

## **Why Sri Lanka fell down? And how rise up economically fast after people's revolution?**

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### **Abstract**

The main purpose of this study was to examine why Sri Lanka fell down and how it will rise again economically more rapidly after the people's revolution. The contemporary crisis in the country mainly lies in the mismanagement of the economy by the Sri Lankan government. The economic concerns generated by an intense balance of payment disaster remain the key consequence of the distressing conditions in the country. Furthermore, this research paper mainly utilised secondary sources to give appropriate inferences relevant to the core questions in the paper. This research paper mainly found that the economic conditions of Sri Lanka were in collapsing state. This fall down of the economy has mainly led to the massive scarcity of resources and necessary items including food, fuel as well as other essentials. As evidenced from the research material, it may be stated that this research paper carried a potential in terms of future scope.

### **Introduction**

### **Background**

On 12<sup>th</sup> July 2022, Gotabaya Rajapaksa; President of Sri Lanka resigned from office citing mounting people's pressure regarding its economic mismanagement of the country (Wright, 2022). The country's parliament convened the meeting for discussing a smooth power transition before electing Ranil Wickremesinghe as the new president (Brewster, 2022). One of the major reasons for Sri Lanka's downfall have been a myriad of reasons such as stifling the island country with economically unsound policies such as ban on chemical fertilizers, lack of tourism due to Covid-19, and an exorbitant inflation rate. The tripartite impact of these factors culminated into lack of foreign currency reserves to honour its debt obligation and to address its impending economic conditions.

The country has been under the influence of the Rajapaksa family for a decade since the end of its civil war attributed to Mahinda Rajapaksa and has been at the helm of Sri Lankan politics since then. The current president from the family i.e. Gotabaya Rajapaksa and the iron grip control of the Rajapaksa family over Sri Lankan politics has increased ever since. It had been culminated into various postings of Rajapaksa family members in the government in key portfolios such as prime minister.

The political hegemony had been costly for the country since it had led the country to mishandle its balance of payment crisis and has been declared sovereign default by the IMF.

Another concern intertwined in this case is that the country has also avoided engagement with the IMF and thus have been delaying payments and its long term loan obligations (Devapriya, 2022a). The seemingly stable government however did not serve the objective it was expected to deliver and led to a series of decisions leading to its economic downfall. The decisions have been a weak attempt to counter its economic issues for example banning import of chemical fertilisers under the gambit of saving foreign currency reserved.

The decision had dealt a severe blow to its domestic economy along with handicapping the country to create any agricultural surplus and thus had to spend more capital on buying agricultural produce. The policies have not been sustainable for Sri Lanka and the decisions have impacted the country to a considerable extent since with its decision to ban fertiliser import led to a health crisis such as malnourishment; ultimately increased its economic crisis, as well, substantially.

### ***Rationale***

The main rationale of this review paper is to provide a review of existing literature regarding the predicament of Sri Lanka and the issue it faces post its economic morass. The current review paper seeks to discuss the current related literature regarding reasons for the economic downfall of the country. The rationale of this study also presents a critique of other literature concerning with the current predicament of Sri Lanka. It seeks to discuss factors such as economic, political, and its implications on the social factors.

## **Discussion**

### ***Political Reasons***

According to George et al. (2022), the issue faced by Sri Lanka is not only restricted to policy measures but also carries its manifestations. Manifestations are considered to be influenced by international factors such as the Russo-Ukraine war 2022 and its engagement with China considerably. The political factors primarily include the political hegemony enjoyed by the Rajapaksa family that has also led to a politically fragile situation since before the Covid-19, the country has not been able to maintain a coalition government, leading to political unrest.

The article has laid specific focus on political unrest and states that the political unrest emerged in the aftermath of Easter Bombings leading to massive casualties. The article maintains that the political and economic reasons have been interlinked since the aftermath the Easter Bombings, and the government's failure to provide exact death toll figure, there has been a reduction in tourism citing security concerns. As per the report published by the Australian Aid, the main recipient of the Easter bombing and the ensuing political disarray have been the Sri Lankan SMEs bearing the strongest impact (Abeywickrema, 2019). The SMEs had to downsize its workforce and staff since around 100 SMEs related to travel and tourism have been direly affected.

