



Department of Business Economics  
Faculty of Management Studies and Commerce  
University of Sri Jayewardenepura

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Comments and views in this newsletter are those of Individuals and not of Department of Business Economics, University of Sri Jayewardenepura.

# MESSAGES FROM FOUNDING MEMBERS



**Snr. Prof. Sampath Amaratunge**  
Vice Chancellor  
University of Sri Jayewardenepura



**Dr. U Anura Kumara**  
Dean  
FMSC  
University of Sri Jayewardenepura



**Dr. (Mrs.) Dinesha Siriwardhane**  
Head  
Department of Business Economics  
FMSC  
University of Sri Jayewardenepura

It is a great pleasure for me to write this congratulatory message for the Official Newsletter; "The Business Economist" to be published at "Reminiscence - Graduation Ball & Alumni Get-together 2019" organized by the Alumni Association of the Department of Business Economics, Faculty of Management Studies and Commerce.

As a person who has a keen interest in the field of Business Economics and it being my speciality, I am pleased with this approach taken by the members of the Alumni Association. It is my belief that there should be a record of the achievements made by the department, undergraduates and the alumni members as it not only encourages those featured to further improve, it will also encourage others. I highly appreciate the commitment of the alumni members for organizing such an event to keep their bond with the department. I wish this event success and hope the alumni members will be victorious in every step they take.

It is with great pleasure I convey this message to "The Business Economist" the official newsletter published by the Alumni Association of the Department of Business Economics at "Reminiscence 2019".

The Faculty of Management Studies and Commerce, University of Sri Jayewardenepura both attracts and produces some of the best minds who are in the fields of Business and Commerce today. And so, events of this nature play a significant role as they connect and create a bond between our past and the present by complementing the flow of knowledge, skills and experiences across generations.

Therefore, as the Dean of the faculty and also a member of the department, I congratulate you all for organizing the "Reminiscence - Graduation Ball and the Alumni Get-together 2019" and wish you all the very best for all your future endeavours.

As the Head of the Department of Business Economics, I'm writing this message to the official newsletter; "The Business Economist" with countless pleasure. As a pioneering department of the faculty, we highly focus on maintaining the connection with our alumni members. We do believe that the success of the department and the degree programme is highly linked with the success of the alumni members as they are the proud products of the department. Hence, "Reminiscence 2019" is the best platform to improve the link between alumni member and the department. Moreover, I would like to congratulate very best to fresh graduates and the alumni members, and hope everybody would keep in touch with the department!



# MESSAGES FROM THE FOUNDING MEMBERS OF THE DEPARTMENT



*"Networking is key to success. Pleasure to see that our past students have climbed up their career ladders. Best wishes for all your future endeavors."*

**Dr. Sumudu Perera**

Senior Lecturer

Department of Business Economics

*"Congratulations today and best wishes for your next adventure!"*

**Dr. M.A.K. Sriyalatha**

Senior Lecturer

Department of Business Economics



*"Best Wishes!"*



**Dr. Janak Kumarasinghe**

Senior Lecturer

Department of Business Economics

*"Reminiscence is such an event which creates the platform to network with alumni members over different batches. All the very best"*

**Mr. R.M.A.K. Rathnayake**

Senior Lecturer

Department of Business Economics





## REMINISCENCE 2018

"Reminiscence 2018", Graduation Ball and Alumni Get-together of the Department of Business Economics was successfully held on 20th October 2018 at Hotel Cinnamon Lakeside with the participation of alumni members representing 12 passed out batches of the department.









# ACHIEVEMENTS OF THE JUNIOR BUSINESS ECONOMISTS


## RB Global Challenge 2018 Champions



Ms. Virgin Fernando of the Department of Business Economics, Mr. Madusha de Silva of the Department of Finance, and Mr. Umendra Abeynayake of the Department of Commerce, Faculty of Management Studies and Commerce representing Sri Lanka marked their victory at the RB Global Challenge 2018 held in the United Kingdom on 28th and 29th November 2018.

<https://www.rbglobalchallenge.com/global/winning-ideas-2018>

## Mr. Pasan Wijayawardhana wins Best Paper Award at SAESM 2019



Mr. Pasan Wijayawardhana, a third year undergraduate of the Department of Business Economics, won the Best Paper Award under the theme of "Poverty and Food Security" at the 15th South Asian Economics Students' Meet (SAESM) 2019 organized by the SAESM India, SAESM Pakistan, University of Colombo together with the World Bank. This was held from 21st to 23rd January 2019 at the Cinnamon Lakeside Hotel, Colombo.

<https://arts.cmb.ac.lk/econ/index.php/15th-south-asian-economics-students-meet-saesm-in-colombo-21st-26th-jan/>

# ACHIEVEMENTS OF BUSINESS ECONOMISTS

## Best Speaker National Youth Award 2018

Mr. Pasan Wijayawardhana, a third year undergraduate of the Department of Business Economics won the Best Speaker and Best Announcer (Runners-up) awards at the 40th National Youth Awards 2018, which is cited as the largest national level youth contest in Sri Lanka. This was organized by the National Youth Services Council in three rounds at zonal, provincial and national levels.

The Awards Festival was held on 28th November 2018 at the Nelum Pokuna Mahinda Rajapaksa Theatre, Colombo.



## Team Nova emerged as the National Champions at Rb Global Challenge 2019

Ms. Chathuni Perera, Ms. Ashwini Ratnayake and Ms. Sandumini Caldera, second year undergraduates, represented the Department of Business Economics as "Team Nova" and turned up as the National Champions at the RB Global Challenge 2019. They will be facing the global finale in London on 4th and 5th of December 2019.

<https://www.facebook.com/RBGCSriLanka/photos/a.545320489223204/766550307100220/?type=3&theater>



## Team Nova emerged as 2<sup>nd</sup> Runners-up at Maestro 2019

Ms. Chathuni Perera, Ms. Ashwini Ratnayake and Ms. Sandumini Caldera, second year undergraduates represented the Department of Business Economics as "Team Nova" and turned up as the 2nd runners-up at Maestro 2019, a business challenge competition organized by the Rotaract Club of University of Moratuwa. The Grand Finale of Maestro 2019 was successfully held on 30th September 2019 at the DHPL Auditorium, Colombo.





# ACHIEVEMENTS OF BUSINESS ECONOMISTS

## Most Famous Mobile Photography Award at SAVISKARA 2019

Mr. Niluka Pamesh, a second year undergraduate of the Department of Business Economics won the Most Famous Mobile Photography Award at the inter-university photography competition organized under "Saviskara", the talent and technological show of the Faculty of Technology, University of Sri Jayewardenepura.

<https://www.facebook.com/saviskara.fot/photos/a.1232842103563297/1257154614465379/?type=3&theater>



## Championship at the VORBITOR 2019

Mr. Nicolo Warnakula, a second year undergraduate of the Department of Business Economics won the championship at the VORBITOR 2019, the intra-university speech contest organized by the Gavel Club of University of Sri Jayewardenepura. Grand finale of this contest was held on the 3rd March 2019. Further, Ms. Sandumini Caldera, second year undergraduate of the department was among the top six contestants.

<http://career.sjp.ac.lk/vorbitor-2019-grad-finale-eminentium-2019/>



## Champions at All Island Inter-University Quiz Contest

Mr. Pasan Wijayawardhana, Ms. Kreda Shiwanthi, Ms. Rumesha Laksarani, Mr. Hiruna Sudhara and Ms. Dileesha Wickramaarachchi, third year undergraduates of the Department of Business Economics won the championship at the All Island inter-university Quiz Contest organized by the Department of Accounting and Finance, Faculty of Management Studies, Sabaragamuwa University of Sri Lanka as a part of Investor Day 2019.



## Outstanding Student Achievement at JESA 2019

Mr. Asel Devjith Hettiarachchi, a final year undergraduate of the Department of Business Economics was the 2nd runner up for the Best Team Player Award at the J'pura Employability Skills Awards (JESA) 2019. This awards ceremony organized by the Career Guidance Unit of the University was held on 20th August 2019 at Hotel Golden Rose, Boralesgamuwa. JESA was designed as a platform to recognize students of the University who were able to excel in various other avenues and values sought after by the corporate sector while pursuing their academic studies.





