POLICY BRIEFS OF ECONOMIC RESEARCH

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Department of Economics
Faculty of Social Sciences and Humanities
Rajarata University of Sri Lanka

Policy Briefs of Economic Research in Department of Economics

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2025

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Preface

As Chief Editor, I am honored to present the fifth volume of policy briefs from the Department of Economics at Rajarata University of Sri Lanka. This compilation bridges scholarly inquiry with practical policy solutions addressing today's pressing economic challenges. The fifth volume comprises twenty briefs covering diverse economic branches, reflecting the exceptional research caliber of our final-year economics students. Each brief embodies months of dedicated research and critical analysis, transforming complex economic theories into accessible, actionable insights for policymakers and the broader public.

In today's interconnected global economy, evidence-based policy formulation is crucial. These briefs tackle diverse issues from macroeconomic stability and development finance to behavioral economics and environmental sustainability. What distinguishes this collection is its practical orientation, ensuring academic insights translate into meaningful policy recommendations.

Our commitment extends beyond traditional academic publishing. By presenting research in policy brief format, we democratize economic knowledge, making sophisticated analysis accessible to decision-makers shaping our economic future. This initiative reflects our broader mission to cultivate engaged scholarship serving society's needs while nurturing future economic thinkers. I extend deepest appreciation to the contributing student researchers, whose intellectual curiosity drives this endeavor forward. Equally important is the invaluable guidance of our faculty members, whose mentorship ensures academic rigor while encouraging innovative problem-solving approaches.

This collection stands as testimony to the transformative power of undergraduate research in economics. May these insights contribute meaningfully to ongoing policy debates and inspire continued excellence in economic scholarship and practice.

Contents

1. **The Effect of Financial Literacy on Business Performance of Small and Medium-Sized Enterprises in Sri Lanka 1**

   PCS De Silva & SKN Gamage

2. **Impact of Technology Adoption on Smallholder Paddy Farmers' Income in Sri Lanka: A Case Study of Divulapitiya Division 3**

   HPBC Gunawardana & SKN Gamage

3. **The Service Quality on Customer Satisfaction in Supermarkets in Sri Lanka Special Reference to Kaluthara District. 5**

   PMS Nirasha & SKN Gamage

4. **Microfinance and Women Entrepreneurs in Sri Lanka. (A Case Study of The Gampaha District). 7**

   NSALK Senavirathne & SKN Gamage

5. **The Impact of Digital payment Integration on Consumer Purchase Patterns with Special Reference to kandy Distrect.......................9**

   TI Senevirathne & SKN Gamage

6. **Impact of Digital Transformation on Small and Medium Enterprises (SMEs) Performance in Sri Lanka. 11**

   SR Shyamal & SKN Gamage

7. **Profit efficiency of smallholder tea farmers. Special Refrences of Rathnapura District 13**

   HNH Kumari

8. **Assessing the Impact of SME Innovation on the Development of Sustainable Tourism: A Case of Tourism-Based SMEs In Negombo Coastal Area. 15**

   MSA Peiris & RPIR Prasanna

9. **ICT Usage and Business Performance of Small and Medium Scale Enterprises in Sri Lanka:(Special Reference to Devinuwara Division in Matara District)..17**

VPV Vidanapathirana & RPIR Prasanna

10. **Adoption of New Technology in the Cashew Processing Industry In Sri Lanka: Analyzing Socio-Economic Factors and Their Impact on Efficiency: A Special Reference To Gampaha District. 19**

MRP Peiris & SU Niranjala

11. **The impact of economic crisis on the SMEs sector in Sri Lanka: Special A special reference to Kalutara District. 21**

WK Thambavita & SU Niranjala

12. **The impact of digital transformation on agriculture productivity in Sri Lanka; A special reference to Kurunegala District.................23**

ADS Chathurika & AMP Adikari

13. **Impact of Social Media Marketing on Small & Medium Enterprises (SMEs) Sales performance in Sri Lanka. 25**

DSM Katugampala & AMP Adikari

14. **Customer Satisfaction on Online Banking, Special Reference to Narammala Banking Division in Sri Lanka 27**

AUA Madhushani & AMP Adikari

15. **A Study on Factors Affecting Low Female Labor Force Participation in Sri Lanka: Special Reference to the Naula Divisional Secretariat In Matale District. 29**

WGVL Adikari & HGKN Bandara

16. **A Study of the Economic and Social Impacts of International Labor Migration of Rural People in Sri Lanka; The Special Reference to the Karandeniya Divisional Secretariat..................31**

MVM Jayalath & HGKN Bandara

17. **A study of factors influencing financial literacy among paddy farmers in Sri Lanka; with special reference to Kirinda-Puhulwella divisional secretariat are in Matara district 33**

MT Diwyangi & HGKN Bandara

Department of Economics

Faculty of Social Sciences and Humanities, Rajarata University of Sri Lanka

Policy Briefs **01**

Vol. (5) January 2025 **ISNN 2827-7376**

The Effect of Financial Literacy on Business Performance of Small and Medium-Sized Enterprises in Sri Lanka .

Key Message(s)

[1] The results confirmed the statistically significant effect of financial literacy on business performance of SMEs in Sri Lanka, including an increase in financial knowledge, financial awareness, financial utilization, and debt management except financial behavior.

[2] The study recommends expanding the research scope to a national level for comparative analysis, developing region-specific awareness programs, and integrating digital financial literacy training to improve business performance and financial management techniques for SMEs.

PCS De Silva & SKN Gamage

Department of Economics, Rajarata University of Sri Lanka

Introduction

There is an academic discussion distinguished by the broadening of understanding and insight over the effect of financial literacy on business performance of small and medium-sized enterprises in Sri Lanka in 2024. Some researchers argue positively by emphasizing the significance of enhancing the application of financial literacy to improve business performance of SMEs that leads for inclusive economic growth, regional development, employment generation, poverty reduction, and transforming lagging regions to emerging regions of prosperity. Due to the noticeable disparity in the investigation through the current situations and literature review, by conducting a study, this research aims to study how financial literacy effects on business performance of SMEs in Sri Lanka while fulfilling the current research gap. Other specific goals of this study included analyze the effect of financial knowledge, behavior, awareness, utilization, and debt management on business performance of SMEs in Sri Lanka.

Materials and methods

The study is based on the quantitative research approach by using primary data from a structured questionnaire among 174 SME entrepreneurs in Balapitiya and Ambalangoda Divisional Secretariat Divisions in Galle District through Random Sampling Method, 10% rule, random table. The conceptual framework for the study was developed using secondary data from resource papers. The data analysis was conducted using a series of statistical techniques will use to achieve the objectives under the deductive approach.

Result

The results confirmed the statistically effect of financial literacy on business performance of Small and Medium-Sized Enterprises in Sri Lanka in 2024, including an increase in financial knowledge, financial awareness, financial utilization, and debt management except financial behaviour. Because of Model 1 is overall significant except Financial Behaviour, Backward elimination method is used to select the most fitted model. Model 2 is identified as the most fitted model due to it is significant overall and individually. All independent variables have significant linear relationships with dependent variable since all P values of each pair are significance. The improvement of Model 2 is in 0.2%. Model 2 explained the 66% of total variability of Business Performance of SMEs from the selected independent variables: financial knowledge, financial awareness, financial utilization, and debt management.

Table 1: Results of Regression and Hypothesis Testing

	Variables	**Model – 1**	**Model - 2**	**Decision**
	Constant	22.187 (0.000)	22.789 (0.000)	
H_1	Financial knowledge	0.179 (0.008)	0.178 (0.008)	Accepted
H_2	Financial Behavior	0.032 (0.719)		Rejected
H_3	Financial Awareness	0.220 (0.023)	0.233 (0.009)	Accepted
H_4	Financial Utilization	0.258 (0.000)	0.262 (0.000)	Accepted
H_5	Debt Management	0.366 (0.000)	0.373 (0.000)	Accepted
	R-squared No of Observations	0.658 174	0.660 174	

Conclusion and policy recommendation

In this study, the General Objective of studying the Effect of Financial Literacy on Business Performance of Small and Medium-Sized Enterprises has been accomplished by establishing the significant effect of financial literacy dimensions through regression analysis (F test statistics value = 84.894, P value = 0.000). The specific objectives were achieved indicating Financial Knowledge, Financial Awareness, Financial Utilization, and Debt Management having a significant positive effect on Business Performance of Small and Medium-Sized Enterprises. The study contributes valuable insights for policymakers, educators, and business owners to enhance business performance through financial literacy enhancement. The study recommends expanding the research scope to a national level for comparative analysis, developing region-specific awareness programs, and integrating digital financial literacy training to enhance business performance and financial management techniques for SMEs.

