

Management Udyama Digest



2025 | Volume V

Faculty of Management Studies, Sabaragamuwa University of Sri Lanka

FROM VILLAGE
TEA LEAVES
TO A WORLD
RECORD



Management Udyama Digest

EDITORIAL NOTE

With great pride, we present Volume V of Udyama, a milestone that reflects not only continuity but also the growth in purpose. From its inception, Udyama has aimed to be more than a magazine. It is a platform for ideas in motion, where enterprise, creativity, research, and lived experience interconnect. In this fifth volume, we endure that commitment by bringing together diverse contributions, highlighting emerging practices, and acknowledging the spirit across industries and communities.

This edition places particular emphasis on a broad spectrum of contemporary themes, including CEO perspectives, current issues in Sri Lanka, global management insights, economic policy debates, business performance, and the entrepreneurship/SME sector, alongside new academic work, sustainability, tourism, and university and business news. Each article has been carefully selected to ensure relevance, depth, and authenticity for our readers.

Udyama is the result of collective effort. I extend my sincere appreciation to our writers, reviewers, designers, and the entire editorial team for their dedication and professionalism. I also thank our readers for their continued trust and engagement. As you explore Volume V, I invite you to read with curiosity, reflect with openness, and carry these conversations forward. May this issue inform, inspire, and encourage meaningful action.

Happy reading!

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of Sri Lanka



The background features a large, detailed illustration of tea leaves and a cup of tea. The leaves are vibrant green with visible veins and water droplets, suggesting freshness. A white cup filled with a rich, dark brown tea is positioned in the lower right quadrant. The overall composition is clean and professional, with a dark green diagonal shape in the top left corner.

**BREWING A WORLD
RECORD:
NEW VITHANAKANDE IS
REDEFINING PREMIUM CEYLON TEA**

Q

How did your career begin, especially in the tea industry, and what was your journey with Vithanakande Tea Factory?

I started my career in 2004 as a trainee plantation executive at Gouravilla Estate, Upcot, managed by Horana Plantations PLC. I trained there as a Tea Planter.

My first appointment was at Alton Estate, Upcot, being one of the leading marks in the high grown sector. I was there for exactly five years. Out of that 60 month period, I was ranked within the top 10 marks for 32 months and within the top 05marks for 16 months totaling 48 months, among the Western high grown plantations. I was then transferred to Fairlawn Estate, Upcot, managed by the above company, where we were able to achieve the highest-ever profit. I was there for three years and thereafter transferred to Bambarakelle Estate, Lindula, where I was in employment for one year.

At the end of 2012 I left Horana Plantations PLC and joined one of the low grown manufacturing tea factories in the Ratnapura district as the Manager and continued employment for 10 years.

When New Vithanakande Tea Factory came up for sale after demise of Mr. Navaratne Pillapitiya, the former owner of this factory in 2019, it changed hands to the MG Group of Companies, and I took over the responsibilities as the Chief Operations Officer and was promoted as the Chief Executive Officer in April 2024.





Q

What makes Vithanakande different from competitors in Sri Lanka?

New Vithanakande is a very strong brand in the tea industry. This factory has earned a prominent place in Sri Lanka, as it is one of the oldest private tea factories in the island and maintains high quality standards with a capacity of producing 150,000 kg. of black tea per month, whilst maintaining one of the highest averages in this category

Q

Is there any other special difference that keeps you at the top of global competitors?

Yes. If you look at the most factories in Sri Lanka, you will see our manufacturing procedures are a bit different from those of other factories, especially in leaf collection, which is followed by good manufacturing practices, and this keeps us at the top of the global competitors.



Q

Is there any secret or specialty in your tea-making process?

Yes, the main factor is the quality of the green leaf we collect. We do not depend on large-scale leaf suppliers. Instead, we source our green leaf directly from small-holder farmers.

In the tea industry, many factories rely on intermediaries who collect leaves from villages and supply them in bulk. However, we do not follow that model. Around 95% of the green leaf we receive comes from small-scale farmers who supply 500 kilograms or less.

We do not work with large suppliers. Our suppliers are small families who manage the household tea cultivations. The quality of their leaf is often higher than that of estate-grown leaves because they personally maintain their fields, apply fertilizer themselves, and carefully manage the plucking process. For most of them, tea cultivation is their main source of income. So they are highly committed to maintaining quality. Our specialty is our small holder

As a single factory, we believe we have the highest number of bought-leaf suppliers. Currently, 7,200 families supply us with green leaves. We handle the entire leaf transportation process ourselves. Our team goes directly to the villages, provides separate collection bags, and gathers the leaves from each small-holder. Through these practices, we maintain the quality of the raw material we bring into the factory. That is our key strength.



Q

You explained the sourcing aspect, where you receive green leaf directly from small-holder farmers. Apart from that, do you follow any special methods, such as handmade tea production or other unique processes?

Our main production is based on orthodox black tea, but yes, we do manufacture some handmade specialty teas that fetch very high prices. Such a tea was also awarded the Guinness World Record for fetching the highest price in the world



Q

We noticed through your website and other platforms that your brand strongly reflects Sri Lankan heritage and craftsmanship. Why do you maintain this identity, and what importance does it hold for you?

We maintain this identity because we have a legacy to continue. We have a strong history and a well-established brand name. For us, this is not just a business.

7,200 farming families depend on our factory, along with 350 workers and 197 staff members. It is like a community or a village built around the factory. We operate as one team, focusing not only on business success but also on social responsibility and community well-being.

To sustain ourselves in the industry, we believe it is important to continue this legacy. Representing Sri Lanka and preserving its heritage is meaningful to us because this is our country, and our brand reflects that identity



Recently, you received a world record for selling one of the most expensive teas. Could you share the story behind that achievement?

In Sri Lanka, we have received recognition, as being named the Best Tea Factory in Sri Lanka and the best Tea Factory in Sabaragamuwa region. However, this achievement was different.

It was part of a Ceylon specialty tea competition. Typically, once in every two years, a special charity auction is organized to raise funds for the children of plantation communities. This time, the auction was held in Osaka, Japan

At that event, one of our teas was sold for an exceptionally high price, officially setting a Guinness World Record. Japan is an important market for us, as we have many high-end buyers there who regularly purchase our tea.

Although this sale set the Guinness World Record, there have been teas sold at even higher prices; however, this auction gained international recognition due to it being officially recorded by the Guinness World Records.



Q

What is so special about that particular product that makes buyers consider it unique?

The grade is called “Flowery Fannings Extra Special.” It is a long, wiry tea with visible golden tips. It stands out because of its unique character, distinctive aroma, and elegant appearance. All three qualities combined make it exceptional, which is why it demands such a high price.

Q

How wide a variety of tea are you offering?

We make 18 different varieties of tea.

Q

Among those varieties, do you have any signature products that are especially popular?

Yes, one of our signature grades is the same tea that recorded the Guinness World Record. Interestingly, it is not available for purchase in Sri Lanka. It is available at leading international retailers such as Selfridges, Harrods, Fortnum & Mason, and Whittard in London, as well as at a few leading five-and seven-star restaurants around the world.



Q

Apart from the world record achievement, what other special recognitions and awards has Vithanakande Tea Factory received?

We have received the Best Tea Factory in Sri Lanka award several times. In addition, we have been recognized as the Best Tea Factory in Rathnapura and have also received the Runner-Up position at the district level.

Recently, we were awarded Runners-Up at the National Business Excellence Awards. To our knowledge, this was one of the first times a tea factory competed at that level in this category. We competed alongside well-known food manufacturing companies. This recognition was particularly meaningful because it placed us among leading food manufacturing brands, highlighting the strengths and competitiveness of our factory within the broader industry.

Q

Now, you export your products to the global market. Did you initially start with exports, or did you expand into international markets later?

Currently, we are just beginning our direct marketing efforts. Traditionally, we have sold our tea through brokers at the Sri Lankan tea auction. Many foreign buyers purchase our tea through Sri Lankan tea exporters who participate in these auctions, so although our tea reaches international markets, it has mainly been through these exporters rather than through direct marketing under our own brand.



Q In how many countries is your tea available globally?

Our tea is available in many countries around the world. A significant portion of our production, around 60%, is exported to the Middle Eastern region, particularly to the Emirates. Our high-end specialty teas are mainly exported to premium markets, including Japan and several European countries, such as Germany.

Q What kind of global recognition does your brand have? Do international markets, such as the Middle East, perceive your brand as unique?

Yes, our brand has gained strong international recognition. At times, we have even supplied tea directly to Buckingham Palace.

