

# Sri Lanka's Economic crisis- An Eye Opener

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## Abstract

*The Island country, Sri Lanka exports largely textiles, garments, rubber, tea, and coconut products and imports consumer goods, especially crude oil, coal and other petroleum products. For the first time in the history of Sri Lanka the worst economic crisis has been witnessed. The present government is grossly responsible for this kind of economic mess in Sri Lanka. People from all walks of life in Sri Lanka are struggling for want of sufficient money, fuel and food. This kind of misgovernance results in cascading effect which paralyses all the crucial and vital sectors of the economy.*

**Keywords:** Sri Lanka, Economics Crisis and Flawed Policies


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## Introduction

Sri Lanka is one of the most beautiful Islands in the world, previously known as Ceylon. It is a Democratic Socialistic Republic of Sri Lanka, situated in the South Asia. The current population of Sri Lanka in 2022 is 2.15 crores. The Sri Lanka Rupees is the currency of Sri Lanka, issued by the Central Bank of Sri Lanka. The symbol of Rupee is generally used currency code as LKR in Sri Lanka. The Island country, Sri Lanka exports largely textiles, garments, rubber, tea, and coconut products and imports consumer goods, especially crude oil, coal and other petroleum products.

For the first time in the history of Sri Lanka the worst economic crisis has been witnessed. The present government is grossly responsible for this kind of economic mess in Sri Lanka. People from all walks of life in Sri Lanka are struggling for want of sufficient money, fuel and food. Politicians across the world make tall promises during the election campaign, but once they come to power, they are going to introduce popular schemes, which is detrimental to the health of the economy. The very intention behind all these schemes is to remain in power for a long time by appeasing all sections of the people by putting the economy in doldrums. The popular scheme would certainly hurt the country's economy. This kind of mis governance results in cascading effect which paralyses all the crucial and vital sectors of the economy.

## Objectives of the study

1. To study Sri Lanka's economic crisis
2. To study the surge of prices of essential commodities

3. To analyze the increase of crude oil prices in Sri Lanka
4. To examine the fall of exports and increase of imports
5. To identify the factors which are largely responsible for the crisis

### **Reasons for Sri Lanka's Economic Meltdown:**

The first and foremost reason was the huge borrowings at high interest rate with strong conditions from international financial organizations. The second reason was the ban on chemical fertilizers all over the country. The third one was the huge raise of the annual income threshold for waiver of personal income tax and reduction of Value Added Tax rates that led to huge revenue loss to government. The fourth one was that the government implementing the policy of organic farming all over the country which led to a great loss of yield. The fifth one was the tourism industry is in deep troubles and the number of foreign visitors to the Island nation has been gradually come down. The fact of the matter is that the tourism industry places a vital role in the economy and it generates nearly 20% income to the national income. This sixth one was the two and half decade ago war compel the policy makers to go for the deficit budgets that resulted slow economic growth. Further, there was a huge fall in the exports led to the drain of foreign exchange reserves. The high fiscal deficit and ill-advised reforms in the tax system has been adversely affect the health of the economy and pushed the country into economic meltdown.

### **Results of the study:**

The findings of the article are that the misguided, mismanagement and flawed policies of the present government is largely responsible for the economic crisis in Sri Lanka. we, observed that the ban on chemical fertilizer has brought down yields more than 30% in paddy, tea and coconut, that resulted the surge in of prices of the essential commodities and the inflation rose to 17%. Further, there is fall in the productivities of tea and rubber which again led to lower export incomes. This obviously speaks volumes about the increasing of imports and the shortage of foreign exchange reserves.

### **Methodology:**

This article largely banks on the secondary sources, the related data and the information for the article has been collected from various web sources, and daily newspapers. All the collected data and the information are presented systematically, there by meaningful inferences have been drawn. Besides, the article highlights the prevailing pathetic economic situation in Sri Lanka

### **Conclusion**

Sri Lanka is one of the most beautiful Islands in the world, previously known as Ceylon. It is a Democratic Socialistic Republic of Sri Lanka, situated in the South Asia. The current population of Sri Lanka in 2022 is 2.15 crores. The Sri Lanka Rupees is the currency of Sri Lanka, issued by the Central Bank of Sri Lanka. The symbol of Rupee is generally used currency code as LKR in Sri Lanka. The misguided and the flawed policies are largely responsible for the economic crisis in Sri Lanka. This article throws light on the economic mess in Sri Lanka, the GDP growth rate has come down, investment and savings rate fell, increase of imports and decrease of exports, public expenditure and debt has been enormously increased. Therefore, the mismanagement of the planners and administrators are responsible for the deep crisis. In recent times, most of the policy makers all over the world introducing popular schemes to remain in the power for a long time. Hence, such popular schemes would certainly damage the economy and eaten away the fruits of the economic growth.

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