Department of Economics

Faculty of Social Sciences and Humanities, Rajarata University of Sri Lanka

Policy Briefs 02

Vol. (5) January 2025 **ISNN 2827-7376**

Impact of Technology Adoption on Smallholder Paddy Farmers' Income in Sri Lanka: A Case Study of Divulapitiya Division .

Key Message(s)

[1] Technology adoption, farm size, and access to credit significantly enhance smallholder farmers' income.

[2] Barriers to technology adoption include limited financial resources, lack of technical training, and insufficient market access.

[3] Policymakers must implement targeted interventions to improve access to credit, provide affordable technology, and strengthen training programs to enhance farmers' skills.

HPBC Gunawardana & SKN Gamage

Department of Economics, Rajarata University of Sri Lanka

Introduction

Smallholder paddy farmers are considered the backbone of agriculture in Sri Lanka because they are very active in improving food security and rural livelihoods. Nevertheless, these farmers have always stood against problems of limited financial capacity, fluctuating markets, and vulnerability to climate change that render them less productive and earning. The adoption of technology has been a great promise in addressing these efficiency improvements; appropriate resource use and market access maximization have been imminent promises. Despite these ascendancy potentials, adopting modern agricultural technologies still did not come close to what was expected, attributed to poor access to credit, inadequate training, and inferior infrastructure. The research work will, therefore, focus on the smallholder farmers in the Divulapitiya Division to bring out how age, education, size of farm, access to credit, and access to technology influence farmers' income and adoption. These will be useful in informing barrier-removing strategies toward the creation of a sustainable agricultural growth pathway that improves the livelihood of smallholders in Sri Lanka.

Materials and methods

The impact of technology adoption on smallholder paddy farmers' income in the Divulapitiya Division of Sri Lanka was evaluated through a mixed-method study. A total of 100 smallholder farmers were chosen through stratified random sampling and were administered a well-structured questionnaire. Areas covered by the questionnaire included. socioeconomic characteristics of farmers, level of technology adoption, and level of impact measurement in income before and after adoption. Secondary data sources included research articles and government publications that discussed agricultural technology.

Results

The study discovered that farm size, credit access, and income are all interrelated in a strong positive correlation with one another and at the same time indicated that increased technology adoption can conveniently be understood as one among several drivers of productivity. In smallholder paddy farming, age slightly affects income; on the contrary, education moderately affects income and warrants further training programs on the need to improve the technical skills of farmers. However, there still exist major barriers, among which are restricted access to affordable technology and financial constraints, that inhibit the adoption of improved agricultural practices. Such barriers would require relevant interventions to overcome the challenges and thereby usher in sustainable agriculture development.

Table 1: Result of Multiple Regression Analysis

Variables	β	Std Error	t	Sig.
(Constant)	13535.8	2831.89	4.781	0.000
Age (Years)	-52.969	53.837	-0.984	0.328
Education (years)	537.299	224.078	2.510	0.014
Farm Size (acres)	4250.955	723.867	5.873	0.000
AVG ATA	4591.995	888.088	5.171	0.000
AVG AC	2206.038	790.303	2.791	0.006

Conclusion and policy recommendations

In Divulapitiya, raising farmers' incomes and promoting sustainable agricultural growth requires better access to capital, technology, and effective farm management techniques. Financial literacy workshops, streamlined lending procedures, and low-interest financing programs tailored to smallholders can enable farmers to invest in contemporary technologies and make wiser financial decisions. Initiatives to increase capacity, such as agricultural training, practical demonstrations, and subsidized technologies, can help farmers embrace new methods. Important infrastructural advancements that can encourage technology adoption and increase the earning potential of smallholder farmers in the area include modernizing irrigation systems, extending internet coverage, and enhancing market accessibility

Department of Economics

Policy Briefs 03

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Faculty of Social Sciences and Humanities, Rajarata University of Sri Lanka

The Service Quality on Customer Satisfaction in Supermarkets in Sri Lanka Special Reference to Kaluthara District.

Key Message(s)

[1] Results confirmed tangibility, responsiveness, reliability and empathy had significant the service quality on customer satisfaction in supermarkets in Sri Lanka.

[2] The study recommends Further to gain customer satisfaction through the priority of the supermarket managers or the policy makers should be more improvement of the areas

PMS Nirasha & SKN Gamage

Department of Economics, Rajarata University of Sri Lanka

Introduction

The supermarket industry was started in Sri Lanka at 1980. This industry began to expand after the year 2000. Leading supermarket chains are rapidly expanding their networks to keep up with the growing demand. Customer satisfaction a pivotal element in the retail landscape depends on service quality which compromises dimensions like tangibility, reliability, responsiveness, assurance and empathy. While supermarket aim to meet customer expectations challenges such as service inefficiencies, lack of employee knowledge and inadequate facilities persist. Understanding the service quality between customer satisfactions is crucial for enhancing customer experiences. This study aims to give a better understanding the service quality on customer satisfaction in supermarkets in Sri Lanka.

Materials and methods

The study data were drawn from a customer survey carried out among 100 customers in the Kalutara district of the western province by administering a survey-based questionnaire. The methodological framework for the study was developed using primary data were collected through SERVQUAL model assessing tangibility, reliability, responsiveness, assurance and empathy, analysis included descriptive statistics, Pearson correlation and regression to explore service quality on customer satisfaction.

Results

The study results confirmed as per the table four independent variables were significant at the level of 0.05 and one was not significant at the level of 0.05. It can be concluding as tangibility, responsiveness, reliability and empathy had significant positively impact on

Results

customer satisfaction. These results further support the hypotheses (H2, H3, H4, H5) of the study. Assurance hadn't significant the service quality on customer satisfaction in supermarkets in Sri Lanka. Therefore, the variable assurance excluded from the model because of it was not statistically significant in customer satisfaction.

Table 1: Summary results of Regression and Hypothesis Testing

	Variables	***β***	**t**	**Sig.**	**Decision**
	(Constant)	-0.455	0.233	0.233	
H_1	Assurance	-0.009	0.858	0.858	Not Significant
H_2	Tangibility	0.347	0.001	0.001	Significant
H_3	Responsiveness	0.559	0.000	0.000	Significant
H_4	Reliability	0.455	0.000	0.000	Significant
H_5	Empathy	-0.263	0.006	0.006	Significant

Conclusion and policy recommendation

The study concluded that this study discusses five main dimensions namely reliability, assurance, tangibility, empathy and responsiveness under the SERVQUAL model. The study found that tangibility significantly enhances the customer satisfaction. Responsiveness and reliability play important roles highlighting the important of prompt service and accurate transactions in building customer trust. Assurance and empathy were less impactful, suggesting that operational efficiency and physical aspect out weight personalized or expertise-based services in supermarkets. To improve satisfaction supermarkets should focus on operational excellence rather than excessive personalization to align with customer preferences. Further to gain customer satisfaction through the priority of the supermarket managers or the policy makers should be more improvement of the areas. (Modern equipment, professional look of the employees, attractiveness of the interior and layout of the supermarket) & the management can provide the resources to improve the weakest areas to reduce customer dissatisfaction.

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Faculty of Social Sciences and Humanities, Rajarata University of Sri Lanka

Policy Briefs 04

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Microfinance and Women Entrepreneurs in Sri Lanka. (A Case Study of The Gampaha District).

Key Message(s)

[1] Microfinance drives empowerment: Microfinance services provide prospective women business owners in Sri Lanka with increased business autonomy, development of enterprises and greater social integration.

[2] Persistent barriers: unreasonably high interest rates, stringent terms of loan repayment and ethnocentrism and cultural bias are constraints to the utilizes microfinance services effectively

NSALK Senavirathne & SKN Gamage

Department of Economics, Rajarata University of Sri Lanka

Introduction

Women in Sri Lanka only account for 36% of the Working population when they make up 51% percent of the total population. Other systemic barriers restraining women in entrepreneurship include access to Aid, traditions, and poor education and training. Sri Lankan specific issues include low household income in areas such as Gampaha District.