Our tea is also sold under our own brand name in prestigious international retailers such as Harrods. They market it as “Vithanakanda Fancy” using our factory name. This reflects the reputation and trust associated with our brand, as retailers find it easier to promote tea using our name.

In addition, many leading restaurants and hotels around the world serve our tea under the Vithanakanda name. This level of recognition highlights the uniqueness, quality and strong brand perception we have built in global markets.



Q

What about the demand you receive from tourists visiting Sri Lanka?

We receive a large number of inquiries, especially after achieving the Guinness World Record. Previously, we did not focus much on marketing because we mainly sold our tea through the Sri Lankan auction system. However, following international recognition, interest in our brand has increased significantly.

Many customers and buyers now contact us directly with inquiries, and we are responding to those requests. We plan to officially begin our direct marketing operations before the end of next April. At the moment, we are not planning to enter the local market. Instead, we intend to position our brand in selected leading international supermarkets under our brand name

Q

Approximately how many employees are currently working at your factory?

Approximately, we have around 350 permanent workers operating in three shifts. In addition, 197 staff members support the factory's operations.



According to your vision and objectives, you strongly focus on employee well-being and community engagement. In that context, are you implementing any key initiatives related to ethical sourcing, fair trade, or environmental responsibility?

Yes, we are actively involved in many community support initiatives. We regularly organize and participate in programs that benefit the communities connected to our factory.

In terms of environmental responsibility, we have an extension team that works closely with our small-holder farmers. They visit the farmers and provide guidance on good agricultural practices, helping farmers improve cultivation methods while maintaining environmental standards.

Looking ahead, we are planning to join the Ethical Tea Partnership (ETP). Through this, we expect to access additional support and funding to help our bought-leaf suppliers further improve their environmental practices and agricultural standards.

At present, our primary focus is on the well-being of our workforce. We believe that all our success comes from our people. We have built a strong and disciplined team. Our employees maintain high standards in their conduct and presentation. Even our drivers and supervisors follow professional standards and our transport vehicles are uniquely painted and named.

When people see a Vithanakanda lorry, factory or employee, they immediately recognize the difference.

We believe that to produce a high-quality product, we must start with quality raw materials and a dedicated, respected workforce. Most importantly, we value the trust and support of the people who work with us and depend on us.



Q

Reflecting on your entire journey, what have been the main challenges you have faced?

In our industry, the primary challenge we face is the market. Since we heavily depend on the tea auction system, fluctuations in the global demand directly affect us. For example, international issues can cause prices to drop, which impacts our sales.

Within Sri Lanka, high production levels can also make it challenging to balance supply and demand. While some factories struggle with insufficient green leaf intake or workforce issues, we do not have those problems at Vithanakanda. Our operations run smoothly in terms of raw material and staffing.

The main difficulty for us remains market-related, especially when global conditions, such as economic, or geopolitical issues in regions like Iraq or Iran, affect demand.

Q

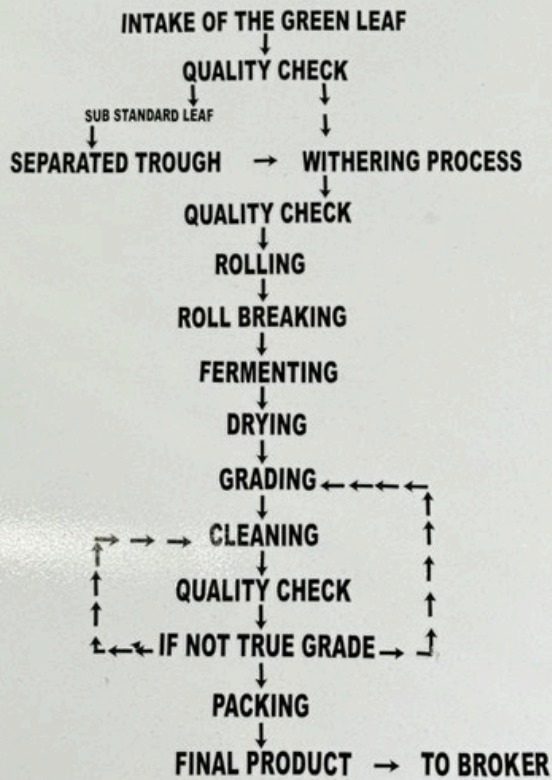
What are your future plans, particularly regarding market expansion and the company's overall vision?

Until now, we have relied almost entirely on the Sri Lankan tea auction system. Moving forward, we are expanding into direct marketing. I have visited international markets and signed contracts in the US and the UK. Recently, a high-end buyer from Dubai visited our factory, and we finalized agreements with them as well.

Starting from the beginning of next May, we plan to launch our own brand in Europe, the Middle East, and the US. Even if we sell just 5% – 10% of our total production through direct marketing, it will generate significant revenue that benefits our suppliers, employees, and the company.

We also plan to establish a CTC (Crush, Tear, Curl) manufacturing line. My goal is to expand our production capacity over the next three to four years, as the factory is currently operating at full capacity. This expansion will allow us to grow our business sustainably while continuing to support our workforce and small-holder suppliers.

NEW VITHANAKANDE TEA FACTORY TEA MANUFACTURING PROCESS



Interview conducted by:

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Assistant and translation by:

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N. M. C. Pabodhani

Undergraduates, Department of
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Q

Is there anything else you would like to add beyond what we have discussed?

If I were to summarize our success in a few words, it would be good manufacturing practices, discipline, and teamwork. These principles form the foundation of everything we do at new Vithanakanda Tea Factory.

SUSTAINABLE TOURISM DEVELOPMENT IN SRI LANKA:

PATHWAYS TOWARD
ENVIRONMENTAL AND
SOCIO-ECONOMIC
SUSTAINABILITY





According to Sri Lanka Prestige, “Exploring the Enchanting Wonders of Sri Lanka: A Journey into Paradise” highlights the country’s breathtaking scenery, vibrant culture, and remarkable biodiversity. It’s easy to understand why tourists from all over the world are drawn to this island, from the misty mountains and tea plantations of Nuwara Eliya to the golden beaches of Trincomalee and the historic wonders of Sigiriya. Many communities now rely heavily on tourism to support local businesses, create jobs, and highlight the nation’s natural beauty and rich cultural heritage. However, this quick expansion presents a problem: how can we share and appreciate these treasures without endangering them? The solution is sustainable tourism. Finding a balance between preserving the environment, assisting local communities, and providing guests with an amazing experience is crucial. To create a future where people, nature, and culture coexist peacefully, this article examines how Sri Lanka can embrace sustainable tourism.

In addition to having stunning national parks, coastal regions, and rainforests, Sri Lanka is home to numerous species that are unique to the country. Yala, Sinharaja, and the Knuckles Mountain Range are examples of protected areas that are essential to the safety of wildlife. However, these places also welcome tourists, which is where tourism can be beneficial or detrimental. In addition to raising awareness of the value of protecting our natural heritage, entrance fees, guided eco-tours, and community initiatives are contributing to conservation funding.

Resorts and hotels are also taking action. To lessen their impact on the environment, many now employ recycling initiatives, rainwater collection, and energy-efficient lighting. Some even conduct their own sustainability seminars, instructing guests and employees on how to responsibly enjoy Sri Lanka. Communities that participate, such as those leading eco-tours in Sinharaja, benefit financially from preserving their own environment in addition to feeling a sense of ownership.

Empowering Communities Through Tourism

Traveling is about more than just seeing stunning locations; it's about people. When tourism boosts small businesses and generates jobs, local communities gain. Consider the local artists selling handcrafted goods in Polonnaruwa or the families operating eco-lodges close to Habarana. These opportunities enable people to maintain their culture while earning a living.

Skill-building is equally important. Hospitality training, guiding, culinary arts, and environmental management help locals provide better services and attract more visitors. Including women and youth makes communities stronger. Women-led craft cooperatives and homestay programs offer new opportunities to people who might not have had access to income before.

Tourism can also be applicable for preserving culture. Festivals, music, dance, and handicrafts can bring tourists closer to the history of Sri Lanka while at the same time providing them with economic activities. Cultural events held every year, Esal Perahera, can bring economic advantages while preserving this aspect and its heritage.



The Challenges We Face



Although the potential of Sri Lanka's tourism sector is vast, it faces many challenges. Popular spots can be so crowded that they end up causing damage to the environment, congestion on roads, and discontent among locals. Then, of course, there is climate change. There can be unpredicted weather conditions, floods, and drought that affect vacations, animals, and infrastructure.

In rural settings, the problem of infrastructure is common because the areas lack proper roads, accommodations, and facilities. Because of this, it becomes difficult to implement sustainable tourism. It becomes even harder because of the lack of policies and inconsistencies. Even when policies are in place, people are not always aware of them.

