

**DETERMINANTS OF THE LEVEL OF VALUE ADDED
PRODUCT EXPORTATION IN TEA INDUSTRY OF
SRI LANKA**

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ABSTRACT

Tea industry plays a vital role in Sri Lankan economy. Sri Lanka is still holding the its' reputation in the global tea market even though it associated with number of problems. Some of the problems are declining productivity, labor intensity, increasing cost of production, declining world share of production, Colombo auction prices are continuously increasing while declining the export share in world market and etc. Those problems of the industry should be addressed in order to increase the country's revenue from the tea exportation as bulk tea and the VAT. In this context, value added tea will become an important determinant of the future of Ceylon Tea industry as the global market's trends towards the value addition. Therefore objective of the study was to identify the determinants of the level of value added product exportation at different levels of exportation.

The research was carried out in Colombo district with 32 tea exporters. In this research study sampling process and sample size were specified, pre tested structured questionnaire was used to collect the primary data. Relevant Secondary data for the study was gathered from the statistical bulletins, annual reports, research papers, survey reports and other related documents. Tobit regressions analysis was used to analyze the relationship between dependent variable and independent variables. Analysis was done by using "STATA 12" Statistical software. The result of this study reveals that there were six factors which significantly affect on the level of value added product exportation in tea industry. Those were small scale exporters, bilateral agreement, brand ownership, number of new market approaches, and investment on research and development activities and attitude on value addition. As the exporters, should encourage to export tea as only the form of finish product that directly goes to the export market by excluding the secondary manufactures those who are imported Ceylon tea as raw form.

Key words: Value Added Tea (VAT), Colombo auction, export share, bilateral agreements