Micro credit has emerged since the 1990s aiming towards empowering women through means such as saving, and lending, as well as offering training In various skills. The full potential of such areas remain underutilized but measures can be taken in achieving positive results. This policy brief extends a synthesis of recommendations to improve the ease through which women entrepreneurs access Microcredit.

Materials and methods

This study employed a qualitative case study approach to examine the impact of microfinance on women entrepreneurs in the Gampaha District. The primary data is collected using in-depth interviews with sample of 20 women entrepreneurs who availed microfinance services. These participants were chosen to include a range of business sectors and socioeconomic backgrounds in the region. The findings were contextualized by reviewing secondary data from reports, articles, and academic studies. Data were subjected to thematic analysis with emphasis on empowerment avenues, challenges, and wider effects. This method helped to take a holistic view of the impact of microfinance on women entrepreneurship from a more local context.

Results

The study's findings highlight the transformative impact of microfinance on women entrepreneurs in Sri Lanka, specifically in the Gampaha District. Microfinance supports such as microloans, savings, and training have considerably increased the economic and business possibilities offered to women. The entrepreneurs reporting greater profits indicated improved business operations, wider market access, and all these empowered them economically. Women were able to acquire basic entrepreneurial skills through the training received, and thus could manage their expenditures and subsequently take charge in their communities. Nevertheless, regrets such as high costs of borrowing, stringent terms of repayment, and social attitudes remain impediments on the socio economic impact supposed to be yielded. As a whole, the findings underscore the potential that microfinance possesses to improve women wellbeing nurtured by innovation, but also the gaps that require to maximal synergies to optimize social welfare.

The study findings identified the major role of microfinance in women empowerment including access to finance, business growth skill acquisition and social empowerment. But women who are living in Gampaha administrative district distinctive challenges when dealing with microfinance institutions. Interrelated with such themes as cultural and social issues, economic hardships and deficient aspects of microfinance institutions. As well as have to contend with issues such as, discrimination based on their gender and lack of funds, which discourages them from business initiation or expansion. Finally, Women empowered with the help of microfinance positively affect their households and societies demonstrating improve economic wellbeing and taking more responsibility with their families

Conclusion and policy recommendations

It found that microfinance significantly adds to enhanced economic and social empowerment for women entrepreneurs in Sri Lanka through independent income, business expansion and leadership skills. But issues including high interest rates, inflexible repayment conditions, and societal prejudice still restrict its possibilities. For these reasons, the study calls for simplified loan procedures, reduced interest rates, and an expansion of financial literacy programs. It will also be important to advocate for gender-sensitive policies and improve their support services such as mentorship and networking opportunities. These measures will guarantee that microfinance is a more powerful instrument for sustainable and inclusive economic progress.

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Policy Briefs 05

Vol. (5) January 2025 **ISNN 2827-7376**

The Impact of Digital payment Integration on Consumer Purchase Patterns with Special Reference to kandy Distrect

Key Message(s)

[1] Costs of HEC to the affected communities are disastrous and direct compensation is not sufficient enough to cover the cost.

[2] it is recommended to adopt pre- and post- mechanism to prevent the HEC and address the direct and indirect costs incurred to the affected communities.

TI Senevirathne & SKN Gamage

Department of Economics, Rajarata University of Sri Lanka

Introduction

The rapid growth of e-commerce in Sri Lanka has transformed consumer purchasing behaviors. However, the integration of digital payments has not been same, with significant reliance on traditional cash-based transactions. Despite global trends favoring digital payment systems, Sri Lanka's adoption remains limited, with approximately 95% of retail transactions still conducted using cash. This study examines the impact of digital payment integration on consumer purchase patterns in the Sri Lankan e- commerce market, focusing on the Kandy district. Key objectives include understanding how factors such as perceived usefulness, ease of use, security, and trust influence adoption, alongside the moderating effect of age.

Materials and methods

The study employed a quantitative research approach using survey-based primary data collected from 150 e-commerce consumers in the Kandy district. Respondents' preferences and behaviors were analyzed using Structural Equation Modeling (SEM) to explore relationships between adoption of digital payments and consumer purchase patterns. Key constructs included perceived usefulness, ease of use, security, and trust, with age serving as a moderating variable. The survey responses were measured on a 5-point Likert scale, ensuring a comprehensive understanding of consumer perspectives.

Results

Findings revealed that digital payment integration positively impacts consumer purchase patterns, with ease of use and perceived usefulness emerging as significant drivers. Younger consumers demonstrated higher adoption rates due to greater digital literacy and familiarity with technology. In contrast, older consumers expressed concerns regarding security and trust, limiting their engagement with digital payment methods. The analysis showed

Table 1: Result of Path Coefficient

	Original Sample (O)	Sample Mean (M)	St. Deviation (STD)	T Statistics	P Value
ADP ➡ CPP	0.256	.0244	0.117	2.199	0.028
AGE ➡ CPP	-0.101	-0.105	0.059	1.709	0.088
EU ➡ CPP	0.230	0.23	0.094	1.709	0.088
PU ➡ CPP	0.249	0.259	0.1	2.491	0.013
ST ➡ CPP	0.115	0.121	0.079	1.453	0.146
Age X APD ➡CPC	0.141	0.136	0.063	2.237	0.025

The results support that the variables like adoption of Digital Payment, Perceived Usefulness and Ease of Use made a positive impact on consumers purchase Patterns. Security and Trust were not found to significantly affect Consumer Purchase Patterns, Indicating a specific gap in individual's confidence in the safety of Digital Payment systems. Age as a moderating variable, increase the digital adoption-consumer behavior relationship among older users when trust and security were addressed.

Conclusion and policy recommendation

The study concludes that while digital payment integration enhances convenience and consumer satisfaction, addressing security and trust concerns is essential for broader adoption and stimulate e-commerce growth.

However, limitations such as a geographically limited sample, under-representation of older and rural demographics, and exclusion of emerging technologies like block chain constrain the findings' generalizability.

Also it recommends to address barriers, policymakers should prioritize enhancing security measures, expanding digital literacy campaigns, and improving payment infrastructure. It will bridge the digital divide and fostering trust across all demographics in Sri Lanka's digital economy.

Department of Economics

Faculty of Social Sciences and Humanities, Rajarata University of Sri Lanka

Policy Briefs 06

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Impact of Digital Transformation on Small and Medium Enterprises (SMEs) Performance in Sri Lanka.

Key Message(s)

[1] Digital Transformation significantly enhances SME performance by increasing operational efficiency, market reach and innovation.

[2] Key barriers include limited access to affordable digital infrastructure, inadequate digital literacy and resistance to change.

[3] Policy intervention focusing on capacity building, subsidizing digital tools, and improving infrastructure can accelerate digital adoption.

SR Shyamal & SKN Gamage

Department of Economics, Rajarata University of Sri Lanka

Introduction

In the 21st century, there is a rapid development in information technology and these changes significantly impact business activities, company processes, product, services and relationships. Small and Medium enterprises (SMEs) the form if backbone of Sri Lankan economy due to it have contribution for over 75% of enterprises, 45% of employment, and 52% of GDP. The most SMEs support to digital transformation due to it may have enhance overall performance by increasing operational efficiency, market reach and innovation. But have some negative arguments that high initial cost, digital skill gap, and inadequate infrastructure, many SMEs are slow to adopt digital technologies, despite their economic importance. This study focus how digital transformation effects SME performance, especially in the Badulla District, and offers policymakers practical on how to improve ME competitiveness and resilience.

Materials and methods

The Study was conducting using structural questionnaire and collected data through 100 SME owners/ managers in the Badulla and Haliela Divisional secretariat of Badulla District used random sample method. Using literature, the conceptual framework was developed and Compatibility, Availability of digital instrument, Benefit of digital technology and Digital skills & training were independent variables. The study was employed Quantitative method, including descriptive statistics, Pearson’s correlation analysis, hypothesis testing and multiple regression analysis, to evaluate the relationship between digital transformation and SME performance by using SPSS and Excel software.

Results

The analysis highlights a strong positive relationship between digital transformation and SME performance in Badulla District and strong influence of compatibility, digital skills and perceived benefits on SME performance, with all factors are statistically significant. The most impactful factors were compatibility and digital skills, show that enhancing digital literacy and integrating digital tools with existing systems are essential to encouraging SME growth and performance. The availability of digital technologies and a trust in their advantages are also crucial, bit in order to take full advantages of their full potential, policy support is essential. Additionally, these findings encompass the necessity of concentrated effort to address the digital skill gap, and encourage SMEs to promote digital transformation effectively. Finally, the digital transformation in SME sector leads to improve production and supply chain management, make tangible benefits and enhance overall SME performance through increased sales, marketing and profitability.