Lastly, tourism may inadvertently affect a country's culture. In some countries, traditions such as festivals are observed mostly for the sake of tourists rather than the people, thus undermining such traditions.



How Sri Lanka Can Move Forward

However, the fact is that there are solutions to this problem. With integrated planning, tourism development does not have to negatively impact natural and cultural heritage sites. Controlling the number of tourists in delicate sites, dispersing tourists throughout the country, and identifying boundaries between areas of development and areas of preservation would ensure the safety of both human and natural assets. Community engagement is imperative in this matter. Engaging the community in decision-making would make them take ownership of the preservation of their cultures and environment and would profit through development.



Education campaigns for the tourists as well as the locals will ensure that everyone is aware of the ways to be responsible when traveling. Sustainable infrastructure, such as environment-conscious hotels, renewable energy sources, and improved ways of transport, will ensure that the growth of tourism does not negatively affect the environment. Changes in the environment will be monitored, and the plans will be adjusted accordingly. Another wise decision in this regard is diversifying the tourism industry. Eco-tourism, agro-tourism, and cultural tourism can alleviate the existing sites, and the money can bring smaller communities into prosperity.



Practical illustrations reveal that sustainable tourism is no concept because it is already in action. The Pedro Tea Estate in Nuwara Eliya demonstrates sustainable tourism by using sustainable agricultural practices, renewable resources, and recycling, besides conducting tourist activities that make people aware of the significance of sustainable agriculture. In Ella, residents are engaged in ecotourism activities, clean-up events, and cultural festivals that ensure livelihood generation alongside environmental preservation.

Likewise, the Rainforest Eco Lodge near the Sinharaja Forest Reserve functions on renewable energy, employing sustainable building practice, providing educational programs for the visitors that emphasize the need for conservation. These provide clear indications that tourism activities not only have to be enjoyable but must ensure that the environment remains conserved.

Sustainable Tourism in Sri Lanka does not prevent the destruction of both natural beauty and historical monuments; it encourages the creation of a future where humans, nature and culture not only coexist, but prosper together. Through environmental conservation, community empowerment, cultural appreciation and careful planning practices, Sri Lanka can develop a tourism industry that is beneficial for all Sri Lankans. Examples found in places such as Meemure Village, Kithulgala, Pundhala (Pedro Tea Estate), Ella and the Rainforest Eco Lodge provide evidence that sustainable tourism is not only achievable, but can also provide great benefits to all groups involved. By giving visitors a unique glimpse into Sri Lanka that enriches their experience, this program can ultimately benefit both local communities and indigenous ecosystems. Sri Lanka's success in showing the world that tourism can be positive will only be realized through the diligent use of smart strategies and a united commitment from every tier and level of society.



MSP Sumaiya

Assistant Lecturer, Department of Geography
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Economic Policy Concerns in Sri Lanka



John T. Mabuyane

John T. Mabuyane is a multifaceted, Zimbabwean born creative and social advocate whose work spans across storytelling, economic policy, and humanitarianism. Born and

bred in the Bulawayo, John has established himself as a prominent voice in African media, leveraging the power of film to reflect the complexities of the human experience.

voice in African media, leveraging the power of film to reflect the complexities of the human experience.



With a career rooted in the vibrant arts scene of Zimbabwe, John has become a celebrated figure in the Southern African film and television industry. His work as a screenwriter, actor, producer and director has reached millions via DStv, Africa's premier satellite platform. His productions have not only gained widespread success, but have also been recognised with prestigious industry awards, cementing his reputation as a master storyteller. His screenwriting often delves into social narratives, using the screen as a mirror to address community issues and cultural identity.

Driven by his desire to address the root causes of societal challenges, John is currently expanding his expertise into the realm of social and economic sciences. He is pursuing a Bachelor's degree in Economics at the Powiślańska Academy of Applied Sciences in Poland. His academic focus is centred on Social Policy, with a specific intent to design frameworks that eradicate economic imbalances. John aims to bridge the gap between creative communication and empirical policy-making to foster a more equitable society

At the core of John's professional and academic pursuits is a profound commitment to service. As a dedicated humanitarian, he is driven by a strong will to serve his nation and the most vulnerable members of society. He views economics not just as the study of markets, but as a tool for dignity, justice, and the upliftment of the needy.

"I believe that storytelling gives a voice to the people, but sound social policy gives them a future." – John Tatendaishe Mabuyane

Following long standing vulnerabilities fuelled by a low revenue base, high deficits, debt, and weak reserves all amplified by external shocks and policy missteps, Sri Lanka entered into a severe economic crisis in 2022. Its GDP dropped by around 9.5% and inflation in 2022 averaged around 46%. The rupee depreciated sharply, leading to increased poverty and welfare losses. After announcing a suspension of external debt servicing in April 2022 (defaulting for the first time since independence), the government later secured a four-year IMF Extended Fund Facility (EFF) beginning in March 2023 to restore stability and restructure debt.

Prior to the crisis in 2019, rising debt and external vulnerabilities had stifled economic growth. Even before COVID-19, its reserves were inadequate. Revenue mobilisation was reduced by large tax cuts at the end of 2019 and thus began a historic fall in the tax-to-GDP ratio t_{tax-t0} . Between 2019 and 2020, the VAT standard rate reduced from 15% to 8%, with some tourism services getting zero-rating. Sri Lanka also abolished their Nation Building Tax (NBT), and the VAT registration threshold increased to LKR 75 million per quarter. The bombings in Easter 2019 and COVID-19 negatively affected tourism inflows, while service-sector employment and foreign exchange earnings took a significant drop. Though remittances first held up in 2020, they eventually fell sharply between 2021 and 2022 in the midst of parallel market exchange rates and economic stress.

Following the loss of Sri Lanka's access to international bond markets in 2020, reserves fell precipitously, which led to shortages of essentials that resulted in the suspension of external debt servicing.

After 2019, the fall in tax revenue led to a decline in both fiscal performance and government revenue, reducing to around 12.6% of GDP that year versus 13.4% in the previous year. Import compression led to a decline in indirect taxes and recurrent outlays increased. Overall deficits widened as the primary balance turned negative. Various Tax cuts were implemented, including cutting the top rate for Personal Income Tax (PIT), lowering Corporate Income Tax (CIT), and broadening exemptions to include agriculture and IT. Along with the reduction in VAT and the removal of the Nation Building Tax, the Economic Service Charge, and the Debt Repayment Levy, this resulted in the tax to GDP reaching a historic low of around 8.1% in 2020, which was among the world's lowest. The International Monetary Fund emphasized the importance of revenue-based consolidation, with a target revenue/GDP of 15% by the mid 2020s, removing exemptions, strengthening VAT, PIT, and CIT administration, and rebuilding a sustainable primary surplus to meet their debt targets. While the IMF emphasized revenue-based consolidation, achieving a tax-to-GDP ratio of 15% may prove politically and administratively challenging given Sri Lanka's narrow tax base and historically weak compliance. Prior to 2022, budgets included large recurrent spending and limited capital trimming. As revenues fell, the deficits were financed by borrowing domestically and "printing money," which worsened inflation and foreign currency pressure. Since getting on to the IMF's Extended Fund Facility (EFF), Sri Lanka has implemented tax reforms, cost reflective utility pricing, and spending restraint. All of this has improved fiscal balances but, however, social spending performed below indicative targets, and the path to debt sustainability remains "knife-edged".

Table 1. Sri Lanka: Selected Economic Indicators, 2018–22

	2018	2019	2020	2021	2022
				Proj.	
Output					
Real GDP growth (percent)	3.3	2.3	-3.6	3.6	2.6
Prices 1/					
Inflation (average, percent)	4.3	4.3	4.6	6.0	10.5
Inflation (end of period, percent)	2.8	4.8	4.2	12.1	8.3
Central government finances					
Revenue and grants (percent GDP)	13.5	12.6	9.2	8.9	10.7
Expenditure (percent GDP)	18.8	20.6	21.9	20.3	20.3
Primary balance (percent GDP)	0.6	-2.0	-6.2	-4.9	-2.8
Overall balance (percent GDP)	-5.3	-8.0	-12.8	-11.4	-9.6
Central government debt (percent GDP)	84.2	86.8	101.2	107.1	108.6
Public debt (percent GDP) 2/	91.0	93.6	110.0	118.9	119.9
Money and credit					
Broad money (percent change)	13.0	7.0	23.4	15.4	13.9
Credit to the private sector (percent change)	15.9	4.2	6.5	13.8	13.0
Balance of payments					
Current account (percent GDP)	-3.2	-2.2	-1.3	-3.8	-3.8
FDI (percent GDP)	1.8	0.8	0.5	0.9	1.2
Reserves (US\$ millions)	6,919	7,642	5,664	3,138	2,204
Reserves (months imports)	3.4	5.0	3.1	1.5	1.0
External debt (percent GDP) 3/	60.2	65.1	66.4	65.6	64.2

Sources: Data provided by the Sri Lankan authorities and IMF staff estimates.

