

Changes in Trade Liberalization Policies and its Impact on the Performance of Paddy Production in Sri Lanka

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Abstract

The economy of Sri Lanka opened up gradually since 1977 through liberalized and due to this policy changes economic structure in various aspects have been change significantly. Objective of this study is to assess the effect of open economic policy changes on the performance of paddy production in Sri Lanka. To evaluate this effect, secondary data were collected from annual reports of Central Bank from- 1960-2008. For this purpose, data related with paddy production, sown area of land and use of fertilizer were used on a specific time period interval before and after trade liberalization. A time series data since 1960 to 2008 contain a structural break and therefore the total time period is' divided into two sub periods such as from 1960 to 1976 and 1977 to 2008 which represents the periods of before and after policy changes respectively. The data were analysed using a linear regression model, Cobb - Douglas production function and two independent sample t tests. Further to test the structural changes of the country, the "Chow test" was applied. Results of the chow test for both regression models show that two sub sets of models are different and it proves that a clear change of performance in paddy sector has undergone before and after trade liberalization of the country. The coefficients of area of sown land and fertilizer have 1.868, 3.262 respectively indicates that, since 1977 usage of fertilizer more positively contributes us higher production than-area of sown land. Further, results of the independent samples t - test reveal that there is a statistically significant difference in mean values of the -above variables in the two time period.

Keywords: Trade liberalization, Structural changes, Structural break