Table 1: Results of Correlation, Regression and Hypothesis Testing

	Factor	Correlation	β	Sig.	Decision
	(Constant)		0.773	0.004	
H_1	Compatibility	0.559	0.550	0.000	Accept
H_2	Availability of Digital Tools	0.561	0.019	0.009	Accept
H_3	Digital Skills and Training	0.735	0.041	0.054	Accept
H_4	Benefits of technology	0.471	0.140	0.027	Accept

Conclusion and policy recommendations

In conclusion, most influence key variables driving the growth and competitiveness of SMEs in Sri Lanka is digital transformation. By addressing challenges like infrastructural gaps, digital literacy, and cost, SMEs may reach their full potential and promote inclusive economic growth. Addressing challenges with the development of digital infrastructure, particularly in rural areas, requires policy initiatives. It is imperative to make investments in public-private partnerships, internet connection, and capacity-building initiatives. SMEs can be encouraged to adopt digital technology through targeted training, financial incentives, and awareness campaigns. Sri Lanka can develop an effective and technologically advanced SME sector that makes a substantial contribution to the country's prosperity by giving priority to specific policy measures. The essential need for a concerted effort to help SMEs prosper in the digital economy is emphasized in this study

Department of Economics

Faculty of Social Sciences and Humanities, Rajarata University of Sri Lanka

Policy Briefs 07

Vol. (5) January 2025 **ISNN 2827-7376**

Profit efficiency of smallholder tea farmers in Rathnapura District .

Key Message(s)

[1] The Study indicated smallholder tea farmers reaching average profitability income per acer is around 91.5%. High costs of labor and fertilizers, fluctuating yields, and inconsistent farming practices contributed to inefficiencies, while some farmers achieved exceptional profitability through optimized inputs and innovative methods.

[2] The study emphasizes the need for targeted interventions, such as farmer training, access to modern agricultural technologies, and improved credit facilities, to enhance profit efficiency and sustainability of smallholder tea farming in the region infrastructure can accelerate digital adoption

HNH Kumari

Department of Economics, Rajarata University of Sri Lanka

Introduction

Tea cultivation is a major sector of the Sri Lankan economy, particularly in the Ratnapura district, contributing significantly to national tea production. Smallholder tea estate owners, who typically operate on less than 10 acres of land, are important to this sector, representing over 75% of the country's total tea production. Despite their contribution, these farmers face challenges such as fluctuating market prices, rising input costs, and low productivity. Addressing these issues is critical to improving their profitability and maintaining the global competitiveness of the industry. This study focuses on the profit efficiency of smallholder tea estate farmers in the Ratnapura district, as well as profit inefficiency, and aims to identify socio-economic factors affecting their operations and suggest strategies to improve them. By using the Stochastic Frontier Analysis model, the research seeks to address knowledge gaps and provide actionable insights, ultimately supporting rural livelihoods and the broader tea economy in Sri Lanka.

Materials and methods

The study was conducted in Kolonna Division, Ratnapura District, Sri Lanka. Systematic random sampling was used to select 50 smallholder tea farmers from Buluthota, Itthekanda, and Wijeriya Grama Niladhari Divisions. Primary data was collected through face-to-face interviews using a structured questionnaire covering production costs, productivity, marketing, and socio-economic factors. Secondary data sources included reports from the Central Bank, Tea Board, and research institutes. The Stochastic Frontier Analysis (SFA) model was employed to estimate profit efficiency, using normalized profit as the dependent variable and socio-economic factors as inefficiency determinants.

Results

A study of stochastic profit efficiency of smallholder tea farmers in Ratnapura district revealed key insights into efficiency levels and influencing factors. Farm size and fertilizer cost significantly affected profitability, reflecting economies of scale and the crucial role of fertilizer application. However, pesticide and labor costs did not show a significant effect. The inefficiency model showed that factors such as farmer age, gender, occupation, household size, and access to credit did not systematically affect profit inefficiency. Efficiency scores ranged from 0.5 to 0.9, with 52% of farmers exhibiting moderate efficiency (0.7-0.8) and 38% exhibiting high efficiency (0.8-0.9). The remaining farmers exhibited low efficiency levels, with around 10% of farmers operating below a 0.7 efficiency score.

Table 1: Results of the stochastic profit frontier model

Variables	Parameter	Coefficient	Z value	P value
Efficiency models				
Constant	β0	5.752	4.73	0.000
Farm Size	β1	0.401	1.97	0.048
Fertilizer Cost	β2	0.711	5.41	0.000
Pesticide Cost	β3	-0.004	-0.12	0.908
Labor Cost	β4	0.043	1.47	0.141
Inefficiency models				
Constant	δ0	-1.554	-0.27	0.789
Farmer Age	δ1	-0.041	-0.47	0.636
Gender	δ3	-29.392	-0.01	0.991
Occupation	δ4	2.883	0.56	0.576
Household Size	δ5	-0.109	-0.27	0.784
Access to Credit	δ6	-5.062	-0.00	1.000

Conclusion and policy recommendation

The study concludes that profit efficiency among smallholder tea farmers in Sri Lanka's Rathnapura District varies significantly, with 52% operating at moderate efficiency and 38% at high efficiency. Inefficient farmers (10%) face challenges such as limited technical expertise, financial constraints, and poor market access. Recommendations include capacity-building initiatives, improved agricultural practices, and better resource optimization. Access to low-interest loans, enhanced extension services, and investment in digital platforms and infrastructure can improve market access and reduce transaction costs. Legislative reforms supporting subsidies, organic farming, and environmental sustainability are critical for long-term productivity. Monitoring systems are essential to track progress and address emerging issues effectively.

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Faculty of Social Sciences and Humanities, Rajarata University of Sri Lanka

Policy Briefs 08

Vol. (5) January 2025 **ISNN 2827-7376**

Assessing the Impact of SME Innovation on the Development of Sustainable Tourism: A Case of Tourism-Based SMEs In Negombo Coastal Area.

Key Message(s)

[1] SME innovations in technology, eco-friendly practices, and digital marketing significantly enhance sustainable tourism by boosting revenue and customer satisfaction.

[2] Barriers such as high costs, limited managerial expertise, and inadequate policy support hinder the adoption of sustainable practices.

[3] A comprehensive policy framework emphasizing digital transformation, financial incentives, and skill development can empower SMEs to lead sustainable tourism growth.

MSA Peiris &
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Introduction

Small and Medium Enterprises (SMEs) are integral to Sri Lanka's tourism industry, comprising over 75% of businesses and contributing significantly to GDP. This study explores how SME innovations in eco-friendly practices, digital tools, and marketing influence sustainable tourism development in the Negombo coastal area. It highlights the challenges faced by tourism-based SMEs and offers actionable policy recommendations.

Materials and methods

This study utilized a mixed-methods approach, combining quantitative and qualitative data to evaluate the impact of SME innovations on sustainable tourism in the Negombo coastal area. Surveys were conducted with 100 respondents including SME owners/managers and local and foreign tourists, using structured questionnaires and interviews. The study employed multiple linear regression analysis to explore relationships between key factors, such as IT infrastructure, eco-friendly products, and social media campaigns, with tourism revenue. Data were analyzed using SPSS software, and descriptive methods were used to present findings through tables and charts. This comprehensive methodology ensures robust insights into how SME innovations drive sustainable tourism development.

Results

The analysis reveals that SME innovations have varying levels of influence on tourism revenue in the Negombo coastal area. Factors such as investment in IT infrastructure, the introduction of eco-friendly products, and expenditure on social media campaigns demonstrated a significant positive impact , while partnerships, cultural tours, and managerial experience showed limited or no statistical significance. These findings highlight the critical role of targeted innovations in driving sustainable tourism development and emphasize the need for focused policy interventions to maximize their potential. Below is a summary of the correlation analysis of key factors impacting tourism revenue.

