



Pareto Analysis on National Issues in Textile Industry in Pakistan

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Abstract: This research investigates the Pareto Analysis on National Issues in Textile Industry in Pakistan. Data were collected from Primary as well as secondary sources It is a statistical research technique in decision making that is used for the selection of a limited number of tasks that produce significant overall effect. It separates the few major problems from the many possible problems. It is named after Vilfredo Pareto, a 19th-century Italian economist. It was revealed that Textile spinning sector detail of analysis performed for reducing a huge number of issues explored from textile industry of Pakistan in the era of trade liberalization. It was revealed that high cost of production, industrialists are highly risk averse, lack of training programs, R&D facility of 6% has been withdrawn, no collective method for solving the industrial problems, changing name from EPB to TDAP is not the solution, textile / garments city project can be a powerful tool, industrialist shifting business to other countries , lack of funds, labors shifting to other countries, there is a huge paper work which takes a great time, lack of interaction between industry & academia, constraints for the Industry. Finally, the identified global issues are; removal of quota, awareness about the trade liberalization, worse image of Pakistan internationally, restriction of EU to buy raw material from them, lack of ETP, evaluation of factory, delay in delivery, lack of diversification in the direction of trade, Only developing country to sign the ILO conventions completely, millions of dollars spent to destroy Pakistan's image internationally, quality issues, labor-intensive production, Increase in the foreign buyers' check, Imposition of antidumping duties, preferential treatment to the competitors, competitors are much stronger.

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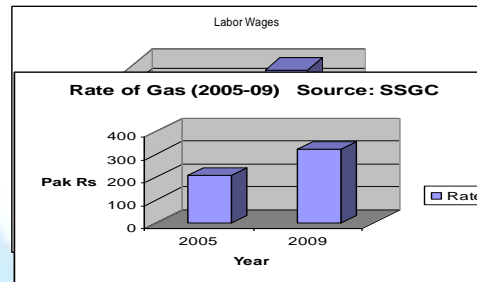


Introduction:

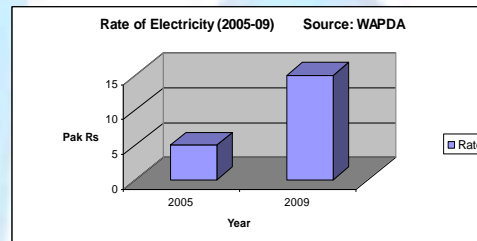
High Cost of Production

In Pakistan the cost of production has climbed very high which has also affected the textile industry. Some of the textile units have been shifted to other countries like Bangladesh & Sri Lanka to avail the low cost benefit. The change in the prices of different factors and utilities used in the production is shown graphically below:

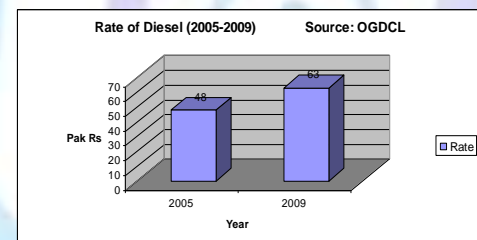
High wage rates



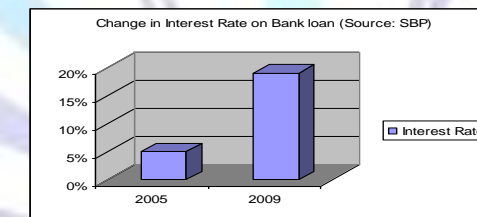
High gas charges



High electricity charges



High oil prices



High interest rate

Industrialists are highly risk averse

Industrialists of Pakistan are unwilling to take the risk of value addition. As there are several stages in the textile chain and in every stage there are plenty of problems. So the owners of spinning & weaving units are satisfied from what ever they get by only exporting yarn and fabric. They find their earnings enough rather than taking the risks of going through complete textile chain even the revenues from exporting finished product are four times higher.

