

ID 10

Effectiveness of imposing maximum retail price for regulating the market price of rice: A case of Colombo and Gampaha districts in Sri Lanka

S.M.S.Palitha Bandara ^{1*}, G.C.Samaraweera ² and T.S.L.W.Gunawardana ³

¹ Paddy Marketing Board, Sri Lanka

² Department of Agricultural Economics and Agribusiness, Faculty of Agriculture, University of Ruhuna.

³ Department of Business Management, Faculty of Management and Finance, University of Ruhuna.

Abstract

The artificial creation of rice scarcity and the unusual price increase harm the consumers and make frequent complaints against large-scale millers for earning excessive profit. In order to stabilize and regulate the price in the market, the government imposed a maximum retail price (MRP), and that retail market price \leq MRP if the imposed MRP is effectively implemented. However, the effectiveness of this in order to regulate the rice price in the market is quite questionable, as very limited literature has discussed this issue yet. Hence, the purpose of this study is to assess the effectiveness of imposing MRP to regulate the price of rice in the market in the Colombo and Gampaha districts. Secondary data on the average monthly retail price (AMRP) and the imposed MRP values were used in this research. The AMRP of the main four rice types; Long grain white (LGW), Short grain white (SGW), White raw (WR), and Red raw (RR) used in this study. One sample t-test through SPSS software was used to analyze the significance. The deviation (Deviation = AMRP - MRP) between the AMRP and the MRP was calculated from the year 2015 to 2021. Results of the one-sample t-test showed that the AMRP from 2015 to 2021 is significantly higher than imposed MRP in all four rice types. In the analysis of deviation out of the considered 84 months, AMRP showed a positive deviation in SGW and LGW except for March, April, and May 2020. WR showed a positive deviation except for May 2016 and August 2015 and RR showed a positive deviation except in May 2016. Accordingly, the present study proved that the imposed MRP has not regulated the market price. However, the AMRP in the market may vary with the availability of rice and the marketing strategies used by key players. The increase in the AMRP of rice than the MRP indicated that the appropriate actions such as regulatory mechanisms and legal actions have not been implemented by the respective parties. Therefore, the policymakers should identify the limitation in imposing MRP and need prompt action to successfully enforce MRP to regulate market prices in Sri Lanka.

Keywords: Excessive profit, Maximum retail price, Mean monthly retail price, rice scarcity

***Corresponding Author:** samanpb@yahoo.com