Another article authored by Devapriya (2022a) has remarked on the political reasons for Sri Lanka's downfall and one of the dimensions in this case includes the government's apathy towards its own people. The apathy has been linked with the government's trust deficit with the people citing the manner it deals with its people one of which emerges from the fact that the government had been unsuccessful in dispelling the negative perception attributed due to its civil war. Another manifestation identified by the study, which is significant, is the trend specific to Asia i.e. dynastic politics. The Sri Lankan political landscape also faces similar predicament as its neighbour i.e. India and the Gandhi family dominance respectively. Similarly, the Rajapaksas have been dominant in Sri Lankan context however the article has

observed a unique disposition in this regard. The Rajapaksas have not been able to increase their influence vertically but horizontally as well and its growth has been sequential such as from military to politics and economic affairs.

Moreover, Jayamaha (2022) further argues on Sri Lankan predicament from a political purpose since it primarily focuses on the rise of youth uprising movements in Sri Lanka. The article describes that an increase in uprising movements find their roots in the economic crisis that the current is currently embroiled in i.e. lack of basic necessities and a loss in its daily wages. The protests have been considered as a result of both political and economic factors since it not only arose opposing the economic conditions but also in opposition to the Rajapaksa family's domination of Sri Lanka's politics.

The key objective of the article Jayamaha (2022) is to present an argument regarding the democratic revolution occurring in Sri Lanka and the change it intends to bring and has been determined to be unique in nature. The democratic protests have been described as an attempt to accord changes in the Sri Lanka political scenario, which is deemed to be undemocratic in nature. Moreover, the article also determines that the concept of youth participation in such protests have been useful for creating a sense of civic engagement within the society. The uprising however has not been entirely political in nature but also concerns itself with opposing the government on legitimate demands such as creating a viable political space. Creating a political space is also tantamount to challenging the status quo and to offer other alternatives for the country's youth.

Within the political aspect, the youth uprising movement have been unique again since such movements have not had any major impact on the international stage either through economic or political reasons. Sri Lanka has been used majorly for its raw materials alone by the international market alone and thus adds to more frustration amongst its people. However, in the current predicament, both the economic and political issues have been highlighted since the protest movement was showcased and documented on social media regularly.

The article in this case has vied to draw parallels between political and economic contexts for the uprising since the protest have been targeting both the deterioration of their respective economic situations along with rampant corruption in the government. The initial protest led to the resignation of the prime minister citing the heavy handedness of the government resulting in injuries of the common people. The government responded with curfews and imposing emergency laws, directing the military to handle the law and order situation in the capital city Colombo.

From an international context, Tampubolon (2022) has described the Russo-Ukrainian war as a prelude to a deteriorating political condition in Sri Lanka since the ramifications of the war have been described as dire for the country. One of the major impact that the war had on the island nation is that there has been a disruption in major food supply chains that has led to a delay in food products. In other words, the article describes that although the country borrowed extra capital for this purpose, it however failed to surmise its purpose citing the delay in food import it had been vying for. In addition, the situation has been further exacerbated due to an import ban on chemical fertilisers and thus has further complicated matters related to food products.

With an impending job crisis, along with the dissatisfaction attested with the government's policies on certain matters such as imposition of ban on fertilisers, has culminated into a major dissatisfaction rate with the Rajapaksas. The Rajapaksas have been considered as the epicentre of economic and social catastrophe that has befallen on the Sri Lankan people and have been attributed to the Rajapaksas solely.

The article however employed the use of a qualitative analysis to assess the degree of impact of the war on other countries especially developing countries. Similar findings have been observed in the article authored by Kuzemko et al. (2022) where the Russian invasion of Ukraine had a detrimental impact on the Sri Lankan economy as well as was successful in according a significant impact on its political conditions as well. The article mentioned that the country had been dependent on Russia's natural gas and oil imports and has been able to avail the resources only to be inconvenienced due to the war.

The island nation has not been able to obtain any LNG products and citing its own economic status and since Russia is itself levied with international sanctions, and thus requires capital resources for its war efforts. However, with the current economic condition of Sri Lanka, it is unable to gain the privileges from its Russian counterpart since Russia requires capital resources while Sri Lanka is not able to suffice it. The ramifications have only contributed to the impending political and economic conditions of Sri Lanka negatively and is evident through lack of fuel reserves in Sri Lanka; considerably lacking in facilitating its people regularly. In addition, citing lack of any resources to procure the necessary essentials, the Sri Lankan economy have suffered significantly while on the political perspective, there has been a lack of connect between the government and the people leading to the ensuing political revolution.

The consistent and considerable deterioration of the economy along with the incapability of the government to rectify it has led to a decrease in the trust in the government, particularly amongst the Rajapaksas. The response of the government to quell the economic hardships have been rough rather than initiating dialogue with the people and deployed heavy handedness of the government.

