

# CHAPTER - ONE

## INTRODUCTION

### 1.1 Background of the Study

Nepal is small Himalayan kingdom covering the area of 147181 square Kms and 0.03 percent of total world area. It has been situated between the economic giant country India in the east, west and south and China to the north. Nepal is the least developed, land locked, geographically disadvantageous, economically vulnerable nation with rich in ecological, cultural and ethnic diversity.

Agriculture is the prime mourner of the Nepalese economy. More than 80% of total populations are engaged on the subsistence agriculture and agriculture contributes 40% GDP which reflects that the agriculture is the largest economic sector contributing to GDP. Nepal's agriculture production is still dependent on monsoon and the vagaries of nature cause substantial production fluctuation. Despite of substantial investment in the agriculture sector this sectors performance has been disappointing.

In Nepal, the industrial sector is vulnerable. Total contribution of industrial sector in GDP is extremely low, which is about 10% and less than 2% of the total population are dependent on it. Industries are running in the small scale. There is no any significance expansion of industrial base Nepal due to heavy reliance on imported raw materials, capital and intermediate goods.

Nepal's foreign trade sector has been characterized by huge deficits due to poor export performance, imports and a graded reduction in trade dependence in India. An acceleration import growth and normal growth in exports has exacerbated the growing trade deficits.

After liberalizing its trade policies in 1992, Nepal's export increased by 30.1% while imports increased by 14.4%. Heavy reliance in few markets lack of export diversification high cost of production, poor quality and inability to attract foreign investment are all contributing to median trade deficits.

The history of garment industry in Nepal only dates back to the early 1980BS. This industry started flourishing when Indian garment exporter started coming to Nepal to escape the quota constraint in India. At this time, the Nepalese garment was not aware of the pros and cons of this trade so it take very long time for government to recognize this industry as viable, suitable and important export oriented industry. This Indian seeking ways to meet orders from the USA, but limited by the quota applied to import from India developed the garment industry in Nepal.

Despite many negative factors, Nepalese garment industries have played a significant role and particularly its contribution is substantial to maintaining foreign currency reserve. The export of garment in 1999/92 was NRs. 3112 million that marked NRs. 77852 million in F/Y 2003/02 with an increase of approximately 212.72 % How ever, the trends in the exports of garment are oscillating (FNCCI Report, 2003, Page 65).

For a country that is totally land locked and poor agricultural country and with very little infrastructure for production of basic raw materials the export figures, now a days of ready made garments reflects a spectacular growth. The importance of this industry as a source of vital foreign exchange for Nepal can be under lined by the fact that beside carpets this is the other major export item from Nepal. Being a land locked and poor agricultural country capital formation through foreign trade is limited. Nepal import more than what she exports. Import has increased at a faster rate than the export, leading to a huge and widening trade deficit and unfavorable balance of payments. Now a day in order to reduce trade deficit and correct unfavorable balance of payments Govt. started to give high priority for the export oriented sectors. Government is trying to promote the export of every feasible product by adopting various measures. In this contest export promotion of ready made garment on one of them.

Readymade garment industry could be one of the promising and potential areas for Nepal's export drive of Nepal make best efforts for the export promotion of readymade garments. It could help the economy in breaking the vicious circle of poverty and achieving the goals of economic development. Readymade garments industry is a labor intensive industry and is an abundant supply of cheap labor in the country and with training and introduction of improved

machines and accessories the exiting labor force could be made quiet productive within a short period of time.

Now a days the readymade garment industry in falling tough times following the GATT agreement which will automatically phase out the US quotas and bring more competition to the business. Hence focus of my study is to final out the problems of garment industries in Nepal and their relative measure and also analyzes the trend and position of garment industries in international market.

After political change in 2046 Nepalese economy has also changed. National industrial policy 2048 have made its policy open and liberal economy in the field of industry, under this policy common people have made linked to industry by dismissing license and quota system, made immense decrease in import export tax, economic and systematic privilege management have made in import of exporting items raw material. This policy has helped export of other items as well as readymade garments (*Sakhwa, 2061, Page 50*).

## **1.2 Focus of the Study**

The study is mainly focuses on the problem and prospect of Nepalese Readymade Garment industries in the international market. It focuses on present condition of garment industries, cause of downfall of garment market and profit and loss of World Trade Organization (WTO) membership on Nepalese Readymade Garment industries.

## **1.3 Statement of the Problems**

There are several causes for the poor performance of garment export from Nepal now a day. The main obstacles in the development of Nepal's foreign trade with other countries are included as follows:

First of all its topography, which is such for the use of sea port in Nepal is land locked country. It lies between India and the south, east and west and China in the north. This makes transportation and communication quits difficult, as it has to fallow the traffic and tariff rules set down by both these countries. The nearest seaport is about 1127 Kms. The total area of Nepal is approximately

147181 square Kms of which 83% is occupied by mountains and hills and 17% is occupied by Terai region. This is the remarkable distinction and variation of climate. It is extremely cold in the north whereas the Terai is comparatively hot. Thus variation of climate and distribution of land also affect the development of garment industries.

An increasing number of garment units and their performance are not because they are all active equally in production and export. Out of the total very few units are working effectively. The remaining might be for a garment quota to sell at a premium price. The government in 1991/1992 has tried to reserve some quota for new registered industry. This policy has encouraged existing enterprises to register new firms and also encouraged those. People who are not the entrepreneurs but the gamblers, for example total numbers of Garment Association of Nepal is 1414 but if we go to visit above factories it is difficult to find even 30% of registered members, which is a very bad scene of the sector.

Another main problem of the garment sector is lack of raw materials and skilled and efficient manpower. The garment industry requires a variety of inputs. Materials for the garments and skilled manpower for designing, cutting, pattern making and stitching garments are the most important ones among them. But today none of these inputs have been in ample supply within the country.

Readymade garments industry basically has to depend on different required materials such as fabrics, threads, zippers, buttons, and labels and so on. Every thing from the fabrics to the threads, sewing machine and needles has to be imported from another country. The locally produced fabrics do not meet the standard required for the production so that the testing or production is also not as good in quality as compared to other countries.

Skilled manpower as labor inputs is another crucial factor for the development of garment industry and this also had to be imported from the neighboring country India till now.

Nepal's position as exporter of readymade garments could be questionable if strict quality control systems are not measured and implemented. In Nepal garments manufacturing

methodological and procedures are mostly based on traditional system i.e the time to go for production of high quality and should be the more appropriate for this industry.

Another problem of garment industry in the product and readymade garment industry's export market has not been diversified equally. The exporters have not been able to tap the market potential other than the USA. Over 90% of the garments exports go to the USA. This is not good for Nepalese garment industry, because if this market is lost the whole industry would collapse. Thus it is necessary to explore new market for future prospective. Till now most of the garment producers depends upon Indian agent for their market abroad. So the producers should also develop direct contact with the prospective buyers. Nepalese producers must actively channels and low cost suppliers if they seek to penetrate new market.

The main problem of Nepalese garment industry in phasing out of Multi Fiber Agreement (MFA) in taxable and clothing trade as agreed upon the GATT policy. Within ten years the GATT accord intends to fully phase out the bilateral agreement on these products which has been facility developing nations. The gradual phasing out of the MFA accord will make export quota, like the US has been allocating to exporting nations, will be meaningless. This means preferential treatment through quotas would be terminated and non discriminations will come in to force globally. This intends to give equal opportunities to all exporting nations resulting in higher degree of competition on the world trade. In such a situation it could be much more difficult for Nepal to grab world market as it does not possess any particular input which gives comparative advantages.

Thus, from all the above mentioned problems of garments any one can conclude that the garment industry is facing one of the worst crisis right at the moment. The government and the entrepreneurs should work out the strategy, short term as well as long term strategies for sustaining and development of garment industry. The details of these problems will be given in the coming chapters.

#### **1.4 Objectives of the Study**

In 1974, some developed countries signed the MFA which is the opposite of the GATT principle. The MFA has dominated the world trade in textiles and clothing. The main objective

of MFA is to protect clothing and textiles industries of associates' countries. This system has been decided to change under a ten years schedule. After 2005 the agreement on textiles and clothing will in itself no longer exist. It is only the WTO agreement that will have self destruction built in.

So, the objectives of this study is to find out the problem faced by garment industry right at moment and the contribution made by this sector to economic development. In this context the main objectives of this study are as follows:-

- ) To examine the present status of garment industry in Nepal.
- ) To identify major problems faced by Nepalese garment industry and to develop appropriate measure to survive in the competitive international market.
- ) To study the benefit and obligation of WTO membership on Nepal's garment industry.
- ) To provide suggestions on the basis of findings of the study.

### **1.5 Limitations of the Study**

The study has to be limited in its scope due to lack of adequate information and other resources. However following is the main limitation of this study.

- ) Lack of sufficient literature and information on this study field is the major limitation of the study.
- ) In stand of the overall export of Nepal the study deals only with the export of readymade garments.
- ) Implication of the WTO dealing with many sector of Nepal and the world. But this study deals with the garment sector of Nepal only.
- ) Being a student time and resources are constraints.
- ) Simple techniques have been used in analysis.

## **1.6 Scope of the Study**

This study will be concise usable practice and valuable to the major parties interested in garment industry of Nepal. This will also be useful to the management students.

The study is basically concerned with the marketing of Nepalese Readymade garments in its different destination and Nepal's export scenario. Objectively, the scope of this research was to evaluate whether the marketing practices would be a long term policies or not and to find the timely necessary strategies. The findings of this study can be used to develop and promote Nepalese readymade garments in the international market and hence to boost Nepal's foreign trade.

## **1.7 Organization of the Study**

The whole study has been divided into five chapters. First is introduction chapter, which includes general background, statement of the problems, objectives of the study, significance of the study, limitations of the study and general assumption about the study.

Second chapter deals with the review of available literatures in the fields of the study being conducted topic, review of various empirical studies etc. inside and outside the countries.

Third chapter explains the resource methodology employed to conduct the study and tools and techniques used in analysis of data as well. This chapter includes research design, sources of data, population and samples method of data analysis various statistical tools etc.

Fourth chapter is devoted to the presentation, analysis and interpretation of findings. This chapter also contain major finding of the study.

Fifth and the last chapter is conclusive and suggestive chapter. It includes summary of the study conclusion of the main finding and recommendation for further improvement.

Beside these bibliography and appendices will also present at the end of the thesis. Similarly acknowledgement, table of contains, list of tables, list of diagrams, abbreviations are included in the front part of thesis report.

# CHAPTER -TWO

## REVIEW OF LITERATURE

This chapter contains a comprehensive review of recent and relevant literature related to the topic. Attempts have been made to accord in depth study and to develop up-to date information necessary for practicing managers and concerned authorities. Thus all the reports, data information, seminar papers bulletins, articles published in different news papers, magazines etc related to garment sector have been collected, compiled and reviewed.

In this context some of the pertinent study reports have also been reviewed.

### *2.1 Development of International Trade Organization*

#### *2.1.1 General Agreement of Tariff and Trade*

After the divesting experience of world war 2<sup>nd</sup>, the international community was keen not only to restructure the shattered economies but also to establish international discipline to regulate international trade. As a result, the United Nation Monetary and Financing conference was held in Breton's woods in 1944. The conference led to the setting up of the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD), popularly known as the World Bank. The conference also recommended, on the insistence of British delegates led by Lord Keynes, that an International Trade Organization (ITO) to be set up. The draft charter of ITO extended beyond world trade disciplines to include rules on employment, commodity agreements, restrictive business practices, international investment and services. But the cause of American economy the ITO was dead.

The GATT was signed in 1947 by 23 countries. The GATT became operative on 1<sup>st</sup> January 1948 as a result of the failure of the ITO to get the necessary support. To save the liberal principle it was agreed to limit to the General Agreement of Tariff and Trade (GATT) which had originally been conceived as part 4 of the ITO. Thus, GATT was elevated to a lead position in bringing order to world trade. In essence, the GATT is no more and no less than a large group of countries who believe that their best economic interest are served through trading system base be



upon open markets and fair competition secured through agreed multilateral rules and disciplines. They are bound together through a contract called the General Agreement on Tariff and trade. So they call each other “contracting parties”. The GATT is not a club that anyone can join merely by paying a fee. Countries negotiate their way in through but offering them also to the other contracting parties. There is a sensitive balance of right and obligations among the members.

#### Aims of the GATT

The main aims of the GATT were:

- a. Raising living standards,
- b. Realizing full employment,
- c. Fully developing the world’s resources and
- d. Increasing production

#### **2.1.1.1 Principles of the GATT**

In accordance with liberal basic philosophy the favored nation principle, non discrimination, multilateralism and reciprocity are the decisive fundamentals of GATT.

GATT had since been signed by 117 nations its strength came from the “Most Favored Nation” principle that required any trade concession given by a member country to a non member country automatically applied to all member countries. Thus bilateral agreements would grant no more favorable arrangements than would membership in GATT. Thus it embodied several key principles:

- a. Government should treat imported goods no less favorably than domestic goods.
- b. Government should not discriminate in treatment among trading partners
- c. Tariffs are preferred to quotas
- d. Aggrieved governments can consult with the offending member country to resolve trade disputes and
- e. Compensation will be negotiated with trading partner in exchange for reduction of trade barriers.

### 2.1.1.2 The GATT Trade Rounds

Under the GATT many trade meeting held in many places. There are eight successive GATT trade rounds agreements have been completed, the largest agreement being the Uruguay Round Agreement which was concluded in December in Maracas, Morocco in April 1994 with the agreement to establish the WTO along with several other decisions. The agreement is the longest one which took seven and a half years to conclude. Now, the GATT/WTO has fifty-four years of development history. During the period many important decisions and events have been taken place.

The first five trade negotiations were purely tariff negotiations. Among them the fifth trade round is popularly known as “Dillon Round” because Mr. Douglas Dillon made the original proposal for the tariff concession under secretary of state. In this conference the US delegate on pursuance of the authority ranted congress by under the trade agreement extension act of 1958 proposed to reduce 20% US tariff the basis of reciprocity.

**Table no 2.1**  
**The GATT Trade Rounds**

| <b>Year</b> | <b>Place/Name</b>         | <b>Subject covers</b>  | <b>Countries</b> |
|-------------|---------------------------|--|------------------|
| 1947        | Geneva<br>(Switzerland)   | Tariff reduction   | 23               |
| 1949        | Annecy (France)           | Further tariff cuts  | 13               |
| 1951        | Torquay (England)         | Tariffs concession   | 38               |
| 1956        | Geneva                    | Further tariff cuts  | 26               |
| 1960-61     | Geneva<br>(Dillon Round)  | Tariffs  | 26               |
| 1964-67     | Geneva<br>(Kennedy Round) | Tariff and antidumping measures  | 62               |
| 1978-79     | Geneva<br>(Tokyo Round)   | Tariff non tariff measures ‘Framework’<br>agreements   | 102              |
| 1986-94     | Geneva<br>(Uruguay Round) | Tariff, non-tariff measures, rules, services<br>intellectual property, dispute settlement<br>textiles, agriculture, creation of WTO. Etc | 123              |

(Source: WTO, Trading in to the Future 1998. Geneva)

The sixth and seventh rounds respectively known as the Kennedy (1964-67) and Tokyo (1973-79) rounds, by the time of Kennedy round around 50 countries had already taken membership.

Several developing countries had become GATT members in the early 1960's. At the time of the Tokyo round in 1964-67, the focus shifted to the elimination of non-tariff barriers. Reduction of non-tariff barriers received even more serious attention during the Tokyo Round in 1973-79. The eighth and the biggest trade negotiation ever is the Uruguay Round of trade negotiations which lasted from September 1986 to April 1994. 124 countries represented The Uruguay round. It led to the WTO and a new set of agreements.

### **2.1.1.3 The Eighth Round (The Uruguay Round 1986/94) and Creation of WTO**

This round of GATT has been the longest of all rounds, also the most ambitious negotiation under the auspices of the GATT, called the Uruguay Round (UR). 124 countries represented the UR. The European Community (EC) was initiated in Punta del Este, Morocco in 1986. The round was formally concluded with the signing of the Final Act on 15 April 1994 at Maracas, Morocco. The Final Act embodies all the multilateral or unilateral agreements of the round. The Uruguay Round agreements extended multilateral rules and disciplines in trade in goods to trade in services (GATT's), trade related aspects of intellectual property in agriculture and textiles back to the GATT. It also included the decisions to establish a formal institution called the World Trade Organization (WTO).

**Table no 2.2**  
**The eighth (Uruguay) round of multilateral negotiations (1986-94)**

| <b>Date</b> | <b>Description</b>  |
|-------------|---|
| 1986        | Launch (Punta del Este)   |
| 1988        | Mid-term ministerial review of Uruguay round started in December (Montreal)   |
| 1989        | Mid-term review (Geneva)  |
| 1990        | Ministerial meeting in Brussels to conclude the Uruguay Round fails: Canada formally introduces a proposal to create at the conclusion of the round what became the WTO. (Brussels)               |
| 1991        | First draft of final Act completed (Geneva)   |
| 1992        | EC and US achieve 'Blair House' Break through on agriculture. (Washington)  |
| 1993        | US congress grants 'Fast-track' authority only to December 15 Providing crucial deadline for concluding the Uruguay round negotiations.   |
| 1994        | On April 15 in Maracas, Ministers sign the final act embodying results of the Uruguay round, to be implemented during 1995-2005 and establishing the WTO to be come into force in 1 January 1995. |

(Source: WTO working party on the accession of Nepal)

#### *2.1.1.4 Results of the Uruguay Round*

The results of the Uruguay round can be summarized in four groups

Creation of a New World Trade Organization (WTO) which is to create a inform institutional framework for GATT in it's from developed by the Uruguay Round. It will be directly responsible for securing greater economic policy coherence by cooperating with the international monetary fund and the World Bank. For dealing with issues of environment protection and taking measures in favor of the poorest developing countries favor. The WTO will control the trade policy monitoring mechanism, which was already installed as a result of Mongrel conference and which. According to previous experience does not only have control functions but also serves as a consulting body for developing countries. The whole complex of arbitration was newly regulated in the Uruguay round and gives important function to WTO details of institutional structural and decision making procedures to the be decided in a ministerial conference in mid 1995.

A second group of results concerns trade in goods, i.e. the core of GATT (GATT, 1994). This includes the package concerning market access, including all the compromises in the fields of agriculture and industry as well as a tropical products and raw materials. GATT 1994 also includes he reintegration of the textile and garments sector in the GATT system with in a transition period of 10 years. The special agreements of the Tokyo round were carefully scrutinized to prevent in future the misuse of “modern” trade policy instruments like antidumping measures, technical trade barriers, licensing procedures, measures against export subsidies and public procurement.

The agreement on service (GATs) consists of general framework agreement relating to special sectors like financial services, labor migration, and transport and audio as well as lists laying down the concessions is liberalization.

The agreement on the protection of intellectual property right (TRIPS) is linked to existing international law for example the Berne convention of the ‘Washington Agreement for the protection of property right concerning integrated modules but in some of its individual clauses it for exceeds established legal provisions. Thus, the agreement ratifies articles of Berne convention (1971) and extends coverage to copy rights, trade marks, geographical indication, industrial designs, patents, layout design of integrated circuits and protections of undisclosed information. The agreement confers rights in the

forms of relatively high degree of monopoly of owners of the intellectual property rights and their abilities could maximize economic rents resulting from their use.

### **2.1.2 World Trade Organization (WTO)**

The world trade organization (WTO) was established and it came into force from 1 January 1995. The WTO is international body dealing with the rules of trade between nations. As its heart is the WTO agreements negotiated and signed by the legal ground rules for international commerce. They are essentially contracts, binding governments to keep their trade policies within agreed limits. Although negotiated and signed by governments the goal is to help producers of goods and services, exporters, and importers conduct their business.

The apex body of the WTO is ministerial conference. It can take decisions on all matters under any of the multilateral trade agreements. It is expected to meet every two years. The first WTO ministerial conference was held in Singapore in 1996, the second in Geneva in May 1998. The third in Seattle but it was totally failed and the last (fourth) in Doha in 9-12 November 2001. There were 142 member and other many observer country involved Doha meeting. China and Taiwan got membership in that meeting. Now there are 144 member countries in WTO.

Three bodies handle the day to day work in between ministerial conferences the general council, the dispute settlement body and the trade policy review body. The council for trade in Goods (Goods council) assists the general council in its work, the council for trade in services Rights (TRIPS) councils. Besides these councils, there are other committees that have been established for detail work.

#### **2.1.2.1 Main Purposes of WTO**

The WTO has three main purposes:

- ) To help trade flow as freely as possible by way of gradually removing trade obstacles and making the rules more transparent and predictable to ensure the individuals, companies and governments about the trade rules around the world and give them confidence that there will be no sudden changes of policy.

- ) To serve as a forum for trade negotiations. Because the agreements are drafted and signed by the community of trading nations, often after considerable debate and controversy, they have to negotiate it.
- ) To settle disputes among the conflicting parties regarding conflicting foundation, written into the WTO agreements.

### **2.1.2.2 Main Activities of WTO**

To facilitate the implementation of the results of Uruguay round

To provide a forum for multilateral trade negotiations and a framework for the implementation of their results.

To settle disputes amongst its member countries.

To carry out periodic reviews of the trade policies of its member countries and

To cooperate with other multilateral institutions like the IMF and the World Bank with a view to achieving greater coherence in global economic policy making.

### **2.1.2.3 Principles of the Trading System**

The main principles of the trading system are as follows:

Trade without discrimination.

Free trade.

Predictability

Promoting fair competition.

Encouraging development and economic reforms.

### **2.1.2.4 WTO and Developing Countries**

About 100 of the WTO around, 144 members are developing countries. They are expected to play an increasingly important role in the WTO because of their numbers. The WTO deals with the special needs of developing countries in three ways:

- a. The WTO agreements contain special provisions on developing countries.
- b. The committee on Trade and Development oversee working in this area in the WTO, and
- c. The WTO secretariat technical assistance (mainly training of various kinds) for developing countries.

The WTO agreements include numerous provisions dealing with developing and least developing and least developed countries (LDCs) which include:

- a. The General Agreement on tariff and trade (GATT which deals with trade in goods) has a special section (part 4) on trade and Development which includes provisions on the concept of non-reciprocity in trade negotiations between developed and developing countries. It also enables countries to grant special concessions to developing countries without having to do the same for the entire membership, known as “special and differential treatment”.
- b. The General Agreement of Trade in services (GATs) similarly allows developing countries some preferential treatment under the heading “economic integration” (part 5 of GATs).
- c. Extra time for developing countries to fulfill their commitments (in most of the WTO agreements).
- d. Provisions designed to increase developing countries trading opportunities thorough greater market access (e.g. in textiles, services and technical barriers to trade).
- e. Provisions requiring WTO members to safe guard the interests of developing countries when adopting some domestic international measures (e.g. antidumping, safe guards and technical barrios to trade).
- f. Provisions for various means of supporting developing countries (e.g. in helping them deal with commitments on animal and plant health standards, technical standard, and assisting them in strengthen their domestic telecommunication sectors (WTO, 1998,Page 15).

## **2.2 WTO and Nepal**

There are altogether 48 Least Developed Countries (LSCs) in world today. Their population makes up more than 10 percent of the world population, where as their share in global trade, taken as a group, accounts for less than 1 percent. The volume of the external trade of LDCs is significantly low. This shows that they are already outside the mainstream of the global economy. There are only 29 LDCs member of WTO. Nepal is also member of LDCs (Chhetri

Nabin K. 1999). Nepal is not member of GATT or newly established organization WTO. It has applied for membership in the GATT secretariat in May 1989 when gamut between Nepal and India started and Nepal's external trade was badly suffered. WTO working party was established on December 1995 and in the same year Nepal enjoyed the status of observer in he WTO. Memorandum on foreign trade regime was submitted on July 1998 for full membership in WTO. Memorandum on foreign trade regime was its membership. Nepal got only status of observer in Doha conference. In SAARC region, Nepal and Bhutan is not member of WTO.

### **2.2.1 Implication of WTO Membership for Nepal**

Nepal's membership of WTO is not matter of choice. Nepal can not avoid the consequences: whether good or bad, gain or loss and has to abide by rules sooner or later whether she is permitted WTO membership or not. It depends on it's donors agency. In order to promote international trade and diversify if both commodity-wise and geographically, Nepal has entered into bilateral trade agreements with other countries. Nepal has trade relations with more than 50 countries, including the European community and bilateral agreement containing most favored nation treatment have been signed with 17 countries. In 1991, Nepal signed with India a treaty of transit and a treaty of under which Nepal receives preferential treatment on the exports of goods based on the certificate of origin and the transit facility. Nepal is an active member of the South Asian Association for Regional cooperation (SAARC) which concluded the South Asian preferential trading arrangement a regional trade agreement in Dec. 1995.

While continuing to attach great importance to developing bilateral relations with its trading partners, given the typical text book case of two country (Germany and the USA), two commodity (carpet and readymade garments). It is necessary for Nepal to pursue the strategy of integrating itself into the multilateral trading system based in the WTO not only to expand export volume but also to diversity its structure and mitigate the risks of volatile export earning. However, membership in the WTO is like joining a club. Like all clubs, the WTO bestow benefits on members, but there are some costs as well it offers rights but with them come obligation, it provides new opportunities but also some challengers (Anderson, 1998, Page 22). There are some advantages and challenges from WTO.



### **2.2.2 Advantages of WTO to Nepal**

- By the liberal policy of the member status, there will be more chances of increase in the export business.
- It will help to reduce economic risks by diversifying.
- The strategies of the organization will help to create an environment of safe and sure business.
- The possibilities of the export of industrial production will increase by the constant and convenient receipt of the raw materials.
- It will provide an opportunity to affiliate Nepalese economy, with the international economy system for the interest of the nation.
- By the identification of the areas of competitive benefit create by the environment of international business competition. Nepalese economy will probably be more dynamic.
- The liberal policy upon service attracts more investment resulting in employment generation and economic growth.
- International business competition will enhance the capacity and productivity of Nepalese industries.
- The special strategy and probable assistance for the least developed countries support Nepalese economic development.
- The multinational business system will help to eradicate the problems arising from the bilateral business with the neighboring countries.
- The one state one vote policy of the WTO disregarding small or big and developed or least developed will emphasize the
- Interest of small and least developed country, like Nepal.