Table 1: Correlation Analysis of Factors Impacting Tourism Revenue

Factor	Correlation Coefficient	P-Value	Impact
IT Infrastructure (EOI)	0.486	0.000	Strong positive impact.
Eco-Friendly Products (EFP)	0.333	0.018	Moderate positive impact.
Social Media Campaigns (ESM)	0.530	0.000	Significant impact.
Partnerships (PAC)	0.170	0.238	Minimal impact.
Cultural Tours (EOC)	0.221	0.124	Weak impact.
Managerial Experience (LME)	0.186	0.196	Limited impact.

Conclusion and policy recommendation

The study concludes that SME innovations in IT infrastructure, eco-friendly practices, and social media marketing significantly contribute to sustainable tourism development in the Negombo coastal area. However, challenges such as high implementation costs, limited managerial expertise, and inadequate collaboration hinder broader adoption. To address these issues, policymakers should focus on subsidizing digital tools, providing financial incentives for sustainable practices, and enhancing collaboration platforms for SMEs. Capacity-building programs to improve managerial skills and targeted campaigns to promote eco-conscious tourism are essential. These recommendations aim to empower SMEs to lead sustainable tourism growth, aligning economic prosperity with environmental and cultural preservation.

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Policy Briefs 09

Vol. (5) January 2025 **ISNN 2827-7376**

ICT Usage and Business Performance of Small and Medium Scale Enterprises in Sri Lanka:(Special Reference to Devinuwara Division in Matara District)

Key Message(s)

[1] ICT usage enhances financial and operational performance, increasing profit margins, sales growth, customer satisfaction, and market reach.

[2] Regression analysis confirmed a strong positive relationship between ICT usage and business performance metrics like profitability and operational efficiency.

[3] E-commerce platforms, inventory management systems, and mobile technologies streamline operations, improve supply chain management, and enhance customer engagement.

VPV Vidanapathirana & RPIR Prasanna

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Introduction

Small and medium-sized enterprises (SMEs) are essential to the economic fabric of Sri Lanka, comprising 75% of businesses and employing 45% of the workforce. SMEs make a significant contribution to local economic activity, particularly in the Devinuwara Division of Matara District. Despite their importance, the use of information and communication technology (ICT) by SMEs in this region remains uneven due to challenges such as poor infrastructure, limited digital skills and financial constraints. ICT has the potential to improve the productivity, profitability and market access of SMEs by providing tools for efficient operations, customer engagement and broader market access. While government initiatives such as the "Vision 2025" program aim to promote digital transformation, barriers remain, especially in rural areas. This study examines the extent of ICT use and its impact on small and medium enterprise performance. It provides actionable insights for policymakers, practitioners, and small and medium entrepreneurs to drive digital inclusion and sustainable economic growth in Devinuwara Division.

Materials and methods

The findings of this policy brief are based on a quantitative research design using data collected from 100 SMEs in the Devinuwara Division through a structured questionnaire. In developing the questionnaire, it was designed to have sections on demographic information, ICT usage patterns, business performance indicators, ICT tools and applications, and employee ICT skills. The responses with regard to ICT usage and business performance were measured using a 5-point Likert scale. In fact, key variables will be: ICT infrastructure, mobile technology, and human resources are the independent variables; while profitability, productivity, and customer satisfaction are dependent variables as business performance metrics. The associations and hypotheses testing about the effect of the usage of ICT on SMEs business performance was analyzed by using SPSS version 24.

Results

The results of the study indicate a strong positive impact of ICT use on the business performance of SMEs in the Devinuwara Division. Key factors such as ICT infrastructure, applications and mobile technology significantly enhance productivity, profitability and customer satisfaction, with ICT applications showing the highest impact. ICT policies and employee ICT skills contribute positively, and their impact is relatively moderate. Overall, these findings highlight the transformative potential of ICT in enhancing operational efficiency and competitiveness among SMEs, highlighting the need for strategic investment and policy support.

Table 1: Regression results

	Variables	***β***	**t**	**Sig.**	**Decision**
	Constant	0.258		0.045	Significant
H_1	Infrastructure	0.250	0.300	0.001	Significant
H_2	Application	0.485	0.581	0.000	Significant
H_3	Policy	0.400	0.500	0.000	Significant
H_4	human resources	0.100	0.150	0.030	Significant
H_5	Mobile technology	0.120	0.170	0.025	Significant

Conclusion and policy recommendation

The study shows that ICT significantly improves the business performance, applications, policies and infrastructure of Devinuwara SMEs as drivers of efficiency, productivity and profitability. ICT applications enable automation and data-driven decision-making, while well-defined policies foster seamless integration and innovation. Reliable infrastructure supports connectivity and operational continuity. While skilled employees and organizational size contribute positively, the effectiveness of ICT tools remains a key success factor. SMEs should invest in ICT applications, infrastructure modernization, policies, employee training and mobile technology to encourage participation and flexibility. Policymakers should provide an enabling environment for the digital transformation of SMEs through financial incentives, subsidies, and frameworks, and focus on small ones to enhance their competitiveness in the digital economy.
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Department of Economics

Faculty of Social Sciences and Humanities, Rajarata University of Sri Lanka

Policy Briefs 10

Vol. (5) January 2025 **ISNN 2827-7376**

Adoption of New Technology in the Cashew Processing Industry In Sri Lanka: Analyzing Socio-Economic Factors and Their Impact on Efficiency: A Special Reference To Gampaha District.

Key Message(s)

[1] Key findings reveal that workers' educational levels significantly influence the adoption of new technology in the Cashew Processing Industry.

[2] The findings suggest targeted interventions to improve educational support and skill development for workers.

[3] The study concludes that financial capital access plays a key role in to adopt new technologies. Financial resources significantly influence the adoption of new technologies.

MRP Peiris
& SU Niranjala

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Introduction

The cashew industry in Sri Lanka is crucial for rural livelihoods and the economy, with processing being a major export. However, outdated technologies limit efficiency and productivity. Adopting new technology is essential to improve operational efficiency and competitiveness. The Gampaha District's cashew processing sector has economic growth potential, boosting rural development and export revenue. Buddhi Industries Pvt Ltd, a pioneer in cashew-based machine production, has received patents and international recognition.
But in Sri Lanka there are users of both old and new techniques in the cashew processing industry and the aim of this study is to improve the efficiency of the cashew processing industry by discovering the socio-economic factors that influence the adoption of new technology.

Materials and methods

Selected employees between 18-60 years of age in the Minuwangoda Divisional Secretariat Division of the Gampaha District of Western Province as a sample. It is expected to select a total sample size of 100 employees of the Kehelbaddara village service. Purposive sampling is expected to be used under the random sampling method. Primary data is to be collected with the help of a structured questionnaire prepared per the study's objectives. Accordingly, five areas were considered. Educational Level of workers, Access to Financial Resources, Training and Skill Development, Age of the Processing Facilities, Market Access and Demand. The data analysis was conducted using binary logistics regression.

Results

The Study results confirmed the statistically significant impact of the workers Education Level and the adaptation of new technology. Higher educated workers are more likely to adopt new technology. Access to finance and
Workers Education Level are the most significant factors influence the adoption of new technology in the cashew processing industry. Higher educated workers are more likely to adopt new technology than Lower educated people. Access to Financial Resources is statistically significant of adaptation of new technology. Training and market Access might have some influence, but the relationships are not statistically significant. Age of the processing facility does not statistically significant of adaptation of new technology

Table 01- Logistic Regression Results.

Variables	B	S.E.	Wald	df	Sig.
Workers Education Level	0.336	0.170	3.918	1	0.048
Access Financial	0.000	0.000	8.993	1	0.003
Training	-0.215	0.331	0.422	1	0.516
Market Acces	-0.599	0.391	2.353	1	0.125
Age proce"	0.061	0.058	1.132	1	0.287
Constant	-3.929	3.209	1.499	1	0.221

Conclusion and policy recommendation

The study reveals a strong correlation between worker education and technology acceptance in the cashew processing industry. Better-educated workers are more likely to adopt new technology due to increased technological knowledge, problem-solving abilities, and flexibility. Financial resources also play a role in technology adoption. Investing in educational programs, vocational training, and access to resources could promote technology adoption. Further research is needed to understand the links between training and financial resources and improve technology adaptation.

The cashew processing sector needs targeted education and training, focusing on relevant technology. Partnerships with academic institutions and trade bodies are needed. Financial incentives and support mechanisms, such as low-interest loans and grants, are needed. Market research and development can help businesses make informed decisions about technology adoption. Technology transfer from research institutions and developed regions can be facilitated through demonstration facilities and knowledge-sharing platforms. A policy and regulatory framework should promote modern technology use, including innovation support, streamlining procedures, and tax incentives.