Lack of training programs

There must be some training programs to bring awareness in the landlords & farmers so that they may be able to produce cotton according to the required international standard and spinning units to produce superior quality of yarn

R&D facility of 6% has been withdrawn

R&D is the most valuable instrument to provide awareness about the international brands and we can also introduce new brands that should be parallel and equivalent to the international brands.

No collective method for solving the industrial problems

There is no one capable enough to come in front and talk for the industry rights internationally because every one is busy in trying for his own survival. There are no any united ways of dissolving the textile industry problems.



Changing name from EPB to TDAP is not the solution

Solutions may not depend on changing the name from EPB. (Export Promotion Bureau) to TDA (Trade Development Authority), because the faces are same only the designations have changed. The main story is about the innovative policies that have been prepared since very long but still unimplemented.

Textile / Garments City project can be a powerful tool

Textile/Garments City project in Karachi has thought out by some policy makers to be a great move towards the up gradation of textile industry but when estimated practically it has been found ineffective. This project is expected to destroy our running business and consequently, will affect the economy. There is already a limited availability of resources that are not enough for our existing industry. Therefore, this project is predicted to eat up all the existing resources that are utilized by current factories. Affecting the current running industry means decreasing the source of employment and remaining export earnings that has already declined.

Industrialist shifting business to other countries

The major issue is the current situation of the country, as the industrialists always have a tension and stress that anything unusual may occur unexpectedly. Furthermore, due to the economic instability the investors are unwilling to invest in our country. Therefore most of the investors have shifted to other countries.

Lack of funds

In the current situation of trade liberalization it is very much important to grow in parallel with the other competing nations, this requires not only equivalent but even more amounts of funds that are missing in the story of our textile industry because whenever Government plans for huge amounts of investment the banks are in short of funds and sometimes due to a change in political scenario funds were blocked till the new policy from the newly established Government is announced.

Labors shifting to other countries

There is a high inflation in Pakistan and the wages of labour are very limited. Furthermore, the skilled labors are disheartened due to the frequent closure of many textile units in Pakistan. The textile units which are trying to survive have reduced the number of labors as well as started hiring people on low wage rates. Therefore, most of the skilled labors have moved to other countries i.e. Saudi & UAE.

There is a huge paper work which takes a great time

If a factory is willing to export, it has to go through a lengthy procedure that requires a huge paperwork. It takes a great time to complete the documentations. Due to such delays the orders are cancelled.

Lack of interaction between Industry & Academia

One of the most important problems faced by the textile industry of Pakistan is the lack of interaction between industry and academia. Universities are the place where research is conducted on regular basis on the current on going issues, which is very much helpful to solve problems and provide innovative polices to bring drastic changes to compete with in current situations. But unfortunately there is no any linkage between them.

Constraints for the Industry

There are some Government departments that serve as constraints in the success of textile industry of Pakistan. According to the industrialists these departments do not only serve as a constraint but rather are evils for the industry. These departments are; EOBI (Employees Old-age Benefits Institute), Fire, CDGK (City District Government of Karachi), Civil defense, Sales tax, Customs, Income tax, EDF (Export Development Fund).

4.5 Identified Global Issues

Removal of Quota

Removal of quota is the major issue that has affected the textile exports. Before the quota free regime each country was assigned a quota that they were easy to fulfill. Removal of quotas provided an open competition; the race in which only those were able to win that prepared themselves according to the rules and regulations of WTO.

Awareness about the trade liberalization

For most of the local industrialists trade liberalization seemed to be a confused and disastrous era. They were able to cope up with the situation if they were properly educated in advance.

Worse image of Pakistan internationally

Country's international image is very important for international trade. But Pakistan's international image has worsened resulting in reduction of export orders. Foreign buyers are unwilling to come to Pakistan. They have found other potential markets such as Bangladesh, Srilanka, India and China thus the number of orders for Pakistani textile mills have declined.



