

CURRENT ECONOMIC CRISIS EFFECT ON THE RURAL COMMUNITY (BY RITIGAHA ARAWA VILLAGE IN RIDEEMALIYADDA DIVISIONAL SECRETARIAT IN BADULLA DISTRICT, SRI LANKA)

H.M.R.P.Wijerathna¹, D.R.P.Upananda²

ABSTRACT

¹ The Open University of Sri Lanka
Kandy Regional center,
Department of social studies,
Polgolla, kandy, Kandy, Sri Lanka
rpwijerathna@gmail.com
(corresponding author)

² The Open University of Sri Lanka
Faculty of Management,
Nawala, Nugegoda, Colombo,
Sri Lanka

Today, Sri Lanka has faced an economic crisis, and even everyone is suffering from it. The COVID pandemic was a reason to expand the crisis, but the economic policy followed by Sri Lanka was the main reason for the crisis. The Sri Lankan government announced Sri Lanka as an economically bankrupt country, and Sri Lanka has also stopped the resettlement of foreign loans. Exports, import restrictions, organic policy, taxation, inflation, and a lack of investors are the main reasons for the spreading of the crisis. The rural community is the most suffering unit of society, and the objective of this paper is to examine the effect of the current economic crisis on this community. Mix methodology was used, and questionnaires, discussions, direct observations, and field visits were used to collect the data. Day-to-day life has been lost to the rural community with the economic crisis, and their income is not enough to fulfill their basic needs. As a result of it, some students have stopped their education, and many young people are suffering their lives with the crisis. Lost job opportunities and the increasing price of goods are reasons for spreading malnutrition in the rural community, and the crisis has spread all over the rural community in Sri Lanka.

Keywords: Economic crisis, Rural community, Suffering, Sri Lanka

INTRODUCTION

The Sri Lankan economy has a long history, and it has ringed with farmers' activities using rivers and streams. So, there is an agricultural culture and customs, and people who are engaging in agricultural activities respect and concern those as traditional intangible heritage of the society. However, with technology and commercial agricultural activities, it is appearing, and the young generation is migrating from the agricultural sector to other sectors. The Sri Lankan economy was based on agricultural activities, but with the arrival of the British, they established their ruling system and economic system to strengthen their economy, introducing tea cultivation. However, tea exporting is one of the sources of foreign income in Sri Lanka, but it is not enough as a foreign income source to the country. The poverty has expanded gradually in Sri Lanka, with the most effect on the rural community because there is no close combination between the rural community and the national economy. The current economic crisis also has direct effects on the rural community and people who are living in rural areas and suffering from poverty.

Not only that, the Sri Lankan government is in a debt trap because there is no way to overcome it. Currently, Sri Lanka has stopped supporting the foreign debt and the president of Sri Lanka made a statement as Sri Lanka is a bankrupt country. To reach its economic goals Sri Lanka asked for the favor of the International Money Fund (IMF), and

the IMF has presented some conditions to the Sri Lankan government to help to overcome the crisis. But those conditions have created too many issues in the day-to-day - lives of the people, and as a result of the economic crisis, many industries have been closed and people have also lost their income.

There have been many economic crises in world history, and all had a direct or indirect effect on the economy of the people and their daily lives. The economic crisis in 2020 has affected the Sri Lankan economic crisis, the Chinese property sector crisis, and the Pakistani economic crisis. However, the COVID pandemic was the closest incident to the economic crisis, but many reasons affected the Sri Lankan economic Crisis, like miss management of the economy, mistakes of the economic crisis, expanding import expenditure, not establishing a productive economy, and political entanglements, are a few of them.

However, there are many definitions of the economic crisis and its effects on every part of society. There are some economic crises affecting every country, but some economic crises are limited to their regions and countries.

