



**SRI LANKA ECONOMICS RESEARCH CONFERENCE
SLERC - 2013**

PROCEEDINGS

of the

**2nd International Economics Research Conference,
Sri Lanka Forum of University Economists**

Volume II

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MESSAGE FROM THE VICE CHANCELLOR
University of Peradeniya

It gives me great pleasure to be invited to write a message on the occasion of the second Sri Lanka Economics Research Conference organized by the Sri Lanka Forum of University Economists.

The theme of the conference, “Growth Pole Shift towards Asia: Opportunities and Challenges” is very timely. Post-war Sri Lanka is faced with many opportunities for accelerated economic growth and development, deriving from greater stability and greater internationalization of markets. And, yet, this also brings it with it exposure to many challenges both from within and outside the country. How does Sri Lanka seize the opportunities arising from increased globalization with an additional emphasis on Asia whilst also minimizing the inherent risks that arise from such inter-relatedness? My hope is that this conference will provide us with the opportunity for critical engagement, debate and discussion on these important issues.

The teaching of Economics at the University of Peradeniya has a history dating back to the origins of the university itself. The Economics Department has produced many distinguished alumni who have served in academia, government and the business sector, both in Sri Lanka and overseas. In this regard, I am pleased that the Department of Economics and Statistics is serving as the current Chair of the Sri Lanka Forum of University Economists and, as a result, the University of Peradeniya serves as the hosting institution for the Conference.

I wish the conference all success.

Prof. Atula Senaratne
Vice Chancellor
University of Peradeniya

MESSAGE FROM THE DEAN
Faculty of Arts, University of Peradeniya

It is with great pleasure that I write this message to the second Sri Lanka Economics Research Conference organized by the Sri Lanka Forum of University Economists.

I understand that this conference will bring together academics within the Economics discipline from the entire university system of Sri Lanka. The conference provides an opportunity for mutual sharing of research findings, dissemination of new knowledge created through academic research, and for opportunities to discuss policy implications which will contribute to the task of national development. In this context, I am pleased that the conference organizers have chosen the theme, “Growth Pole Shift towards Asia: Opportunities and Challenges”. Given where we as a nation stand today, in the context of increased Asia-driven globalization, this conference is well-timed.

I am also pleased that the Department of Economics & Statistics, one of the more prominent departments within the Faculty of Arts, is currently serving as the Chair of the Sri Lanka Forum on University Economists. Over the last several years, the department has grown in terms of academic strength of staff, quality of research output and contribution to faculty and university development.

Let me also take this opportunity to welcome all fellow academics from the Sri Lankan university system to the Faculty of Arts – which will be serving as your “home” during the conference days.

I wish the conference all success.

Prof. A.M. Navaratne Bandara
Dean/Faculty of Arts
University of Peradeniya

MESSAGE FROM THE CHAIRPERSON
Sri Lanka Forum of University Economists (SLFUE)

It is with great pleasure that I write this message for the proceedings of the Sri Lanka Economics Research Conference (SLERC-2013) organized and hosted by the Department of Economics and Statistics, Faculty of Arts, University of Peradeniya. SLERC-2013 is the Second International Economics Research Conference of the Sri Lanka Forum of University Economists (SLFUE), and is planned and conceptualized by the SLFUE, comprising Economics Departments in the State University system in Sri Lanka.

Research in the discipline of Economics has global significance given the current challenges faced by developing economies. To realize the benefits of research, it is vital to disseminate the findings. 2012 marked the beginnings of the SLFUE and also the first ever SLERC, hosted by the University of Colombo as the Chair/SLFUE. If SLERC-2012 marked the "...beginning of the voice of Sri Lankan university economists", SLERC-2013 takes the important step of making sure that the voice of economists in the country will not be muted, but be heard ever louder in addressing issues of the economy. I trust that the outcomes of this conference – bringing together leading academics and researchers from both within and outside Sri Lanka - will actively contribute to stimulating and enriching further research in the discipline of economics among the students and academic staff in the University system, as well as underpin policy-making in this country.

No conference of this nature can be organized without the joint and untiring efforts of many people. I take this opportunity to express my thanks to all those who contributed in numerous ways to make this event a success. It is my wish and belief that this good work will be carried forward by the Sri Lanka Forum of University Economists. I wish all the participants a productive and pleasant time at this gathering and the endeavor all success.

Dr. John Nigel
Head of the Department of Economics and Statistics
University of Peradeniya,

Chairperson
Sri Lanka Forum of University Economists - 2013

MESSAGE FROM THE CHAIRPERSON
Sri Lanka Economics Research Conference (SLERC) - 2013

The establishment of the SLFUE is, without doubt, a significant step in the rising voice of economists in the country. Research is essential to nation building. While research directly contributes to progress, economic growth and prosperity, it helps us better equip and train our workforce and encourages creativity and innovation in the country. In short, research makes our nation more competitive in the global economy.

The Sri Lanka Forum of University Economists (SLFUE) is a network of all Departments and Units of Economics within the university system of Sri Lanka. The Forum was organized with the objective of promoting closer co-operation, dialogue, collaborative research and mutual enhancement among the academics in the field of Economics. As part of its activities, SLFUE organizes the Sri Lanka Economics Research Conference (SLERC) which is now well known within the academic and professional arena, not only in Sri Lanka but also in a number of foreign countries, and its image is strongly established. This year's conference is on the broad theme of "Growth pole shifting towards Asia: Opportunities and Challenges", which is interesting and timely given the current context of development of our country and others in the region. It is expected that the conference will broaden the opportunities available for academics and other researchers in the field of Economics to publish their research work, discuss and deliberate on their findings, and disseminate knowledge to the wider public and policy makers. Therefore, I believe that the Conference provides a unique opportunity for economists serving the university system in the country to meet and learn from each other.

The Editorial Committee has worked hard within time constraints and with the help of external reviewers and colleagues to select extended abstracts covering a range of interesting sub- themes. I have no doubt that the presentations will be eagerly followed and discussed and debated in the technical sessions.

I also take this opportunity to express appreciation and gratitude to Professor Atula Senaratne, Vice Chancellor, University of Peradeniya and Professor A. M. Nawaratne Bandara, The Dean Faculty of Arts, University of Peradeniya for their cooperation and support to make this event a success. Sponsorship received from Ministry of Mass Media and Information, Regional Development Bank, State Mortgage and Investment Bank and Development Lottery Board are also greatly acknowledged.

While extending my sincere thanks to all who devoted their time to bring this second International Conference to a reality today, I welcome the National and International

Research Community, Industry, International Organizations and Governments' Representatives to discuss and suggest solutions that contribute to a better performing competitive country, Sri Lanka in the global economy. I wish everyone a fruitful time!

Dr. Wasantha Athukorala
Chairperson of SLERC – 2013
Coordinator of SLFUE - 2013

SRI LANKA ECONOMICS RESEARCH CONFERENCE - 2013

**2nd International Economics Research Conference,
Sri Lanka Forum of University Economists**

Organized by

**The Department of Economics and Statistics
University of Peradeniya**

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