### ***Economic Reasons***

The economic reasons that led to the political revolution in Sri Lanka has been attributed to Chinese involvement in Sri Lanka economic affairs (Hameiri and Jones, 2020). It is referred to as the debt diplomacy pursued by the Chinese government where it lent loans to Sri Lanka for developing their port at Hambantota. However, China is very privy to the fact Sri Lanka is understood to experience economic duress due to the loan citing its inability to repay it due to its impending balance of payment crisis.

Therefore, China took possession of the port in lieu of debt relief for its own use such as conducting military drills. The Sri Lankan authorities failed to develop a narrative of the economic benefits that the people can obtain through this port however, the article describes the economic advantages to be slightly exaggerated on China's part.

However, Bandaranayake (2021) the economic predicament faced by Sri Lanka is considered to be significant in nature since the Covid-19 has led to a lasting economic impact since tourism comprises one of its major economic drivers accounting for 15% of the total Sri Lanka's economy. In addition, the article also describes Covid-19 as one of the major precursor of a slump in Sri Lankan economic prospects besides the civil war that ravaged the country in a 30 year period.

Moreover, the article also contains economic reasons in this case solely due to Covid-19 since the pandemic has led to a balance of payment crisis as due to lack of a viable economic environment, the country increased its borrowing and subsequently increased its debt as well. Yet again the country could not dispel the negative perception attested with its security situation in the aftermath of the Easter bombing; yet again mixing economic and political reasons for political revolution.

Reiterating on the economic context, the article also described that a slump in Sri Lanka's economic growth has also severely impacted its populace as well evident from the lack of job growth perspective. The Covid-19 pandemic has laid an impact on each of Sri Lanka's economic sectors such as tourism, agriculture, etc. As a result, the Sri Lankan economy is currently suffering from an abundant skilled force but are unemployed citing the government's inability to provide the people with any economic opportunities.

However, the bleak economic situation has been further exacerbated by the fact that its main economic driver i.e. tourism has not been able to recover from the economic slump due to Covid-19. The tourism sector is facing issues coupled with both the prevailing security perception due to Easter bombing and the aftermath of its civil war and thus is failing to create value for its populace. Considering this aspect as context, it is stated that the Sri Lankan people are not enthused by the fact its government is continually making ill-fated decisions that further derides its economic conditions. The banning of fertilisers and the excessive borrowing as a result of lack of alternatives have further deepened the discord between the people and the Sri Lankan government effectively.

The resultant people's revolution has been a result of such ill-fated economic decisions pursued by Sri Lanka since it has served the objective of widening the gap between the government and the people. Such anti-people economic policies have also increased trust deficit amongst the people.

Roshana et al. (2020) has opined in its article focusing on China's role in the dilapidated economic conditions of Sri Lanka citing its status as one of the largest foreign markets for Sri Lanka along with other Asian countries. However, due to the Covid-19 pandemic, the country dropped its demand of certain products, of which mainly consisted from Sri Lanka and thus increased Sri Lanka's imports from China as a result. Sri Lanka accounts for at least 19% of the total imports from China simultaneously with 33% of its total exports however due to the pandemic, there is an imbalance in this figure as well.

Due to a depressed economic market, Sri Lanka has increased its imports with virtually lack of exports, and thus has embroiled itself in a host of issues such as balance of payment crisis, lack of foreign exchange reserves, surrendering its major port, and so on. This has further decreased the business' economic situation since it has also mitigated the economic measures adopted by Sri Lanka that were considered to provide limited leverage to the people in its economic hardships.

Due to an ineffective economic policy coupled with a cash strapped aid provided by the country, the article aptly describes that there is an impending rise in income inequality in the region; considered to be one of the prerequisites for a political revolution. The economic reasons also include inflation rate and it also had a debilitating impact on the economy in general and the people in particular.

High levels of inflation as mentioned in the article is regarded to increase the economic hardships of the people and ensures that the people does not avail any ease in its economic hardships. The inflation rate is all the more potent in this case since it has compromised with the ability of the country to reduce its impact on the people and failed to arrest the increase in essentials as food, petroleum, and so on. Since a bulk of the Sri Lankan economy is based on subsistence agriculture and tourism, the lack of facilities in the region have further crippled its people and has ensured that the people does not receive any amount of relief.