### **2.2.3 Challenges of WTO to Nepal**

- ❖ Nepal can obtain the advantages of the membership to the WTO only after a long term.
- ❖ The enhancement of the capacity and productivity of Nepalese industry and business required immediately coping up with the competitive situation in the international level.

- ❖ There are adequate possibilities of negative impact if we can not evaluate the future opportunity and the hazards.
- ❖ Continuous adjustment between the governmental and private agencies is necessary.
- ❖ Various existing legal provisions, administrative system and process and institutional management are needed to be changed according the commitment with the WTO strategy in the designed time schedule.
- ❖ We need to develop expertise manpower capable to adopt in the organization's strategy, rules and regulations for the sustainable existence in the government and non-governmental sectors.
- ❖ We have not developed the informed manpower for the dispute settlement mechanism and dispute procedure of the WTO.
- ❖ We have not been able to convey our positive attitude to the cynics who say that the Ingo's often advocate for the developed countries and this is also an organ of the developed countries to dominate small countries.
- ❖ Administrative changes, political instability and the irregularity in the rules and regulations can hinder the process of activating WTO.

The WTO membership allows countries to design development strategies and trade policies in a more predictable and stable trading environment. It offers an expansion of trading opportunities because of low tariffs and elimination of non-tariff barriers in member states. The multilateral discipline of greater stringency ensures a more secure and predictable trading environment and provides more certainty in trade policies and practices of trading partners, enhances the security of such relations. Nepal would also have access to the WTO dispute settlement mechanism to defend its trade interests. Not the least, membership provides an instrument to advance the trade and economic interests through effective participation in the WTO multilateral negotiations.

Nepal is facing a number of structural or supply side constraints including weak technological adaptability, lack of entrepreneurial managerial, marketing and technical skills (including those for quality control); weak financial intermediation and expensive credit, weak corrupt and inefficient bureaucracy and ineffective regularity legal and institutional framework, poor

infrastructure (along with landlocked) poor human capital stock and communication network. These supply side actors turn the opportunities into unrealized dreams, where the anticipated costs are not merely nightmares but real losses (Gurugharana, 2000, Page 12).

There is nothing as such that the WTO membership can offer Nepal on a 'golden plate'. Benefits do not derive automatically but depend on her ability to identify and take advantages of trading opportunities: fulfill multilateral trade obligations, formulate and pursue development strategies within the framework of those obligations and above all, defend her economic, finance and trade needs. Thus we need not delude ourselves into thinking that the world order will be benevolent to us even as we ourselves can not do that favor for us (Panday, 2001, Page 16). The problem is that benefits are in future, long-term and potentials (requiring a lot of efforts) while costs are immediate.

The Uruguay Round Agreement on Textile and Clothing: From the Multi-fiber Arrangement (MFA) to the Agreement on Textile and Clothing (ATC)

#### **2.2.4 The Multi-Fiber Arrangement (MFA)**

Textile and clothing slipped out of the GATT in the early 1960's when the United States and other clothing developed countries faced pressure to protect their domestic textile and clothing industries. Led by the United States, developed countries negotiated a separate instrument to allow developed importing countries to impose qualitative restriction of imports from low cost exporting countries. The managed trade agreement in textiles and clothing severely deviated from GATT principles. The first-term long-term arrangement (LTA) is regarding international trade in cotton textile (LTA) in 1962. The LTA lasted for more than 10 years and was succeeded by the multi-fiber arrangement (MFA) in 1974.

The MFA was a separate agreement on international trade in textile and clothing negotiated under the auspices of the GATT in 1974. The MFA was intended to provide "temporary" protection to domestic textile and clothing producers in developed countries from increased competition from exporters in developing country and at the same time to make "orderly" arrangements for developing country exporter to enter the market of developed countries. The

basic objectives of the MFA were said in 1974 to be achieving the progress liberalization of world trade in textile products. While at the same time ensuring orderly, equable development of this trade by avoiding disruptive effects in individual markets and on individual lines of production in both importing and exporting countries. Encouraging the growth of the textile and clothing industries of developing countries was one of the main stated aims of the arrangements. Developed countries imposing restriction were required to pursue policies to encourage structural adjustment, i. e. to encourage non-viable textile and clothing firms to move out of the industry.

The MFA was renewed four times in its history MFA I (1974-77), MFA II (1977-81), MFA III (1982-86), and MFA IV (1986-1994). As the Uruguay round failed to conclude in 1990 as originally envisioned, MFA IV was extended twice before the ATC (Arrangement on Textile and Clothing) entered into force in January 1, 1995. At the end of 1994, MFA membership stood at about 40 members, including some non-GATT countries such as China. The MFA covered more than 80 percent of international trade in textile and clothing. The participating developed importing countries and developing exporting countries signed more than 100 bilateral agreements to impose quotas on textiles and clothing exports from developing countries thus effectively restricting market access of developing countries to developed country market. Restriction on trade in textiles and clothing also included high tariffs, tariff escalation and other restrictions (See Box for a chronology of managed trade in textile and clothing).

**Table no. 2.3**  
**A Chronology of Managed Trade in Textile and Clothing**

| <b>Date</b> | <b>Description</b>  |
|-------------|---|
| 1955        | Japan introduced “voluntary export restraints’ in cotton textile to the USA. At the request of the USA, the restraints continued to 1956.   |
| 1959-60     | UK introduced “voluntary” restrictions on import of cotton textile from Hong Kong, India and Pakistan   |
| 1960-61     | The concept of “Market Disruption” was introduced in the GATT. The short-term Arrangement on Cotton Textile was negotiated in July 1961.  |
| 1962        | The long-term Arrangement Regarding International Trade in Cotton Textile (LTA) was negotiated and 5 percent growth limit on imports of cotton products was imposed under the managed trade regime.         |
| 1967        | The LTA was extended for the next three year.   |
| 1970        | The LTA was extended for another three year.  |
| 1973        | In order to win he support of the textile and clothing industries for the 1974 trade Act, the US Administration proposed to negotiate MFA under the GATT  |
| 1974        | The MFA was negotiated under the arrangement the growth of textile and clothing imports was limited to 6 percent per annum.   |
| 1977        | MFA III was negotiated to include a provision for “jointly agreed reasonable departures” from MFA rules under special circumstance. The MFA II lasted for five years.                                       |
| 1982        | MFA III was negotiated, extending the arrangement for five more years. The “reasonable departure clause” is dropped, but replaced by other restrictive features.  |
| 1985        | Exporting developing countries covered by the MFA established an international textile and clothing Bureau (ITCB) to promote the elimination of the MFA and the integration of textile trade into the GATT. |
| 1986        | MFA IV was negotiated extending the arrangement until 1991. It covered almost all fibers.   |
| 1991        | MFA IV was extended to 1994 when the UR was concluded.  |
| 1995        | The WTO, of which the ATC is an integral part, entered into force.  |

(Source: Bernard and Michel Kostechi. The political economy of the World trading system is from GATT to WTO.)

Since some exporting countries did not participate in the MFA and some products were not covered by the MFA, developed importing countries also negotiated bilateral agreements to cover these countries and products. Therefore, the combination of MFA and non-MFA restriction made textiles and clothing the most protected sector in developed countries. As the MFA derogated from the fundamental GATT principle of non-discrimination and was designed to

discriminate primarily against developing countries, textiles and clothing trade become a major issue between developing and developed countries during the UR of multilateral trade negotiations. Developing countries were united in their demand for the end of the MFA and the full integration of the textile and clothing sector into the normal GATT trading system.

Due partly to the firm position on textiles and clothing trade adopted by the developing countries, from the beginning until the end of the UR negotiations, and partly due to developing countries acceptance of the so called 'new issues' (services and intellectual property rights) in the negotiations, the Arrangement on textiles and clothing (ATC) was finally reached at the end of the UR, it was one of many agreements under the WTO covering the range of trade in goods, services and intellectual property right protection, like other agreements under the WTO, the ATC entered into force on 1 January 1995.

### **2.2.5 The Agreement on Textiles and Clothing (ATC)**

Unlike other WTO agreements, the ATC is a transitional arrangement with a finite lifespan of ten years. By the end of the 10 year transition period, the ATC will be terminated. There shall be no extension of the ATC as stipulated progressive phase out of all MFA quotas and rather non-MFA restrictions and the four-stage integration of textiles and clothing sectors into the GATT 1994 starting from 1 January 1995. It should be emphasized that the ATC is not merely a plan for the phase out of the MFA, but also an integral part of the single undertaking of the WTO agreement. It applies to all WTO members, whether or not they are MFA signatories. It does not apply to those MFA signatories that are not members of the WTO. For example, the ATC applies to the state of Kuwait, which is a member of the WTO. In this regard, unlike the MFA that had approximately only 40 signatories, the ATC applies to all 144 WTO members. The major elements of the ATC can be summarized as follows.

The ATC requires the products covered by the Annex to the Agreement, including those subjects to MFA and other restrictions shall be integrated into GATT 1994 in four stages. Such integration is expressed in terms of certain percentages of the total volume of the country's 1990 imports of the products covered by the annex. In stage one, at least 16 percent of the total import volumes in 1990 were to be integrated by 1 January 1995. In stage two, a further minimum 17

percent shall be integrated by 1 Jan. 1998. In stage three another 18 percent shall be integrated by 1 Jan. 2002. Finally, in stage four, the remaining portion potentially a maximum 49 percent of total 1990 import volumes must be integrated into GATT 1994 by 1 Jan. 2005. Thus at the end of the 10 year transition period, textiles and clothing must be treated equally as other industrial sector under GATT 1994. The ATC must be terminated by 1 Jan. 2005.

The above integration ratios constitute minimum obligations. Nothing in the ATC prevents members from completing the integration program at an earlier date or from integrating products at higher rates. However, it is up to the importing country, rather than the exporting countries, to decide which products shall be integrated, although the ATC requires that the integration in each stage must include products from each of the four products groups, namely tops and yarns, fabrics, made up textile products (also called made ups), and clothing. One of the principle criticisms of the ATC is the “back-locking” of the integration program. Almost half of the products (49 percent) may not be integrated until the end of the 10 years transition periods.

Another element of the ATC is the obligation of WTO members to increase the growth rates of MFA quotas during the transition period. The quota restraints under the previous MFA are to be phased out through gradual expansion and ultimate elimination of quotas. During the first stage from January 1, 1995 to December 31, 1997, the annual growth rate will be 16 percent higher than the quota growth rate that prevailed in 1994 before the entry into force of the ATC. During second stage from 1 Jan. 1998 to 31 Dec. 2001, the growth rate will be increased by 25 percent of the quota growth rate prevailing in 1997. The same taken during the third stage from 1 Jan. 2002 to 30 Dec. 2004 will increase the growth rate increased by at least 17 percent of the quota growth rate in 2001. All quotas should end on 1 Jan. 2005.

The quota expansion scheme under the ATC can be illustrated as follows. If the annual growth rate for a quota product in Dec. 31 1994 was set at 6 percent, it needed to be increased by 16 percent in 1995 to 6.96 percent and applied at that rate through 1997. This rate must be increased a further 25 percent in 1998 to 8.70 percent and applied at this higher rate through 2001. In 2002, the growth rate must be increased by another 27 percent to 11.05 percent, which would be

applied until quotas are removed at the beginning of 2005. In this example, one million pieces of a quota product in 1994 would increase to almost 2.34 million pieces by 2004.

**Table no. 2.4**  
**Integration Program for Textile and Clothing under the ATC**

| Stage & time period                   | Product integration (Base: 1990 import volume of the product listed in the annex of the ATC) | Quota expansion (Base: previously agreed MFA growth rates of quotas)  |
|---------------------------------------|--|---|
| Stage one Jan. 1, 1995-Dec, 30, 1997  | Minimum 16 percent   | 16 percent higher annual growth rate than the previous quota growth rate (for example, from 6 percent in 1994 to 6.96 percent in 1995, 1996 and 1997) |
| Stage two Jan. 1, 1998-Dec, 30, 2001  | Further 17 percent (total 33 percent)  | 25 percent increase of quota growth rate (for example, from 6.96 percent in 1997 to 8.70 percent in 1998, 1999, 2000 and 2001)                        |
| Stage three Jan 1, 2002-Dec, 30, 2004 | Another 18 percent (total 51 percent)  | 27 percent increase of quota growth rate (for example, from 8.70 percent in 2001 to 11.05 percent in 2002, 2003 and 2004)                             |
| Stage four Jan, 1, 2005               | Remaining 49 percent (total 100 percent)   | All the quotas are removed.   |

(Source: WTO (1998), Trading into the Future. Geneva, WTO Publication.)

The ATC also address other non-MFA restriction on textile and clothing products, the end of 1994 there were 29 non-MFA restraint agreements or unilateral measures in place that restricted textiles and clothing imports in developed countries. The ATC requires that all GATT-inconsistent non-MFA restrictions either be brought into conformity with GATT 1994 within one year following the entry into force of the WTO agreement or phased out progressively under a program before 2005.

During the 10 year transition period, all WTO members are allowed to impose new quantitative restrictions on a discriminatory basis for up to three years under the so-called transitional safeguards mechanism. Transitional safeguards enable importing countries to temporarily restrict the surge of textile and clothing imports that may cause serious damages or pose actual threats to their domestic producers. Even those WTO members, which previously did not maintain MFA restrictions may use the traditional safeguards if they formally notify the textiles monitoring body of their rights. If they choose not to so, their textiles trade will be deemed to have been



already integrated into deemed completely outside of GATT 1994 under the 10 year integration program. The ATC also sets up detailed procedures and disciplines for the invocation of transitional safeguards.

As the result of the single undertaking of the WTO agreement of the WTO member are required to fulfill their commitments under other UR agreement which would apply to textile and clothing trade. In particular, WTO members are required to:

- 1) Provide improved market access for textile and clothing products through tariff reduction and bindings, or through removal of cover non-tariff barriers:
- 2) Strengthen the rules and disciplines with respect to antidumping practices, subsidies and countervailing measures and protection of intellectual property rights and
- 3) Avoid discrimination against textiles and clothing imports when taking general trade policy measures.

The ATC also deals with the problem of “Circumvention” of quotas such as by transshipment rerouting, false declaration of place of origin and falsification of official documents. The ATC requires the establishment of a national legal framework for dealing with circumvention. WTO members are obliged to take appropriate and cooperative actions against circumvention.

The ATC also provides special treatment for certain categories of WTO members. For example, small supplies, whose quotas represented 1.2 percent or less of the total quotas advanced by one stage. That means their growth rates will be increased by 25 percent at the first stage (instead of 10 percent by 27 percent at the second stage and 27 percent at the third stage. The ATC further states that least developed countries, wool producing developing countries and countries relying on outward processing trade shall be provided special treatment.

In order to survive the implementation of the ATC, a textiles Monitoring Body (TMB) was established to report directly to the council for trade in goods in the WTO. The TMB consists of a chairperson plus ten member’s form among the WTO members. These individuals act in their personal capacity. The TMB examines all measures taken under the ATC make observations and formulate recommendations to member concerned. Five months before the end of each sage

of the integration process, the TMB will prepare a comprehensive report on the implementation of the ATC. The overall responsibilities of the TMB are more or less similar to those of the Textile Surveillance Body (TSB) under the MFA.

Overall, the decision to dismantle the MFA and the implementation of the ATC after the UR constitute progressive trade liberalization after more than three decades of managed trade in textiles and clothing sector under MFA and other discriminatory trade regime. The eventual restoration of market principles to trade in textile and clothing will enhance specialization of production based on comparative advantage. Low cost developing countries producers and exporter of textiles and clothing will benefit from the liberalization process. At the same time, consumer in both developed and developing countries should also reap the benefit of reduced prices and production selection.

Although the economic impact of the elimination of the MFA and the implementation of the ATC have been extensively reviewed in recent years, it is still difficult, if not impossible, to quantify the net welfare gains of textiles and clothing trade liberalization under the ATC depends in several factors, including the extent of the implementation of the ATC, the effects on production and investment decision and tariff reduction on textiles and clothing products. Many of these factors are still unknown. At the first WTO Ministerial conference held in Singapore in December 1996, many developing countries expressed concern whether developed countries would faithfully implement the ATC during the 10 years transition period. They worry that if pressure build up from domestic producers and textile workers, developed countries may change the course of the trade liberalization process in the sector. Therefore, they are watching very carefully the first stage integration process of the ATC implementation.

### *2.3 A Brief History of Garment Industry in Nepal*

The history of garment industries in Nepal are not very old. It was instated only about two decades ago. Though there were handfuls of garment traders in the middle of 1970 the business really picked up after 1980's. Its effort to develop as major exporting sector has been magnificent. At present, garment industry is the second largest currency earner, after woollen carpet industry. Besides, it has also played an important role in employment generation. Initially,

the Indian exporters dominated the industry when the US government imposed quota system on import of readymade garment from the third world countries. India is being one of import of the products. This induced the Indian garment entrepreneurs to come to Nepal, especially Katmandu to make use of the unused quota allocated to Nepal. Nepalese entrepreneurs learned a lot from their Indian counterparts in this process and the growth story of the industry began. In the current fiscal year, garment industry mustered all of its strength to knock out the carpet industry from its no. 1 position of export to third countries.

The emergence and growth of punchy export oriented garment industry in the eighties was attributed to two factors:

- 1) The growing demand of cheap ready-made garments in the developed the countries.
- 2) The introduction and imposition of quota system by the US government on the import of readymade garment from the third world countries, including India, one of the largest exporters of readymade garments. The quota system directly hit the Indian garment industries as it put limitation of the import on the garment product from India. This induced the Indian garment entrepreneurs to come to Nepal, especially to Katmandu, to make the in used US quota allocated to Nepal. As a result, along with the development of readymade garment industry, Nepal also experienced the immigration of the Indian producers, exporters, middlemen and labors.

Initially, Indians who used to manage everything behind the screen financed large and medium scale factories registered in the names of Nepalese. Nevertheless, the situation changed. Gradually, the number of Nepalese garment entrepreneur has increased. And at the present more than 90% of the garment factories are owned and run by the Nepalese nationals. The rest are operating under the joint ventures. Besides that, 40% Indian manpower are not will-trained. Most of the labors are Nepalese and male has dominated this area. There are 85% male labors and only 15% female labors. Though Garment Association Nepal (GAN) with the collaboration of cottage and small scale Industries Development Program has been providing training to females still the number of female workers are significant whether trained or not.

It has been roughly two decades since the garment industry started its export business but till present it imports raw material and accessories from India, Indonesian, Malaysia, Hong Kong, China etc. But 95% accessories are imported from Indian, alone. The garment entrepreneurs do not have their say in choosing the materials and accessories. With the approval of the buyers, materials and accessories are selected and dressed as too given by the buyers. There are handfuls of entrepreneurs whose designs are approved by the buyers.

The garment sector expanded unpredictability for about a decade after the mid-eighties. The number of registered industries, which was only 58 in 1982-83, increased to 757 in 1992-93 and reached a peak of 1,067 in 1994-95. Since then there has been a continuous decline in the number of operating industries, now standing at 210-see table6.1. About 51% of the registered industries are of sole proprietorship, 40% partnerships, and 9% are foreign joint ventures (GAN survey, 2007). The industry employed as many as 100,000 workers when the business was booming during the early 1990s. But employment has gone down with the decrease in the number of operating industries in recent years. That can be attributed to the closure of many inefficient small enterprises and also due to the change in technology and manufacturing system in the field. The change in quota distribution policy also influenced that. Currently, the industry provides direct employment to approximately 50,000 workers in a 2:1 male 1 female ratio.

**Table no 2.5**

**Number of garment industries in Nepal**

| Year  | 2000/01 | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/2006 | 2006/2007 |
|-------|---------|---------|---------|---------|---------|-----------|-----------|
| New   | 90      | 12      | 10      | 22      | 19      | 41        | 19        |
| Gd    | 978     | 311     | 304     | 181     | 153     | 211       | 193       |
| Total | 1067    | 323     | 914     | 203     | 172     | 252       | 212       |

(Source: GAN Survey 2007)

As per the historical data, garments units were established to export on the merit of handicraft export business contact in the respective countries. The exported amounts of readymade garments were sum of totaling Rs. 10 millions in 198/83. In 1983/84 Rs. 20.5 millions readymade garment export from Nepal which is 4.24 percent of total export. It was only from 1984/85 that garments in significant volume increased to the amount of Rs. 471 million. In

1997/98 the readymade garment export can reached Rs. 6783 million, which is 24.69 percent of total export trade. After 1984/85 the value of export of readymade garment has been increasing as well as sees from the table below it was Rs. 8195 million in 1998/99 and Rs. 11122 million in the year 1999/2000 which are 22.97 percent of total export respectively. After 2001 September 11 Nepalese readymade garment export is decreasing. The latest event is none other than the terrorist attacks in the USA. America being the single largest importer of Nepalese garments and change in the economy there is likely to have a cascading effect here.

Because of lack of Nepalese successful entrepreneurs as well as the difficulties experienced, Nepalese entrepreneurs where compelled to depend on Indian entrepreneurs. An additional problem for Nepalese entrepreneurs was that their Indian partner often controlled the cotton textile supply, and in fact sometimes themselves supplied cotton textiles to their own garment industries in Nepal. Thus two-way dependency on agent i.e. at the market end as well as supply end of raw materials made local entrepreneurs a defeated and in-energetic entrepreneur.

However, Nepalese entrepreneurs could not be dismissed without blame. Their lack of ability to explore European market was a glaring example. At the same time, Nepalese entrepreneurs were unable to channel the import of cotton textile from Singapore/Taiwan or other cheap and quality suppliers of the world even after the creation of liberal economic environment during 1992/93.

### **2.3.1 Current Status**

The garment industry sector has not maintained progressive trends that it recorded in its early years. It has shown a mixed picture, both encouraging and discouraging in recent years as described below.

### **2.3.2 Number of Industries**

According to Garment Association Nepal (GAN) the number of registered industries increased from 58 in F/Y 1982/83 to 165 FY 1983/84 and to a peak at 1067 in 1994/95. It has been increased mainly to receive more export quota distribution system changed. The industries are concentrated in Katmandu valley with extension to other 50 districts focusing on Morang, Kaski, Parsa, Rupandehi, Chitwan, and Jhapa. While production capacity was equivalent to 7070 million, the capital investment recorded was equivalent to Rs. 1822.6 million.

As per GAN there are currently over 215 garment manufactures and only 20% of them are in operation. Along with the decrease in the number of factories, employment has also gone down from 100 thousand in early 1990 to 5000 now (STCSN, 2002). And factories have total investment shooting 6 billion. However, the total number of industries may come further down to about 45 when only those industries operating on a full-fledged basis are considered. Presently operating industries are those few large and medium industries, which have been able to expand, modernize and develop linkages directly with the American buyers and improve quality of products. They are concentrated among few entrepreneurs in Katmandu valley and in few other industrial towns.

Annual garment export from Nepal, prior to the influx of Indian exporters in the late 1970s, used to be less than Rs. 10 million. Since then garment has been of, the main exports of the country and presently contributes about one fifth of the total national export and about 40% of the total overseas export. The total export performance has been generally in the rising trend. The total export earning increased from 10 million in FY 1982/83 to Rs. 470.85 million in FY 1984/85 and Rs. 1343.57 million in FY 1990/91. The export figure declined from 5756.5 million 1993/94 to 5357 million in FY 1994/95 where as it again started growing and reached Rs. 11083 million in FY 1999/2000 and 11431 million in FY 2000/2001. In FY 2001/20002, the value of garment export decreased from 11431 million in FY 2000/2001 to 7752 million in FY 2001/2002, which was decrease in Rs. 3679 million than previous year. It has happened due to the terrorist attacks in the America on 2001, September 11 America being a single largest importer of Nepalese garment any change in the economy there is likely to have a cascading effect here.

Export has increased by 48.9% in the first 8 months in the current FY 2002/2003 with comparison to previous year's 8 months.

It was in FY 1998/99 that the garment industry over took woolen carpet industry, for the first time after time after more than adduced, as the leading export industry of Nepal.

The average rate of annual growth in export earning is 11.86% in the last 11 fiscal year (1991/92 –2001/02), the export earning has increased by more than 2 times. The high annual growth (except, 2002) in earning is largely attributed to increment in exchange rate of US Dollar

[1991/92 exchange rate Rs. 42.60=1\$ and Rs. 76.30=1 US \$ (NRB)]. Moreover, the present export earning too have been largely attributed to the export performance of a few large garment industries currently operating in Nepal.

As regard to the country-wise classification of export performance the United States has been the largest market for the Nepalese garments almost 90% of total exports earning in FY 2000/01 have been attributed to the US market the export earning from the US market increased from Rs. 2898 million in FY 1991/92 to Rs in 10305 million in F/Y 2000/01.

### **2.3.3 Niche Market**

The main export items have varied over time since 1983, however, as described above, the export of garment from Nepal continue in the US market as the main market. There are all together 12 quota categories covering both cotton and rayon products since 1992, the following categories of garment products have constantly constituted the Niche US market for Nepal.

The enforcement of quota for some item of the readymade garment earning US market has been stipulated from January 1986 on the following product.

In 1996, the total number of pieces that could be exported on the quota system to the USA was 11.685 million pieces in above four categories with an annual automatic increase of 6% till 1993. Besides this a number of other garments can be exported to US as well as rest of the world that fall under as non-quota items.

The quota system is usually imposed in those items of high demand, which exceed 2% of the total imports in to US market as market force os run by the demand and consumer preference. For example, the quota system imposed in 1986 is quota free at present, it is no know in which items quota will be imposed in the years to come. All these unpredictable nature of the market has caused the declined in sales in 1990/91 over previous years. How the sales in 1991/92 have increased by 10% .Among the various categories of product, category No. 337,347 and 640 had been sold with increasing no of pieces. Besides, to the most of the quota items is found to be improving in 1991/92. But the improvement of the market had no related on with the increment of quota by 6% till 2000. Those quota items, which were sold with increasing percentage, were

not to a limit of 6%. Only as sometimes it exceeds that limit where as that limit were as in other year it was below that limit. Commodity wise sales trend of readymade garment in the US market is no coetaneous growth trend of particular commodity. It may vary according to the needs of the market, as market trend of particular commodity is unpredictable nature. Some commodity like (1) M & B cotton shirts knitted (2) Cotton T-shirts; vests knitted (3) T-shirts, singlet and vests, knitted or crocheted (4) M & B cotton trouser, bib & brace overalls, not knitted. (5) W & G cotton suits. (6) W & G cotton dresses not knitted (7) W & G cotton trousers bib & brace overalls, breeches & shirts. (8) W& G woolen blouses, shirts & shirt-blouses (9) W & G cotton blouses, shirt & shirt blouses not knitted (10) W & G garment of textile fabric and rubberized textile fabric and (11) W& G cotton night shirts, pyjamas not knitted are take main place in the market of the USA in different years.

