

STUDY OF LEATHER INDUSTRY IN SRI LANKA WITH SPECIAL EMPHASIS ON TECHNOLOGY

MASTER OF BUSINESS ADMINISTRATION IN MANAGEMENT OF TECHNOLOGY



Dilupa J. Nakandala

Department of Management of Technology

University of Moratuwa

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Supervisor

Prof. R. A. Attalage
University of Moratuwa

Co-Supervisor

Dr. S. Dasanayaka
University of Moratuwa



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List of Abbreviations

TDR	-	Thailand Development Research Institute
CLRI	-	Central Leather Research Institute
UNIDO	-	United Nations Industrial Development Organization
R&D	-	Research and Development
CETP	-	Common Effluent Treatment Plant
SLAT	-	Sri Lanka Association of Tanneries
IDB	-	Industrial Development Board of Ceylon
BOD	-	Biochemical Oxygen Demand
COD	-	Chemical Oxygen Demand
CEA	-	Central Environmental Authority, Sri Lanka
EDB	-	Export Development Board, Sri Lanka
AHP	-	Analytic Hierarchical Process
ITI	-	Industrial Technology Institute, Sri Lanka



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Abstract

Leather industry in Sri Lanka is an industry belonging to the small and medium sector with a good potential for future development. In fact, the industry of manufacturing leather and leather products is very labor intensive and can provide employment to the country. In addition, it is capable of contributing to the growth in Gross Domestic Production.

Leather Industry in Sri Lanka first became commercialized at the time of the Second World War, with the objective of supplying the Leather goods for the Armed Services. Initially the government owned the operation and later in the 1960's, the private sector entered into the industry. At present, there are 14 private tanneries located in the Colombo and Gampaha Districts. Two of them are doing only the vegetable tanning while the others are doing both vegetable and chrome tanning. Most of the tanneries fall within the small-scale sector processing up to three tons of raw materials whereby one or two tanneries may be considered as medium-scale where about six tons of raw materials are processed per day. The products of tanneries are both semi finished or finished Leather and they are either exported or sold to the domestic Leather goods manufacturers.

Today, the Leather industry is facing two major threats: Inability to comply with the Central Environmental Authority's standards for tannery effluents discharge and the increasing market rivalry on price and quality in the export market. The opinion of the Leather industry specialists is that the technology used in the local tanneries is out dated and they have not invested in the technology upgrade during the last decade because of the risk of closing the industry due to the environmental issue. However the industry cannot survive in the export market with the same old products and it essentially needs product and quality improvement.

The Leather goods manufacturing industry, which is very intensive for skilled labour, has the potential to absorb the unemployed youth most probably generated through the quota removal of the garment industry in 2005. However to develop the Leather goods manufacturing industry, it is a must to develop the tanning sector in the country as the imported Leather is very expensive and not cost effective to be used for the manufacturing of Leather goods.

In this research, an attempt has been made to study the present structure of the Leather industry in Sri Lanka, i.e. the tanning sector, with special emphasis on the present technology and the accumulated technological capability. The embodied form perspective of technology

had been used to examine the Technology and the model of Thailand Development Research Institute, 1989 had been used to assess the Technological Capability of the industry.

In the study, it was observed that the satisfactory blend of the technology components is not present and the accumulated level of the technology capability in the industry is also poor. The use of machinery and other equipment was common throughout the industry, though it has not improved to the advance or sophisticated level. Also the capability to search, assess and procure new technology by the leather industry was quite satisfactory. However there are many technology components and technological capabilities that are not satisfactory. Especially, the training and skill development, production management systems and organizational practices, accumulation knowledge and information availability need improvement. Considering the technological capability, the operative capability and the adaptive capability were poor compared to the acquisitive capability.

Though the technology can be either purchased or transferred, the technological capability needs to essentially be accumulated in the industry itself. The presence of a satisfactory level of technology will probably be supportive for the accumulation of technological capabilities in the industry and vice versa is also true.

The findings of the study were summarized and the recommendations are suggested for the development of the leather industry in Sri Lanka. As a value addition to the study, the recommendations were prioritized by assessing them on the need of capital, need of time for the completion, level of strategic effect, sustainability and the feasibility for realization. After the prioritization it had been found that the commissioning of the Bata-atha project comes as the most needed immediate implementation. Then the need of systematic training and skill development programme, export marketing development programme, Technoware (machinery and other production related equipment) development programme, establishment of a testing laboratory, academic recognition through a certification programme, establishment of a coordination mechanism between the relevant public organizations and the tanneries and the programme on raw hide quality improvement are needed to be implemented in the above mentioned order. The implementation of the policy recommendations in the suggested order will result in successful implementation with a considerable strategic impact to the industry. Also the above mentioned prioritized recommendations are useful as a guideline in preparation of the leather industry development plan by the government.