1/ Colombo CPI.

2/ Comprising central government debt, publicly guaranteed debt, and CBSL external liabilities (i.e., Fund credit outstanding and international currency swap arrangements).

3/ Valued at face value.

Source: International Monetary Fund.

Government Revenue and Expenditure

Item	2020 ^(a)	2021	2022	2023 ^(b)
Revenue	1,367,960	1,457,071	1,979,184	3,048,822
Tax Revenue	1,216,542	1,298,019	1,751,132	2,720,563
Taxes on Foreign Trade	312,334	277,275	273,926	335,266
Import Duty	114,183	64,339	50,009	105,120
PAL / RIDL / SCL / Other ^(c)	198,151	212,935	223,917	230,146
Taxes on Domestic Goods and Services	555,718	629,812	857,459	1,399,126
VAT	233,786	308,213	463,072	694,460
Excise Tax	321,932	306,861	342,523	469,622
Licence Taxes, SSCL and Other	n.a.	14,738	51,864	235,044
Taxes on Net Income and Profits	268,249	302,115	534,021	911,355
Corporate	214,819 ^(d)	252,673	464,443	559,710
Personal and Other	53,430	49,442	69,578	351,645
Stamp Duty / Cess Levy / SRL / NBT / TL / NSL ^(e)	80,241	88,817	85,726	74,816
Non Tax Revenue	151,417	159,052	228,052	328,259
Expenditure and Net Lending	3,040,996	3,521,735	4,472,556	5,356,591
Recurrent Expenditure	2,548,359	2,747,512	3,519,633	4,699,679
Expenditure on Goods and Services	974,351	1,014,612	1,139,066	1,239,195
Interest Payments	980,302	1,048,382	1,565,190	2,455,600
Transfer Payments	717,133	684,518	815,376	1,004,884
Adjustment for arrears as per the Ministry of Finance	-123,428	-	-	-
Capital Expenditure	795,368	767,606	715,429	913,601
Acquisition of Fixed Assets	483,543	438,753	445,521	647,958
Capital Transfers	307,917	326,578	268,601	265,644
Other	3,907	2,275	1,308	-
Lending Minus Repayments	-3,552	6,617	237,495	-256,689
Adjustment for arrears on capital expenditure as per the Ministry of Finance	-299,178	-	-	-

(a) According to the Ministry of Finance, the fiscal sector statistics of 2020 have been adjusted as announced in the Budget Speech for 2020.

(b) Provisional

(c) Ports and Airports Development Levy (PAL), Regional Infrastructure Development Levy (RIDL) and Special Commodity Levy (SCL)

(d) Includes Capital Gain Tax (CGT)

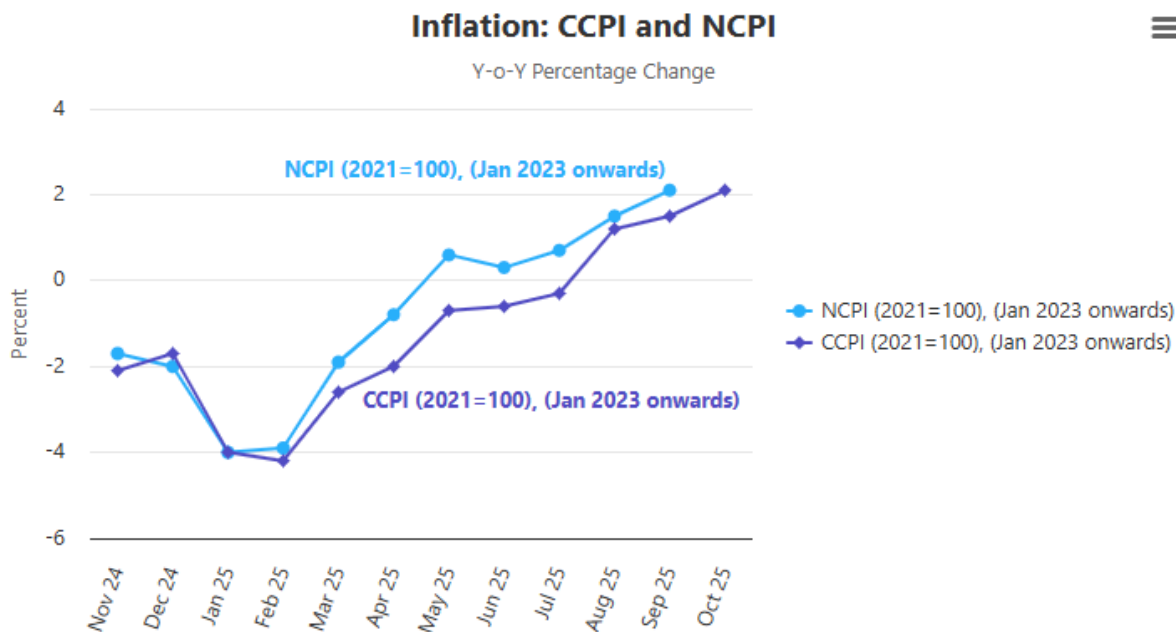
(e) Social Responsibility Levy (SRL), Nation Building Tax (NBT), Telecommunications Levy (TL) and National Security Levy (NSL)

n.a. - not available

Source: Ministry of Finance, Economic Stabilisation and National Policies

Source: Central Bank of Sri Lanka

With inflation on the rise and rampant foreign currency shortages, the Central Bank of Sri Lanka allowed a floating exchange rate and aggressively hiked policy rates while also taking steps to safeguard financial stability and curb any financing of government. Year on Year inflation rose from single digits in 2021 and reached peaks near 70% in late 2022, then fell throughout 2023 to single digits, turning negative year on year in late 2024 to early 2024, which showed disinflation and base effects.



Source: Central Bank of Sri Lanka.

After the rupee’s depreciation of approximately 44.8% against the US dollar in 2022, it showed appreciation in 2023 to 2025 and relative stability in 2024, which reflected tighter policy, improved external balances, and progress under the IMF program. After prices spiked and eroded real wages and purchasing power in 2022, the following couple of years saw inflation moderation that eased cost pressures, though recovery remained fragile amid weak demand and real-income scars.

Debt and external obligations were another huge problem for Sri Lanka, and it carried a gross public debt that exceeded 100% of GDP by 2022, a large portion of which was foreign currency. After the suspension of external service debt in 2022, Sri Lanka negotiated complex restructurings with a wide array of creditors. The International Monetary Fund notes that this contained some unique complexity and use of novel instruments. The Sri Lankans reached agreements in principle with Official Creditors Committee and China’s Exim Bank, and these aligned with EFF debt targets. The restructuring of Domestic Debt was completed in September of 2023. In March 2023, the International Monetary Fund granted Sri Lanka approximately US\$3bn in a 48-month EFF. The program was based on the following pillars: revenue-based consolidation, debt restructuring to restore sustainability, multi-pronged disinflation and reserve buildup

under forex flexibility, financial sector safeguards, governance reforms, and strengthened social safety nets. The 2024 and 2025 IMF reviews warn that the path remains tight, and that sustained revenue mobilisation, and credible primary surpluses are critical for future success. Sri Lanka has reached major milestones in successful bond exchanges and ongoing bilateral deals, but risks persist.

All of the above had a significant impact on both society and the economy at large. Poverty increased by around 11.9% between 2021 and 2022, adding over 2 million people into poverty. This was worse in urban areas, where the numbers tripled, and general food insecurity and child malnutrition and stunting worsened. The country also experienced widespread job losses numbering around 500 000, with industry and services being the hardest hit. While many workers shifted to lower paying jobs in agriculture, unemployment rates rose modestly, and labour force participation (particularly among women) fell.