Normally, once the government receives confirmation about the yearly US quotas, it formulates the policy for distributing them among the Nepalese garment manufactures. The US government quotas to Nepal increased by 6% annually. The Garment Association Nepal has the however, have rarely been able to fulfill the US quotas allocated to them.

#### **2.3.4 Capacity Utilization**

The overall capacity utilization of garment industries in Nepal cannot be estimated as many registered industries are not in operation since the production capacity of all the industries registered during 1992-1998 has been estimated to equivalent to Rs. 7070 million (BM 1999) the (GISA). However, as a study of STCSN shows that the capacity of utilization has only 40%.

#### **2.3.5 Share in National Export**

In the fiscal year 1999/2000, the garment industry regarded its export performance as the largest export oriented industry in terms of foreign exchange earnings. Before this, its continued to be second largest exports oriented industry after carpet industry in the country. As shown in table, the garment export has corresponding increase with increase in total national export to overseas countries (MFO, 2001). The share of garment export in total national exports in FY 2001/01 is 39.8 percent while it increases from 24% in FY 1992 1993 to 39.8% in 2000/2001 and 42% in 2001/02.



Such a growth is partly due to increase in export earning if garment industry itself in terms of local currency and partly due to decline in the export of carpet from Nepal.

### **2.3.6 Cost of Production**

Average per unit price of exported garments in the last FY was 263.21 on 2000/01. A decade ago average export price was Rs. 122.78 (US \$ 2.88) increase in the average per unit price over the year suggests improvement in the quantity, increase in image and good will and strengthening in the quantity increase in image and good will and strengthening of market networking.

Bringing in raw materials and bringing out the finished garments constitutes one of the major costs for Nepalese garment export. Fabrics and accessories make 56% of the FOB price whereas export processing cost, including unseen expenses, stands to 7% and labor expense at 20% likewise, 17% is operational and administrative expenses, including profit and bank and interest.

The cost of production of Nepalese garments continues to be relatively high when compared with similar cost on India and Bangladesh. Transportation is the main cost element for both import of raw materials and export of products. The cost of transportation of goods from Nepal to Calcutta constitutes 70-80 percent of transportation cost from port to the US port, this has been the main cost disadvantage for Nepalese exporters compared to those in Bangladesh and India. The cost of loan from commercial banks is relatively high which ranges between 14 to 16% whereas it ranges at 8 to 10% in Bangladesh. It needs to pay about 3% various service fees, excluding the recent increment in Development tax and import tax.

The cost of raw materials such as fabrics and accessories, which are imported mainly from India, is naturally higher than in India. However, recent government policy of allowing Nepalese interpreters to procure fabrics through letter of credits in US dollar has helped them to reduce the cost of fabrics to some extent.

### **2.3.7 Value Addition**

The garment industry has been largely based on importance raw materials such as fabrics and accessories (e.g. button, threads, zippers etc). It has been roughly two decades since the garment industry started its export business by till present to import raw materials and accessories from

India, Indonesia, Malaysia, Hong-Kong, China etc. Readymade garment industry import raw materials mainly from India. The garment entrepreneurs do not have their say in choosing the materials and accessories, with the approval of the buyers, materials and accessories are selected and design of dresses are too given by the buyers. There are handfuls of entrepreneurs whose designs are approved by the buyers (Business manger for mangers). We can import of raw materials from India and other country table below.

Nepalese readymade garment industries are not imported raw materials only but they are imported labor also (Economic Review IFDS). Nepalese labors are unskilled and semi-skilled. Mainly skilled and technicians (e.g. tailor master, cutter, designer, etc) are imported from India.

Naturally the value addition in this industry is not as high as in other labor intensive industries according to a study under taken (NPEDC, 1996) the average net value edition of garment industries in Nepal is 35.4%. This situation has hardly changed now. The main contributors to such value addition are salary and wages, house rents, utilities such as electricity and water and duties and fees paid to local agencies. Obviously the garment industry has high potential to improve its value addition to the scale of 90% if it is able to use local fabrics and accessories and replace foreign workers by local ones.

### **2.3.8 Government Policies and Laws**

Government of Nepal has initiated reforms in the economic policies and laws since he early 1990's and several many changes have been announced to liberalize trade and investment.

Reforms in economic policies and laws have encouraged the private sector to take a lead role in economic activities and the entire manufacturing and trading activities ate under private sector's operations and ownership's. HMG acts as the facilitator and is not engaged in the manufacturing and trade.

Trade and industry policies if HMG advocate the promotion of the textile and garment sectors accordingly, laws and regulations have been incorporated to regulate and develop these sectors the government policies considered friendly by the garment industry are:

- ) Bonded warehouse facilities for import of raw materials.
- ) Refundable VAT
- ) Customs duty, excise duty and sales tax on raw materials and auxiliary raw materials of export-oriented industry are reimbursed within 60 days.
- ) Customs duty excise duty and sales tax imposed on production of intermediate goods used in production of export goods is reimbursed to importers within 60 days
- ) Abolition of export license system.
- ) Full convertibility to Nepalese Rs in current account transaction.
- ) Reduction of tariff and tax.
- ) Simplification of procedures and documentation
- ) Liberalization of foreign investment law and
- ) Reforms in banking and finance sectors.

These laws and policies have contributed significantly to the development of manufacturing and export of garment.

## **2.4 The Government Rules and Regulations in Garment Industries**

While talking about garment industries one should take into account the existing rules and regulations for the establishment and working of an industry. There can not arise any doubt that every government of the world have developed their own rules and regulations for the establishment of industries in their country. As such HMG has also adopted some rules and regulations. So let us have a look on it and find out different essential procedures for the establishment of garment industries. If we follow the rules, regulations and practices we will find that following institutions are involved in the establishment and running of garment industries and following processes are used to run them.

### **2.4.1 The Department of Cottage Industry Department of Industry**

Both these departments of HMG are involved in the registration process of an industry. There is some difference on the registration criteria. So let us have a look on them one by one.

### **2.4.2 Industry Registration under Department of Cottage Industry:-**

This department registers the industry with the machinery and equipment of below 2, 00,000. This department does not have license issuing process and license issuing committee. A person who wants to register an industry in this department has to submit:

- a) Duly filled 2 copies of application form,
- b) Two copies of details scheme,
- c) A copy of citizenship certificate and
- d) Rs. 5.00 as application fee.

He should also pay the registration fee at the time of industry registration. After the registration of industry and beginning of its production this department recommends ISC for value added. It also recommends for the foreign exchange facility and rebate in the custom duty.

### **2.4.3 Industry Registration under Department of Industry:-**

The industry which is to be registered in the department is divided into different categories. The small and medium scale industries are restricted to the Nepalese citizens only. At first the department issues a license for the registration of the industry. A Nepali citizen who wants to register a industry should possess:

- a) Citizenship certificate,
- b) Duly filled application form 'A'
- c) A detail scheme of the project and
- d) Stamp of Rs. 1.00

To give the permission to establish an industry with the capital of over 20 lakhs rupees, a committee consisting of the representative of Ministry of Industry, Ministry of Finance, National Planning Commission, Department of Industry and a invitee expert is constituted. The authorities of this department can issue on their own capacity for the industries of below 20 lakhs. After issuing the license the department asks the license holder to deposit certain amount of money on the basis of the total capital mentioned in the scheme. The amount of deposit is shown in the following table.

**Table no. 2.6**

**Necessary deposit in according with the total capital mentioned in the scheme.**

| <b>Total capital of the industry</b> | <b>Necessary deposit for the registration (in Rs.)</b> |
|--------------------------------------|--|
| Below 25 Lakhs                       | 4000.00  |
| 25 to 50 Lakhs                       | 2000.00  |
| 50 to 1 crore                        | 10000.00   |
| 1 crore and above                    | 20000.00   |

(Source: Department of Industry)

This deposit is refundable when the industry starts production. After getting license the industrialist should apply for the registration of the industry within 35 days. While applying he should submit:

- a) Copy of scheme,
- b) Duplicate of citizenship certificate,
- c) Duly filled application form with Rs. 5.00

After getting that application the department registers it as a new industry. At this stage also the industrialist has to pay certain amount as the registration fee. The department recommends about the registered industry to the ISC and the department of commerce. If needed, it also recommends for the foreign exchange facilities to import machinery and equipment along with rebated custom duty. Rebate is also given on the import of materials.

#### **2.4.4 Industrial Service Center (ISC)**

The industry which has started production should apply ISC for value added (The value added procedure is related with the Indo-Nepal trade treaty which has decided to adopt some measure to control unauthorized trade. According to it Indian material control should not exceed 50% on the ex-factory value.) procedures. The garment producer should apply the ISC before they cut their fabrics. They should do it by submitting a duly filled application form. The form needs little information such as name of the exporter, name of the importer, details of purchase order, and LC and the details of cost involvement etc. The producer should also submit documents (photocopy of above information such as bills of material purchased) and a piece of garment as samples. He should deposit the 0.5 per cent of FOB value in the ISC as the service charge.

After the completion of above procedures the ISC official visits the factory for three times. The visits are done during the cutting of the fabric, on the processing stage (stitching) and during the

packaging of the goods. All these visits are done to confirm whether the goods are made in Nepal or not. So these procedures are adopted for every consignment and for every style. ISC evaluates the value (cost involvement) and gives the two copies of value added certificate to the concerned parties. The producer should submit one copy of it on Department of Industry/Cottage Industry and he can put the remaining one himself. Then the party should approach the department for the letter of recommendation from it. For this they should submit LC purchase order and a formal application along with the value added certificate. Taking all these documents as basis for its decision, the Department of Industry or the Cottage Industry issues the letter of recommendation to the Department of Commerce for the export license. Before issuing such letter the department can conduct an inspection of the factory only if that is needed. While issuing the letter of recommendation the department also mentions the quota for the factory. Generally it is felt that one machine can produce eight pieces of garment a day.

#### **2.4.5 The Department of Commerce**

The producer who wants to get the license for the export of its products should submit following documents in Department of Commerce.

- a) Invoice
- b) Copy of industry registration certificate
- c) Copy of income tax registration certificate
- d) Rs. 10.00 as fee.

If the party has all the needed papers in hand it can easily obtain the export license within two days. After getting export license from the department the exporter should fill the GSP (Generalized System of Preference) form of TPC to get the country of origin certificate from the Chamber of Commerce and finally go to the custom office with the contact of an airlines.

#### **2.4.6 Custom Office**

Custom office is the last office of the HMG which gives the green signal for the packet of goods for export. The packet of goods released by the Custom Office will be forwarded by an airline to its destination. Generally the Custom Office puts the packet in its go downs for one day and after

completing necessary procedures it forwards the goods and hands it to the airlines agent the next day. The Custom Office needs following documents:

- a) Pragyapan Patra (Custom Office records papers or bill of Custom Office exist)
- b) Income tax registration certificate
- c) Invoice
- d) Overseas export record paper (prepared to control foreign exchange by Rastra Bank)
- e) The country of origin certificate of Chamber of Commerce
- f) ITC's value added certificate
- g) Packing list
- h) Bank certificate (just to assure the exchange earned out of export is realized in the bank)
- i) LC copy or the payment guarantee from exporter and 1% of the invoice value are needed for the industrialists who are exporting the goods seconds time onwards.

If one looks at the whole procedures involved in the production and export of the garment from its registration to the mailing of the packets he will be forced to think that readymade garment industrialist are compelled to face various government or semi-government officials and authorities many times. This situation might cause harassment and might inevitably lead to the hesitation to move forward in such industries. So on the part of the government, it will be very wise to review the procedures and amend some of the rules and regulations to realize the smooth movement of readymade garments as soon as possible. Other wise Nepal can miss an opportunity to earn foreign exchange as well as employment generation and it might become a great loss for a country as a whole.

## **2.5 The Export Procedure and Practices**

The Nepalese Export Regulations for the GI

- All exports must have been registered at the government office
- All garment exporter are required to hold a Bonded Warehouse Certificate, issued by the HMG/Ministry of Finance, Department of Customs
- All garment exporters are required to be members of the GAN

- Payment of foreign currency have to be guaranteed and an approval carrying letter attached with the L/C or the advance payment note issued by the bank are required to be presented at the time of export.
- All payment have to be done through bank
- Garments have to be of Nepalese origin, re- exporting is prohibited

### **2.5.1 Export Procedure**

The export procedure of the Nepalese garment to overseas countries is stated as follows

### **2.5.2 Import of Raw Material**

Raw materials for the garment manufacturing mainly comprise of fabrics and its accessories such as buttons, zippers, threads, etc. Nepalese GI is mainly dependent on India for fabric supply. Fabrics are also imported from the countries like Korea, Hong Kong, Taiwan etc.

After the arrival of raw materials at the import point, they are required to be made custom clearance for which the concerned party should submit the delivery order receipt, registration certificate and renewed income tax certificate to the custom office. In addition to it the import custom declaration form explaining all the imported items and its details (quality, total amount, origin of materials airway bill number, income tax certificate and firms registration number etc) should be filled up by the currency (US \$ or other foreign currency) used in the import of the raw materials should also quoted.

Then the sample (swatches) are taken from the vales of cloth and attached to the Import Custom Declaration form. It is sent to RMG section in Tribhuban International Airport. After the signing of a bond and provision of a bank guarantee, the import custom office releases the raw materials to the manufacturer. The raw materials is then transported to the factory and kept under the terms and conditions of the bonded warehouse facility.

While issuing the bank guarantee the concerned bank will charge 10 percent or more, depending on the size of party's business.



### **2.5.3 Issuing of Visa**

For the export of garment from the country Visa is required which is provided by the Visa Cell of the National Productivity and Economic Development Center, on the recommendation of the GAN. The visa system was introduced in 1987, July. The following documents are required in order to get Visa for garment export.

- a) Recommendation of GAN
- b) Copy of Custom Declaration Form (Import)
- c) Copy of Import L/C
- d) Copy of export L/C
- e) Copy of Custom Declaration Form Import of previous Visa.

On the basis of these document and availability of quota for the concerned industry, the visa is issued by Visa Cell of NPEDC.

### **2.5.4 Export of RMG**

After obtaining the visa, exporters using bonded facilities in the import of raw materials have to obtain the recommendation letter from the RMG section of Custom Office located at Tribhuban International Airport, in order for custom clearance. An exporter is required to submit following documents to the Custom Office along with the goods to be exported.

- © Import Custom Office declaration form
- © Invoice of the exporter
- © Packing list
- © Certificate of Origin from the local Chamber of Commerce
- © Firm company registration certificate
- © Income Tax Certificate
- © GSP incase of export to advanced countries, which have unilaterally introduced the scheme of such preferences
- © Foreign exchange declaration form of Nepal Rastra Bank
- © Letter of authority to clear the consignment
- © Certificate of Valuation and documents related to freight

After submission of export declaration, RMG section attaches sample of fabrics import and dispatch it to custom section office for verification of sample with the deemed export. During the

examination, consignment should confirm the description given in the packing list and the price quoted should not vary.

The customs section matches the samples with the deemed export goods and if found the same authorize to export. After physical examination and documentary verification the export consignment is repacked on the spot under the supervision of custom's staff until every package of the consignment is sealed.

After the completion of inspection, the custom inspector endorses all the documents and certifies customs declaration forms of the Nepal Rastra Bank Foreign exchange form, GSP certification and Custom Transit Declaration.

The export consignments, which are to be shipped by air, have to be stored in the warehouse for 24 hours in the custom's go down.

Upon export the custom office advises the RMG section, which then prepares the documents regarding release of Bank guarantee and forwards the particulars to the import custom office on remaining stock of raw materials the prevalent duties and taxes are charged by the import custom duty on the balance of fabrics (total import-total consumption of fabrics for exported goods).

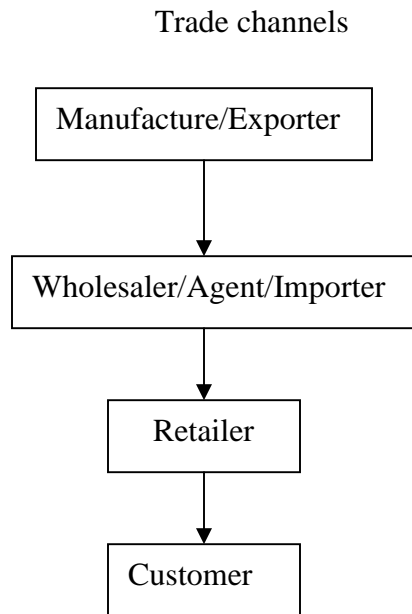
#### **2.5.4.1 Export Practices**

The various export practices related to the RMG industry of Nepal has been presented below under their respective headings.

#### **2.5.4.2 Export Trade Channels**

In Nepal, garment exporter uses both indirect trade channels. Indirect trade channels operate through middlemen and the Nepalese exporters are highly dependent on this channel. The majority of middlemen are Indian agents. Part of the export is done through direct contact where either the buyers themselves contact the Nepalese manufactures exporters or vice versa. The prevailing export trade channel is given in following Table 2.7:

**Table no 2.7**  
Export Trade Channels



Orders of RMGs are also secured either through middlemen or directly to the Nepalese manufactures/exporters.

### **2.5.5 Pricing**

Pricing for RMG is settled between an exporter and importer as a term of contract. Once the price is fixed, exporter and importer must comply with it. The usual pricing method practiced by garment manufactures is “cost plus” pricing, which may also be described as:

$$\text{Cost of raw materials} + \text{Labor} + \text{Overhead} + \text{Profit} = \text{Price offered}$$

#### **2.5.5.1 Floor Pricing**

GAN fixed a floor price for all categories though the government has removed floor price for RMG few years back. GAN still have it for the purpose of providing safeguard to exporter against non payment because buyers have to open L/C equivalent to amount quoted for the particular category after placing an order.

In case of non payment by the buyers, Nepalese exporters could at least; recover the amount paid in form of advance pay or L/C.

### **2.5.6 Export Valuation**

The value of goods mentioned in the bill or invoice subtitled by the exporters is regarded as the value of such goods for the customs purpose. In case the custom officer is not satisfied with the bill or invoice submitted to him, he may determine the value of such goods on the basis of previous records. Irrespective of this provision, custom office demands certification of valuation of garments from GAN.

### **2.5.7 Transportation**

Both air and sea carriers are equally used for the transportation of RMG as it is of lightweight. Via air, Nepal is directly linked to Europe through Frankfurt, London, and Paris or otherwise for cheap air routes to Europe. The goods can be transported through India (Delhi, Mumbai), Bangladesh (Dhaka), Saudi Arabia, etc. Via sea, Nepal is linked to European ports through Calcutta port.

The mode of transportation for garment export may be land-sea, air-air and air-sea. The commonly used route is land-sea as it is the cheapest. However, the buyers dictate the route.

### **2.5.8 Terms of Payment**

Exporters do not export garments unless a guarantee of payment is obtained. Such a guarantee may take the form of advance payment or a letter of credit (L/C), other methods of payment include documents against payment, documents against acceptance and deferred payment terms. The bank does not guarantee payment of these cases therefore; they carry a greater risk of non-payment.

#### **2.5.8.1 Export Payment Policy**

According to the Foreign Exchange Regulation Act 1962 and Rules 1963, an exporter is responsible to receive the total payment for exported goods in terms of convertible currency within six months from the date of shipment from Nepal. No export transaction can be effected on the consignment basis. Payment for the export of any product should be made either in

advance of shipment or on the basis of irrevocable letter of credit. This rule applies to garment exporters too.

### **2.5.9 Term of Delivery**

The terms of delivery depends on the conditions set forth in the contract. It could be:

- a) Free on Board (FOB)
- b) Cost Plus Freight (CF)
- c) Cost-Plus Insurance and Freight (CIF)

The terms and conditions depend on the mutual agreement between the buyers and seller.

#### **2.5.9.1 Delivery Time**

The time of delivery is determined by the necessary transportation to the destination port. The exporter guarantees the delivery of goods to the forwarding agent appointed by the buyers within the specified date. The period of shipment is stated in L/C. The exporter must carefully check the expiration date of the shipment stated in the L/C against the delivery time specified in the contract.

#### **2.5.10 Sales Promotion**

The most commonly used tool for sales promotion is the trade fairs or exhibitions. Exporters have been regularly participating in such fairs and exhibition. Exporters have to be recommended by GAN in order to participate in the trade fairs or exhibitions.

From all the preceding review of literature, it is understood that researchers and scholars have analyzed many aspects of garment sector in the past. But the export problems and prospects of Nepalese Readymade garment still exists, which have restricted Nepalese RMG from being competitive in terms of quality, price and time delivery in the international market.

Therefore, the present study has attempted to accord in depth study to identify problems and prospects of Nepalese RMG and illustrate the trend of few years' exports with countries like USA, Canada and EU etc.

## 2.6 Reviews from Thesis

A study entitled "A study of Readymade Garment industry of Kathmandu Valley: Export policy" (Bajracharya, 1990, Page 4) has examined the existing rules and regulations for setting up the garment factory. This study is confined to access the product, export and earning of the garment industries as well as to assess the labor absorption in these industries.

The major findings provided by this study were as follows:

- a) Readymade garments productions are in a large scale and the export of it from Nepal is a new phenomenon. In this initial period, it has welcomed many industrialists, labor, capital and equipments from India. As such, major benefits out of this sector have been utilized by the Indians and Nepal has become only the media.
- b) The garments producers have to follow different garments semi garment rules and regulations and these rules and regulations compel the producers to cross different channels. This has created harassment and delay in shipment of the finished products.
- c) Most of the labor, skilled and semi-skilled is from India. Rough estimation of the Indian labors in these factories is more than 50 percent. Nepalese labors have been utilized only in simple works like thread cutting, checking, packaging and for port rage.
- d) There seems to have no direct contact of the buyer of readymade garment in USA.
- e) Raw materials used almost all comes from India despite of so many mills and textile produce cotton fabrics in Nepal.
- f) The orthodox in Indian inflow in this tiny capital has the chances to cause a lot of problems in socio-political and cultural aspects of social life. If the situation remains the same, in long run, they all convert into permanent settlers.
- g) The production of readymade garment is not for the local market. All of them are of high fashion and are subject to exporting to the America and European world. The general people have nothing to do with them. The amount of export is very high and it is not the way to be first amounting the hard currency generating exports of Nepal.

For the export promotion of Nepalese Garment, the study suggests measures such as there should be particular rules and regulation to use Non-Nepalese labor and compulsory training program should be organized by the garment factories. The institution like TPC, CIED should try their best to explore the possibility of exporting readymade garments in European countries. The government of Nepal should establish cotton textiles industry with larger capacity since the chances of using Nepali fabrics, in the near future is fairly high. The government and semi government institutions like Department of Village and Cottage industry, Mahilaship Prasichhyan Kendra etc should organize training to Nepalese in order to substitute Indian labor.

Similarly, other academic research entitled “Challenges and Prospectus of Nepal’s foreign trade in the context of WTO with special references to the garment industry” (Panta, 1998, Page 88).was conducted to trace out major bottlenecks of the export of GI. The major findings of this study are about problems faced by GI of Nepal which are high transportation cost, supply side constraint, valuation of imports, limitations on import from countries under bank guarantee, export duty, imposition of import tax on machinery for the garment industry, ever widening trade gap, weak export base, lack of diversification, inadequate infrastructure warehouse facilities, policies related problems, low productivity etc.

For the promotion of export of GI this study has attempted to identify the following major actions to be taken:

- ❖ Promotion of high value and low bulk products
- ❖ Enhancement of productivity
- ❖ Improvement of physical infrastructure
- ❖ Development of a strong support institutional infrastructure
- ❖ Human resource capacity building
- ❖ Provision of trade friendly legislation.

Similarly, research entitled “Readymade Garment: A study of export performance in USA under Quota arrangement”<sup>3</sup> was conducted with basic objective of examining export performance with the USA under quota situation. Some of it’s major findings are as follows.

- USA is the major destination with 90.6 percent share in the value of export in the FY 1993/94
- US holds second position among the major trading partners of Nepal in export
- The US import from Nepal stands 23 percent on the total exports and 34 percent on the total exports from Nepal
- The US import about 94 percent of RMGs exported from Nepal
- Category 341 is leading category on the exports to US
- The US imposes quota restrictions on the import of seven category of RMGs export from Nepal

Finally, the study recommends for increasing exports and consequently production of garments. The study further adds that there should be the availability of raw materials at internationally competitive rate, establishment of new bonded warehouses in all exporting countries and improvement in the existing warehouses which facilities easy access and regular supply of principal input etc.

Similarly, a study entitled “Garment Industry in Nepal” (Bista, 1988, Page 28) has examined problems faced by the entrepreneurs of the GI and authorities concerned. The study attempted to examine the emergence and growths of garment industry ascertain the role of garment industry in the context of industrialization process. Referring to the study, the main reason for the growth of garment industry in Nepal is attributed to the Indian entrepreneurs who shifted their enterprise in Nepal after the USA imposed quota on the import of RMG form India. The problems confronted by Nepalese GI as projected and found out by the study are as follows:

- Insufficient incentive and facilities
- Uncooperative attitude and behavior of the concerned authorities as well as their unwillingness on the part to render services to the industrialists
- Improper and indiscriminate application of the control mechanism and action over those who are honest and those who are involved in malpractices or take undue advantage of the government loopholes.
- Absence of direct contact of the Nepalese enterprises with importer of third country.
- Insufficient supply and delay in getting quality fabric and other raw materials



- Lengthy bureaucratic procedures and delay in custom clearance
- Imposition of minimum floor price system on garments for export from Nepal
- Shortage of trained and skilled manpower
- Inadequate financial support
- Problems of transport
- Heavy import duties on import of quality fabrics from the third country
- Limited knowledge and ignorance on procedural matters and lack of interdepartmental co-ordination of HMG.

Finally, the study had recommended that if this industry is to be continued as one of the leading sector of export trade, a substantial incentive package has to be provided to the promoters of this industry and appropriate policies have to be formulated accordingly.

