

Determinants of Export Performances of Sri Lankan Spices

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Sri Lanka remains one of the major five exporters of spices in the world market. However, the Sri Lankan spices sector is still left behind its exact potential as spices account only for 1 percent of total exports of Sri Lanka. Therefore, this study examines the main determinants of the export flow of spices in Sri Lanka. Secondary data from the first quarter of 2010 to the fourth quarter of 2018 were used. The single equation error correction technique, which is mostly used to analyse nonstationary data, was employed for the analysis. Results revealed that the export volume of spices mainly depends on world GDP (44.9849) and the real wage rate index (-4.0416) in the short run. But, in the long run, this is mainly dependent on four factors such as Sri Lankan real GDP (-0.6435), world GDP (11.3477), real wage rate index (2.9925), and the sector productivity (-2.1437). However, the export value is determined only by the real wage rate index (-3.3309) in the short run and it mainly depends on the real wage rate index (-2.6150) and the sector productivity (-2.3803) in long run. The global financial crisis has significantly affected the export value of the Sri Lankan spices too. The study concludes that the real wage rate index and sector productivity are the significant factors that determine both the export volume and value of spices in Sri Lanka. Hence, this study recommends that policy measures should be taken to improve labour efficiency in the spices sector thereby reducing the cost of production of the sector.

Keywords: Agricultural exports, Determinants, Exports of Sri Lanka, Spices exports