“In an economic crisis that has caused shortages of basic goods and galloping inflation, hospitals are desperately short of supplies.” (Sunday Times 2017)

“Not even the humble fish finger can find a hiding place from the economic crisis.” (Sunday Times 2009)

“Crisis is defined as a period of difficulty, turmoil, or distress in the life of a society or organization within a country or between countries” (Aktan & Şen, 2002)

“Crises have many types and variations, including economic crises, unemployment crises, marginalization crises, rural crises, demographic crises, social security crises, social crises, value crises, political crises, state crises, governance crises, ideological crises, public service and investment crises, external debt crises.” (Kotil, 1998)

Sri Lanka is a South Asian developing country and a middle-income state. The Sri Lankan economy is based on the agricultural sector, followed by the industrial and service sectors. During the colonial period, export goods were started to be cultivated in Sri Lanka. However, Sri Lanka had a great name with its natural beauty, location, and resources. There are about 65610 Square kilometers that belong to Sri Lanka, and there are nine provinces. According to the statistics of the population and statistics department, there are about 2194,9268 people in the first quarter of 2024. The global rank is 61 of Sri Lanka's of population in Sri Lanka, and about 80.97% of people belong to the rural population, the life expectancy is 76.8. There are about 47587 people in Badulla district, and there are about 200 families and 650 population in Ritigaha Arawa village.

2018 was the healthiest year, and the gross domestic product was about 2.31, it was exacerbated by the COVID-19 pandemic situation in the world. The poor situation continuously affected for a few years, but today it has reached a positive level, but Sri Lankans are suffering from the economic crisis. The foreign debt is one of the main reasons for the crisis, and currently, Sri Lanka is not taking steps to resettlement the foreign debt but when it starts resettlement the economic crisis will be worse.

Table 1. Gross Domestic product Growth rate

Year	GDP growth
2018	2.31%
2019	-0.22%
2020	-4.62%
2021	3.51%
2022	-8.7%
2022	4.50%

Source: Central Bank Reports

Table 2. External Debt in Sri Lanka

Year	External Debt	Annual Percentage change
2018	\$52,919,692,662	4.24%
2019	\$56,117,855,647	6.04%
2020	\$56,299,454,220	0.32%
2021	\$56,592,086,411	0.52%

Source: Central Bank Reports

In 2022, Sri Lanka's public debt is USD 83.6 billion and its external debt is USD 52.3 billion. The poverty level has also increased with the economic crisis, and more than 50% of rural people are below the poverty line. Sri Lanka has borrowed from countries and organizations like the World Bank and the Asian Development Bank. But when concerned with the development projects and debt the development projects and contractions are less than the debt. However, the personal debt quantity is more than 05 lakhs per person to cover government expenditures and other things, the government takes other steps to tax and reduce welfare facilities.

Table 3. Overall poverty rate in Sri Lanka

Year	Overall Poverty rate
2018	12.6%
2019	14.3%
2020	12.7%
2021	25%
2022	25%
2023	27.9%

Source: Central Bank Reports

According to the Central Bank report for 2023, the highest poverty reported Uva province, and the percentage is 48. Ritigaha Arawa also belongs to this province. The World Bank report in 2023 mentioned that poverty has increased by 57 lakhs, and the Statistics Department report in January reported that the per-person expenditure rate has increased to Rs. 17014, but it was Rs. 5181 in 2021. When it concerns 2018, medium-scale industries closed by 50% in 2022, and the value-added tax rate increased to 36%. Economic mismanagement, weak governance, poor policy choices, organic policy, the Russian invasion of Ukraine, and the COVID-19 pandemic were the main reasons for the economic crisis in Sri Lanka.

The economic crisis has become a social problem and a depression. Prostrations, suicide, and stopping education are more effective social problems, and it is reason to create many social and ethnic problems.

Many Sri Lankan rural communities engage in agriculture activities, and they use agriculture activities to fulfill their day-to-day needs and wants. Riigaha Arawa is a traditional agriculture village, and there are about 430 square kilometers. They use traditional and cultural things for their agricultural activities. All these families are directly and indirectly engaged in agricultural activities like paddy cultivation, corn cultivation, and growing vegetables.

Literature review and research gap

Prathapage S (2006) has done an investigation under the research paper on the topic of the impacts of rural poverty on human development in Sri Lanka: a case study from a village in Kandy district. The study has examined the impacts of rural poverty on human development in Sri Lanka. The main objective of the research is to explore the relationship between poverty and the human development situation of the selected study area. The study used both quantitative and qualitative research methods. Also, relevant data for the study were gathered from secondary as well as primary sources. The main primary data collection methods were questionnaire surveys, household interviews, and key informant interviews. The result shows that many of the people do not have trust in the program's potential to overcome their poverty situation. It seems that many people use the benefits they are receiving from the Samurdhi only as a way of survival. Those who try to overcome the poverty situation through the Samurdhi program are limited. The result revealed that many people don't have any clear idea about poverty. However, according to their ideas, they have experienced poverty in many ways. Many of them expressed poverty as a lack of basic needs. Also, they have no reliable plans to overcome the problem.