A study entitled “Problems and prospects of the garment industry in Nepal” TPC(1993) was conducted by Trade Promotion Center in 1993 with the main objective of developing a program package for garment exporters and manufacturers so as to make them more competitive and better organized.

The studies was mainly focused on identification of the general characteristics of the garment industry, growth trend and projection of viability of Nepalese factor, possibility of lessening or removing dependency over India, develop a proper plan for stabilization and healthy growth of exporter from Nepal.

This study has come up with the following conclusions.

- Nepalese are competent enough to meet any quantity of demand being placed to them for RMGs no Indian counterparts is required in garment export business.
- Garment producing method is of traditional style i.e. piecing rate system which is not practical, and Nepal should adopt the chain system for garment making in a phase wise manner. Training for general information about the new technology should be arranged in first phase.

- The garment made in Nepal is semi Indian in character and no raw materials manufactured in Nepal have been used in garments making
- Nepalese cotton mills are unable to meet the demand of garment units

The study recommends that there should be a proper market information system to make the marketing strategy effective. The consulate Generals of Nepal to the related countries should be motivated as middleman between the trade and industrialists of host and foreign countries. The research and development activity of the garment until should be made up to date by the foreign consultants to be hired in aid of any development agency. Lastly, the study suggests that the TPC should lead as export promoter with a close relation with Federation of Nepalese Chamber of Commerce and Industry (FNCCI) and Nepal Chamber of Commerce (NCC).

Similarly, Working paper entitled “Readymade garment industries in Nepal and the possibility of entering into the European Community (Pokhrel ,1992, Page 55) had incorporated brief history and presented the status of the industry, character and future trend along with the possible strategies for the growth of this industry. The paper explains that as the GI is 100 percent labor intensive, time bound and sensitive to change in policy, the government and entrepreneurs while making decisions on policy and international problems which are specified as under:

The national problems are:

- 2) Policy matters; and
- 3) Procedural matters

The international problems are:

- 1) The increasing cost of air freight
- 2) The fast changing pattern of international markets
- 3) The exploration of European markets
- 4) Technology transfer for high quality and high fashion garments
- 5) The fluctuations in the economic situations in the American and European markets

Further, the paper suggests that the introduction of line system will help improve productivity thereby meeting the quality standards of Nepalese products, provided a suitable and practical

labor laws are enacted. Also there should be prohibition on strike on all export houses but there should be allowances of reasonable compensation.

Finally, this study, suggests for Nepal's action plan for further growth and development in the garment industry which are as follows;

- 1) The establishment of an "export promotion zone"
- 2) Transportation should be made available on subsidized rate industrial use
- 3) Technological advancement with the introduction of modern machinery
- 4) The adaptation to the line system of production

Likewise, "Basics of Trade and Transit- A Nepalese perspective"(Shakya, 1998, Page 97) has illustrated that selling the company's products abroad is more complicated than selling them in the local market. Once the firm desires to sell its products in foreign markets, it has to follow up several export procedures as an obligation. The export procedures may require some preliminary steps like correspondence with foreign parties and export arrangements. After the confirmation of export orders, firms should follow up various stages for export executing regarding government regulations, shipment of consignments and obtaining export payments. Prior to the export the firm has to fill up various types of export documents required by the banks, customs offices, forwarding agents, government etc.

In the book "Dynamics of Business Environment in Nepal" (Agrawal, 2002, Page 183) Dr. Gobinda Ram Agrawal has said that garment industry is one of the most promising and thriving industry in Nepal. There is no doubt that this industry will be one of the leading industry in Nepal to export in foreign countries and one of the leading industry to earn foreign currency.

# **CHAPTER - THREE**

## **RESEARCH METHODOLOGY**

### **3.1 Introduction**

Research simply means to search again and again. It is systematic activity to achieve truth or finding solution to a problem. It consists of collecting data, analyzing data and finding the conclusion, which helps in decision making process. Research is thus, analysis and synthesis (Swarnakar, 2059, Page 43).

The overall approach to the research process concerned to this study is presented in this chapter. The basic objective of this study is to sort out problems faced by Nepalese garment industries, overview status of garment industries and reviewing export situation. So to attain these objectives, the present study has adopted both field and desk researches. The field study has been adapted to contact exporter, owner of garment industries and conduct interview with them. While desk research have been adapted to collect and review all relevant literature and writings of the reports.

### **3.2 Research Design**

Research Design is the specification of procedure for collecting and analyzing the data necessary to help identify an opportunity such that the difference between the cost of obtaining various level of accuracy and the expected value of information associated with each level of accuracy is maximized(Swarnakar 2059, Page 46).

The research design opted for the study is basically descriptive one aimed at describing the state of affair, as it exists at present. Pertinent data and information required for the study have been collected, evaluated and analyzed systematically to arrive at a conclusion, during the study of period.

### **3.3 Source and Types of Data**

The data used in this study is primary and secondary in nature. Primary data are mainly related with the problem of GI and their solution. These data are collected with the help of questionnaire, interview and observation methods. Secondary data are collected from following institutions that comprises both Government and Private sectors. They are as follow:-

- i. Ministry of Commerce and Industry/HMG/N
- ii. Ministry of Finance/HMG/N
- iii. Trade Promotion Center (TPS)
- iv. Federation of Nepalese Chamber of Commerce & Industry (FNCCI)
- v. Nepal Rastra Bank(NRB)
- vi. Garment Association Nepal.(GAN)
- vii. Center Bureau of Statistics (CBS)
- viii. International Agencies

### **3.4 Population and Sample size**

#### **3.4.1 Population**

According to Garment Association Nepal (GAN) the number of registered industries increased from 58 in F/Y 1982/83 to 165 FY 1983/84 and to a peak at 1067 in 1994/95. It has been increased mainly to receive more export quota distribution system changed. The industries are concentrated in Katmandu valley with extension to other 50 districts focusing on Morang, Kaski, Parsa, Rupandehi, Chitwan, and Jhapa. While production capacity was equivalent to 7070 million, the capital investment recorded was equivalent to Rs. 1822.6 million.

As per GAN there are currently over 215 garment manufactures and only 20% of them are in operation. Along with the decrease in the number of factories, employment has also gone down from 100 thousand in early 1990 to 5000 in 2002. And factories have total investment shooting 6 billion. However, the total number of registered industries in GAN in 2004 is 155 and the operating industries may come further dawn to about 20 only those industries operating on a full-fledged basis are considered. Presently operating industries are those few large and medium industries, which have been able to expand, modernize and develop linkages directly with the

American buyers and improve quality of products. They are concentrated among few entrepreneurs in Katmandu valley and in few other industrial towns.

All the 20 operating garment industries have taken as the population for this study.

### 3.4.2 Sample Size

Sample size should cover different sector to collect to information. But there are more chances of errors and mistakes while taking more samples. Wrong information give wrong decision therefore to make sample more accurate and reliable, sample size should be optimum. Only 7 operating garment industries of different condition locating in Katmandu valley has taken as the sample size and 50 respondents have taken as the sample for this study.

#### For the primary data

Following table no 3.1 presents the detailed of the respondents group of the selected sample.

**Table no 3.1**

**Detailed of the respondents group of the selected sample.**

**Gender group of respondents**

|        | Frequency | Percent | Valid Percent | Cumulative Percent |
|--------|-----------|---------|---------------|--------------------|
| Male   | 41        | 82.0    | 82.0          | 82.0               |
| Female | 9         | 18.0    | 18.0          | 100.0              |
| Total  | 50        | 100.0   | 100.0         |                    |

**Age group of respondents**

|            | Frequency | Percent | Valid Percent | Cumulative Percent |
|------------|-----------|---------|---------------|--------------------|
| 20-29      | 10        | 20.0    | 20.0          | 20.0               |
| 30-39      | 22        | 44.0    | 44.0          | 64.0               |
| 40-49      | 13        | 26.0    | 26.0          | 90.0               |
| 50 & above | 5         | 10.0    | 10.0          | 100.0              |
| Total      | 50        | 100.0   | 100.0         |                    |

**Profession of respondents**

|           | Frequency | Percent | Valid Percent | Cumulative Percent |
|-----------|-----------|---------|---------------|--------------------|
| Service   | 20        | 40.0    | 40.0          | 40.0               |
| Officials | 8         | 16.0    | 16.0          | 56.0               |
| Business  | 22        | 44.0    | 44.0          | 100.0              |
| Total     | 50        | 100.0   | 100.0         |                    |

**Profession experience of respondents**

|            | Frequency | Percent | Valid Percent | Cumulative Percent |
|------------|-----------|---------|---------------|--------------------|
| 1-5 year   | 10        | 20.0    | 20.0          | 20.0               |
| 6-10 year  | 20        | 40.0    | 40.0          | 60.0               |
| 11-15 year | 15        | 30.0    | 30.0          | 90.0               |
| 16-20 year | 3         | 6.0     | 6.0           | 96.0               |
| 21 & above | 2         | 4.0     | 4.0           | 100.0              |
| Total      | 50        | 100.0   | 100.0         |                    |

**Position or Level of respondents**

|                            | Frequency | Percent | Valid Percent | Cumulative Percent |
|----------------------------|-----------|---------|---------------|--------------------|
| Officer                    | 15        | 30.0    | 30.0          | 30.0               |
| Manager                    | 12        | 24.0    | 24.0          | 54.0               |
| Director                   | 5         | 10.0    | 10.0          | 64.0               |
| 'Owner' or<br>'Proprietor' | 18        | 36.0    | 36.0          | 100.0              |
| Total                      | 50        | 100.0   | 100.0         |                    |

**Age of respondents**

|       | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-----------|---------|---------------|--------------------|
| 24.00 | 1         | 2.0     | 2.0           | 2.0                |
| 26.00 | 2         | 4.0     | 4.0           | 6.0                |
| 27.00 | 2         | 4.0     | 4.0           | 10.0               |
| 28.00 | 2         | 4.0     | 4.0           | 14.0               |
| 29.00 | 3         | 6.0     | 6.0           | 20.0               |
| 30.00 | 2         | 4.0     | 4.0           | 24.0               |
| 31.00 | 1         | 2.0     | 2.0           | 26.0               |
| 32.00 | 5         | 10.0    | 10.0          | 36.0               |
| 33.00 | 1         | 2.0     | 2.0           | 38.0               |
| 35.00 | 2         | 4.0     | 4.0           | 42.0               |
| 36.00 | 3         | 6.0     | 6.0           | 48.0               |
| 37.00 | 3         | 6.0     | 6.0           | 54.0               |
| 38.00 | 2         | 4.0     | 4.0           | 58.0               |
| 39.00 | 3         | 6.0     | 6.0           | 64.0               |
| 40.00 | 1         | 2.0     | 2.0           | 66.0               |
| 42.00 | 5         | 10.0    | 10.0          | 76.0               |
| 43.00 | 3         | 6.0     | 6.0           | 82.0               |
| 44.00 | 1         | 2.0     | 2.0           | 84.0               |
| 45.00 | 1         | 2.0     | 2.0           | 86.0               |
| 47.00 | 2         | 4.0     | 4.0           | 90.0               |
| 50.00 | 3         | 6.0     | 6.0           | 96.0               |
| 54.00 | 1         | 2.0     | 2.0           | 98.0               |
| 55.00 | 1         | 2.0     | 2.0           | 100.0              |
| Total | 50        | 100.0   | 100.0         |                    |

(Source: Annex -3)

Above table shows out of total respondents, 41 are male and 9 are female. The respondents are from 3 profession, 4 level, different age group, and experience.

### **3.5 Data Collection and Organization**

For primary data or field survey, two set of questionnaire are to be made. Prior to the survey, pre-test of the questionnaire was done. The suggestion and recommendations provided by the garment entrepreneurs and experts have been given due consideration in this report. A sample copy of the questionnaire is given in the Annex.

Similarly, discussion were also held with the official of GAN, TPC and intellectual persons. Secondary data have been collected from different sources such as GAN, TPC, GAN Bulletins, NRB reports and article published in different newspaper.

The above collected data, information, facts and figures have been processed by editing, tabulating, calculating. Prior to their analysis in order to obtain proper result in the form of percentage, simple averages, graph etc. for clean presentation.

### **3.6 Statistical Tools Employed**

Since the study is basically in descriptive in nature, simple statistical tools such as percentage, percentage change (increase or decrease), mean, standard deviation, ratio have been used for analysis of data. Statistical tools used in this analysis are as follows:-

#### **3.6.1 Percentage**

A percentage is the number of hundredth parts one number is another. This is the simple statistical device used in the interpretation of phenomenon. Mathematically, let a represents the base used for comparison, b represents the given data to be compared with base, then the percentage of the given number in the base may be defined as:

$$P \% = b / a * 100$$



Generally, the percentages are recorded to one decimal place. In some cases to grasp the relationship, whole percentages are shown. Percentage should not be calculated if the absolute numbers are small, i.e. less than 100.

### 3.6.2 Mean

Mean is the ratio of all observations to number of observations. It is calculated from ungrouped (individual) data & frequency distribution as follows:

Let  $x_1, x_2, \dots, x_n$  denotes  $n$  variable values of the random variable  $x$ , then the mean denoted by  $\bar{x}$ —is defined by

$$\bar{x} = \frac{x_1 + x_2 + \dots + x_n}{n} = \frac{\sum x}{n}$$

Where  $\sum x$  = The sum of observations

$n$  = number of observation

### 3.6.3 Standard Deviation

Standard Deviation is the most popular and most useful measure of dispersion and gives uniform, correct and stable results. The chief characteristics of standard deviation is that it is based on mean, which gives uniform and dependable results. Further more, a standard deviation is a positive number and is superior to the mean deviation, quartile deviation and range because it is used for further mathematical treatment.

A standard deviation is the positive square root of average sum of squares of deviations of observations from the Arithmetic mean of distribution. The square of standard deviation is called variance. The variance is a measure of dispersion in which the units are expressed in terms of squared form viz. cm<sup>2</sup>, kg<sup>2</sup>etc. in order to reduce the unit of measurement we use standard in order to reduce the unit of measurement we use standard deviation for individual series is

$$= \sqrt{\frac{\sum f (X - \bar{X})^2}{N}}$$

Where  $N$ =Total frequency and  $X$ = represents mid value of classes for continuous series (Joshi, 2001, Page 56).

### **3.6.4 Ratio**

Ratio is the quantitative relation between any two variable. Two variable is necessary for the ratio. Suppose  $X$  and  $Y$  is any two variable then ratio relation between these two variable is given below:

$$\text{Ratio} = X / Y$$

### **3.7 Method of Analysis and Presentation**

Research is presented in descriptive and tabular form for as per requirement and clear interpretation on it. To make report simple and easily understandable chart, diagram and graph have been used. Summary, conclusion and recommendation are presented finally.

# **CHAPTER - FOUR**

## **DATA PRESENTATION AND ANALYSIS**

The main objective of this study is to find out the current position of GI problem and remedial measures and the role of WTO in GI. So in this chapter an attention has been made to present the relevant data, information and suggestions on export of Nepalese Garments, to selected overseas countries. Data are presented and analyzed in a comparative and descriptive fashion keeping the objective of the study in mind.

According to the objectives, presentation and analysis of data and facts are categorized into following three types:-

### **4.1 Analysis for the Current Position of Garment Industries in Nepal**

#### **a) Percentage of Major Commodities in the Overseas Exports**

The percentage of major commodities in the overseas exports of Nepal are shown in Table No.4.1

According to Table No. 4.1, the major commodities exported to different countries are Woolen Carpet, Readymade Garment, Hides and Goatskin, Tea, Pulses, Cardamom, Sugar, Handicrafts, Silverware Jewellers, Woolen and Pashmina Goods, Towel, Nepalese Paper and Paper product, wooden goods and other miscellaneous products. From the above table we can see that nearly 60 percentage of the total export of the Nepalese product are covered by just two items i.e. Woolen Carpet and Readymade Garments. Among them Readymade Garment covered the share, 25.88 percentage and Wooden Goods covered the least share, 0.32 percentage of total export of Nepalese product.

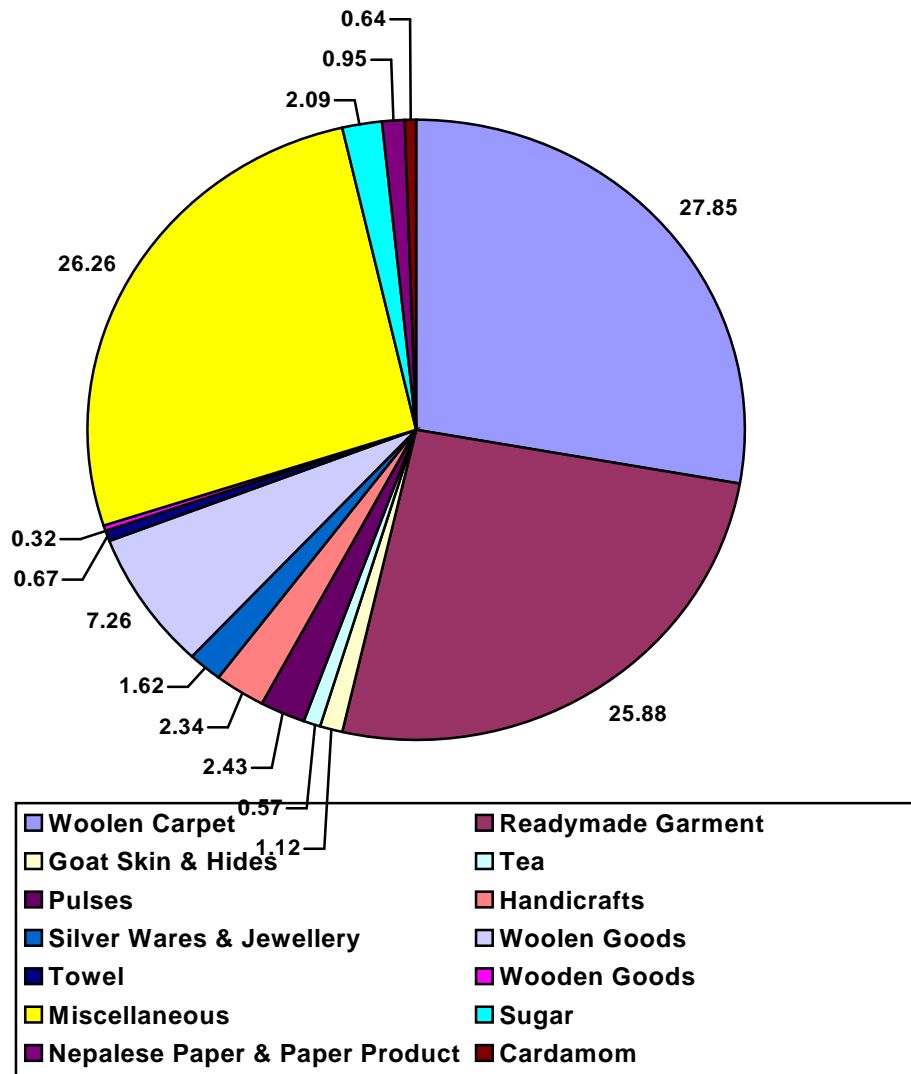
**Table No. 4.1****Percentage shown of major commodities in the overseas exports of Nepal 2006/2007**

| <b>S.N.</b> | <b>Commodities</b>                | <b>Value in Rs.<br/>000</b> | <b>Shown in %</b> |
|-------------|-----------------------------------|-----------------------------|-------------------|
| 1           | Woolen Carpet                     | 5600200                     | 27.85             |
| 2           | Readymade Garment                 | 5205500                     | 25.88             |
| 3           | Goat Skin & Hides                 | 225420                      | 1.12              |
| 4           | Tea                               | 114700                      | 0.57              |
| 5           | Pulses                            | 488100                      | 2.43              |
| 6           | Handicrafts                       | 469712                      | 2.34              |
| 7           | Silver Wares & Jewelers           | 325400                      | 1.62              |
| 8           | Woolen Goods                      | 1460411                     | 7.26              |
| 9           | Towel                             | 135162                      | 0.67              |
| 10          | Wooden Goods                      | 65300                       | 0.32              |
| 11          | Miscellaneous                     | 5282300                     | 26.26             |
| 12          | Sugar                             | 419566                      | 2.09              |
| 13          | Nepalese Paper & Paper<br>Product | 190600                      | 0.95              |
| 14          | Cardamom                          | 129600                      | 0.64              |
|             | Total                             | 20111971                    | 100.00            |

(Source: Trade Promotion Centre, 2006/2007)

**Diagram no 4.1**

**Pie Diagram of Percentage of major commodities in the overseas countries**



The above Pie Diagram is based on the data shown on the table no 4.1. The diagram helps to understand the major commodities exported from Nepal as just seen the diagram. In this diagram largest portion of the diagram is covered by Woolen Carpets and Readymade Garments. These

two items cover more than half of the diagram which clearly tells us that half of the country's total export is covered by Readymade Garment and Woolen carpet.

### b) Shares of GI on Total Export

The share of GI on Total Export is shown in Table No. 4.2,

**Table no. 4.2**  
**Shares of GI on Total Export value in '000**

| Year      | R. G.(Pcs) | Total Export (Rs) | Ratio |
|-----------|------------|-------------------|-------|
| 1998/1999 | 9,123,407  | 35,269,272        | 0.26  |
| 1999/2000 | 14,744,760 | 49,561,028        | 0.30  |
| 2000/2001 | 16,892,394 | 56,519,800        | 0.35  |
| 2001/2002 | 9,818,184  | 47,386,788        | 0.21  |
| 2002/2003 | 13,546,430 | 50,011,122        | 0.27  |
| 2003/2004 | 11,652,420 | 53,949,414        | 0.22  |
| 2004/2005 | 8,133,322  | 58,975,321        | 0.14  |
| 2005/2006 | 7963335    | 57742736          | 0.12  |
| 2006/2007 | 5700951    | 413380024         | 0.08  |
|           |            | Mean              | 0.22  |

(Source: Trade Promotion Center)

The shares of GI on total export from F/Y 1998/1999 to F/Y 2006/2007 are 0.26, 0.30, 0.35, 0.21, 0.27, 0.22, 0.14, 0.12, and 0.08 respectively. The mean of share of GI on total export is 0.22. i.e. 22%.

#### 4.1.1 Export of Readymade Garment to Major Countries

Hence the study tried to analyze the export of readymade garments from Nepal to selected overseas counties. The main importers of NRG are USA, CANADA, EU, Norway, Australia, New Zealand, Switzerland, South Africa and Japan. The exports to these countries are analyzed as follows:

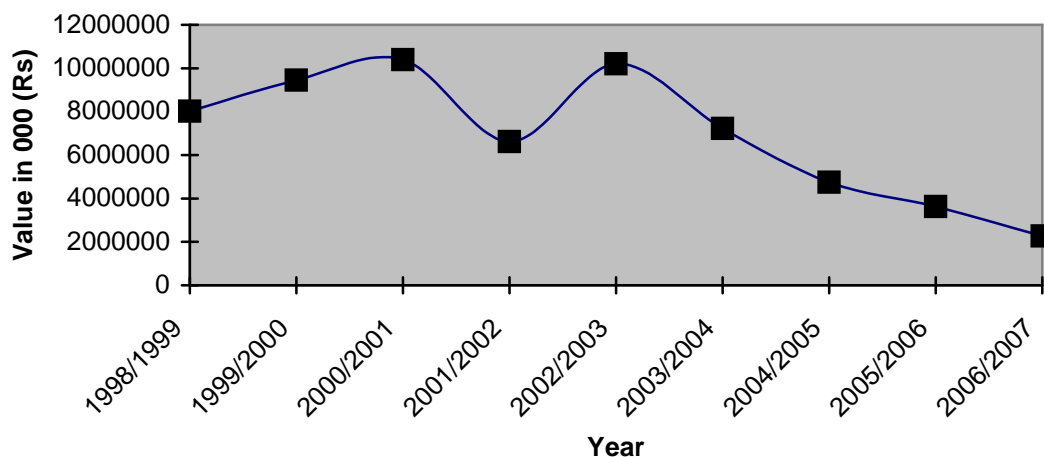
1. **Export of USA:** The exports of GI to USA from F/Y 1998/1999 to F/Y 2006/2007 are shown in table no. 4.3.

**Table no. 4.3**  
**Export to USA**

| <b>Fiscal Year</b> | <b>Qty (Pcs)</b> | <b>Value in<br/>000(RS)</b> | <b>Increase/Dec<br/>rease</b> | <b>Percentage<br/>Change</b> |
|--------------------|------------------|-----------------------------|-------------------------------|------------------------------|
| 1998/1999          | 26457948         | 8018809                     | -                             | -                            |
| 1999/2000          | 32594316         | 9452494                     | 1433685                       | 17.88                        |
| 2000/2001          | 38683424         | 10395896                    | 943402                        | 9.98                         |
| 2001/2002          | 27098470         | 6615614                     | -3780282                      | -36.36                       |
| 2002/2003          | 37356361         | 10206567                    | 3590953                       | 54.28                        |
| 2003/2004          | 27971436         | 7220727                     | -2985840                      | -29.25                       |
| 2004/2005          | 18283923         | 4741948                     | -2478779                      | -34.33                       |
| 2005/2006          | 13997263         | 3630200                     | -1111748                      | -23.44                       |
| 2006/2007          | 8778461          | 2276700                     | -1353500                      | -37.28                       |

(Source: Trade Promotion Center)

**Graph no. 4.3: Chart showing export to USA**



According to table no. 4.3 and Graph no. 4.3, the export of GI to USA from 1998/1999 to 2005/2006 (value in 000' Rs.) are 8018809, 9452494, 10395896, 6615614, 10206567, 7220272, 4741948, 3630200 and 2276700 respectively. The export is decreased in 2001/2002, 2003/2004, 2004/2005, 2005/2006 and 2006/2007 by 36.36%, 29.25%, 34.33%, 23.44%, and 37.28% respectively. The export is maximum increased in 2002/2003 by 54.28%.

