quantitative and qualitative models to find out the major problems and prospect of Nepalese Readymade Garment industries in the international market.

First of all, I regard as it my dispensation and providence to get an opportunity to work under the able supervision of **Mr. Gopal Thapa** Lecturer of Nepal Commerce Campus. Not with standing having abundant other assignments, they made me always believe that I had his exclusive consideration and guidance all the time. Words fail me in expressing my gratitude to them. I also thank to express my deep admiration to **Dr. Bihari Binod Pokhrel**, Head of the Research Department of Nepal Commerce Campus, whose valuable suggestions helped me to complete this research work.

I should furnish my trustworthiness to my friend Mr. Ramesh Kumar Shrestha for supporting me during each and every stage of thesis writing.

Finally, I would like to express my genuine appreciation to the staffs of Library of Nepal Commerce Campus.

At last but not least, my paramount dedication is to my family members who have been uninterrupted source of sustain for me while in-during the tribulation of this work.

Rabi Prasad Lamichhane Nepal Commerce Campus

April, 2009

TABLE OF CONTENTS

Vivo-Voce Sheet	
Recommendation	
Declaration	
Acknowledgements Table of Contents	
List of Tables	
List of Figures	
Abbreviations	
	Page No
CHAPTER-ONE: INTRODUCTION	1-8
1.1 Background of the Study	1
1.2 Focus of the Study	3 3
1.3 Statement of the Problem	
1.4 Objectives of the Study	6
1.5 Limitation of the Study	6
1.6 Scope of the Study	7
1.7 Organization of the Study	7
CHAPTER-TWO: REVIEW OF LITERATURE	9-53
2.1 Development of International Trade Organization	9
2.1.1 General Agreement of Tariff and Trade	9
2.1.2 World Trade Organization	14
2.2 WTO and Nepal	17
2.2.1 Implication of WTO Membership for Nepal	17
2.2.2 Advantage of WTO to Nepal	18
2.2.3 Challenge of WTO to Nepal	19
2.2.4 Multi Fiber Arrangement	20
2.2.5 The Agreement on Textiles and Clothing	23 27
2.3 A Brief History of Garment Industry in Nepal2.4 The Government Rules and Regulation in Garment Industry in Nepal	36
2.5 Export Procedure and Practices	30 41
2.6 Reviews from Theses	48
CHAPTER – THREE: RESEARCH METHODOLOGY	54-60
3.1 Introduction	54
3.2 Research Design	54
3.3 Source and Type of Data	55
3.4 Population and Sample Size	55
3.4.1 Population	55
3.4.2 Sample Size	56
3.5 Data Collection and Organization	58
3.6 Statistical Tools Employed	58
3.6.1 Percentage	58 50
3.6.2 Mean 3.6.3 Standard Deviation	59 59
5.0.5 Standard Deviation	39

3.6.4 Ratio 3.7 Method of Analysis and Presentation	60 60
CHAPTER-FOUR: DATA PRESENTATION & ANALYSIS	61-105
4.1 Analysis for the Current Position of Garment Industries in Nepal	61
4.1.1 Export of Readymade Garment to Major Countries	64
4.2 Analysis for Major Problems of Garment Industry in Nepal	75
4.2.1 Analysis from Review of Literature and other Published Materials	75
4.3 Need of Primary Research Study	77
4.3.1 Analysis of Environmental Factor Relative to GI through	
Primary Research	77
4.4 Major Findings of the Study	85
4.4.1 Major Findings of Secondary Data	85
4.4.2 The Major Findings from Primary Data	87
4.5 Major Finding from WTO	89
4.5.1 The Commitment of Nepal for the Membership of Organization	89
4.5.2 Achievements of Nepal after the Membership of World Trade	
Organization	91
4.5.3 Nepal to be Taken Steps in Future.	96
CHAPTER – FIVE: SUMMARY, CONCLUSION &	
RECOMMENDATIONS	99-106
5.1 Summary	99
5.1.1 The Summary of Secondary Data	100
5.1.2 The Summary of the Primary Data	102
5.2 Conclusion	103
5.3 Recommendations	104
5.3.1 For Garment Industry	104
5.3.2 For Government	104
5.3.3 For Nepalese Customers	106
-	

BIBLIOGRAPHY ANNEXES

LIST OF TABLES

Table NoName of the Table

2.1	The GATT Trade Rounds	11
2.2	The Eighth (Uruguay) Round of Multilateral Negotiations (1986-94)	12
2.3	A Chronology of Managed Trade in Textile and Clothing	22
2.4	Integration Program for Textile and Clothing under the ATC	25
2.5	Number of Garment Industries in Nepal	29
2.6	Necessary deposit in According with the Total Capital Mentioned	38
	in the Scheme	
2.7	Export Trade Channels	45
3.1	Gender Group of Respondents	57
4.1	Percentage of Major Commodities in the Overseas Exports of Nepal	62
4.2	Shares of GI on Total Export value in '000	64
4.3	Exports to USA	65
4.4	Exports to Canada	66
4.5	Exports to Japan	67
4.6	Exports to UK	68
4.7	Exports to France	69
4.8	Exports to Germany	70
4.9	Exports to Italy	71
4.10	Exports to Spain	72
4.11	Exports to India	73
4.12	Data Found on the Basis of Analysis	74

LIST OF FIGURES

Figure No	Name of Figure	Page No
4.1	Pie Diagram of Percentage of Major Commodities Exp	ported to
	the Overseas Countries	63
4.3	Chart Showing Export to USA	65
4.4	Chart Showing Export to Canada	66
4.5	Chart Showing Export to Japan	67
4.6	Chart Showing Export to UK	69
4.7	Chart Showing Export to France	70
4.8	Chart Showing Export to Germany	71
4.9	Chart Showing Export to Italy	72
4.10	Chart Showing Export to Spain	73
4.11	Chart Showing Export to India	74

ABBREVIATIONS

A.D.	Anno Domini
ATC	Arrangement on Textile and Clothing
B.S.	Bikram Sambat
CBS	Central Bureau of Statistics
CF	Cost plus Freight
CIF	Cost-plus Insurance and Freight
FNCCI	Federation Of Nepal Chamber of Commerce and Industry
FOB	Free On Board
F/Y	Fiscal Year
GAN	Garment Association Nepal
GATT	General Agreement on Trade and Tariff
GDP	Gross Domestic Product
GI	Garment Industry
Govt.	Government
GSP	Generalized System of Preference
HMG	His Majesty's Government
IBRD	International Bank for Reconstruction and Development
IMF	International Monetary Fund
INGO	International Non Governmental Organization
ISC	Industrial Service Center
ITO	International Trade Organization
L/C	Letter of Credit
LDC	Least Developed Country
LTA	Long Term Arrangement
MFA	Multi-Fiber Arrangement
NCC	Nepal Chamber of Commerce
NRB	Nepal Rastra Bank
RMG	Readymade Garment
SAARC	South Asian Association for Regional Cooperation
TMB	Textile Monitoring Body
TPC	Trade Promotion Center
TSB	Textile Surveillance Body
VAT	Value Added Tax
WTO	World Trade Organization