# PROGRESS OF THE DEPARTMENT OF BUSINESS ECONOMICS



## MOU between Department of Business Economics and Moody's Analytics Knowledge Services (Pvt.) Ltd.

A Memorandum of Understanding (MoU) was signed between the Department of Business Economics and Moody's Analytics Knowledge Services (Pvt.) Ltd. on 15th November 2018 at the Vice Chancellor's Office, University of Sri Jayewardenepura.



## Felicitation Ceremony of Dr. E.A. Weerasinghe

Dr. E. A. Weerasinghe, Senior Lecturer in Business Economics, University of Sri Jayewardenepura retired from his endeavor recently. He is the first Head of the Department of Business Economics who held various positions giving his fullest contribution for the development of the faculty and university. Apart from that, he has immensely contributed to the national development as well. He is the present Vice Chancellor of the National School of Business Management (NSBM) Green University and the former Director General of the National Institute of Business Management (NIBM).





# PROGRESS OF THE DEPARTMENT OF BUSINESS ECONOMICS

## Guest Lecture on “Is Sri Lanka in a Chinese Debt Trap?” by Prof. Sautman and Prof. Hairong

The Department of Business Economics organized a guest lecture on the theme “Is Sri Lanka in a Chinese Debt Trap?” on 8th January 2019 at Prof. K. A. Munasinghe Hall of the Faculty of Management Studies and Commerce. This was conducted by Prof. Barry Sautman from the Hong Kong University of Science and Technology, and Prof. Yan Hairong from the Hong Kong Polytechnic University who are currently engaged in a research study on Sri Lanka’s prominence in Chinese One Belt One Road Initiative. This lecture broadened the knowledge of the second and third-year undergraduates of the department on Chinese presence in Sri Lanka and its impact on economic, social and cultural developments.



## Motivational Session “Dream it, Be it”

The Department of Business Economics organized a motivational session for the second year undergraduates of the department on the theme “Dream it, Be it” on 28th June 2019. This session was conducted by Mrs. Ashcharya Peiris, founder of Christiana Glory. During the session she spoke about how to embrace the challenges and reach the life goals by sharing her own experiences and life stories of role models around the world.



## Workshop on Foreign Transaction Facilitation and Foreign Exchange Risk Management

The Department of Business Economics together with Bank of Ceylon organized a workshop on the theme “Foreign Transaction Facilitation and Foreign Exchange Risk Management” for the final year undergraduates of the department. This was held on 20th February 2019 at the Head Office of Bank of Ceylon. The sessions were conducted by resource persons of the Treasury Division and the Trade Finance Division of Bank of Ceylon.



# PROGRESS OF THE DEPARTMENT OF BUSINESS ECONOMICS

## Striving for Export Competitiveness: Pre-Budget Forum

This pre-budget forum was organized by the third year undergraduates of the department under the theme "Striving for Export Competitiveness" with the aim of presenting proposals to be considered in preparing the Government Budget 2019. The forum was held on 17th September 2018 from 3.00 pm onwards at the Lighthouse Auditorium of Lakshman Kadirgamar Institute of International Relations and Strategic Studies, Colombo 7.

The keynote speech was delivered by Mr. Eran Wickramaratne, State Minister of Finance. Mr. D.R.S. Hapuarachchi from the Department of Inland Revenue, Mr. Manilal Ranasinghe from the Board of Investment, Mr. Chrisso de Mel from the Exporters Association of Sri Lanka and Mr. Mahendra Jayasekara from Lanka Walltile participated as the panelists and Prof. H.D. Karunarathne from the University of Colombo moderated the discussion.



## Striving for Export Competitiveness: Phase II

The Department of Business Economics organized a forum under the theme "Striving for Export Competitiveness: Phase II" on 30th January 2019 from 5.30 pm onwards at Prof. K. A. Munasinghe Hall, Faculty of Management Studies and Commerce.

The forum comprised of well-known panelists from all spheres namely, Dr. P. K. G. Harischandra, Additional Director of Central Bank of Sri Lanka, Mrs. Dayani Wegapitiya, Director-Policy and Strategic Planning Division of Export Development Board, Mrs. Chandi Jayamini, Director of Ministry of Development Strategies and International Trade, Mr. Ramal Jayasinghe, Immediate Past President of National Chamber of Exporters and Mrs. Subhashini Abeysinghe, Research Director of Verité Research (Pvt.) Ltd. The panel discussion was moderated by Prof. H. D. Karunarathne from the University of Colombo.





# PROGRESS OF THE DEPARTMENT OF BUSINESS ECONOMICS

## Breeze of Eco Lanka: Eco-Tourism Promotion Project

The project “Breeze of Eco Lanka” was implemented by the third year undergraduates of the Department of Business Economics with the aim of promoting eco-tourism within Sri Lanka. Accordingly, a website and an active social media platform on facebook have been created in the pioneer motive of promoting eco-tourism.

[https://www.facebook.com/breezeofecolanka/?ref=py\\_c](https://www.facebook.com/breezeofecolanka/?ref=py_c)



## Workshop on “Role of Central Bank in Sri Lanka”

The Department of Business Economics together with the Centre for Banking Studies of the Central Bank of Sri Lanka organized a two-day workshop on the theme “Role of Central Bank in Sri Lanka” for the final year undergraduates of the department. That was held on 11th and 12th of July 2019 at the Centre for Banking Studies, Rajagiriya. The sessions were conducted by the officers from the Central Bank of Sri Lanka.



## Inauguration of the Sri Lanka Forum of Junior Business Economists (SLFJBE)



The Inaugural General Meeting of the Sri Lanka Forum of Junior Business Economists (SLFJBE) was held on 12th July 2019 from 3.00 pm onwards at Prof. K.A. Munasinghe Hall of the Faculty of Management Studies and Commerce.

The SLFJBE was established by the Department of Business Economics, University of Sri Jayewardenepura and Department of Business Economics, University of Colombo with the objectives of disseminating knowledge of the Business Economics discipline, promoting integrity among the members, providing opportunities to interact with experts in the Business Economics field, facilitating a research culture among the members, encouraging objective analysis of contemporary economic problems, enhancing professional skills of the members and cultivating social responsibility among the members.



Senior Professor H.D. Karunaratne (Department of Business Economics, University of Colombo) Dr. (Mrs.) Dinesha Siriwardhane (Head, Department of Business Economics, University of Sri Jayewardenepura), other lecturers of the two departments along with students participated in the meeting.

# PROGRESS OF THE DEPARTMENT OF BUSINESS ECONOMICS

## 1<sup>st</sup> SLFJBE Economic Summit 2019

The 1<sup>st</sup> SLFJBE Economic Summit 2019 themed “Strengthening the External Sector to achieve a 7% Economic Growth” was held on 15th August 2019 at the Centre for Banking Studies (Central Bank of Sri Lanka), Rajagiriya. The summit was hosted by the Department of Business Economics, University of Sri Jayewardenepura on behalf of the Sri Lanka Forum of Junior Business Economists (SLFJBE).

The Inauguration Ceremony of the summit was held with the participation of an eminent gathering and all other invited universities along with over 140 delegates. The keynote speech of the inaugural ceremony was delivered by Dr. Indrajit Coomaraswamy, the Governor of the Central Bank of Sri Lanka under the theme “Economic Outlook of Sri Lanka: Opportunities and Challenges”. Moreover, the first volume of the magazine of the SLFJBE, “BIZCONTIER” was launched by the Department of Business Economics, University of Colombo during the inaugural ceremony.

Inter-university competitions were started after the inauguration ceremony with the participation of delegates representing 14 teams from 10 local universities and two delegates representing foreign universities. The competitions included an Economic Debate, a Panel Discussion, a Critical Writing Competition, a Quiz Competition and the Budding Economist Competition.

