



ECONOMIC LIBERALIZATION AND ITS IMPACTS ON THE MANUFACTURING SUB SECTOR IN SRI LANKA

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Economic performance of post independent Sri Lanka has faced dramatic changes with introduction of different policies. Introduction of economic liberalization policy in 1977, it affected for economic performance of Sri Lanka. Between 1948-1977, economic performance was at inactive level. In 1977 manufacturing sub sector started to play an important role in the economy in various streams as production, export earnings, and employment in which agriculture sector held its domination since independence. General objective of this research is to study impacts of economic liberalization on manufacturing sub sector in Sri Lanka. Specific objectives are to examine the relationship between growth of manufacturing sub sector and economic growth, to study structural change of industry, structural change within manufacturing sub sector, structural shift in exports and the effects of this sector for employment generation. In order to accomplish the objectives set for this study secondary data over last 35 years (from 1977 to 2012) and descriptive and simple regression model are employed. Data series used were obtained from annual statistics of Central Bank of Sri Lanka, annual reports of Department of Statistics and Census. When economic growth rate declined from 7.7% in 2006 to 6.4% in 2012, growth rate of manufacturing sector is also declined from 5.5% in 2006 to 5.2% in 2012. Share of manufacturing sub sector in GDP increased from 12% in 1977 to 17.1% in 2012. Share of construction sub sector increased from 7% in 1977 to 10% in 1980. However its share is declined to 8.1% in 2012. Share of mining and quarrying sub sector in GDP remained 2.8% in 2012. Textile, wearing apparel and leather products sub sector share for total manufacturing output increased from 10% in 1977 to 25.4% in 2012. Agricultural exports of 80% in total exports in 1977 declined to 23.9% in 2012. Industrial exports increased from 14% in 1977 to 75.4%. Share of textile and garments in total exports increased to 55% in 2012 from 16% in 1977. Employment share in public sector has declined from 63,530 in 1978 to 31,440 in 2003 while in private sector it has increased from 2761 in 1978 to 540,744 in 2003. So there is an effect of economic liberalization on manufacturing sector.

Keywords: *Manufacturing sub Sector, Economic Liberalization, Exports, Economic Growth, Structural Changes*