Restriction of EU to buy raw material from them

During the post quota era the textile industry used to procure raw material from china or other countries where it was cheap, but now the EU has restricted through some quality issues to buy the raw material from him. Therefore, we have shifted from Chinese & other underdeveloped countries raw materials to EU expensive raw materials other wise we are threatened that our orders will be cancelled. This has again increased the cost of production (these raw materials were colours& dyes).

Lack of ETP (Effluent Water Treatment Plant)

Internationally the export of processed cloth from a factory without ETP is not acceptable internationally in the era of trade liberalization. In Pakistan most of the factories do not have ETP. Those who are using found it very much expensive and that still it is not equivalent to the international standards. Only about 2 to 4 per cent of the mills may have the ETP which are according to the international standards.

Evaluation of factory

In the pre quota era there was no any evaluation of the factory by the international buyers. Now international organizations come to audit the factory and charge audit fee that is very high. Initially there was only one audit but now there are even more e.g.; First audit is "A class" then "B class" and even then "C class" audit and so on, hence the parameters have increased. In garment sector "Garment tests" are also conducted. They are conducted in other countries like Singapore, Thailand etc. An example is a IKEA which is an all rounder factory of Sweden which conducts these type of audits audits. It is believed that these are all hurdles for the textile industry.

Delay in delivery

Foreign buyers have become more time conscious. Nowadays due to a delay in delivery they may cancel the order. Sometimes penalties are also paid on delay. Sometimes the shipments are sent back because of delay.

Lack of diversification in the direction of trade

Most of the exports from Pakistan are reserved for EU and US, after the presentation of policies by WTO our exports have declined. The reason is much better quality products from the competitors. Therefore the textile industry of Pakistan should change the direction of trade by finding out the other potential markets rather than depending on the two traditional markets of EU and US.

Only developing country to sign the ILO conventions completely

Pakistan is the only country in the underdeveloped world that has signed the ILO conventions completely but we are incapable to apply them, consequently our exports are affected.

Millions of dollars spent to destroy Pakistan's image internationally

The competitors have spent lots of money to destroy Pakistan's image in the international markets. It is expected that the reason behind the terrorism and worse law and order situation of Pakistan is a part of planning of competitors, so that the foreign buyers may not even think to conduct business with Pakistan. Plus the international media has also played a negative role to destroy Pakistan's image.

Quality Issues

In terms of international standard major issue is faced by our Garments industry because they are supposed to send every item used in the finished product i.e. Zip, Button, Thread, and Labels etc. to the International Quality & Standard verifying companies abroad to confirm that it does not carry any substance harmful to human skin which is a very expensive process

Labor-intensive production

In the post quota regime exports from Pakistan are also subject to restrictions due to the highly labour-intensive production.

Increase in the foreign buyers' check

The removal of quotas has brought plenty of opportunities for the international buyers. They can purchase from any country. Therefore they have started checking the product with more efficiency. For example if in the pre quota era the product having 10 defects was ignorable but now even five defects aren't ignorable.

E.g.: There was a full container of bonanza garments it was sent back in claim. There was no any defect in the garments but because the cloths were fallen from the sequence.

Imposition of antidumping duties

EU imposed a punitive import duty on Pakistani bed-linen in 2004; it accused exporters of dumping bed-linen below cost prices at the European market. This move was believed to be the retaliation of EU to Pakistan for upgrading its commercial air fleet with US-American Boeings rather than with European Airbuses. Furthermore, here was an imposition of 13.10 per cent anti-dumping duty by EU in 2005 and again an imposition of 5.7 per cent anti-dumping duty in 2007-08.