**2. Export to Canada:** The exports of GI to Canada from 1998/1999 to 2006/2007 are shown in table no. 4.4.

**Table no. 4.4**  
**Export to Canada**

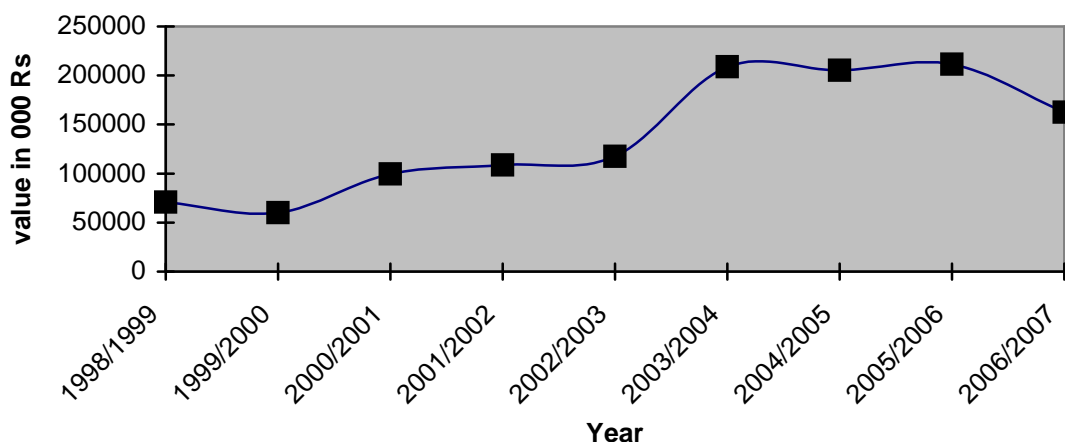
| Fiscal Year | Qty (Pcs) | Value in 000(RS) | Increase/Decrease | Percentage Change |
|-------------|-----------|------------------|-------------------|-------------------|
| 1998/1999   | 238508    | 70704            |                   |                   |
| 1999/2000   | 325038    | 60206            | -10498            | -14.85            |
| 2000/2001   | 190516    | 99623            | 39417             | 65.47             |
| 2001/2002   | 140923    | 108627           | 9004              | 9.04              |
| 2002/2003   | 566518    | 117558           | 8931              | 8.22              |
| 2003/2004   | 1390233   | 208855           | 91297             | 77.66             |



|           |        |        |        |        |
|-----------|--------|--------|--------|--------|
| 2004/2005 | 870687 | 205190 | -3665  | -1.75  |
| 2005/2006 | 897886 | 211600 | 6410   | 3.17   |
| 2006/2007 | 382719 | 162400 | -49200 | -23.25 |

(Source: Trade Promotion Center)

**Graph no. 4.4 : Chart showing export to Canada**



According to table no. 4.4 and Graph no. 4.4, the export of GI to Canada from 1998/1999 to 2006/2007 (value in 000' Rs.) are 70704, 60206, 99623, 108627, 117558, 208855, 205190, 211600 and 162400 respectively. The export is decreased in F. Y. 1999/2000 and 2006/2007 -14.85% and -23.25% respectively. The export is increased maximum in 2003/2004 by 77.66%.

**3. Total Export to Japan:** The export of GI to Japan from 1998/1999 to 2006/2007 are shown in table no. 4.5

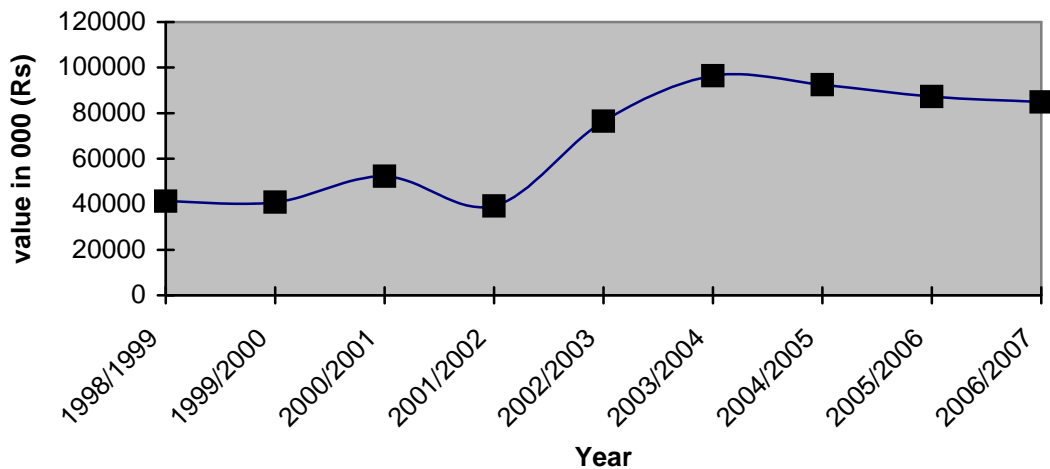
**Table no. 4.5**  
**Export to Japan**

| Fiscal Year | Qty (Rs) | Value in 000(RS) | Increase/Decrease | Percentage Change |
|-------------|----------|------------------|-------------------|-------------------|
| 1998/1999   | 387117   | 41280            |                   |                   |
| 1999/2000   | 364025   | 40909            | -371              | -0.90             |
| 2000/2001   | 283812   | 52332            | 11423             | 27.92             |

|           |        |       |        |        |
|-----------|--------|-------|--------|--------|
| 2001/2002 | 294505 | 39262 | -13070 | -24.98 |
| 2002/2003 | 648343 | 76419 | 37157  | 94.64  |
| 2003/2004 | 650583 | 96416 | 19997  | 26.17  |
| 2004/2005 | 603064 | 92520 | -3896  | -4.04  |
| 2005/2006 | 569038 | 87300 | -5220  | -5.64  |
| 2006/2007 | 553395 | 84900 | -2400  | -2.75  |

(Source: Trade Promotion Center)

**Graph no. 4.5 :Chart showing export to Japan**



According to table no. 4.5 and Graph no. 4.5, the export of GI to Japan from 1998/1999 to 2006/2007 (value in 000' Rs.) are 41280, 40909, 52332, 39262, 76419, 96416 ,92520,87300 and 84900 respectively. The export is decreased in F. Y. 1999/2000, 2001/2002 and 2006/2007 by - 0.9%, 24.98% and -2.75% respectively. The export is maximum increased in 2002/2003 by 94.64%.

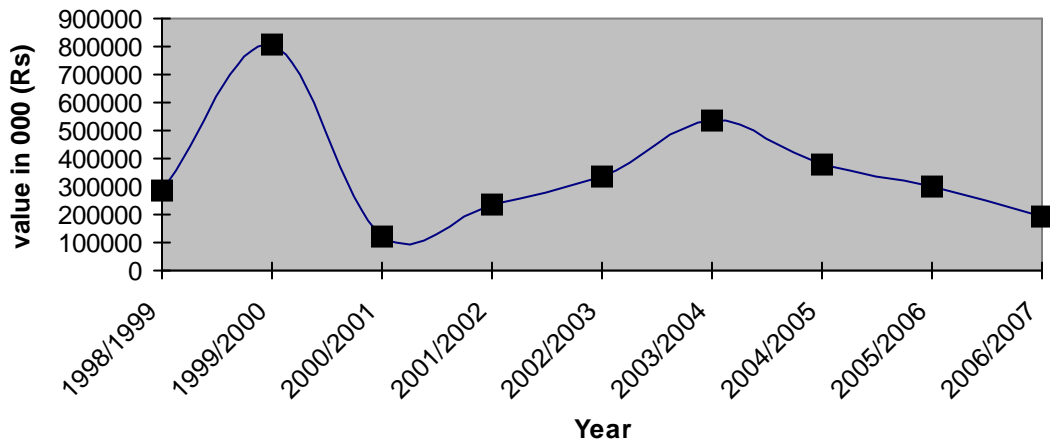
**4. Total Export to UK:** The export of GI to UK from 1998/1999 to 2006/2007 are shown in table no. 4.6

**Table no. 4.6**  
**Export to UK**

| <b>Fiscal Year</b> | <b>Qty (Rs)</b> | <b>Value in 000(RS)</b> | <b>Increase/Decrease</b> | <b>Percentage Change</b> |
|--------------------|-----------------|-------------------------|--------------------------|--------------------------|
| 1998/1999          | 970997          | 282745                  |                          |                          |
| 1999/2000          | 658010          | 804845                  | 522100                   | 184.65                   |
| 2000/2001          | 487668          | 124061                  | -680784                  | -84.59                   |
| 2001/2002          | 1022768         | 236440                  | 112379                   | 90.58                    |
| 2002/2003          | 1261874         | 337526                  | 101086                   | 42.75                    |
| 2003/2004          | 1769145         | 537401                  | 199875                   | 59.22                    |
| 2004/2005          | 1236422         | 379142                  | -158259                  | -29.45                   |
| 2005/2006          | 918332          | 299500                  | -79642                   | -26.59                   |
| 2006/2007          | 62878           | 192800                  | -106700                  | -35.62                   |

(Source: Trade Promotion Center)

**Graph no. 4.6: Chart showing export to UK**



According to table no. 4.6 and Graph no. 4.6, the export of GI to UK from 1998/1999 to 2006/2007 (value in 000' Rs.) are 282745, 804845, 124061, 236440, 337526, 537401, 379142, 299500 and 192800 respectively. The export is decreased in F. Y. 2000/2001, 2004/2005, 2005/2006 and 2006/2007 by -84.59% , -29.45% , -26.79 and -35.62 respectively. The export is maximum increased in 1999/2000 by 184.65%.

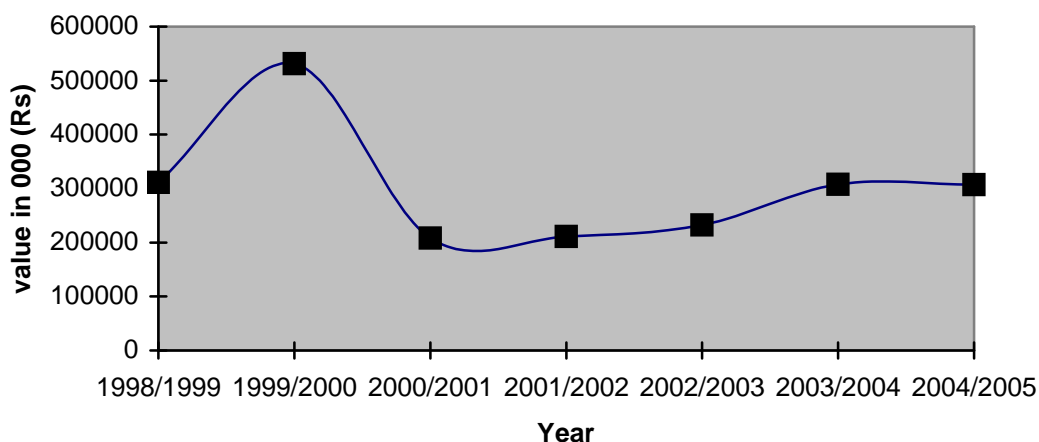
**5. Total Export to France:** The export of GI to France from 1998/1999 to 2006/2007 are shown in table no. 4.7

**Table no. 4.7**  
**Export to France**

| <b>Fiscal Year</b> | <b>Qty (Rs)</b> | <b>Value in 000(RS)</b> | <b>Increase/Decrease</b> | <b>Percentage Change</b> |
|--------------------|-----------------|-------------------------|--------------------------|--------------------------|
| 1998/1999          | 2280143         | 311183                  |                          |                          |
| 1999/2000          | 1908724         | 531040                  | 219857                   | 70.65                    |
| 2000/2001          | 1263865         | 207873                  | -323167                  | -60.86                   |
| 2001/2002          | 1089602         | 210775                  | 2902                     | 1.40                     |
| 2002/2003          | 1214411         | 232633                  | 21858                    | 10.37                    |
| 2003/2004          | 1583183         | 307619                  | 74986                    | 32.23                    |
| 2004/2005          | 1572261         | 307249                  | -370                     | -0.12                    |
| 2005/2006          | 2094478         | 409300                  | 102051                   | 33.21                    |
| 2006/2007          | 1913840         | 374000                  | -35300                   | -8.62                    |

(Source: Trade Promotion Center)

**Graph no. 4.7: Chart showing export to France**



According to table no. 4.7 and Graph no. 4.7, the export of GI to France from 1998/1999 to 2006/2007 (value in 000' Rs.) are 311183, 531040, 207873, 210775, 232633, 307619, 307249, 409300 and 374000 respectively. The export is decreased in F. Y. 2000/2001,

2004/2005 and 2006/2007 by 60.86%, 0.12% and -8.62% respectively. The export is maximum increased in 1999/2000 by 70.65%.

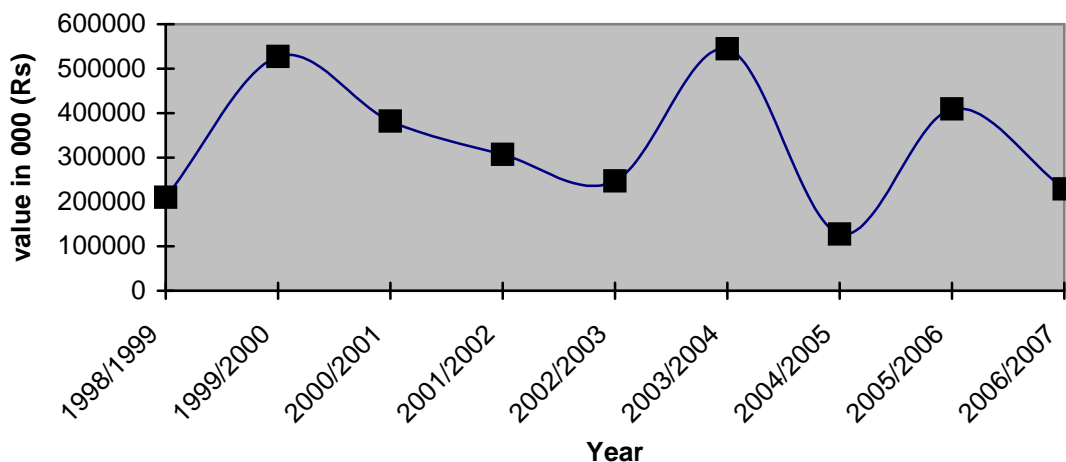
**6. Total Export to Germany:** The export of GI to Germany from 1998/1999 to 2006/2007 are shown in table no. 4.8

**Table no. 4.8**  
**Export to Germany**

| <b>Fiscal Year</b> | <b>Qty (Rs)</b> | <b>Value in<br/>000(RS)</b> | <b>Increase/Decrease</b> | <b>Percentage<br/>Change</b> |
|--------------------|-----------------|-----------------------------|--------------------------|------------------------------|
| 1998/1999          | 677781          | 210431                      |                          |                              |
| 1999/2000          | 1036099         | 527549                      | 317118                   | 150.70                       |
| 2000/2001          | 817507          | 381997                      | -145552                  | -27.59                       |
| 2001/2002          | 574896          | 306893                      | -75104                   | -19.66                       |
| 2002/2003          | 1690519         | 247075                      | -59818                   | -19.49                       |
| 2003/2004          | 1191058         | 544841                      | 297766                   | 120.52                       |
| 2004/2005          | 658809          | 127791                      | -417050                  | -76.55                       |
| 2005/2006          | 1080564         | 409300                      | 81809                    | 64.01                        |
| 2006/2007          | 1181010         | 229100                      | 19500                    | 9.30                         |

(Source: Trade Promotion Center)

**Graph no. 4.8 : Chart showing export to Germany**



Accordin

g to table no. 4.8 and Graph no. 4.8, the export of GI to Germany from 1998/1999 to 2006/2007 (value in 000' Rs.) are 210431, 527549, 381997, 306893, 247075, 544841, 127791, 209600, and 229100 respectively. The export is decreased in F. Y. 2000/2001, 2001/2002, 2002/2003 and 2004/2005 by 27.59%, 19.66%, 19.49% and 76.55% respectively. The export is maximum increased in 1999/2000 by 150.70%. and 2005/2006 increased 64.01% and in 2006/2007 it is increased by only 9.30.

**7. Total Export to Italy:** The export of GI to Italy from 1998/1999 to 2006/2007 are shown in table no. 4.9

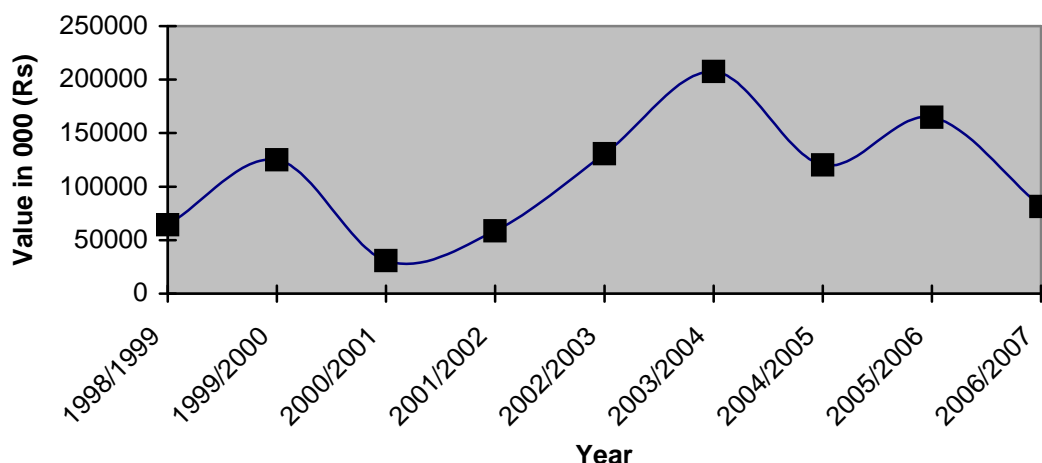
**Table no. 4.9**  
**Export to Italy**

| Fiscal Year | Qty (Rs) | Value in 000(RS) | Increase/Decrease | % Change |
|-------------|----------|------------------|-------------------|----------|
| 1998/1999   | 421385   | 64403            |                   |          |
| 1999/2000   | 274486   | 124898           | 60495             | 93.93    |
| 2000/2001   | 330357   | 30869            | -94029            | -75.28   |
| 2001/2002   | 689060   | 58566            | 27697             | 89.72    |
| 2002/2003   | 1270950  | 130753           | 72187             | 123.26   |
| 2003/2004   | 1674556  | 207516           | 76763             | 58.71    |
| 2004/2005   | 1067969  | 120175           | -87341            | -42.09   |
| 2005/2006   | 1464541  | 164800           | 44625             | 37.13    |

|           |        |       |        |        |
|-----------|--------|-------|--------|--------|
| 2006/2007 | 721606 | 81200 | -83600 | -50.07 |
|-----------|--------|-------|--------|--------|

(Source: Trade Promotion Center)

**Graph no. 4.9: Chart showing export to Italy**



According to table no. 4.9 and Graph no. 4.9, the export of GI to Italy from 1998/1999 to 2006/2007 (value in 000' Rs.) are 644403, 124898, 30869, 58566, 130753, 207516, 120175, 164800 and 81200 respectively. The export is decreased in F. Y. 2000/2001 and 2004/2005 by 75.28% and 42.09% respectively. The export is maximum increased in 2002/2003 by 123.26%. and 2005/2006 increased 37.13%

**8. Total Export to Spain:** The export of GI to Spain from 1998/1999 to 2006/2007 are shown in table no. 4.10

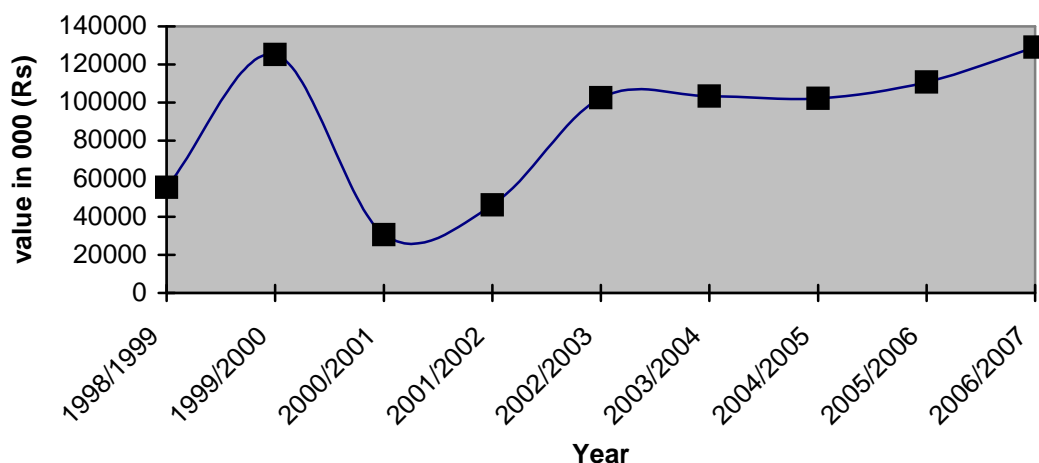
**Table no. 4.10  
Export to Spain**

| Fiscal Year | Qty (Rs) | Value in 000(RS) | Increase/Decrease | Percentage Change |
|-------------|----------|------------------|-------------------|-------------------|
| 1998/1999   | 454554   | 55516            |                   |                   |
| 1999/2000   | 512653   | 125223           | 69707             | 125.56            |
| 2000/2001   | 368144   | 30592            | -94631            | -75.57            |
| 2001/2002   | 400417   | 46151            | 15559             | 50.86             |
| 2002/2003   | 928448   | 102507           | 56356             | 122.11            |

|           |         |        |       |       |
|-----------|---------|--------|-------|-------|
| 2003/2004 | 1142280 | 103364 | 857   | 0.84  |
| 2004/2005 | 1171196 | 102155 | -1209 | -1.17 |
| 2005/2006 | 1270309 | 110800 | 8645  | 8.46  |
| 2006/2007 | 1478971 | 129000 | 18200 | 16.42 |

(Source: Trade Promotion Center)

**Graph no.4.10:Chart showing export to Spain**



According to table no. 4.10 and Graph no. 4.10, the export of GI to Spain from 1998/1999 to 2006/2007 (value in 000' Rs.) are 55516, 125223, 30592, 46151, 102507, 103364, 102155, and 129000 respectively. The export is decreased in F. Y. 2000/2001 and 2004/2005 by 75.57% and 1.17% respectively. The export is maximum increased in 1999/2000 by 125.56%.

**9 Total Export to India:** The export of GI to India from F/Y 1998/1999 to F/Y 2006/2007 are shown in table no. 4.11

**Table no. 4.11**  
**Export to India**

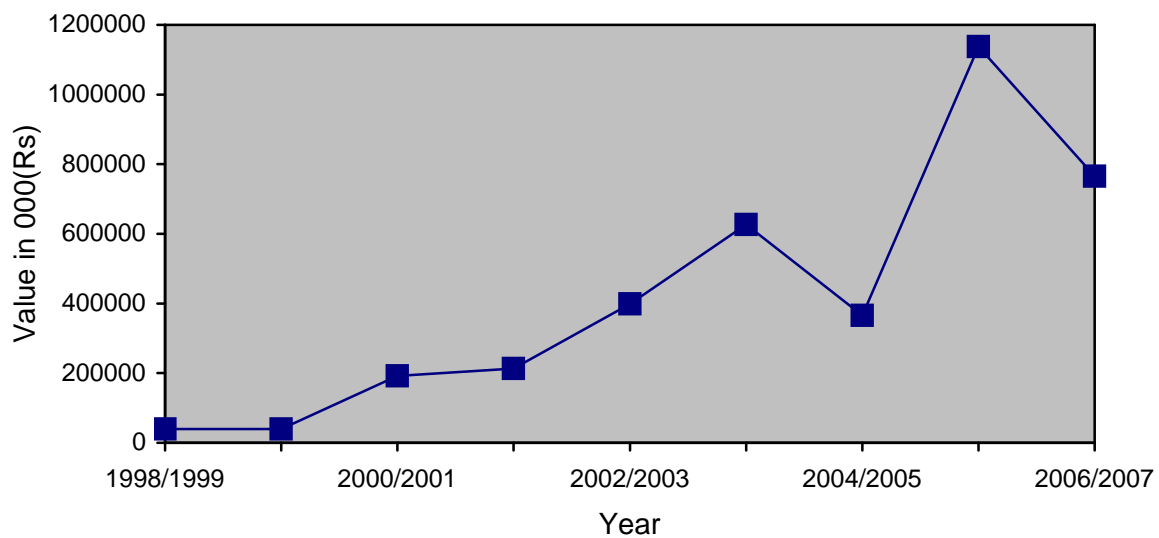
| Fiscal Year | Qty (Rs) | Value in 000(RS) | Increase/Decrease | Percentage Change |
|-------------|----------|------------------|-------------------|-------------------|
| 1998/1999   | NA       | 39900            |                   |                   |
| 1999/2000   | NA       | 39700            | -200              | -0.50             |
| 2000/2001   | NA       | 191600           | 151900            | 382.62            |



|           |    |         |         |        |
|-----------|----|---------|---------|--------|
| 2001/2002 | NA | 213500  | 21900   | 11.43  |
| 2002/2003 | NA | 398600  | 185100  | 86.70  |
| 2003/2004 | NA | 626200  | 227600  | 57.10  |
| 2004/2005 | NA | 365700  | -260500 | -41.60 |
| 2005/2006 | NA | 1137300 | 771600  | 210.99 |
| 2006/2007 | NA | 765000  | -372300 | -32.73 |

(Source: Trade Promotion Center)

**Graph no. 4.11: Chart showing export to India**



Acc

ording to table no. 4.11 and Graph no. 4.11, the export of GI to India from 1998/1999 to 2006/2007 (Value in 000' Rs.) are 39900, 39700, 191600, 213500, 398600, 6200 , 365700 ,1137300 and 765000 respectively. The export is decreased in F. Y. 1999/2000, 2004/2005 and 2006/2007 by 0.5% ,41.60% and -32.73% respectively. The export is maximum increased in 2000/2001 and 2005/2006 by 382.62%.and 210.99%

**Table no. 4.12**

**Data found on the basis of analysis**

| Year      | 1999/00                                 | 2000/01  | 2001/02                          | 2002/03                                    | 2003/04                         | 2004/05  | 2005/2006                                 | 2006/2007   |
|-----------|---|--|----------------------------------|--|---------------------------------|--|---|---|
| Increased | Spain<br>South Africa<br>UK<br>France   |  | Netherlands<br>Norway            | Switzerland<br>Japan<br>Australia<br>USA   |                                 |  | Canada,<br>France, Italy,<br>Spain, India | Germany,<br>Germany,<br>Spain                         |
| Decreased | Canada<br>New Zealand<br>Japan<br>India | Norway<br>Australia<br>Switzerland<br>UK<br>France | USA<br>Japan<br>Germany<br>India | Norway<br>South Africa<br>Germany<br>Italy | USA<br>Australia<br>Switzerland | USA<br>Canada<br>Australia<br>New Zealand<br>Switzerland<br>South Africa | USA, Japan,<br>UK                         | USA, Canada,<br>Japan, UK,<br>France, Italy,<br>India |

The above table is based on the analysis of export to different countries shown in above different table. From the above table it is clear that export increased countries in 1999/00 are Spain, South Africa, UK, France, Germany, in 2001/02 are Netherlands and Norway, in 2002/03 are Switzerland, Japan, Australia and USA, in 2004/2005 all the countries export was not increased, in 2005/2006 Canada, France, Italy, Spain and India, in 2006/2007 Germany and Spain. In the same way it is cleared that export decreased countries in 1999/00 are Canada, New Zealand, Japan and India, in 2000/01 are Norway, Australia, Switzerland, UK, France, Germany, Italy and Spain, in 2001/02 are USA , Japan, Germany and India in 2002/03 are Norway, South Africa, Germany and Italy, in 2003/04 are USA, Australia and Switzerland, in 2004/05 are USA, Canada, Australia, New Zealand, Switzerland, South Africa, Japan, UK, France, Germany, Italy, Spain and India, in 2005/2006 USA, Japan and UK, and in 2006/2007 USA, Japan, UK, France, Italy and India. From the table we can conclude that exporting of Garment is decreasing year by year.