1.9 Unemployment rate by age group and gender, 2018 - 2023

(%)

Age group (Years)	2018			2019			2020		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
Total	4.4	3.0	7.1	4.8	3.3	7.4	5.5	4.0	8.5
15 - 24	21.4	16.8	30.0	21.5	17.6	28.7	26.5	22.1	35.1
25 - 29	10.4	5.4	19.8	11.0	6.6	18.5	12.0	7.9	19.3
30 - 39	3.0	1.4	5.9	3.1	1.3	6.3	3.5	2.2	6.0
Over 40	0.7	0.5	1.1	1.2	0.9	1.7	1.1	0.7	2.1
Age group (Years)	2021			2022			2023		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
Total	5.1	3.7	7.9	4.7	3.7	6.5	4.7	3.6	7.0
15 - 24	26.5	21.3	36.2	22.7	20.4	26.7	23.0	19.4	29.5
25 - 29	11.4	7.5	18.3	11.7	8.2	17.7	13.0	8.7	20.4
30 - 39	3.8	2.2	6.5	3.1	2.2	4.9	3.3	2.2	5.4
Over 40	1.0	0.6	1.6	1.2	0.9	1.6	1.2	0.9	1.7

Note - Age 15 years and over population is considered as working age population

Source: Department of Census and Statistics

Source Department of Census and Statistics of Sri Lanka

Sri Lanka's Gini increased from 37.7 percent in 2019, to around 39.8% in 2022. The cost of living increased for many households, and many people faced more out of pocket health and education burdens as the fiscal space tightened.

After entering into the IMF's Extended Fund Facility, most targets were met, with the exception of social spending, which fell short. Early signs of recovery and stabilisation included a quick drop in inflation in 2023 after hitting nearly 70% in 2022, rebuilding of foreign reserves, stabilisation and slight appreciation of the rupee, and a positive economic growth in late 2023 which further improved in 2024 and 2025. However, several risks still exist. Without an improvement in tax collection, debt sustainability will remain fragile. Politically, the coming of elections could lead to spending and/or a reversal of reforms. From an external perspective, any uncertainty in global trade or delays in debt structuring could derail the progress made so far. According to the IMF, the recovery is still fragile and could fail if the reforms stall.

Sri Lanka's economic crisis stemmed from long-standing structural weaknesses, notably weak fiscal capacity, ill-timed tax cuts, monetary financing, and a fragile external position, all of which were exacerbated by external shocks such as the COVID-19 pandemic and global commodity price volatility. These factors culminated in severe macroeconomic instability, debt distress, and significant social welfare losses. Corrective measures implemented under the IMF's Extended Fund Facility have contributed to macroeconomic stabilisation, including lower inflation, improved foreign exchange availability, and strengthened fiscal balances. Nevertheless, debt sustainability remains fragile, and the recovery path is highly dependent on sustained revenue mobilisation, credible primary surpluses, and continued reform commitment. Looking forward, consolidating gains will require broadening tax bases, reducing exemptions, strengthening tax administration, and supporting export-oriented sectors such as tourism and apparel. Equally important is protecting vulnerable populations through well-targeted social spending to prevent long-term human capital losses. Ultimately, policy credibility and reform continuity will be critical to ensuring that Sri Lanka's recovery is durable and resilient to future shocks.

Sri Lanka's economic crisis reflects deep fiscal weaknesses, policy missteps, and external shocks that culminated in debt distress and severe social impacts. This essay analyses key economic policy concerns, evaluates IMF-led stabilisation efforts, and assesses the challenges to achieving a durable and inclusive recovery.



ECONOMIC LEAKAGE:

A Burning Issue in
Sri Lanka's
Tourism Industry

Economic leakage has become one of the most pressing challenges facing Sri Lanka's tourism sector. As a developing nation, Sri Lanka has endured significant hardships over the past three decades due to civil conflicts, natural disasters, political instability, pandemics, and economic downturns.

While the country continues its recovery journey, the pace of progress in tourism remains slower than expected. This lag is largely attributed to the lack of adequate tourism infrastructure, limited adoption of digital technologies, and inefficient value retention mechanisms when compared with leading global destinations. Sri Lanka has been recognized among the world's top emerging destinations since 2012. However, despite its rich cultural heritage, diverse natural beauty, and warm hospitality, the nation has struggled to fully capitalize on this potential. One of the primary reasons for this underperformance is the high level of economic leakage, particularly through commissions and foreign-based digital intermediaries. For instance, accommodation providers both formal and informal often pay around 20% in commissions to Online Travel Agencies (OTAs) such as Booking.com or Agoda. In addition, another 15–20% is spent on OTA-related marketing and 3–4% on bank transaction fees. Consequently, the accommodation sector loses nearly 45% of its total revenue through these leakages. This issue is especially severe among informal accommodation providers, who represent a significant share of the country's total room inventory and are heavily dependent on OTAs for visibility and bookings.

Beyond this, the tourism sector also suffers from import-related leakages, where around 15–20% of expenditure is directed toward imported goods, equipment, and services from hotel furnishings to food and beverage items. When combined, these figures indicate that Sri Lanka's tourism industry experiences an alarming total leakage rate of nearly 60%, meaning that only 40 cents of every tourism dollar remains within the local economy. A similar pattern is observed among activity and experience providers. International platforms such as Viator and GetYourGuide charge 30–35% commission, with an additional 10–15% spent on marketing and 3–4% on transaction costs, resulting in a total leakage of around 55% from the total retail price. This means that more than half of the income from local tourism activities flows overseas before reaching Sri Lankan communities and businesses.

In 2024, Sri Lanka welcomed 2,053,465 international tourists, marking a 38% increase compared to 2023. According to the Central Bank of Sri Lanka's External Sector Report, tourism earnings were estimated at USD 3,169 million for the year. Based on these figures, the average foreign exchange earning per visitor amounts to approximately USD 1,544.

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In comparison, the Maldives recorded 2.05 million tourist arrivals in 2024 an 8.9% growth from the previous year and generated around USD 5.6 billion in tourism revenue. This translates to an impressive USD 2,732 per visitor, which is significantly higher than Sri Lanka's per-visitor earnings. This stark contrast highlights a critical issue: the economic leakage in Sri Lanka's tourism industry. While the Maldives successfully retains a larger share of tourism income within its economy through a high-value, low-leakage model, Sri Lanka loses a considerable portion of its revenue through commissions, imports, and payments to foreign intermediaries. If Sri Lanka could reduce its tourism leakage to around 30%, instead of the current estimated 60%, the country could have easily generated an additional USD 1 billion in foreign exchange earnings in 2024, a substantial boost that could strengthen economic resilience and accelerate tourism-led recovery.

These statistics highlight the magnitude of economic leakage in Sri Lanka's tourism industry, a structural issue that undermines the sector's ability to generate sustainable economic benefits. Reducing leakage should therefore be a national priority. This can be achieved through strategies such as encouraging direct bookings through local platforms, empowering communitybased enterprises, strengthening domestic value chains, and developing local digital ecosystems to reduce dependency on foreign intermediaries.

If Sri Lanka aspires to achieve sustainable tourism growth and maximize the sector's contribution to national development, addressing economic leakage is no longer optional, it is essential. Only by ensuring that a greater share of tourism income remains within the local economy can Sri Lanka truly realize the transformative potential of its tourism industry.



Ruwan Ratnayaka

Tourism Expert and
Entrepreneur

Data-Driven Sustainability: A Non-Marketer's View on the Future of Green Marketing

*Sustainability is the practice of meeting today's needs without compromising the ability of future generations to meet their needs, and it has become a central concern for both consumers and companies. As businesses strive to minimise their environmental footprint, **green metrics** - quantitative indicators of sustainability performance are becoming increasingly essential tools. These metrics provide transparency, accountability, and a foundation for informed decision-making. In marketing, they enable brands to move beyond broad claims and instead communicate measurable, credible progress. This article explores how data-driven sustainability is not only reshaping brand strategies but also defining the future of marketing itself.*



Chalaka Fernando

PhD, CEnvP | Blending
Sustainability with Operational
Excellence

WHY?

In today's climate-conscious world, sustainability has evolved from a niche value to a defining feature of competitive business strategy. As global environmental concerns intensify, the public appetite for authenticity in corporate responsibility has surged. Consumers are no longer satisfied with vague commitments or eco-friendly slogans, but they demand verifiable proof of environmental action. This fundamental shift has placed quantitative environmental sustainability at the core of effective marketing.

Brands that once relied on aspirational storytelling must now substantiate their messages with data to establish credibility. This isn't just about meeting regulatory demands, it's about earning consumer trust in an age where green claims are scrutinised and misinformation is swiftly penalised. Marketing professionals must therefore become fluent in both the language of sustainability and the metrics that underpin it.



HOW?

I picked five industry-applied and proven approaches that bridge sustainability data and strategic marketing applications.

1. Track and Report Environmental Sustainability Metrics

The foundation of any credible sustainability marketing strategy begins with robust data collection. Organisations must quantify their environmental footprint by measuring metrics such as energy use, emissions, water consumption, and waste. Global leaders, such as **Unilever**, exemplify this through their Sustainable Living Plan, which integrates environmental metrics across the entire supply chain. By tracking these indicators, the company has achieved tangible reductions in carbon emissions and waste while improving operational efficiency.

However, more importantly, Unilever utilises this data to inform and empower its marketing efforts. When sustainability is embedded in business performance, storytelling becomes both evidence-based and strategically aligned. By measuring what matters, brands not only meet stakeholder expectations but also strengthen their market position through accountability.

2. Integrate Sustainability into Brand Storytelling

Raw data becomes transformative when it's woven into compelling brand narratives. **Patagonia**, the outdoor apparel company, does this masterfully through initiatives like the **Common Threads Initiative**, which encourages consumers to buy fewer products and extend the life of their gear. Rather than merely promoting sustainability ideals, Patagonia quantifies its impact, reporting how over **200,000 garments** have been repaired or recycled to date.

By consistently tying real-world results to brand values, Patagonia transforms abstract goals into tangible outcomes. This form of storytelling, grounded in numbers, resonates deeply with modern consumers who seek brands that deliver on their promises.

For university students preparing to enter sectors where sustainability is becoming a non-negotiable priority, from fashion to tech, food to finance, developing the ability to interpret, apply, and communicate environmental data is no longer optional. Whether you're studying business, environmental science, or media, grasping how quantitative sustainability intersects with marketing will empower you to lead, influence, and innovate in a rapidly changing job market.

Let's explore HOW marketers are utilising data to craft credible sustainability narratives and why mastering this approach is more crucial than ever.

3. Use Data to Avoid Greenwashing

Greenwashing remains a significant reputational risk for companies making environmental claims without substance. The best antidote is transparent, verifiable data. Ørsted, a former oil and gas giant, is a powerful case study in how to pivot credibly. Through rigorous reporting, Ørsted has documented its journey to becoming a renewable energy leader, cutting coal usage by 91% between 2006 and 2020, and now generating over 90% of its energy from renewable sources.

This data isn't just tucked away in reports; it's prominently shared with stakeholders through annual sustainability disclosures and third-party audits. Ørsted's approach shows that honest accounting of progress, warts and all, earns far more trust than vague assertions of being green.

4. Engage Stakeholders with Transparency

Transparency is not just a virtue; it's a strategy. Brands that openly discuss their goals, struggles, and progress invite customers and stakeholders into their sustainability journey. IKEA has committed to sourcing only renewable or recycled materials by 2030 and has already redesigned key products, such as the Kallax shelf, for easier disassembly and recycling. This shift not only reduced the company's environmental impact but also resulted in a \$11 million savings.

IKEA communicates these efforts through publicly available dashboards, product labels, and comprehensive sustainability reports, making their actions both visible and verifiable. This openness reinforces the perception that sustainability isn't a marketing tactic, it's a core operating principle.



5. Leverage in Real-Time Data as living labs

Universities can be incubators for sustainability marketing innovation. Arizona State University, for example, has installed real-time energy dashboards across campus buildings. These interactive displays track electricity usage and emissions, turning abstract metrics into everyday awareness tools.



Student campaigns often utilise these tools to host zero-waste events or implement carbon reduction initiatives, leveraging measurable outcomes such as waste diverted or emissions saved as marketing hooks. These case studies not only demonstrate impact but also provide hands-on experience for students in using data to drive behaviour change, a skill increasingly valued in every industry.

WHAT?

Exploring and understanding the available tools, as well as what's next, is crucial in implementing the 'HOW' elements that bridge the gap I discussed in 'WHY'.

To bring all these efforts together, marketers use specialised tools that simplify complex environmental data into accessible, actionable insights. Eco-labels such as Fair Trade, Energy Star, and Carbon Trust serve as trusted endorsements of ecological performance. Each label is underpinned by rigorous criteria, often informed by Life Cycle Assessments (LCA), which evaluate a product's environmental impact from raw material extraction to disposal.

For consumers, these certifications offer a quick signal of credibility and transparency. For marketers, they provide a competitive edge by differentiating products and reducing scepticism. When featured in advertisements, product packaging, or online platforms, eco-labels can significantly influence purchase decisions, especially among younger, sustainability-conscious audiences.

Beyond certification, data visualisation tools help brands tell their sustainability story in ways that engage and educate. Infographics, dashboards, interactive websites, and even augmented reality experiences make environmental performance data digestible and memorable. Some marketing platforms now offer sustainability-based targeting, allowing brands to tailor messages specifically to eco-conscious consumers

IN SUMMARY

As climate action becomes increasingly integrated into business models, marketers have a unique opportunity to transform sustainability from a compliance exercise into a strategic advantage. The most successful brands will not only report the numbers but also activate them through purpose-driven storytelling, visual tools, and real engagement.

In the emerging green economy, marketing is no longer just about selling a product; it's about communicating responsibility, proving impact, and earning trust. And those who master the use of green metrics will shape the future of both sustainability and the marketing profession by creating a REAL Impact.



Sustainable Innovation and Technology in Sri Lanka:

Eco-Friendly Design, Digital Monitoring, and Circular Economy Adoption for Sri Lanka's Future



Sustainable innovation is critical for Sri Lanka to address resource constraints, increased waste, and climate instability. Integrating eco-friendly product designs with digital tools increases efficiency, transparency, and competitiveness in global marketplaces. These techniques will accelerate the adoption of the circular economy concept in Sri Lanka, reduce environmental impact, and improve long-term economic resilience, allowing the country to compete as a global leader.

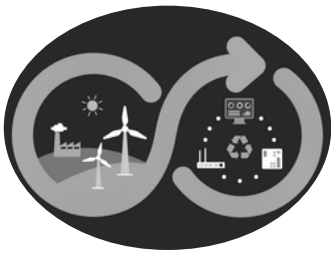


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Sri Lanka is currently confronting many issues, including resource scarcity, high waste output and consumption, as well as sudden climate change across the island. Meanwhile, the Sri Lankan business sector, particularly the manufacturing and export sectors, works in globally competitive markets with customers who choose environmentally friendly products.

In this scenario, sustainable innovation, which combines eco-friendly product and service designs with the integration of digital tools for sustainability in organizations, provides a competitive edge to the business. Sustainable innovations by combining eco-friendly products and services are very important for a developing country like Sri Lanka to reduce waste, improve energy efficiency, and improve environmental monitoring. Around the world, most businesses are shifting from linear economic models to circular economic models, which prioritize reduce, reuse, repair, and recycle. Currently, Sri Lanka is implementing circular economic principles in industries such as textiles, tea, tourism, and packaging to reduce waste and costs while remaining competitive in the global marketplace.

Why Sustainable Innovation Matters in Sri Lanka?



Simply, Eco-friendly products and services can be defined as products and services that minimize the environmental impact during the life cycle of the product, from sourcing of ingredients to disposal of the product. There are several principles of eco-friendly product designs, such as the use of renewable resources, energy-efficient manufacturing mechanisms, less wastage, repairable design, and responsible sourcing and labor practices. Businesses are currently using the aforementioned ideas as strategic tools to reduce environmental pollution, enhance their brand reputation, and attract loyal customers.


The Sri Lankan Apparel industry started various eco-design concepts in the business because of the strong customer expectation towards sustainability and corporate sustainability commitment.

- Hayley's Fabric has integrated eco-efficiency into production development by limiting the water use by 17% and incorporating Sri Lanka's largest single rooftop solar installation in the facility.
- MAS Holdings is one of the leading reputable apparel producers, incorporating recycled polyester and biodegradable materials. In comparison to 2019, MAS has cut Scope 1 and 2 emissions by 24%, and 39% of its energy comes from renewable sources.
- Teejay Lanka focuses on reusing the 3900 tons of textile waste and chemicals annually.

These Eco Designs are not only beneficial to the environment, but they also help businesses stay competitive in today's global economy.



Eco-Friendly Products and Services



Digital Tools for Sustainability Monitoring

Digital transformation is transforming the business landscape in Sri Lankan industries like the garment sector. Companies are currently using digital solutions to manage energy, water, waste, and the supply chain while also adhering to environmental requirements. Technologies such as IoT sensors enable real-time monitoring of energy consumption, water usage, and waste, while data analytics assist businesses in identifying inefficiencies in processes, predicting resource requirements, standardizing the production process, and providing automated sustainability reports.

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The Sri Lankan business firms use the above technologies in their operations.

- **Energy Management and use of renewable energy sources**

Using solar on rooftops, efficient energy use in production lines, solar net monitoring across multiple facilities, and biomass energy use.

