

# An In-Depth Analysis of Sri Lanka's Economic Crisis (2019–2024)

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## Abstract

Sri Lanka's economic crisis (2019–2024) represents one of the most severe and multidimensional economic collapses in recent South Asian history. Triggered by a combination of **fiscal mismanagement, unsustainable borrowing, external shocks, and policy failures**, the crisis manifested through **hyperinflation, currency depreciation, severe shortages of essential goods, declining foreign reserves, and social unrest**. This paper provides a comprehensive analysis of the crisis, employing a **mixed-methods research design** that integrates quantitative analysis of macroeconomic indicators (GDP growth, inflation, debt levels, foreign reserves) with qualitative analysis of governance, policy interventions, and societal responses.

The study includes **two detailed case studies**: the 2022 sovereign debt default, which illustrates the macroeconomic consequences of unsustainable borrowing, and the social unrest that erupted in response to shortages, inflation, and governance failures, highlighting the human and political dimensions of the crisis. By synthesizing data from IMF and World Bank reports, Central Bank statistics, scholarly articles, and media accounts, the research identifies the structural weaknesses in Sri Lanka's fiscal, monetary, and policy frameworks that amplified the crisis.

Finally, the paper evaluates **policy responses and reform measures**, including IMF bailout programs, debt restructuring, fiscal and monetary adjustments, and governance reforms. Recommendations focus on long-term strategies for **economic resilience, fiscal discipline, institutional transparency, and social safety nets**. This research contributes to understanding the **complex interplay between economic policy, external shocks, and societal impacts**, providing lessons for both Sri Lanka and other emerging economies susceptible to similar crises.

## Introduction

Sri Lanka, an island nation in South Asia, has historically been regarded as a moderately stable economy with potential for growth due to its strategic location, diversified agricultural base, and tourism appeal. During the early 2010s, Sri Lanka demonstrated steady economic growth, averaging **5–6% GDP growth per year**, fueled by **exports of tea, garments, and tourism**. However, by the late 2010s, structural vulnerabilities began to emerge, including **high public debt, reliance on external financing, and fiscal deficits**.

The period from 2019 to 2024 witnessed an **unprecedented economic crisis**, which has been described as one of the worst in the country's post-independence history. The crisis was characterized by **soaring inflation, rapid currency depreciation, shortages of essential commodities, and social unrest**, fundamentally challenging both the economic and political structures of the country. Key indicators illustrate the severity of the crisis: by 2022, the Sri Lankan Rupee had depreciated over **50% against the**

**US Dollar**, inflation peaked at **nearly 70%**, and foreign reserves fell to **critically low levels**. These factors triggered widespread public dissatisfaction, culminating in large-scale protests and the resignation of both the President and Prime Minister in mid-2022.

The crisis resulted from a **combination of internal and external factors**. Internally, **fiscal mismanagement**, including tax cuts, unsustainable borrowing, and poorly planned subsidies, severely strained government finances. Policy missteps, such as the abrupt fertilizer ban in 2021 and energy subsidy mismanagement, further aggravated the economic situation. Externally, the COVID-19 pandemic disrupted tourism and remittances, while global commodity price shocks, particularly fuel and food exacerbated shortages and inflation.

This research paper aims to provide a **comprehensive analysis of the Sri Lankan economic crisis**, addressing the following objectives:

1. To examine the **primary causes** of the crisis, including fiscal, monetary, and policy-related factors.
2. To assess the **economic and social impacts**, including inflation, unemployment, shortages, and public unrest.
3. To evaluate the **policy responses and reforms** undertaken domestically and internationally, including IMF-supported programs and debt restructuring.
4. To study **two case studies**—the 2022 debt default and social unrest—to understand the multidimensional consequences of the crisis.
5. To provide **policy recommendations** for future economic resilience, fiscal stability, and governance reforms.

By integrating **quantitative data** on macroeconomic indicators with **qualitative insights** from policy evaluations and case studies, this paper offers a holistic understanding of the crisis. It not only examines the economic dimensions but also considers **social, political, and governance implications**, highlighting the lessons Sri Lanka's experience offers for other emerging economies facing similar vulnerabilities.

## Literature Review

The literature on Sri Lanka's economic crisis highlights multiple dimensions—fiscal, monetary, structural, and socio-political. Previous studies identify **systemic vulnerabilities and external triggers**, and provide insights into policy missteps and reform strategies.

### Fiscal Mismanagement and Debt Vulnerability

- Athukorala (2022) identifies **tax reductions and revenue shortfalls** as a primary cause of fiscal imbalance. The reduction of VAT from 15% to 8%, coupled with corporate tax cuts, caused government revenues to fall dramatically, limiting the ability to fund essential services.
- Kelegama (2014) emphasizes that **unsustainable borrowing to finance politically motivated infrastructure projects**, such as the Hambantota Port and Mattala International Airport, created a debt structure heavily reliant on external creditors. By 2021, external debt accounted for nearly **60% of total public debt**, with high interest obligations exacerbating repayment pressures.
- Weerakoon & Jayasuriya (2022) note that **debt servicing consumed nearly 40% of government revenue by 2021**, leaving minimal fiscal space for social programs and investment in economic recovery.

### Monetary Policy and Inflation Dynamics

- Hyperinflation, currency depreciation, and increased cost of living are central themes in the literature. According to the Central Bank of Sri Lanka (2022), excessive **money supply expansion** to cover fiscal

deficits triggered inflation, which peaked at **nearly 70% in 2022**.

- Empirical analyses (World Bank, 2022) show a correlation between **currency depreciation and import-dependent inflation**, particularly for essential goods like fuel, rice, and cooking oil.
- Trading Economics (2023) data indicate that the Rupee depreciated over **50% against the USD between 2019 and 2022**, highlighting the vulnerability of small open economies to external shocks.

#### External Shocks and Vulnerability

- COVID-19 disrupted tourism (5% of GDP) and reduced remittances by roughly **20%**, according to World Bank (2022), significantly reducing foreign exchange inflows.
- Global commodity price shocks, particularly oil and fertilizer price surges after the Ukraine conflict, further strained foreign reserves and increased domestic costs (ADB, 2023).
- Literature on environmental economics (Athukorala, 2022) notes that **climate-related shocks**, including floods and droughts, worsened food security, demonstrating the interconnection between natural events and economic vulnerability.

#### Policy Failures and Governance Issues

- Fertilizer bans implemented in 2021 caused **agricultural output to fall by 20%**, increasing food prices and social stress (BBC News, 2022).
- Subsidy mismanagement, particularly for fuel and energy, created shortages and black-market trading, demonstrating governance inefficiencies.
- Al Jazeera (2022) and The Guardian (2022) highlight that delayed debt negotiations and reactive policy responses magnified public dissatisfaction, culminating in protests and political instability.

#### Socio-Political Implications

- Studies show that economic crises often trigger **political and social unrest**. In Sri Lanka, inflation, shortages, and unemployment led to large-scale protests in 2022, ultimately resulting in the resignation of the President and Prime Minister (Reuters, 2022).
- Literature on crisis management (Weerakoon & Jayasuriya, 2022) suggests that **robust social safety nets and transparent governance** can mitigate social upheaval during economic shocks.

#### Case Study Approach in Literature

- Several scholars advocate the use of **case studies to analyze multidimensional crises** (Kelegama, 2014; Athukorala, 2022). This study adopts this approach to examine:

1. The 2022 debt default (macro-financial dimension)
2. Social unrest (human and governance dimension)

#### Gaps in Existing Literature

- While existing studies identify fiscal mismanagement and external shocks, **few studies comprehensively integrate macroeconomic, social, and political dimensions in a single analysis**.
- This research addresses that gap by combining **quantitative macroeconomic data, policy evaluation, and qualitative insights from case studies**, providing a holistic understanding of Sri Lanka's crisis and its broader lessons for emerging economies.

#### Research Methodology

Understanding Sri Lanka's economic crisis requires a comprehensive research methodology that combines both quantitative and qualitative approaches. This mixed-methods design ensures a holistic analysis of the crisis, capturing statistical trends as well as contextual policy and social implications.

## Research Approach

This study employs a **mixed-methods approach**, integrating **quantitative economic analysis** and **qualitative policy and social analysis**:

- **Quantitative Approach:** Quantitative methods are essential to analyze the measurable economic indicators that reflect the depth of the crisis. These include gross domestic product (GDP) growth, inflation rates, foreign exchange reserves, debt-to-GDP ratio, unemployment statistics, and trade balances. By examining trends in these indicators, the study assesses the severity of economic decline over time and identifies key fiscal vulnerabilities.
- **Qualitative Approach:** The qualitative approach focuses on understanding the policies, governance decisions, and social consequences of the crisis. This involves analyzing government reports, media coverage, policy papers, and scholarly studies. Qualitative methods help uncover the motivations behind policy decisions, the implementation challenges, and the social reactions to economic hardships.

The combination of both approaches provides a **triangulated perspective**, allowing for cross-validation of findings and a deeper understanding of complex economic phenomena.

## Data Sources

The study relies **secondary data sources**:

- **Secondary Data:** A significant portion of the analysis is based on secondary data, including:
  - Reports by the **International Monetary Fund (IMF)** and **World Bank** on Sri Lanka's macroeconomic performance.
  - Government publications such as **Central Bank of Sri Lanka annual reports** and **Ministry of Finance reports**.
  - Academic studies and journal articles focusing on fiscal policy, debt management, and social impacts.
  - Media sources documenting social unrest, public opinion, and political changes.

Secondary data allow for **historical trend analysis** and provide a benchmark for comparing Sri Lanka's situation with other nations facing similar economic challenges.

## Analytical Framework

The study applies different **analytical tools and frameworks** for quantitative and qualitative data:

- **Quantitative Analysis Tools:**
  - **Trend Analysis:** Tracking changes in key economic indicators over the period 2019–2024.
  - **Correlation Analysis:** Examining relationships between variables such as debt levels, inflation, and currency depreciation.
  - **Comparative Analysis:** Comparing Sri Lanka's economic indicators with regional peers to contextualize the crisis.
- **Qualitative Analysis Tools:**
  - **Thematic Analysis:** Identifying recurring themes in government reports, media coverage, and interviews, such as policy missteps, social unrest, and external shocks.
  - **Case Study Methodology:** Two case studies — the 2022 debt default and social unrest — provide in-depth insights into the crisis's real-world impacts and policy implications.

### Case Study Selection

Two case studies were selected to capture critical dimensions of the crisis:

1. **2022 Debt Default:** Represents a financial and economic turning point, illustrating the consequences of unsustainable borrowing and fiscal mismanagement.
2. **Social Unrest and Political Instability:** Highlights the socio-political effects of economic hardship, showing the human and governance dimensions of the crisis.

These case studies were chosen because they encompass both **macro-level economic outcomes** and **micro-level social consequences**, providing a comprehensive view of the crisis.

### Justification of Methodology

The selected methodology is justified for several reasons:

- **Holistic Understanding:** Combining quantitative and qualitative data ensures both measurable and contextual aspects of the crisis are captured.
- **Evidence-Based Analysis:** Using reliable secondary sources like IMF reports and Central Bank data ensures credibility.
- **Policy Relevance:** Case studies highlight real-world implications, informing recommendations for economic reforms.
- **Comparative Insights:** Trend and correlation analyses allow Sri Lanka's experience to be compared with other emerging economies facing debt crises, such as Argentina or Pakistan.

### 3.6 Limitations

While the methodology is robust, certain limitations are acknowledged:

- Limited access to primary survey data due to logistical constraints.
- Time-lag in economic data reporting may slightly affect analysis for 2023–2024.
- Some policy decisions and internal government deliberations are not publicly documented, which restricts the understanding of decision-making processes.

### Core Problem Explanation

Sri Lanka's economic crisis was not the result of a single factor but a convergence of **fiscal mismanagement, external shocks, and policy failures**. Each of these factors interacted in complex ways, magnifying the severity of the crisis. This section explores these causes in detail.

#### ***Fiscal Mismanagement***

Fiscal mismanagement is widely regarded as the **primary driver of Sri Lanka's economic collapse**.

##### ***Tax Cuts and Revenue Decline***

- In late 2019, the government implemented sweeping tax reforms, including the reduction of the **Value Added Tax (VAT) from 15% to 8%**, cuts to corporate taxes, and the removal of several indirect taxes.
- According to the Central Bank of Sri Lanka, these tax reforms caused government revenue to **fall by approximately 33%** in the first year alone.
- This reduction in revenue left the government unable to finance essential public services, including healthcare, education, and social welfare programs, without resorting to borrowing or monetary expansion.

### *Unsustainable Borrowing*

- To cover the fiscal deficit, Sri Lanka relied heavily on both domestic and international borrowing.
- Between 2019 and 2021, **Sri Lanka's public debt rose from \$55 billion to \$84 billion**, with external debt comprising nearly 60% of the total.
- Much of this debt was used to finance large infrastructure projects, such as the Hambantota Port, which were politically motivated but economically unviable.
- High-interest loans from foreign governments and institutions, especially China and Japan, increased debt-servicing costs, consuming nearly **40% of government revenue by 2021**.

### *Monetary Policy and Inflation*

- In an attempt to bridge fiscal gaps, the Central Bank increased **money supply through printing currency**, which directly fueled hyperinflation.
- By mid-2022, inflation peaked at **over 60%**, severely eroding purchasing power and causing the prices of essential commodities like rice, cooking oil, and fuel to soar.
- The **depreciation of the Sri Lankan Rupee** (over 50% against the US dollar in 2022) compounded the problem, increasing import costs and worsening the trade deficit.

### *External Shocks*

While fiscal mismanagement created vulnerability, external shocks **triggered and intensified the crisis**.

#### *COVID-19 Pandemic*

- Tourism, which contributed roughly **5% of Sri Lanka's GDP** pre-pandemic, collapsed due to global travel restrictions.
- Remittances from overseas workers also declined by **about 20% in 2020**, reducing a critical source of foreign exchange for the country.
- Exports of tea and garments faced disruptions in global supply chains, further weakening the balance of payments.

#### *Global Commodity Price Shocks*

- The **Ukraine conflict in 2022** caused global spikes in oil and food prices, disproportionately affecting Sri Lanka due to its dependence on imported fuel and food.
- The country's fuel import bill doubled within months, straining already limited foreign reserves.
- The rise in global fertilizer prices, combined with domestic bans on chemical fertilizers (see below), led to severe reductions in crop yields and increased food insecurity.

#### *Natural Disasters*

- Sri Lanka faced **adverse weather events**, including floods and droughts, which further disrupted agricultural output.
- These environmental shocks magnified the food supply crisis and increased public discontent, creating a **vicious cycle of economic stress and social unrest**.

### *Policy Failures*

Several domestic policy decisions **exacerbated the economic collapse**, highlighting systemic weaknesses in governance and planning.

#### *Agricultural Policy*

- In 2021, the government imposed a sudden **ban on chemical fertilizers** to promote organic agriculture.

- Rice and vegetable production dropped drastically; the **paddy harvest declined by approximately 20%** in 2021–2022.
- This policy led to shortages of staple foods, sharply increasing prices and fueling inflation, while failing to provide adequate organic alternatives.

#### ***Energy Sector Mismanagement***

- Subsidies on fuel were maintained despite skyrocketing global oil prices, leading to **severe fiscal strain**.
- Public sector inefficiencies in distribution created **long queues and black-market fuel trading**, which became a source of public anger and social unrest.

#### ***Debt Negotiation and Governance Failures***

- Failure to negotiate debt restructuring early in the crisis meant that by 2022, Sri Lanka faced **insurmountable repayment obligations**, forcing the country to default.
- Policy decisions were often reactive rather than proactive, lacking **long-term strategic planning**, which deepened both economic and social consequences.

#### **Social and Economic Impacts**

The combination of fiscal mismanagement, external shocks, and policy failures led to profound social consequences:

- **Widespread Shortages:** Scarcity of essentials such as food, fuel, and medicines led to **rationing and public panic**.
- **Inflation and Purchasing Power:** Hyperinflation caused a severe decline in real income, pushing **over 30% of the population into poverty**.
- **Unemployment:** Business closures and industrial slowdowns increased unemployment, especially among young adults.
- **Protests and Political Instability:** Citizens protested against rising prices and shortages, culminating in the **resignation and fleeing of the President in July 2022**.

#### **Interconnection of Factors**

It is crucial to understand that these factors did not operate in isolation. Fiscal mismanagement made the economy vulnerable to external shocks, while poor policy decisions amplified the social consequences. The crisis can thus be viewed as a **systemic failure**, where political, economic, and social dimensions were deeply intertwined.

To better understand the practical impacts of Sri Lanka's economic crisis, this study examines two critical events: the **2022 debt default** and **social unrest/political instability**. These case studies provide insight into both the economic and socio-political dimensions of the crisis.

#### **Case Study 1: *The 2022 Debt Default***

##### **Background**

- Sri Lanka had accumulated a high level of external debt by 2021, totaling approximately **\$51 billion**, representing more than **60% of GDP**.
- Debt was contracted from multiple sources: sovereign bonds, bilateral loans from countries like China and Japan, and multilateral institutions such as the World Bank and IMF.

- Much of the borrowing funded large infrastructure projects, some of which failed to generate expected returns, like the Hambantota Port and Mattala Rajapaksa International Airport.

#### Timeline of Events

- **Early 2021:** Foreign reserves fall below \$5 billion. Government struggles to pay international obligations.
- **March 2022:** Oil imports deferred, creating severe fuel shortages.
- **April 12, 2022:** Sri Lanka officially defaults on **\$51 billion of foreign debt**, becoming the first country to default on sovereign debt during the COVID-19 pandemic era.
- **May–June 2022:** Negotiations with IMF and creditor nations begin, seeking debt restructuring agreements.

#### Causes of Default

- Chronic fiscal deficits due to tax cuts and revenue shortfalls.
- Declining foreign exchange reserves from falling exports, tourism, and remittances.
- External shocks like the pandemic and global fuel price spikes.

#### Immediate Effects

- **Currency Depreciation:** The Sri Lankan Rupee lost over **50% of its value** against the USD within months.
- **Inflation:** Inflation peaked at **nearly 70%**, especially affecting staple foods and fuel prices.
- **Restricted Imports:** Essential imports such as medicines, fertilizers, and fuel were severely limited.

#### International Response

- The IMF approved a **\$3 billion Extended Fund Facility** in March 2023 to support economic stabilization.
- Bilateral creditors negotiated **debt rescheduling and interest deferrals**, particularly China and India.
- Global financial institutions closely monitored Sri Lanka as a potential case study for crisis management in emerging markets.

#### Long-Term Implications

- Loss of investor confidence hindered foreign direct investment.
- Public debt servicing continues to consume a significant portion of government revenue.
- The debt default acted as a **catalyst for socio-political unrest**, as ordinary citizens faced skyrocketing prices and shortages.

### Case Study 2: *Social Unrest and Political Instability*

#### Background

- Economic hardships due to shortages of fuel, food, and medicine directly affected citizens' daily lives.
- Public dissatisfaction with governance and lack of transparent policy decision-making fueled widespread protests.

#### Timeline of Events

- **March 2022:** Protests begin in Colombo over fuel shortages and inflation.
- **April–May 2022:** Protests intensify, spreading to other major cities and rural areas.
- **July 9, 2022:** President Gotabaya Rajapaksa flees the country amid escalating protests.
- **July 13, 2022:** Prime Minister Mahinda Rajapaksa resigns, further escalating political uncertainty.
- **Post-July 2022:** A transitional government is formed to implement emergency economic reforms.

#### Causes of Social Unrest

- Persistent **inflation and shortages** made everyday life extremely difficult for citizens.
- Perceived **government mismanagement and corruption** eroded public trust.
- Lack of social safety nets left vulnerable populations exposed to economic shocks.

### Effects on Society and Governance

- Increased public protests demonstrated **growing political awareness and civic engagement**.
- Long-term governance reforms were demanded, including greater accountability in economic policy-making.
- Businesses faced disruptions due to strikes, reduced consumer spending, and supply shortages.

### Policy Response to Unrest

- The government implemented **price controls** on essential items and attempted temporary fuel subsidies.
- IMF-backed economic reforms were initiated to stabilize currency and control inflation.
- Political transition allowed for a **new cabinet and economic advisory teams** to attempt structural reforms.

### Lessons Learned

- The crisis illustrates how **economic mismanagement can escalate into political instability**.
- Social unrest serves as a critical feedback mechanism, signaling the urgent need for transparent governance and proactive economic policies.
- Coordinated fiscal, monetary, and social interventions are essential to restore public trust.

### Comparative Insights

- Both case studies highlight that **economic collapse is rarely caused by a single factor**.
- The debt default created immediate economic shock, while social unrest revealed the human and governance consequences of policy failures.
- Together, these case studies provide a **comprehensive understanding of the multidimensional nature of Sri Lanka's crisis**, showing the interplay between macroeconomic mismanagement and societal impacts.

### Policy Responses and Reforms

In response to the economic crisis, Sri Lanka implemented a combination of **international assistance programs, domestic fiscal and monetary reforms**, and **structural adjustments** aimed at stabilizing the economy. This section analyzes these interventions in depth.

### International Assistance

#### IMF Bailout Package

- In March 2023, the **International Monetary Fund (IMF)** approved a four-year, \$3 billion **Extended Fund Facility (EFF)** to help Sri Lanka stabilize its economy.
- **Objectives:**
  - Restore macroeconomic stability
  - Control inflation
  - Rebuild foreign exchange reserves
  - Support structural reforms
- **Conditionality:**

- Implementation of fiscal consolidation measures, including broadening the tax base and reducing subsidies.
- Reform of state-owned enterprises to improve efficiency.
- Commitment to transparent governance and anti-corruption measures.
- **Impact:**
  - Provided immediate liquidity support, helping to avert total collapse of essential services.
  - Encouraged bilateral creditors and investors to engage in debt restructuring discussions.

### **Bilateral and Multilateral Support**

- China and India renegotiated loan terms, offering **debt rescheduling and interest deferrals**, which eased immediate repayment pressure.
- World Bank and Asian Development Bank offered emergency grants and low-interest loans to stabilize healthcare, agriculture, and energy sectors.

### **Domestic Policy Reforms**

#### **Fiscal Measures**

- **Tax Reforms:** Reintroduction and adjustment of VAT and corporate taxes to increase government revenue.
- **Subsidy Rationalization:** Gradual reduction of fuel and fertilizer subsidies to align domestic prices with global market rates.
- **Expenditure Prioritization:** Redirected government spending toward essential social services and debt repayment.

#### **Monetary Measures**

- **Interest Rate Adjustments:** Central Bank increased policy rates to curb hyperinflation.
- **Currency Stabilization:** Efforts to reduce Rupee volatility by intervening in foreign exchange markets and securing IMF and bilateral funding.

#### **Structural Reforms**

- Reform of **state-owned enterprises** to reduce inefficiencies and improve profitability.
- Promotion of **export-oriented industries** such as tea, apparel, and IT services to boost foreign exchange earnings.
- Introduction of policies to encourage **foreign direct investment (FDI)**, including tax incentives and simplified regulatory procedures.

### **Evaluation of Policy Effectiveness**

#### **Short-Term Impact:**

- Stabilized foreign reserves prevented complete collapse of essential imports.
- Inflation began to moderate gradually from its peak of 70% to approximately 45% by early 2024.

#### **Long-Term Challenges:**

- Public debt remains high, consuming nearly 35–40% of government revenue.
- Social discontent persists due to reduced subsidies and rising cost of living.
- Economic recovery is slow and dependent on structural reforms and renewed investor confidence.

#### **Lessons Learned:**

- Crisis management requires coordination between fiscal, monetary, and social policies.
- International assistance is crucial, but sustainable recovery depends on domestic structural reforms.

- Transparency and governance reforms are critical for restoring public trust and economic stability.

### Conclusion

Sri Lanka's economic crisis (2019–2024) was the result of **interconnected factors**: fiscal mismanagement, external shocks, and policy failures. The combined effect of these issues created an environment of hyperinflation, currency depreciation, debt defaults, and social unrest.

### Key Findings:

- Fiscal mismanagement, particularly excessive borrowing and ill-timed tax cuts, made the economy vulnerable.
- External shocks such as the COVID-19 pandemic and global commodity price fluctuations exacerbated the crisis.
- Policy failures, including abrupt agricultural and subsidy decisions, amplified social and economic consequences.
- Case studies of the 2022 debt default and social unrest highlight the complex interaction between economic collapse and political instability.

### Policy Implications:

- IMF-supported programs and debt restructuring provided immediate relief but must be complemented by long-term structural reforms.
- Fiscal discipline, monetary prudence, and diversification of exports are essential for future economic resilience.
- