

**A Study of the Economic Crisis associated with International Trade and the Living standards of the People in Sri Lanka: With Special Reference to State Sector People.**

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**Introduction**

Sri Lanka's economy has undergone considerable turbulence in recent years, driven by both domestic and global shocks that have deeply affected its major industries. Among these, the tea industry has experienced severe disruptions due to events such as the Easter Sunday attacks in 2019, the COVID-19 pandemic during 2020 -2021, and the prolonged post-COVID economic crisis. These crises, each distinct in nature yet interconnected through their connection to global trade, have significantly influenced the economic activities and living standards of those engaged in the tea sector. This study seeks to understand the extent to which these events have impacted the quality of life of individuals associated with the Harangala Tea Factory, located in the Kotmale Divisional Secretariat of the Nuwara Eliya District.

The Easter Sunday attacks of 2019 were a significant economic turning point. While the immediate damage was most visible in the tourism and service sectors, the shockwaves extended to the broader export economy. By 2021, the effects of the attacks were still evident in reduced investor confidence, lower foreign exchange inflows. For the tea industry, these conditions led to disruptions in demand, logistical challenges, and a cautious trading environment. Export volumes declined, and income streams became less predictable, affecting the operational stability of tea factories and the financial well-being of workers.

This instability was compounded by the onset of the COVID - 19 pandemic in 2020 and its continuation into 2021. The global health crisis brought

unprecedented challenges to the tea industry. International demand fluctuated as global markets contracted and shipping delays became common. Simultaneously, local producers faced rising costs for agricultural inputs and protective equipment. At the worker level, income insecurity, health risks, and reduced access to services became everyday realities. In the post-COVID era, Sri Lanka's economy entered a state of prolonged crisis. A combination of declining foreign reserves, mounting debt, and poor fiscal management culminated in a severe balance of payments problem. Between 2021 and 2023, the Sri Lankan Rupee depreciated sharply against the US Dollar. While tea exporters benefited from more favourable exchange rates, which increased the rupee value of their earnings, workers and small-scale producers suffered due to the rapid increase in the cost of living.

This study aims to explore how these three global trade-related crises, namely the Easter Sunday attacks, the COVID-19 pandemic, and the post-COVID economic downturn turn have affected individuals directly engaged in the tea industry, with a specific focus on the Harangala Tea Factory. Through a combination of qualitative and quantitative data, the study examines how the living conditions of factory workers, estate labourers, and management personnel evolved throughout these crisis periods. The research seeks to distinguish between the positive and negative outcomes of each event, emphasising how global economic disturbances can generate uneven effects within the same community. Understanding these dynamics is crucial for future policy planning. While macroeconomic indicators provide a national overview, localised studies such as this offer valuable insights into the human dimensions of economic resilience and vulnerability. The Harangala case study highlights the importance of context-specific strategies to ensure that economic recovery efforts are inclusive and responsive to the needs of all stakeholders within the tea industry.

Sri Lanka's tea industry has been deeply vulnerable to successive crises, illustrating the interdependence between global trade disruptions and local livelihoods. Bandaranayake (2021) emphasises how the COVID-19 pandemic amplified pre-existing structural weaknesses in the Sri Lankan economy, with shrinking foreign reserves and disrupted trade flows directly affecting export industries such as tea. Similarly, Dissanayake (2021) highlights that while the depreciation of the Sri Lankan rupee temporarily

benefited exporters by enhancing the rupee value of foreign earnings, rising inflation severely eroded household purchasing power, disproportionately burdening wage-dependent factory workers. Ekanayaka and Chatma (2010) add that volatility in exchange rates has long posed risks to Sri Lankan exporters, with the tea sector's dependence on international demand making it highly susceptible to external shocks. Together, these studies establish the macroeconomic context for understanding how crises intensify vulnerabilities in trade-reliant communities.

While prior research has predominantly focused on the negative impacts of international trade-related economic crises on Sri Lankan communities, this study examines both the negative and positive effects of these crises on community life.

### **Objectives**

To examine and distinguish how the living conditions of individuals engaged in economic activities at the Harangala Tea Factory were affected both positively and negatively by the economic crises linked to international trade during the Easter Sunday attacks, the COVID-19 pandemic, and the post-COVID period.

### **Methodology**

This study used a mixed-methods approach to comprehensively analyse how global trade-related economic crises affected the living conditions of individuals engaged in economic activities at the Harangala Tea Factory. Both primary and secondary data were utilized to ensure a well-rounded and evidence-based analysis. Primary data were collected through structured questionnaires and semi-structured interviews administered to three key stakeholder groups: fifteen management employees at the Harangala Tea Factory, twenty estate owners who supply raw tea leaves to the factory, and ten factory workers. Three separate questionnaires were designed to suit each group, capturing quantitative and qualitative information on their living standards, employment status, education level, and how these variables were influenced positively or negatively by the economic crises associated with the Easter Sunday attacks, the COVID-19 pandemic, and the post-COVID era.

