
Factors Affecting the Tea Industry in Sri Lanka

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Abstract

The tea Industry in Sri Lanka is currently facing a serious crisis and, this crisis has caused an adverse impact on tea production and tea export. Despite this, there are only a few studies that comprehensively assessed the impact of the current situation on tea production and export. This research aims to fill this gap by conducting a study of the factors affecting the Tea Industry in Sri Lanka. The purpose of this study is to explore the relative importance of these factors using monthly time series data from 2018 to 2022 creating 60 data points. Therefore, the dependent variables were tea production in volume (kg) and tea export volume (kg), and the independent variables were interest rate, exchange rate, tea auction prices, and fertilizer volume (kg). The study used a mixed method approach where regression analysis was employed to assess the impact of these factors on production volume and export volume, while interview data were used to support the discussion of regression results toward more plausible conclusions. 10 industry experts were interviewed using semi-structured short questionnaires. The result of the study indicates that tea production has not been significantly affected by interest rate, exchange rate, and tea auction prices and has been only affected by fertilizer change; and tea export has been only affected by tea auction prices. The findings of this study will provide valuable insights into the impact of the current crisis on the Tea Industry in Sri Lanka. This information will be useful to tea planters, tea export firms, policymakers, and other relevant stakeholders in the development of the Tea Industry in Sri Lanka.

Keywords: Auction Prices, Interest Rate, Fertilizer, Tea Exports, and Tea Productions

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