Here the most noticeable thing is that no other country pays the antidumping duty only Pakistan pays due to lack of political influence because of weak political system. There is no one available to talk internationally

Preferential treatment to the competitors (GSP)

The European Commission provides preferential treatment of import duty waiver to the countries from which it trades. Pakistan received a benefit initially due to a special scheme to combat drug production and trafficking that expired in 2005. Since then Pakistan is paying the duties but the competing countries like Bangladesh and Sri Lanka are allowed duty free access to the EU markets. Bangladesh, for example, obtains zero per cent duty access to the European market due to its least developed country status. Sri Lanka equally does not pay import duties due to specific incentives for countries having ratified certain conventions on sustainable development and good governance.

Competitors are much stronger

There is a huge support to the other countries by their Governments. In Netherlands textile units are 100% supported by the Government. In china the sample room of the small factory is bigger than our whole factory. Bangladesh has 25% price as comparable to us means we are 75% higher than our competitor. That is why they have penetrated the world market of value-added textiles, as China fully avails WTO quota free benefits. It has become the world largest exporter of textiles.

Conclusion

The chapter presents the identified issues that are summarized from the results of qualitative interviews conducted in the textile industry of Pakistan. The aim is to discover the troubles faced by the textile industry of Pakistan after the implementation of WTO. The identified issues are divided into three categories of internal, general as well as global issues. Furthermore, the identified internal issues are presented separately for each sector of textile industry of Pakistan.

The identified national issues are; high cost of production, industrialists are highly risk averse, lack of training programs, R&D facility of 6% has been withdrawn, no collective method for solving the industrial problems, changing name from EPB to TDAP is not the solution, textile / garments city project can be a powerful tool, industrialist shifting business to other countries, lack of funds, labors shifting to other countries, there is a huge paper work which takes a great time, lack of interaction between industry & academia, constraints for the Industry. Finally, the identified global issues are; removal of quota, awareness about the trade liberalization, worse image of Pakistan internationally, restriction of EU to buy raw material from them, lack of ETP, evaluation of factory, delay in delivery, lack of diversification in the direction of trade, Only developing country to sign the ILO conventions completely, millions of dollars spent to destroy Pakistan's image internationally, quality issues, labor-intensive production, Increase in the foreign buyers' check, Imposition of antidumping duties, preferential treatment to the competitors, competitors are much stronger.

National Issues

Initially there were about 13 issues of Garments Sector that are also presented in figure 6-11 below:

- 1 HCP: High Cost of production
- 2 GDC: Government Departments are thought to be Constraints
- 3 CM: There is no any Collective Method for solving industrial problems
- 4 IIA: Lack of Interaction between Industry and Academia
- 5 STB: Decline in exports is due to the Shifting of Textile Business to other countries
- 6 LF: Lack of Funds to promote textile business
- 7 HRA: Industrialists are Highly Risk-Averse
- 8 LS: Experienced Labors are Shifting to other countries
- 9 RD: Lack of Research&Development
- 10 LTP: Lack of Training Program for textile employees
- 11 HPW: Huge Paper Work is required for exporting
- 12 CN: Changing the Name from EPB to TDA is not the solution
- 13 GCP: Garments City Project cannot be a powerful tool

