



7th ANNUAL CONFERENCE ON BUSINESS ECONOMICS



ACBE 2026

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UNIVERSITY OF SRI JAYEWARDENEPURA

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



7th ANNUAL CONFERENCE ON BUSINESS ECONOMICS (ACBE) 2026

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Faculty of Management Studies and Commerce
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MESSAGE FROM THE VICE CHANCELLOR University of Sri Jayewardenepura



It is with great pleasure that I extend my warmest greetings to all participants of the Undergraduate Research Day (URD), conducted as part of the 22nd International Conference on Business Management (ICBM) 2026, hosted by the Faculty of Management Studies and Commerce, University of Sri Jayewardenepura. The URD is a meaningful platform that celebrates undergraduate scholarship and encourages young researchers to engage in inquiry, evidence-based reasoning, and academic communication skills that are essential for the future of our nation and the global community.

Aligned with the ICBM 2026 theme, “Inclusive and Responsible Management for a Circular Economy and Digital Future,” the URD reflects the importance of building research capacity from the early stages of higher education. Undergraduate research not only strengthens critical thinking and problem-solving but also nurtures responsible citizenship by encouraging students to examine real-world issues with curiosity, integrity, and social awareness.

The University of Sri Jayewardenepura remains committed to supporting academic excellence and creating opportunities for students to develop as confident, ethical, and competent knowledge creators. I am pleased to note that the URD brings together diverse research topics and innovative perspectives from our undergraduates, and I trust that the experience will motivate them to pursue further research, professional growth, and meaningful contributions to society.

I convey my sincere appreciation to the organizing committee, departmental coordinators, supervisors, reviewers, and all staff members for their dedication to making the URD a success. I also congratulate all student presenters featured in this proceedings volume and wish them every success in their academic and professional journeys.

Senior Professor Pathmalal M. Manage
Vice Chancellor
University of Sri Jayewardenepura

MESSAGE FROM THE DEAN Faculty of Management Studies and Commerce



On behalf of the Faculty of Management Studies and Commerce (FMSC), University of Sri Jayewardenepura, I warmly welcome you to the 22nd International Conference on Business Management (ICBM 2026). It is a privilege for the faculty to host this flagship conference and to bring together an inspiring community of academics, professionals, and emerging scholars committed to advancing knowledge that matters.

The theme for 2026, “Inclusive and Responsible Management for a Circular Economy and Digital Future,” reflects the evolving expectations placed upon organizations and leaders today. Circular economy thinking calls for a decisive shift from linear models of production and consumption towards resource efficiency, regeneration, and responsible innovation. In parallel, the rapid acceleration of digital technologies continues to reshape business models, governance, and stakeholder engagement, creating both opportunities and challenges that demand thoughtful, values-driven leadership.

FMSC remains committed to strengthening research excellence, nurturing ethical and future-ready graduates, and promoting engagement with industry and society. ICBM 2026 reflects this commitment through its breadth of academic exchange, the diversity of disciplines represented, and the integration of platforms that encourage participation across different career stages, including opportunities that spotlight student and early-career research and facilitate collaboration beyond institutional boundaries.

I extend my sincere gratitude to the conference co-chairs, department coordinators, organizing committees, reviewers, partners, and sponsors whose collective efforts uphold the quality and reputation of ICBM. I also congratulate all authors whose work is featured in these proceedings and thank every participant for contributing to a vibrant learning community. May the discussions and insights generated through ICBM 2026 inspire practical solutions and enduring partnerships that advance inclusive, responsible, and sustainable development.

Prof. Dushan Jayawickrama

Dean, Faculty of Management Studies and Commerce
University of Sri Jayewardenepura

MESSAGE FROM THE CO-CHAIRS
International Conference on Business Management - ICBM 2026



We are pleased to present the Proceedings of the Undergraduate Research Day (URD) conducted as part of the 22nd International Conference on Business Management (ICBM) 2026, organized by the Faculty of Management Studies and Commerce, University of Sri Jayewardenepura. The URD is designed to provide an encouraging and scholarly platform for undergraduates to share their research, build confidence in academic communication, and experience the standards of academic dissemination and peer review.

Guided by the ICBM 2026 theme, “Inclusive and Responsible Management for a Circular Economy and Digital Future,” the URD recognizes that responsible and inclusive solutions require contributions from all levels of the academic community, including emerging researchers. The student papers featured in this volume reflect a diverse range of topics and approaches, demonstrating the ability of undergraduate research to generate valuable insights relevant to organizations, communities, and the broader economy.

We extend our sincere appreciation to the supervisors, reviewers, evaluators, departmental coordinators, and organizing committee members for their commitment and support. We also commend all student presenters for their effort, curiosity, and professionalism in completing and presenting their research. We trust that the URD experience will inspire our undergraduates to pursue lifelong learning, uphold academic integrity, and continue contributing to knowledge creation in meaningful ways.

We hope this proceeding volume serves as a lasting record of their scholarly achievement and encouragement for future research endeavours.

Dr. Isuru Manawadu, Co-Chair, ICBM 2026

Dr. Sepali Bamunusinghe, Co-Chair, ICBM 2026

International Conference on Business Management (ICBM) 2026

Faculty of Management Studies and Commerce

University of Sri Jayewardenepura

MESSAGE FROM THE HEAD
Department of Business Economics



It is with great pleasure that I write this congratulatory message to the 7th Annual Conference on Business Economics (ACBE) 2026, organized with pride by the Department of Business Economics alongside the 22nd International Conference on Business Management (ICBM), Faculty of Management Studies and Commerce.

The theme for this year is “Inclusive and Responsible Management for a Circular Economy and Digital Future.” The conference aims to foster a strong research culture among the department’s undergraduates while providing them with valuable publishing opportunities and disseminating knowledge to a wider community. Especially given the evolving global and national challenges, I believe this theme will spark thought-provoking discussions on sustainability, innovation, and equitable growth. Well-educated economists who can develop and implement accurate economic policies are needed more than ever to navigate these complexities. 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 amidst ongoing uncertainties, and today we witness the fruits of those great efforts and commitment by our students, as well as our academia serving as supervisors.

The conference also aims to enhance links and strengthen networks between academia, practitioners, and policymakers. In an era demanding that robust academic research informs policy directives, ACBE provides a vital platform for academics, scholars, and policymakers to share 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 2026.

Prof. R.M.A.K. Rathnayake
Head, Department of Business Economics
Faculty of Management Studies and Commerce
University of Sri Jayewardenepura, Sri Lanka

MESSAGE FROM THE CONFERENCE CHAIR



It is a privilege to present the proceedings of the 7th Annual Conference on Business Economics (ACBE) 2026, organized by the Department of Business Economics as part of the 22nd International Conference on Business Management (ICBM), Faculty of Management Studies and Commerce. This conference reflects our department's continued commitment to strengthening research engagement among undergraduate students and advancing scholarly discourse in Business Economics.

ACBE aims to facilitate the research journey of our undergraduates by providing them with the opportunity to present their work in a formal conference setting. And today it has steadily evolved into a meaningful platform where contemporary economic issues meet intellectual curiosity. As Sri Lanka also navigates its economic recovery, amidst uncertainty, global tensions, and policy complexities, deep economic analysis and responsible policy dialogue are essential. The research showcased in this volume highlights the important role that young scholars can play in contributing to informed economic debate and responsible decision-making.

I extend my sincere appreciation to the members of the organizing committees and the review panel for their dedication and professionalism in ensuring the successful execution of ACBE 2026. Their efforts have been central to maintaining the academic integrity and quality of this conference. Finally, I congratulate all authors and presenters whose work appears in these proceedings. Your commitment to research and intellectual growth is commendable, and I encourage you to continue pursuing the discovery of impactful knowledge.

Mr. Asel Hettiarachchi

Conference Chair

7th Annual Conference on Business Economics (ACBE) 2026

Department of Business Economics

Faculty of Management Studies and Commerce

University of Sri Jayewardenepura

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Impact of Influencer Marketing on Beauty Product Purchases in Sri Lanka

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ABSTRACT

This study examines how influencer marketing impacts the purchase intention of beauty product consumers in Sri Lanka. Many young consumers depend on influencers for information about beauty trends and product recommendations due to the rapid growth of social media platforms like Instagram, TikTok, Facebook and YouTube. The study focuses on four main influencer characteristics: credibility, perceived authenticity, content quality, parasocial relationships and their ability to influence purchase intention. A quantitative, cross-sectional design was employed, and data were collected through an online survey filled by 250 social media users who follow at least one beauty influencer. The data were analyzed using descriptive statistics, correlation analysis and multiple regression. The findings show that influencer credibility, perceived authenticity and parasocial relationships have significant positive effects on purchase intention. Parasocial relationships, which explain the one-sided emotional attachment between followers and influencers, emerged as the strongest predictor. Influencer credibility also had a strong impact, highlighting that trustworthiness, expertise and reliability encourage consumers to follow product recommendations. Perceived authenticity was also significant, showing that consumers respond more positively to influencers who communicate honest and transparent reviews. Content quality was positively correlated with purchase intention, but did not remain significant when all variables were tested together. This reveals that high-quality visuals and creative posts attract attention but do not directly lead to purchase decisions unless supported by trust and emotional connection. The study contributed to existing literature by enhancing global theories such as Source Credibility Theory, Parasocial Interaction Theory, and Social Influence Theory in the Sri Lankan beauty market. The study also offers practical insights for marketers, brands and influencers. Beauty brands can use these findings to select credible and authentic influencers who maintain strong relationships with their followers. The study also shows the importance of emotional engagement for successful influencer marketing. The study concludes that influencer marketing is a powerful tool for influencing consumers' purchase decisions in Sri Lanka, especially among Generation Z and young adults aged 20-28. However, the research is limited to self-reported data from a single country and an industry. Future research should examine additional variables, compare different influencer types, and investigate long-term impacts on consumer behaviour.

Keywords: authenticity, beauty products, credibility, influencer marketing, parasocial relationships, purchase intention

The Impact of Sustainable Supply Chain Management Practices on the Financial Performance of Food Sector SMEs in Kurunegala District, Sri Lanka

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ABSTRACT

Financial performance remains a critical determinant of long-term viability and competitiveness for the SMEs in developing economies. Despite the growing recognition of Sustainable Supply Chain Management (SSCM) practices as strategic facilitators of enterprises' success, there is still scarce empirical evidence regarding their impact on financial performance within the food sector SMEs in Sri Lanka, specifically in the Kurunegala District. This research has sought to fill this gap by examining the relationship between the five dimensions of SSCM practices, namely SEM, CRM, SRM, SCM, and LSM, and the financial performance of food sector SMEs. This research adopted a quantitative research approach. A structured questionnaire was administered to 371 food sector SMEs operating in the Kurunegala District. The sample size required for the survey, based on Morgan's table with a population of 5,524 enterprises, is 364. It was able to receive 365 usable questionnaires; therefore, the response rate was 98%. Data are analyzed through SPSS Version 22, including descriptive statistics, reliability analysis (Cronbach's alpha), correlation analysis, and multiple linear regression. The overall measurement instrument had excellent internal consistency, with an overall Cronbach's alpha value of 0.907 and individual construct reliabilities ranging from 0.748 to 0.852. Conversely, Sustainable Environmental Management Practices do not show a direct significant effect on financial performance with $\beta = -0.068$, $p = 0.131$. Therefore, the results provide a greater understanding of food sector SMEs in the Kurunegala District, which suggests that lean practices and relationship management strategies should be prioritized in order to improve the financial results.

Keywords: customer relationship management; financial performance; Lean supply management; Sri Lankan SMEs; sustainable supply chain management; SMEs in the food sector

The Effect of Horizontal Education Mismatch on the Job Satisfaction of Management Graduates in Sri Lanka with reference to Human Capital Theory

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ABSTRACT

Horizontal education mismatch, which occurs when a person's job is unrelated to their field of study, has become a significant issue in contemporary labour markets. As the human capital theory suggests, through investing in education and training, the earning capacity and productivity of employees will increase in the long run. But if such attained education and training are not put into practice, it is important to examine the effects of such mismatches on the expected labour market outcome. The primary objective of this study is to examine the effect of horizontal education mismatch on the job satisfaction, which was used as a proxy variable for employee productivity, of management graduates in Sri Lanka. The study adopts a quantitative research approach, employing a cross-sectional analysis to statistically examine the impact of horizontal education mismatch on job satisfaction among management graduates. Monthly income is considered a moderating variable, and gender, work experience and task variety are incorporated as control variables to account for their potential influence on job satisfaction. A multiple regression analysis was employed to examine the relationship between variables. The findings conclude that horizontal education mismatch affects job satisfaction significantly and negatively, indicating that management graduates who are employed in jobs unrelated to their field of study experience lower levels of job satisfaction. Monthly income was found to significantly moderate this relationship by weakening the negative effect of mismatch on job satisfaction, although income did not have a significant direct effect. Among the control variables, gender and job variety were found to have significant influences on job satisfaction. The study offers important implications for policymakers, employers, and graduates to make more informed educational and career decisions. The findings also contribute to the limited empirical literature on education–job mismatch in Sri Lanka and provide a foundation for future research and policy interventions aimed at improving graduate employment outcomes.