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Policy Briefs 11

Vol. (5) January 2025 **ISNN 2827-7376**

The impact of economic crisis on the SMEs sector in Sri Lanka: Special A special reference to Kalutara District.

Key Message(s)

[1] Economic crises negatively affect SME financial performance, particularly through production challenges, while access to new markets and financial support can mitigate the impact.

[2] Strengthening SMEs during crises requires tailored interventions like financial support, skill development, and market diversification.

WK Thambavita & SU Niranjala

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Introduction

The economic crisis in Sri Lanka has significantly affected various sectors, with Small and Medium Enterprises (SMEs) bearing a disproportionate burden. SMEs are a vital component of the nation's economy, contributing to employment, innovation, and overall economic growth. However, the ongoing financial instability, currency depreciation, inflation, and supply chain disruptions have created significant challenges for their sustainability and growth. This study focuses on the Millaniya Divisional area in the Kalutara District. By examining the impact on financial performance, workforce stability, market access, and production efficiency, this research aims to provide valuable insights into the vulnerabilities and resilience strategies of SMEs in the face of economic adversity. Through this case study, the research highlights the pressing need for policy interventions and support mechanisms to ensure the survival and long-term success of SMEs, which are critical to Sri Lanka's economic recovery.

Materials and methods

The study data were drawn from SMEs who are registered in Millaniya Divisional Secretariat survey carried out among 100 SMEs in the Millaniya divisional secretariat of the Kalutara district by administering a survey-based questionnaire. The study utilized secondary data from resource papers to analyze four areas: workforce, production level, access to new markets, and access to finance using an econometrics model. Use the multiple linear regression model,

Results

The study found that the economic crisis significantly impacted the financial performance of SMEs. The crisis led to increased production costs, making it difficult for SMEs to enter new markets and access finance. The study also found a positive relationship between SME's financial performance and access to finance. Demographic factors did not significantly impact SME's financial performance. However, the economic crisis negatively impacted SMEs' financial performance, leading to increased barriers like employee turnover, decreased production and sales, and reduced monthly revenue. The study concluded that the economic crisis negatively impacted SMEs' financial performance, reducing profits and threatening their survival.

Table 1: Results of Regression Analysis and Hypothesis Testing

	Variables	β	**S.E**	**Sig.**	**Decision**
	(Constant)	-0.052	0.211	.807	Not Significant
H_1	Effect of Employees	-0.161	0.082	.052	Not Significant
H_2	Effect of production	0.238	0.098	.016	Significant
H_3	Access to new market	0.262	0.069	.000	Significant
H_4	Access to finance	0.671	0.077	.000	Significant

Conclusion and policy recommendation

The study examined the impact of the economic crisis on SMEs' financial performance in Sri Lanka, focusing on factors like production, access to new markets, and finance. Results showed a negative relationship between production and financial performance, while access to new markets and finance positively impacted financial outcomes. Demographic factors did not show a significant relationship. SMEs can be strengthened during economic crises through tailored financial support programs, skill development initiatives, supply chain diversification, technological adoption, and future research on economic downturn mitigation strategies.

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Policy Briefs 12

Vol. (5) January 2025 ISNN 2827-7376

The impact of digital transformation on agriculture productivity in Sri Lanka; A special reference to Kurunegala District

Key Message(s)

[1] The adoption and effectiveness of digital transformation in agriculture in the Kurunegala District can be significantly enhanced by reducing the cost of digital technologies and providing targeted training programs.

[2] The success stories and evidence-based demonstrations of digital tools are crucial for building farmer confidence and driving sustainable agricultural growth in Sri Lanka.

ADS Chathurika & AMP Adikari

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Introduction

Digital transformation has emerged as a critical driver of change across various industries, including agriculture. In Sri Lanka, agriculture plays a pivotal role in the economy, providing livelihoods to a significant portion of the population. However, the sector faces numerous challenges, such as limited access to modern technology, resource inefficiencies, and unpredictable climate patterns. Digital technologies, including precision farming, data analytics, mobile applications, and Internet of Things (IoT) solutions, have the potential to revolutionize agricultural productivity and address these issues. The Kurunegala District in Sri Lanka is a case study for examining how digital transformation can boost agricultural productivity and sustainability, optimizing resource use, reducing costs, and improving yields, thus fostering growth

Materials and methods

The study data were drawn from a farmer survey carried out among 100 farmers in the Kurunegala divisional secretariat of the Kurunegala district by administering a survey-based questionnaire. The methodological framework for the study was developed using primary data. Accordingly, four areas were considered: cost of use, Technological knowledge and confidence in benefits. The data analysis was conducted using an econometrics model, technique under the multiple linear regression model.

Results

The results of the study revealed significant relationships between key factors of digital transformation and agricultural productivity in the Kurunegala District. A negative relationship was found between the cost of using digital technologies and productivity, indicating that high costs act as a barrier to adoption and limit their effectiveness. Conversely, technological knowledge showed a strong positive relationship with productivity, as farmers with better training and understanding of digital tools achieved higher efficiency and yields. Farmers' confidence in digital transformation positively impacts productivity, highlighting the need for cost-reduction strategies, accessible training programs, and initiatives to build trust in digital tools.

Table 1: Profitability, income, cost, and unit price of rice farming- before and after policy adoption

Factor	Description	Before Adoption of OF	After Adoption of OF	t value
Production Per Acre	Kg/Per Acer	2063.30	1405.365	2.3789
Mean Unit Price	Rs/Per Acer	36.01	68.91	-14.82
Total Revenue	PPA/MUP	74299.43	96843.70	1.5171
Total Cost	Rs	40005.55	65494.35	-21.69
Net Income	TR-TC	34293.87	31349.35	2.4456

Conclusion and policy recommendation

Most of the people who are engaged in agriculture are rural people who are less developed and financially strong. Therefore, the government should come forward to provide support such as subsidies and low interest loans in order to reduce the initial investment for digital tools required for agricultural activities.

There will be opportunities for access to profitable technologies through the creation of shared infrastructure between the private sector and the public sector or through subsidies. This study investigates the relationship between digital transformation and agriculture productivity, focusing on key variables like cost of use, technological objectives, and confidence in benefits. It highlights the slowness of traditional agriculture techniques in rural societies.

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Faculty of Social Sciences and Humanities, Rajarata University of Sri Lanka

Policy Briefs 13

Vol. (5) January 2025 ISNN 2827-7376

Impact of Social Media Marketing on Small & Medium Enterprises (SMEs) Sales performance in Sri Lanka.

Key Message(s)

[1] Key factors such as platform utilization, content type, posting frequency, and engagement activities contribute positively, with engagement activities being the most impactful.

[2] Despite the benefits, the cost of social media marketing poses a significant challenge for SMEs, negatively impacting their sales performance. The study highlights the need for cost-effective strategies to optimize social media marketing and recommends further research to address these financial barriers.

DSM Katugampala & AMP Adikari

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Introduction

This study explores the impact of social media marketing (SMM) on the sales performance of Small and Medium Enterprises (SMEs) in Sri Lanka. SMEs are crucial to the economy, yet they face challenges in sustaining growth and visibility in today's competitive market. Social media platforms like Facebook, Instagram, and LinkedIn provide cost-effective solutions for engaging customers, building brand loyalty, and driving sales. In Sri Lanka, over 70% of SMEs have adopted social media, especially in Colombo, the country's economic hub, where competition among businesses is intense. My study focuses on key factors such as platform utilization, content type, engagement activities, and cost, while also identifying the challenges SMEs face in implementing SMM strategies. This research provides valuable insights for SME owners, policymakers, and business support groups to optimize social media marketing and improve sales performance, contributing to the digital transformation of SMEs in Sri Lanka.

Materials and methods

The study focusing on the Colombo and Kaduwela Divisional Secretariat Divisions. A quantitative research design was employed, with a sample of 100 SMEs selected through simple random sampling. Data collection involved a structured questionnaire with Likert scale responses, addressing demographic details and variables like platform utilization, content type, and engagement activities. The data were processed through verification, coding, and cleaning, using tools like SPSS to ensure reliability. Analytical techniques, including descriptive statistics, multiple regression, and correlation analysis, were applied to explore the relationships between social media marketing strategies and sales performance. The conceptual framework one dependent

dependent variable (sales performance) and five independent variables, providing a robust structure for hypothesis testing and data interpretation.

