

# 5<sup>th</sup> ANNUAL CONFERENCE ON BUSINESS ECONOMICS



# ACBE 2024

*aligned with*

20<sup>th</sup> International Conference on Business  
Management (ICBM) 2024

CONFERENCE PROCEEDINGS



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

28<sup>th</sup> February 2024



# **5<sup>th</sup> ANNUAL CONFERENCE ON BUSINESS ECONOMICS (ACBE) 2024**

## **CONFERENCE PROCEEDINGS**

**Research Center for Business Economics and Development  
Studies**

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

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# **5<sup>th</sup> ANNUAL CONFERENCE ON BUSINESS ECONOMICS 2024**

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**MESSAGE FROM THE VICE CHANCELLOR**  
**University of Sri Jayewardenepura**



It gives me great pleasure to extend my congratulations and best wishes to all participants of the Undergraduate Research Conference linked with the 20th International Conference on Business Management (ICBM 2024), hosted by the Faculty of Management Studies and Commerce (FMSC) at the University of Sri Jayewardenepura.

As an institution committed to the pursuit of knowledge and academic excellence, the University of Sri Jayewardenepura takes pride in providing a platform for undergraduate students to showcase their research endeavours.

Your participation in this conference not only demonstrates your dedication to academic inquiry but also highlights your potential as future leaders and innovators in the field of business management.

I would like to express my sincere gratitude to the Dean of the Faculty of Management Studies and Commerce, the Conference Co-Chairs, and the entire Organizing Committee for their hard work and dedication in organizing this event. Your efforts have provided a valuable opportunity for undergraduates to present their research findings, exchange ideas, and engage in meaningful discussions with peers and faculty members.

I offer my heartfelt congratulations to all the paper presenters of the Undergraduate Research Conference. Your enthusiasm, passion, and commitment to academic excellence are truly inspiring. I encourage you to continue pursuing your academic and professional goals with dedication and determination. Your contributions are a testament to your potential to make a positive impact in the field of business management and beyond.

Once again, congratulations to all participants, and I wish you a successful and enriching experience.

**Senior Professor M. M. Pathmalal**  
Vice-Chancellor  
University of Sri Jayewardenepura

**MESSAGE FROM THE DEAN**  
**Faculty of Management Studies and Commerce**



I am delighted to express my best wishes for the Undergraduate Research Conference held in conjunction with the 20th International Conference on Business Management (ICBM) 2024. As part of our ongoing efforts to foster a vibrant research culture within our faculty, we are proud to provide undergraduate students with the opportunity to engage in scholarly pursuits and share their research findings.

The Undergraduate Research Conference holds significant importance as the main research event of our faculty this year, running concurrently with the prestigious ICBM. We are pleased that we, as a faculty, have extended this invaluable opportunity to our undergraduate students.

For the students who have been selected to present their papers at the Undergraduate Research Conference, this marks a remarkable milestone in your academic journey. Congratulations on being chosen to represent our faculty in this capacity.

I extend my heartfelt gratitude to all the research supervisors, research coordinators, and academic staff from various departments who have worked tirelessly to support these students in their research endeavours.

To the participating students, I encourage you to leverage the experience gained from this conference and aspire for further academic pursuits, such as journal publications. May this event serve as a steppingstone towards developing an inquisitive and scholarly mindset as you progress in your academic journey. Once again, congratulations to all selected participants, and my best wishes for your continued success.

**Dr. Dushan Jayawickrama**  
Dean, Faculty of Management Studies and Commerce  
University of Sri Jayewardenepura

**MESSAGE FROM THE CO-CHAIRS**  
**International Conference on Business Management - ICBM 2024**



It brings us great pleasure to extend our warmest congratulations and sincere best wishes to all of you who are taking part in the Undergraduate Research Conference, in conjunction with the 20th International Conference on Business Management (ICBM 2024), hosted by the Faculty of Management Studies and Commerce at the University of Sri Jayewardenepura.

We extend our heartfelt appreciation to the Dean of the Faculty and the Vice-Chancellor of the university for their unwavering support and exemplary leadership, which have been instrumental in ensuring the success of this event. Additionally, we express our gratitude to the Undergraduate Research Conference Chairs from each department for their dedication and tireless efforts in bringing this event to fruition. Through your collective endeavours, you have provided an invaluable platform for undergraduate students to showcase their research endeavours and participate in enriching discussions.

To all the paper presenters at the Undergraduate Research Conference, we offer our heartfelt congratulations. Your enthusiasm and commitment to academic excellence are truly inspiring, and we commend you for your dedication to advancing knowledge in the field of business management. As you continue your academic journey, we encourage you to remain steadfast in your pursuit of excellence and innovation. Your contributions have the potential to make a significant impact in the world of business management and beyond.

Once again, congratulations to all participants, and we wish you a successful and enriching experience at the conference.

**Dr. Sandamali Galdolage and Dr. Shashikala Subhashini**

Co- Chairs, International Conference on Business Management - 2024

Faculty of Management Studies and Commerce

University of Sri Jayewardenepura

**MESSAGE FROM THE HEAD**  
**Department of Business Economics**



Department of Business Economics It is with great pleasure that I write this congratulatory message to the proceedings of the 5th Annual Conference on Business Economics (ACBE) 2024 organized by the Research Center for Business Economics and Development Studies of the Department of Business Economics, Faculty of Management Studies and Commerce, University of Sri Jayewardenepura.

"Leveraging Digital Transformation for Economic Recovery" is the theme selected after careful consideration for this year. ACBE aims at promoting and publishing research to disseminate knowledge regarding this particular theme to a broader community. Especially given the current context of our nation, I believe this theme would give rise to thought-provoking discussions.

Well-educated economists who can develop and implement accurate economic policies are needed more than ever to establish this environment. I look forward to multiple gains in the years ahead through these knowledge and experience sharing sessions. The students of our department are continuously directed toward research engagements, even during these difficult times and thus today we witness the fruits of those great efforts and commitment made towards research by the students as well as our academia as supervisors. Further, we will witness some of the research work of our postgraduate students who have excelled in their research studies within the last few years.

The conference also aims at enhancing links and strengthening the network between academia, practitioners, and policymakers. We live in a day and time when academically strong research is required to be linked to policy directives. ACBE seeks to provide a platform for academics, scholars, and policymakers to share their insights, discoveries, and innovations. Through the collective exploration of economic ideas and trends, we aim to contribute to the enrichment of economic thought and its practical applications.

I wish to convey my best wishes for the conference, to the authors, paper presenters, and other contributors, while appreciating and admiring the commitment of the Organizing Committee of ACBE 2024.

**Dr. P.J.S. Fernando**  
Head, Department of Business Economics  
Faculty of Management Studies and Commerce  
University of Sri Jayewardenepura

## **MESSAGE FROM THE CONFERENCE CHAIR**



It brings me great pleasure to convey this message to the Proceedings Book of the 5th Annual Conference on Business Economics (ACBE) 2024, hosted by the esteemed Department of Business Economics. Over two decades, our department has remained steadfast in its commitment to cultivating a robust research culture and forging meaningful partnerships with industries. As pioneers in business economics education in Sri Lanka, I am confident that this conference will mark another significant milestone in our department's scholarly journey.

Under the theme "Leveraging Digital Transformation for Economic Recovery," our aim is to share insights into the practical applications of digital tools in addressing pressing developmental challenges. We aspire to facilitate thought-provoking discussions, especially in light of the current economic conditions in our nation.

Moreover, this conference endeavours to strengthen the bonds between academia, industry practitioners, and policymakers. In today's complex and turbulent world, there is an undeniable urgency for academically rigorous research to guide policy decisions. As both the conference chair and editor, I am deeply honoured to witness the dedication and tireless efforts of our organising committee. I am optimistic that the dialogues and research findings presented at the conference will significantly contribute to the enrichment of our economic landscape.

I extend my heartfelt best wishes to all authors, paper presenters, and contributors participating in the 5th ACBE 2024.

**Mr. Dilan Rajapakshe**

Conference Chair

5<sup>th</sup> Annual Conference on Business Economics (ACBE) 2024

Department of Business Economics

Faculty of Management Studies and Commerce

University of Sri Jayewardenepura

.