Moreover, in the article while conducting a qualitative analysis, has observed that the island country has been a recipient of major economic losses attributed solely to COVID-19 since it had a disastrous effect on its economic drivers. Besides the cessation of its economic drivers, the country has also been facing issues in smoothly operating its logistical activities such as its airports and seaports. As its logistical options are at a halt, there is a considerable amount of discrepancy present in the country in handling its economic affairs since it is not able to export its goods in other countries.

The key inference drawn from this finding is that the country has been unable to meet the export demands of its market that not only reduces its economic output but also its standing amongst its market remains compromised. With no agricultural produce being exported and on the other hand the cessation of touristic activities, it is fair to assume that Sri Lanka is bound to reel from economic impact for a long run.

The decisions taken by the government, particularly the Rajapaksa dominated legislature and control, it is inferred that it had made the political revolution all the more certain in Sri Lanka since each factor whether political or economic, is either directly or indirectly linked with the Rajapaksas accordingly.

### ***Current scenario***

Economic conditions turned political uncertainty in the country named Sri Lanka which has become the main problem for other states in the region as it possesses larger consequences for the economy and political condition of South Asia (Sebastian, 2022). However, the economic concerns produced by a severe Balance of Payment calamity remain the core cause of the disturbing condition in the country (Shivamurthy, 2022). The president of Sri Lanka Gotabaya Rajapaksa's government regulations along with his own brother Mahinda Rajapaksa as Prime Minister have dejectedly failed to control the state of affairs, both economically and politically (Sebastian, 2022). Moreover, underinvestment in the country's infrastructure, and industry nationalisation, as well as a paternalistic bureaucracy mainly place the country along with several other developing countries where unnecessary government control and centralisation over the authoritative economical heights prevented growth in the country's economy. According to Aparna Pande (2022), the crisis in Sri Lanka's economy is structural and reflected in the element that Sri Lanka is the country which possesses the 17<sup>th</sup> loan from the regulatory body of IMF since 1965.

The economy of Sri Lanka was also in a condition of collapse. This economic fall down has primarily led to huge shortages of necessary items involving fuel, food, as well as other necessities (Atul Aneja, 2022). As per the report by Amnesty International (2022), the people living in Sri Lanka are now experiencing a tragic crisis in the economy. They are also facing a huge deficiency of power outages of 13 hours in a day while the rate of inflation is sky high and also increased living costs of people sharply. The potential rights to health, education as well as satisfactory living standards are all influenced, imposing thousands of people out onto Sri Lanka's streets and forcing them to do protests, also demanding a letter of resignation from the prime minister and president. In response to the increasing discontentment, the government and regulatory bodies of Sri Lanka have mainly utilised unlawful power and forces against the journalists as well as protestors, silent opposition and lack of restrictions on expression through torture and detention, arbitrary arrests, placed regular restrictions on the efforts under an alleged reason of public security, facilitated by an outage of social media impeding the individual's rights to receive, impart and seek information.

The present crisis in Sri Lanka to the procedures occupied as a form of the neoliberal reforms of the economy as well as the economic crisis that it mainly triggered (Sebastian, 2022). The growth aspect in the per capita income of Sri Lanka in the preceding era was not mainly a real one as the outer country's debt was also enhancing drastically as well as which invalidated the growth of fruits export per capita income. According to Bala, (2022) Sri Lanka's public debts amounted to a total of 86.8% of the country by the year of 2019 and then increased to 94% by the year of 2020 as well as to 119% of the GDP by the year of 2021. The state mainly aimed at

The country aimed at faster growth in the economic condition by using loans borrowed from several other global institutions and also from various other countries. However, this in turn brought some gains for a limited time to the country's economy, but ultimately it leads to a huge crisis. There was identified a big jump in the growth of per income capita in Sri Lanka during the early years of Sri Lanka's economic reforms (Sebastian, 2022). The countries per capita income enhanced from \$1066 in the year 2004 to \$2009 in the year 2009. As per the report by IMF (2021), it gets hold off to a value of \$3819 in 2014 year and \$4059 by the year of 2018. Such a massive development in per capita income progressed Sri Lanka's status to the middle or upper-class countries of the World Bank. Though, there began a drop in GDP after that which shifted down to \$3682 by the year 2020.

Considering the rise, currently, Sri Lanka is mainly looking at the measures of IMF bailout, for which it mainly required to rearrange its complete debt. However, for the country the rearrangement of debts may be complicated, particularly in China which mainly prefers the refinancing of loans rather than restructuring major approaches. Sri Lanka still needs a lot of improvements to come out of this crisis which has been a more time in the production. One of the global self-governing bond holders captivating the government of Sri Lanka to courts sets a hazardous pattern for the country. As the economy of Sri Lanka shakes, directing the crisis will need long overdue wide spread reforms of economy, which may be the silver lining to the economic recession for the country (Rafi and Abeyratne, 2022).