Results

This study highlights the significant impact of social media marketing on SMEs' sales performance in Sri Lanka, emphasizing the importance of platform utilization, high-quality and diverse content, balanced posting frequency, and active customer engagement in driving business growth. While financial constraints pose challenges for SMEs in leveraging social media marketing, cost-effective strategies have shown promising results. The findings underscore the transformative potential of social media, recommending strategic and resource-efficient approaches to maximize benefits and overcome financial limitations. Future research could explore the long-term effects and the role of emerging platforms in enhancing SME performance further

Table 1: Result of Multiple Regression Analysis and Hypothesis Testing

	Variables	***β***	**t**	**Sig.**	**Decision**
	Constant	7.500	10.714	0.000	
H_1	Platform Utilization	0.300	3.000	0.003	Accept
H_2	Content Type	0.250	2.778	0.006	Accept
H_3	Posting Frequency	0.200	2.353	0.020	Accept
H_4	Engagement Activities	0.350	4.375	0.000	Accept
H_5	Cost of Use	-0.400	-5.333	0.000	Accept

Conclusion and policy recommendation

This study examines the impact of social media marketing on SMEs' sales performance in Sri Lanka, focusing on factors such as platform utilization, content type, posting frequency, engagement activities, and cost. The findings reveal that strategic use of platforms, creative content, and consistent engagement positively influence sales, while high costs pose a barrier. SMEs are encouraged to foster customer engagement, evaluate platform effectiveness, and adapt strategies to optimize outcomes. Policymakers should support SMEs through training, financial incentives, and collaborations to enhance digital marketing capabilities. Future research could explore longitudinal impacts, sector-specific strategies, and broader variables like trust and competition intensity to deepen understanding and refine approaches to social media marketing for SMEs.

Department of Economics

Faculty of Social Sciences and Humanities, Rajarata University of Sri Lanka

Policy Briefs 14

Vol. (5) January 2025 **ISNN 2827-7376**

Customer Satisfaction on Online Banking, Special Reference to Narammala Banking Division in Sri Lanka .

Key Message(s)

[1] Customer satisfaction with online banking in semi-urban regions is primarily influenced by service quality, reliability, and perceived security.

[2] The adoption and effectiveness of online banking services can be significantly improved by addressing regional challenges like digital literacy and infrastructure limitations.

AUA Madhushani & AMP Adikari

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Introduction

Online banking has revolutionized the financial services sector in convenience, accessibility, and cost efficiency. However, consumers in semi-urban areas, like the Narammala Division in Sri Lanka, face very specific challenges pertaining to limited digital literacy, inadequate infrastructure, and concerns about security and reliability. While growth in urban areas is rapid, disparities in technological access and user readiness have plunged these areas into insignificance. The Narammala Division is a critical case study for understanding these barriers and identifying tailored solutions to improve customer satisfaction. Addressing these challenges not only enhances the banking experience but also contributes to broader financial inclusion efforts, enabling underserved populations to benefit from the digital revolution in financial services. The following brief summarizes key findings from a broad study into customer satisfaction about online banking in Narammala, pointing out the need to improve service delivery, reliability, and security.

Materials and methods

The descriptive research methodology has been followed for this study, which analyzes customer satisfaction about online banking services in the Narammala Division, Sri Lanka. Primary data will be collected from 100 respondents using a structured questionnaire. The perceived security, service quality, customer support, user experience, and reliability will be assessed. Secondary data on reports and literature regarding online banking trends will provide context. Descriptive analysis, multiple regression, and correlation analysis are some of the statistical techniques that have been applied in relating independent and dependent variables, detailing comprehensive views on the factors that create customer satisfaction and provide actionable insights into increasing online banking adoption.

Results

The study indicates that customer satisfaction regarding online banking in the Narammala Division is influenced by perceived security, service quality, reliability, user experience, and customer support. Security is one of the key aspects, and customers want their financial information kept safe on secure platforms. Service quality has to be efficient and dependable with responsive service delivery. Reliability is an important aspect to inspire confidence among customers, whereby systems are up and transactions are error-free.

Smooth and user-friendly interface enhances satisfaction, but it is of secondary importance. Customer support, which includes multilingual options and response times, is very important to improve the confidence of customers, especially those who are less digitally literate. In fact, strong correlations between these variables and overall customer satisfaction are indeed confirmed by this study.

Table 1: Result of Multiple Regression Analysis and Hypothesis Testing

	Variables	β	**t**	**Sig.**	**Decision**
	Constant	2.500	5.000	0.000	
H_1	User Experience	0.250	3.571	0.001	Accept
H_2	Customer Support	-0.200	-2.500	0.014	Accept
H_3	Service Quality	0.300	3.333	0.002	Accept
H_4	Perceived Security	0.200	3.333	0.002	Accept
H_5	Reliability	-0.150	-2.143	0.035	Accept

Conclusion and policy recommendation

The financial institutions can be more considerate of customer satisfaction in online banking by improving digital literacy, introducing better security protocols, ensuring strong IT infrastructure development, and providing lightweight mobile apps for areas with low bandwidth. Additionally, services must be provided in Sinhala, Tamil, and English, with AI-powered chatbots to handle basic queries and forward complex queries to human agents. It will also enhance the user experience by making it easier to navigate through the platforms, with voice-enabled commands and guided tutorials. Policymakers can ensure that such initiatives are supported in developing relevant infrastructure, enhancing regulations, and disseminating information. The enabling environment for digital financial services in semi-urban areas could be a result of the collaborative approach taken by financial institutions and policymakers for greater financial inclusions and economic development.

Department of Economics

Faculty of Social Sciences and Humanities, Rajarata University of Sri Lanka

Policy Briefs 15

Vol. (5) January 2025 ISNN 2827-7376

A Study on Factors Affecting Low Female Labor Force Participation in Sri Lanka: Special Reference to the Naula Divisional Secretariat In Matale District.

Key Message(s)

[1] The main findings reveal that marital status, educational attainment, and household head income significantly affect female labor force participation. It is also clear that age category may affect labor force participation, but the relationships are not statistically significant.

[2] The study suggests enhancing women's labor participation through state-sponsored infrastructure development, wage subsidies, self-employment support, SMEs, and promoting education-based employment opportunities.

WGVL Adikari & HGKN Bandara

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Introduction

Unfair treatment of people based on their gender has long been a problem on a global scale. Women are more likely to experience gender discrimination, which lowers their level of active labor force participation. This has had a detrimental effect on the nation's overall productivity and economic growth. Currently, out of the population of 8.11 billion, 50.5% is men and women are precenting of 49.5%**.** These women represent about 50% percent of the world's labour force and male percent of 80%. Both male and female labor are essential factors in a country's progress towards development. Sri Lanka has been experiencing high levels of growth in recent years with high labour force participation and low unemployment rates. The labour force participation rate is the proportion of the population aged 15 and over who are economically active. In Sri Lanka, the labour force participation rate among female is 32%, and among males is 71% for 2023. Likewise, the country's labour force is expected to start shrinking after 2026. A number of factors influence female labor force participation, primarily. The aim of this study is to increase female labor force participation by identifying the main factors influencing low female labor force participation.

Materials and methods

Data for this study was collected using a simple random method from 100 employed and unemployed women between the ages of 15-45 in the Naula Divisional Secretariat Division of the Matale District in the Central Province. Primary data were collected using a Likert scale questionnaire. Four main factors affecting female labor force participation were considered. Marital status, educational level, age category, and household head income were used. Multiple regression analysis was used.

Results

The results of the study confirmed that marital status, educational level, and household head income have a significant impact on female labor force participation. Married women show a lower tendency to engage in employment. The level of education also affects female labor force participation. Despite receiving higher education, they are unable to access employment due to limited employment opportunities. It was clear that they do not engage in employment because the household head's income is sufficient to meet the family's consumption and needs. Age level may affect female labor force participation, but the relationship is not statistically significant.