## **Plenary Speaker**



**Mr. ByeongJo Kong**

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## Relationship between Tourism and Economic Growth in Sri Lanka: An ARDL Bound Test Approach

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### ABSTRACT

This study investigates the correlation between tourism and economic growth in Sri Lanka spanning from 1990 to 2021. The analysis incorporates annual data on gross domestic product (GDP) growth, tourism receipts, labour force participation rate, gross capital formation, and inflation, exploring both long-run and short-run dynamics. Tourism receipts, labour force participation rate, gross capital formation, and inflation was taken as the independent variables whereas GDP growth was taken as the dependent variable. The Autoregressive Distributed Lag (ARDL) model is employed to scrutinize the relationship, while the Augmented Dickey-Fuller (ADF) test ensures the stationary nature of time series variables, either at the level or first difference. For the long-run analysis, the Long-run Bounds Test is utilized to estimate relationships between variables, and the Error Correction Model (ECM) is employed to elucidate short-run dynamics. Diagnostic tests, including residual normality, heteroscedasticity, and serial correlation, are conducted, and the stability is verified through CUSUM and CUSUM of square Tests. The outcomes of the unit root tests revealing that all variables are stationary in their levels, except for labour force participation and gross capital formation. This justifies the use of the bounds test approach in our analysis. The bound test results indicate that the calculated F statistics 6.73 exceeded the upper bound critical value (4.37). It confirms that there is a long-term equilibrium among the considered variables. The long-run test statistics results indicate that the coefficient for tourism receipts, labour force participation rate and gross capital formation are positively impact on economic growth and statistically significant at 1 per cent level. The inflation has a negative impact on economic growth in Sri Lanka. In the short run, tourism shows no immediate link to economic growth, while labour force participation rate and cross capital formation demonstrate a positive and significant impact. Additionally, inflation has a positive but insignificant effect on economic growth in the short run. The short-run error correction coefficient is negative and significant at 1 per cent level confirming that the systems return to equilibrium at a rate of 97 per cent. Consequently, it is recommended that the government focuses on promoting the tourism sector, and policymakers in Sri Lanka should pay careful attention to both domestic and international tourism. Improving the infrastructure of various tourist attractions is crucial for fostering sustainable economic growth in the country.

**Keywords:** *Tourism, Economy Growth, Sri Lanka, ARDL Bound Test*

**Factors Affecting the Success of Women Entrepreneurs: Special Reference to Small & Medium Scale Enterprises in Sri Lanka**

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**ABSTRACT**

The economically inactive female population represents more than half of the total economically inactive population in Sri Lanka. Hence, encouraging women to be entrepreneurs would not only lead to job creation but also the entire economic development of the country. In most instances, entrepreneurship primarily starts as a micro or SME. Although many women have successfully started their businesses as SMEs, they often struggle to achieve success during the growth and maturity stages. However, prior scholarly works lack context-specific insights and experiences, particularly regarding the success of SMEs throughout the entire business cycle. Hence, it is crucial to identify the factors that affect the success of women entrepreneurs in different stages of their business including start-up, growth, and maturity. This study employed qualitative research methods, with primary data gathered from seven successful women entrepreneurs in SMEs across various industries through semi-structured, in-depth interviews. The sample for the study was selected based on a non-probability purposive sampling technique. Data gathered from the interviews were analysed using thematic analysis. The findings of this study revealed that family support and women's human capital are needed to succeed in the start-up stage while adopting a structured business plan and networking are crucial for success in the growth stage. Furthermore, to succeed in the maturity stage, consideration of innovation through research and development and adherence to fair trade practices and social impact initiatives is needed. The study's findings will be beneficial for academics and policymakers in both public and private sectors and women who desire to pursue their careers as women entrepreneurs in the future.

**Keywords:** *Growth, Maturity, Start-up, Success, SMEs, Women Entrepreneurs*

## The Impact of Bank Lending on Economic Growth in Sri Lanka

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### ABSTRACT

Bank lending is considered as a key to economic growth especially in developing countries as it helps to stimulate the economy. In Sri Lanka, the bank lending plays a pivotal role within the financial system. The bank lending has a long-term impact on different sectors of the gross domestic product and is vital for sustained economic growth. However, there has been a notable absence of comprehensive studies exploring the relationship between bank lending and economic growth within the Sri Lankan context. This research addresses this gap by examining the impact of bank lending on economic growth in Sri Lanka over a thirty-year period, from 1991 to 2021. The paper uses the recently developed autoregressive distributed lag (ARDL) bounds test for cointegration. Annual time series data on GDP per capita, bank lending rate, credit to private sector, credit to deposit ratio, trade openness, inflation labour force participation rate and cross capital formation have been used in this study.

The findings of the unit root results reveal that GDP per capita, bank lending rate, and inflation exhibit stationarity at the level, while all other variables display stationarity at the first difference. Since the stationarity property of the variables under consideration is a mixture of I(1) and I(0), the ARDL bound testing technique was deemed appropriate for estimation. The bounds-testing technique show that the F-statistics of the ARDL models is 17.86, which is higher than the critical value of the upper bound level at the 1 percent significance level. The results reveal that there exists a cointegration relationship among the variables. The results reveal that while bank lending, credit to private sector, trade openness, inflation and labour force participation have positive and significant impact on economic growth, credit to deposit ratio, and cross capital formation have a negative impact. The coefficient on the lagged error-correction term is significant at the 1 per cent level with the expected sign, which confirms the result of the bounds test for cointegration. The speed of adjustment takes a value of 1.28 with a negative sign indicating a faster convergence towards long-run equilibrium. The culmination of the findings suggests that, while the impact may vary based on specific bank lending indicators, there is an overall positive contribution of bank lending to the economic growth of Sri Lanka. Consequently, this research advocates for the formulation of policies aimed at fostering further development of bank lending.

**Keywords:** *Bank Lending, Economic Growth, Sri Lanka, ARDL Bound Test, Financial Sector Development*

## Impact of the Interest Rate on Savings: Analysing Key Determinants of Savings in Sri Lanka

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### ABSTRACT

This study examines the relationship between interest rate and savings in Sri Lanka over the period of 1990 – 2021 using annual time series data. It also examines the key determinants of Savings in Sri Lanka. Autoregressive Distributed Lag model and Error Correction model were employed using EViews statistical software to examine the short and long run relationships between dependent variable and independent variables. Gross domestic savings as a percentage of GDP was used as the dependent variable and interest rate, income, financial sector development, government fiscal policy intervention, and inflation were selected as broad independent variables. Average weighted deposit rate as the interest rate, GDP at constant prices as the income variable, banking density index and broad money to GDP ratio (financial deepening) as indicators of financial sector development, total government expenditure and transfer payments as government policy indicators and change in Colombo Consumer Price Index as the measure of inflation were selected to estimate the econometrics model. As a requirement for the ARDL model, the stationarity of the variables were checked through the unit root test before running the model. Banking density and transfer payments were dropped from the model due to non-stationarity and other variables were stationary at I(1) first difference. First objective of the study is to investigate the relationship between interest rate and savings in Sri Lanka. According to findings, there is a positive significant relationship between savings and interest rate in Sri Lanka, both in the short run and in the long run. Second objective of the study is to identify key determinants of Savings in Sri Lanka. According to the results of both short run and long run analyses, interest rate, government fiscal policy interventions, and inflation have a significant positive impact on savings in Sri Lanka. Impact of income and financial deepening were found as insignificant on savings in Sri Lanka. But these conclusions are made based only on limited explanatory variables included in the model. However, this study was able to fulfil research objectives and find an answer to the research problem while filling the research gap which was expected to be filled by the study.

**Keywords:** *Savings, Interest Rate, Determinant of Savings, Short Run Analysis, Long Run Analysis*

## **Examining the Technological Factors of Industry 4.0 Affecting the Optimization Procurement Process in the Apparel Industry of Sri Lanka.**

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### **ABSTRACT**

Industry 4.0 is transforming industries through technological innovations, leading to continuous improvement in the global economy. This study focuses on optimizing the procurement process in the Sri Lankan apparel industry, specifically focusing on the technological factors that contribute to Industry 4.0's impact on the country's economy. The purpose of the primary research is to conduct a comprehensive literature analysis that examines the fundamental technologies associated with Industry 4.0, including big data, the Internet of Things, artificial intelligence, cloud computing, web-based platforms, blockchain, automated vehicles, and mobile solutions technologies. Further expansion on the purpose, this study examines which technologies in Industry 4.0 make an impact on the optimization of the procurement process of the apparel industry of Sri Lanka from all the technologies in Industry 4.0 to improve the productivity of optimizing procurement process through the implementation of Industry 4.0. The literature review was done through the SLR process. The study's methodology is quantitative. The research design, the positive research philosophy is selected with a deductive approach. The research strategy is the survey. The research choice is the mono method, and this study was conducted via cross-sectional study. The research encompasses the whole population of manufacturers in the Sri Lankan apparel industry, which consists of 350 apparel manufacturers. A sample of 20 key manufacturers in the apparel industry in Sri Lanka has been chosen using judgmental methods. All the 300–350 different scale apparel Manufacturers consist of 850 procurement experts as the population according to the unit of analysis of individuals. Among them around 140 procurement experts consisting of the 20 key players listed in the Export Development Board and then the final responses of the survey of this study selected by simple random sampling method. Among all the identified eight technologies in Industry 4.0 in the Sri Lankan context, cloud computing, web-based platforms, IoT, automated vehicles, and mobile technology have an acceptable impact on procurement process optimization in the apparel industry of Sri Lanka. Findings make the influence of product and process innovations on Industry 4.0 and procurement process optimization, identifying the most important form of innovation. Research suggests that optimizing procurement processes is crucial for managing service providers, securing necessary infrastructure, and maintaining dependable and successful corporate operations in Industry 4.0. Industry 4.0 would benefit Sri Lanka's garment industry. Technology advancements in the clothing manufacturing industry will improve vertical and horizontal integration across all layers and partners in the value chain.