National Issues

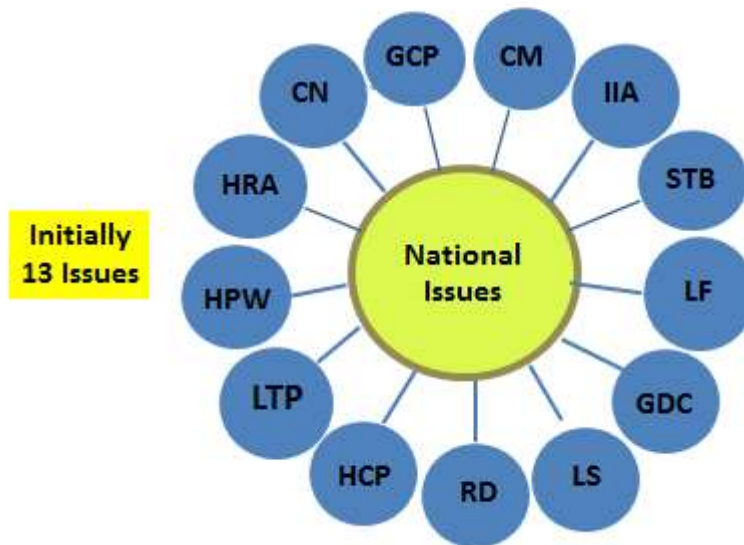
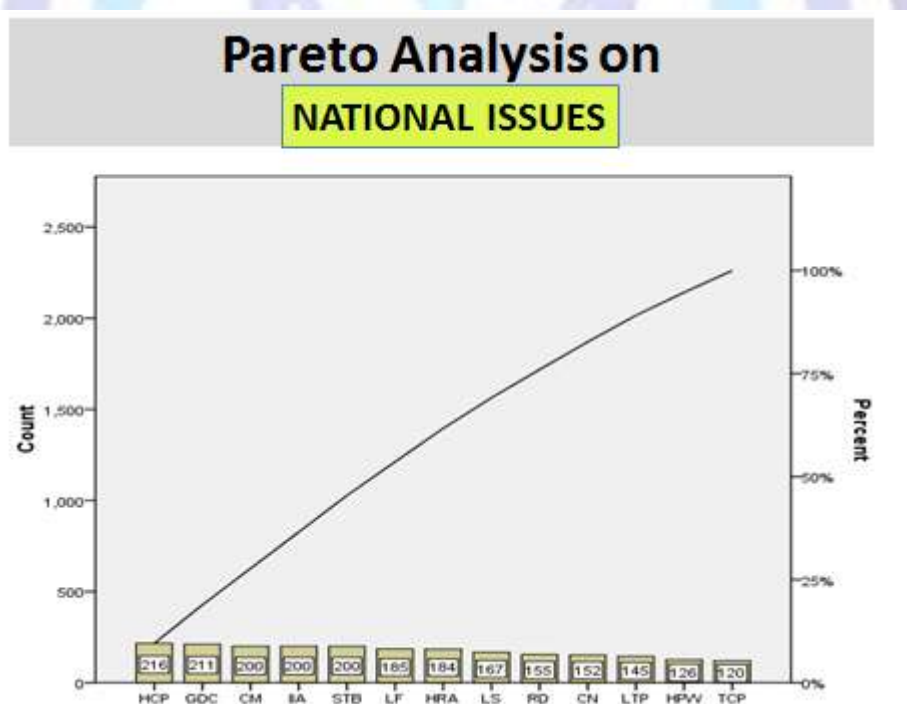


Figure 6-11: Issues of Garments Sector

6.3-1 Pareto Analysis on National Issues

Pareto Analysis was performed on the National Issues by using SPSS and the output is shown in Pareto chart 6-9 below:



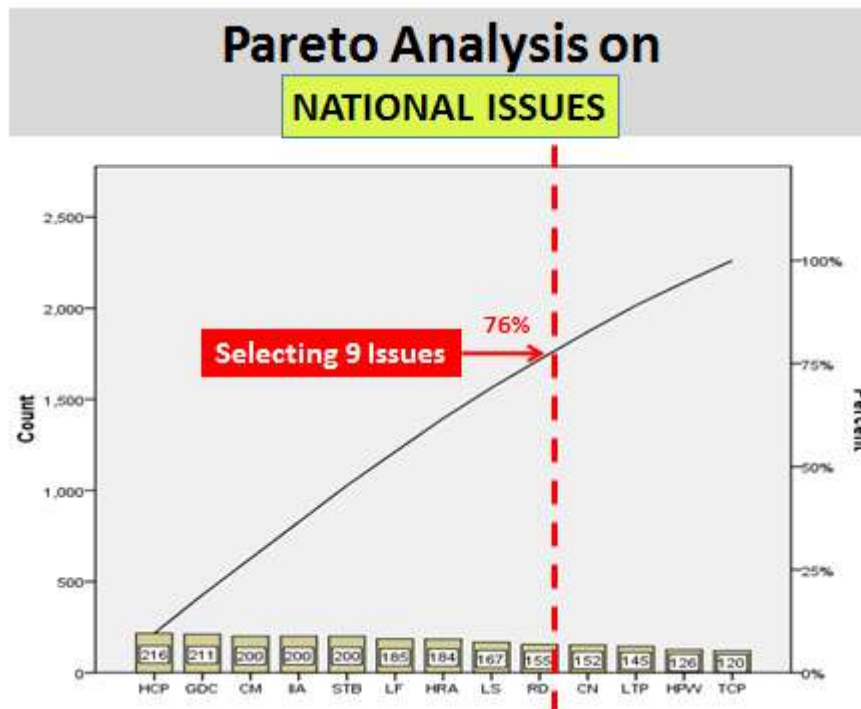
Pareto Chart 6-9: Output of Pareto Analysis on Issues of Garments Sector