The third phase of the summit was dedicated for the Industry Forum themed “Strategic Partnerships: A Way Forward to win Global Markets”. The forum was enlightened with the participation of Sri Lanka’s leading businessmen namely, Mr. Dian Gomes, former Chairman of Hela Clothing, Dr. Harsha Subasinghe, President and CEO of CodeGen International, Dr. Ravi Liyanage, Chairman and CEO of Kingdom of Raigam along with Dr. P. Nandalal Weerasinghe, Senior Deputy Governor of the Central Bank of Sri Lanka, Mr. M. K. S. K. Maldeni, Acting Additional Director General and Director-Export Services of the Export Development Board of Sri Lanka representing the policymaking bodies. The forum was moderated by Dr. Janak Kumarasinghe, Senior Lecturer of the Department of Business Economics, University of Sri Jayewardenepura. The discussion flowed with the participated industry leaders presenting their experience on building up strategic partnerships, sharing their journey up to date and policymakers representing the measures taken by the government on the aforementioned fact.

The awarding ceremony was held as the closing phase of the summit where the overall championship was won by the team represented the Faculty of Business, University of Moratuwa.





# CSR PROJECTS

## Project 1: Nursery Development Project in Olaboduwa

Third year undergraduates of the Department of Business Administration successfully completed a Nursery Development Project in Olaboduwa in Horana Divisional Secretariat Division. The project was implemented with the aim of providing a pathway to meet the early childhood education requirements of the children in Olaboduwa area.



## Project 2: Water Supplying Project

Third year undergraduates of the Department of Business Administration successfully conducted a four-month rural development project at Olaboduwa village which is located 10 km away from Horana. It was identified as a village having almost 280 families who are facing a severe water deficiency. Accordingly, three water tanks have been established which can store up to 10000 liters of water in each tank with a well set water distribution system.



## Projects 3: Playground Renovation at Weera Maddumbandara Primary School

The key objective of this project was to renovate the children playground which is needy for Weera Maddumbandara Primary School. The project intended to provide recreational equipment such as seesaw, merry-go-round, swingset, slide and climbing frames which help to enhance physical fitness of the school children. After 13 weeks of efforts, the fully fledged project was handed over to the school on 2nd November 2018.



# CSR PROJECTS

## Project 4: “Sipsathara” at Weera Maddumbandara Primary School

This is a four month project aimed at developing a library for Weera Maddumbandara Primary School. Accordingly, a fully fledged library building along with book shelves, multimedia equipment and required books were donated to the school.



## Project 5: Laboratory Development Project at Batuwandara Junior School

This project was implemented with the aim of providing laboratory facilities to the students of Batuwandara Junior School. Accordingly, the science lab was completely renovated. Additionally, the project team provided water facilities and laboratory equipment in order to facilitate students in science practical sessions. The project was handed over to the school in October 2018.



## Project 2: Improving Sanitary Facilities at Sri Sumanarama Viharaya, Yatiyanthota

This project was aimed to improve sanitary facilities in Sri Sumanarama Viharaya, Nawata, Yatiyanthota. The selected temple was the main community centre of the village where most of the welfare based societies are established. Through this project, lives of the villagers will be uplifted who were facing difficulties in conducting their religious, educational and other social activities due to the lack of sanitary facilities. Accordingly, two new lavatories were built and the existing lavatory was renovated. The project was successfully completed with the support of the villagers.





# ACTIVITIES OF THE BIZCON

## ECON-INSIGHT

'Econ-Insight' is an annual seminar series on Economics organized by the Business Economics Students' Association (BIZCON) of the Department of Business Economics for the G.C.E. (A/L) candidates. This was organized with the aim of enhancing the knowledge on the subject among those candidates and also to fulfill social responsibility of the undergraduates of the department.

### Gampaha District Seminar

The second seminar of the series was held on 29th January 2019 at the Auditorium of Rathnavali Balika Vidyalaya, Gampaha. Mr. Ananda Rathnayake, Senior Lecturer of the Department of Business Economics and Mr. Dilan Rajapakshe, Lecturer of the Department of Business Economics conducted the seminar.

### Colombo District Seminar

The first seminar of the series was successfully held on 22nd January 2019 at the Bandaranayake Hall of the University of Sri Jayewardenepura. Mr. Ananda Rathnayake, Senior Lecturer of the Department of Business Economics conducted the seminar on two subject areas, i.e., Money and Banking and National Accounting. More than 1700 students from Colombo district schools participated in this event.





# Out Bound Training Programme

Out Bound Training Programme of the Department of Business Economics was held on 15th and 16th, July 2019 at Rangiri Aqua Adventure Camp, Dambulla. The programme was organized by the department in collaboration with the Ministry of Skills Development and Vocational Training for second year students of the department. The programme was specifically designed to achieve the following outcomes by the students.

- ◆ To improve rational decision making
- ◆ To develop effective communication
- ◆ To encourage team building
- ◆ To direct towards the goal orientation
- ◆ To cope up with challenges
- ◆ To manage and recognize people's skills
- ◆ To develop students' aesthetic skills
- ◆ To train students on professional etiquette





By participating in diverse activities and games, the students were able to explore leadership values and their hidden talents. In addition, participants were helped to nurture a wide variety of soft skills, improve their personality and inculcate positive attitudes.





# ACTIVITIES OF THE BIZCON

## NEOPHYTES 2019

Neophytes 2019", the Annual Welcome and Going-down function of the Department of Business Economics was held on 9th August 2019 from 6.00 pm onwards at Paradise Inn, Piliyandala.

Senior Prof. Sampath Amaratunge, Vice Chancellor, Dr. Anura Kumara, Dean of the Faculty, Dr. Dinesha Siriwardhane, Head of the Department and other lectures of the department graced this event along with the undergraduates from the three batches and immediately passed-out graduates of the department. The purpose of this function was to welcome the second year students to the department and to celebrate the successful completion of the degree of the graduates who passed out from the department in 2019.



## COLOURING SMILES 2019

"Colouring Smiles" is the Annual Corporate Social Responsibility (CSR) project organized by the (BIZCON) with the aim of providing educational facilities to underprivileged schools in Sri Lanka.

"Colouring Smiles 2019" was successfully held on the 20th August 2019 in Sri Siddhartha Vidyalaya, Trincomalee where 27 students from grade 1 to 5 are studying at present. This was identified as the neediest school from 4 selected schools after several discussion rounds with the Principals and field visits. Under the project, the organizing committee provided a photo copying machine to the school, school bags and complete packs of stationary items for all students.



## BIZCON ANNUAL FIELD TRIP 2019

The undergraduates of the Department of Business Economics along with the academic and non-academic staff participated in a field visit to Trincomalee area on 22nd August 2019. This was organized to study the economic, geographic and strategic importance of the location of Trincomalee and to strengthen the relationship among undergraduates of the department.





## Sri Lanka Tourism – The Story Untapped

Sri Lankan Tourism industry has been given a significant attention in the country as it holds the place as the third largest export earner in the economy, after remittances, and textiles and garments. It is inevitably true that the tourism industry has ripple effects in the economy, as around 5% of the total employment is directly accounted by the tourism sector and nearly 10% of the employment of the country has induced effects of tourism industry. With a LKR 1,518.8 billion of total contribution to GDP in 2017 and with a 2.3 million international visitor arrivals in 2018, Sri Lanka is heading to a target of 2.5 million arrivals by the end of 2019 (approximately 1.4 million as at 30th September 2019).

The Sri Lanka Tourism Development Authority (SLTDA) alongside with the Ministry of Tourism and Christian Religious Affairs guide the industry with the vision of “being recognized as the world’s finest island for memorable, authentic and diverse experiences” and targets for a transformation with improved quality and standards. It is desired to be identified as a high-value destination offering extraordinary experiences that reflect Sri Lanka’s natural and cultural heritage, socially inclusive and environmentally responsible, and provide economic benefits to communities and the country.

Are we really doing fine?

Though for general public it seems more likely that Sri Lankan tourism industry is doing good, but it is a hard fact to cite that Sri Lanka has been lagging behind with the pace of improvement with compared to its regional peers and main competitors. Even Sri Lanka could only secure the 77th global position in the Travel and Tourism Competitiveness Index in 2019 by

World Economic Forum, where Sri Lanka recorded the only decrement in the South Asia compared to 2017 by 13 positions. While India ranked 34th globally and has been identified with a significant improvement of six positions. Further, the regional competitors like Singapore (rank - 17th), Malaysia (29th), Thailand (31st), Indonesia (40th) and even Vietnam (63rd) have ranked well ahead of Sri Lanka with improvements from 2017 to 2019 depicting how Sri Lankan Travel and Tourism Industry has failed to compete in the global tourism arena (except Singapore which has dropped 4 rankings). It is understood that the country should be much concerned with the development of the tourism industry as a whole in compared with the regional competitors while referring to the success stories in the global context.