**Keywords:** *Digitalization, Industry 4.0, Optimization, Procurement process*

**The Expectation-Performance Gap in Employability Skills among Management Fresh Graduates: With Special Reference to Management Fresh Graduates of ABC University**

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**ABSTRACT**

This paper examines the expectation and performance gap of the employability skills among management fresh graduates from both the perspectives of employers and management fresh graduates. To get a clear and concise understanding of the research questions and support the objectives, a mixed-method approach has been used for data collection and analysis. Accordingly, in the quantitative data collection, 262 fresh management graduates of the Management Faculty of ABC University have responded to the survey questionnaire on their proficiency in communication skills, problem-solving skills, analytical thinking skills, team working skills, computer literacy skills and insights on the degree curriculum alignment towards employability skills development. Moreover, eight interviews were carried out with employers from small and medium enterprises and large enterprises to get insights from the employers' perspective. SPSS software has been used to do the quantitative analysis using factor analysis method and a thematic analysis has been carried out for the qualitative analysis. According to the findings from the employers' perspective, it has concluded that there is a moderate level of a gap between the performance of the management fresh graduates regarding employability skills when compared to the industry expectation. According to the quantitative findings of the study, most respondents have stated that they have faced difficult situations in their careers due to the lack of employability skills because, in job interviews a significant value has been given to employability skills. On the other hand, when compared to the insights given by the employers through the interviews, they believe that fresh management graduates are only equipped with the required level of computer literacy skills at the point of entering the job market. Therefore, it is evident that there are discrepancies in the performance of management fresh graduates regarding employability skills and expectations of the industry which will result in widening the expectation and performance gap of the employability skills among management fresh graduates. Suggestions have been provided for a better alignment of the degree curriculum towards employability skills development from employers' perspectives such as introducing merit-based skill development programs and encouraging industry-academic collaboration in preparation and review of the degree curriculum and continuous assessments.

**Keywords:** *Employability, Management Fresh Graduates, Employability Skills, Employers, Degree Curriculum Alignment, Gap*

## **Navigating Career Transition: An Analysis of the Willingness of Three Wheel Drivers with Reference to Colombo and Kalutara Districts, Sri Lanka**

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### **ABSTRACT**

Sri Lanka is experiencing a labour shortage in both skilled and semi-skilled level, but significant number of people are still underemployed as three-wheel drivers. There are many institutions such as National Apprentice and Industrial Training Authority (NAITA), Vocational Training Authority (VTA), that provide island wide vocational and industrial training programmes under a reasonable fee. However, people are reluctant to obtain vocational trainings that make them eligible for the demanded jobs and choose three-wheel industry as the easiest and the best option for their employment. Therefore, the main objective of this study is to identify the willingness of three wheel-drivers to have transition to a different career. Researcher has selected both quantitative and qualitative research methods to examine the willingness of three-wheel drivers.

The quantitative analysis was conducted based on the primary data collected through a structured questionnaire distributed in Colombo and Kalutara district. Probit regression model was applied to conduct the quantitative analysis using Stata 14.2 Software. Furthermore, thematic analysis was applied for the qualitative analysis to identify the reality of three-wheel industry with the research objective of examining the characteristics of three-wheel industry. According to the findings it represented that three-wheel drivers are earning a significant amount of income with compared to other self-employments. Further majority of the sample has studied up to GCE O/L and it can be identified as a constraint to enter the formal job market. As per the results of the study, 55.64% of the sample expressed their willingness to have a career transition and, the age, years of education, daily income, and the satisfaction of income have identified as significant factors that affect the probability of willingness to have transition in career. The age has shown a negative significant effect on the probability of willingness while years of education and daily income have shown a positive significant effect on the probability of willingness to have a transition. Moreover, researcher was able to identify the major factors that attracts individuals to the three-wheel industry and the existing dynamics of the industry through in-depth interviews followed by a thematic analysis. According to the results, higher earning potential, higher level of freedom and flexibility have been identified as the major attractions of the industry. Furthermore, respondents emphasized the necessity of proper governing authority and a well-defined pricing strategy for the betterment of three-wheel industry to benefits both passengers and drivers.

**Keywords:** *Career Freedom, Three-wheel drivers, Transition, Underemployment, Willingness*

## **Impact of Social Capital on Performance of Informal Sector Firms: An Empirical Study Based on Indian Firms' Data**

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### **ABSTRACT**

Informal sector business firms do not register under any state organization and operate independently. They play a significant role in contributing to the global economy especially in developing countries. Social capital refers to the human networks and relationships which people often maintain for their development. The study aimed to examine the impact of social capital on performance of informal sector business firms. The study further explores the mediating effects of Covid-19 pandemic and female ownership on the relationship between social capital and the performance of the informal sector business firms. The secondary data for the study was obtained from the World Bank Enterprise Survey (WBES). The dataset was selected from the Indian context as India is one of the leading countries in South Asia where informal sector firms have contributed significantly to the national economy. The performance of the firms was measured in terms of profit and total sales, whereas the social capital was measured using a self-developed quantitative scale by the authors. Multiple regression, instrumental variable regression and censored regression models were used in to estimate the impact of social capital on performance of the firms. The regression results show a robust strong positive relationship between the social capital and performance of informal sector business firms. The mediating effects of the global Covid-19 pandemic and female ownership on performance of informal sector firms were not significant. Results suggests that policies to create more social capital will contribute to higher level of informal sector firm performance in developing countries. Informal business owners need to focus more on building up relationships and networks with peers as it directly affected for the performance of the business.

**Keywords:** *Firm Performance, Informal Sector, Instrumental Variable Regression, Multiple Regression, Social Capital*

## **Analysing the Determinants Shaping Customer Behavioural Intentions toward Cryptocurrency Adoption in Sri Lanka**

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### **ABSTRACT**

The emergence of Bitcoin in 2009 marked a pivotal moment, generating widespread interest in the domain of cryptocurrencies as a decentralized alternative to traditional financial systems. Despite its innovative potential, questions surrounding the legitimacy and integrity of cryptocurrencies have cast doubts on their viability as financial instruments. The inherent volatility of Bitcoin has further contributed to public scepticism. This study concentrates on Sri Lanka, where the legal treatment of cryptocurrencies remains uncertain. It aims to provide valuable insights for key stakeholders, including central banks, merchants, and cryptocurrency exchanges, by examining consumers' inclination to use cryptocurrencies for transactions. This research, catering to potential cryptocurrency users, adopts the Unified Theory of Acceptance and Use of Technology (UTAUT) framework. The investigation uses performance expectations, effort expectations, social influence, and enabling factors as predictors of consumer behavioural intention concerning adopting cryptocurrencies in Sri Lanka. A quantitative approach was employed in this study, involving the collection of 385 responses through the distribution of questionnaires. Snowball sampling was employed in the participant selection process, resulting in an interconnected group of users. This sampling method facilitated the inclusion of individuals who are closely linked within the cryptocurrency user community. The researcher conducted simple linear regression and assessed the impact of the UTAUT framework factors on behavioural intention to use cryptocurrencies in the Sri Lankan context. The study findings reveal that performance expectations, effort expectations, social influence, and enabling factors exhibit a positive influence on the behavioural intention to use cryptocurrencies in Sri Lanka. Specifically, it was observed that effort expectations and facilitating conditions are the primary factors directly impacting behavioural intention in the Sri Lankan context. These results highlight the significance of perceived effort and the presence of favourable conditions as key drivers shaping individuals' intentions to adopt cryptocurrencies in Sri Lanka. Despite the substantial market share held by cryptocurrency in Sri Lanka, the legal system does not consider it as legal tender within the country ([CBSL, 2023](#)). The research findings underscore the importance of understanding the factors influencing the behavioural intention to use cryptocurrencies in the Sri Lankan context. Policymakers can leverage these insights to shift the existing policy landscape, considering the positive impact of performance expectations, effort expectations, social influence, and enabling factors on users' behavioural intentions. By focusing on these factors, policymakers can potentially reshape regulations to accommodate and support the adoption of cryptocurrencies in Sri Lanka's evolving financial landscape.