- **Resource usage systems and water management systems**

Tracking the water usage and wastewater, sustainable raw material sourcing, and tracking the wastage and recycling rates of the waste. This ensures that the company has transparency policies regarding sustainability and adherence to environmental standards.

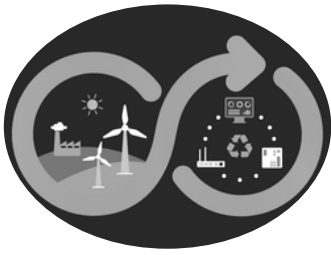
- **Reporting systems and ESG framework**

Nowadays, companies are adopting sustainable certifications like ISO 50001 certifications, and most firms rely on third-party verifications of emissions and water footprint by recognized bodies like the Sri Lankan Climate Fund.

- **Adopting the Circular economy and sustainable Sourcing**

Use of recycled materials, screening the supply chains to adhere to environmental and social compliance, and extending the product life cycle

From the perspective of management discipline, these new technologies facilitate data-driven decision-making, monitoring and evaluation of the progress, and transparent reporting to build stakeholder trust and adherence to standards and long-term operational viability.



Implementing sustainable challenges presents several challenges. High initial cost and capacity constraints make it difficult to adopt sustainable energy sources like solar energy and to adopt and implement resource tracking systems because of significant initial investments. This makes it very difficult for small businesses to adopt new sustainable innovations within the business.

Implementing the newest sustainable technologies requires the need for skilled sustainable experts. The businesses must comply with the ESG frameworks, and implementing these new initiatives needs qualified, trained persons and technical specialists. Supply chain constraints are another challenge. To have a successful, sustainable, and circular economy, the downstream raw material suppliers also need to adhere to the environmental standards, and this requires coordination among partners, audits, and capacity-building initiatives. Consumer awareness and readiness to buy sustainable products are another significant challenge. Before initiating these changes, we need to check whether the customers are ready to buy the sustainable products. Without sufficient market pull, firms are reluctant to make high investments in sustainability.



Challenges of Adopting Sustainable Innovations

Recommendations for policymakers and Business firms to implement sustainable innovations within their business

Integrating the sustainable practices begins with small steps. The gradual scale-up through the adoption of the ESG framework and resource tracking systems, and circular economy practices. It is essential to build internal capacity within the business.

This involves training employees training managers, and employees on sustainability and environmental management. The training programs for employees to handle digital monitoring tools and collaboration with universities, NGOs for financial and technical support. Businesses can raise their capital through green financing options like national and

international green funds, subsidized loans, and partnerships for heavy investment projects. The credibility of the business can be ensured through third-party verifications like SBTi targets, eco-friendly labels, and ISO certificates. The sustainable adoption in the supply chain is important to implement sustainable innovations. The upstream and downstream parties must adopt sustainable and circular business practices like eco-friendly packaging, recycling, and upcycling. Finally, raising consumer awareness is important regarding sustainable consumption through marketing campaigns and through education for the adoption of sustainable consumption across the country. Sri Lanka is facing several global environmental challenges, changes in consumer behavior and taste and regulations, and economic pressure. The leading apparel manufacturers, like Hayleys Fabric and MAS Holdings, show the adoption of sustainable innovations. By integrating eco-friendly product designs and digital tools for sustainability monitoring, the firms can reduce emissions, optimize resource usage, and embrace circular economy principles.



BEYOND THE JOURNAL:

UNLOCKING THE
POLICY AND
INDUSTRIAL VALUE
OF
ACADEMIC
RESEARCH IN SRI
LANKA



THE UNTAPPED POTENTIAL OF ACADEMIC RESEARCH IN SRI LANKA

Sri Lanka is currently navigating a complex set of policy and industrial challenges. Economic recovery after recent crises, persistent fiscal constraints, pressures on public services, and the need to enhance industrial productivity all demand informed and carefully designed interventions. At the same time, the country faces long-standing structural issues such as low export diversification, limited technological upgrading in industries, and uneven regional development. Addressing these challenges requires more than short-term solutions; it requires sound evidence, long-term thinking, and institutional learning.

Over the past two decades, Sri Lanka has seen a steady growth in academic research output. Universities and research institutes now produce a substantial number of journal articles, conference papers, postgraduate theses, and policy-oriented studies across disciplines such as economics, management, engineering, agriculture, health sciences, and

social sciences. Research capacity has expanded through postgraduate programmes, research grants, and international collaborations. Despite this progress, the real-world impact of much of this research remains limited. Many studies remain confined to academic journals or university libraries, with little systematic engagement with policymakers or industry practitioners.

This gap between knowledge creation and practical application represents a missed opportunity. Academic research has the potential to inform policy choices, improve regulatory design, and support industrial innovation. The purpose of this article is to examine why this potential remains underutilized in Sri Lanka and to highlight how stronger linkages between academic research, policy development, and industry could contribute to more effective governance and sustainable industrial advancement.

CURRENT DISCONNECT BETWEEN ACADEMIC RESEARCH, POLICY DEVELOPMENT AND INDUSTRY

One of the most visible challenges in Sri Lanka is the limited use of research findings in policymaking. Policy decisions are often driven by political priorities, fiscal pressures, or short-term considerations, with limited reference to systematic evidence. While ministries and public agencies occasionally commission studies or consult experts, such engagements are usually ad hoc rather than institutionalized. As a result, policies may not fully reflect empirical realities, leading to implementation problems or unintended consequences.

Collaboration between universities, government ministries, and industries also remains weak. Universities tend to operate in relative isolation, focusing primarily on teaching and academic publication. Researchers are often evaluated based on scholarly outputs rather than policy impact or industry engagement. On the other hand, policymakers may perceive academic research as too theoretical, slow, or disconnected from immediate policy needs. Industries, particularly small and medium enterprises, often lack awareness of available research or see universities as inaccessible partners.

This disconnect has tangible consequences. From an industrial perspective, limited collaboration with universities reduces opportunities for innovation, process improvement, and technological upgrading. Many Sri Lankan industries continue to rely on traditional methods, competing mainly on low costs rather than value addition or innovation. From a policy perspective, the absence of strong research inputs can result in regulations that are poorly targeted or insufficiently evaluated. Policies related to trade, education, labour markets, or industrial development may fail to achieve intended outcomes because they are not grounded in robust evidence.

Comparisons with other countries highlight what Sri Lanka is missing. In countries such as South Korea and Finland, structured collaboration between universities, government agencies, and industries has played a central role in industrial transformation. Research institutions are embedded within policy processes, and academic expertise is routinely used to assess policy options and support industrial strategy. Sri Lanka's challenge is not a lack of intellectual capacity, but the absence of effective mechanisms to connect that capacity with decision-making.

ACADEMIC RESEARCH AS A FOUNDATION FOR EVIDENCE-BASED POLICY DEVELOPMENT

Evidence-based policymaking is widely recognized as essential for effective governance, particularly in environments with limited resources. Data-driven decisions help policymakers understand problems more accurately, assess trade-offs, and anticipate potential impacts. Academic research contributes to this process by providing rigorous analysis, methodological expertise, and long-term perspectives that are often missing in day-to-day policy discussions.

Universities can play several roles in policy development. First, they can support policy analysis by examining the causes and consequences of policy problems. For example, economic research can help identify the structural factors behind low export performance or productivity stagnation. Second, academic institutions can contribute to policy evaluation by assessing whether existing programmes are achieving their objectives. In Sri Lanka, systematic evaluation of public policies is still relatively limited, and research-based assessments could help identify what works and what does not. Third, universities can engage in forecasting and scenario analysis, helping policymakers prepare for future challenges such as demographic change, climate risks, or technological disruption.

There are many areas in Sri Lanka where academic research could significantly improve policy quality. In agriculture, research on climate-resilient

farming practices could inform policies aimed at improving food security and farmer incomes. In education, studies on learning outcomes and skills mismatches could support reforms to better align curricula with labour market needs. In public finance, research on tax compliance and expenditure efficiency could contribute to more sustainable fiscal policy.

International experience demonstrates the value of such engagement. In the United Kingdom, for instance, academic economists and social scientists regularly contribute to policy design through advisory councils and commissioned research. In Singapore, universities work closely with government agencies to provide policy analysis and data-driven insights, particularly in areas such as urban planning, education, and innovation policy. These examples show that when research is integrated into policymaking processes, policies tend to be more coherent, credible, and effective.

For Sri Lanka, strengthening the role of academic research in policy development requires deliberate effort. This includes creating formal channels for researcher–policymaker interaction, incentivizing policy-relevant research, and building trust between academic institutions and government agencies. While challenges remain, the potential benefits in terms of better policy outcomes and stronger institutional capacity are significant.