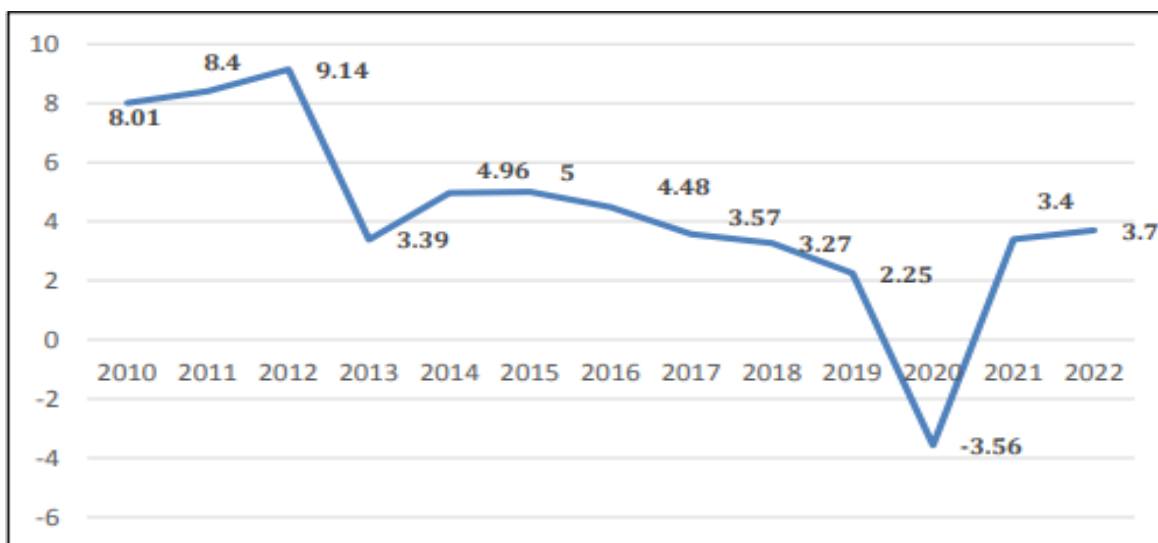
The strict lockdowns of the global pandemic of COVID-19 in Sri Lanka throughout the year 2020 disturbed not only the industry of tourism but also affect the relevant industries. As per views by Aparna Pande (2022), even before the emergence of a global pandemic, tourism in Sri Lanka had already been in a tragic position by the country's image as one tortured by terrorism and political unrest. The hindrances in the sector of tourism because of the international recessions in the economy also deepened the economic conditions in Sri Lanka. The Presidential elections were held in 2019 and the parliamentary elections in the year 2020 in Sri Lanka during the financial crisis (Sebastian, 2022). According to Aparna Pande (2022), the economy of Sri Lanka initiated to start a recovery from the adverse influence of the international financial crisis in the country specifically through the regeneration of Sri Lanka of its tourism industry, the country experienced a terrible attack from a terrorist in the Colombo.

The Sri Lankan Podujana Permuna was primarily handled by the brothers of Rajapaksa's family who gained the country's control as a government by the votes of a clear majority. Moreover, Gotabaya Rajapaksa, the preferred contender of Sinhala nationalists because of his main role in crushing the final war of LTTE, has been mainly elected as a Sri Lankan President as well as his former president Mahinda Rajapaksa became Prime Minister (Reuters 2019). The victory of SLPP was revealing the high hopes among the people to work on the country's successive measures and to solve the country's problems. People put their full faith in the Gotabaya as they perceived him to have very good leadership qualities.

The government of Sri Lanka also experienced a huge political crisis as it was noted that the entire cabinet of Sri Lanka was forced to resign on 3<sup>rd</sup> April 2022 involving the relatives and families of the President. There was a huge defection of the ruling party's members of the Sri Lanka Parliament to the opposing camps of the Sri Lankan government (Pratihari, 2022). Moreover, the study also President Gotabaya tried too much effort to formulate a national government with the opposing parties but that was also not found to be effective. The own brother of Sri Lanka's president had resigned due to the immense protest by the Sri Lankan citizens. In recent times, a new government is mainly installed under the new Prime Minister of Ranil Wickremesinghe.