**Keywords:** *Behavioural intention, Bitcoin, Cryptocurrency, Decentralized, Speculative, Volatility*

## Impact of Sustainability Practices on Financial Performance in Tourism Sector in G8 Countries

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### ABSTRACT

Sustainability is the assessment and dissemination of both qualitative and quantitative information on a company's sustainability performance in relation to both its surroundings and the social context in which it works. Businesses should explain costs that come with committed environmental initiatives to stakeholders to boost their financial performance. There is an absence in the availability of sustainability reports from G8 travel agencies. Consequently, it is contended that the literature finds it challenging to pinpoint the connection between sustainable practices and financial outcomes. Furthermore, it is difficult to find actual data supporting the usage of the Z-score approach to explain how sustainable business practices affect financial performance. The key challenge comprises measuring the financial performance using the three sustainability methodologies by the Altman Z-score and this area is lacking in available resources which contains all these components evaluated for the G8 countries. Considering the sample size of 86 listed businesses from 2008 to 2021, the study intends to investigate using panel data regression to analyse the sustainability approaches on financial performance in the perspective of the G8 countries. By addressing the main aim of filling the empirical gap, Altman Z-score method and panel data regression were used to examine the financial performance of sustainability practices in G8 countries. The findings of the study conclude that the G8 countries' tourism sector financial performance is significantly impacted by all three sustainability practices including environmental, economic, and social. Key findings highlighted that there is a positive impact of environmental sustainability and economic sustainability on financial performance while social sustainability practices indicate the negative impact. As implications the study expected that findings will help tourism-related enterprises in figuring out how to continue operating for long term without going bankrupt and with consistent profit margins. Moreover, study helps tourist sector stakeholders to expand their understanding of financial investments, as well as their sustainability and well-being. By putting such systems in place, the company's management will be better able to make decisions that will ultimately boost the company's commercial value and turn it into a model citizen corporation.

**Keywords:** *Sustainability Practices, Financial Performance, Altman Z – Score Approach, Tourism Sector*

## Financial Development and Economic Growth in Sri Lanka

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### ABSTRACT

Economic growth is greatly influenced by development of financial sector in a country by increasing level of savings and attracting local and foreign investment. Generally, long-term growth is faster in countries with better developed financial systems compared to other countries which have backward financial system. The main objective of the study is to examine the impact of financial development on economic growth in Sri Lanka in short and long term. Financial development was measured by broad money supply, government external debt, total deposit, foreign investment and export, while changes in Gross Domestic Product was used to measure Economic growth of the country. Secondary data was collected for the period of thirty years from 1993 to 2022 and time series analysis was employed to test the hypothesis of the study. The Augmented Dicky Fuller test was carried out to test stationarity of the data. The results of the test indicate foreign investment and export have stationary at zero level, while GDP, money supply, government external debt, and deposit have stationary at first difference. Therefore, ARDL bound test and ECM were employed to determine the impact of financial development on economic growth in short and long term. The findings revealed that money supply and export have significant and positive impact on economic growth while total deposit have significant and negative impact on economic growth in long term. In addition to that all the selected variables have significant impact on economic growth in short term. The finding of the study suggested that the government of Sri Lanka should support local companies to expand their exports more in future by simplifying regulation relating to export and facilitating internal environment to produce more product to increase GDP as the result revealed positive relationship between export and economic growth in long term. Further, Government should enhance domestic environment by improving infrastructure facilities, facilitate access to credit and encourage the people to increase their investment in establishing new business instead of depositing in financial institutions to achieve stable economic growth in long term since the finding of the study expose negative relationship between deposit and economic growth. It will result in employment opportunities, less income disparity, lower expenses for import, efficient utilization of domestic resources, high per capita income, enhanced export income, reduction in debt obligations of a country.

**Keywords:** *Economic Growth, External Debt, Financial Development, Foreign Investment, Money Supply*

## Factors Influencing the Decision to Pursue Professional Accounting Qualifications: A Case of State University Graduates

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### ABSTRACT

The purpose of this study is to explore the factors influencing the interest of both State University management and non-management graduates in Sri Lanka to follow an Accounting Professional certification. A quantitative methodology was employed in this study in order to accomplish its research goal. The target population for this study was all the undergraduates and graduates in the state universities in Sri Lanka. In this study 312 graduates and undergraduates representing the University of Sri Jayewardenepura, University of Colombo, University of Kelaniya and University of Moratuwa have been used as the sample to collect data needed for the study. This research is conducted using questionnaire method where there were two sections to the survey instrument. The survey's first section contained information about the demographic characteristics of the participants. The factors that influence students' intentions to pursue professional accounting qualifications were examined in the second section of the questionnaire. A seven-point Likert scale, with 1 denoting strongly disagree and 7 denoting strongly agree, was used to evaluate these factors. Because the BPC model is the foundation for these metrics, they included items that spoke to the students' Beliefs, Preferences, and Constraints regarding obtaining an accounting professional certification. This section looked at a total of six different constructs: Capabilities, Cost, Constraints, Preferences, Socio-cultural factors, and Entrepreneurial facts. The University Grants Commission's 2019 Tracer Study is used as the main secondary data source for this study. The Cramer's V association, logistic regression model and Probit model were used in this study. As the data analysis tool, the researcher has used SPSS tool. As an overall of the management graduates' responses, Social-cultural factors had the highest average mean and for the non-management graduates' responses it was the variable, entrepreneurial facts. Capabilities and Academic stream of the respondents have a significant effect on the intention to pursue professional accounting certifications of State University undergraduates and graduates. It is evident from the data that university students majoring in management and commerce are more likely to be planning to pursue a professional accounting certificate. Therefore, encouraging management and commerce studies in the different universities at the undergraduate level is essential as part of a larger plan to boost Sri Lanka's professional accounting workforce. Students' confidence needs to be developed seriously to cultivate a "can do" mentality in them. Strong self-belief motivates students to pursue professional accounting qualifications, as the results show. State University students have the least preference for CMA among the professional accounting bodies. To promote student membership, CMA will need to step up its campaign specifically targeted at students.

**Keywords:** *Colombo District, Human Capital Theory, Logistic Regression, Management and Non-Management Graduates, Professional Accounting Qualifications, State Universities*

## Relationship between Non-Cash Payments and Economic Growth of Sri Lanka

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### ABSTRACT

The increasing adoption of cashless payments globally reflects the challenges associated with physical currency. Numerous Research highlight the positive impact of cashless payments on economic growth which shows the importance of cashless payments in an economy. This research focuses on identifying the relationship between cashless payments and the economic growth of Sri Lanka. The study measures the economic growth of the country using the real Gross Domestic Product (GDP) and the non-cash payments are measured by Real Time Gross Settlement System (RTGS), Cheque (CHE), Sri Lanka Interbank Payment Systems (SLIPS), Internet Banking (IB), Mobile Banking (MB), Credit Card (CC), Debit Card (DC) transactions. Data from 1<sup>st</sup> quarter of 2025 to the third quarter of 2022 are considered for the analysis and diagnostic tests of serial correlation, heteroskedasticity, and cumsum tests are carried out. Further, ADF and PP tests are carried out for unit root analysis. Finally, the Auto Regressive Distributed Lag (ARDL) model is used for the hypothesis testing. The test revealed that in the long run, RTGS and SLIPS have a significant positive relationship with economic growth. On the other hand, IB has a negative relationship with the growth of the economy. However, CHE, DC, CC, and MB do not have any significant relationship with the economic growth of the country. The short-term results indicate that RTGS, CHE, IB, and MB have a positive association with growth while SLIPS and DC have a negative relationship. Results further revealed that CC does not show any impact on economic growth. Overall, these relationships highlight the complex relationship between noncash payment systems and the economic growth of Sri Lanka and the importance of targeting policy interventions and infrastructure investments to maximize the benefits of digital financial services for inclusive and sustainable economic growth.

**Keywords:** *Cashless Payments, Economic Growth, Auto Regressive Distributed Lag (ARDL), Unit root Test, Cointegration, Error Correction Models*

## Impact of Excessive Public Sector Employment on Economic Growth: Evidence from Sri Lanka

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### ABSTRACT

When Sri Lanka gained independence in 1948, there were only an essential number of employees in the civil service. As the country gradually democratized and the country's politics started to become a native monopoly, there was a need to provide more jobs in the public service. Due to this, the number of people in public service exceeded the necessary amount. Therefore, the vast majority of public finance was consumed by the massive public sector employment. According to the DCS, the number of people getting services from public officials has reduced over time. Due to the fast growth of the public sector employment even outpaced the population growth of the country. Without population growth, doubling the number of public servants generates an additional burden on Sri Lanka's tax revenue. Considering the Sri Lankan context, the relationship between "economic growth" and "excessive public sector employment" compared to population growth has yet to be proven. This study aims to apply a statistical model introducing new measurement in order to fill such research gap. The main dependent variable is economic growth, and the main independent variable is excessive public sector employment. Control variables are gross domestic investment, inflation, trade openness, interest rate, and exchange rate; those are suggested by previous studies to illustrate the components of economic growth in the Harrod-Domar model. And private sector employment is considered as proxy variable. This research is mainly based on the annual "time series" secondary data during the periods of 1991 to 2021. The period of choice covers several changes in Sri Lankan public sector employment and generated a challengeable situation in GDP growth. Because the largest-ever recruiting in the public sector took place between 2020 and 2021. The secondary data was collected from CBSL reports and World Bank data. To measure the "short run" and "long run" relationship between dependent and independent variables, this study utilized the "Auto Regressive Distributed Lag" (ARDL) model. According to the ARDL test results, excessive public sector employment has a "negative and significant" relationship with economic growth. Therefore, the researcher can conclude that the major reason for this negative impact is expansion and strengthening non-productive employment in the public sector. Economic reforms and policy changes are suggested by this study, such as downsizing, introducing a "performance pay" scheme, privatization, enhancing migration opportunities, and educational reforms to address current issues because Sri Lanka's state sector is expensive and heavy to maintain and is exploding to a level beyond its control.