Yet the SLTDA has set high optimistic targets for 2020 and is expected that tourism would earn US 7 billion and to increase daily visitor spending per visitor to US\$ 210 by 2020. These targets have been a mere Christmas wish list when we dig deep into the current statistics of the industry and when looking at the major strategies implemented by the SLTDA and other responsible reputed government ministries and institutes.

It is more likely that this set target of US\$ 7 billion tourism receipts in 2020 can only be achieved with a congruent strategy of increasing per day visitor expenditure, nights spent in the country and tourist arrivals to the country.

### Where have we gone wrong?

Even being ranked among top destinations to visit by numerous global recognized websites and even with thousands of reviews by the travel vloggers and

**Table 1: Earnings of the Tourists Income in Sri Lanka, 2013-2020**

Description	2013	2014	2015	2016	2017	2020*
Tourism Receipts (US\$ Mn)	1,716	2,431	2,980	3,518	3,924	7,000
Per Day Visitor Expenditure (US\$)	156.6	160.8	164.2	168.2	170.1	210
Source: WTTC Impact Report 2018, SLTDA Sri Lanka Tourism Strategic Plan 2017-2020						

bloggers, Sri Lanka tourism is not moving forward with the pace of the global market. This concrete the doubt, that there is something which has gone significantly wrong. Is it because the country lacks natural scenic beauty or is there something to do with the administration and operational aspect of the industry?

With the recent traumatic Easter Sunday attack (21.04.2019), most general public in the country made it as the mere excuse for the drawback we see today in the tourism industry. Though a significant impact was made with that tragic incident, it is unfair to critique it as the main cause for this situation. The statistics until 2018 and the TCI rank depict where we stand and the fact that we are too far behind the competitiveness in the global market and will deny the fact that this is all because of Easter Sunday attack.

Other than one of the unexpected incidents, Sri Lankan tourism industry lags behind due to its own failures associated with the tourism service providers and government policy makers. No one can blame the other as they being the main parties, are liable for this under performances and inefficiency we see in the industry. Also it is difficult to clear cut the doubt of whether the vision and strategies of the SLTDA have not being communicated properly to other stakeholders in the industry or that the well communicated vision and goals are not being considered significantly by the tourism service providers and other stakeholders in the industry.

However, the lack of congruency towards one goal and a vision as an industry has been the main reason behind this slow paced improvement of tourism industry, which has increased a vulnerability within the industry.

What can we do to tap the untapped potential in the tourism industry in Sri Lanka?

## Role of the Policy Maker

*Visitor Understanding* - It is a must that the SLTDA and other reputed institutes should be engaged with comprehensive and extensive research to identify and understand the visitor. As visitor being the key

for success, they should be understood on what are and what not expected by the international visitors who travel Sri Lanka. Currently a KIOSK self-survey and a pre-set questionnaire is filled at the departure terminal of the Bandaranaike International Airport by the SLTDA, which capture only very limited number of visitors in compared to the total arrivals. As more than 50% of the international tourists visit Sri Lanka with the influence of review of recommendations by friends and relatives and by the influence of the internet, it is a must that we deliver a memorable experience to each one of them. As a best case practice, Thailand is trying to use AI technology and big data in analyzing the visitor behaviors with their novel establishment of Tourism Intelligent Centers.

*Market Development and Promotion* - Currently Sri Lanka is relying majorly on the visit of Chinese and Indian tourists (nearly 30%). As Sri Lanka is primarily visited because of its sun and beaches and natural scenic beauty, it is safe sound to attract more tourists from Middle East, Western Europe and America so that we have a diversified portfolio in the market. Also they should be taken into consideration about alternative markets so as to tackle the off season in the tourism calendar (Malaysia and South Korea). Also it would be much appropriate if we can narrow down it to a very specific target market when it comes to marketing and promotional work. As an example, Singapore is targeting more on the working millennials and families with young kids so their product development and marketing is done in align with their target audience. Also many of the industry experts suggest that the Sri Lanka should be branded with much powerful tagline when in compared to other nations by highlighting our uniqueness, authenticity and diversified culture rather than mere saying 'So Sri Lanka' (Amazing Thailand, Wonderful Indonesia etc).

*Product Development and Diversification* - This strategy could be highly useful in order to address the facets of increasing per day visitor expenditure and their length of stay.

*Development and Diversification of Recreational Facilities* - As studies say that the modern day tourists



expect an experiential tourist experience, it is a should go that Sri Lanka too introduce and develop such destination attractions rather than the mere showcasing and selling what the nature has gifted us.

As an example, though the countries like Singapore and Hong Kong lack natural scenic beauty, they attract millions of tourists every year all because of the well-developed and diversified tourism products. Universal Studios in Sentosa and Disneyland have been among the top tourist attractions which generate thousands of foreign revenue to those countries. Also, Thailand and Vietnam have been leading threats to Sri Lankan tourism as they show case the countries' natural beauty in a much experiential manner than what we deliver here.

*Development of Information Facilities* – It is a fact that the international tourists are being often misled or exploited by the locals and other tourism service providers due to dissemination of wrong information. It is a must that policy makers should be concerned to provide righteous information to them and to standardized the tour guide service of the country. As an example, Thailand is to develop 76 Tourist Assistant Centers around major tourist attractions of the country.

*Supportive Infrastructure Development of the Country* – This has been one of the critical aspects when determining the overall experience of an international visitor. As an example, the public transport system, traffic congestion and the pollution have been factors which trigger a dissatisfying experience for the tourists. Not only that, the policy makers should develop strategies to develop the tourism industry in the country, but that they should possess and create strategies to develop the entire inclusive economic system which would create a haze free surrounding

with a much decent living standard of the community.

## Role of the Tourism Service Providers

*Sticking to the Basics* – All the stakeholders and service providers of the tourism industry should be keen and to be mindful enough to provide a satisfying and a memorable experience to all the visitors who visit Sri Lanka. They should deliver a high quality service with much hospitality. Also as most of the tourists complain about the exploitation and discrimination they face by the service providers (especially by tuk tuk drivers and tour guides), it is a must that they should treat them with equity and courtesy. Also it is undoubtedly true that the development of the tourism industry is highly dependent upon the righteous attitudes and perceptions of the tourism service providers of the country.

Sri Lanka tourism industry and our unique destination attractions has got lot more to offer and have the potential to generate more foreign revenue to the country. But these goals are not things which can solely be achieved by the SLTDA and it is a must that every corner of the country should feel that tourism industry as the next level gateway to the world as no sooner that the Sri Lankan textile and garment industry would lose its competitiveness to the Africans. If the entire country could get along with one vision and strategy, it is not too far that Sri Lanka would be branded as a world's top high-end tourist destination which would eventually benefitted for every economic layer of the pyramid of the country.



Written by;

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## Experience of Undergraduates

I am Virgin Fernando, a fourth year undergraduate of the Department of Business Economics. Currently I am employed at Reckitt Benckiser (Lanka) Ltd as a Marketing Intern. As per my opinion as an intern, our degree curriculum has been useful in many instances throughout the time of eight months on my internship. Reckitt Benckiser is a Multinational Company in the FMCG category with many renowned brands in Sri Lanka such as Dettol, Harpic, Lysol, Strepsils, Durex. Digesting knowledge through rich modules of our department has given me the chance to understand the company tasks and objectives well. Having said that RB is a multinational company with dynamic business, the degree program is indeed supportive to adapt to that vibrant business culture.

Economic situations, predictions and analyzing all together are very much needed to become a mindful employee within the working place. All of these are being covered by the subjects I have been studying and reading throughout my degree program.

Reckitt Benckiser is a place where employees are considered as entrepreneurs. In such a free working atmosphere I have got many opportunities to practice the theoretical knowledge I acquired from the Business Economics degree program. Henceforth in upcoming months I will be representing my company in an international youth summit "One Young World" which gives me even more opportunities and exposure beyond boundaries.