Moreover, as per the study by George, George and Baskar, (2022), several factors contribute to the existing crisis of the economy in Sri Lanka from 2019 to 2022. Such factors involve the mishandling of economic conditions and lead to the crisis in Sri Lanka from the year 2019 to the year 2022. This economic mishandling may include the mishandling of an economy, diminishing the reserves from foreign, an increase in foreign debt and price growth. Despite the money creation, tax reductions, as well as national policies alter their functions towards biological and organic farming. There were primarily other factors dealing with the Easter terrorist attacks, as well as the impact of the global pandemic of COVID-19 which further added to the economic and political crisis in Sri Lanka. Moreover, the alliance of governments has mainly lost the country's majority within the tenure of March to April 2022 and led to political unrest in the country involving their letters of recognition from ministerial posts

One of the major reasons for the economic crisis in Sri Lanka was mainly the shortage of international currencies. The report by Bonds and Forex, (2022), analyses that after a fallout in the country's output and a lack of food, substituting organic agriculture has been recreated. Moreover, Sri Lanka was mainly set aside for an autonomous default as the unsettled reserves of foreign exchange would not be sufficient to generally meet the external requirement of a country as well as the possible debt obligations in the year 2022. Moreover, Sri Lanka's government mainly needed to pay back the global and international sovereign bonds in the year 2022. Sri Lanka was bound to pay a series of debts in the year 2022 involving foreign as well as domestic debts. The rupee value in Sri Lanka fell to its lowest in the month of April 2022, as the worst-performing currency in the world, with the US dollar that is mainly trading in the Sri Lankan rupee.