**Keywords:** *Excessive Employment, Economic Growth, Public Sector*

## **Analysing the Impact of Financial Sector Development on Economic Growth in Sri Lanka.**

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### **ABSTRACT**

This paper examines the impact of financial sector development on economic growth in Sri Lanka at a time when the financial development is crucial for the country. This study employs the quantitative research model by using the annual data from 1992 to 2022, covering a span of 30 years. As the proxy variable for economic growth the annual percentage growth rate of GDP has been employed. On the other hand, as the independent variables, this study includes the Credit to government, Stock market turnover ratio, Bank credit to bank deposits and Stock price volatility as variables for the financial development where the Credit to government and Bank credit to bank deposits represent the banking sector while other two represent the stock market. Further this study employed the Bank density and No of ATM as the proxies for the financial innovation and considered trade openness, investment, and inflation as the control variables. The Auto Regressive Distributed Lag (ARDL) model has been used as the fundamental tool for the analysis. The finding shows that there is significant impact of financial development on economic growth in Sri Lanka and more importantly the impact of the stock market more significant than the impact of the banking sector, where the impact of banking sector variables are significant only in the short run while the stock market turnover has a positive significant and stock market volatility has a negative significant impact on the economic growth in both short run and long run. Further the results show that even though there is positive impact of financial innovation on economic growth in the short run, the long run impact of financial innovation is not significant. Among the control variables, trade openness shows a positive significant impact while the inflation shows a negative significant impact to the economic growth in Sri Lanka during the long run.

**Keywords:** *Economic Growth, Financial Sector Development, Financial Innovation, Stock Market, Banking Sector*

## The Impact of Remittance on Economic Growth in Sri Lanka

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### ABSTRACT

The relationship between remittances and economic growth has captured the attention of economists and policymakers in recent years. In many developing countries, remittances serve as a significant and much-needed source of funds. In Sri Lanka, remittances play a vital role in enhancing the well-being of family members left behind and contributing to the country's economic growth. Given the substantial contribution of foreign remittances to the Sri Lankan economy, there is a growing interest in understanding their impact on economic growth. However, despite the increasing significance of remittances, their impact on economic growth has not been extensively explored, particularly in the Sri Lankan context, within the broader landscape of international financial inflows. The study explores the impact of personal remittances on the economic growth of Sri Lanka from 1980 to 2021. The Autoregressive Distributed Lag (ARDL) technique was employed to analyse both the long-term and short-term effects of personal remittances on the country's economic growth. A range of econometric techniques for time series analysis, including unit root, cointegration, and error correction mechanisms, were utilized to investigate the enduring and immediate associations between the dependent and independent variables. The study findings revealed a positive and statistically significant influence of personal remittances on long-term economic growth. However, no short-term causal relationship between the two variables was observed. Furthermore, the study identified that outward labour migration does not have a significant impact on economic growth in both the long and short run, additionally, it was confirmed that gross fixed capital formation significantly and positively contributes to economic growth in both temporal dimensions. Further, it was found that foreign direct investment has a negative but statistically insignificant impact on long-term economic growth. Moreover, the study underscored the critical role of gross fixed capital formation as a determinant of economic growth, emphasizing its significance in both the long and short run. The study's implications highlight the importance of effectively leveraging remittances to foster the economic growth of the country. The intention is to provide valuable insights to the government and policymakers, aiding them in formulating domestic policies for the management of migration from Sri Lanka and the strategic utilization of remittances for the nation's benefit.

**Keywords:** ARDL Bound Test, Economic Growth, Personal remittance, Sri Lanka

## **‘Rhetoric’ and ‘Reality’: a Multiple Case Study on Artificial Intelligence in Retail Sector in Sri Lanka**

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### **ABSTRACT**

Artificial Intelligence (AI) has emerged as a transformational force in today's rapidly changing business environment. The retail sector in Sri Lanka increasingly embracing AI technologies for the forthcoming adoption of AI technologies within the industry. Referring to evidence from companies that evolved in the retail sector of Sri Lanka, this research paper analyses the gap between AI's power of words (rhetoric) and real-world practicality (reality). By focusing on the perception of AI in the workplace, bridging theory and practice in AI implementation, dynamics of incorporating AI into organizational process, future directions and why the case study organizations moved with AI technologies in practice. Methodologically, this paper employs a qualitative basis as it investigates how individuals interpret in their own words and minds their practical life experiences of AI. From the discussions and observations, this research paper shows how AI technologies reduce manual labour force and increase efficiency in organizations, with a large data set instead of a human how these so-called AI bring results and how definitions of AI (rhetoric) vary from the real world scenarios (reality) in the case study organizations. As per the findings, there is a notable gap between the expectations set by the rhetoric of AI and the actual usage in the retail sector. The retail sector in Sri Lanka is still in the early stages of AI adoption and companies are not fully leveraging the technologies. This research paper further describes the rhetoric and reality insights of AI in case study organizations while extending the rhetoric institutionalism theory, how organizations develop specific rhetorical strategies when defining the organizational goals and how organizations strategically use symbols like (words and signs) to empower the ability of practicality in the organizations.

**Keywords:** *Artificial Intelligence, Digital Transformation, Institutional Practice, Reality, Retail Sector, Rhetoric*

## Impact of Demographic Transition on the Economic Growth in Sri Lanka

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### ABSTRACT

Demographic transition, a concept which is related to demography illustrates how a nation or region's birth and mortality rates change from high to low in terms of advancement in economic, educational, and technological fields. The impact of the demographic transition on economic growth can vary across countries depending on the education sector, healthcare sector, government policies, labour market conditions, and the ability to manage challenges and opportunities associated with the demographic transition of a particular country. In general, most of the developed countries with higher economic growth have lower Fertility Rates, Population Growth Rates, Infant and Child Mortality Rates, and higher Labor Force Participation Rates. In terms of economic growth, even though Sri Lanka is still a developing country for decades when we consider these demographic transition indicators, it can be observed that Sri Lanka is in a prominent position compared to other developing countries. In Sri Lanka, the demographic transition happened quite early compared to other low-income countries. Hence, this study is being conducted to find answers to the questions of how demographic transition affected the economic growth in Sri Lanka. And what is the relationship between demographic transition and economic growth in Sri Lanka?

To examine the impact of demographic transition on economic growth, a model was developed. That model indicates the relationship between the dependent variable and independent variables. According to this study, the dependent variable is the economic growth in Sri Lanka and the independent variable is demographic transition. To identify the relationship between demographic transition and economic growth, annual time series data of both dependent and independent variables covering the period from 1961 to 2022 from the Sri Lankan context was used. All the required data was retrieved from secondary data sources. A developed regression model that represents the relationship between the dependent variable and independent variables was run by using E Views data analysing software. For this research Growth Rate of Gross Domestic Production (GDPGR) is used to measure the economic growth rate. In this study, three variables were used to measure the impact of demographic transition. Those three variables Labor Force Participation Growth Rate (LFPGR), Infant Mortality Growth Rate (IMGR), and Fertility Growth Rate directly affect demographic transition. Regression analysis results indicate that the fertility growth rate is a significant determinant of the nation's economic growth. The GDP growth rate is significantly influenced by the infant mortality rate as well. Economic growth will be promoted by a decrease in mortality, according to the evidence. There will be more chances for economic growth as long as the nation's infant mortality rate declines.

**Keywords:** *Demographic Transition, Economic Growth, Fertility Growth Rate, Infant Mortality Growth Rate, Labour Force Participation Growth Rate*

## **Impact of the Migration of Sri Lankan Transnational Domestic Workers to Middle East on Educational Performance of Children Left Behind.**

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### **ABSTRACT**

Domestic labour migration has been particularly prevalent among women in Sri Lanka. They frequently leave their families behind to work as caretakers or domestic workers in abroad. A large majority of them migrate to Gulf counties such as South Arabi, Kuwait, U.A.E, Qatar, Oman, Bahrain. The majority of migrant labourers are married and have children. The migration of mothers affects the wellbeing of their children. In the absence of their parents, children may experience emotional distress and feelings. This emotional stress affects their overall well-being and may hinder their education. In this backdrop this study aimed to examine the impact of the migration of Sri Lankan female domestic workers to Middle East on educational performances of the children left behind. Study applied quantitative method approach in the analysis using the data collected from a survey carried out in Karadeniya Divisional Secretariat (DS) division in Galle district. Regression analysis and descriptive analysis are the main analytical methods of the study. The sample of this study included children between age 11-14 years. It was found that the mother's migration significantly affects education performances of the children left behind. Further, compared to being a girl make a positive impact on educational performances. Number of hours for self-study and number of hours for tuition also make a significantly positive impact on education performances of the children. Mother' education status, father's education status, whether the child lives with the father or guardian, number of family members, number of siblings of the child, age of the child and the number of hours spent on education were not significantly affect the education performances.