Qualitative data, collected through interviews, assessed the social impact of crises on the tea industry, capturing participants' experiences regarding household income, service access, and social well-being. Secondary data from the Central Bank of Sri Lanka, the Department of Census and Statistics, and Harangala Tea Factory reports provided macroeconomic context, supporting and triangulating the primary data findings.

To analyse the collected data, a descriptive analysis method was employed. Quantitative data were summarized using measures of central tendency and frequency distributions to highlight trends and patterns in living standards and economic conditions. Qualitative responses were thematically analysed to understand the social implications of the crises on the tea industry and its stakeholders. Overall, the mixed-methods approach enabled the study to not only identify measurable changes in living conditions and employment patterns but also to explore the lived experiences of those affected, thus providing a comprehensive picture of the socio-economic consequences of global trade-related crises in Sri Lanka's tea sector.

## **Results and Discussions**

**Management-Level Employees:** Among the management-level employees, the economic impact was not entirely negative. The majority 66.7% of respondents, reported an increase in their income during the crisis period, particularly after the COVID-19 pandemic. This rise in income is attributed to the depreciation of the Sri Lankan rupee and the global demand for tea,

However, 33.3% of the management indicated that their income had decreased. Because of inflation, additional personal expenses, and operational limitations during lockdowns. Despite the financial advantage of increased tea prices, the working conditions became more stressful. All management respondents stated that their workload increased during the crisis due to reasons like staff shortages. However, they feared the volatility of relying solely on export markets, especially when production costs were rapidly increasing.

**Estate Owners:** Most of the state owners have engaged in vegetable plantation in addition to the tea plantation. During the crisis period, the

prices of vegetables and tea have increased. As a result of that, their income increased. Therefore, this resulted in a positive impact on their life standards.

**Factory Workers:** Factory workers faced the most direct and harsh effects of the crisis. A staggering 83.3% of workers said their income decreased during the pandemic and post-pandemic period. Only 16.7% reported stable income, and none of the workers indicated any increase in their earnings. The main reasons for income reduction were factory closures, reduced working hours, and the inability to reach work due to transport disruptions. Workers, many of whom rely on daily wages, were unable to work for extended periods. As a result, 66.7% of workers resorted to borrowing money to meet their basic needs. These debts were mostly informal, and the debt was used to fulfil their basic needs. Additionally, 33.3% of respondents had started home gardening to supplement their food needs. These responses show that while the economic crisis caused severe hardship, particularly for the lower income groups, it also stimulated some degree of resilience and collective action within the Harangala tea community.

### **Conclusion and Policy Recommendations**

The findings of this study highlight the profound socioeconomic impacts of recent global trade-related crises, namely the Easter Sunday attacks, the COVID-19 pandemic, and the post-COVID economic downturn on various stakeholders of the Harangala Tea Factory. The lived experiences of factory workers, estate owners, and management employees reflect the unequal burdens borne during these turbulent times, particularly within Sri Lanka's export-reliant tea industry. Factory workers emerged as the most vulnerable group. As daily earners dependent on uninterrupted production and transportation, their livelihoods were severely disrupted. The situation underscores the urgent need for targeted social protection schemes such as subsidized food Programmes, health care access, and emergency income relief to shield workers during future economic shocks. Estate owners, especially small-scale cultivators, also experienced adverse outcomes. Many faced challenges in continuing cultivation, with only a few marginally benefiting from favourable export prices. On the other hand, management-level employees reported mixed experiences. Many of them enjoyed relative income gains due to the depreciation of the rupee, which improved export

revenue in local terms. Nonetheless, concerns remain regarding long-term operational stability, labour shortages, and resource constraints. To ensure balanced progress, future policy must support inclusive recovery strategies. Moreover, this study reveals the structural vulnerabilities in Sri Lanka's tea sector, including overdependence on international trade. To address these, policymakers and industry leaders must prioritize rural infrastructure development. Enhancing financial literacy and encouraging alternative income sources can further improve individual and community resilience. Finally, the Harangala case exemplifies the uneven nature of global economic shocks. While some stakeholders adapt or even gain from currency shifts or trade fluctuations, others fall deeper into poverty. A more equitable and context-sensitive response is needed, one that blends economic recovery with human-centred development to ensure that future crises do not deepen existing inequalities but instead build a stronger, more inclusive tea industry in Sri Lanka.

## **References**

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