



**ANALYZING THE CONTRIBUTION OF TOTAL FACTOR  
PRODUCTIVITY (TFP) IN APPAREL SECTOR**

**(With special reference to Sri Lanka)**

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## ABSTRACT

### **Analyzing the Contribution of Total Factor Productivity in Apparel Sector**

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**Keywords:** Total Factor Productivity, Cobb\_Douglas Production Function, Ordinary Least Squared Method, Econometric Tools, Apparel Industry

Productivity is useful as a relative measure of actual output of production compared to the actual input of resources, measured across time or against common entities. The econometric terminology for the productivity can be identified as “Total Factor Productivity” (TFP). Total Factor Productivity is the output growth which is not explained by the input variables (capital (K) and labor (L)). Being the single largest employer in the manufacturing sector the apparel industry provides a momentous contribution for the economy of Sri Lanka.

The study will endeavor to analyze the contribution of Total Factor Productivity (TFP) of the apparel sector in Sri Lanka. Descriptive tools have used to identify the sample characteristics while econometric tools have been employed to estimate the Cobb-Douglas production function. Ordinary Least Squared (OLS) method has been utilized in order to analyze the objectives of the study. According to the results of the econometric analysis, the contribution of TFP for the production is not much significant even though factor accumulation has played major role in considered time period. Further it has been observed that there educational attainments and age are negatively related with TFP while experience and incentive cost positively. Finally this study recommends adopting appropriate policy changes in order to improve the production of garment sector by enhancing the TFP.