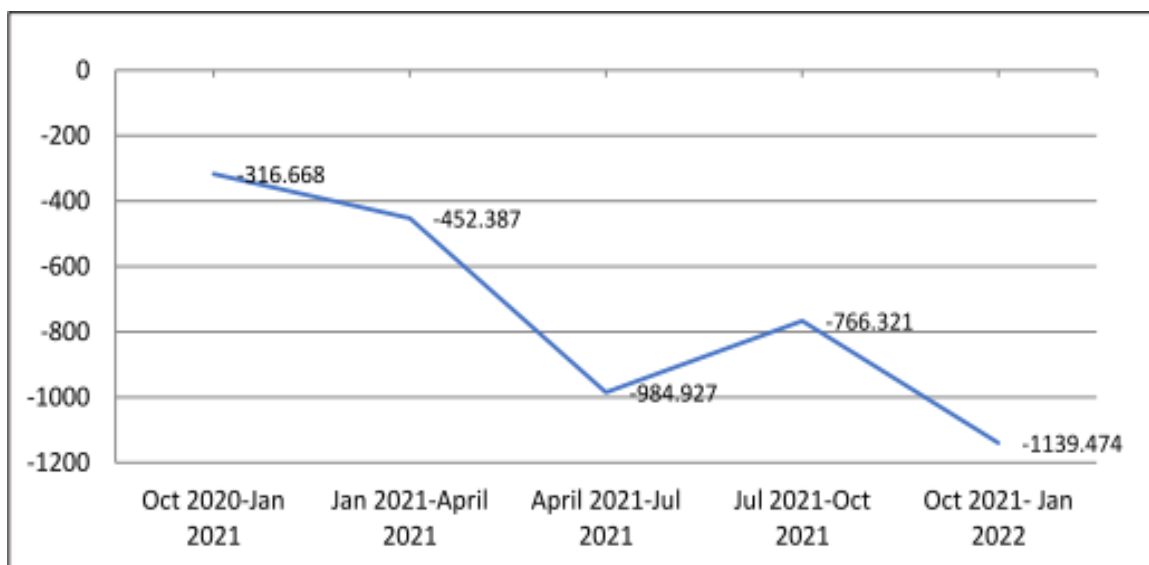


**Figure 1** Sri Lanka's Real GDP Growth Rate

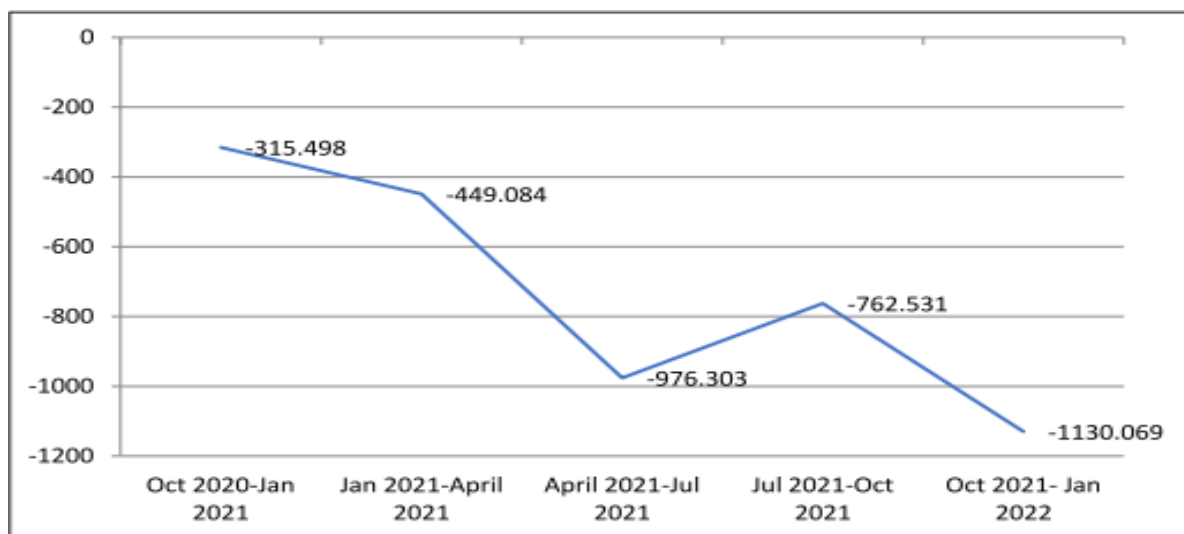
Source: Bhowmick, (2022)



To the end of the year 2019, as well as in the early times of 2020 right before the global pandemic COVID-19, the government mainly endorsed deep taxes cuts in the accomplishment of the country’s election promise. This also led the country to the losses of approximately 1 million taxpayers between the years 2020 as well as 2020. An enormous challenge to the economic condition of the country was already facing some widespread evasions of taxes. Furthermore, Sri Lanka’s government also amended the direct as well as indirect taxes of the country (Bhowmick, 2022). Furthermore, the withholding of taxes on the income generated from the employment of the country made mandatory exemptions on the individual payments of taxes that have also been condensed. Moreover, the country has a total dependency on importing products involving Diesel, Kerosene, Gas, and petrol. Therefore, the constraints and restrictions forced by the state over imports of different products primarily led to the deficiency as well as a huge hike in the prices throughout Sri Lanka (Sebastian, 2022). This has affected the country by reducing the imports of necessary products (Joseph, 2022).



**Figure 2 Sri Lanka’s Recent Current Account**  
*Source: Bhowmick, (2022)*



**Figure 3 Sri Lanka’s Recent Balance of Payments**  
*Source: Bhowmick, (2022)*

The crisis of balance of trade will influence the economy of a country very badly. As per the study by Bhowmick, (2022) identified that the relatively slower account of capital, shared with the powerful declining current has primarily led to the huge bank of payments crisis in the country in current times. Furthermore, the country is recognising it exceptionally challenging to pay for its necessary commodities. Moreover, after the presidential election in the year of 2019, the newly elected president, Gotabaya Rajapaksa, defined a 10-year visualisation for the transition into whole organic farming in Sri Lanka. On the other hand, in the month of April 2021, the government of Sri Lanka mainly decided to count orders on the agrochemicals import to diminish the impact on the health of pesticides and fertilisers in farming, as well as also to encourage eco-friendly and sustainable agricultural systems. Furthermore, this was also considered as a measure to mainly hang onto a check on the reducing foreign exchange in Sri Lanka's reserves from several consequences.

## **Recommendations**

A study by Bhowmick (2022) charts out a few essential lessons which involve working on decreasing the interruption in seeking IMF bailouts and assistance. Moreover, strengthens the capabilities that may use in handling crises, generating protection nets for governmental instability as well as poverty reduction. Furthermore, investment in a macroeconomic structure of regulation decreases the economic costs of the catastrophe; as well as eluding the misinformation spread by performing better communication among the public.

### ***Monetary Policy***

According to Nandalal, (2021), study, the incorporation of a stable monetary policy framework enables stable prices and market confidence. The role of monetary policy contributes to the attainment of sustainable economic goals. The fluctuations in prices at less rate do not impact economic decisions. In addition, it focuses on changing the supply of broad money associated with reserve money. The framework of monetary policy is designed and planned by the central bank to overcome the economic crisis by balancing the payments and meeting the expected fiscal and to meet the set goals in inflation. It set out the monetary growth path followed by open market operations. Therefore, it is recommended to incorporate monetary policies to increase price stability contributing to overcoming the economic crisis in Sri-Lanka (Kariyawasam, and Jayasinghe, 2022).