**Keywords:** *Children Left Behind, Domestic Labour Migration, Education Performance, International Migration, Middle East, Mother Support*

## Assessing the Impact of Service Quality Factors on Guest Satisfaction in Ayurvedic Hotels: A Case Study of Sri Lanka's Tourism Industry

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### ABSTRACT

The Ayurvedic tourism industry in Sri Lanka has witnessed significant growth in recent years, driven by a global interest in holistic well-being, and rich Ayurvedic traditions with healing practices. The study explores the influence of guest satisfaction on the success and sustainability of Ayurvedic hotels in Sri Lanka, using the SERVQUAL model. The research study identified several critical gaps in the understanding of service aspects of Ayurvedic tourism in Sri Lanka. The noticeable lack of comprehensive studies that delve into service quality and guest satisfaction of Ayurvedic tourism, despite its pivotal role in the country's wellness tourism industry. The study understands visitors' expectations of Ayurvedic tourism and its long-term effects on their health and well-being. The primary objective of this study is to expose the factors affecting guest satisfaction including tangibility, responsiveness, reliability, assurance, empathy, and responsiveness. Considering the methodology, the population of the study was Department of Ayurveda (DOA) registered Ayurvedic hotels, and resorts in Sri Lanka. A quantitative research design was used, and primary data were gathered through the close-ended questionnaire, collecting responses from both local and foreign guests. The current study analysed data from only 200 respondents using a random sampling method. Sample consists of the age range of 55 to 65 by 43% and, majority was from female guests, in European countries. Most respondents hold graduate-level education. A significant portion were retired individuals and they belonged to the income range exceeding of 8000\$. About 55% of the participants had prior ayurvedic experience. Major guests learned about the ayurvedic hotels through online reviews and booking platforms. Likert scale analysis showed high satisfaction in overall hotel experience and service quality. Guests expressed positivity, intending to revisit and recommend the hotel. The study establishes a direct link between service quality and guest satisfaction, with tangible and reliable factors in Ayurvedic hotels significantly influencing satisfaction in wellness tourism. This research opens doors for future studies and investigations in regions with similar Ayurvedic offerings, providing a foundation for exploring guest satisfaction in the diverse Ayurvedic tourism industry. The findings of this study can be used to provide practical recommendations such as collaborating with Ayurvedic experts, implementing training programs, maintaining cleanliness and ambiance, gathering guest feedback, and integrating technology for convenience that has the potential to enhance guest satisfaction and contribute to the long-term success of the Ayurvedic hotel industry in Sri Lanka.

**Keywords:** *Ayurvedic Hotels, Ayurvedic Tourism, Guest Satisfaction, Wellness Tourism*

## Enhancing Performance in the Organic Potato Value Chain in Sri Lanka

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### ABSTRACT

This study examines Sri Lanka's organic potato value chain, employing Porter's Value Chain Analysis and Network Theory. It aimed to conduct comprehensive analysis of the organic potato value chain, encompassing the material and information flow within the system, identify key actors within the organic potato value chain, with a particular emphasis on four prominent brands, identify value attributes of organic potatoes, and analyse critical control points within the organic potato value chain. Purposive sampling method was used for the selecting four organic potato brands, three farmers, one input supplier and one retailer from each brand. Totally 12 farmers, 4 input suppliers and 4 retailers were interviewed. Semi structured interviews were conducted for the data collection. Simple random sampling was used for the selecting 40 organic potato consumers and structured google form used for the data collection. Descriptive analysis techniques were employed to process and interpret the data collected from various sources. Furthermore, inferential analysis was selectively applied, primarily to the consumer survey data. The research uncovered disparities in input supplier practices, farmer cultivation methods, and retailer commitments to organic products. Mapping information and material flow highlights two-way communication, traceability, and continuous material flow as crucial areas for improvement. Unavailability of suitable organic potato seed varieties, arduous and time-consuming organic certification process, lower income in the conversion period, lack of proper training and extension services are the main performance issues that identified in the organic potato value chain. Consumer research underscored health and safety as primary purchase drivers, with limited local availability as a significant challenge. As well as the consumers' decisions to buy organic potatoes are motivated by factors beyond income or education, and neither gender nor age significantly impacting consumer's motivation for purchasing organic potato. Valued product characteristics were identified. Farmer was identified as the main critical control point in the organic potato value chain. Seed development collaboration, streamlined certification processes and effective trainings and extension services are some of recommendations. The main challenge of this study was identification of organic potato farmers as their number is very small in Sri Lanka. This study provided valuable insights into the Sri Lankan organic potato value chain, offering guidance to enhance its efficiency, accessibility, and sustainability.

**Keywords:** *Critical Control Points, Information Flow, Key Actors, Material Flow, Organic Potato, Value Chain*

## Resource Misallocation and Productivity Losses in Sri Lanka

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### ABSTRACT

Aggregate productivity can largely be determined by how production factors are allocated across heterogeneous firms. Although, the existing literature documents the contribution of misallocation in capital and labour to the aggregate Total Factor Productivity (TFP) losses, the studies on the relative roles of labour and capital misallocation affecting the productivity losses in a single economy are limited. Using annual firm-level survey data from the Annual Survey of Industries and a static model adopted by Hsieh and Klenow (2009), this paper contributes to the literature by estimating the cross-firm misallocation of labour relative to capital and their impact on aggregate productivity losses for Sri Lanka during 1994-2017. The results suggest that relative to the counterfactual efficient allocation of capital and labour, misallocation of both capital and labour has been rising and entails sizable negative impacts on TFP losses. The results show that the period average aggregate TFP gains from removing labour distortion is 57.6% and it is 2.4 times of the TFP gains from removing capital distortion, which is only 24%, and misallocation of labour has steeply been rising relative to capital misallocation. The results further suggest that firms can hardly grow bigger due to firm size-dependent capital and labour misallocation. Also, both capital and labour are more misallocated in firms that are located outside the Western province, non-textile oriented and unincorporated firms, relative to their counterfactual groups. However, in each category, labour is more misallocated relative to capital. The results specifically suggest that labour misallocation can be a binding constraint for business expansion preventing Sri Lanka from moving to a more productive economy. These findings thus facilitate policymakers to formulate appropriate resource reallocation policies and shed light on the link between resource misallocation and low productivity in other economies from Sri Lanka's perspective. Further, findings would pose the main economic challenge that countries may have to address when embarking on liberalization reforms, given the limited factor endowments within their specific economies.

**Keywords:** *Capital Misallocation, Firm-Level Distortion, Labour Misallocation, Sri Lanka, TFP*

## Unlocking Success Through the Competitive Edge of Vertical Integration: A Case Study of an Apparel Firm in Sri Lanka

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### ABSTRACT

The Sri Lankan apparel industry's competitiveness and long-term profitability are in risk due to its heavy reliance on foreign materials and the threat of new tax laws. This research looks at how Threads & Trends<sup>1</sup>, a prominent firm, why does the organization consider vertical integration as the key ingredient to boosting competitiveness and setting new business excellence standards and how has vertical integration's practical application contributed to the organization's competitive advantage and the adoption of vertical integration as a standard practice in its journey to business excellence. Drowning in a sea of import dependency and tax uncertainty, Sri Lanka's apparel firm finds relief with the careful work done by "Threads & Trends." Their ambitious strategy, which covers everything from logistics to yarn manufacturing, is a prime example of the transformative advantages of vertical integration. Being independent reduces expenses, improves quality assurance, and increases flexibility, making it an essential tool in the current unstable market. The message was very clear company creates the vertical integration as a lifeline to a fabric.

The "Threads & Trends" approach provides an excellent example of how vertical integration can be used to navigate these dangerous waterways. This strategy decreased reliance on imports and improved internal procedures, they were able to achieve significant improvements in quality control, reduced production costs, and improved flexibility. These results provide strong evidence that vertical integration strategies should be used by the industry more frequently. Replicating "Threads & Trends" should be strongly emphasized to support long-term success. Additionally, smart use of current free trade agreements, especially with regional allies like India, should be encouraged to gain necessary resources and increase market share. Finally, as digital and automation technologies may further optimize and improve vertically integrated systems, the industry should place a higher priority on these expenditures. With the use of these different strategies, industry practitioners can successfully overcome economic obstacles and ensure its long-term survival in the global market.