**4.2 Analysis for Major Problems of Garment Industry in Nepal**

**4.2.1 Analysis from Review of Literature and other Published Materials**

By reviewing and analyzing different articles, thesis, books and other published and unpublished sources the major problem faced by garment industry in Nepal are as follows:

- ❖ Readymade garments productions are in a large scale and the export of it from Nepal is a new phenomenon. In this initial period, it has welcomed many industrialists, labor, capital and equipments from India. As such, major benefits out of this sector have been utilized by the Indians and Nepal has become only the media.
- ❖ The garments producers have to follow different garments semi garment rules and regulations and these rules and regulations compel the producers to cross different channels. This has created harassment and delay in shipment of the finished products.
- ❖ Most of the labors, skilled and semi-skilled are from India. Rough estimation of the Indian labors in these factories is more than 50 percent. Nepalese labors have been utilized only in simple works like thread cutting, checking, packaging and for port rage.
- ❖ There seems to have no direct contact of the buyer of readymade garment in USA.
- ❖ Raw materials used almost all comes from India despite of so many mills and textile produce cotton fabrics in Nepal.
- ❖ The orthodox in Indian inflow in this tiny capital has the chances to cause a lot of problems in socio-political and cultural aspects of social life. If the situation remains the same, in long run, they all convert into permanent settlers.
- ❖ The production of readymade garment is not for the local market. All of them are of high fashion and are subject to exporting to the America and European world. The general people have nothing to do with them. The amount of export is very high and it is not the way to be first amounting the hard currency generating exports of Nepal.
- ❖ USA is the major destination with 90.6 percent share in the value of export in the FY 1993/94
- ❖ US holds second position among the major trading partners of Nepal in export
- ❖ The US import from Nepal stands 23 percent on the total exports and 34 percent on the total exports from Nepal
- ❖ The US import about 94 percent of RMGs exported from Nepal
- ❖ Category 341 is leading category on the exports to US

- ❖ The US imposes quota restrictions on the import of seven category of RMGs export from Nepal
- ❖ Insufficient incentive and facilities
- ❖ Uncooperative attitude and behavior of the concerned authorities as well as their unwillingness on the part to render services to the industrialists
- ❖ Improper and indiscriminate application of the control mechanism and action over those who are honest and those who are involved in malpractices or take undue advantage of the government loopholes.
- ❖ Absence of direct contact of the Nepalese enterprises with importer of third country.
- ❖ Insufficient supply and delay in getting quality fabric and other raw materials
- ❖ Lengthy bureaucratic procedures and delay in custom clearance
- ❖ Imposition of minimum floor price system on garments for export from Nepal
- ❖ Shortage of trained and skilled manpower
- ❖ Inadequate financial support
- ❖ Problems of transport
- ❖ Heavy import duties on import of quality fabrics from the third country
- ❖ Limited knowledge and ignorance on procedural matters and lack of interdepartmental co-ordination of HMG.

### **4.3 Need of Primary Research Study**

The research study was entitled two parts, secondary research study and primary research study. The secondary research study is explained in the front of the fourth chapter. The secondary research study has given various findings and valuable results. From the secondary research study it is known that US is the major importing country from Nepal and more than 80 percentage market of total export of Nepalese Readymade Garment is the US and rest of the percentage is EU, Japan, Canada, South Africa and other. From secondary research it is found that Nepalese readymade Garment in international market is decreasing day by day. But it does not tell why Nepalese Readymade Garment market is decreasing, what is the alternative market to US, what is the effect of WTO membership, what is the position of domestic market, which

factor affect the downfall of Nepalese Readymade Garment industries. By being curious to know about answer of above question it is compelled me to study Primary Research Study.

#### **4.3.1 Analysis of Environmental Factor Relative to GI through Primary Research**

The major findings of questionnaire and interview method among 50 respondents according to annex-3 to annex-15 are as follows.

This research study is divided into two parts i.e. analysis for secondary data and analysis for primary data. For primary data analysis 37 questions are to be asked to the different levels of respondent. The no. of respondent was 50 in which total percentage of male respondent are 82 and female respondent are 18 percentages. All the questions used in questionnaire are mainly related with SWOT analysis means those help to solve the strength, weakness, opportunity and threats of GI in Nepal. This question included in questionnaire are mainly related with WTO obligation, WTO benefit, Government policy, Organizational policy, Banking policy, Technological environment, political environment, social environment, Trade unions, HR factors and local market situations. The composition of question pattern is shown in Annex-2.

For the analysis of primary data first of all questionnaire is given to the different levels of respondents. The age structure, professional experience of respondent, position of respondent are given in Annex-3..After obtaining the solved questionnaire, SPSS version was used for the analysis, which help to define the variable in the basis of different level, profession, experience, age and genders. For that purpose the research question made in short form and the appropriate answer was designed into six points such as Disagree, Totally disagree, moderately disagree, slightly agree, Agree moderately and agrees totally. With the help of these answers obtained from the respondents the internal and external environmental problems are analyzed. The findings from SPSS analysis, question wise are as follows:

##### **1. WTO Obligation and Benefits**

To make the answer of these objectives, the researcher asked 4 questions which are Q. No 3. WTO rules and regulations are favorable to garment industry, 4. You are aware to phase out of the MFA by 2005 and its implications for Nepalese garment industry, 5. Could you

compete with International competitor, 6. Internationally GI companies are sound in financial and Technological strong. These four questions are mainly related with WTO obligations and benefits for the GI. The researcher follows description analysis method to access the result. The analysis is drawing or the value of mean and standard deviation.

### Descriptive Statistics WTO Obligation

|  | N  | Minimum | Maximum | Mean   | Std. Deviation |
|--|----|---------|---------|--------|----------------|
| WTO rules & regulations are favorable to GI  | 50 | 1.00    | 6.00    | 2.9800 | 1.82377        |
| You are aware to phase out of the MFA by 2005 and its implications for Nepalese GI | 50 | 1.00    | 6.00    | 5.0200 | 1.43555        |
| Could you compete with International competitor                                    | 50 | 1.00    | 6.00    | 3.0600 | 1.71916        |
| Valid N (list wise)  | 50 |         |         |        |                |

### Descriptive Statistics WTO Benefit

|  | N  | Minimum | Maximum | Mean   | Std. Deviation |
|--|----|---------|---------|--------|----------------|
| Internationally GI companies are sound in financial & technological strong | 50 | 1.00    | 6.00    | 3.2400 | 1.47855        |
| Valid N (list wise)  | 50 |         |         |        |                |

(Source: Annex-6)

According to Annex – 6, the mean shows that all attitudes are positive because the means are more than 3. It strongly supports to all questions. These five variables define the benefit from the WTO. The highest mean value is 5.02, related with awareness of phasing out MFA by 2005 and the lowest mean i.e. 2.98 related with WTO rules and regulations are favorable or not. It means maximum no of respondent are aware of phasing out MFA by 2005 but they think the rules and regulations of WTO are not favorable for GI of Nepal.

The minimum standard deviation is 1.43555 and the maximum is 1.82377. It shows that the attitude of respondents is slightly deviated. It shows that the all respondents are aware with phasing out MFA by 2005 but most of them think that the rules and regulations of WTO are not favorable for Garment Industry of Nepal.

## 2. Government Policies are Favorable for Garment Industry

For this objective four different questions are given to the respondent. The question and their analyzed answers are shown in Annex 7.

### Descriptive Statistics Government Policy

|   | N  | Minimum | Maximum | Mean   | Std. Deviation |
|---|----|---------|---------|--------|----------------|
| Government policies are favorable to the garment industries in Nepal  | 50 | 1.00    | 6.00    | 3.7200 | 1.49884        |
| Government has provided any incentives or subsidy to the GI   | 50 | 1.00    | 6.00    | 3.8800 | 1.54708        |
| There is difficulty to compete in the present contest do to policies of the Government & business environment | 50 | 1.00    | 6.00    | 4.4400 | 1.59284        |
| Any government agency are helping to exports of your product  | 50 | 1.00    | 6.00    | 4.0200 | 1.54510        |
| Valid N (list wise)   | 50 |         |         |        |                |

(Source: Annex-7)

According to Annex – 7, the mean shows that all attitudes of the respondent are positive because the means are greater than 3. It strongly supports to all questions. These five variables define the Government policies are favorable or not. The mean is 4.44 mainly related with difficulties due to Government policy to compete with others international Garment Industry. It means all respondent think that the Government policy not help GI to compete with others. The minimum mean is 3.72, related with government policy; means the respondent think that the government policies are favorable to the GI of Nepal.

The minimum standard deviation is 1.49 and maximum standard deviation is 1.59. It means the attitudes of respondents are not deviated. It shows the Government policy related with GI is favorable.

## 3. Technical Strength of GI is Sufficient or not

For this, two different types of questions are giving to the respondents. The questions and the summarized results are shown in Annex-8.

### Descriptive Statistics Technical Strength

|   | N  | Minimum | Maximum | Mean   | Std. Deviation |
|---|----|---------|---------|--------|----------------|
| Change in technology of production affect the business        | 50 | 1.00    | 6.00    | 4.3000 | 1.72910        |
| Your applied technology is capable to compete internationally | 50 | 1.00    | 6.00    | 2.9000 | 1.75255        |
| Valid N (list wise)   | 50 |         |         |        |                |

(Source: Annex-8)

The mean of question is greater than 3 so that the attitude of respondents is positive. The maximum mean is 4.3 related with changing technology's affect in Garment Industry. It shows that the respondents are convinced that the change in technology affect the GI. The minimum mean is 2.9, related with applied technology of GI in Nepal. It shows the respondent think that the applied technology of GI is not capable to compete in international market.

The minimum standard deviation is 1.72 and maximum standard deviation is 1.75. It shows that the attitudes of respondents are not so deviated. It means most of them think that the changing technology affect the GI and the applied technology are not sufficient to compete with others' GI.

#### 4. Political Environment Affect the GI

For this one question is given to the respondent.

### Descriptive Statistics Political Environment

|   | N  | Minimum | Maximum | Mean   | Std. Deviation |
|---|----|---------|---------|--------|----------------|
| Political parties are pressurized economically, mentally & physically | 50 | 2.00    | 6.00    | 5.3600 | 1.00529        |
| Valid N (list wise)   | 50 |         |         |        |                |

(Source: Annex-9)

According to the Annex – 9, the means and standard deviation are 5.36 and 1.005 respectively. It shows that the attitudes of respondent are positive and not so deviated. It means that the political parties pressurized the Garment industry economically, mentally and physically, so that the present political environment of the country affects the growth of GI in Nepal.



## 5. Social Environment Affect the Garment Industry

Social environment mainly related with locality and society where the garment factories are situated. If social organizations are against the garment industry then the industry never could go in progress i.e. no any industry could survive without local social organization. For this purpose one question is asked to the respondent which is shown in Annex- 10.

### Descriptive Statistics Social Environment

|   | N  | Minimum | Maximum | Mean   | Std. Deviation |
|---|----|---------|---------|--------|----------------|
| Local society are supportive to your organization | 50 | 1.00    | 6.00    | 3.8600 | 1.37039        |
| Valid N (list wise)                               | 50 |         |         |        |                |

(Source: Annex-10)

According to Annex-10, the mean and standard deviation are 3.8 and 1.37. It shows that the attitudes of all respondents are positive to the question means they think that the local society of the organization supported them or favorable to them

## 6. Trade Unions Behavior Affect the GI

It is said that trade union and management committee are complement to each other. One sided problem should solved by other by giving assistance. But tyrant management committee and over pressure trade union both are harmful to each other. In Nepalese contest over pressure trade union to management committee are common.

For this purpose, two different questions are given to the respondents, which are shown in Annex-11.

### Descriptive Statistics Trade Union

|  | N  | Minimum | Maximum | Mean   | Std. Deviation |
|--|----|---------|---------|--------|----------------|
| Trade unions are pressurized economically, physically & mentally to fulfill their demand | 50 | 1.00    | 6.00    | 5.2000 | 1.26168        |
| In the present condition, trade unions demands are favorable to GI                       | 50 | 1.00    | 6.00    | 2.5600 | 1.48681        |
| Valid N (list wise)  | 50 |         |         |        |                |

(Source; Annex-11)

According to Annex –11, the maximum mean is 5.2, related with Trade union pressure. It shows the trade union of GI economically, physically and mentally pressurized the organizations to fulfill their needs. The minimum means 2.56, related with demand of Trade unions are not favorable for the organization. The standard deviation of these two questions i.e. 1.2Internationally GI companies are sound in financial and technological strong 6 and 1.48 shows that the attitude of respondents are not so deviated. In conclusion, the trade unions pressurized the organizations and their demands are not so favorable to GI.

## 7. Human Resources Factors Affect the Efficiency of the Organization

Any industry downfall or raise strongly depends upon the labor worked in that industry. If the employee of the industry is well trained, loyal, dedicated to the industry then the industry definitely make progress. For this purpose, five different questions are given to the respondents. The questions and the summarized results are shown in Annex – 12.

**Descriptive Statistics HR Factor**

|  | N  | Minimum | Maximum | Mean   | Std. Deviation |
|--|----|---------|---------|--------|----------------|
| Workers and employees of your organization are dedicated to your industry    | 50 | 1.00    | 6.00    | 4.0600 | 1.67100        |
| Loyalty of workers increase the efficiency of organization                   | 50 | 1.00    | 6.00    | 4.4800 | 1.52850        |
| There are internationally qualified and trained manpower                     | 50 | 1.00    | 6.00    | 3.1000 | 1.75255        |
| Your manpower are well trained and able to adopt in the changing environment | 50 | 1.00    | 6.00    | 4.2200 | 1.61990        |
| All the manpower of your organization are sufficient inside the country      | 50 | 1.00    | 6.00    | 3.1200 | 1.64924        |
| Valid N (list wise)  | 50 |         |         |        |                |

(Source: Annex-12)

According to Annex – 12, the mean and standard deviation shows that the attitudes of respondents are positive. According to mean, all the respondents think that their employees are qualified, trained and loyal to their organization and the supply of manpower is sufficient to the GI. The minimum standard deviation, 1.52 and the maximum 1.75 shows that the attitude of respondents are not so deviated means they all think the human resources of the organization are capable, experienced and loyal and also there is no scarcity for this manpower.

### Consumer Behavior Affect the GI

All the industry is oriented to their customer. Industry should produce their product in demand of costumer. For this purpose, three different types of questions are given to the respondents. The questions and summarized results are shown in Annex- 13.

#### Descriptive Statistics Consumer Behavior

|  | N  | Minimum | Maximum | Mean   | Std. Deviation |
|--|----|---------|---------|--------|----------------|
| Taste or fashion of international customer affects your business | 50 | 1.00    | 6.00    | 2.9800 | 1.73193        |
| You are able to fulfill the change in consumer taste             | 50 | 1.00    | 6.00    | 4.2400 | 1.62330        |
| Local customer demand your product                               | 50 | 1.00    | 6.00    | 1.9200 | 1.41190        |
| Valid N (list wise)  | 50 |         |         |        |                |

(Source: Annex-13)

According to Annex – 13, the means of questions are 2.98, 4.24 and 1.92 respectively related with taste of fashion, ability for the fulfillment and local demand of the product. According to the means we can say that the tastes of fashion affect the GI and they are able to fulfill the fashion tastes. But the local demand for the product is very low. The difference between maximum standard deviation, 1.73 and minimum standard deviation 1.41 is very low. It shows that the attitudes of respondents are positive.

### 8. Organizational Policy Affect GI

Industrial policy should watch time by time. In the view of management committee some decisions are suitable but the decision may be harmful in the other aspect. For this purpose, three different types of questions are given to the respondents. The questions and the summarized results are shown in Annex – 14.

#### Descriptive Statistics Organizational Policy

|   | N  | Minimum | Maximum | Mean   | Std. Deviation |
|---|----|---------|---------|--------|----------------|
| Your organization policies are favorable to your organization | 50 | 1.00    | 6.00    | 4.0800 | 1.60153        |
| Your pricing policy is favorable for the local market         | 50 | 1.00    | 6.00    | 2.8600 | 1.64143        |
| Your capital is sufficient to operate and compete             | 50 | 1.00    | 6.00    | 3.3200 | 1.74309        |
| Valid N (list wise)   | 50 |         |         |        |                |

(Source: Annex-14)

According to Annex-14, the minimum standard deviation is 2.86, related with question "pricing policy of the organization are favorable or not". It shows that the pricing policies of the organizations are not so favorable and the maximum means is 4.08, related with organizational policy. It shows that the organizational policies taken by the organization are favorable. The maximum standard deviation is 1.74 and the minimum standard deviation 1.60, shows that the attitudes of all respondents are not so variant. It means the pricing policies are not favorable but the organizational policies are favorable to the organization.

## 9. Banking Policy Affect the GI

How far the product of that industry is cheap or expensive depend much more on the running capital and stock capital of that industry. Most of the capital is generated from the Bank. If the banks are dedicated toward industry or not for this purpose, two questions are given to the respondents, the questions and the results are summarized in Annex-15.

### Descriptive Statistics Banking Policy

|   | N  | Minimum | Maximum | Mean   | Std. Deviation |
|---|----|---------|---------|--------|----------------|
| Banking policies are favorable to your business   | 50 | 1.00    | 6.00    | 3.7200 | 1.64180        |
| Bank and other financial institution provide sufficient banking facilities to your organization | 50 | 1.00    | 6.00    | 3.6600 | 1.66120        |
| Valid N (list wise)   | 50 |         |         |        |                |

(Source: Annex-15)

According to Annex – 15, the maximum mean is 3.72 related with banking policy. It shows that the banking policies are favorable to the GI and the other means 3.66 shown that they provide sufficient banking facilities to the organization. The difference of maximum standard deviation 1.66 and the minimum standard deviation 1.64 is not so high, so that the attitudes of the respondents are not so variant. It means the Banking policies are favorable and facilities are sufficient to GI.

## 4.4 Major Findings of the Study

### 4.4.1 Major Findings of Secondary Data

Major findings of Secondary data analysis are as follows:-

- ) The major commodities exported to different countries are Woolen Carpet, Readymade Garment, Hides and Goatskin, Tea,

- ) Pulses, Cardamom, Sugar, Handicrafts, Silverware Jewellery, Woolen and Pashmina Goods, Towel, Nepalese Paper and Paper product, woolen goods, Others and the percentage share of Nepalese Garment is 25.88 percent
- ) The shares of GI on total export from 1998/1999 to 2006/2007 are 0.26, 0.30, 0.35, 0.21, 0.27, 0.22, 0.14, 0.12, and 0.08 respectively. The mean of share of GI on total export is 0.22. i.e. 22%.
- ) The export of GI to USA from 1998/1999 to 2006/2007 (value in 000' Rs.) are 8018809, 9452494, 10395896, 6615614, 10206567, 7220272, 4741948, 3630200 and 2276700 respectively. The export is decreased in 2001/2002, 2003/2004 , 2004/2005,2005/2006 and 2006/2007 by 36.36%, 29.25% ,34.33, 23.44,and 37.28% respectively. The export is maximum increased in 2002/2003 by 54.28%.
- ) The export of GI to Canada from 1998/1999 to 2006/2007 (value in 000' Rs.) are 70704, 60206, 99623, 108627, 117558, 208855, 205190,211600 and 162400 respectively. The export is decreased in F. Y. 1999/2000 and 2006/2007 -14.85% and-23.25%respectively. The export is increased maximum in 2003/2004 by 77.66%.
- ) The export of GI to Japan from 1998/1999 to 2006/2007 (value in 000' Rs.) are 41280, 40909, 52332, 39262, 76419, 96416 ,92520,87300 and 84900 respectively. The export is decreased in F. Y. 1999/2000, 2001/2002 and 2006/2007 by - 0.9%, 24.98% and -2.75% respectively. The export is maximum increased in 2002/2003 by 94.64%.
- ) The export of GI to UK from 1998/1999 to 2006/2007(value in 000' Rs.) are 282745, 804845, 124061, 236440, 337526, 537401, 379142,299500 and 192800 respectively. The export is decreased in F. Y. 2000/2001,2004/2005, 2005/2006 and 2006/2007 by -84.59% ,-29.45% ,-26.79 and -35.62 respectively. The export is maximum increased in 1999/2000 by 184.65%.
- ) The export of GI to France from 1998/1999 to 2006/2007 (value in 000' Rs.) are 311183, 531040, 207873, 210775, 232633, 307619 ,307249,409300 and 374000 respectively. The export is decreased in F. Y. 2000/2001, 2004/2005 and 2006/2007 by 60.86%, 0.12% and -8.62% respectively. The export is maximum increased in 1999/2000 by 70.65%.

- J The export of GI to Germany from 1998/1999 to 2006/2007 (value in 000' Rs.) are 210431, 527549, 381997, 306893, 247075, 544841 ,127791,209600, and 229100 respectively. The export is decreased in F. Y. 2000/2001, 2001/2002, 2002/2003 and 2004/2005 by 27.59%, 19.66%, 19.49% and 76.55% respectively. The export is maximum increased in 1999/2000 by 150.70%. and 2005/2006 increased 64.01%
- J The export of GI to Italy from 1998/1999 to 2006/2007 (value in 000' Rs.) are 644403, 124898, 30869, 58566, 130753, 207516 ,120175, 164800 and 81200 respectively. The export is decreased in F. Y. 2000/2001 and 2004/2005 by 75.28% and 42.09% respectively. The export is maximum increased in 2002/2003 by 123.26%. and 2005/2006 increased 37.13%
- J The export of GI to Spain from 1998/1999 to 2006/2007 (value in 000' Rs.) are 55516, 125223, 30592, 46151, 102507, 103364 ,102155, and 129000 respectively . The export is decreased in F. Y. 2000/2001 and 2004/2005 by 75.57% and 1.17% respectively. The export is maximum increased in 1999/2000 by 125.56%.
- J The export of GI to India from 1998/1999 to 2006/2007 (Value in 000' Rs.) are 39900, 39700, 191600, 213500, 398600, 6200 , 365700 ,1137300 and 765000 respectively. The export is decreased in F. Y. 1999/2000, 2004/2005 and 2006/2007 by 0.5% ,41.60% and -32.73% respectively. The export is maximum increased in 2000/2001 and 2005/2006 by 382.62%.and 210.99%

#### **4.4.2 The Major Findings from Primary Data**

The major findings from analyzing primary data and interview methods are as follows:-

- J Readymade garments productions are in a large scale and the export of it from Nepal is a new phenomenon. In this initial period, it has welcomed many industrialists, labor, capital and equipments from India. As such, major benefits out of this sector have been utilized by the Indians and Nepal has become only the media.

- ) The garments producers have to follow different garments semi garment rules and regulations and these rules and regulations compel the producers to cross different channels. This has created harassment and delay in shipment of the finished products.
- ) Most of the labors, skilled and semi-skilled are from India. Rough estimation of the Indian labors in these factories is more than 50 percent. Nepalese labors have been utilized only in simple works like thread cutting, checking, packaging and for port rage.
- ) There seems to have no direct contact of the buyer of readymade garment in USA.
- ) Raw materials used almost all comes from India despite of so many mills and textile produce cotton fabrics in Nepal.
- ) The orthodox in Indian inflow in this tiny capital has the chances to cause a lot of problems in socio-political and cultural aspects of social life. If the situation remains the same, in long run, they all convert into permanent settlers.
- ) The production of readymade garment is not for the local market. All of them are of high fashion and are subject to exporting to the America and European world. The general people have nothing to do with them. The amount of export is very high and it is not the way to be first amounting the hard currency generating exports of Nepal.
- ) USA is the major destination with 90.6 percent share in the value of export in the FY 1993/94
- ) US holds second position among the major trading partners of Nepal in export
- ) The US import from Nepal stands 34 percent on the total exports from Nepal
- ) The US import about more than 90 percent of RMGs exported from Nepal
- ) Category 341 is leading category on the exports to US
- ) The US imposes quota restrictions on the import of seven category of RMGs export from Nepal
- ) Insufficient incentive and facilities
- ) Uncooperative attitude and behavior of the concerned authorities as well as their unwillingness on the part to render services to the industrialists

- ) Improper and indiscriminate application of the control mechanism and action over those who are honest and those who are involved in malpractices or take undue advantage of the government loopholes.
- ) Absence of direct contact of the Nepalese enterprises with importer of third country.
- ) Insufficient supply and delay in getting quality fabric and other raw materials
- ) Lengthy bureaucratic procedures and delay in custom clearance
- ) Imposition of minimum floor price system on garments for export from Nepal
- ) Shortage of trained and skilled manpower
- ) Inadequate financial support
- ) Problems of transport
- ) Heavy import duties on import of quality fabrics from the third country
- ) Limited knowledge and ignorance on procedural matters and lack of interdepartmental co-ordination of HMG.

## **4.5 Major Finding from WTO**

### **4.5.1 The Commitment of Nepal for the Membership of Organization**

#### **4.5.1.1 The Commitment towards Goods Trade:-**

Even though the rate of the current tax has been low keeping in the mind to protect our agricultural goods, the current rate of thx has kept a little high. The rate of the goods on current sit nation has been marginalizing d by 51% in agricultural field and for temporary period. After 3 years it will be 42been committed to have been 24% f the tax rate.