Keywords: Education–job mismatch, Employee productivity, Human Capital, Job satisfaction,

Exploring the Drivers of Ecotourism Experiences in Sri Lanka: Insights from International Tourists

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ABSTRACT

The study explored the factors which determine Ecotourism in Sri Lanka based on international tourists' perspectives. Ecotourism is a subsector of sustainable tourism that has gained increasing importance in the context of foreign exchange generation. Sri Lanka's conventional tourism model has raised sustainability issues. At the same time, Sri Lanka has experienced a severe foreign exchange crisis. In this context, Ecotourism presents a capability of supporting economic resilience while promoting environmental conservation and community well-being. The study was conducted based on the research objectives of identifying motivational factors and challenging factors of Ecotourism in Sri Lanka. The study adopted a qualitative, inductive research approach, and Data was collected through face-to-face, semi-structured interviews of 20-25 minutes for each, using open-ended questions, allowing participants to express their ideas and experiences freely. A purposive sampling method under a non-probability sampling technique was employed to select 25 foreign tourists who had stayed in Sri Lanka for at least one week and had visited recognized ecotourism destinations. The data collected was analyzed using Thematic Analysis, which enabled the identification of recurring patterns related to motivations and challenges. 'Biodiversity richness and natural attractions', 'development in Accessibility and infrastructure' and 'Community involvement and cultural respect' were the sub-themes that came under motivational factors on Eco tourism in Sri Lanka. And, 'Environmental degradation', 'disputes in Accessibility and Infrastructure' and 'Social constraints' were sub-themes identified under challenging factors on Ecotourism in Sri Lanka. The study concluded that while Sri Lanka had possessed strong natural capital and growing international interest in Ecotourism, its long-term potential had been constrained by weaknesses in environmental management, infrastructure, and visitor safety. To ensure sustainable growth and meaningful foreign exchange generation, the research emphasized the need for an integrated ecotourism development model that prioritizes conservation, standardized practices, and inclusive community participation over short-term volume-based tourism growth.

Keywords: Ecotourism, Motivational factors, Challenging factors, International tourists, Thematic analysis, Qualitative research

Impact of Informal Financial Sources on the Agricultural Productivity of Smallholder Farmers in the Galle District, Sri Lanka

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ABSTRACT

The problem of accessing finances is a major problem that faces smallholder farmers in Sri Lanka, especially in the rural areas, where formal financial institutions have strict regulations that may be difficult for farmers to meet. The lack of easy access to finances has made it important for farmers to rely on financial sources that may be considered informal. The major problem with these sources is that they may be associated with high interest rates that may have a long-run effect on the productivity of farmers. The problem that this study seeks to address is how the characteristic features associated with the financial sources that these farmers rely upon influence their agricultural productivity. The study is carried out in the Galle district. The research design was Quantitative, and the study used primary data, which was collected from the respondents by means of a structured questionnaire. The sample was collected by the method of simple random sampling, and the study used 145 smallholder farmers from the Galle District. Informal financial sources were defined by means of four variables, which were the amount received in the form of a loan, the rate of interest charged, the period of repayment, and the frequency of the informal loan. Agricultural productivity was defined by means of several factors, such as the availability of inputs without delay, the continuity of the farming process, and the perceptions regarding improvements in the output performance. Descriptive methods of statistics, reliability and validity tests, correlation tests, and multiple regression tests were used for the purposes of the study, which was facilitated by the SPSS software. The results disclose a strong reliance on informal money sources, with money lenders and traders coming out as the most commonly used source of money. The results of the correlation analysis disclose that there is a strong positive association between the characteristics of informal borrowing and the productivity of agriculture. The regression analysis establishes that the amount of money borrowed and the frequency of informal borrowing positively and significantly affect the productivity of agriculture. However, the interest rate and the time involved in the informal borrowing have an insignificant impact on the productivity of agriculture. The paper concludes that informal sources of finance have a twofold effect on the contribution of agricultural productivity in facilitating access to finance while also maintaining the risk of financial vulnerabilities. The findings point out the significance of having interventions in order to improve access to credit, promote financial literacy in farmers, and develop repayment cycles aligned with agriculture.

Keywords: Agricultural productivity, Galle District, Informal finance, Interest rates, Loan amount, Smallholder farmers

The Impact of Government Transfer Payments on Economic Growth in Sri Lanka

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ABSTRACT

The role of government transfer payments is a significant part of a fiscal policy in developing countries like Sri Lanka, especially when it comes to a welfare-oriented model of development. Transfer payments help the government in poverty alleviation, redistribution of income, and overall societal security. The data employed in this research is annual time series data from 1978 to 2024 and was gathered from secondary sources such as the Central Bank of Sri Lanka, the World Development Indicators of the World Bank, and the International Monetary Fund. Additionally, the data uses the Gross Domestic Product growth rate as the value of economic growth, which is the dependent variable. The independent variable is the government transfer, and the other controlled variables used in explaining this phenomenon are savings, investment, capital formation, and governmental expenditure net of transfers. The variables were adjusted for stationarity before conducting the analysis, and further proceeded with a Johansen cointegration test to identify how many long-run relationships are available among the variables. The discovery of long-run cointegration among variables also led to a Vector Error Correction Model analysis being conducted. The empirical results show that government transfer payments have no statistically significant effect in the short run on economic growth, which implies that the major function of these payments is consumption smoothing and income support. By contrast, savings and investments have shown a positive and statistically significant effect in the short run on GDP growth. Government transfer payments have a positive and statistically significant effect in the long run, which supports that properly managed transfer programs can stimulate aggregate demand and promote economic welfare in the long run. Government expenditure, except transfer payments, has a positive effect in the long run as well, which highlights the significance of productive government spending. By contrast, investment has a negative effect in the long run, reflecting the inefficient investment allocation in the Sri Lankan economy. Overall, it appears that transfer payments by the government are not enough to ensure economic growth on their own, but in combination with efficient investment, productive government spending, and proper management of finances, they have a positive potential in the long run.

Keywords: Government transfers, Economic growth, Government expenditure, Fiscal Policy

Capturing Economic Volatility: Can AI Models Outperform Econometrics? A Forecasting Study of India and Sri Lanka

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ABSTRACT

The global economy is highly sensitive to external shocks, which significantly affect international trade and economic stability, particularly in emerging economies such as India and Sri Lanka. Accurately forecasting economic activity during periods of heightened volatility remains challenging, as traditional linear econometric models often struggle to capture non-linear dynamics and structural breaks associated with crises. This study conducts a comparative analysis of traditional econometric and artificial intelligence (AI) based forecasting approaches. Specifically, the forecasting performance of the Seasonal Autoregressive Integrated Moving Average (SARIMA) model is benchmarked against an Extreme Gradient Boosting (XGBoost) algorithm. The models are developed using monthly time-series data from 2016 to 2025 for India and Sri Lanka, focusing on key macroeconomic indicators, including the Index of Industrial Production (IIP) and trade-related variables such as export and import growth. SARIMA is selected due to its widespread use in modelling trend and seasonal patterns in macroeconomic time series, while XGBoost is employed for its ability to capture complex non-linear relationships and short-term volatility. Out-of-sample forecasts for the period January–May 2025 are generated to evaluate predictive accuracy. The results indicate that XGBoost consistently outperforms SARIMA in volatile economic conditions by more accurately capturing short-term fluctuations, turning points, and structural changes in both countries. In contrast, SARIMA produces smoother and lagged forecasts, limiting its responsiveness during post-crisis periods. These findings suggest that AI-based models provide a more flexible and robust framework for high-frequency economic forecasting in emerging markets. The study highlights the value of integrating AI techniques into economic monitoring systems to support more timely and informed policy decision-making in environments characterized by uncertainty and rapid change.

Keywords: AI forecasting Model, Economic Forecasting, Economic resilience, International Trade, Machine Learning, SARIMA

Household Adoption Intention Toward Rooftop Solar Energy Systems in the Western Province of Sri Lanka

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ABSTRACT

The global transition toward renewable energy has positioned solar power as a critical solution to address energy security, environmental sustainability, and economic challenges. In Sri Lanka, the government has set an ambitious target to generate 70% of the country's electricity from renewable sources by 2030, addressing the country's heavy reliance on imported fossil fuels. Rooftop solar photovoltaic systems represent a decentralized and sustainable approach to achieving this goal. However, despite favourable solar irradiation conditions and government incentives, household adoption remains low. Understanding the factors that influence household intention to adopt solar power systems is essential for bridging the gap between policy targets and actual implementation. This study investigates the determinants of household intention to adopt rooftop solar power systems in the Western Province of Sri Lanka. Using the Technology Acceptance Model and the Theory of Planned Behaviour, this research examines eight key factors: Perceived Usefulness, Perceived Ease of Use, Attitude, Subjective Norms, Perceived Behavioural Control, Cost and Financial Incentives, Knowledge and Awareness, and Trust in Technology and Suppliers. Primary data was collected from 169 households, and the data was analyzed using SPSS, employing descriptive statistics, reliability analysis, correlation analysis, and multiple regression analysis. The findings reveal that the overall model is highly significant. Subjective Norms, Trust in Technology and Suppliers, and Cost and Financial Incentives emerged as significant, indicating that social influence, confidence in service providers, and financial considerations are the primary drivers of adoption for households. Contrary to traditional adoption models, Perceived Usefulness, Perceived Ease of Use, and Attitude did not significantly influence intention. Cost and Financial Incentives demonstrated a positive relationship with intention, suggesting that better financial support directly facilitates adoption rather than acting as a barrier. These findings highlight the importance of addressing social influence, supplier credibility, and financial accessibility. The study contributes to the limited body of research on renewable energy adoption in Sri Lanka and offers valuable insights for policymakers to design targeted awareness campaigns and improved financial support mechanisms to support the national renewable energy transition.

Keywords: Adoption Intention, Household Behaviour, Renewable Energy, Solar Power Systems

The Impact of Financial Literacy and Financial Inclusion on Women's Economic Empowerment of Rural Women in Kegalle District, Sri Lanka

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ABSTRACT

Women's economic empowerment can be recognized as a key factor for economic growth, poverty reduction, gender equality, and sustainable development. The existing body of literature has recognized financial literacy and financial inclusion as key factors contributing to women's economic empowerment. Thus, this study aims to examine the impact of financial literacy and financial inclusion on women's economic empowerment in the rural Sri Lankan context. Using a deductive quantitative approach, primary data were collected through a structured survey questionnaire administered to rural women aged 18 to 60 years in the Kegalle District who possess a personal bank account. Only 141 valid responses were retained for analysis from the initial 150 sample, after treating extreme outliers. Financial literacy was measured through financial awareness, financial knowledge, financial skills, financial attitudes, and financial behaviour, while access to financial services, quality of financial services, and welfare impact were used to measure financial inclusion. The researcher conducted the analysis using the Partial Least Squares Structural Equation Model, in Smart-PLS, and in order to check the missing values and outliers, the Statistical Package for Social Sciences (SPSS) was used in this study. The findings revealed that both financial literacy and financial inclusion have a significant positive impact on rural women's economic empowerment in Sri Lanka. The findings further highlight that financial inclusion exerts a comparatively stronger impact on women's economic empowerment than financial literacy. Thus, this study emphasizes the importance of expanding inclusive financial services alongside improving financial literacy among rural women to achieve economic growth, gender equality, and sustainable development in Sri Lanka.

Keywords: Economic empowerment, financial inclusion, financial literacy, rural women

Factors Influencing Credit Card Usage among Generation Z: Evidence from Colombo District, Sri Lanka

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ABSTRACT

Credit cards have become one of the most widely used payment methods both domestically and globally due to their convenience and ease of access. In the Sri Lankan context, the growing preference for such cashless payment methods, particularly among younger consumers, has increased credit card adoption. However, this rapid uptake has also contributed to rising instances of credit card misuse. Against this backdrop, this study aims to examine how credit card knowledge, social norms, and self-efficacy influence credit card misuse among Generation Z in the Western Province of Sri Lanka. Specifically, the study investigates how key factors such as financial knowledge, self-efficacy, and attitudes toward credit affect the prevention of credit card misuse among Gen Z consumers in the Colombo District. This study adopts a quantitative research approach and employs Structural Equation Modelling (SEM) to examine the relationships among the selected variables. Primary data were collected through a structured online questionnaire administered via Google Forms, using a simple random sampling technique. Due to time and accessibility constraints, a final sample of 186 Generation Z respondents from the Colombo District in the Western Province of Sri Lanka was used for analysis. Credit Card Misuse (CMU) was treated as the dependent variable, while Credit Card Knowledge (CKN), Social Motivation (SMO), Social Norms (SNM), Credit Card Self-Efficacy (SEF), and Credit Attitudes (CAT) were specified as independent variables. The SEM analysis was conducted using SmartPLS software, following standard procedures for assessing measurement reliability, validity, and structural relationships. The analysis reveals that not all proposed factors significantly influence CMU. CKN shows a negative relationship with CMU, indicating that higher levels of credit card knowledge are associated with lower levels of misuse. In contrast, CAT and SNM exhibit significant positive relationships with CMU, suggesting that favourable credit attitudes and prevailing peer norms increase the likelihood of credit card misuse. However, SEF and SMO do not demonstrate a statistically significant impact on CMU. All the indicators were checked and have adequate reliability. Further, all constructs also demonstrated good reliability and convergent validity. The study concludes that a range of determinants, including demographic, behavioral, and social factors, influence credit card misuse. Accordingly, effectively addressing these factors is essential to reducing credit card misuse in Sri Lanka.

