

**A STUDY OF STAKEHOLDERS' WILLINGNESS TO ADOPT US
DOLLARS IN PLACE OF SRI LANKAN RUPEE AT COLOMBO
AUCTION**

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by
**TENNAKOON MUDIYANSELAGE SHYAMALI KANCHANAMALA
TENNAKOON**

**Department of Export Agriculture
Faculty of Animal Science and Export Agriculture
Uva Wellassa University of Sri Lanka**

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ABSTRACT

Ceylon tea, renowned as the best tea throughout the world because of its inherent exceptional qualities and prestige going through 150 years and it plays a major role in Sri Lankan economy. Colombo Auction is viewed as the biggest Auction in the world taking care of a normal, around 5.5 Mn kilos every week and makes it the major marketing channel of tea, from producers to the local buyers. Brokers are the third party who conduct the auction on behalf of manufacturers and sell tea at the auction. All the auction activities like valuation, bidding, offering bids and settling payments are currently done by Sri Lankan Rupees which is continuously depreciating with related to the US Dollars.

The objective of this study is to evaluate the major stakeholders' willingness to adopt US Dollars in place of Sri Lanka Rupee at Colombo auction. By distinguishing the possibility to move into the US Dollars in place Sri Lanka Rupee, can accomplish target benefits mainly to the producers who suffer from the less income with related to the high cost of production. By dollarizing the auction, foreign exchange gain, could be transferred to the manufacturers thereby increase the income to the tea sector.

As the sample, 146 producers from manufacturing sector, 40 Auctioneers from tea brokering sector and 69 buyers from tea buying sector were selected using simple random sampling technique. Prior to collection of data, direct interviews were done with the senior members of all three sectors and pre tested structured questionnaire were administrated. Ordinal logistic regression was used to find out the relationship between the levels of willingness to adopt US Dollars in place of Sri Lanka Rupee at Colombo auction and likert scale was used to assess the level of willingness. According to the results statistical analysis, Quantity of tea exportation, Experience in tea trade, Transaction mode of main foreign buyers, have significantly affected on the level of willingness at 5 % probability level. Experience in tea trade, Awareness about the dollar exchange rate and Engagement for private sales are significant in brokering sector. Experience in tea trade, Awareness about the dollar exchange rate and Engagement for private and direct sales have significantly affected on the level of willingness. 79% manufacturers, 62% brokers and 13% buyers are willing to adopt US Dollars in place of Sri Lankan Rupees at Colombo auction. This review has presumed that the most of the producers and brokers are willing to adopt US Dollars

at Colombo auction but the preponderance of the buyers do not willing to adopt US Dollars in place of Sri Lankan Rupees at Colombo auction.