**Keywords:** *Vertical Integration, Apparel Firm, Competitive Advantage*

## Leveraging Digital Trade for Economic Recovery: Lessons for Sri Lanka

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### ABSTRACT

Digital trade, encompassing economic activities facilitated by modern technology and the internet, presents opportunities for economic recovery and growth, particularly pertinent in the wake of crises like the COVID-19 pandemic. Despite variations in definitions, digital trade generally involves transactions of goods and services digitally or physically delivered. Countries' readiness for digital trade impacts their ability to withstand economic shocks and capitalize on emerging opportunities. Leveraging digital trade can enhance resource allocation, economies of scale, innovation, and access to markets and education. This paper explores the landscape of digital trade, drawing lessons from global experiences to offer insights for Sri Lanka's economic revival. Through an integrative review of literature, this study identifies policy options and strategies employed by countries like Ghana, India, and China to promote digital trade. Ghana's initiatives focus on enhancing connectivity and infrastructure, while India's Digital India Initiative aims at technological advancement and e-literacy. China emphasizes the role of digital technology in reducing trade costs and enhancing enterprise competitiveness. The three countries were selected considering the initiatives implemented by United Nations (UN) digital trade facilitation and their progress. The latest World Bank report highlighting the spread of digital technologies in Ghana places the country among the top ten in Africa. According to UN Global Survey on Digital and Sustainable Trade Facilitation, India records the highest trade facilitation implementation rate in South Asia while China records the second highest in East Asia. Drawing from these examples, the paper proposes strategies for Sri Lanka's economic recovery through digital trade given that these are developing economies with whom Sri Lanka maintains economic ties and shares similar economic conditions have shown considerable developments in digital trade. Literature confirms that digital trade plays an important role in achieving economic growth. Yet, Sri Lanka's engagement to digital trade is little bit behind to some of developing countries. This highlights the necessity of identifying possible policy options to promote digital trade in Sri Lanka. By filling this literature gap, this study attempts to analyse the possible policy options for Sri Lanka comparing to China, India, and Ghana. Recommendations include enhancing ICT infrastructure, streamlining regulatory frameworks, and investing in skills development. Furthermore, fostering inclusion, particularly gender inclusion, is highlighted as essential for equitable outcomes. By learning from global experiences and tailoring strategies to local contexts, Sri Lanka can harness the potential of digital trade to accelerate economic growth and recovery.

**Keywords:** *Digital Trade, Digital Technology, Economics Recovery, Trade Cost, Sri Lanka*

## Prominence of Web-based CSR Disclosure: Empirical Evidence from Sri Lanka

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### ABSTRACT

This research study investigates the impact of web-based features on the prominence of Corporate Social Responsibility (CSR) disclosure on Sri Lankan corporate websites. Prominence is defined as the probability of a particular information being identified by its target audience. In this study, firm performance serves as the proxy for measuring prominence. The purpose of the study is to identify the web-based features that effectively make CSR disclosure more prominently to the audience. Five web-based features: 'location of the information being published', 'accessibility', 'medium of the information being disseminated', 'variety of information', and 'extent of disclosure', of corporate websites were analysed to examine to which extent the utilization of each feature increases the CSR disclosure prominence. The use of web-based features of corporate websites can positively influence the prominence of web-based CSR disclosure, and the improved disclosure prominence can affect market performance favourably. Based on that assumption, the selected web-based features were analysed alongside the market value and earnings per share as proxies of prominence measurement. The sample consists of 30 randomly selected companies listed in the Colombo Stock Exchange (CSE). The data were described using a descriptive analysis. A multivariate analysis was conducted to determine the impact of each web-based feature on the prominence of web-based CSR disclosure. According to the findings, in the Sri Lankan context, multiple web-based features have been utilized simultaneously to increase the prominence of CSR disclosure. The results indicate that local firms are more likely to use location, medium, and extent to disclose CSR information, while accessibility and variety are less commonly used. Therefore, the results suggest that by using multiple web-based features may provide Sri Lankan firms with a high prominence in disclosing CSR information via corporate websites, and the personnel who manage the corporate websites can utilize those features to enhance their CSR disclosure reach.

**Keywords:** *CSR Disclosure, Disclosure Prominence, Sri Lanka, Web-based*

## 1. Introduction

Corporate Social Responsibility (CSR) disclosure is defined as the process of communicating the environmental and social impact of an organization to its stakeholders. CSR reporting entails disclosing information about how businesses interact with society (Branco and Rodrigues, 2008). Furthermore, CSR disclosure can be used to analyse the performance of a company and highlight areas for improvement. Penczar (2003) stated that as financial markets globalize, corporations will meet investors who are more aware of CSR and consumers who will invest and cooperate more with companies that promote environmental and social development. With technological evolution, the means of sharing CSR information have significantly turned from traditional standalone reports to more modernized, easy-to-access integrated online platforms (Morsing and Schultz, 2006). To achieve the competitive advantage of globalization through CSR disclosure, the World Wide Web is becoming the obvious choice for most companies due to its affordability, ability for quick transmission of information, and reachability (O'Rourke, 2004). According to Wanderlay et al. (2008), corporate websites provide all stakeholders with an official perspective on CSR within the corporation. Despite recent increases in corporate communication via the internet, it has been suggested that web-based CSR disclosure is still a very under-researched topic of study (Pollach, 2005; Lodhia, 2014). It is identified that one of the most effective ways of increasing the reach of CSR disclosure is to enhance its disclosure prominence. The possibility that an item of information will be recognized or perceived by its user is defined as prominence (Fogg, 2003). Giving an item prominence signals to the user that the item is essential (Penno and Stecher, 2012). Important information should be prominently displayed to provide more transparency to users, particularly investors, improve market efficiency, and help eliminate information asymmetry.

The purpose of the study was to investigate the association between five web-based features selected based on the previous studies (Chong et al, 2016) and their influence on the prominence of web-based CSR disclosure in the Sri Lankan context. Similar studies have been conducted in New Zealand, and Portugal, but the prominence of web-based CSR disclosure is a lastly touched area within the developing regions, including Sri Lanka. It is assumed that the differences in national contextual factors can be taken as a reason for the developing countries to show a contrast with the developed countries regarding CSR disclosure efforts (Williams, 1999; Kamala, 2007; Wanderley et al., 2008). Hence, this study concentrates on the prominence of web-based CSR disclosure in a developing context, which has contrasting national contextual factors than the countries of previous studies conducted. This study deemed to investigate to what extent various web-based features have been effectively utilized by Sri Lankan companies in disclosing their CSR information to stakeholders.

## 2. Methodology

### Research Model Specification

The research model adapted from the web-based impression management framework by Chong and Rahman (2020) and the CSR disclosure prominence indicator model by Chong et al. (2016) is as follows:

$$\text{Disclosure prominence} = \alpha + \beta \text{ web-based features} + \text{controls}$$

The prominence of disclosure was measured using firm performance indicators. Two market performance indicators were used as the proxies for measuring CSR disclosure prominence: market value (Chong and Rahman, 2020) and earnings per share (EPS) (Mughal et al., 2021). The web-based features were measured using five variables: location, accessibility, medium, variety, and extent. The location is the placement of CSR information on the web page. Four options for location have been identified as the home page, about us, media and press releases, and sustainability/CSR page.

Accessibility is how quickly and simply CSR data can be located. The number of clicks required to reach the location of CSR information from the homepage of a particular website was taken as the measurement of accessibility. In the presence of more than one location for CSR disclosure, the average number of clicks from the homepage to the locations was taken as the measurement. The medium is about which media format is being used to disseminate CSR information. Four dissemination mediums were identified for the analysis; images, CSR commentary, CSR and sustainability reports, and annual reports. The variety is the kinds of CSR information that are being disclosed. Five variety types were selected based on the Global Reporting Indicator framework; environmental performance, labour practices, social responsibility, human rights, and product responsibility. For location, medium, and variety, a score of one was given in the presence of CSR information related to a particular feature, and if not, a zero mark was presented. In the cases where there was more than one use of that feature for reporting, the total score for variety was considered for the analysis. The extent was measured by the total number of words for all variety items. A content analysis was employed to measure the extent of CSR disclosure on each variety. Total number of words used for measuring the extent of CSR information dissemination. Observed extent values were converted into natural logarithms for the analysis (Chong and Rahman, 2020; Chong et al., 2016). Three control variables were introduced for the analysis; firm size (total assets), firm performance (net annual income), and firm age (Chong et al., 2016; Branco and Rodrigues, 2006).

### **Sample and Data Collection**

290 companies listed on the Colombo Stock Exchange were identified as the population for the study. A sample of 30 firms was selected using simple random sampling method to eliminate the sampling bias.

The official corporate websites of the sampled firms were accessed from 9th July to 9th August 2023 to identify their inclusion of CSR disclosure via a content analysis (primary data). The financial statements, and sustainability and CSR reports of the respective firms in electronic formats (pdf format) were used to obtain secondary data. Financial statements and sustainability and CSR reports from the financial year 2022 were used for the data collection.