Keywords: Credit Card Knowledge, Credit Card Misuse, Generation Z, SEM

Analyzing the Factors Influencing the Overconsumption of Sweatshop Brands Among Sri Lankan Youth

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ABSTRACT

This study investigates why Sri Lankan youth continue to overconsume sweatshop-produced fast fashion brands (Shein, Temu) despite awareness of labour exploitation and environmental harm. The research examines four psychological determinants: Attitudes, Subjective Norms, Perceived Behavioural Control (PBC), and Moral Disengagement, using an extended Theory of Planned Behaviour (TPB) framework. A cross-sectional online survey was administered to 150 Sri Lankan youth aged 18–30 years who had purchased from sweatshop-based fashion applications within the past six months. Standardized 5-point Likert scales measured all constructs. Partial Least Squares Structural Equation Modelling (PLS-SEM) validated the measurement model and tested structural hypotheses via 5,000 bootstrap resamples. All four hypotheses were supported. Attitudes, Subjective Norms, PBC, and Moral Disengagement significantly predict overconsumption intention. Moral Disengagement emerged as the strongest predictor, indicating that cognitive justifications and rationalizations are central to maintaining unethical consumption despite ethical awareness. The model explains 49.8% of the variance in overconsumption intention. Supplementary mediation analysis revealed that Moral Disengagement functions primarily as a direct predictor rather than as a mediating mechanism, with the exception of a partial indirect effect through PBC. The findings position Moral Disengagement as the primary psychological mechanism sustaining the attitude–behaviour gap in fast-fashion consumption. For policymakers and NGOs, the results suggest that interventions should directly confront rationalizations, strengthen youth perceptions of control over avoiding sweatshop platforms, and leverage social marketing to reshape peer norms. Platform designers should implement transparency tools and algorithmic nudges toward ethical alternatives.

Keywords: ethical consumption, fast fashion, moral disengagement, overconsumption intention, theory of planned behaviour

Determinants Affecting the Adoption of Value Addition Practices Among Coconut Farmers in Sri Lanka: A Qualitative Analysis

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ABSTRACT

The coconut sector is a cornerstone of Sri Lanka's rural economy. Yet, a puzzling contradiction persists: most smallholder farmers remain trapped in a low-income cycle, selling only raw nuts to intermediaries despite the high global demand for value-added products. While economic logic suggests business owners will maximize profit, this study investigates why landholders, specifically educated "professional farmers" who manage ancestral lands while holding careers in engineering or banking, consciously reject high-return value addition practices in favour of lower-paying traditional methods. Adopting a qualitative exploratory design focused on the various districts, the research utilized in-depth, semi-structured interviews with twelve landholders. The sample was stratified to capture diverse perspectives on time allocation and opportunity costs, and data were analyzed using inductive thematic analysis to uncover the underlying determinants of this behaviour. The findings reveal that the low adoption rate is not due to a lack of awareness; every participant acknowledged that processing yields significantly higher returns. Instead, adoption is stifled by four structural and psychological barriers. First, the "Profitability-Viability Paradox" highlights that for professional owners, high startup costs and the significant opportunity cost of time make industrial management unviable compared to their primary salaries. Second, "Operational Incompatibility," driven by acute labour shortages and time poverty, forces owners toward the "lazy man's crop" (raw selling) for its operational simplicity. Third, "Psychosocial Stewardship" reveals that farmers view land as a family legacy to protect rather than a business to risk, prioritizing the "soul satisfaction" of simple cultivation over the stress of factory management. Finally, systemic disincentives, such as inconsistent import policies and infrastructure gaps, create a hostile investment climate. The study concludes that non-adoption is a rational strategic adaptation to a hostile environment rather than a failure of logic. To unlock the sector's potential, policymakers must move beyond standard financial grants. Recommendations include promoting "service-based" value addition, such as agro-tourism, and establishing centralized community processing zones. These "turn-key" solutions would allow landholders to monetize their assets without the heavy burden of daily industrial labour or security concerns, effectively aligning economic goals with the lifestyle preferences and time constraints of the modern Sri Lankan farmer.

Keywords: Agricultural Innovation, Coconut Value Addition, Opportunity Cost, Risk Aversion, Sri Lanka

Impact of Digital Economy on Tourism Industry in Sri Lanka

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ABSTRACT

The global growth of the digital economy, driven by AI, cloud computing, and connectivity, is a transformative force for tourism, enhancing competitiveness, service quality, and economic contribution. The tourism industry in Sri Lanka experienced a 106.6% surge in tourists' arrivals (1,487,303 visitors) in 2023 compared to 2022. However, it contributed only 2.5% to GDP, revealing critical inefficiencies in economic contribution. Despite a significant tourist arrival, the sector's contribution to GDP remains low, indicating a gap between potential and realized economic benefits. This discrepancy highlights the need to leverage digital transformation to maximize the tourism sector's economic potential. This study explores the impact of the digital economy on the tourism industry in Sri Lanka, focusing on the influence of digital infrastructure, digital marketing, and barriers to digital adoption on tourism business performance. The study used a quantitative, cross-sectional research design, which enabled the gathering of data through a structured questionnaire given to 376 tourism-related businesses in Sri Lanka. The data was analyzed employing SPSS regression, correlation, and descriptive statistics to validate the research hypotheses. The findings reveal that digital infrastructure and digital marketing have a significant positive effect on business performance, supported by strong statistical evidence. However, barriers to digital adoption exert a significant negative impact on performance, highlighting the high cost of technology and the digital skills gap. Many tourism businesses are reliant on basic social media platforms for marketing and bookings and are facing substantial challenges in implementing advanced digital solutions. Tourism businesses are struggling with connectivity gaps, limiting global market access and service quality. The study concludes that targeted investment in digital infrastructure, enhanced strategic digital marketing capabilities, and implementation of focused training programs to overcome adoption barriers are essential for increasing the economic contribution of Sri Lanka's tourism sector. These measures are crucial for boosting the productivity, competitiveness, and ultimately the economic contribution of Sri Lanka's tourism sector, bridging the gap between its high arrival numbers and its potential GDP impact.

Keywords: Barriers to adoption, digital economy, digital infrastructure, digital marketing, tourism industry.

An Analysis of the Factors Affecting Textile and Apparel Exports in Sri Lanka

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ABSTRACT

The textile and apparel industry plays a vital role in Sri Lanka's economy as the country's largest export earner and a major source of employment and foreign exchange. However, its performance is closely linked to macroeconomic conditions that have become increasingly unstable in recent decades, creating uncertainty in export outcomes. Against this background, the main objective of this study is to examine how different macroeconomic variables affect Sri Lanka's textile and apparel exports in both the short run and long run, addressing how these factors influence export performance across different time horizons. This study contributes to the existing literature by providing updated Sri Lanka-specific evidence, accounting for structural economic disruptions, and demonstrating that FDI is the only macroeconomic variable with a consistent long-run and short-run impact on export performance. The study adopts a quantitative research approach using annual time-series data covering the period from 1994 to 2024. Textile and apparel export revenue, measured in USD millions, is used as the dependent variable. The independent variables include the real effective exchange rate, inflation rate, real interest rate, GDP growth rate, and foreign direct investment net inflows. Also, the structural break is considered as the control variable to account for periods of economic instability. The data were collected from reliable national and international sources. The Autoregressive Distributed Lag (ARDL) model was employed due to its suitability for analyzing variables with mixed orders of stationarity. In addition, it is well-suited for small sample sizes and enables the incorporation of structural breaks. The ARDL bounds test confirms the existence of a long-run relationship among the variables. Long-run results indicate that foreign direct investment has a significant positive impact on textile and apparel exports, but other macroeconomic variables do not show a significant long-run effect. Short-run results reveal that foreign direct investment, GDP growth rate, and inflation significantly affect export revenue, while structural disruptions have a negative short-run impact. The error correction term is negative and significant, confirming adjustment toward the long-run equilibrium. The findings emphasize that attracting foreign direct investment and ensuring macroeconomic stability are essential for strengthening Sri Lanka's textile and apparel exports, while investment-friendly policies and economic shocks mitigation measures are vital for long-term export sustainability.

Keywords: ARDL model, Export revenue, Foreign direct investment, Macroeconomic variables, Sri Lanka, Textile and apparel industry

Persistence of Asymmetric Information Behaviour and Market Volatility in Frontier Equity Markets: Evidence from Sri Lanka

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ABSTRACT

The fluctuations of the stock market are essential to how people perceive the financial markets, what investors do, economic stability and risk management policies. Stock price volatility in such developing country markets, including those of Sri Lanka, is influenced by information asymmetry, where some players in the market have better or more current available knowledge than others. This results in inefficiencies, mispricing of securities and increased volatility. The purpose of this paper is to analyze the part played by Information Asymmetry in driving stock market volatility and how macroeconomic variables, namely economic growth (GDP), inflation rate, nominal interest rate and money supply, the interaction of which with information asymmetry influences the behaviour of stock prices. Quantitative research design is used with secondary data collected from the Colombo Stock Exchange (CSE), while the sample consists of macroeconomic indicators covering the period 2015-2024. Data is analyzed using the Exponential Generalised Autoregressive Conditional Heteroskedasticity (EGARCH) model, which allows for the clustering of volatility, asymmetric response to shocks and persistence in volatility over time. Study finds that information asymmetry contributes substantially to price volatility and that negative shocks have a larger effect on the market price than positive shocks of equivalent size. Besides, the macroeconomic factors like inflation and money supply significantly aggravate market volatility, whereas GDP growth rate and interest rates make nominal contributions. The study implies that reducing information asymmetry through stricter disclosure, real-time data access, and investor education can lower stock market volatility. Further study highlighted strengthening macroprudential policies, improving market infrastructure, and promoting long-term investment incentives to stabilize the stock market and investor confidence.

Keywords: Asymmetric information Behaviour, Colombo Stock Exchange, Frontier Markets, EGARCH volatility model, Macroeconomic variability, Stock price volatility

Paddy Farmers' Readiness to Transition from Chemical to Organic Farming in the Monaragala District of Sri Lanka: A Livelihoods-Based Analysis

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ABSTRACT

This study examines paddy farmers' readiness to transition from chemical farming to organic farming in the Monaragala District of Sri Lanka. The excessive use of chemical inputs in paddy cultivation has raised concerns regarding environmental degradation, declining soil fertility, and long-term livelihood sustainability. Although organic farming has been widely promoted as a sustainable alternative, farmers' willingness and preparedness to shift from conventional practices remain limited. Drawing on the Sustainable Livelihoods Framework and ecosystem resilience theory, this study investigates how five livelihood capital dimensions, human capital, financial capital, social capital, physical capital, and natural capital influence farmers' readiness to adopt organic farming practices. This study adopts a quantitative research approach, and primary data were collected through a structured questionnaire administered to 133 paddy farmers in the Monaragala District using a convenience sampling technique. Farmers' readiness to transition to organic farming was specified as the dependent variable, while human capital, financial capital, social capital, physical capital, and natural capital were treated as independent variables. Descriptive statistical analysis was conducted using SPSS to summarise respondents' demographic and farming-related characteristics. Partial Least Squares Structural Equation Modelling (PLS-SEM) was employed using SmartPLS to assess both the measurement and structural models. Reliability and validity were evaluated using Cronbach's alpha, composite reliability, average variance extracted (AVE), and discriminant validity measures. Structural relationships were examined using path coefficients, coefficient of determination (R^2), effect size (f^2), and predictive relevance (Q^2). The results show that the five livelihood capital dimensions jointly explain 50.9% of the variance in farmers' readiness to transition to organic farming. Natural capital emerged as the most important determinant, followed by human capital. Social capital and physical capital exerted smaller but meaningful effects, while financial capital showed a weak influence. The model demonstrated strong predictive relevance, confirming its strength. The findings suggest that readiness for organic farming is shaped by a combination of environmental suitability, knowledge, experience, and social support rather than financial capacity alone. The study provides important policy effects for promoting sustainable agricultural transitions in Sri Lanka by emphasizing capacity building, environmental management, and institutional support mechanisms.