Written by;

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## 1<sup>st</sup> SLFJBE Economic Summit 2019 organized by the Sri Lanka Forum of Junior Business Economists

The third year undergraduates of the Department of Business Economics on behalf of the Sri Lanka Forum of Junior Business Economists (SLFJBE) have organized, the 1st SLFJBE Economic Summit 2019 themed “Strengthening External Sector to Achieve 7% Growth” on 15th August, 2019 at the Centre for Banking Studies (Central Bank of Sri Lanka), Rajagiriya. As a main event of this summit, an industry forum was scheduled to be held on the same day at 4.00 p.m. onwards under the theme “Strategic Partnership: A Way Forward to Win Global Markets”.

The purpose of organizing this industry forum is to provide a platform for a fruitful discussion on the types of strategic partnerships needed to accelerate the economic growth through exports, the means to attract them, the contemporary issues in entering into strategic partnerships and available solutions for them. We open this opportunity for both policy makers and the industry to contribute to this discussion.

Sri Lanka was the first South Asian country to embark on trade liberalization as early as 1978, but Import Substitution Industrial (ISI) policies were implemented prior to 1977 with the expectation of rapid development of the country through striving exports and reducing imports. However, in accordance with the statistics, expected results on exports and imports have become irregular during the last few decades as imports have continued to grow at a faster rate than exports, and trade balance has always shown a deficit. As per the Central Bank Annual Report, in 2018, the deficit in the trade account was US \$ 10.3 billion up from US \$ 9.6 billion in the previous year.

Further, growth of a country is driven by the ongoing liberalization of Foreign Direct Investment (FDI). Though prior to external sector liberalization in 1978, Sri Lanka had some limitations for FDI, with

the market oriented economic policy accepted, the government offered an attractive package of fiscal incentives to create an investment friendly economic climate. In this context, we could observe an increasing trend in FDI over the past years. Although it has increased, it remains difficult to increase the value when compared to other economies.

“The Story of Viet Nam’s Economic Miracle” written by Peter Vanham says that at the time the Vietnam War ended in 1975, Vietnam’s economy was one of the poorest in the world. But within the last few decades its economy has been drastically changing and now it has become an emerging market in the East Asia. Export expansion has been a key focus of the post-war reform process in Vietnam. In 1995, the exports of Vietnam were greater than that of Sri Lanka by US \$ 2.166 billion and that gap has expanded up to US \$ 213.395 billion in 2018 (see Figure 01). The empirical results demonstrate that FDI is one of the key factors accelerating the rapid export growth of Vietnam. As depicted in Figure 02, they have recorded US \$ 14.1 billion FDI in 2017 while Sri Lanka has recorded only US \$ 1.375 billion. When considering about the gap in FDI, it was US \$ 12.725 billion in 2017, but it was only US \$ 1.724 billion in 1995.

Figure 01:

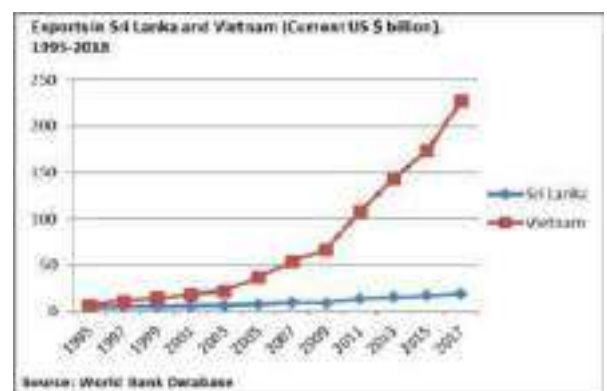


Figure 02:

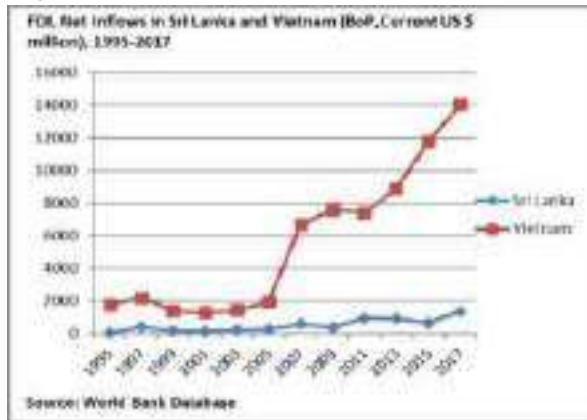
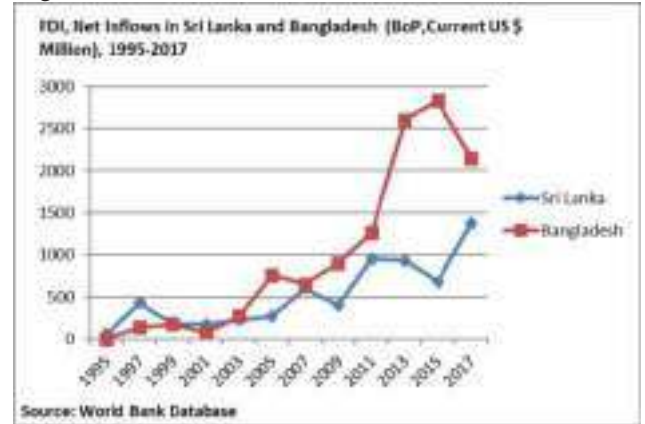
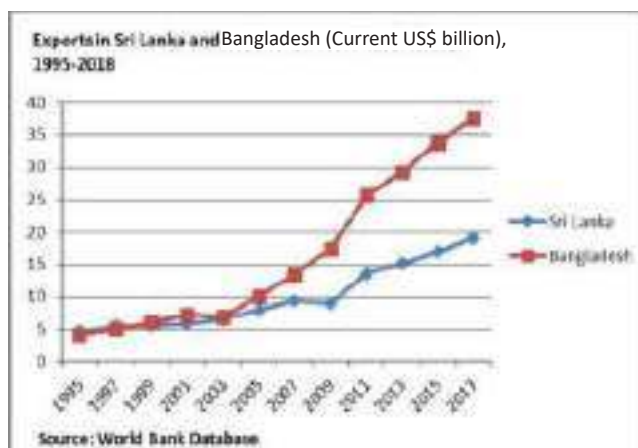


Figure 04:



In the context of Bangladesh which was far behind us in 1990s, has experienced an extraordinary evolution in their economy in the recent past years. As they mentioned in their Economic Review 2019 (Published by the Ministry of Finance) their trade deficit has reduced due to the high growth in export earnings and the reduction in the import expense rate. Progressive trade liberalization and domestic deregulation policies were implemented by them to achieve their economic growth and they facilitated the export oriented industries which were moving away from the traditional jute products to new manufactured products such as readymade garments. In 1995, our exports were greater than their exports by US \$ 0.516 billion, but in 2018, their exports were greater than ours by US \$ 20.302 billion (see Figure 03). Same situation can be observed in relation to FDI As far as I am concerned, this is the high time

Figure 03:



to analyze these observations and find the solutions for them. First of all, we have to study their success stories and find out the key factors of their success.

Strategic partnerships are a major factor they highlight which they executed to boost their economy. Different scholars have studied many facets of strategic partnerships using different terminology such as strategic alliances, symbiotic marketing, business alliances, strategic networks, inter-organizational linkages, inter-firm cooperation, collaborative agreements, quasi-integration strategies, cooperative strategies, coalition strategies, collective strategies etc. According to the definition which was made by Professor Ranjay Gulati, a strategic alliance is a purposive relationship between two or more independent firms that involves the exchange, sharing or codevelopment of resources or capabilities to achieve mutually relevant benefits. As per several research articles, we can identify two categories of strategic partnerships, i.e., strategic equity partnerships and strategic non-equity partnerships. As per Margherita Russo, equity alliances are characterized by a high level of interdependence and integration, where partners share the long term risks and benefits with each other. Further, she explained international joint ventures as equity alliances and under non-equity alliances she mentioned R&D Partnerships, Supply-Chain Partnership, Co-production, Cooperative Marketing, Outsourcing, Franchising and Licensing.