Similarly apart from the tax the imported goods it has been conformed that the goods for agricultural development , the charges of local development body and special charges and taxes will be at zero level from 2 to 10 years period in future .

#### **4.5.1.2 The Commitment to Service Trade:-**

Among the 12 points services and 55 sub point's services of the world trade organization it has opened Nepal market at 70 points services with condition for the foreign investment. But it has



been decided by 51 percent to so percent according to the nature of foreign investor. While taking membership from the world trade organization some open services are as follow:-

1. Professional service
2. Communication service
3. Contraction and engineering service
4. Distribution service
5. Educational service
6. Environmental service
7. Financial service (Insurance and banking)
8. Health service
9. Tourism
10. Recreational programmes and sport
11. Transportation service

If the foreign investor wants to open any company in Nepal he can only do so with venture with Nepalese citizen committing to some conditions, it has been mentioned there that the high level of official the management committee members, the executive, the manager and the specialist should be there for the 10 years only and other workers should be the Nepalese citizens.

#### **4.5.1.3 The Theoretical Commitment:-**

It has been committed on that paper to manage to develop Nepal, encourage foreign investor and to manage to competitive field, it has been mentioned there to make role and regulation and for mat ion. It has also been committed to evaluate tax serves technical obstacles, Capital rig he man, Cattle and Vegetation health serves in certain period.

#### **4.5.2 Achievements of Nepal after the Membership of World Trade Organization**

##### **4.5.2.1 Growth of Organizational Capacity**

It has been made such type of body to take the achievements of WTO's membership, the assistance from the WTO in future, some challenges have to he faced to make legislative body to manage to same the drawback with the help of high level officials and the representatives of

private company. The trade and supply ministry has been work an organization body has been made in the presence of the assistance secretariat of the ministry of trade and supply.

- ❖ There a provision of establishing the equity point the provide the information on the agreement to those member countries which are related to the world trade organization In the context of Nepal for that purpose sanitary and phyto sanitary and quality control is related to the governmental ministry, and the agreement relating to Technical Barriers to trade is related to trade and supply ministry. The authority of quality, weight and measurement has been given to ministry of trade and supply.
- ❖ The action on world trade organization for the sufficient internal coordination of government relating financial activity and governmental company has been working continuously as the Focal point.
- ❖ To work and reach easier to the ordinary people, to WTO Reference Centre has been established relating the world trade organization
- ❖ ) To get the advice and suggestion on different topics and to prepare to the different views on the international forum a special committee of members has been formed as the consultation team.
- ❖ As the member of world trade or Nepal well have to committal fulfilled the implementation of prevailing acts and laws and its reform in days to come with the assistance of sub secretariat of ministry relating the word trade organization. And there of concerned ministry of Nepal. The advice and suggestion of this executive body the necessary changes have been done. For this task as much assistance has been taken from the specialists as was possible.

#### **4.5.2.2 Activity of Policy Reform**

- ) To prepare report on diversity in ethic group ten districts councils have prepare a statistic pf thirty ethnic groups. There is future plan to prepare the similar report in all remaining district.
- ) The copy Wright act banking and financial institution act and the law concerning electrical trade are already in practice
- ) Export and import regularity law patent design and tread mark law , new company act and insolvency act have been executed through ordinance .
- ) Law about free competition is in the process of execution.

- ) Concerning the law of conducting health institution, law of origin of vegetation, the law of approaching to the genetic sources, anti dumping the law of count evading and the concerning the draft of seed of plants are the process of preparing.
- ) During membership of world trade organization it has been committed there for the goods trade opportunity to provide the tariff reduction as mentioned.
- ) Relation the law of taxes, the preservation of vegetation the protection o industrial capital, the draft of special financial approach have been already pre pared.
- ) The support party of Nepal has already been established in parent cooperation treaty. Madrid convention treaty on intellectual property in respect of integrated circuits.
- ) In the Rome convention the supporter of Nepal has been started 'regarding' the preservation of copy Wright.
- ) Since 11 of January 2006, the Berne Convention has supported Nepal regarding to the literature and art.
- ) Respecting the SPS agreement, Nepal has taken the good step import the vegetation along with plants and its infectious possibility and it in traduced this process on the 1st of Falgun 2062.
- ) Nepal has in traduced the low and action concerning the agricultural filed to develop agriculture as backbone of the nation, maternally and externally as well as farmers in long term. And the policy of vegetation and non wood also has been in traduced to expand the forest.
- ) Since 1st January 2006, Nepal has been entered the instrument of international plant protection Convention.
- ) The policy of tourism, aviation, industrial, tread, the policy of foreign investor has been previewing.
- ) Relating to the policy of protection of ethnic has already begun.
- ) The policy of labour and employment 2062 already announced.

#### **4.5.2.3 Fundamental Policy of Development Activity**

- ) It is in process to make Nepal as the business transit point of China and India

- ) To SNMP life the international tread service the dry port has already developed to carry goods from one place to another in Birgunj .
- ) Similarly through using the roadway to simplify tread service, the dry port has already developed in Bairahaba and Birgunj .
- ) To increase the tread with neighbouring country Bangladesh and Tibet China the roadway transportation system is under construction.
- ) To increase the tread and business to neighboring country India the four main tax gates is under supervision make the simplification.
- ) To search the alternative way of tread service, Mumbai and Môn gala port is under suppression.
- ) Relating to the development programme of South Asian Sub regional development and transport action development Nepal has decided to participate with coordination Asian development Bank.

#### **4.5.2.4 Mobilization of Technical Assistance**

To reduce the affect after the membership of WTO and to increase the capacity of governmental body and nongovernmental sector , Nepal has successfully conducted the programmes in the coordination of integrated framework window I and if window  $\sigma$  with the help of six donor nations in world Bank , international monetary fund , tread organization , united Nation development and international tread centre . In this herby programme Nepal has committed to develop tread and progress the ail ministration tax administration , the quality control weight and measurements food technology as the Nepal tread and compositeness study recommended to the related ministry.

- ) It has been formed to select the programme with the presence of foreign institution which are existed in Nepal and the member of different ministry of Nepal to approve it relating this Intergraded France work the organization known as local project Appraisal committee. The organization of this is the respectable National planning commission.
- ) Relating to the Integrated frame work the nation is determined to reduce negative the effect of WTO after the membership and to more are the capacity, it has to received 10 lakh American dollar by 2005 six lakh and 65 dollar has been received and remaining

- amount 3 hundred thousand and 35 thousand has been proposed to receive by next year, the proposed amount for the 2005 A.D relating WTO the government companies has sent on the basic development sector and quality growth of the nation. The programme called Enhancing Nepal's Tread Related Capacity under the supervision of UNDP.
- ) Concerning The Tread Related Aspect of Intellectual property right the Australian government has provided the technical assistance to Nepalese government to review the prevailing law of Nepal. Relating to the consultation of Australian government, it has been started to study on the National study on TRIPS Agreement and policy Response.
  - ) In the assistance of world bank, it will be prepared report on tread diagnostic Report Nepal Tread and competitive study and report / recommendation of report the donor nations will be requested to help with technical sector .
  - ) As the technical assistance of DFID the service of long term councillor has been provided.
  - ) Having increased the quality of private sector to the market approach concerning Market Access and Productivity Growth for SME have done with the help of Asian Development Bank , It has been started to implement as the recommendation of committee.
  - ) Why collecting the technical assistance for customer valuation Nepal has received the assistance from the American government and action plan has been prepared to implement. For the implementation of this report the technical assistance has been received from USAID.
  - ) The European commission has committed to increase the growth of capacity of governmental and private sector as the sanitary and Phyto sanitary Technical Barriers.
  - ) A part from this UNIDO, UNESCAO and UNIPO institutions have been prodding the assistance to the study programmes skill developing training and counseling.
  - ) The Bank Netherlands partnership programme has agreed to provide the technical support in the purpose of making marketing policy.
  - ) The Report preparation of manual on customs valuation and post clearance audit is ready to implementing process.

#### **4.5.2.5 Extension of Capacity**

- ) During the WTO Accession. Nepal has requested to the developed nations to increase the capacity of the governmental officials as Nepal has committed to WTO, ITC, South Centre Asia Trust Fund as well as UN Donor Company to participate to the regional meeting and seminar.
- ) After the membership of 2004 A.D. Nepal has already participated nearly in 20 experts meeting so long and short period training and the regional meeting and seminar to increase the skill of the governmental officials.
- ) After the organization of World Trade association among the highly developed nations, being Nepal first country in the request of UN Agencies and related nation like Bhutan, Cambodia and Yemen, the high level ministerial members visited those nations after the membership of the World Trade Association. The nations which are in process to get the members will be the road map for them.
- ) Nepal is under process of implementing the proposal plan relating to Nepal Inventory of selected wild Biomaterials for International Trade.
- ) The country like Austria, Singapore, India, Malaysia, Sri Lanka, Bangkok name Developed their capacity preserving the local resources and manpower according to the standard of international level.

#### **4.5.2.6 Exchange of Public Awareness and Experience**

- ) The government of Nepal has taken action plan of participating and mobilizing the non governmental private sector and civil society as its own Member Company to make awareness and organize the meeting and interaction programme.
- ) The specialists of university have made them mobile on the different subjects of World Trade Association to increase the public awareness in various intellectual levels by making the discussion programme.
- ) The contemporary aspects of the World Trade Association have been made public in local level the aspects of different party has been public.
- ) The different central and regional training programme seminar and meeting have been conducted relating to the public /private sector partnership.

- ) In the joint participation of trade commerce ministry of supply agriculture and governmental ministry have been classified the agricultural good for exporting and importing.
- ) Having prepared the book relating to the World Trade Association and the public awareness programme has been published.
- ) After the membership of World Trade Association the law of review of the membership in various and regional level has been promoted to the programme for collecting advice completed. Apart from this private sector will also provide the support after discussion.
- ) The participation of the World Trade Association has been taking part in the meeting and seminar as the member source inside the nation.

#### **4.5.3. Nepal to be Taken Steps in Future.**

On the 6th mistrial manifesto Nepal is active participation should be in the fixed time. It is necessary to be the member of manpower to work in Geneva.

- ) The decision of the World Trade Association the nation like Nepal can make awareness for the promotion of the investment trade, commerce and as well as the governmental company private sector. It seems to have to increase industrial and agricultural goods in competitive way.
- ) Concerning the decision of organization, the real profile to take the continuous review programme should be conducted relating to financial aspects.
- ) To increase the investment production and trade having taken the advantages of the world Trade organization to mobilizations of the financial and technical assistance has to be informed as soon as possible to the donor institution to increase the competitive capacity.
- ) To take as much advantage as from the membership of the World Trade Association it is necessary to take action the following company.

#### **4.5.3.1 The Role of International, Dual, and Various Shareholders in Development**

- ) The nation like our has to simplify the market approach to increase the trade.

- ) To be avoided the non Tariff Barriers system from the goods which exported to.
- ) To develop the capacity and reduce the supply side constraints in the nation the technical and financial assistance will be continued.
- ) The facilities of WTO mentioned in the draft WTO will be provided the nation like us.
- ) The special facility will be granted to the poor nations to participate actively in implementing the agreements.

#### **4.5.3.2 The Role of Private Sector**

- ) Action will be taken to increase the quality
- ) The market will be managed for Nepalese produced.
- ) To receive as much benefit as from the membership of WTO the growth of quality can play a big role so the profit of some certain percent of money will be provided to the welfare of man.
- ) On sharing the agreement with the government and civil society the nation policy will be publicized.

#### **4.5.3.3 The Role of Civil Society.**

- ) The role of WTO relating to Advocacy will be preceded further.
- ) It will be analyzed the benefit and loss of the world Trade organization it will be presented to rural community to discuss as well as.
- ) It will be taken as the challenge after the membership from the WTO and taken as the opportunity transformed as the discussion all over the nation.
- ) The necessary step will be taken to research and study for the promotion of rural skill production to the world market.



#### **4.5.3.4 The Role of the Government**

- ) The encouraging policy of the trade and for its benefit such type of method would be applied the flexible financial policy would be focussed on from the nations side. On the very plan the priority will be given to develop the man resources as well.
- ) The nations investment will be focused on the basic fundamental step will be taken for the promotion of industry and the investment of foreign policy encouraged.
- ) With coordination of private sector and civil society the challenges of trade sector will be attempted to solve.
- ) To reduce the poverty from the nation united programme with the ordination of trade union, international donor institution UN, World Bank International Fund etc. will be attempted to receive with diplomatic way.
- ) To promote the financial status in the nation the diplomatic body in the foreign nation will be activated in the diplomatic way
- ) To implement the committed points during the membership period of WTO have to be attempted.
- ) To mobilize the concerning bodies will be given high priority to get the assistance for trade.

# **CHAPTER – FIVE**

## **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Summary**

This chapter involves with the finding and conclusion derived from the study of analysis of primary and secondary data and information received from questionnaire and interview method. This Chapter consists of three sections draws the summary, conclusion and recommendation to solve the problems based on the findings.

As the almost factories of Nepalese Readymade Garment Industries are closed with various reason, even though some factories are still running facing various difficulties. Due to which made me very difficulties during the collection of data.

In the first chapter, introduction of readymade garment industries, focus of the study, statement of the problems, objectives of the study, limitation of the study were attempted. Second chapter is the review of the literature, where we reviewed the theoretical concept of problem and prospect of readymade garment industries. After that, the third is research methodology, which is related to the scientific method to analyze data and table to make clear and easy the analysis. The fourth chapter is data presentation, interpretation and analysis, which are the main parts of analysis. In this the manipulation of data has been arranged as the frame of the research methodology. This study researches in the field of Nepalese readymade garment industries.

The main objective of the study is to examine the present status of garment industries in Nepal, to identity the major problems faced by Nepalese garment industry for the development of appropriate measure to survive in the competitive international market, to study the benefit and obligation of WTO membership on Nepalese garment industry and to provide suggestions for the development of garment industry in Nepal. While analyzing the problems brief review of related study has been performed. Scientific methods are used to analyze the collected secondary and

primary data. Tables, graphs and Diagrams are used to present the data and to clarify the results. Both quantitative and qualitative analysis has been performed by using statistical tools as well as personal judgments. Secondary data are collected from various publications of the Trade Promotion Center, Pulchok, Lalitpur. Primary data are collected through the questionnaire method and other subjective types of information are collected through discussion with Readymade Garment Industry related person. Finding of analysis of collected data and information are summarized as follows:

### **5.1.1 The Summary of Secondary Data**

The summary of analyzing secondary data are as follows:-

- ) The major commodities exported to different countries are Woolen Carpet, Readymade Garment, Hides and Goatskin, Tea,
- ) Pulses, Cardamom, Sugar, Handicrafts, Silverware Jewellery, Woolen and Pashmina Goods, Towel, Nepalese Paper and Paper product, woolen goods , Others and the percentage share of Nepalese Garment is 25.88 percent
- ) The shares of GI on total export from 1998/1999 to 2006/2007 are 0.26, 0.30, 0.35, 0.21, 0.27, 0.22, 0.14, 0.12 and 0.08 respectively. The mean of share of GI on total export is 0.22. i.e. 22%.
- ) The export of GI to USA from 1998/1999 to 2006/2007 (value in 000' Rs.) are 8018809, 9452494, 10395896, 6615614, 10206567, 7220272, 4741948, 3630200 and 2276700 respectively. The export is decreased in 2001/2002, 2003/2004 , 2004/2005,2005/2006 and 2006/2007 by 36.36%, 29.25% ,34.33, 23.44,and 37.28% respectively. The export is maximum increased in 2002/2003 by 54.28%.
- ) The export of GI to Canada from 1998/1999 to 2006/2007 (value in 000' Rs.) are 70704, 60206, 99623, 108627, 117558, 208855, 205190,211600 and 162400 respectively. The export is decreased in F. Y. 1999/2000 and 2006/2007 -14.85% and-23.25%respectively. The export is increased maximum in 2003/2004 by 77.66%.
- ) The export of GI to Japan from 1998/1999 to 2006/2007 (value in 000' Rs.) are 41280, 40909, 52332, 39262, 76419, 96416 ,92520,87300 and 84900 respectively. The export is decreased in F. Y. 1999/2000, 2001/2002 and 2006/2007 by - 0.9%, 24.98% and -2.75% respectively. The export is maximum increased in 2002/2003 by 94.64%.

- ) The export of GI to UK from 1998/1999 to 2006/2007 (value in 000' Rs.) are 282745, 804845, 124061, 236440, 337526, 537401, 379142,299500 and 192800 respectively. The export is decreased in F. Y. 2000/2001,2004/2005, 2005/2006 and 2006/2007 by - 84.59% , -29.45% , -26.79 and -35.62 respectively. The export is maximum increased in 1999/2000 by 184.65%.
- ) The export of GI to France from 1998/1999 to 2006/2007 (value in 000' Rs.) are 311183, 531040, 207873, 210775, 232633, 307619 ,307249,409300 and 374000 respectively. The export is decreased in F. Y. 2000/2001, 2004/2005 and 2006/2007 by 60.86%, 0.12% and -8.62% respectively. The export is maximum increased in 1999/2000 by 70.65%.
- ) The export of GI to Germany from 1998/1999 to 2006/2007 (value in 000' Rs.) are 210431, 527549, 381997, 306893, 247075, 544841 ,127791,209600, and 229100 respectively. The export is decreased in F. Y. 2000/2001, 2001/2002, 2002/2003 and 2004/2005 by 27.59%, 19.66%, 19.49% and 76.55% respectively. The export is maximum increased in 1999/2000 by 150.70%. and 2005/2006 increased 64.01%
- ) The export of GI to Italy from 1998/1999 to 2006/2007 (value in 000' Rs.) are 644403, 124898, 30869, 58566, 130753, 207516 ,120175, 164800 and 81200 respectively. The export is decreased in F. Y. 2000/2001 and 2004/2005 by 75.28% and 42.09% respectively. The export is maximum increased in 2002/2003 by 123.26%. and 2005/2006 increased 37.13%
- ) The export of GI to Spain from 1998/1999 to 2006/2007 (value in 000' Rs.) are 55516, 125223, 30592, 46151, 102507, 103364 ,102155, and 129000 respectively . The export is decreased in F. Y. 2000/2001 and 2004/2005 by 75.57% and 1.17% respectively. The export is maximum increased in 1999/2000 by 125.56%.
- ) The export of GI to India from 1998/1999 to 2006/2007 (Value in 000' Rs.) are 39900, 39700, 191600, 213500, 398600, 6200 , 365700 ,1137300 and 765000 respectively. The export is decreased in F. Y. 1999/2000, 2004/2005 and 2006/2007 by 0.5% ,41.60% and - 32.73% respectively. The export is maximum increased in 2000/2001 and 2005/2006 by 382.62%.and 210.99%

### **5.1.2 The Summary of the Primary Data**

The Summary derived from the analysis of Primary data taken from Interview and Questionnaires methods are as follows:-

1. Government policies are quiet favorable to the Garment Industries of Nepal.
2. Government provides sufficient facilities to Garment Industries to promote into International Market.
3. WTO rules and regulations are not so favorable to Nepalese Garment Industry.
4. International Garment Industries are financially and technologically stronger than Nepalese Garment Industry.
5. Political parties and political workers pressurized Nepalese Garment Industry economically, financially, mentally and physically.
6. Local society supported to Garment Industry.
7. Trade Unions pressurized Garment Industry economically, mentally and physically.
8. In present condition demands of Trade Unions are not favorable to the Garment Industry.
9. Employees and workers are loyal and capable for Garment Industry.
10. Change in Fashion and Technology also affect the promotion of Garment Industry.
11. The applied technologies not help the Garment Industry to compete in International Market.
12. There are no local demands for the product of Nepalese Garment Industry.
13. Pricing policies of Garment Industry are not favorable to the Industry.
14. Banks and other financial institution provide sufficient loan to the Garment Industry.
15. There is lack of raw materials for the Garment Industry.
16. There are sufficient transportation facilities for the Garment Industry.
17. We could not create sufficient relation with Chamber of commerce of importing countries.
18. No smooth relationship with renowned multinational companies in Readymade Garment such as Rebock, Nike, Addidas, Puma, Jusca, North Face etc.
19. We have lack of knowledge and study of World Market of modern fashion and designing.
20. We are compelled to import raw materials of ready-made garment such as cotton, zipper, button, thread and machinery.

21. High price compare to other countries readymade garment due to land lock country. While importing raw materials and exporting finished products we should delivered to the port through the other countries.

## 5.2 Conclusion

At present day, Nepalese Garment Industry is in declining Phase. The main problems of Garment Industry facing now a days are unfavorable policy of WTO i.e. Garment is the major exporting industry of Nepal. It covers 25.88 percent of total export of the country. The major exporting countries of Readymade Garment of Nepal are USA, Canada, Norway, Australia, New Zealand, Switzerland, South Africa, Japan, UK, France, Germany, Italy, Spain and India. Because of political instability and WTO agreement the GI are in decreasing phase. The export of Readymade Garment maximum increased in 1999/2000, 2001/2002 and 2002/2003. In 1999/2000 export increased to Spain, South Africa, UK, France and Germany. In 2001/2002 export maximum increased with New Zealand and Norway. In 2002/2003 export of New Zealand increased with Switzerland, Japan, Australia and USA.

Based on the analysis of export to different countries shown in table no. 4.12, export increased countries in 1999/00 are Spain, South Africa, UK, France, Germany, in 2001/02 are Netherlands and Norway, in 2002/03 are Switzerland, Japan, Australia and USA, in 2004/2005 all the countries export was not increased, in 2005/2006 Canada, France, Italy, Spain and India, in 2006/2007 Germany and Spain. In the same way it is cleared that export decreased countries in 1999/00 are Canada, New Zealand, Japan and India, in 2000/01 are Norway, Australia, Switzerland, UK, France, Germany, Italy and Spain, in 2001/02 are USA , Japan, Germany and India in 2002/03 are Norway, South Africa, Germany and Italy, in 2003/04 are USA, Australia and Switzerland, in 2004/05 are USA, Canada, Australia, New Zealand, Switzerland, South Africa, Japan, UK, France, Germany, Italy, Spain and India, in 2005/2006 USA, Japan and UK, and in 2006/2007 USA, Japan, UK, France, Italy and India. From the table we can conclude that exporting of Garment is decreasing year by year.

Cancellation of “Quota system” for the least developed countries, political instability, Maoist problem and pressures of Trade Unions. Thus, these problems finding from the analysis of data are limited market for Nepalese Garment, unfavorable government policies, lack of facility of procurement of raw materials, higher pricing policy, unsound financial position and unfavorable of Banking policies. Because of these problems Garment Industry could not able to compete in Global Market.

### **5.3 Recommendations**

On the basis of study, the following recommendations are made to following concerned parties.

#### **5.3.1 For Garment Industry**

1. In Nepal, Industrialist of Garment Industry owns their business in traditional way. There is lack of corporate culture among them. So they have to change their concept according to their environment to boost up their industry.
2. The workers of Garment Industry are not felt secured so they are not properly satisfied and motivated for their performance. So businessmen have to adopt property by using scientific techniques and tools of productions and distributions.
3. There is no market for Nepalese Garment within the country i.e. lack of local market, I think local market is essential to survive any industry. So the markets of Garment are suggested to give attention to local market rather than foreign market.
4. The technology used in production is traditional. So they have to use modern technology to increase their productions.
5. Most of the workers of Garment Industry are foreigner (Indians). So they are only interested in their financial gains not in the growth of the Industry. If we use the local workers by providing sufficient training, they give social protection to the Garment industry and also help in difficult situation by pressurizing authorized bodies.
6. We are compelled to import raw materials of ready-made garment such as cotton, zipper, button, thread and machinery from India ,China and from overseas countries so manage to establish these raw material industries in the Nepal.
7. We have lack of knowledge and study of World Market of modern fashion and designing.

8. No smooth relationship with renowned multinational companies in Readymade Garment such as Reebok, Nike, Addidas, Puma, Jusca, North Face etc.

### **5.3.2 For Government**

With the help of analysis of primary data following recommendations can be made for the Government:-

1. Because of higher cost of production the products of Nepalese Garment Industry are higher than other countries. So Government have to provide sufficient facilities like reducing employed taxes, providing other incentives as in other countries i.e. Bangladesh, Pakistan, India and other African countries.
2. In present day, unfavorable and unnecessary demand of Trade Unions affect the day to day operation of business. So Government has to protect this from these types of activities.
3. There is lack of local market for Garment Industry so Government has to promote them for local markets by providing sufficient facilities and favorable policies.
4. The banking policies of the banking and financial sectors are not favorable and sufficient to the industry. So Government has to take correct measures to reduce these types of problems.
5. High price compare to other countries readymade garment due to land lock country. While importing raw materials and exporting finished products we should delivered to the port through the other countries
6. We have to create sufficient relation with Chamber of commerce of importing countries.
7. Political dispute should be settled down through dialogue.

### **5.3.3 For Nepalese Customers**

On the basis of analysis following recommendation can be made for Nepalese customer or citizens.

1. Establishment of any Industry improve the economy of the country so Nepalese citizens are suggested for the use of Nepalese Garment products.
2. Although the price of Nepalese Garment is higher than that of product of other countries. But by the use of Nepalese product, helps to promote these industries as well as reduce unemployment of the country and help to increase the living standard of people. In this way, indirectly this industry benefited you.