Keywords - Organic farming, Paddy farmers, Sustainable agriculture, PLS-SEM, Sri Lanka

The Role of Unpaid Care Work in Limiting Educated Women's Participation in the Labor Market in Sri Lanka

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ABSTRACT

Sri Lanka has made significant progress in the education of females and human development, yet female participation in the workforce remains low. Despite the high level of educational attainment, the participation of females in the workforce is only around 32-34 per cent, which is substantially lower than that of males. The impact of culture and the care-related domain disparities has been a crucial factor in this respect. The adopted methodology includes a quantitative research design that utilizes cross-sectional data collected from the Sri Lankan Labour Force Survey carried out by the Department of Census and Statistics. The analysis will concentrate on educated women aged between 15 and 64 years belonging to the group that has completed Advanced Level or higher levels of education. The binary outcome variable for participation will be estimated using the logistic regression model. The study defines the concept of unpaid care work as engaging in household or caregiving activities that restrict women's opportunities for paid employment, which includes those who mentioned household responsibilities as the main reason for not working, and other controls in the form of lifecycle and household variables, including age, marital status, and number of children, and sector of residence. Diagnostic tests were conducted prior to estimation to check the validity of the model. Variation Inflation Factors confirmed the absence of multicollinearity, while the Hosmer-Lemeshow test indicates a good fit for the model. The empirical evidence shows that education itself is not a guarantee of participation in the labour force. Marital Status and the number of children had a statistically significant positive relationship with participation in the labour force, meaning that even though educated women are married or have children, they still participate in the labour force because of financial strain or because of some support systems in place. The sector of residence is not statistically significant. However, the constraint related to household care and age has a negative correlation with labour force participation and thereby confirms our main proposition that unpaid care work continues to position women as providers of care and thereby deters them from pursuing participation in the economy. The study argues that a larger approach involving issues like women's care work, flexibility in work arrangements, and changing gender attitudes is necessary. The study helps in adding to the literature developed around gender studies and labour economics in relation to women's development in Sri Lanka.

Keywords: educated women, labour force participation, unpaid care work, Sri Lanka

The Effect of Financial Deepening on Economic Growth in Sri Lanka (1991-2024)

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ABSTRACT

Financial deepening is considered a driver of growth across the board, and its effect is more pronounced in developing economies like that of Sri Lanka. Nonetheless, this primarily depends on the financial system's structure, efficiency, and allocation methods. The current research aims to investigate the short-run and long-run effects of financial deepening on economic growth in Sri Lanka by looking at the most important bank-based and market-based financial indicators using the Autoregressive Distributed Lag (ARDL) model on annual data from 1991 to 2024. Real GDP per capita is used as a measure of economic growth, while broad money supply, private sector credit, market capitalization and financial savings are the indicators for financial deepening. The results indicate that market capitalization positively and significantly affects economic growth in both short and long run periods, which is meant to highlight the role of stock market development in attracting long-term investment and therefore, efficient capital allocation. On the other hand, money supply and financial savings do not have any significant long-run effect on economic growth, suggesting that financial intermediation has operated inefficiently. There are mixed results with regard to private sector credit; it basically means that just expanding credit is not enough, effective allocation is required. Among the control variables, trade openness and gross capital formation are seen to be positively contributing to economic growth, whereas inflation and labour force participation are observed to have negligible effects. The results stress that enhancing the efficiency of the financial sector and developing the capital market are prerequisites for the sustainable economic growth of Sri Lanka.

Keywords: ARDL Model, Economic Growth, Financial Deepening, Market Capitalisation, Private Sector Credit, Sri Lanka

Sustainable Adoption of Artificial Intelligence (AI) in Licensed Commercial Banks in Sri Lanka; Identifying Key Drivers, Barriers and Strategic Solutions

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ABSTRACT

The study investigates the impact of sustainable Artificial Intelligence (AI) adoption in the Sri Lankan Licensed Commercial Banks. The global financial industry is rapidly changing with newly introduced technologies. They have introduced numerous new products and services to their customers. However, the Sri Lankan financial sector continues to operate largely under traditional banking practices. As a result, Sri Lankan banks struggle to gain a competitive advantage. AI has the potential to enhance operational efficiency, improve customer satisfaction, promote financial inclusion, and strengthen decision-making processes. The primary objective of this study is to identify the factors affecting AI integration and to propose strategic solutions for its long-term implementation. A qualitative research approach was employed, and semi-structured interviews were conducted with branch managers and staff officers across leading licensed commercial banks to collect data. Sri Lanka has 24 licensed commercial banks. From this population, the study selected 10 licensed commercial banks and conducted interviews with approximately 15 banking professionals. The collected data were analyzed using thematic analysis, through which the study identified the key drivers, barriers, and strategic solutions related to AI adoption. The findings indicate that technological readiness, economic drivers, regulatory and policy support, and competitive advantage are key drivers of AI adoption in the banking industry. These factors enable institutions to implement AI solutions within their banking systems. However, several barriers were also identified, including high implementation costs, cybersecurity threats, regulatory constraints, and a shortage of skilled labour. These barriers pose significant risks and challenges to the long-term sustainability of AI integration within the banking industry. To address these barriers and ensure long-term sustainability, the study proposes several strategic solutions, including investment in technological infrastructure, employee training and development programmes, cybersecurity measures, and data governance frameworks. In addition, enhancing public–private sector collaboration is emphasized to support the long-term sustainability of AI adoption. These strategic solutions aim to balance the advantages and challenges of providing optimal services to customers while maintaining long-term sustainability. The study contributes to both theory and practice by offering a holistic understanding of AI adoption in the Sri Lankan banking industry.

Keywords: Artificial Intelligence, Sustainable Adoption, Banking Industry, Sri Lanka, Adoption Drivers, Implementation Barriers

The Impact of Exchange Rate Fluctuations on the Prices of Imported Consumer Goods in Retail Shops in Sri Lanka: An ARDL Approach

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ABSTRACT

The large reliance on imports in Sri Lanka has led to domestic prices being susceptible to changes in the exchange rates. Retail prices of imported goods directly transmit the effects of changes in exchange rates to inflation and household welfare. This paper looks into the effects of the fluctuations in the exchange rates on the retail prices of imported consumer goods in Sri Lanka within the period of January 2018 to December 2023. The overriding purpose of the research is to examine the short-run and long-run impacts of exchange rate variability on retail prices of imported consumer goods. The paper also measures the extent of exchange rate pass-through in the presence of domestic inflation, world oil price and importation volumes. This research follows a quantitative research design, which involves monthly time-series data collected through secondary data sources, namely, the Central Bank of Sri Lanka, the Department of Census and Statistics, and the World Bank. The dependent variable, which is the Import Price Index, is a proxy of retail prices of imported consumer goods. The nominal exchange rate (LKR/USD) is the determining variable, whereas the Consumer Price Index, world oil prices and the Import Volume Index are the control variables. The Autoregressive Distributed Lag (ARDL) method is embraced since it has the advantage of accommodating variables that are integrated at varying orders and limited sample sizes. The findings show that a statistically significant positive impact of exchange rate depreciation on retail prices of imported consumer goods in the short run and the long run is positive, which means that there is a high level of exchange rate pass-through in Sri Lanka. There is also a large positive effect of global oil prices, whereas domestic inflation is less and the statistically insignificant effect of the import volumes. The paper places the significance of exchange rate stability and external costs management in the control of retail prices in import-dependent economies.

Keywords: Exchange rate pass-through, imported consumer goods, index of import prices, oil prices, ARDL, Sri Lanka.

Factors Affecting Customer Saving Behaviour through Mobile Banking in Sri Lankan Private Banks

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ABSTRACT

The rapid increase in the use of mobile banking has caused a paradigm shift in the delivery of financial services in the private banking sector of Sri Lanka by providing greater convenience and accessibility. Although previous research has focused on the adoption, security, and customer satisfaction aspects of mobile banking, the saving behaviour of customers has not received much research attention. Additionally, behavioural factors like self-control are critical for decision-making but have not been extensively explored in the context of mobile banking. Thus, this study intends to examine the factors influencing customer saving behaviour through mobile banking in the private banking sector of Sri Lanka. The proposed research will utilize a quantitative research paradigm with a focus on behavioural and technological aspects. Five independent variables: trust and security, transaction cost, mobile banking, incentive to save, and self-control, will be explored to determine their impact on customer savings behaviour. The study employed a structured questionnaire with a five-point Likert scale among 384 mobile banking customers of private banks. The research used stratified random sampling in the Colombo district to capture a representative demographic sample, given its relatively higher penetration of digital banking and mobile banking use. Ethicality was ensured by voluntary participation, consent, and anonymity of respondents. The study also has limitations in terms of its cross-sectional nature and reliance on self-reported data. The empirical findings show that trust and security, incentive to save, and self-control have a significant and positive impact on customer savings behaviour through mobile banking, underscoring the significance of psychological and behavioural aspects in digital savings. Conversely, transaction cost and mobile banking attributes were found to be statistically insignificant, implying that mere technological convenience is not a sufficient factor in promoting savings behaviour.

Keywords: Mobile Banking, Consumer Behaviour, Consumer Savings

The Role of Remittances After Natural Disasters for Assessing Poverty in South Asia

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ABSTRACT

South Asia is also known for having a quarter of the world's population, 88.1% of whom are living in disaster-prone areas, and it ranks second globally in multidimensional poverty. There are covariate shocks that can increase the vulnerability to poverty in the region. The present research focuses on tracing the indirect effects of disaster and remittance inflow on poverty across South Asia, which is an existing research gap that has not filled by the literature. This research paper focuses on whether remittances act as a mediating role when assessing poverty outcomes during disasters in South Asia. This paper, followed by a quantitative explanatory panel data model, evidenced from countries: Bangladesh, India, Nepal, Pakistan, and Sri Lanka, covers the period from 2002 to 2023. A fixed effect model is used to measure the impact of total remittance inflow during the disaster period on poverty outcomes, which is measured using the Human Development Index (HDI). By gathering data from the World Bank, UNDP, and EM-DAT, the research contributes to the limited empirical literature on the poverty–disaster–remittance nexus in the region. This research was supported by multidimensional theoretical frameworks that include Vulnerability and Resilience Theory, the New Economics of Labour Migration (NELM), and Human Capital Theory. Together, these theories explain how disasters affect poverty as well as remittance in South Asia. The findings reveal that the presence of a disaster event decreases the HDI value, which means the increasement in poverty. However, the moderating effect of remittances on poverty is not statistically significant. Although the remittance inflow increased during the disaster period, this finding reveals that the South Asians are having the lack of understanding of how to use the remittance in an effective way. Hence, this research paper highlights the need to strengthen the social protection system that can respond quickly to disasters for families who receive remittances. This could help in taking necessary steps to acknowledge the people and build a strong system to help them cope with the covariate shocks like disasters that slow down or reverse the economic development.

Keywords: Disasters, Economic Resilience, Poverty, Remittances, South Asia

The Impact of Bilateral Investment Treaties on the Foreign Direct Investment Inflows in South Asia: The Moderating Role of Governance Effectiveness

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ABSTRACT

Foreign Direct Investment is a key factor in the growth of developing countries, where the Bilateral Investment Treaties are widely accepted as an instrument in the international investment spectrum that promotes the attractiveness of a country as a location where investors would be willing to invest. It not only brings in additional financial resources but also supports the economic advancement of host countries by facilitating the adoption of modern technologies and advanced managerial practices. As global investment flows are getting increasingly complex, it has also become essential to recognize the effectiveness of these tools in terms of the governance effectiveness of the host country due to the credible policy implementation. While the existing literature has widely studied the connection between Foreign Direct Investment and Bilateral Investment Treaties, there is limited focus on how governance effectiveness may moderate this relationship and specific studies on the South Asian region. Most studies presume that BITs impact FDI in all cases the same, disregarding governance effectiveness, which can lead to uneven results. Therefore, this study centres on examining the relationship between Bilateral Investment Treaties and Foreign Direct Investment inflows in the South Asian region, and whether governance effectiveness influences this relationship. This study uses panel data analysis from 2004 to 2023 of eight South Asian countries, namely Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan, and Sri Lanka. Foreign Direct Investment inflows were obtained from the World Bank database, Bilateral Investment Treaties were measured using the Asian Development Bank International Investment Agreement Toolkit, and governance effectiveness was measured using the Government Effectiveness Index of the World Bank. The study controls Gross National Income per capita, population, and inflation. Seemingly Unrelated Regression was used to tackle cross-sectional dependence and heteroskedasticity in the panel data. The study finds statistically significant negative correlation to Bilateral Investment Treaties (BITs) and Foreign Direct Investment (FDI) inflow in the South Asian region. Nevertheless, findings show a significant positive moderating effect of governance effectiveness on this BIT - FDI relationship. Accordingly, BITs in isolation do not seem to be sufficient to attract FDI; however, their influence is magnified in jurisdictions with higher levels of governance effectiveness. These results provide policymakers and investors with information on the investment climate of the South Asian region and delineate needed actions to improve the efficiency of the investment promotion instruments. The analysis highlights the need for simultaneous strengthening of the effectiveness of governance and treaty-based mechanisms to supplement the FDI inflows in South Asia.

