Determinants of Agricultural Export Sector Performances in Sri Lanka

MMG Darshani[1*], N De Silva[1] and HKJ Ekanayake [2]

[1]Department of Agricultural Economics, Faculty of Agriculture, University of Ruhuna, Kamburupitiya, Sri Lanka
[2]Central Bank of Sri Lanka

Abstract
Agricultural exports sector plays a significant role in the Sri Lankan economy contributing approximately 7.5% to the GDP. However, the share of agricultural exports to the GDP has been declined over the years. Hence, this study aims to find out the determinants of the performances of the export volumes of the agricultural export crops; tea, coconut, spices, and the total agricultural exports. Further, the study analyses the relationship between the agricultural sector productivity and the agricultural export volumes. Secondary data were collected between the first quarter of 2002 to the fourth quarter of 2018. Ordinary least square method (OLS) following the error correction model employed to develop the regression model. It has discovered that five determinants;(the GDP value of the export crop, export sector productivity, real wage rate index, world GDP, real effective exchange rate and global financial crisis. Tea export volume has a positive relationship with the GDP value of tea (0.8827) and a negative relationship with the real wage rate index (-0.2480). The export volume of coconut has an inverse relationship with GDP value of coconut (-0.3603) but positively correlates with the real effective exchange rate (4.0181). Real wage rate (2.5896) and world GDP (37.2078) impacts positively on the export volume of spices. However, the GDP value of spices (-2.9348) and real effective exchange rate (-2.5298) have correlated negatively with the spice exports. Real wage rate index (0.7636), real effective exchange rate (1.6203), and world GDP (7.5237) have shown a positive link with the total agricultural exports. The GDP value of tea (-1.0775) and sector productivity (-0.8134) have negative impacts on total agricultural exports. Besides, the results showed that export volumes of tea (-0.3695), coconut (-2.3869), spices (-2.1215) and total agricultural exports (-0.8134) have a negative relationship with the sector productivity. The global financial crisis had negative impacts on spices (-0.6822) and coconut exports (-0.3832). This study concludes that new agricultural policies and programmes should be implemented to improve agricultural exports in Sri Lanka.