In the last few decades, we could witness a number of examples for these types of partnerships. For



instance, Vietnam has reaped the benefits from strategic partnerships with a large number of world famous companies such as Samsung (Research and Development Centre), Toyota, Coca-Cola, LG, Lotte, Panasonic, Canon, Honda, Banyan Tree, etc. Annually those companies invest in billions in Vietnam. As they recorded one of the top Korean groups in the energy, telecommunications, hi-tech components, logistics, and services sector, SK Group has invested US \$ 470 million in Masan group one of the largest companies in Vietnam in terms of market capitalization. According to my analysis, a huge number of strategic partnerships is executed in Bangladesh as well. As an example, A.K. Khan and Company in Bangladesh has built up several partnerships; one is with CEAT India to build a new tyre factory in Bangladesh, other one is with Coats (UK) the worlds' largest thread manufacturer as a strategic supply chain partnership to strengthen their apparel business and with PENFABRIC, Malaysia also. In addition to that we can find more examples for their strategic partnerships.

Why do we need strategic partnerships? As mentioned in the "Strategic Partnerships and the World Economy" written by Lynn Krieger Mytelka, partnerships help firms in reduction of transaction costs, in a context of market imperfections and enhancement of the ability to appropriate rents from tangible and intangible assets. Nevertheless, because of existing factors such as increased risks, higher financial and managerial costs or the restrictions in national policies that rendered the wholly owned subsidiary impracticability or undesirability, the partnerships has risen in all sectors of the economy. Under the current global economic environment, driven by knowledge, these partnerships provide opportunities for knowledge generation and sharing all over the world. Further, it makes an easy path

for resource mobilization. Consequently, these partnerships can be considered as a source of competitive advantage.

Then what about our story? We have some partnerships such as Camso Loadstar which was awarded as the world's number one producer of solid tyres at a top level investor forum held in Davos, Switzerland on the sidelines of the World Economic Forum in 2016, but the number of examples is very limited. We have the legal framework which proves the trade and external sector liberalization which consists of Board of Investment Law (BOI Law), Exchange Control Laws applicable for foreign investments, Strategic Development Act No. 14 of 2008, Land (Restrictions on Alienation) Act No. 38 of 2014 and its amendments, Sri Lanka Sustainable Development Act No. 19 of 2017, Inland Revenue Act No. 24 of 2017, etc. Though we have that legal protection, resources and human capital, Lafargi Holcim and Shell Gas and Singer withdrew their investments from Sri Lanka. Further, there is a lack of new strategic partnerships in Sri Lanka. What types of strategic partnerships we need to uplift our economy? Are there any contemporary issues? What are the available solutions? These questions are now opened to the discussion. We invited Dr. P. Nandalal Weerasinghe (Senior Deputy Governor- Central Bank of Sri Lanka) to acquaint the audience about available and planned policies to strive strategic partnerships and Mr. Dian Gomes (Chairman-Hela Clothing), Dr. Ravi Liyanage (Chief Executive Officer-Raigam Group), and Dr. Harsha Subasinghe (Founder and CEO- CodGen International) to apprise their success stories as panelists of this forum.



Written by;

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# Is Manufacturing Sector a Victim of Banking Sector Stability and Fiscal Dominance in Sri Lanka?

## Financial Crisis in Sri Lanka

Financial crisis is a rapid decline in the value of a country's financial assets in a very short period of time. Consumers and corporations are unable to pay off their debts and financial institutions are experiencing a huge liquidity shortage when a country faces a financial crisis. The following three types of financial crises appear to be occurring in the world in spite of many potential financial crises.

### 1. Banking Crisis:

A severe liquidity shortage in the banking sector can be identified as the banking crisis as the banking sector is unable to meet its financial liabilities.

### 2. Currency Crisis:

The persistent depreciation of the domestic currency of a country and consequently the other serious problems of the Balance of Payment can be identified as the currency crisis.

### 3. Sovereign Debt Crisis:

A sovereign debt crisis can be identified as the inability of a government to pay its debt service payments.

The main reason for the financial crises in many countries is the existence of a banking crisis. There is a possibility of a currency crisis and a sovereign crisis in Sri Lanka, but we are not too late to remedy this situation. A comparison of these three financial crises shows that Sri Lanka's chances of a banking crisis are minimized. In other words, we can be happy about the banking stability in Sri Lanka. Banking stability in Sri Lanka has been established mainly due to the following reasons.

1. Rigid regulated framework of the Central Bank of Sri Lanka

2. Limitations of commercial and other banks' lending

3. Higher profit margin of banks

Except for a few instances, the regulatory framework adopted by the Central Bank of Sri Lanka for regulating banks has been very successful in the context of banking stability. But we need to think whether this regulatory framework has contributed more to the banking stability or country's development.

There is a clear difference between commercial bank lending in Sri Lanka and lending of commercial banks overseas. In many foreign countries, there are much more chances of issuing loans based on quality of business proposals rather than on the assets of the borrowers. But when it comes to lending by banks in Sri Lanka, the banks seem to be making decisions on many securities, such as deeds, fixed deposits, etc.

Another special feature of the banking sector in Sri Lanka is its higher profit margin compared to many foreign countries. The followings are some of the reasons why Sri Lanka's commercial banks maintain a higher profit margin.

1. Maintenance of a large gap between deposit rate and lending rate

2. Maintenance of a large gap between selling and buying rate in foreign currency transfers

3. Maintenance of a large commission even in foreign currency transfers

4. Separate charges for transactions through credit card machines

5. Link the floating interest rate to the market interest rate, and fixed interest rate to fixed deposit interest rate



6. Many additional administrative costs associated with lending such as lawyer charges imposed on borrowers

In view of the above, regulatory framework of the Central Bank of Sri Lanka focused on financial stability, restrictions on lending by banks and maintain higher profit margins by banks are unlikely to cause a banking crisis. But can we happy with this situation? We cannot rejoice in this situation because this mechanism disrupts the economic development process by greatly increasing production cost and discouraging entrepreneurs. Therefore, we must admit that Sri Lanka's economic development has been sacrificed to some extent for the unnecessary stability of the banking sector.

## Is Fiscal Dominance in Sri Lanka Favorable for Economic Development?

Reducing budget deficit by creasing government revenue and rationalizing public expenditure is currently recognized as a successful fiscal policy. But the government must ensure that the fiscal stability is achieved without any adverse impact on the manufacturing sector. To summarize the nature of the tax policy affecting on manufacturing sector, implemented by the government to reduce the budget deficit of Sri Lanka can be summarized as follows.

- |  |       |
|--|-------|
| 1. Nation Building Tax                   | = 2%  |
| 2. Value Added Tax                       | = 15% |
| 3. Port and Airport Levy                 | = 5%  |
| 4. Import Tariff on Certain row material | = 20% |
| 5. Financial VAT                         | = 15% |

In addition to the above taxes, there are other types of taxes that affect the manufacturing sector, such as stamp duty, taxes on interest income, etc. Considering the past few years, Sri Lanka's tax revenue have almost doubled. But Sri Lanka's tax revenues have increased not by increasing production but by increasing production cost. It can be concluded that the current tax system is responsible for increasing roughly 80 percent of the cost of manufacturing sector in Sri Lanka. Therefore, we must again admit that Sri Lanka's economic development has been sacrificed to some extent for achieving fiscal stability.

## Conclusion

The banking sector is working for banking stability and government is working for fiscal stability in Sri Lanka. But without a steady growth in the manufacturing sector, is stability of banking sector and fiscal sector sustainable? It can be concluded that the banking stability and fiscal dominance have contributed roughly to the 100 percent increase in the cost of production in Sri Lanka. Achieving banking stability and fiscal stability is very important for any country. But it is not appropriate to make the manufacturing sector a victim of banking stability and fiscal stability.



Written by;

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# The Demand for International Reserves

International Reserves (also called foreign exchange reserves; simply reserves) are important financial resources for an economy as it has prominent implications on external and internal balances of a country. Therefore, this is an important national asset and a tool of the monetary and exchange rate policy which can be used by its central bank or monetary authority to make vital policy decisions in order to achieve macroeconomic objectives of a country. An important characteristic of international reserve is it can fulfill the country's foreign exchange demand when it can be made readily available. Also, this is used to indicate the economic strength of a country. In this context, central banks or monetary authorities used to accumulate reserves with different motives based on the nature of the economy, past situational factors and influences of the country. The existing literature assigned various objectives for a country to hold foreign reserves. Though the motives cannot be easily distinguished, these can be broadly categorized into two parts, i.e., precautionary and mercantile motives (Aizenman & Lee, 2005).