Table 1: Coefficients table

Factor	Coefficient	Beta	t value	Sig. value
(Constant)	0.813		3.253	0.002
Marital Status	0.264	0.372	2.180	0.032
Education Level	-0.347	-0.533	-2.651	0.009
Age Category	0.135	0.165	1.601	0.113
Income of Household Head	0.553	0.737	5.476	0.000
Dependent Variable: Female Labor force Participation				

Conclusion and policy recommendation

The overall study reveals that the majority of women in the Naula Divisional Secretariat area are unemployed, and that their marital status, education level and the income level of the head of the household are the main factors affecting them. It is clear that age category does not have a significant impact. However, given the attitude towards women in society, the provision of employment positions to women compared to men, and the construction of centers that take care of children and elderly such as day care centers, the responsibilities of married women will be reduced to a certain extent, which will lead to an increase in women’s entry into employment. Also, by creating employment opportunities commensurate with educational qualifications, improving SMEs and providing facilities and opportunities for self-employment for women through programs such as Diriya Kantha, women’s labor force participation will undoubtedly help in bringing the country towards development by improving the economic development of the country and per capita income.

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Policy Briefs **16**

Vol. (5) January 2025 **ISNN 2827-7376**

A Study of the Economic and Social Impacts of International Labor Migration of Rural People in Sri Lanka; The Special Reference to the Karandeniya Divisional Secretariat

Key Message(s)

[1] Household income emphasizes how financial stability increase in migrant's households based on remittances.

[2] Remittance behavior emphasizes that it increases financial stability of migrant's households.

[3] Living condition and household consumption emphasize increase of that factor in migrant's households on remittances.

MVM Jayalath & HGKN Bandara

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Introduction

International labor migration is a popular phenomenon in Sri Lanka since the 1970 period. It has provided the country with five decades of experience to Sri Lanka. Numbers of migrant workers have increased in 1970 period. Women and men combination of departures for foreign employment total were 16456 in year of 1987, total departures were 16127. In 2007, total departures were 217306. International labor migration from rural areas has emerged as a major phenomenon in the globalized economy. Millions of rural people seek better opportunities abroad due to limited employment prospects, low wages and lack of economic development in rural areas. Many people from agricultural and underdeveloped arears migrate to more industrialized countries in search of higher paying jobs and improved living conditions. The increasing trend of labor migration from within Sri Lanka to foreign countries poses significant socio-economic challenges to both migrants and their communities. This study focusses what are economic and social impacts of labor migration.

Materials and methods

The Study was conducting using self-developed questionnaire and collected data through 107 migrant's households in the Karandeniya Divisional secretariat of Galle District used stratified sample method. Using literature, the conceptual framework was developed and household income, remittances behavior, investment and savings, living condition and household consumption, marital status, gender role are independent variables. The study was employed Quantitative method, including descriptive statistics, Pearson's correlation analysis, hypothesis testing and multiple regression analysis, to evaluate economic and social impacts of labor migration.

Results

The analysis indicates a strong positive relationship between independent variables and labor migration, with all relationships being statistically significant. In contrast, investment and savings, along with gender roles, exhibit a weak relationship with labor migration, with investment and savings being statistically significant while gender roles are not. The most influential factor identified is household income, which underscores that financial stability, bolstered by remittances, plays a critical role in migrant households. Remittance behavior reinforces this, as it contributes to financial stability. Additionally, living conditions and household consumption correlate positively with remittances among migrants. Marital status also affects labor migration propensity; single individuals are more likely to migrate due to fewer family responsibilities, while married individuals may hesitate because of familial commitments. Despite the mentioned relationships, investment and savings don’t significantly drive migration decision-making, nor does gender role. Various reasons for labor migration include economic hardship, employment opportunities, better living conditions, debt repayment, and home construction. According to survey findings, 58% of respondent’s view labor migrants' working conditions as safe, while 42% do not. Furthermore, 83% believe that labor migration reduces poverty in migrant households. Overall, the findings highlight the economic and social impacts of labor migration, its reasons, and its relationship with poverty in migrants' households, portraying labor migration as a vital livelihood for many rural individuals. Finally, increasing income, living standards, and consumption as a result of labor migration.

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Table 1: Comparison of monthly income before and after migration in migrant’s households

	Before Migration		**After Migration**	
	Category	**Frequency**	**Category**	**Frequency**
Monthly Income	Less than 40,000	40	Less than 40,000	1
	40,001- 60,000	51	40,001- 60,000	11
	60,001- 80,000	10	60,001- 80,000	13
	80,001- 100,000	6	80,001- 100,000	36
	100,000 or more	0	100,000 or more	46
	Total	107	Total	107

Conclusion and policy recommendations

In conclusion, most influence key variables driving the economic and social impacts of labor migration find out in Karandeniya divisional secretariat. Reasons behind labor migration, relationship among poverty and working condition of migrants also find out. Labor migration can be encouraged by policy improving local opportunities and migrant’s assistance programs.

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A study of factors influencing financial literacy among paddy farmers in Sri Lanka; with special reference to Kirinda-Puhulwella divisional secretariat are in Matara district

Key Message(s)

[1] The results reveal that age, work experience, and financial training significantly contribute to financial literacy, highlighting the importance of these factors in enhancing financial capabilities.

[2] The study recommends the Involving various stakeholders in short- and long-term interventions can improve financial literacy among farmers.

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Introduction

Financial Literacy is "A combination of awareness, knowledge, skills, attitudes, and behavior necessary to make sound financial decisions and ultimately achieve individual financial well-being" (OECD, 2020). In this study, financial literacy is assessed as a combination of Financial Knowledge, Financial attitude & Financial behaviour. Financial literacy is important for farmers because it provides them with the knowledge and skills needed to navigate the complicated financial environment of agriculture. The study of financial literacy among paddy farmers in Sri Lanka is important due to the large number of farmers and the significance of rice as a major crop, helping to fill the knowledge gap in this area. This study aimed assess the level of financial literacy among paddy farmers and to identify the factors influencing financial literacy among paddy farmers. Other specific objectives included to assess the level of financial literacy among farmers in terms of financial knowledge, financial attitude and financial behavior, to identify the relationship between age, level of education, level of income, digital usage, financial literacy training, work experience with financial literacy among farmers.

Materials and methods

The study data were drawn from a farmer survey carried out among 100 paddy farmers in the Kirinda-Puhulwella divisional secretariat of the Matara district by administering interview-based questionnaire. Paddy farmers are selected using random sampling method. The conceptual framework for the study was developed using secondary data from resource papers. Accordingly, six areas were considered: age, level of education, level of income, digital usage, financial literacy training, work experience.

Results

The overall model is statistically significant ($F = 15.612$, $p < 0.001$), meaning that the independent variables collectively influence financial literacy. Among the predictors, Age Category has a positive and significant impact on financial literacy ($B = 1.278$, $t = 2.278$, $p = 0.025$), suggesting that older individuals tend to have better financial literacy. Financial Training also shows a significant positive effect ($B = 4.432$, $t = 2.601$, $p = 0.011$), emphasizing the role of training programs in improving financial literacy levels. Similarly, Work Experience significantly contributes to financial 56 literacies ($B = 2.111$, $t = 3.639$, $p < 0.001$), indicating that more experienced individuals tend to exhibit higher financial literacy. However, Digital Usage does not have a statistically significant impact ($B = 0.219$, $t = 0.113$, $p = 0.910$), implying that its effect on financial literacy is negligible in this context

Table 1: Coefficients table

	Variables	β	**Sig.**	**Decision**
	Age Category	1.278	0.025	Accept
H_1	level of education	-0.535	0.01	Accept
H_2	level of income	-0.259	0.01	Accept
H_3	digital usage	0.219	0.91	Not Accept
H_4	financial training	4.432	0.011	Accept
H_5	work experience	2.111	0.001	Accept

Conclusion and policy recommendation

Financial literacy is crucial for the economic wellbeing of farmers in Sri Lanka and ultimately for the nation. Enhancing farmers' financial knowledge can improve their financial behaviors and attitudes, thus fostering greater overall financial literacy. Policymakers are advised to incorporate financial literacy into the school curriculum, which serves as an effective method for equipping future generations with essential financial skills. Engagement from diverse stakeholders is also essential for implementing both short- and long-term initiatives that aim to improve financial literacy among farmers. Such collaborative efforts are expected to yield better financial outcomes for farmers, subsequently benefiting the economy.

Future research should focus on the barriers to financial literacy encountered by farmers in Sri Lanka, striving to establish mechanisms to address these challenges. It is suggested that future studies include a larger, more varied sample of farmers from different sectors and geographic areas within Sri Lanka. This broader approach will foster a multidisciplinary perspective and ensure that advancements in farmers' financial literacy arise from a comprehensive understanding of their financial knowledge, behaviors, and attitudes.

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