Under the topic of Rural Economic Development and Apparel Industry in Sri Lanka, Weerasinghe M.G.D.L (2022) has done a study. Accordingly, the research question of this research is whether the apparel industry contributes to the rural economic development of Sri Lanka. This research is based on three objectives to find a solution to this problem. And identify solutions that can enhance rural economic development. Under the methodology of this research, a sample of 60 employees of the apparel industry in the Rambukkana Divisional Secretariat was taken and the data was analyzed using detailed statistics and inductive statistics. Factors affecting rural economic development identified the monthly income of a household in the rural sector, savings capacity, level of education, employment in the household, and government subsidies and concluded that the apparel industry contributes to rural economic development.

Adikari A.M.C.P, Herath H.M.T.S and Kannangara S.D.P.P (N.D) has done a study topic of The Impact of Financial Inclusion on Rural Development in Sri Lanka. The study's primary objective was to investigate the impact of financial inclusion on the rural development of Sri Lanka. Thus, the unit of analysis was at the country level. The methodological approach of the study was quantitative, and it used secondary data to test the hypotheses. Data were gathered from a sample spanning annually from 1996 to 2019.

The study used two main secondary data sources for data collection purposes. Data for rural development were gathered from the World Bank database. Data for the financial inclusion access, quality, and usage were collected from the Annual Central Bank Socio-economic reports (2014). The study found that financial inclusion and rural development are positively related in the Sri Lankan context.

Priyadarshan S and Damayanthi D.M. I have done research using the topic of factors that influence rural development (special reference to Dambakote area in Badulla district. The objective of the research is to identify the factors that contribute to rural development; to find out which factor has a high impact on rural development and to explore the suggestions to improve rural development. Four independent variables such as rural market development, accessibility, community development, and land resources as factors influencing rural development. A hundred samples were selected from the convenience sampling method. A structured questionnaire was used to gather the data from the individuals. Analysis of the data is done using the Statistical Package for Social Science (SPSS) and univariate analysis for evaluation, based on the analysis all the variables are low-level except land resources. According to the result of the research Dambakote area hasn't had fast improvement socio economic environment and infrastructure facilities such as education, health, and road transport. Suggestions to improve rural development, such as an appropriate strategy for rural development are needed to keep the rural population in the villages, Grama Niladhari must create a more stable predictable policy framework for the improvement of the village.

Sakalasooriya N (2021) has done an investigation to examine the nature and the background causes of the regional variations of development in Sri Lanka using the topic of Regional Development Disparities in Sri Lanka. The study proves that the 30-year civil war between the ethnic groups the youth unrest and the merging fundamentalism of Sri Lanka are also the results of regional disparities of development. This article is based on secondary data and provides some of the cases as evidence to prove the spatial and temporal development disparities of the country. The urban-biased development approach of all the successive government and welfare approaches of the development policies is the major cause behind the regional variations of the human well-being of Sri Lanka

According to the previous research, those have been based on the Sri Lankan economy and development but there is a lack of studies based on the economic crisis and its effects on the Sri Lankan rural economy. Not only Rideemaliyadda is the second poorest divisional secretariat in Sri Lanka but there are fewer study papers based on Rideemaliyaada as the study area. This research paper has attempted to fill that research gap and guide future researchers on the importance of rural economic development in Sri Lanka.

Objective

The main objective of this paper is to examine the effect of the current economic crisis on the rural community. The other objectives are to explore the current economic situation in Sri Lanka and how to engage the economic crisis in the day-to-day life of the rural community.

Research Question

The current economic crisis has an effect on every part of society and the rural community is specifically among them. As a developing country, the Sri Lankan community is suffering from poverty, and this economic crisis has accelerated the poverty rate among the rural community. This paper concerns this situation as the research question.

RESEARCH METHOD

Mixed methodology was used as the research methodology, and both primary and secondary data were used as the research data. The random sampling method was used to select the sample, and 150 people from the Ritigaha Arawa area were used to collect the data using the questionnaires. In addition, discussions, direct questions, direct observations, and field visits were used to collect more primary data related to their social level, economic level, and knowledge of the economic crisis. Central bank reports, reports of the statistics department, newspapers, previous research papers, and web pages were used to collect the secondary data. More than one and a half months were spent collecting data, and the biggest challenge was explaining the research to the people who belong to the sample category. The descriptive methodology was used for data analysis.

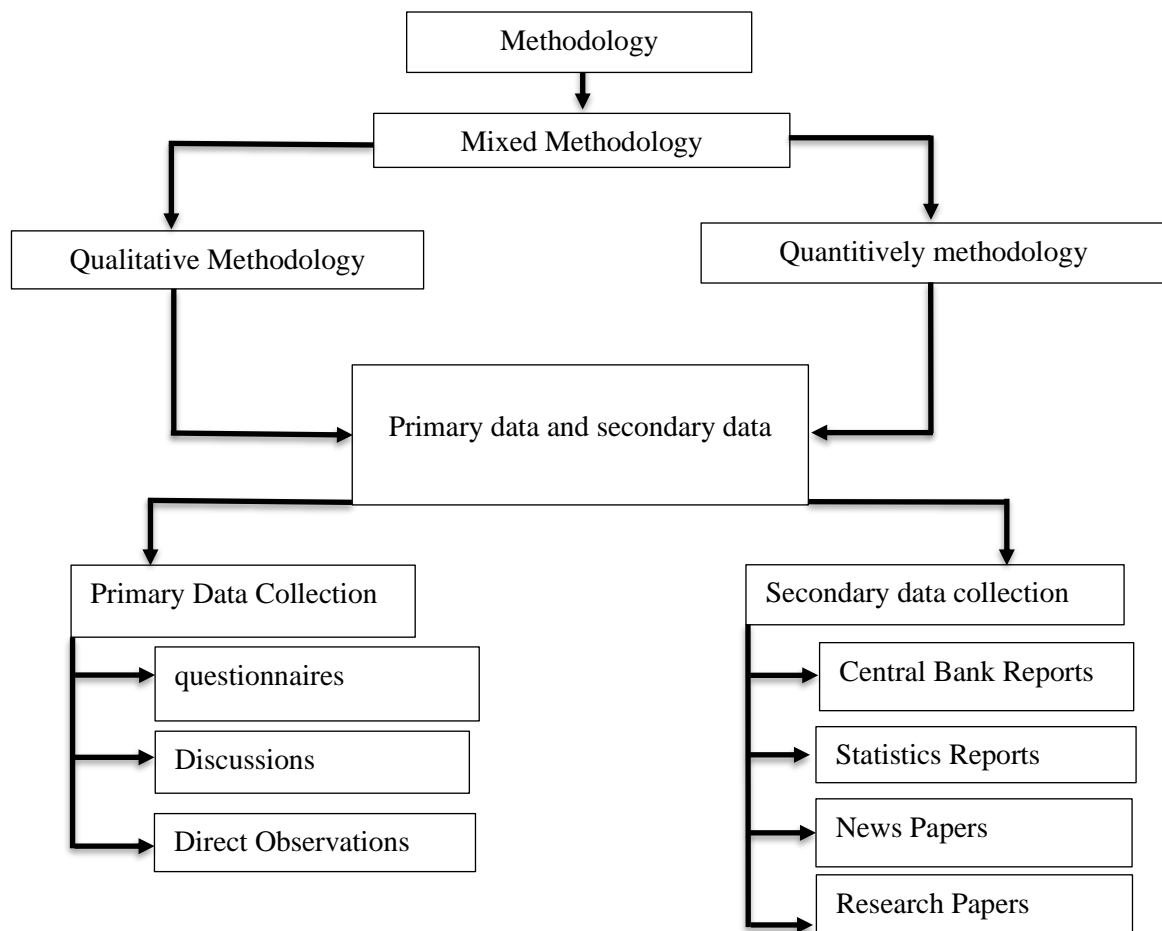


Figure 1. Descriptive Methodology
 Source: Developed by Authors

To select the sample of the research, we used the random sampling method and randomly selected 150 people for interviews and discussions. The majority of them are doing agricultural activities as their economic income ways. Direct observations and field visits were used to get great knowledge about their day-to-day lives and know what happened to their lives before the economic crisis and after the crisis. Questionnaires were used to find out true information about the economic crisis affecting the people who live in the Ritigaha Arawa area.

Previous research papers have mentioned the economic problems and those were used to find out about the economic situation of Sri Lanka central bank reports, statistics reports and newspapers mentioned the debt of Sri Lanka, gross domestic product, development of the economy year by year and those were used to confirm the statistics years before the economic crisis and after the economic crisis. Finally, descriptive methodology was used to present the data and charts. Bar charts were used to prove the data and present provide it.

RESULT AND DISCUSSION

According to the data analysis, 150 people participated in the data collection, and according to their gender, the majority were male, and the quantity was 115, and 35 were female. This is an agricultural village, and most of the people are engaged in farming activities, and the rest are working in the government sector, private sector, self-employed or unemployed.

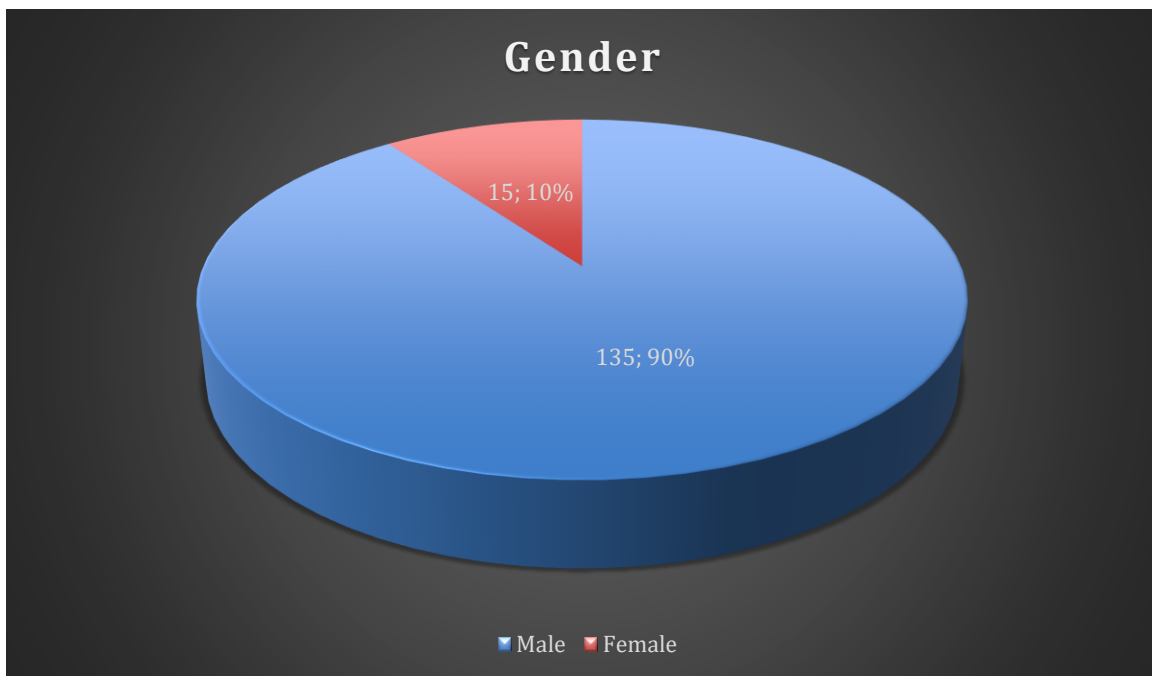


Figure 2. Gender Distribution
Source: Information of the questionnaires

According to the participants, 90% belong to the male category and 10% belong to the female category. In Sri Lanka, men typically bear the majority of the responsibility for their families' economic well-being. However, many women are a strength for the

economy of the house, and especially in the rural environment, the women contribute to the economy, participating in all economic activities, some women cultivate vegetables and fruits; some are owners of businesses, and others work in the government sector or the private sector. Normally, the chief of the domestic economy is the male, but the female has a great character in both the Sri Lankan national economy and the rural economy. The age category of the respondents was 18 to above 69, 17 participants belonged to the age 18 to 28 age category, and 28 respondents belonged to the 29 to 38 age categories. However, most of the respondents were aged between 39 to 48, and the quantity was 59. Ages 49 to 58 belonged to the 35 participators, 09 belonged to the 59 to 68 categories, and the rest were in the age 69 category.

Table 4. Professions of the Participators

Professions	Number of participators
Farmer	108
Government Sector	13
Privet Sector	11
Self employed	12
unemployed	06

Source: Questionnaires Information

According to the above table, most of the participants are farmers, and there are six unemployed. Normally, the people who are in the rural economy work at a high age level, and they are concerned that it is their responsibility to contribute to the economics of the house. The main cultivation of the farmers in Ritigaha Arawa area is paddy cultivation, and in addition, corn, beans, chilly, pumping, and pumping, are cultivated using their lands or the land of others. Some farmers have their land, but some do not, and they used to cultivate on the land of other people with the promise to provide a part of the harvest. According to the income category, most of the participants belong to the Rs 31000-45000 category, and 04 people are above Rs.106000. The rural people have a self-suffering economy according to their economic situation, but the economic crisis has affected their self-sufficient economy, and now they are suffering from the crisis and they have to find some new income ways to develop their economy, but it is another way to cope with the period of economic crisis.

Table 5. Income category

Income level	Number of the people
1000-15000	18
16000-30000	28
31000-45000	33
46000-60000	27
61000-75000	16
76000-90000	13
91000-105000	09
Above 106000	04

Source: questionnaire's information

Education level and poverty have a direct combination because the education level is not high for most people. On the other hand, the unemployment rate is higher among educated people in Sri Lanka. The education system of the rural area is not at standard level, and that is the main reason for the children’s loss of a new era. Normally, only 1%-2% of the gross domestic product is shared with education, so the rural education system is down again and again with this percentage.

Table 6. Education level

Education level	Number of people
Grade 01 to 05	52
Grade 06 to 09	54
Grade 10 to 11	28
Advanced level	12
Higher education	04
Total	150

Source: questionnaire’s information

However, monthly living costs have increased with the economic crisis. Therefore, their expenditure has also gone up with the flying price level. Normally, people build up an economy according to their monthly income, but with the price going up it cannot be managed when it happens again and again. Electricity, food, water, and education are the most essential things for people’s lives and those are their basic needs. According to the below table, when it comes to concerns between 2018 and January 2024, there is a difference between the income category and the number of people. The biggest differences between reports in the Rs. 1000-10,000 income category and other income categories also differed with the price of the essential goods and services.

Table 7. Expenditure level

Number of people in 2018	Expenditure Level (Rs)	Number of people January in 2024
16	1000-10000	02
21	11000-20000	22
22	21000-30000	24
27	31000-40000	28
18	41000-50000	20
19	51000-60000	21
13	61000-70000	15
09	71000-80000	10
03	81000-90000	04
02	91000-100000	03
00	Above 100000	01

Source: questionnaire’s information

The above table shows very clearly the different expenditures in 2018 and January 2024. So, people must earn more for their wants and needs today. Especially going high on the price of essential goods and services, a reason to expand poverty among the people.

The expenditure category could also be categorized according to the expenditure of goods and services, so a higher percentage of income has a cost for food and the lowest percentage for leisure and hobbies.

Table 8. Percentage of Expenditure

Goods and Service	Expenditure percentage
Foods	50% - 60%
Electricity	10% -15%
Water	5% -10%
Education	10% -20%
Medicine	8% -16%
Agricultural equipment	12% -20%
Leisure and hobbies	1% -4%

Source-questionnaire's information

The Sri Lankan economy is based on the Western province, and the Western province contributes 36% of the gross domestic product, and the poverty of the Western province is 18%, but the Uva province contributes to the gross domestic product by 4% and the poverty of the people in the Uva province is 48%. So, there is a direct combination between poverty and production because the western province contributes 36% of the gross domestic product and their poverty level is 18% while the Uva province contributes only 4% of the gross domestic product and their poverty level is 48%.

In addition, poverty causes many social problems also, like losing the social acceptance of people, losing their personalities, committing suicide, and leaving school before time, and those problems create many other social issues. Not only those things, but the economic crisis is also a reason to create many other ethical problems, robberies, illegal business, crimes, and many more health problems like malnutrition, and the birth of underweight children. According to UNICEF reports, the malnutrition rate in Sri Lanka was 12.2% in 2021 and 15.3% in 2022. As of May 2023, 3.9 million people were moderately food insecure, with over 10,000 households facing severe food insecurity.

CONCLUSION

The current economic crisis has ruined the day-to-day life of the Sri Lankan community, and it has affected very seriously on the rural community. Ritigaha Arawa village is in an impoverished province in Sri Lanka, and the divisional secretariat is the 2nd highest poverty secretariat division in Sri Lanka. To overcome the economic crisis, Sri Lanka should follow short-term and long-term programs aimed at the whole society. Under the short-term programs, the establishment of the law and judgment of the political establishment, taking steps to prevent corruption, stopping unnecessary imports, increasing the export sector, and developing the tourism industry. As a long-term program, it can be done by developing the export industry, introducing import substitutes, concerning the community's basic economic system, creating a fair income flow system, and giving local and foreign investment subsidies to overcome the effects of the economic crisis in Sri Lanka.