According to the International Monetary Fund (IMF), typically official foreign exchange reserves are held in support of a range of objectives including:

- Support and maintain confidence in the policies for monetary and exchange rate management including the capacity to intervene in support of the national or union currency;
  - Limit external vulnerability by maintaining foreign currency liquidity to absorb shocks during times of crisis or when access to borrowing is curtailed and in doing so;
  - Provide a level of confidence to markets that a country can meet its external obligations;
  - Assist the government in meeting its foreign exchange needs and external debt obligations; and maintain a reserve for national disasters or emergencies.
- Demonstrate the backing of domestic currency by external assets;

The economic backgrounds of the country would decide the priorities of those objectives and the determinants of international reserves and the empirical studies need to be conducted to find the answers to these questions.

There are several determinants of demand for international reserves and it differs from country to country and different time periods in the same country based on their motive of having reserves. There are five key factors that explain reserve holdings.

- **Economic Size** – Reserves are expected to rise with population and real GDP per capita, which are the measures of economic size. Economic size impacts to increase in international transactions.
- **Current Account Vulnerability** – Greater trade openness is associated with higher reserves because when the economy is more open, it is more vulnerable to external shocks. Therefore, larger the external shocks higher the reserve demand.
- **Capital Account Vulnerability** – Higher crisis vulnerability influences the demand for reserves as financial openness associated with higher crisis vulnerability. In addition to that, the greater the potential for resident-based capital flight from the domestic currency, the higher the level of reserves.
- **Exchange Rate Flexibility** – Greater flexibility reduces the demand for reserves, because central banks no longer needs a large stock of reserves to manage a pegged exchange rate. However, it is very much important to see the actual behavior of exchange rates as countries reserve requirement differs with their exchange rate system.



- **Opportunity Cost** – This is the difference between the yield on foreign reserves and the marginal productivity of an alternative investment (Edison, 2003).

There should be a scaling method to compare reserve holdings across countries and over time to identify specific characteristics and their changes. Based on the above factors, below three scaling methods are considered which influenced a country's level of reserve holdings;

- **Months of imports to reserves** – This ratio represents the number of months of imports a country can have to satisfy the current level of import requirement when all the foreign currency inflows and outflows stopped to a country.
- **Short-term external debt based on remaining maturity to reserves** – This ratio reflects the country's ability to service external debt falling due in the coming year if external financing conditions deteriorated sharply. This is an indicator of likelihood and depth of financial crisis.
- **Broad Money to reserves** – This ratio is an indicator of reserve adequacy in the event of a financial crisis, as it reflects the potential for resident-based capital flight from the domestic currency (Edison, 2003).

Whereas there are both costs and benefits of holding reserves. Cost of holding reserves is an opportunity cost and the benefit consists in the fact that the use of reserves enables the country to finance possible balance of payment deficit instead of having adjusted it (Gandolfo, 1995). Therefore, effective and efficient management of this resource lies with a country's central bank or its monetary authority. Heller (1966) stated that liquid international reserves held by the monetary authorities are part of the total capital resources of a country and these reserve assets could have been invested productively. According to the Kenen and Yudin (1965), if economists could measure the need for reserves, they might be able to agree on the right way to reform the international monetary system.

International reserves are vital resources for Sri Lanka's wellbeing. Without adequate reserves, a country like Sri Lanka could go to a halt in its economic activities as a country may be unable to pay for critical imports, such as crude oil or to service foreign currency debt. Like most of the countries, Sri Lanka holds its foreign reserves in designated foreign currencies and other approved foreign currency denominated financial assets. In Sri Lanka, both key motives of reserve accumulation (precautionary and mercantile motives) are important because the country can be defined as a net importing country and always remains in large trade deficit. Also with the recent financial crisis in 2008, Sri Lanka's international reserves declined to low levels due to reduction and outflow of foreign investments and drains of foreign exchange inflows. As a developing country, a favorable level of foreign reserves protect the country against unexpected shortages and costs associated with undesirable level of foreign reserves.

The Central Bank of Sri Lanka (CBSL) is the sole authority empowered by the law to manage the international reserves of the country. These reserves should be properly managed in order to facilitate the country to meet its foreign obligations and be invested prudently to generate income. The need for accumulation of international reserves by the CBSL is imperative to face uncertainty in global economic environment and also to pursue economic development and growth in a sustainable manner. International reserves are used to boost stability of the economy and to increase confidence among investors in financial market, since reserves are among the foremost indicators monitored by the international rating agencies.

Economic and price stability is one of the two prime objectives of the CBSL and most accepted the rationale for a public policy interest in the subject. The management of these reserves and the associated cost of holding are the major issues faced by the central bank. Since 1978, with the open economic policies international reserve is one of the crucial determinants of the Balance of Payment in Sri Lanka. They play a very significant role in the adjustment of exchange rate. Sri Lanka has a floating exchange rate

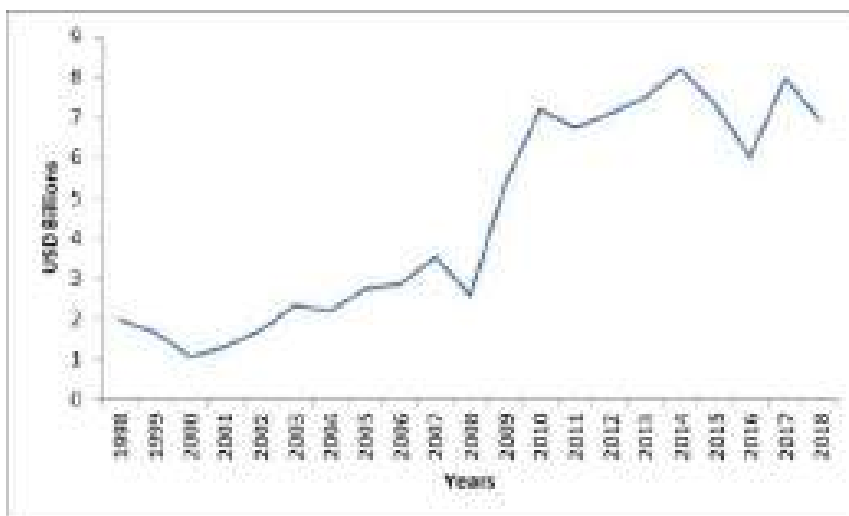
system since 2001 which allowed the independent adjustment of the exchange rate according to the market forces of demand and supply. However, there could be interventions in the market for the purpose of curbing excess volatility in the exchange rate and close monitoring of the activities in the domestic foreign exchange market to ensure an orderly functioning of the market.

On the other hand, financial markets stability is the next prime objective because financial system is probably more vulnerable to shocks and crises than other markets. This would prone instability of the whole financial system by making significant economic and social cost to the country. Strong

domestic financial system reduces vulnerability to external factors and safeguard against crises. Therefore, effective and efficient management of international reserves would contribute to achieve main two objectives of the central bank.

International reserves in Sri Lanka have surged to an unprecedented level after the end of the 30 years long conflict with the improved investor confidence and stable economic and political conditions of the country. These reserves should be properly managed in order to facilitate the country to meet its foreign obligations and be invested prudently to generate income. The maintenance of adequate reserves is also crucial to preserve the external value and the stability of the Sri Lankan currency.

Figure 01: Annual Gross Official Reserves Moments



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# **An Overview of Sri Lankan Tax System and Challenges faced in increasing Tax Revenue.**

Taxes are the major source of mobilizing internal resources of an economy. A compulsory financial charge or some other type of levy imposed upon the taxpayer by a governmental organization is identified as a tax. Taxation policies have been an important instrument for supplementing revenue in developing countries for which it is the main source of domestic income. The main purpose of imposing taxes can be identified as to raise resources to finance government expenditure which includes general consumption expenditure, expenditure on development-oriented services and expenditure on the provision of welfare services. Tax policies play an important role in attaining a proper allocation of resources, income distribution, and economic stability. The tax system further acts as one of the key determinants of macroeconomic indicators such as economic growth, inflation, public debt, and fiscal deficit. Out of the alternative ways of financing the budget deficit taxation is considered as the best source of financing budget deficits because of the economically harmful repercussions of other financing methods. Although money creation is popular in many developing countries as an easy method to finance deficits, it could result in hyperinflation situations. Similarly, borrowings from domestic and foreign sources to finance budget deficits could also result in debt problems and negative economic impacts. Therefore, increasing the revenue generated through taxation is extremely important to any economy including Sri Lanka.