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## Annex I

### Annex-2

#### Questionnaire

#### An Inquiry on the Problem and Prospect of Nepalese Readymade Garment Industries in the International Market

| Please circle the one for each statement that comes closest to your opinion |   | Disagree Totally | Disagree Moderately | Disagree Slightly | Agree Slightly | Agree Moderately | Agree Totally |
|---|---|------------------|---------------------|-------------------|----------------|------------------|---------------|
| 1   | Government policies are favorable to the garment industries in Nepal  | 1                | 2                   | 3                 | 4              | 5                | 6             |
| 2   | Government has provided any incentives or subsidy to the industry   | 1                | 2                   | 3                 | 4              | 5                | 6             |
| 3   | WTO rules and regulations are favorable to garment industry   | 1                | 2                   | 3                 | 4              | 5                | 6             |
| 4   | You are aware to phase out of the MFA by 2005 and its implications for Nepalese garment industry                | 1                | 2                   | 3                 | 4              | 5                | 6             |
| 5   | Could you compete with International competitor   | 1                | 2                   | 3                 | 4              | 5                | 6             |
| 6   | Internationally GI companies are sound in financial and Technological strong                                    | 1                | 2                   | 3                 | 4              | 5                | 6             |
| 7   | There is difficulty to compete in the present contest do to policies of the Government and business environment | 1                | 2                   | 3                 | 4              | 5                | 6             |
| 8   | Political Parties are pressurized economically, mentally and physically   | 1                | 2                   | 3                 | 4              | 5                | 6             |
| 9   | Local society are supportive to your organization   | 1                | 2                   | 3                 | 4              | 5                | 6             |
| 10  | Trade Unions are pressurized economically, physically and mentally to fulfill their demand                      | 1                | 2                   | 3                 | 4              | 5                | 6             |
| 11  | In the present condition, Trade Unions demands are favorable to garment industry                                | 1                | 2                   | 3                 | 4              | 5                | 6             |
| 12  | Piece wage system and contract system are favorable to your industry  | 1                | 2                   | 3                 | 4              | 5                | 6             |
| 13  | Workers and employees of your organization are dedicated to your company  | 1                | 2                   | 3                 | 4              | 5                | 6             |
| 14  | Loyalty of workers increase the efficiency of organization  | 1                | 2                   | 3                 | 4              | 5                | 6             |
| 15  | Taste or fashion of international customer affect your business   | 1                | 2                   | 3                 | 4              | 5                | 6             |

|    |   |   |   |   |   |   |   |
|----|---|---|---|---|---|---|---|
| 16 | You are able to fulfill the change in consumers taste   | 1 | 2 | 3 | 4 | 5 | 6 |
| 17 | Change in technology of production affect the business  | 1 | 2 | 3 | 4 | 5 | 6 |
| 18 | Your applied technology is capable to compete internationally                                   | 1 | 2 | 3 | 4 | 5 | 6 |
| 19 | There are internationally qualified and trained manpower  | 1 | 2 | 3 | 4 | 5 | 6 |
| 20 | Your manpower are well trained and able to adopt in the changing environment                    | 1 | 2 | 3 | 4 | 5 | 6 |
| 21 | Your organization policies are favorable to your organization                                   | 1 | 2 | 3 | 4 | 5 | 6 |
| 22 | Local Market affects your business  | 1 | 2 | 3 | 4 | 5 | 6 |
| 23 | Local customer demand your product  | 1 | 2 | 3 | 4 | 5 | 6 |
| 24 | Income of local people is favorable to consume your product                                     | 1 | 2 | 3 | 4 | 5 | 6 |
| 25 | Your pricing policy is favorable for the local market   | 1 | 2 | 3 | 4 | 5 | 6 |
| 26 | Your capital is sufficient to operate and compete   | 1 | 2 | 3 | 4 | 5 | 6 |
| 27 | Banking policies are favorable to your business   | 1 | 2 | 3 | 4 | 5 | 6 |
| 28 | Bank and other financial institution provide sufficient banking facilities to your organization | 1 | 2 | 3 | 4 | 5 | 6 |
| 29 | All the manpower of your organization are sufficient inside the country                         | 1 | 2 | 3 | 4 | 5 | 6 |
| 30 | You can get the raw material inside the country   | 1 | 2 | 3 | 4 | 5 | 6 |
| 31 | Any government agency are helping to exports of your product                                    | 1 | 2 | 3 | 4 | 5 | 6 |
| 32 | Nepalese market are able to consume all the products  | 1 | 2 | 3 | 4 | 5 | 6 |
| 33 | You are feeling the security from the violence in Nepal   | 1 | 2 | 3 | 4 | 5 | 6 |
| 34 | Your job is secure in this environment  | 1 | 2 | 3 | 4 | 5 | 6 |
| 35 | Garment Industries are declining in Nepal at present  | 1 | 2 | 3 | 4 | 5 | 6 |
| 36 | Transportation facilities are helping to the targeted market                                    | 1 | 2 | 3 | 4 | 5 | 6 |
| 37 | There are further opportunities in this business  | 1 | 2 | 3 | 4 | 5 | 6 |

Gender- male/female:-

Age:-

Profession:-

Experience in profession:-

Position/Level:-

Date:-



### Annex-3

#### Gender group of respondents

|        | Frequency | Percent | Valid Percent | Cumulative Percent |
|--------|-----------|---------|---------------|--------------------|
| Male   | 41        | 82.0    | 82.0          | 82.0               |
| Female | 9         | 18.0    | 18.0          | 100.0              |
| Total  | 50        | 100.0   | 100.0         |                    |

#### Age group of respondents

|            | Frequency | Percent | Valid Percent | Cumulative Percent |
|------------|-----------|---------|---------------|--------------------|
| 20-29      | 10        | 20.0    | 20.0          | 20.0               |
| 30-39      | 22        | 44.0    | 44.0          | 64.0               |
| 40-49      | 13        | 26.0    | 26.0          | 90.0               |
| 50 & above | 5         | 10.0    | 10.0          | 100.0              |
| Total      | 50        | 100.0   | 100.0         |                    |

#### Profession of respondents

|           | Frequency | Percent | Valid Percent | Cumulative Percent |
|-----------|-----------|---------|---------------|--------------------|
| Service   | 20        | 40.0    | 40.0          | 40.0               |
| Officials | 8         | 16.0    | 16.0          | 56.0               |
| Business  | 22        | 44.0    | 44.0          | 100.0              |
| Total     | 50        | 100.0   | 100.0         |                    |

#### Profession experience of respondents

|            | Frequency | Percent | Valid Percent | Cumulative Percent |
|------------|-----------|---------|---------------|--------------------|
| 1-5 year   | 10        | 20.0    | 20.0          | 20.0               |
| 6-10 year  | 20        | 40.0    | 40.0          | 60.0               |
| 11-15 year | 15        | 30.0    | 30.0          | 90.0               |
| 16-20 year | 3         | 6.0     | 6.0           | 96.0               |
| 21 & above | 2         | 4.0     | 4.0           | 100.0              |
| Total      | 50        | 100.0   | 100.0         |                    |

#### Position or Level of respondents

|                            | Frequency | Percent | Valid Percent | Cumulative Percent |
|----------------------------|-----------|---------|---------------|--------------------|
| Officer                    | 15        | 30.0    | 30.0          | 30.0               |
| Manager                    | 12        | 24.0    | 24.0          | 54.0               |
| Director                   | 5         | 10.0    | 10.0          | 64.0               |
| 'Owner' or<br>'Proprietor' | 18        | 36.0    | 36.0          | 100.0              |
| Total                      | 50        | 100.0   | 100.0         |                    |

**Age of respondents**

|       | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-----------|---------|---------------|--------------------|
| 24.00 | 1         | 2.0     | 2.0           | 2.0                |
| 26.00 | 2         | 4.0     | 4.0           | 6.0                |
| 27.00 | 2         | 4.0     | 4.0           | 10.0               |
| 28.00 | 2         | 4.0     | 4.0           | 14.0               |
| 29.00 | 3         | 6.0     | 6.0           | 20.0               |
| 30.00 | 2         | 4.0     | 4.0           | 24.0               |
| 31.00 | 1         | 2.0     | 2.0           | 26.0               |
| 32.00 | 5         | 10.0    | 10.0          | 36.0               |
| 33.00 | 1         | 2.0     | 2.0           | 38.0               |
| 35.00 | 2         | 4.0     | 4.0           | 42.0               |
| 36.00 | 3         | 6.0     | 6.0           | 48.0               |
| 37.00 | 3         | 6.0     | 6.0           | 54.0               |
| 38.00 | 2         | 4.0     | 4.0           | 58.0               |
| 39.00 | 3         | 6.0     | 6.0           | 64.0               |
| 40.00 | 1         | 2.0     | 2.0           | 66.0               |
| 42.00 | 5         | 10.0    | 10.0          | 76.0               |
| 43.00 | 3         | 6.0     | 6.0           | 82.0               |
| 44.00 | 1         | 2.0     | 2.0           | 84.0               |
| 45.00 | 1         | 2.0     | 2.0           | 86.0               |
| 47.00 | 2         | 4.0     | 4.0           | 90.0               |
| 50.00 | 3         | 6.0     | 6.0           | 96.0               |
| 54.00 | 1         | 2.0     | 2.0           | 98.0               |
| 55.00 | 1         | 2.0     | 2.0           | 100.0              |
| Total | 50        | 100.0   | 100.0         |                    |

## Annex-4

### Descriptive Statistics

|   | N  | Minimum | Maximum | Mean   | Std. Deviation |
|---|----|---------|---------|--------|----------------|
| Government policies are favorable to the garment industries in Nepal  | 50 | 1.00    | 6.00    | 3.7200 | 1.49884        |
| Government has provided any incentives or subsidy to the GI   | 50 | 1.00    | 6.00    | 3.8800 | 1.54708        |
| WTO rules & regulations are favorable to GI   | 50 | 1.00    | 6.00    | 2.9800 | 1.82377        |
| You are aware to phase out of the MFA by 2005 and its implications for Nepalese GI                            | 50 | 1.00    | 6.00    | 5.0200 | 1.43555        |
| Could you compete with International competitor   | 50 | 1.00    | 6.00    | 3.0600 | 1.71916        |
| Internationally GI companies are sound in financial & technological strong                                    | 50 | 1.00    | 6.00    | 3.2400 | 1.47855        |
| There is difficulty to compete in the present contest do to policies of the Government & business environment | 50 | 1.00    | 6.00    | 4.4400 | 1.59284        |
| Political parties are pressurized economically, mentally & physically   | 50 | 2.00    | 6.00    | 5.3600 | 1.00529        |
| Local society are supportive to your organization   | 50 | 1.00    | 6.00    | 3.8600 | 1.37039        |
| Trade unions are pressurized economically, physically & mentally to fulfill their demand                      | 50 | 1.00    | 6.00    | 5.2000 | 1.26168        |
| In the present condition, trade unions demands are favorable to GI  | 50 | 1.00    | 6.00    | 2.5600 | 1.48681        |
| Piece wage system & contract system are favorable to your industry  | 50 | 1.00    | 6.00    | 3.9400 | 1.69525        |
| Workers and employees of your organization are dedicated to your industry                                     | 50 | 1.00    | 6.00    | 4.0600 | 1.67100        |
| Loyalty of workers increase the efficiency of organization  | 50 | 1.00    | 6.00    | 4.4800 | 1.52850        |
| Taste or fashion of international customer affects your business  | 50 | 1.00    | 6.00    | 2.9800 | 1.73193        |
| You are able to fulfill the change in consumer taste  | 50 | 1.00    | 6.00    | 4.2400 | 1.62330        |
| Change in technology of production affect the business  | 50 | 1.00    | 6.00    | 4.3000 | 1.72910        |
| Your applied technology is capable to compete internationally   | 50 | 1.00    | 6.00    | 2.9000 | 1.75255        |
| There are internationally qualified and trained manpower  | 50 | 1.00    | 6.00    | 3.1000 | 1.75255        |
| Your manpower are well trained and able to adopt in the changing environment                                  | 50 | 1.00    | 6.00    | 4.2200 | 1.61990        |
| Your organization policies are favorable to your organization   | 50 | 1.00    | 6.00    | 4.0800 | 1.60153        |
| Local market affects your business  | 50 | 1.00    | 6.00    | 1.7000 | 1.24949        |
| Local customer demand your product  | 50 | 1.00    | 6.00    | 1.9200 | 1.41190        |
| Income of local people is favorable to consume your product   | 50 | 1.00    | 6.00    | 2.7000 | 1.47427        |
| Your pricing policy is favorable for the local market   | 50 | 1.00    | 6.00    | 2.8600 | 1.64143        |
| Your capital is sufficient to operate and compete   | 50 | 1.00    | 6.00    | 3.3200 | 1.74309        |
| Banking policies are favorable to your business   | 50 | 1.00    | 6.00    | 3.7200 | 1.64180        |
| Bank and other financial institution provide sufficient banking facilities to your organization               | 50 | 1.00    | 6.00    | 3.6600 | 1.66120        |
| All the manpower of your organization are sufficient inside the country                                       | 50 | 1.00    | 6.00    | 3.1200 | 1.64924        |
| You can get the raw material inside the country   | 50 | 1.00    | 6.00    | 1.9400 | 1.21907        |
| Any government agency are helping to exports of your product  | 50 | 1.00    | 6.00    | 4.0200 | 1.54510        |
| Nepalese market are able to consume all the product   | 50 | 1.00    | 6.00    | 3.1000 | 1.70533        |
| You feeling the security from the violence in Nepal   | 50 | 1.00    | 6.00    | 2.6000 | 1.61624        |
| Your job is secure in this environment  | 50 | 1.00    | 6.00    | 2.3800 | 1.56349        |
| GI are declining in Nepal at present  | 50 | 1.00    | 6.00    | 5.6800 | .84370         |
| Transportation facilities are helping to the targeted market  | 50 | 1.00    | 6.00    | 3.1600 | 1.48956        |
| There are further opportunities in this business  | 50 | 1.00    | 6.00    | 3.7400 | 1.49571        |
| Valid N (listwise)  | 50 |         |         |        |                |

## Annex-5

### Descriptive Statistics

|                         | N  | Minimum | Maximum | Mean   | Std. Deviation |
|-------------------------|----|---------|---------|--------|----------------|
| WTO Obligation          | 50 | 1.67    | 6.00    | 3.6867 | 1.10330        |
| WTO Benefit             | 50 | 1.00    | 6.00    | 3.2400 | 1.47855        |
| Government Policy       | 50 | 2.00    | 5.75    | 4.0150 | .72740         |
| Organizational Policy   | 50 | 1.33    | 5.33    | 3.4200 | .97080         |
| Banking Policy          | 50 | 1.00    | 6.00    | 3.6900 | 1.63473        |
| Technolical Environment | 50 | 1.00    | 6.00    | 3.6000 | 1.18666        |
| Political Environment   | 50 | 2.00    | 6.00    | 5.3600 | 1.00529        |
| Social Environment      | 50 | 1.00    | 6.00    | 3.8600 | 1.37039        |
| Trade Union             | 50 | 1.00    | 5.00    | 3.8800 | .64333         |
| HR Factors              | 50 | 2.00    | 6.00    | 3.7960 | .98932         |
| Customer behavior       | 50 | 1.33    | 5.33    | 3.0467 | .95240         |
| Local Market Situation  | 50 | 1.00    | 5.00    | 2.4000 | 1.12031        |
| Valid N (listwise)      | 50 |         |         |        |                |

### Descriptive Statistics

|  | N  | Minimum | Maximum | Mean   | Std. Deviation |
|--|----|---------|---------|--------|----------------|
| Piece wage system & contract system are favorable to your industry | 50 | 1.00    | 6.00    | 3.9400 | 1.69525        |
| Income of local people is favorable to consume your product        | 50 | 1.00    | 6.00    | 2.7000 | 1.47427        |
| Can you get the raw material inside the country                    | 50 | 1.00    | 6.00    | 1.9400 | 1.21907        |
| You feeling the security from the violence in Nepal                | 50 | 1.00    | 6.00    | 2.6000 | 1.61624        |
| Your job is secure in this environment                             | 50 | 1.00    | 6.00    | 2.3800 | 1.56349        |
| GI are declining in Nepal at present                               | 50 | 1.00    | 6.00    | 5.6800 | .84370         |
| Transportation facilities are helping to the targeted market       | 50 | 1.00    | 6.00    | 3.1600 | 1.48956        |
| There are further opportunities in this business                   | 50 | 1.00    | 6.00    | 3.7400 | 1.49571        |
| Valid N (listwise)   | 50 |         |         |        |                |

**Piece wage system & contract system are favorable to your industry**

|       |                     | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|---------------------|-----------|---------|---------------|--------------------|
| Valid | Disagree Totally    | 6         | 12.0    | 12.0          | 12.0               |
|       | Disagree Moderately | 5         | 10.0    | 10.0          | 22.0               |
|       | Disagree Slightly   | 8         | 16.0    | 16.0          | 38.0               |
|       | Agree Slightly      | 11        | 22.0    | 22.0          | 60.0               |
|       | Agree Moderately    | 7         | 14.0    | 14.0          | 74.0               |
|       | Agree Totally       | 13        | 26.0    | 26.0          | 100.0              |
|       | Total               | 50        | 100.0   | 100.0         |                    |

**Income of local people is favorable to consume your product**

|       |                     | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|---------------------|-----------|---------|---------------|--------------------|
| Valid | Disagree Totally    | 14        | 28.0    | 28.0          | 28.0               |
|       | Disagree Moderately | 10        | 20.0    | 20.0          | 48.0               |
|       | Disagree Slightly   | 12        | 24.0    | 24.0          | 72.0               |
|       | Agree Slightly      | 7         | 14.0    | 14.0          | 86.0               |
|       | Agree Moderately    | 5         | 10.0    | 10.0          | 96.0               |
|       | Agree Totally       | 2         | 4.0     | 4.0           | 100.0              |
|       | Total               | 50        | 100.0   | 100.0         |                    |

**You can get the raw material inside the country**

|       |                     | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|---------------------|-----------|---------|---------------|--------------------|
| Valid | Disagree Totally    | 26        | 52.0    | 52.0          | 52.0               |
|       | Disagree Moderately | 9         | 18.0    | 18.0          | 70.0               |
|       | Disagree Slightly   | 10        | 20.0    | 20.0          | 90.0               |
|       | Agree Slightly      | 3         | 6.0     | 6.0           | 96.0               |
|       | Agree Moderately    | 1         | 2.0     | 2.0           | 98.0               |
|       | Agree Totally       | 1         | 2.0     | 2.0           | 100.0              |
|       | Total               | 50        | 100.0   | 100.0         |                    |

**You feeling the security from the violence in Nepal**

|       |                     | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|---------------------|-----------|---------|---------------|--------------------|
| Valid | Disagree Totally    | 18        | 36.0    | 36.0          | 36.0               |
|       | Disagree Moderately | 9         | 18.0    | 18.0          | 54.0               |
|       | Disagree Slightly   | 9         | 18.0    | 18.0          | 72.0               |
|       | Agree Slightly      | 7         | 14.0    | 14.0          | 86.0               |
|       | Agree Moderately    | 3         | 6.0     | 6.0           | 92.0               |
|       | Agree Totally       | 4         | 8.0     | 8.0           | 100.0              |
|       | Total               | 50        | 100.0   | 100.0         |                    |

**GI are declining in Nepal at present**

|       |                  | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|------------------|-----------|---------|---------------|--------------------|
| Valid | Disagree Totally | 1         | 2.0     | 2.0           | 2.0                |
|       | Agree Slightly   | 2         | 4.0     | 4.0           | 6.0                |
|       | Agree Moderately | 7         | 14.0    | 14.0          | 20.0               |
|       | Agree Totally    | 40        | 80.0    | 80.0          | 100.0              |
|       | Total            | 50        | 100.0   | 100.0         |                    |

**Transportation facilities are helping to the targeted market**

|       |                     | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|---------------------|-----------|---------|---------------|--------------------|
| Valid | Disagree Totally    | 7         | 14.0    | 14.0          | 14.0               |
|       | Disagree Moderately | 12        | 24.0    | 24.0          | 38.0               |
|       | Disagree Slightly   | 12        | 24.0    | 24.0          | 62.0               |
|       | Agree Slightly      | 7         | 14.0    | 14.0          | 76.0               |
|       | Agree Moderately    | 9         | 18.0    | 18.0          | 94.0               |
|       | Agree Totally       | 3         | 6.0     | 6.0           | 100.0              |
|       | Total               | 50        | 100.0   | 100.0         |                    |

**There are further opportunities in this business**

|       |                     | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|---------------------|-----------|---------|---------------|--------------------|
| Valid | Disagree Totally    | 4         | 8.0     | 8.0           | 8.0                |
|       | Disagree Moderately | 7         | 14.0    | 14.0          | 22.0               |
|       | Disagree Slightly   | 10        | 20.0    | 20.0          | 42.0               |
|       | Agree Slightly      | 14        | 28.0    | 28.0          | 70.0               |
|       | Agree Moderately    | 7         | 14.0    | 14.0          | 84.0               |
|       | Agree Totally       | 8         | 16.0    | 16.0          | 100.0              |
|       | Total               | 50        | 100.0   | 100.0         |                    |

**Annex-6**

**Descriptive Statistics  
WTO Obligation**

|  | N  | Minimum | Maximum | Mean   | Std. Deviation |
|--|----|---------|---------|--------|----------------|
| WTO rules & regulations are favorable to GI  | 50 | 1.00    | 6.00    | 2.9800 | 1.82377        |
| You are aware to phase out of the MFA by 2005 and its implications for Nepalese GI | 50 | 1.00    | 6.00    | 5.0200 | 1.43555        |
| Could you compete with International competitor                                    | 50 | 1.00    | 6.00    | 3.0600 | 1.71916        |
| Valid N (list wise)  | 50 |         |         |        |                |

**Descriptive Statistics  
WTO Benefit**

|  | N  | Minimum | Maximum | Mean   | Std. Deviation |
|--|----|---------|---------|--------|----------------|
| Internationally GI companies are sound in financial & technological strong | 50 | 1.00    | 6.00    | 3.2400 | 1.47855        |
| Valid N (list wise)  | 50 |         |         |        |                |

**Annex-7**

**Descriptive Statistics  
Government Policy**

|   | N  | Minimum | Maximum | Mean   | Std. Deviation |
|---|----|---------|---------|--------|----------------|
| Government policies are favorable to the garment industries in Nepal  | 50 | 1.00    | 6.00    | 3.7200 | 1.49884        |
| Government has provided any incentives or subsidy to the GI   | 50 | 1.00    | 6.00    | 3.8800 | 1.54708        |
| There is difficulty to compete in the present contest do to policies of the Government & business environment | 50 | 1.00    | 6.00    | 4.4400 | 1.59284        |
| Any government agency are helping to exports of your product  | 50 | 1.00    | 6.00    | 4.0200 | 1.54510        |
| Valid N (list wise)   | 50 |         |         |        |                |

### Annex: 8

#### Descriptive Statistics Technical Strength

|   | N  | Minimum | Maximum | Mean   | Std. Deviation |
|---|----|---------|---------|--------|----------------|
| Change in technology of production affect the business        | 50 | 1.00    | 6.00    | 4.3000 | 1.72910        |
| Your applied technology is capable to compete internationally | 50 | 1.00    | 6.00    | 2.9000 | 1.75255        |
| Valid N (list wise)   | 50 |         |         |        |                |

### Annex-9

#### Descriptive Statistics Political Environment

|   | N  | Minimum | Maximum | Mean   | Std. Deviation |
|---|----|---------|---------|--------|----------------|
| Political parties are pressurized economically, mentally & physically | 50 | 2.00    | 6.00    | 5.3600 | 1.00529        |
| Valid N (list wise)   | 50 |         |         |        |                |

### Annex-10

#### Descriptive Statistics Social Environment

|   | N  | Minimum | Maximum | Mean   | Std. Deviation |
|---|----|---------|---------|--------|----------------|
| Local society are supportive to your organization | 50 | 1.00    | 6.00    | 3.8600 | 1.37039        |
| Valid N (list wise)                               | 50 |         |         |        |                |

### Annex-11

#### Descriptive Statistics Trade Union

|  | N  | Minimum | Maximum | Mean   | Std. Deviation |
|--|----|---------|---------|--------|----------------|
| Trade unions are pressurized economically, physically & mentally to fulfill their demand | 50 | 1.00    | 6.00    | 5.2000 | 1.26168        |
| In the present condition, trade unions demands are favorable to GI                       | 50 | 1.00    | 6.00    | 2.5600 | 1.48681        |
| Valid N (list wise)  | 50 |         |         |        |                |



### Annex-12

#### Descriptive Statistics HR Factor

|  | N  | Minimum | Maximum | Mean   | Std. Deviation |
|--|----|---------|---------|--------|----------------|
| Workers and employees of your organization are dedicated to your industry    | 50 | 1.00    | 6.00    | 4.0600 | 1.67100        |
| Loyalty of workers increase the efficiency of organization                   | 50 | 1.00    | 6.00    | 4.4800 | 1.52850        |
| There are internationally qualified and trained manpower                     | 50 | 1.00    | 6.00    | 3.1000 | 1.75255        |
| Your manpower are well trained and able to adopt in the changing environment | 50 | 1.00    | 6.00    | 4.2200 | 1.61990        |
| All the manpower of your organization are sufficient inside the country      | 50 | 1.00    | 6.00    | 3.1200 | 1.64924        |
| Valid N (list wise)  | 50 |         |         |        |                |

### Annex-13

#### Descriptive Statistics Consumer Behavior

|  | N  | Minimum | Maximum | Mean   | Std. Deviation |
|--|----|---------|---------|--------|----------------|
| Taste or fashion of international customer affects your business | 50 | 1.00    | 6.00    | 2.9800 | 1.73193        |
| You are able to fulfill the change in consumer taste             | 50 | 1.00    | 6.00    | 4.2400 | 1.62330        |
| Local customer demand your product                               | 50 | 1.00    | 6.00    | 1.9200 | 1.41190        |
| Valid N (list wise)  | 50 |         |         |        |                |

### Annex-14

#### Descriptive Statistics Organizational Policy

|   | N  | Minimum | Maximum | Mean   | Std. Deviation |
|---|----|---------|---------|--------|----------------|
| Your organization policies are favorable to your organization | 50 | 1.00    | 6.00    | 4.0800 | 1.60153        |
| Your pricing policy is favorable for the local market         | 50 | 1.00    | 6.00    | 2.8600 | 1.64143        |
| Your capital is sufficient to operate and compete             | 50 | 1.00    | 6.00    | 3.3200 | 1.74309        |
| Valid N (list wise)   | 50 |         |         |        |                |

### Annex-15

#### Descriptive Statistics Banking Policy

|   | N  | Minimum | Maximum | Mean   | Std. Deviation |
|---|----|---------|---------|--------|----------------|
| Banking policies are favorable to your business   | 50 | 1.00    | 6.00    | 3.7200 | 1.64180        |
| Bank and other financial institution provide sufficient banking facilities to your organization | 50 | 1.00    | 6.00    | 3.6600 | 1.66120        |
| Valid N (list wise)   | 50 |         |         |        |                |