Keywords: Foreign Direct Investment, Bilateral Investment Treaty, Governance Effectiveness, South Asia

Impact of Influencer Marketing on Beauty Product Purchases in Sri Lanka

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Abstract

This study examines how influencer marketing impacts the purchase intention of beauty product consumers in Sri Lanka. Many young consumers depend on influencers for information about beauty trends and product recommendations due to the rapid growth of social media platforms like Instagram, TikTok, Facebook and YouTube. The study focuses on four main influencer characteristics: credibility, perceived authenticity, content quality, parasocial relationships and their ability to influence purchase intention. A quantitative, cross-sectional design was employed, and data were collected through an online survey filled by 250 social media users who follow at least one beauty influencer. The data were analyzed using descriptive statistics, correlation analysis and multiple regression. The findings show that influencer credibility, perceived authenticity and parasocial relationships have significant positive effects on purchase intention. Parasocial relationships, which explain the one-sided emotional attachment between followers and influencers, emerged as the strongest predictor. Influencer credibility also had a strong impact, highlighting that trustworthiness, expertise and reliability encourage consumers to follow product recommendations. Perceived authenticity was also significant, showing that consumers respond more positively to influencers who communicate honest and transparent reviews. Content quality was positively correlated with purchase intention, but did not remain significant when all variables were tested together. This reveals that high-quality visuals and creative posts attract attention but do not directly lead to purchase decisions unless supported by trust and emotional connection. The study contributed to existing literature by enhancing global theories such as Source Credibility Theory, Parasocial Interaction Theory, and Social Influence Theory in the Sri Lankan beauty market. The study also offers practical insights for marketers, brands and influencers. Beauty brands can use these findings to select credible and authentic influencers who maintain strong relationships with their followers. The study also shows the importance of emotional engagement for successful influencer marketing. The study concludes that influencer marketing is a powerful tool for influencing consumers' purchase decisions in Sri Lanka, especially among Generation Z and young adults aged 20-28. However, the research is limited to self-reported data from a single country and an industry. Future research should examine additional variables, compare different influencer types, and investigate long-term impacts on consumer behaviour.

Keywords: authenticity, beauty products, credibility, influencer marketing, parasocial relationships, purchase intention

Introduction

Influencer marketing has become one of the most powerful forms of digital marketing in the present social media environment. With the rise of social media platforms such as Instagram, TikTok, YouTube and Facebook, consumers now interact daily with online personalities who communicate their opinions and lifestyle choices. The extent of change in communication has transformed how consumers discover beauty products. This process depends on personal trust in the influencer, visual content and honest reviews. As a result, influencers have taken the role of opinion leaders whose recommendations often influence purchase decisions, mainly among young adults (Bishri, 2024).

In Sri Lanka, influencer marketing has grown rapidly with increased internet access and smartphone usage. Many young consumers follow beauty influencers for skincare routines, makeup tutorials and honest product reviews. These influencers shape followers' attitudes by introducing new products and beauty trends. As a result, beauty brands increasingly depend on influencers to build brand awareness and encourage purchase intention (Jayasinghe & Wanninayake, 2024). Even though influencer marketing is widely used, many brands still do not have a clear understanding of which influencer characteristics truly impact consumers' buying decisions.

The prevailing literature shows that several influencer characteristics affect purchase intention. Influencer credibility, which includes trustworthiness and expertise, plays a key role in building consumer trust (Ohanian, 1990). Perceived authenticity is also important as consumers prefer influencers who appear honest and genuine rather than overly money-minded (Audrezet et al., 2020). Further parasocial relationships, which explain the emotional connection followers build towards influencers, have been found to increase consumer purchase intention (Horton & Wohl, 1956; Labrecque, 2014). Content quality that means clear explanations, creative and attractive visuals support consumers to better understand products (Lou & Yuan, 2019).

Although these factors have been studied in global contexts, there is still limited empirical research focusing on the Sri Lankan beauty industry. Most local studies examine influencer marketing in general or focus on other industries such as fashion. This created a gap in understanding how influencer characteristics impact the purchase intention of beauty products in Sri Lanka (Samarage & Ratnayake, 2021). This lack of evidence makes it difficult for brands to design successful influence-driven promotion strategies.

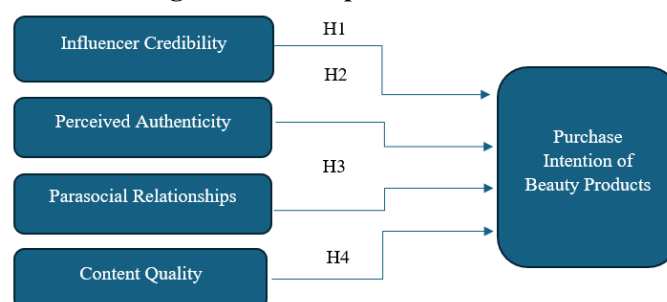
Therefore, this study focuses on filling this research gap by examining the impact of influencer credibility, perceived authenticity, content quality and parasocial relationships on beauty product purchases in Sri Lanka. The key objective of the study is to understand how these influencer marketing characteristics impact consumer purchasing decisions. The study answers the question of how and to what extent influencer characteristics impact consumers' intention to buy beauty products. By addressing these issues, the study contributes to academic knowledge and provides practical insights for marketers and beauty brands in the Sri Lankan market.

Methodology

Conceptual Framework

The study is guided by the conceptual framework that measures the impact of influencer characteristics on purchase intention.

Figure 1: Conceptual Framework



Hypotheses

The hypotheses were developed based on the conceptual framework to examine the factors influencing purchase intention.

Hypothesis 1: Influencer credibility has a **significant positive influence** on purchase intention.

Hypothesis 2: Perceived authenticity has a **significant positive influence** on purchase intention.

Hypothesis 3: Parasocial relationship has a **significant positive influence** on purchase intention.

Hypothesis 4: Content quality has a **significant positive influence** on purchase intention.

This study used a quantitative research approach to evaluate how influencer credibility, perceived authenticity, content quality and parasocial relationships affect purchase intention in the beauty industry of Sri Lanka. Many of the related studies have adopted the quantitative method to examine attitudes and relationships between variables in a structured and statistical way. This approach is widely used in consumer behaviour studies because it helps identify clear patterns in large groups of respondents (Creswell & Creswell, 2018).

A cross-sectional design was used since all data were collected at one point in time. This design is practical for online studies when the aim is to understand current consumer responses to influencer marketing. With the rapid change in social media interactions to influencer marketing, collecting data at one point captures how consumers behave in the present digital environment.

The target population was Sri Lankan social media users who follow at least one beauty influencer. These individuals were selected because they regularly interact with influencer content and are more likely to be influenced by promotional content. The study used a convenience sampling method since it allows researchers to reach participants easily through platforms such as Instagram, Facebook and WhatsApp. This method is common in online research due to its quick access to active digital users (Etikan et al., 2016).

The study shared an online questionnaire to collect data through social media networks. A total of 250 complete respondents were received, and this sample size was suitable for conducting statistical tests such as correlation and regression. This usually requires at least 150 responses for reliable analysis (Hair et al., 2019). The questionnaire measured the main variables using a 5-point Likert scale ranging from strongly disagree to strongly agree. Likert scales are appropriate for capturing opinions in an easy way (Joshi et al., 2015).

Each variable in the study was measured using items adapted from previous validated studies. Influencer credibility was assessed using factors such as expertise and trustworthiness based on Ohanian's (1990) scale. Perceived authenticity items were adapted from research by Audrezet et al. (2020), while content quality was measured using items inspired by Lou and Yuan (2019). Parasocial relationships were measured using items developed by Horton and Wohl's (1956) theory of Parasocial relationships with media figures. Purchase intention was measured through items based on the Theory of Planned Behaviour, which connects attitudes to behavioural intentions (Ajzen, 1991).

A multiple linear regression model was used in this study to assess the impact of influencer credibility, perceived authenticity, content quality and parasocial relationship on consumers' purchase intention. The multiple linear regression model was selected because it helps explain how several independent variables collectively influence the dependent variable, which in this study is purchase intention. The

model was analyzed using SPSS, and several diagnostic tests, including normality, multicollinearity and reliability, were performed to confirm that the assumptions required for the analysis were satisfied. The goodness of fit of the model was verified as statistically significant ($p < 0.001$), while internal consistency was established using reliability analysis.

Results

The demographic analysis shows that the highest proportion of respondents belongs to the 20-28 age group. This confirms that young adults, Generation Z, are the most active audience for beauty influencer content. The figures clearly illustrate that influencer marketing on beauty product content mainly appeals to young and female consumers in Sri Lanka, which aligns with previous local studies (Jayasinghe & Wanninayake, 2024).

The descriptive analysis indicates that all variables have mean values above 3.4, which means all the respondents generally agreed with the statements. The standard deviations show moderate variation in the responses, which is normal in social science studies. The skewness values indicate a slightly left-skewed distribution, meaning more participants selected higher ratings.

The correlation results show that all influencer-related variables have positive and statistically significant relationships with purchase intention. The strongest correlation is recorded by parasocial relationship, and the next variable is influencer credibility. This suggests that emotional connection and trust toward influencers increase consumers' willingness to purchase beauty products. Similar results have been identified in past studies (Garg & Bakshi, 2024; Jin & Phua, 2014).

Table 1: Regression Coefficients

Predictor	B	Std. Error	Beta	t	Sig.
Constant	1.049	.182	—	5.769	.000
Influencer Credibility	.243	.060	.261	4.039	.000
Perceived Authenticity	.122	.050	.156	2.445	.015
Content Quality	.093	.065	.104	1.421	.157
Parasocial Relationship	.244	.067	.269	3.657	.000

The regression results show that influencer credibility, perceived authenticity and parasocial relationship have a significant influence on purchase intention. Parasocial relationship was recorded as the strongest predictor, followed by influencer credibility. Although content quality is positively related, it was not a significant predictor when other factors were considered. This reveals that trust and emotional connection are more influential than visual quality content alone. These findings enhance Parasocial Interaction Theory and Source Credibility Theory (Horton & Wohl, 1956; Ohanian, 1990).

In addition, the goodness of fit of the regression model was measured to ensure the robustness of the results. The overall model was statistically significant ($p < 0.001$), showing that the independent variables together explain a meaningful proportion of variance in purchase intention. Diagnostic tests confirmed that the assumptions of multiple regression were satisfied. Normality was supported by acceptable skewness values, and no multicollinearity issues were detected among the independent variables. Reliability analysis further demonstrated strong internal consistency across all constructs, confirming the suitability of the analytical model used in this study.

Overall, the tables and figures clearly illustrate that influencer marketing strongly influences beauty products purchase intention in Sri Lanka, mainly through emotional connection, trust and authenticity, while content quality plays a supportive role (Rachman, 2024; Samarage & Ratnayake, 2021).

Conclusion

This study examined the impact of influencer marketing on beauty product purchases in Sri Lanka. The main focus was on four key influencer characteristics: influencer credibility, perceived authenticity, content quality and parasocial relationships. The findings of the study revealed that influencer marketing plays a key role in shaping consumer buying behaviours, especially among young social media users who actively follow beauty influencers.

The results reveal that parasocial relationships have the strongest impact on purchase intention. Consumers are more likely to consider buying the beauty products they recommend due to the feeling of emotional attachments toward the influencer. This finding extends Parasocial Interaction Theory (Horton & Wohl, 1956; Labrecque, 2014). Influencer credibility was also found to be a strong predictor of purchase intention. When influencers are perceived as knowledgeable, trustworthy and experienced, consumers consider purchasing products they promote. This supports Source Credibility Theory, which says that credible sources are more inspirational and effective in shaping consumer behaviour (Ohanian, 1990).

Further, perceived authenticity showed a significant positive impact on purchase intention as consumers trust influencers who seem genuine, honest and transparent in their product promotions. This reveals that followers can easily detect forced or paid promotions and respond more positively to sincere recommendations. These findings align with past studies that highlight authenticity as a key factor in building long-term consumer trust (Audrezet et al., 2020). While content quality was positively related to purchase intention, it was not a strong predictor when other factors were considered together. This confirms that attractive visuals and creative content alone are not enough to impact purchase decisions, as mentioned by Lou and Yuan (2019).

The practical implications of this study are important for beauty brands and marketers in Sri Lanka's beauty industry. Brands should focus on choosing influencers with characteristics like credible, authentic and capable of creating emotional attachments with their followers. Brands can strengthen trust and purchase intention by encouraging influencers to share honest experiences, personal stories and real product reviews. Marketers should know that influencer marketing effectiveness relies more on trust and emotional connection than on content quality alone (Jayasinghe & Wanninayake, 2024).

In conclusion, influencer marketing is a powerful tool in the Sri Lankan beauty industry when it is built on characteristics such as credibility, authenticity and emotional attachments. In the current competitive digital marketplace, brands can create more effective and successful marketing strategies, build consumer trust and increase purchase intention by focusing on these influencer characteristics (Samarage & Ratnayake, 2021).