6.3-2 Result of Pareto Analysis on the National Issues

Initially as the National issues were about 13, after performing Pareto analysis the output shows total counts equivalent to 2261. As it is suggested to take about 80% to solve the overall issues but here the 80% is between 9th and 10th issue. Therefore it is decided to take about 76% through which 9 issues may be selected as shown in the Pareto chart 6-10. However 10 issues are equal to 1870 which is about 82.7%.that may be more.



- Total (13 Issues): 2261
- Suggested: 1808.8 (80%)
- Taken (9 Issues): 1718 (76%)



Pareto Chart 6-10: Selected National Issues after Pareto Analysis

Therefore, 9 issues are selected from the total National Issues that are presented in figure 6-12 below:

- 1 HCP: High Cost of production
- 2 GDC: Government Departments are thought to be Constraints
- 3 CM: There is no any Collective Method for solving industrial problems
- 4 IIA: Lack of Interaction between Industry and Academia
- 5 STB: Decline in exports is due to the Shifting of Textile Business to other countries
- 6 LF: Lack of Funds to promote textile business
- 7 HRA: Industrialists are Highly Risk-Averse
- 8 LS: Experienced Labors are Shifting to other countries
- 9 RD: Lack of Research&Development

After
Pareto Analysis

National Issues

9 Issues



Figure: 6-12: Reduced National Issues after Pareto Analysis

6.3 Global Issues

Initially there were about 22 Global Issues that are also presented in figure 6-13 below:

- 1 ETP: Lack of Effluent Treatment Plant (ETP)
- 2 WTO is believed to be a Threat to our Economic Standing
- 3 EF: Evaluation of the factory by the international buyers
- 4 LIP: Highly Labor Intensive Production
- 5 WIP: Worse Image of Pakistan internationally
- 6 MPT: In the international Markets Preferential Treatment is provided to the competitors
- 7 DPT: Millions of dollars spent to Destroy Pakistan's Image internationally
- 8 QI: Quality issues
- 9 LOA: Lack of awareness about trade liberalization
- 10 ILO: The only country who signed ILO convention completely
- 11 FBC: Increase in Foreign Buyer Check
- 12 ADD: Imposition of Anti-Dumping Duties on textile exports
- 13 LD: Lack of Diversification in the direction
- 14 GW: Not understood what Globalization & WTO are
- 15 EU: Restrictions of EU to buy the raw material from them
- 16 WTO: WTO has affected Trade & Industry Negatively
- 17 WTO has affected Trade & Industry Negatively
- 18 CS: Competitors are much stronger than us
- 19 POI: Not in a position to Protect Our Interest & get relief from the competent courts of law in case of problems
- 20 OB: WTO has not Offered Benefits to the textile Industry
- 21 RR: Not understood the Rules & Regulations of WTO
- 22 RQ: Removal of Quota

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