### ***Tax Reforms***

Similarly considering tax reforms and revenue-based fiscal consolidations supports sustainable economic growth. Integrating changes in the structure of taxation can benefit in generating more revenues from taxes marked on consumptions and residential property whereas, less revenue can be gained from income taxes. The aim of broadening taxes will allow setting the rates low. Furthermore, the involvement of tax reforms will also help to support the green growth strategy by integrating a green tax system. This will help to attain greater environmental objectives. In relation to fiscal consolidations increase in tax, compliance can help to produce a fairer tax system (Vinayagathan, and Ranjith, 2021).

It is also recommended to incorporate OECD initiatives to increase the cooperation among authorities of taxes. In addition, balancing the economic budgets and limiting the support from the treasury can be accomplished with help of 12 step guide of GFOA. This guide can help to recover from the financial crisis within the country. It helps to recognise the financial distress along with possible treatment. The significant framework i.e the financial foundation framework built by GFOA benefits in increasing collaborations for programs and

policies. This framework is based on certain pillars which are based on leadership strategies and institutional principles that help to boost economic growth. It also emphasizes understanding-based collaboration for people instead of under the pressure of local government (Kavanagh et al., 2020). The aim of this framework is to provide public support for financial foundations. The basic pillars of this framework emphasize on long-term vision, open communication, setting clear rules, collective decisions, and fairness in the communities. Therefore, integrating these principles might help to grow communities and organisations leading to an increase in economic benefits (Athukorala, 2022).

### ***Export-Led Growth Strategy***

According to Felipe, and Lanzafame, (2020), a growth strategy led by export aims to increase economic growth with help of an increase in international trade. I observed that increasing the level of export sales can help the country to raise the standard of revenues and profits. Similarly, it benefits in increasing capital investment opportunities as well as leading to improve productivity capacity for exports. Therefore, considering this strategy might help the country to expand the export leading to economic growth (Jones, 2021).

### ***Labor reforms***

Furthermore, integrating labour reforms can also help to support the rights of workers and increases the power of National labour relations. In addition, it also helps to involve labour regulations and betterment for organised labour unions by balancing wages, reasonable hours of work, and safer working conditions. The enhancement in the labour system can help to increase the production of imports and export of the country. Similarly, it helps to increase the competition within the marketplace (Duval, and Furceri, 2018).

## **Conclusion**

This paper is primarily focused on the reasons for the fall down of Sri-Lanka due to the financial crisis caused by various factors. The downfall within the country raised due to an increase in prices resulting in a lack of enough fuel for transportation, and medical services, and a lack of foreign currency for import. The study also highlighted economic and political barriers that led to a decrease in economic growth such as a ban on the sale of diesel and petrol and restricted economic activities. Furthermore, it was highlighted that absence of stable economic policies caused dynamic changes such as a decrease in tourism, and exorbitant inflation. This research critically evaluated the political reasons directing the decrease in staff and workforce due to inflation. The presence of government apathy resulted in a more deteriorating stage.

The lack of exports and foreign exchange reserves and the payment crisis led to an increase in economic instability. The current scenario discussed within the study showcased the shortages of basic necessities such as fuel, medical services, and others. The disruption in fuel supply caused many power outages. It is observed that country is protesting against its own government for the mismanagement of the economy. Although on the other side, this research paper also provided a certain set of recommendations to improve the economic state of the country. The key aspects of the recommendations provided were found beneficial for stabilising the economy. The main key recommendations included the integration of stable monetary policy or other economic policies by the government to stabilise the prices and market confidence.

In addition, it also found contributes to making efficient decisions for the growth of economies such as the incorporation of a balancing payment system, and open market

operations. Similarly, this paper highlighted the beneficial aspects of labour and tax reforms that can help to raise the economic state by emphasising revenue generation with revised taxes on residential property ad consumptions. Moreover, the incorporation of OECD was also found helpful in the current scenario as it allows for an increase in the tax authority's collaborations with balanced economic budgets. Therefore, the scenario of economic crisis within Sri-Lanka due to bankruptcy can be efficiently handled by considering the possible ways of the way out with indicated recommendations. Therefore, the significance of this paper increases with an indication of information that can be studied further and implicated for better outcomes. In addition, the increase in opportunities for the Sri-Lankan economy can result in better economic and political transformation with the attainment of sustainability goals.

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