Since independence, taxation serves as the major revenue generating source for the government while non-tax revenue accounts for a smaller proportion for total government revenue. The tax system of Sri Lanka comprises of two major categories of taxes as direct taxes and indirect taxes. Personal and corporate income taxes and Pay as You Earn (PAYE) tax are the major direct taxes while Value-Added Taxes (VAT), excise duties, Economic Service Charge (ESC), Nation Building Tax (NBT) and import duties are major indirect taxes contributing to tax

revenue. Sri Lankan tax system has experienced many changes in the recent past. Introduction of Value Added Tax (VAT) in place of Business Turnover Tax (BTT) and Debits tax in 2002, Economic Service Charge in 2004, Social Responsibility Levy and Share Transaction Levy in 2005 and Nation Building Tax in 2009 are some significant changes that took place in Sri Lankan tax system in recent past. In Sri Lanka, contribution of indirect taxes to total tax revenue has always remained high above the contribution of direct tax revenue over the last few decades. Eighty percent of tax revenue is raised through indirect taxes whereas direct taxes only accounts for twenty percent of tax revenue. By 2018 excise duties and VAT have collectively contributed for 50 percent of total fiscal revenue while the major direct tax, income tax has contributed only by 16 percent.

Sri Lanka which is categorized as an upper-middle-income earning country by 2019 is facing several challenges in mobilizing and increasing tax revenue. One of the key issues on taxation in Sri Lanka is the lower tax ratio (Tax revenue as a percentage of GDP). Significance of agriculture sector in Sri Lankan economy is one of the key reasons for the lower tax ratio. Over the period contribution from agriculture sector to national output has been declining gradually. In 1977 agriculture sector contributed for 31 percent of GDP while in 2018 it declined to 7 percent. Even the contribution of agriculture sector to total output declined the share of employment in agriculture shows only a marginal decline over the period from 36 percent in 1977 to 25.5 percent in 2018. Moreover, the large informal sector of the country which comprises of large number of micro and small level establishments that share a smaller proportion of wages from national income. As a result, the economy is less capable of depending on direct taxes to generate revenue. Hence, the economy has to depend on indirect taxes.

Exemption of necessities from taxes, abolishment of important revenue sources like export duties and lower import duty earnings resulting from various trade agreements decrease the revenue from indirect taxes and thus affect the lower tax ratio. Further, the lower tax ratio is also a result of drawbacks in the tax system of the country. Tax exemptions and concessions, higher exemption threshold for income taxes, complexity in tax legislation and weaknesses in administration also adversely effect on tax revenue resulting a lower tax ratio.

Increasing the share of tax revenue in GDP in Sri Lanka remains as a critical challenge for Sri Lanka. As decline in tax ratio is associated with the decrease

in indirect tax percentage in GDP increasing indirect taxes in short run is important to increase the tax ratio but in the long run policies must focused direct taxes to as the main revenue source. Simplifying the tax rates and the tax laws, broadening the tax bases, encouraging voluntary tax compliance, using modern technology to in tax collection and administration can be identified as some possibilities to improve the share of tax revenue in national income.

(References: Dr. K. Amirthahlingam - Importance and Issues of Taxation in Sri Lanka (2013), Dr. K. Amirthalingam - Indirect Taxation in Sri Lanka: The Development Challenge (2010), Annual Reports Central Bank of Sri Lanka (various years))



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# Why Should We Prioritize Sustainable Development Goals more than Millennium Development Goals?

For a greater period of time, development has been viewed from the perspective of upgrading the productive capacity of economies in order to improve the living standards of people. In contrast, the concept of sustainable development deals with a wider scope. It simply commits to achieve the development without tomorrow's expense. It is the development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs. However, United Nation's contribution towards formulating the conventional theoretical framework and the understanding of sustainable development should be notable. Its efforts include the conduction of series of international conferences and initiatives starting from the year 1972. Among them, the Millennium Summit conducted in 2000 and the Conference of United Nations held regarding the sustainable development, which is also known as Rio+20, in 2012 have opened the path to formulate the eight Millennium Development Goals (MDGs) and the 17 Sustainable Development Goals (SDGs) respectively.

When moving towards the former set, the MDGs are a group of eight goals along with 29 targets. They were basically concentrated regarding the elimination of poverty, which led to re-conceptualize the concept of development. No one has disapproved the importance embedded in this set of MDGs. However, it is noteworthy to identify the controversy recognized within these goals by scholars, different organizations and even by the civil society.

Accordingly, MDGs have focused only regarding a simplistic vision that directs on satisfying the basic needs of all human beings, instead of considering the causalities of the issue poverty, which is associated with current power relations and the present economies of neoliberal globalization, which focus on corporate profits over human rights. Moreover, they

have been criticized due to their poor compatibility with respect to the principles and standards of human rights, such as equality, non-discrimination, participation and due to the omissions relating to the concerns including women's reproductive health, economic growth, employment, governance and conflicts. Identified controversies further include the difficulties associated with its process of implementation, lack basis of quantitative targets with relevant to global partnership goals and non-formulated ambitions in their targets, even though the goals were able to publicized successfully. They have been further devalued due to the prevention of some critical contemporary challenges including inequality, unemployment, migration, climate changes, volatility in financial markets and lack of effectiveness in global institutions for managing globalization. Apart from the above, MDGs led to frustrate the diversified stakeholders by dominating international development discourses. Instead of an agenda, MDGs have merely represented a set of goals, basically regarding quantitative goals that were considered in the conference agendas in 1990s. Moreover, the targets were not integrated and detached with agendas, visions and current national and global policy debates.

When considering the status of the realization of MDGs with relevant to the Sri Lankan context, as a country it was able to made a sufficient progress with regard to the realization of majority of social indicators of MDGs. One of the first MDG's target of halving poverty level by 2015, has been successfully achieved seven years before the deadline. Further, the country was on track to realize most of the remaining targets by the year 2015 including realizing the universal primary education, halving the peoples' proportion who were not in a position to

gain a sustainable access to safe drinking water along with the required sanitation, eliminating disparities in gender with regard to all levels of education, reduction in maternal and child mortality. However, United Nations claims that Sri Lanka still needs to consider some critical issues which relate to setting the country's course after 2015. Even though most of the considered critical issues are developed based on MDGs, some of them tend to spread beyond the boundaries of them. The quality and the relevance in education, gender equality in employment, creating productive and decent employment, demographic changes, non-communicable diseases, governance issues, social issues, poverty and vulnerability are among them.

When moving towards the latter set, SDGs are a group of 17 "Global Goals" with 169 targets along with 244 indicators with their deadline forming to the year 2030. This new 2030 agenda for sustainable development directs all the nations, including both developing and developed, to eliminate all forms of poverty, to combat with inequalities and to manage climate change. And at the same time, it assists to ensure that no one in the world is left behind. As per the scholars, SDGs have the ability to serve as the guideposts for a difficult transition towards

sustainable development and they even possess the potential of being the guiding vision with regard to a shared and lifelong prosperity for all, including the government, corporates and the civil society. Besides each of these 17 goals are integrated in terms of which, each goal contains the social, economic and environmental aspects. And on the other hand, the recognition of SDGs differs from MDGs in terms of their essential informed, engaged and active citizen participation towards the implementation of them. And thereby, the community development acts as a contributory role regarding the implementation process of these goals. However, at the same time scholars have further identified that tracking SDGs would be a difficult task for low and middle-income countries.

Because of the embedded importance of SDGs, over 193 United Nation's member countries including Sri Lanka are devoted to achieve these goals by the deadline of year 2030. Therefore, it is the time for a collaborative work as responsible citizens of this nation to realize the new 2030 agenda for Sustainable Development.



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