### **3. Data Analysis**

STATA 11.1 software was used for the statistical analysis. A descriptive analysis was used to describe the data. A multivariate analysis was conducted between dependent variables and independent variables to determine the impact of each web-based feature on the prominence of web-based CSR disclosure. Given the possibility of firms using more than one web-based feature for disclosing CSR information simultaneously, the probability of having multicollinearity was high. Therefore, to eliminate the effect of multicollinearity, multivariate analyses were conducted by taking a single web-based feature at a time for the regression analysis (Chong and Rahman, 2020).

### **4. Results**

According to the results of descriptive statistics (Table 1), the most preferred location for publishing their CSR initiatives is the CSR/sustainability web page and the result can be justifiable because the CSR/sustainability page of a website provides direct access and communication with the stakeholders who are interested in the firm's CSR commitment. For the dissemination medium, the majority of the sample used at least two methods. Based on the mean scores, image and CSR commentary can be identified as the most used dissemination mediums. Firms have reported their CSR initiatives in an average of three varieties. Social responsibility has the highest reporting exposure, followed closely by environmental performance. For both variety and extent, social responsibility has the highest level of disclosure within the sample.

**Table 1: Descriptive statistics of variables**

| Variable                         | Mean         |                      |                           |
|----------------------------------|--------------|----------------------|---------------------------|
|                                  | Total sample | Sensitive industries | Less-sensitive industries |
| <i>homepage</i>                  | 0.27         | 0.33                 | 0.22                      |
| <i>aboutus</i>                   | 0.67         | 0.58                 | 0.72                      |
| <i>csr_page</i>                  | 0.80         | 0.58                 | 0.94                      |
| <i>media_page</i>                | 0.50         | 0.25                 | 0.67                      |
| <i>overall_location</i>          | 2.25         | 1.75                 | 2.58                      |
| <i>accessibility</i>             | 1.63         | 1.72                 | 1.56                      |
| <i>image</i>                     | 0.93         | 0.92                 | 0.94                      |
| <i>csr_commentary</i>            | 0.93         | 1.00                 | 0.89                      |
| <i>csr_report</i>                | 0.07         | 0.09                 | 0.06                      |
| <i>annual_report</i>             | 0.77         | 0.75                 | 0.78                      |
| <i>overall_medium</i>            | 2.70         | 2.75                 | 2.67                      |
| <i>environmental_performance</i> | 0.90         | 0.83                 | 0.94                      |
| <i>labour_practices</i>          | 0.83         | 0.83                 | 0.83                      |
| <i>social_responsibility</i>     | 0.97         | 0.92                 | 1.00                      |
| <i>human_rights</i>              | 0.33         | 0.33                 | 0.33                      |
| <i>product_responsibility</i>    | 0.53         | 0.50                 | 0.56                      |
| <i>overall_variety</i>           | 3.57         | 3.42                 | 3.67                      |
| <i>environmental_performance</i> | 6.25         | 5.95                 | 6.44                      |
| <i>labour_practices</i>          | 5.37         | 5.33                 | 5.39                      |
| <i>social_responsibility</i>     | 6.90         | 6.09                 | 7.44                      |
| <i>human_rights</i>              | 1.90         | 1.83                 | 1.96                      |
| <i>product_responsibility</i>    | 3.12         | 2.92                 | 3.25                      |
| <i>overall_extent</i>            | 8.04         | 7.62                 | 8.31                      |

Firms in less sensitive industries have more average locations of dissemination than firms based in sensitive industries. Firms in sensitive industries use the homepage (the homepage is the earliest location that a user can interact with a website) for CSR disclosure more prominently than firms in less sensitive. Based on the average accessibility, firms in less sensitive industries have made their CSR disclosures more accessible than the firms belonging to sensitive industries. Firms in sensitive industries have used more dissemination mediums on average than the firms in less sensitive industries have used. Out of four individual dissemination mediums, firms that operate in sensitive industries have used CSR commentary and CSR reporting more excessively than the firms in less sensitive industries. For both the variety of content of the CSR information disclosure and their extent of disclosure, firms in less sensitive industries have a higher margin of average utilization than the firms in sensitive industries.

**Table 2: Multivariate statistics of variables**

| Web-based feature       |                                  | Set-A<br>(Market value)       |                | Set-B<br>(EPS)                |                |
|-------------------------|----------------------------------|-------------------------------|----------------|-------------------------------|----------------|
|                         |                                  | <i>Std <math>\beta</math></i> | <i>p value</i> | <i>Std <math>\beta</math></i> | <i>p value</i> |
| Location                | <b><i>overall_location</i></b>   | <b>1.98</b>                   | <b>0.00**</b>  | <b>0.26</b>                   | <b>0.36</b>    |
|                         | <i>homepage</i>                  | 1.22                          | 0.15           | 1.39                          | 0.07*          |
|                         | <i>aboutus</i>                   | 0.44                          | 0.56           | -1.73                         | 0.02**         |
|                         | <i>csr_page</i>                  | 1.53                          | 0.08*          | 0.47                          | 0.41           |
|                         | <i>media_page</i>                | 1.91                          | 0.01**         | 1.03                          | 0.13           |
| Accessibility           | <b><i>accessibility</i></b>      | <b>-1.22</b>                  | <b>0.13</b>    | <b>0.82</b>                   | <b>0.25</b>    |
| Dissemination<br>medium | <b><i>overall_medium</i></b>     | <b>-0.31</b>                  | <b>0.67</b>    | <b>0.72</b>                   | <b>0.07*</b>   |
|                         | <i>image</i>                     | 0.33                          | 0.66           | 0.36                          | 0.61           |
|                         | <i>csr_commentary</i>            | 0.39                          | 0.56           | 3.89                          | 0.06*          |
|                         | <i>csr_report</i>                | -0.80                         | 0.51           | -3.22                         | 0.39           |
|                         | <i>annual_report</i>             | -0.63                         | 0.57           | 0.28                          | 0.65           |
| Variety of content      | <b><i>overall_variety</i></b>    | <b>-0.10</b>                  | <b>0.81</b>    | <b>-0.01</b>                  | <b>0.97</b>    |
| Variety of extent       | <b><i>overall_extent</i></b>     | <b>0.33</b>                   | <b>0.04**</b>  | <b>0.09</b>                   | <b>0.65</b>    |
|                         | <i>environmental_performance</i> | -0.02                         | 0.92           | -0.00                         | 0.99           |
|                         | <i>labour_practices</i>          | -0.07                         | 0.73           | -0.05                         | 0.71           |
|                         | <i>social_responsibility</i>     | 0.54                          | 0.00**         | 0.22                          | 0.15           |
|                         | <i>human_rights</i>              | -0.10                         | 0.42           | 0.02                          | 0.93           |
|                         | <i>product_responsibility</i>    | -0.05                         | 0.76           | -0.11                         | 0.34           |

Note: \* p-value < 0.10, \*\* p-value < 0.05

Table 2 includes the multivariate analysis results between dependent variables and overall web-based features. According to the results included in set A, web-based features location and ‘extent’ are associated with the market value in a significantly positive manner. The results indicate that only the location of the CSR information that is being published and the extent of the disclosed information have impacts on the market values of the firms in the sample. The results in set B, the only web-based feature that is significantly associated with the dependent variable EPS, is the dissemination medium. EPS and medium have a positive relationship between them. It indicates that the use of different dissemination mediums is most likely to increase the CSR disclosure prominence. It indicates that the three web-based features are the instruments used by the local firms to enhance the prominence of CSR disclosure. According to the values in Set A, market value is positively associated with the CSR/sustainability webpage and media webpage of corporate websites, and indicates that the CSR/sustainability webpage and media webpage are the most effective locations to place CSR information to maximize the stakeholder decisions that affect the market values of a firm. As per the results in Set B, EPS has significantly positive relationships with the homepage and about us webpage of corporate websites. This shows that the locations; the homepage and the about us webpage are preferred by stakeholders as they are the most prominent locations at the access. According to the results of Set B, out of five mediums, only CSR commentary has a significantly positive association with the EPS. In Set A, only the extent of social responsibilities has a significantly positive relationship with the market value.

## 5. Conclusion

Based on the analysis results, multiple web-based features were simultaneously utilized by the firms to publish and communicate their CSR initiatives with stakeholders. It was observed that location, medium, and extent are the prominently used web-based features in the firms in the Sri Lankan context, and accessibility and variety features are not popular within the sample. Therefore, based on the findings of this study, firms and the personnel who design and manage corporate websites of the

firms in the Sri Lankan context can utilize the web-based features of location, extent, and medium to increase the prominence of CSR information being disclosed. The study has several limitations: the sample size is small, and the observations were taken only once from the websites within a short period of four months. Therefore, it is recommended to use a large sample and take observations several times within a long period to identify possible changes.

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