USING ACADEMIC RESEARCH TO DRIVE INDUSTRIAL INNOVATION AND COMPETITIVENESS

Academic research has a critical role in strengthening industrial innovation and competitiveness by improving productivity, facilitating technology adoption and supporting innovation across sectors. In Sri Lanka, academic research output has grown steadily over the past decade with universities producing research that meets international quality standards. According to Scopus data, Sri Lanka's research output has increased substantially, with nearly 19,000 Scopus-indexed publications from 2019 to 2023 and a citation impact 27 % above the global average, indicating that Sri Lankan research is internationally visible and relevant. However, Yet Sri Lanka's broader innovation performance remains modest. In the Global Innovation Index 2025, Sri Lanka's overall score is 22.9 points, below the world average of about 31.5 points and the country ranks in the lower half of the global list. This gap suggests that while research is being produced, much of it is not yet translating into measurable industrial innovation and competitiveness.



Research contributes to productivity by identifying inefficiencies in production processes, supply chains, and resource utilization. Studies in operations management, logistics, energy efficiency, and digital transformation provide industries with data-driven insights that can reduce costs and improve output quality. In countries such as South Korea and Singapore, sustained collaboration between universities and industry has enabled firms to adopt advanced manufacturing technologies and innovation-led business models. For an example, KAIST (Korea Advanced Institute of Science and Technology) maintains long-term, strategic research partnerships with Samsung Electronics that have played a crucial role in advancing South Korea's semiconductor and manufacturing capabilities. Through these joint research programs, KAIST researchers work closely with Samsung engineers on cutting-edge areas such as semiconductor materials, AI-enabled manufacturing processes, and smart factory systems.



The role of academia is especially important in supporting small and medium-sized enterprises, which account for a significant share of employment and industrial activity in Sri Lanka. SMEs often lack the financial and technical capacity to conduct research and development independently. Universities can fill this gap through applied research, technology transfer, consultancy, and incubation support. Academic research can help SMEs improve product quality, adopt digital tools, meet international standards, and better understand consumer and export market requirements.

To maximize impact, research must be closely aligned with market needs and industrial challenges. This requires continuous dialogue between researchers and industry stakeholders to identify real problems such as skill shortages, productivity constraints, regulatory bottlenecks and shifting consumer demand. Demand-driven and problem-oriented research ensures that academic findings are relevant, actionable, and capable of supporting innovation and competitiveness in Sri Lanka's industrial sector.

STRENGTHENING RESEARCH-BASED POLICY DEVELOPMENT AND INDUSTRY COLLABORATION IN SRI LANKA

Strengthening research-based policy development and industry collaboration is essential for Sri Lanka to transform academic knowledge into tangible economic and social outcomes. Although Sri Lankan universities produce a growing volume of quality research, its influence on policymaking and industrial development remains limited due to weak institutional linkages and fragmented engagement among key stakeholders.

A major requirement is the establishment of formal institutional mechanisms and long-term partnerships. Currently, research utilization in Sri Lanka often occurs on an ad hoc basis with limited continuity. Creating research-policy units within ministries, industry liaison offices in universities and sector-specific research councils can help institutionalize evidence-based policymaking. These mechanisms would allow policymakers to access timely research insights while enabling academics to align their work with pressing industrial and national development challenges.

Several collaboration models offer practical pathways for Sri Lanka. Policy labs can bring together researchers, policymakers and practitioners to jointly design and test policy solutions before large-scale implementation. Industry research hubs and centers of excellence can focus academic expertise on priority sectors such as apparel, agribusiness, manufacturing and information technology. In addition, advisory panels comprising academics, industry leaders and policymakers can provide evidence-based guidance on industrial strategies and policy reforms. By strengthening research-based policy development and industry collaboration through these mechanisms, Sri Lanka can better harness its academic potential to support sustainable industrial growth, effective policymaking, and long-term national development.

MAKING ACADEMIC RESEARCH WORK FOR NATIONAL DEVELOPMENT

Academic research has the potential to be a catalyst for national transformation, but its value is realized only when findings are actively applied to real-world challenges. In Sri Lanka, the gap between knowledge creation and implementation means that many research insights remain underutilized, particularly in shaping industrial practices and public policies. Bridging this gap requires a focus on turning research outcomes into practical tools, solutions, and strategies that directly address the country's economic and developmental priorities.

Translating research into practical applications is a critical step. Academic findings should be communicated in accessible formats such as policy briefs, executive summaries, technical guidelines, and pilot projects that clearly outline implications for industry and governance. For example, studies on improving productivity in SMEs or adopting digital tools in manufacturing can be condensed into targeted recommendations for policymakers or industrial managers. Universities can also establish dedicated knowledge-transfer units to act as bridges between researchers, government agencies, and businesses, ensuring that evidence is systematically integrated into decision-making processes.

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Beyond translation, fostering a culture of research utilization is essential. Policymakers, industry leaders and researchers must recognize the value of evidence-based decision-making and collaboration. This can be promoted through regular workshops, advisory panels, and public forums where research outcomes are discussed in relation to national challenges. Embedding research into policy and industry practices not only strengthens decision-making but also drives innovation and competitiveness. When evidence-based strategies are adopted, industries become more adaptive to market changes, policymakers implement more effective programs, and national development becomes more sustainable and inclusive.

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A Remarkable Journey of Service and Growth: Leo Year 2024/25 Leo Club of Sabaragamuwa University of Sri Lanka



The Leo Club of Sabaragamuwa University of Sri Lanka marked the Leo year 2024/25 as a truly inspiring and impactful chapter in its journey, defined by service, leadership, and unity.

Under the dynamic leadership of Leo Lion Ravinya Dimuth as President and with the unwavering support of our esteemed Staff Advisor Senior Lecturer Mrs. Warunika Hettiarachchi, the club experienced exceptional growth and recognition



Joining the President was a passionate and hardworking executive board:

- Vice President – Leo Lion Dinith Prabhashwara
- Secretary – Leo Prabodini Lakmali
- Treasurer – Leo Malki Madushika
- Assistant Secretary – Leo Sasini Mahaliyana
- Assistant Treasurer – Leo Kavithra Athapattu

Together, this devoted team guided the club through a year of transformation, achieving milestones and inspiring others through their dedication. The year commenced with “Ashirshana” a multi-religious blessing ceremony to seek divine blessings for a successful journey ahead. This spiritual beginning set the tone for the club’s vision of unity, compassion, and meaningful service.



Photographer - Tashen Manodya

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ZENOVA '25



Throughout the year, the Leo Club of SUSL proudly completed over 55+ diverse and impactful projects. Some notable projects include:

- Hela Sirithata Negam (1st Runner-up: Best Project for Poverty & Better Life)
- Kanamadiri Eli (1st Runner-up: Best Project for Infrastructure Development)
- Adaren Naththal (2nd Runner-up: Best Project for Hunger)
- Zenova '25 (1st Runner-up: Best Project for Fellowship – and our very own club awards ceremony)
- Leo is My Valentine (1st Runner-up: Best Joint Inter-District Project)
- Code of Future (1st Runner-up: Best Joint Intra-District Project)
- Senehesara (a continuing project supporting long-term welfare)
- Senehase Apeksha ,Samaye Paniwidaya , Anagathayata Athwalak, Future Focus, KPI Evaluation of Leos (Monthly),Ella Connect

These projects spanned key areas such as environmental conservation, education, personality development, cultural values, mental health, and humanitarian support. Our focus was not only to serve communities but also to nurture leadership and empathy among our members. The Zenova '25 Awards Night, organized by the club itself, was another key highlight of the year. It served as a platform to

celebrate the hard work and passion of our Leos by honoring outstanding members who went above and beyond in their service

One of the proudest highlights of the year was the Leo District 306 C2 Awards Ceremony, held on June 28th, 2025. The Leo Club of SUSL brought immense pride to the university by securing 13 prestigious awards—a combination of project-based and individual recognitions.

Among these accolades, a historical and proud moment was the Most Outstanding Staff Advisor Award, which was presented to our very own Senior Lecturer Mrs. Warunika Hettiarachchi—a testament to her unwavering mentorship and inspirational guidance throughout the year.

As we look back on Leo Year 2024/25, it is clear that this was not just a year of service—it was a year of transformation, recognition, and collective growth. The Leo Club of Sabaragamuwa University of Sri Lanka has emerged stronger, more united, and ever-committed to creating a positive impact in society. With renewed passion and an unshakable spirit, we march forward—ready to serve, ready to lead, and ready to inspire.

Malki Madushika Peiris

