Abstract

The garment industry in Sri Lanka has been the largest gross export earner since 1986. However, with the 2008 financial crisis country's total exports started declining sharply. In this background, this study's main objective was to identify the effect of the 2008 financial crisis on garments sector performances of the export sector in Sri Lanka. For this purpose, the study used a mixed methodology of quantitative and qualitative reasoning. Primary data for the study was collected by administering a questionnaire to randomly selected 23 apparel companies. The main analysis was done using three regression analyses. According to the first regression analysis, Imported Capital Inputs (ICI), Imported Revenue Inputs (IRI) and Domestic Capital Inputs (DCI) are found to have a positive and significant effect with regard to both Knitted Ready Made garment (KRMG) sector and Woven Ready Made garment (WRMG) sector except ICI, although which was positive but not significant on WRMG sector. Domestic Revenue Inputs (DRI) has a negative relationship on both sectors but DRI is not significant on KRMG sector and that of WRMG sector is significant. Although employment showed a positive relationship but it is not significant on firms level exports of KRMG sector and Employment has a negative relationship with regard to WRMG sector but same is insignificant in case of firms. Then, under the second regression analysis there were positive relationships between employment and exports and they were significant in case of both sectors. Finally under the third regression analysis only infrastructure was positive & significant. But wages has negative and significant effect on total garment exports. As a whole, it is possible to conclude that 2008 financial crisis has some mixed (both positive and negative) effects on garment industry expansion in Sri Lanka in the ensuing period.

Keywords: Garment Industry, Financial Crisis, Export, Employment, Regression Analysis