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The Impact of Sustainable Supply Chain Management Practices on the Financial Performance of Food Sector SMEs in Kurunegala District, Sri Lanka

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ABSTRACT

Financial performance remains a critical determinant of long-term viability and competitiveness for the SMEs in developing economies. Despite the growing recognition of Sustainable Supply Chain Management (SSCM) practices as strategic facilitators of enterprises' success, there is still scarce empirical evidence regarding their impact on financial performance within the food sector SMEs in Sri Lanka, specifically in the Kurunegala District. This research has sought to fill this gap by examining the relationship between the five dimensions of SSCM practices, namely SEM, CRM, SRM, SCM, and LSM, and the financial performance of food sector SMEs. This research adopted a quantitative research approach. A structured questionnaire was administered to 371 food sector SMEs operating in the Kurunegala District. The sample size required for the survey, based on Morgan's table with a population of 5,524 enterprises, is 364. It was able to receive 365 usable questionnaires; therefore, the response rate was 98%. Data are analyzed through SPSS Version 22, including descriptive statistics, reliability analysis (Cronbach's alpha), correlation analysis, and multiple linear regression. The overall measurement instrument had excellent internal consistency, with an overall Cronbach's alpha value of 0.907 and individual construct reliabilities ranging from 0.748 to 0.852. Conversely, Sustainable Environmental Management Practices do not show a direct significant effect on financial performance with $\beta = -0.068$, $p = 0.131$. Therefore, the results provide a greater understanding of food sector SMEs in the Kurunegala District, which suggests that lean practices and relationship management strategies should be prioritized in order to improve the financial results.

Keywords: customer relationship management; financial performance; Lean supply management; Sri Lankan SMEs; sustainable supply chain management; SMEs in the food sector

Introduction

Small and medium enterprises are important for economic development, especially in developing nations, as they have a significant impact on employment generation, income distribution, and GDP growth. The food sector represents a significant part of the SMEs in Sri Lanka, as thousands of entrepreneurs gain their livelihood from the sector, and this industry plays an imperative role in connecting agricultural productions and the markets that consumers face. Food sector SMEs are struggling with various resource constraints, market volatility, supply chain inefficiencies, and an increasing demand to adopt more sustainable practices at low costs and with maintained profitability.

SSCM has emerged as a strategic way through which a company can take environmental, social, and economic considerations into account at all levels of the supply chain operations. Various scholars have documented that SSCM practices will enhance a firm's operational efficiency and reduce costs, while simultaneously allowing it to develop better stakeholder relationships, which in turn contribute to better financial performance (Abeysekara et al., 2019). Most previous studies on SSCM have focused on large corporations in developed economies, with limited attention being given to SMEs in developing country contexts (Abdallah et al., 2021). This is a significant research gap because SMEs in emerging markets

have different enabling and constraining factors that might influence the SSCM-firm performance relationship differently than in developed economies.

In the context of Sri Lanka, especially the Kurunegala District, which is one of the most important agricultural and food processing areas, there is a noticeable deficiency in empirical research into how specific SSCM practices affect the financial performance of SMEs in the food sector (Ministry of Industries 2022; Type of Industry, n.d.). While anecdotal evidence indicates increasing adoption of sustainable practices, there is an evident lack of systematic investigation regarding the financial consequences of such practices (Carbone & De Martino, 2003). The understanding of this relationship is particularly important for resource allocation decisions by SME managers and the design of support programs for enhancing competitiveness and sustainability by policymakers.

This present research, therefore, attempts to fill the identified research gap through an investigation into the following questions: (1) What is the level of SSCM practice adoption among food sector SMEs in the Kurunegala District? (2) To what extent do different dimensions of SSCM practices, namely SEM, CRM, SRM, SCM, and LSM, influence the financial performance of these enterprises? And what SSCM practice dimension manifests the strongest predictive relationship with financial performance? Therefore, this study tries to provide empirical evidence to guide both managerial decision-making and policy formulation that support sustainable and financially viable operations of food sector SMEs. In some cases, a function may take two arguments or more.

Methodology

The quantitative research design with a cross-sectional survey approach is adopted for this study. The target population of this study consists of 5,524 registered food sector SMEs operating in the Kurunegala District, Sri Lanka. With the help of Morgan's sample size determination table (1970), it is established that the minimum sample size required for this study is 364 owners at a 95% confidence level with a 5% margin of error. Convenience sampling is employed due to practical constraints in accessing comprehensive SME databases and the geographical dispersion of enterprises.

A structured questionnaire was the main data collection instrument, which was developed based on established scales from prior literature. The questionnaire consisted of six major sections measuring the followings: (1) Sustainable Environmental Management Practices - 5 items adapted from Netemeyer et al., 2004; Pallant, 2003; (2) Customer Relationship Management - 4 items from Netemeyer et al., 2004; (3) Supplier Relationship Management - 4 items from (Gallant, 2003); (4) Supply Chain Management Practices - 4 items from Pallant, 2003; (5) Lean Supply Management - 4 items from Pallant, 2003; and lastly, (6) Financial Performance - 4 items from Vickery et al., 2003. All items were measured using a 5-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree).

The data collection was carried out over three months, with a total of 371 questionnaires distributed to owners, managers, and key decision-makers of SMEs. After screening for geographical consistency and appropriateness of sector, 365 usable questionnaires were retained, giving a 100% response rate. The analysis of data was done through SPSS Version 22 using several statistical procedures. First, missing value analysis confirmed completeness with no missing values across all variables. Second, Z-score-based outlier detection revealed no extreme values that needed exclusion. Third, computation of mean scores for each construct transformed scales. Fourth, internal consistency measurement scales were analyzed for their reliability using Cronbach's alpha. Fifth, descriptive statistics pursued the central tendency and dispersion of variables. Sixth, bivariate relationships between SSCM practices and

financial performance were analyzed with Pearson correlation. Finally, multiple linear regression analysis tested predictive relationships of the five SSCM practice dimensions as independent variables on financial performance as a dependent variable, confirming that multicollinearity diagnostics resulted in no significant intercorrelation issues among predictors. It allows the system to escape from a particular reduced basis space to another enrichment or to the full-order model.

Results

The demographic profile of respondents showed that there was a reasonable balance in gender distribution: 54.8% male and 45.2% female owners/managers of businesses. For 35.9%, the enterprises had been in operation between 1 and 2 years, while 54.2% had between 5 and 49 workers, which falls within the typical workforce size of an SME. Cross-tabulation showed that male entrepreneurs were more persistent in sustaining operations beyond two years and that workforce size increased with business maturity.

Descriptive statistics for the composite variables indicated that the ratings of all SSCM practices and financial performance were above the scale midpoint. The following are the rating frequencies from highest to lowest: Sustainable Environmental Management Practices had the highest mean ($M = 4.56$, $SD = 0.45$), followed by Supplier Relationship Management ($M = 4.54$, $SD = 0.39$), then Financial Performance ($M = 4.54$, $SD = 0.44$), Supply Chain Management Practices ($M = 4.51$, $SD = 0.42$), Customer Relationship Management ($M = 4.50$, $SD = 0.39$), and Lean Supply Management ($M = 4.47$, $SD = 0.42$). The relatively low standard deviations indicated consistency in responses throughout the sample.

Reliability analysis confirmed that all measurement scales possessed excellent internal consistency. The overall scale, composed of 25 items, obtained a Cronbach's alpha of 0.907. For the individual constructs, the reliabilities were as follows: SEM ($\alpha = 0.852$), FPS ($\alpha = 0.822$), SRM ($\alpha = 0.777$), LSM ($\alpha = 0.769$), CRM ($\alpha = 0.748$), and SCM ($\alpha = 0.749$), all above the threshold for acceptability of 0.70 set by Nunnally & Bernstein, 1994. The Pearson correlation analysis result indicates that all dimensions of SSCM practices are positively and significantly associated with financial performance. The ranking order starts with the correlation between LSM and FPS at 0.542 ($p < 0.01$), followed by CRM-FPS at 0.532 ($p < 0.01$), SCM-FPS with 0.495 ($p < 0.01$), SRM-FPS with 0.447 ($p < 0.01$), and SEM-FPS, with the smallest value of 0.209 ($p < 0.01$). Significant intercorrelations among independent variables, ranging from 0.217 to 0.614, suggest that these constructs share common ideas but differ in meaning. In addition, multiple linear regression analyses showed that the five dimensions of SSCM practices jointly accounted for 42.2% of the variance in financial performance ($R^2 = 0.422$, Adjusted $R^2 = 0.414$, $F(5,359) = 52.473$, $p < 0.001$). The investigation of each predictor indicated that Lean Supply Management had the strongest effect ($\beta = 0.307$, $t = 5.921$, $p < 0.001$), followed by Customer Relationship Management ($\beta = 0.237$, $t = 4.414$, $p < 0.001$), Supplier Relationship Management ($\beta = 0.193$, $t = 4.034$, $p < 0.001$), and Supply Chain Management Practices ($\beta = 0.116$, $t = 2.107$, $p = 0.036$). However, surprisingly, no significant direct effect of Sustainable Environmental Management Practices was found on financial performance ($\beta = -0.068$, $t = -1.514$, $p = 0.131$). Multicollinearity diagnostics were acceptable, as reflected by tolerance values and variance inflation factors, indicating no problematic intercorrelation among predictors.

Conclusions

This study provides empirical evidence to prove that sustainable supply chain management practices have a significant effect on the financial performance of food sector SMEs in the Kurunegala District,

Sri Lanka. The most important finding is that lean supply management practices demonstrate the strongest positive impact on financial performance, suggesting that efficiency-focused initiatives, such as waste reduction, continuous improvement, and streamlined operations, yield tangible financial benefits for resource-constrained SMEs. Customer relationship management and supplier relationship management also emerge as critical performance drivers, emphasizing the role of collaborative partnerships throughout the supply chain. Second, and interestingly so, sustainable environmental management practices, although positively correlated to financial performance through bivariate analysis, show no significant direct effect once other dimensions of SSCM are controlled for in the regression model. This would indicate either that environmental practices exert an indirect influence on financial outcomes through circulations with other supply chain practices or that the benefits come about at time horizons longer than captured by this cross-sectional study. These findings have considerable practical implications for several stakeholders. To the manager or owner of an SME, the results suggest that a focused emphasis on lean practices and relationship management strategies provides the quickest route to improved financial performance. More precisely, investments in waste elimination, process standardization, customer engagement systems, and supplier collaboration programs will see positive returns. For policymakers and organizations that support SMEs, these findings imply that capacity-building programs need to focus on lean methodologies and relationship management skills, in addition to environmental sustainability training. The study contributes to the nascent but growing literature on SSCM implementation in developing country contexts by demonstrating that although all aspects of SSCM are relevant, their relative importance varies; operational efficiency and relational capabilities become the main performance drivers in resource-constrained environments. Further research should adopt longitudinal designs in order to better grasp long-term financial consequences of environmental sustainability practices and may also investigate possible mediating mechanisms through which SSCM practices influence financial outcomes. Such studies would also benefit from comparisons between different sectors and geographic regions by enhancing understanding of contextual factors that shape SSCM performance relationships in emerging markets.

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Determinants Affecting the Adoption of Value Addition Practices Among Coconut Farmers in Sri Lanka: A Qualitative Analysis

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ABSTRACT

The coconut sector is a cornerstone of Sri Lanka's rural economy. (Central Bank of Sri Lanka, 2023; Coconut Development Authority, 2022) Yet, a puzzling contradiction persists: most smallholder farmers remain trapped in a low-income cycle, selling only raw nuts to intermediaries despite the high global demand for value-added products. (Food and Agriculture Organization, 2022) While economic logic suggests business owners will maximize profit, (Porter, 1985) this study investigates why landholders, specifically educated "professional farmers" who manage ancestral lands while holding careers in engineering or banking, consciously reject high-return value addition practices in favour of lower-paying traditional methods. Adopting a qualitative exploratory design (Creswell & Poth, 2018; Denzin & Lincoln, 2018) focused on the various districts, the research utilized in-depth, semi-structured interviews with twelve landholders. The sample was stratified to capture diverse perspectives on time allocation and opportunity costs, and data were analyzed using inductive thematic analysis to uncover the underlying determinants of this behaviour. The findings reveal that the low adoption rate is not due to a lack of awareness; every participant acknowledged that processing yields significantly higher returns. Instead, adoption is stifled by four structural and psychological barriers. First, the "Profitability-Viability Paradox" highlights that for professional owners, high startup costs and the significant opportunity cost of time make industrial management unviable compared to their primary salaries. Second, "Operational Incompatibility," driven by acute labour shortages and time poverty, forces owners toward the "lazy man's crop" (raw selling) for its operational simplicity. Third, "Psychosocial Stewardship" reveals that farmers view land as a family legacy to protect rather than a business to risk, prioritizing the "soul satisfaction" of simple cultivation over the stress of factory management. Finally, systemic disincentives, such as inconsistent import policies and infrastructure gaps, (Ministry of Plantation Industries, 2023; Department of Agriculture, 2023) create a hostile investment climate. The study concludes that non-adoption is a rational strategic adaptation to a hostile environment rather than a failure of logic. To unlock the sector's potential, policymakers must move beyond standard financial grants. Recommendations include promoting "service-based" value addition, such as agro-tourism, and establishing centralized community processing zones. These "turn-key" solutions would allow landholders to monetize their assets without the heavy burden of daily industrial labour or security concerns, effectively aligning economic goals with the lifestyle preferences and time constraints of the modern Sri Lankan farmer.