The Sri Lankan government has taken steps to divide 20 kg of rice among the poor people, but it is not a long-term answer to the crisis. It is a good short-term solution but should take a long-term solution. In addition, it is better to take steps to reduce the price of agricultural equipment as a subsidy for the farmers because the organic cultivation steps were also a direct reason for spreading the economic crisis in Sri Lanka.

ACKNOWLEDGEMENT

Especially thank you very much to the villages who are living in the Ritigaha Arawa area who contributed to the questionnaires and participated in the discussion with their day-to-day experiences. The divisional secretariat of the Ridimmaliyadda helped us by supplying the reports and information. In addition, respect bottom of my heart to the previous researchers and reporters

REFERENCES

- Adikari A.M.C.P, Herath H.M.T.S and Kannangara S.D.P.P (N.D), The Impact of Financial Inclusion on Rural Development in Sri Lanka, Department of Commerce and Financial Management, University of Kelaniya, Sri Lanka
- Annual performance report of Rideemaliyadda Divisional Secretariat 2018, 2019,2020,2021,2022,2023
- Ariyaratne H (ND), Public sector programs for rural development, Consultant, Sri Lanka Institute of Development Administration
- Bhowmick S., (2023), Understanding the economic issues in Sri Lanka's Current debacle, Associate fellow, Centre for New Economic Diplomacy at the Observer Research Foundation.
- Blakely, E. J. (1979). Community Development Research: Concepts, Issues, Strategies.
- Brophy, Paul C. and Alice Shabecoff. (2001). A Guide to Careers in Community Development.
- Buye, R. (2021). Effective approaches to community development.
- Central bank reports in Sri Lanka 2018 to 2024
- Chambers, R. (1997). Rural Development: Putting the Last First. Longman.
- Christenson, J.A., & Robinson, J.W (1980). Community development in America. p. 43.
- Gallardo, R. (2016). Community Economic Development Approaches
- George ASH, George AS, Baskar T., (2022), Sri Lanka's economic Crisis: A brief overview, Shree Sathyam Collage of engineering and Technology, Tamilnadu, India
- Haski-Leventhal, D., Meijs, L. C., & Hustinx, L. (2008). The Third Logic: Volunteering and the Nonprofit Sector. Routledge
- John FM, Swinnen, Herck KV., (2009), The Impact of the global economic and financial crisis on food security and the agricultural sector of Eastern Europe and Central Asia, LICOS Centre for Institution and economic performance, Catholic University of Leuvan (KLU)
- Prathapage S (2006), The impacts of rural poverty on human development in Sri Lanka: a case study from a village in Kandy district, Norwegian University of Science and Technology (NTNU), Faculty of Social Sciences and Technology Management,

- Department of Geography, Trondheim, Norway
- Priyadarshan S and Damayanthi D.M.I (2017), Factors influence on rural development (special reference with dambakote area in badulla district), Department of Business and Management Studies, Trincomalee Campus, Eastern University of Sri Lanka
- Randeniya N and Bopitiyegedara N (2023), Enhancing Sustainable Rural Development in Sri Lanka: A Study of Community-Centered Approaches and Volunteerism in Ohiya, Karagahayaya, and Moragahapallama, Proceedings of International Conference on Real Estate Management and Valuation 07(1):156, December 202307(1):156
- Rova L., (2021), the impact of financial crisis on the quality of life, Economic Department, Eqerem university, Albania
- Sakalasooriya N (2021), Regional Development Disparities in Sri Lanka, Regional Development Disparities in Sri Lanka
- Saliya CA., (2023). Analyzing the root causes of Sri Lanka's economic crisis, Sri Lanka institute of information technology
- Shibly FHA.,(2013). Economic Crisis and its impact on economic development (Special reference to Sri Lanka), Department of Arabic language, South Eastern University of Sri Lanka
- Statistics reports in Sri Lanka 2018 to 2023
World Development Report (2022)
- Weerasinghe D (2023), Rural Economic Development and Apparel Industry in Sri Lanka, University of Ruhuna, Sri Lanka