

**AN ALTERNATE APPROCH:
REVITALIZING POVERTY REDUCTION
PROCESS THROUGH MAKING RURAL
PRODUCT MARKETS WORK BETTER FOR
THE POOR IN SRI LANKA**



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Abstract

Poverty reduction is the most challenging solution needed for all social, political and economic problems in Sri Lanka. The rural poverty has become an on-going social and economic dilemma, which has not been tackled successfully since independence. Many Sri Lankans still live in poverty in spite of mobilization of so much of resources coupled with different approaches and strategies. The rural agricultural poor are failures in the traditional inward-oriented markets due to lack of power, choice and material resources and the rural poor have become economic refugees. The market economies deliver the goods reducing poverty in the world which is not yet successfully tested in Sri Lanka. This study attempts to bring out a feasible solution to end the poverty trap by testing the theory of primacy of capital accumulation through the market system, which will work better for the poor creating opportunities and establishing economic freedom for all whilst the government alters both micro and macro failures of the market. The market-based poverty reduction solution is supported by long-standing theoretical and empirical evidence.

Investigation into the on-going rural market reforming policy has highlighted proven support for poverty reduction in many different ways at different levels when the markets are freer. Fundamentally, freer-markets if managed properly, allow different players to exchange resources, goods, and services according to comparative advantages of different suppliers and consumer relative preferences. Considering the price-taker characteristics of suppliers and consumers in the markets, this study validated the role played by the pro-poor 'growth drivers', providing an initial stimulus increasing income flows towards the rural economy. The role played by the 'growth supporters' is also validated together with their multiplier effects to give wider and more sustained growth impacts from the growth drivers. It was factually identified that the growth supporting role played by the Meegoda type wholesale markets and the Hathporuwa type regional collecting centers provide opportunities to local suppliers to respond to increasing demand in the economy to capture multiplier benefits from growth drivers.

Agricultural growth and productivity gains can drive pro-poor growth once the markets are accessible, unrestricted and freer enough to operate exchange mechanisms at its disposal transforming a proper share of consumer rupee as rural producer's income. This study recommends on-going agricultural product market building programme. The policy maker's attention should be drawn towards expansion of competition in the markets and modernization, allowing freer markets to operate. It is likely that further research would support market-based solution to address poverty in Sri Lanka and in similar countries.