Keywords: Agricultural Innovation, Coconut Value Addition, Opportunity Cost (Ellis, 1993), Risk Aversion (Kahneman & Tversky, 1979), Sri Lanka

Introduction

The coconut industry is deeply embedded in the cultural and economic life of Sri Lanka. (de Silva, 1981; Central Bank of Sri Lanka, 2023) For generations, the coconut tree has been a staple of the national diet and a primary source of livelihood for rural communities. Globally, the demand for coconut-based value-added products, such as virgin coconut oil, coconut milk, and activated carbon from shells, has surged, (Food and Agriculture Organization, 2017; 2018) offering a lucrative opportunity for producers. However, despite these growing international markets, the upstream segment of the Sri Lankan supply chain remains largely stagnant. (Coconut Development Authority, 2022; Department of Census and Statistics, 2024) The vast majority of smallholder farmers continue to operate in a traditional, low-income model: simply harvesting raw nuts and selling them immediately to intermediaries or "middlemen".

From a simple financial perspective, this behavior is puzzling. It is generally assumed that business owners, including farmers, will always make decisions that earn them the most money. Since processing coconuts into finished products yields significantly higher profits than selling them raw, sometimes up to five times as much, basic economic logic suggests that farmers should be eager to adopt these practices. Yet, this is not happening. Even well-educated, "professional farmers" who work as engineers or bankers and manage ancestral lands are choosing to stick to the lower-paying traditional methods. This study aims to investigate this contradiction. Why do farmers who fully understand the financial benefits of value addition consciously choose to reject it? Existing explanations often blame a lack of education or market access, (Reardon et al., 2009; Kaplinsky & Morris, 2001) but this research looks deeper into the personal, operational, and psychological barriers that influence these decisions. By analyzing the real-world experiences of landholders, this study identifies the determinants affecting the adoption of value addition practices among coconut farmers in Sri Lanka.

Methodology

Research Design and Sampling: This study employed a qualitative exploratory design (Creswell & Poth, 2018; Denzin & Lincoln, 2018) focused on the Gampaha district, a pivotal region within Sri Lanka's "Coconut Triangle." This location was selected purposively due to its unique socio-economic duality. It serves as a stronghold of traditional agrarian culture, where coconut cultivation is part of the "cultural fabric", yet simultaneously experiences rapid urbanization and high living standards. This specific context provides an ideal setting to examine how landholders navigate the tension between traditional stewardship and the economic pressures of modernization. The sample consisted of twelve landholders, stratified to include both full-time cultivators and "professional farmers" (e.g., engineers, bankers) to capture diverse perspectives on time allocation and opportunity costs.

Data Collection: To capture the depth of the decision-making process, data were collected through comprehensive, semi-structured interviews conducted face-to-face in physical settings. This in-person approach was chosen to establish rapport and allow for the observation of non-verbal cues, which are critical when discussing sensitive topics like family legacy and financial risk. The Zoom platform was utilized during these sessions solely for its recording capabilities to ensure high-fidelity audio capture for accurate transcription. The interviews were conducted in the participants' preferred language (Sinhala or English) to remove linguistic barriers and allow for the authentic expression of complex emotions and cultural nuances. All recordings were subsequently translated and transcribed verbatim into English to ensure the granular details of the participants' experiences were preserved for analysis.

Data Analysis: The collected data were subjected to inductive thematic analysis. (Miles et al., 2019; Maxwell, 2013) The qualitative data analysis software NVivo was utilized to organize the dataset, manage coding hierarchies, and visualize relationships between themes. This rigorous process involved the iterative reading and coding of transcripts to identify recurring patterns, allowing the research to uncover the underlying determinants driving the participants' rejection of value-added practices.

Results

The analysis revealed that while the "pull" of profitability is strong, it is consistently overpowered by the "push" of structural and psychological barriers. These findings are categorized into four major themes.

1. The Profitability-Viability Paradox: Participants demonstrated a sophisticated understanding of market economics, universally acknowledging the "relative advantage (Kaplinsky & Morris, 2001)" of value addition.

High Profitability Perception: Farmers are fully aware that processing generates superior returns. Participant C3 noted that utilizing the entire nut (husk, shell, and kernel) yields "about five times the profit" compared to selling raw nuts. Similarly, C7 highlighted that "products like oil or coconut chips sell at a much higher price" than raw nuts, where buyers dictate prices. Even non-adopters like C12 admitted that "producing virgin coconut oil creates more profit for us".

Capital and Opportunity Barriers: Despite this awareness, the barrier to entry is high. C2 emphasized that value addition is "not a small thing" and "requires a lot of capital" to build structures, creating a liquidity trap for smallholders. Furthermore, for professional farmers, the Opportunity Cost (Ellis, 1993) is significant. C1, a scientist, argued that "the time I would need to allocate doesn't match the current returns" when compared to his professional salary. Consequently, the farm is treated as "a sort of hobby, not as income".

2. Operational Incompatibility: Labor and Time; The transition from agriculture to industry is hindered by a lack of human capital.

Labor Scarcity: Transitioning to processing requires reliable, daily labor, which is unavailable. C11 identified "scarcity of workers" as the "biggest challenge". C2 noted that industrial processing requires staff who are "trustworthy" to manage stock and machinery, but "there are thieves around," making delegation impossible.

Time Poverty: Dual-career owners lack the bandwidth for management. C9 stated, "The problem is time... once time is spent on most with family, the rest cannot be done". C6, a businessman, echoed that his time is "very limited," making value addition a "very difficult task".

Lifestyle Compatibility: Consequently, participants prefer the "Lazy Man's Crop" (raw selling). C1 described raw farming as convenient because "you just pluck the nuts every eight weeks and sell them". C7, a widow, chooses it because it is "a simple routine that I can manage without depending on others".

3. Psychosocial Stewardship and Risk Aversion (Kahneman & Tversky, 1979) Decision-making is heavily influenced by non-pecuniary benefits and asset protection.

Risk Aversion (Kahneman & Tversky, 1979): Participants view themselves as stewards of ancestral assets rather than entrepreneurs. C8, a "risk-averse person," feels responsible to "protect that asset" (the farm his father built) and therefore avoids the financial risks of business expansion. C3 prefers his "current comfort zone" over the stress of market competition.

"Soul Satisfaction": Farmers prioritize mental peace. C6 described the "soul satisfaction" of walking the estate, contrasting it with the stress of a "factory-style" process. C12 described traditional farming as "mentally healing".

Service-Based Alternative: A unique finding from C1 was the preference for Agro-Tourism as a form of value addition. He views the land as a place "for leisure and to enjoy the environment". This "service-based" model allows for income generation without the industrial drudgery of manufacturing, aligning profit with the lifestyle preferences of the professional class.

4. Systemic Disincentives External environmental factors further suppress adoption.

Infrastructure Gaps: C3 noted the lack of local machinery as a "practical problem". C5 cited a lack of "technical knowledge" as a barrier.

Policy Instability: C9 criticized government inconsistency, noting that unexpected coconut imports cause local prices to "drop to zero," destroying the feasibility of holding stock for processing. C1 highlighted that certifications for high-value exports are "very expensive for small growers," excluding them from lucrative markets.

Conclusion

This study fundamentally challenges the well-known assumption in agricultural development that the low adoption of value addition (VA) among Sri Lankan coconut farmers is a result of ignorance or a lack of entrepreneurial motivation even though the findings reveal a different dimension, "Profitability-Viability Paradox," where landholders are fully aware of the superior financial returns offered by industrial processing yet tend to reject them due to rational calculations of structural constraints and personal values.

The investigation concludes that the decision to adhere to the traditional "raw selling" model is not a failure of economic logic, but a strategic adaptation to a hostile operating environment characterized by labour scarcity and policy instability. For the significant demographic of "professional farmers", those balancing estate management with careers in engineering, banking, or business, the opportunity cost of their time renders the management of industrial processing unviable. Consequently, the traditional model, often dismissed as the "lazy man's crop", is actually a highly efficient allocation of limited resources, allowing owners to maintain their land without jeopardizing their primary income streams.

Furthermore, this research highlights the critical, often overlooked role of psychosocial stewardship. The land is not viewed merely as a factor of production but as an ancestral legacy requiring protection. This generates a high degree of risk aversion, where the fear of endangering family assets outweighs the allure of potential profit. The preference for "soul satisfaction", the mental peace derived from simple cultivation, over the stress of industrial management, indicates that for many Sri Lankan farmers, utility maximization includes significant non-monetary benefits.

Practical Implications and Recommendations

The disconnect between policy intent and on-the-ground reality suggests that standard interventions, such as financial grants or technical training, will remain insufficient if they do not address the "lifestyle compatibility" gap. To unlock the potential of this sector, three strategic shifts are recommended:

Promotion of Service-Based Value Addition: Policymakers should broaden the definition of value addition beyond manufacturing. Promoting Agro-Tourism, as identified by participants seeking leisure and environmental enjoyment, offers a pathway to high returns that aligns with the lifestyle preferences of professional landholders, monetizing the asset without the burden of industrial labor.

Centralized Community Processing: To reduce time poverty and labor shortage, the authorities can promote Turn-Key community processing zones where smallholders are able to sell nuts to a community processing plant. This gives the farmers a chance to be involved in the value chain, but they do not have to be the ones who control the day-to-day running of the factory or their security.

Institutional Stability: Lastly, it is critical to address the lack of trust. There should also be consistent policies concerning the imports and price stabilization over the long term to enable risk-averse stewards to have confidence in investing in the long-term infrastructure needed to make the sector changes.

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Paddy Farmers' Readiness to Transition from Chemical to Organic Farming in the Monaragala District of Sri Lanka: A Livelihoods-Based Analysis

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ABSTRACT

This study examines paddy farmers' readiness to transition from chemical farming to organic farming in the Monaragala District of Sri Lanka. The excessive use of chemical inputs in paddy cultivation has raised concerns regarding environmental degradation, declining soil fertility, and long-term livelihood sustainability. Although organic farming has been widely promoted as a sustainable alternative, farmers' willingness and preparedness to shift from conventional practices remain limited. Drawing on the Sustainable Livelihoods Framework and ecosystem resilience theory, this study investigates how five livelihood capital dimensions, human capital, financial capital, social capital, physical capital, and natural capital influence farmers' readiness to adopt organic farming practices. This study adopts a quantitative research approach, and primary data were collected through a structured questionnaire administered to 133 paddy farmers in the Monaragala District using a convenience sampling technique. Farmers' readiness to transition to organic farming was specified as the dependent variable, while human capital, financial capital, social capital, physical capital, and natural capital were treated as independent variables. Descriptive statistical analysis was conducted using SPSS to summarise respondents' demographic and farming-related characteristics. Partial Least Squares Structural Equation Modelling (PLS-SEM) was employed using SmartPLS to assess both the measurement and structural models. Reliability and validity were evaluated using Cronbach's alpha, composite reliability, average variance extracted (AVE), and discriminant validity measures. Structural relationships were examined using path coefficients, coefficient of determination (R^2), effect size (f^2), and predictive relevance (Q^2). The results show that the five livelihood capital dimensions jointly explain 50.9% of the variance in farmers' readiness to transition to organic farming. Natural capital emerged as the most important determinant, followed by human capital. Social capital and physical capital exerted smaller but meaningful effects, while financial capital showed a weak influence. The model demonstrated strong predictive relevance, confirming its strength. The findings suggest that readiness for organic farming is shaped by a combination of environmental suitability, knowledge, experience, and social support rather than financial capacity alone. The study provides important policy effects for promoting sustainable agricultural transitions in Sri Lanka by emphasizing capacity building, environmental management, and institutional support mechanisms.

Keywords - Organic farming, Paddy farmers, Sustainable agriculture, PLS-SEM, Sri Lanka

Introduction

Agriculture plays a vital role in Sri Lanka's rural economy, where paddy farming serves as a primary livelihood for a large proportion of households. Over recent decades, the widespread use of chemical-intensive farming practices has contributed to increased productivity but has also resulted in environmental and socio-economic challenges such as soil degradation, water pollution, biodiversity loss, and health risks to farming communities. These concerns have increased interest among policymakers and researchers in promoting sustainable agricultural practices, particularly organic farming, as a viable alternative (Pretty, 2008; Darnhofer et al., 2010).

Despite the potential benefits of organic farming, its adoption among smallholder farmers in Sri Lanka remains limited. This suggests that the transition from chemical to organic farming is not solely a technical or economic decision but is influenced by farmers' broader livelihood conditions, resource availability, and perceived risks. While previous studies have mainly focused on economic incentives, policy interventions, and attitudinal factors influencing adoption (Knowler & Bradshaw, 2007; Läßle & Kelley, 2015), relatively limited attention has been given to farmers' readiness to transition, which represents a critical pre-adoption stage reflecting preparedness and capability to change existing practices.

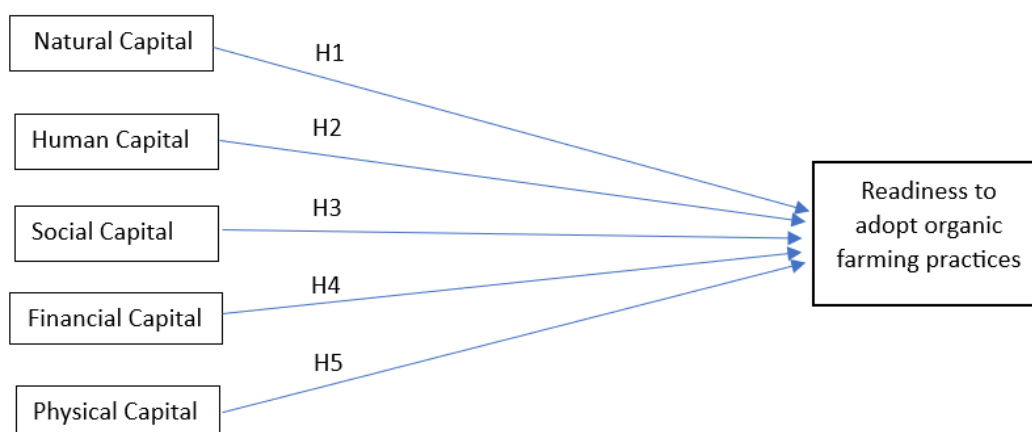
The Sustainable Livelihoods Framework offers a useful perspective for examining this issue, as it highlights the role of different livelihood capitals in shaping farmers' decision-making and adaptive capacity. Within this framework, human, financial, social, physical, and natural capital collectively influence farmers' ability to respond to environmental and economic challenges. In the Sri Lankan context, empirical evidence on how these livelihood capitals affect farmers' readiness to transition to organic farming remains limited, particularly at the district level.

Accordingly, this study investigates the influence of human capital, financial capital, social capital, physical capital, and natural capital on paddy farmers' readiness to transition from chemical to organic farming in the Monaragala District. To achieve this objective, a set of hypotheses is formulated and empirically tested to examine the relationships between livelihood capitals and farmers' readiness to adopt organic farming practices.

Methodology

The following conceptual framework has been developed based on previous research and theoretical understanding of behavior change and adoption models in agriculture. The conceptual framework of this study is designed to examine the key factors influencing paddy farmers' readiness to adopt organic farming practices in the Monaragala District, Sri Lanka. As illustrated in Figure 1, the framework demonstrates 5 independent variables, including human Capital (HC), Social Capital (SC), Financial Capital (FC), Physical Capital (PC), and natural capital (NC) and these independent variables are identified as latent variables/constructs. These variables are hypothesized to have a significant impact on the dependent variable of farmers' readiness to transition to organic farming.

Figure 1. Conceptual framework for the study



H1 : There is a significant relationship between farmers' natural capital and their readiness to adopt organic farming practices.

H2 : There is a significant relationship between farmers' human capital and their readiness to adopt organic farming practices.

H3 : There is a significant relationship between farmers' social capital and their readiness to adopt organic farming practices.

H4 : There is a significant relationship between farmers' financial capital and their readiness to adopt organic farming practices.

H5 : There is a significant relationship between farmers' physical capital and their readiness to adopt organic farming practices.

Measuring variables

Table 1 shows how other researchers measure variables.

Table 1 Variables, Indicators, Scale of Measurement

Latent Variable	Indicators	Scale of Measurement	Source
Human Capital (HC)	Skills, knowledge, experience, health, and cognitive capacities that enable farmers to understand, adopt, and manage organic farming practices.	Level of education Literacy level Number of years in farming Knowledge of sustainable agriculture (SA) Farming related skills Household health status Motivation and beliefs about SA	Knowler & Bradshaw (2007); Läßle & Kelley (2015); Petway et al. (2019); Pretty & Bharucha (2014)
Social Capital (SC)	Social networks, group memberships, shared norms, and cooperative relationships that facilitate access to information, support, and collective action toward sustainable agriculture.	Participation in farmer groups/coops Frequency of peer interaction Access to support networks Trust and reciprocity Shared community norms about SA	Leeuwis (2004); Wutich & Ragsdale (2020); Katchova (2016)
Financial Capital (FC)	Economic resources that enable farmers to invest in inputs, equipment, and transition costs associated with organic farming.	Household income level Savings available Access to credit/loans Ability to afford organic inputs Access to financial assistance	Pannell et al. (2006); Kallas et al. (2010); Koesling et al. (2013)

Physical Capital (PC)	Material resources and infrastructure that support farm operations and organic farming adoption.	Darnhofer et al. (2010); Knowler & Bradshaw (2007)	Farm infrastructure (storage, tools) Irrigation availability Machinery access Transport access Proximity to markets
Natural Capital (NC)	Natural resources such as land quality, soil fertility, water availability, and biodiversity that influence capacity for sustainable agriculture.	Farm land size Soil fertility Water source availability Crop diversity Ecological conditions	Pretty & Bharucha (2014); Rickson et al. (2015); Kremen & Miles (2012)‡

This study adopted a quantitative research approach within a positivist research paradigm to examine the factors influencing farmers' readiness to transition from chemical to organic farming. The research design was cross-sectional, allowing data to be collected from respondents at a single point in time. Primary data were gathered using a structured questionnaire developed based on prior literature and the Sustainable Livelihoods Framework (Scoones, 1998; Darnhofer et al., 2010).

The population of the study consisted of registered paddy farmers engaged in farming activities in the Monaragala District. A convenience sampling approach was employed due to practical field constraints and the absence of a comprehensive and updated sampling frame of paddy farmers in the study area. Respondents were selected based on their availability and active involvement in paddy cultivation at the time of data collection. While convenience sampling does not ensure full statistical representativeness, it enabled the collection of relevant and context-specific data from farmers with direct experience in rice farming. The final sample size was determined following established sampling guidelines for multivariate analysis and the ten-times rule (Barclay et al., 1995; Cochran, 1977).

The questionnaire comprised two main sections. The first section collected demographic and farm-related information, including age, gender, education level, farming experience, land size, and awareness of organic farming. The second section measured the latent constructs of the study: human capital, financial capital, social capital, physical capital, natural capital, and farmers' readiness to transition to organic farming. Measurement items were adapted from validated scales used in previous studies and modified to suit the local context (Knowler & Bradshaw, 2007; Pretty & Bharucha, 2014). Data analysis was conducted using SPSS and SmartPLS software. Descriptive statistics were generated using SPSS to summarize respondents' demographic characteristics and general farming conditions. Partial Least Squares Structural Equation Modeling (PLS-SEM) was employed using SmartPLS to assess the measurement and structural models, given its suitability for exploratory research and complex models with latent constructs (Hair et al., 2017; Sarstedt et al., 2020). The use of convenience sampling may limit the generalizability of the findings, and the results should therefore be interpreted with caution.

Results

The results of the study are presented in two main stages with established PLS-SEM procedures. Initially the Outer/measurement model was assessed to ensure the reliability and validity of the indicators and constructs. After that the Inner/structural model was evaluated to examine the hypothesized relationships among the livelihood capital dimensions and farmers' readiness to transition from chemical to organic farming.

Measurement and Structural Model

The measurement model was assessed to ensure the reliability and validity of the constructs included in the study. Indicator reliability was evaluated by examining outer loadings, following the guidelines suggested in PLS-SEM literature (Hair et al., 2017; Hair et al., 2019). The results indicate that most indicators demonstrated satisfactory reliability, while a small number of items with low loadings were removed to improve the clarity and strength of the measurement model. This refinement process enhanced construct reliability and convergent validity without compromising content validity, consistent with recommended methodological practices (Hair et al., 2017; Hair et al., 2022).

Internal consistency reliability was confirmed using Cronbach's alpha and composite reliability. Composite reliability values met the acceptable thresholds for exploratory research, indicating satisfactory internal consistency among the constructs (Hair et al., 2019). Convergent validity was established as all constructs achieved average variance extracted (AVE) values above the recommended minimum level, confirming that the indicators adequately represented their respective latent constructs (Hair et al., 2022). Discriminant validity was assessed using the heterotrait–monotrait (HTMT) ratio, and the results confirmed that each construct was empirically distinct, in line with the criteria proposed by Henseler et al. (2015) and Voorhees et al. (2016).

After establishing the adequacy of the measurement model, the structural model was evaluated. Collinearity diagnostics indicated no multicollinearity issues among the predictor constructs, suggesting that the estimated relationships were reliable (Becker et al., 2015; Hair et al., 2019). The results show that the five livelihood capital dimensions collectively explain a moderate proportion of the variance in farmers' readiness to transition from chemical to organic farming (Hair et al., 2011; Henseler et al., 2009).

Among the five capitals, natural capital emerged as the most influential factor, highlighting the importance of soil quality, land conditions, and access to natural resources in shaping farmers' readiness. Human capital and social capital also showed a significant positive influence, emphasizing the role of farmers' knowledge, experience, education, social networks, and institutional support in facilitating readiness for organic farming. Physical capital demonstrated a smaller but positive contribution, indicating that access to infrastructure supports the transition process. In contrast, financial capital exhibited a relatively weak influence, suggesting that financial resources alone are insufficient to motivate farmers to adopt organic farming, particularly in contexts characterized by production risks and market uncertainty. The relative contribution of each construct was further supported by effect size assessments, which highlighted the differing strengths of influence among the livelihood capitals (Hair et al., 2017).

Hypothesis Testing

Bootstrapping with a large number of subsamples was used to test the statistical significance of hypothesized relationships. This methodological approach ensured robust estimation and reliable inference regarding the factors influencing farmers' readiness to transition to organic farming.

Table 2 Hypothesis Testing

		Original sample (O)	Sample (M)	mean	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
FC	->	-0.097	-0.106		0.061	1.584	0.113
FRTAOF							
HC	->	0.196	0.196		0.083	2.361	0.018
FRTAOF							
NC	->	0.324	0.324		0.11	2.943	0.003
FRTAOF							
PC	->	0.162	0.161		0.085	1.912	0.056
FRTAOF							
SC	->	0.212	0.216		0.065	3.269	0.001
FRTAOF							

Hypothesis testing was conducted using path coefficients, t-values, and p-values obtained through the bootstrapping procedure in SmartPLS. The results indicate that the relationship between natural capital and farmers' readiness to transition to organic farming is statistically significant $p = 0.003$ ($p < 0.05$), leading to the acceptance of the corresponding hypothesis.

Human capital also demonstrated a significant positive relationship with readiness $p = 0.018$ ($p < 0.05$), confirming its critical role in supporting the transition.

The relationships between social capital and readiness $p = 0.001$ significant at the 5%, as well as physical capital and readiness $p = 0.056$ were statistically significant at the 10 % significance level ($p < 0.10$). These findings suggest that social and physical resources enhance readiness primarily by reducing uncertainty and supporting access to information and production facilities.

In contrast, the relationship between financial capital and farmers' readiness was not statistically significant $p = 0.113$ ($p > 0.05$). Accordingly, the hypothesis related to financial capital was rejected. This result implies that financial capacity alone does not substantially influence readiness to transition to organic farming unless it is complemented by knowledge, institutional support, and favorable environmental conditions.

Overall, the hypothesis testing results are consistent with the structural model findings and reinforce the conclusion that farmers' readiness to transition from chemical to organic farming is primarily driven by natural and human capital, supported by social and physical capital, rather than by financial resources alone.

Conclusion

This study concludes that paddy farmers' readiness to transition from chemical to organic farming is a multidimensional process shaped by a combination of livelihood assets. Natural, Social, Human capital emerged as the most influential factors, underscoring the importance of environmental suitability and farmer capacity in supporting sustainable agricultural transitions. While financial resources remain relevant, they are not sufficient on their own to drive readiness.

The findings highlight the need for integrated policy approaches that strengthen farmer knowledge, environmental management, and social support systems. Capacity building programs, extension services, and community based initiatives can play a crucial role in enhancing readiness for organic farming. By adopting a livelihoods based perspective, this study offers valuable insights for policymakers and development practitioners seeking to promote sustainable agriculture in Sri Lanka.

Originality and Contribution

This study offers empirical and contextual originality by examining farmers' readiness to transition from chemical to organic farming at the district level in Sri Lanka, a context that remains underexplored in existing literature. By applying the Sustainable Livelihoods Framework to assess readiness rather than actual adoption, the study provides a novel perspective on the pre-adoption stage of organic farming. The findings generate practically relevant insights for policymakers and extension services by identifying key livelihood-related factors that can support effective and targeted interventions to promote organic farming.

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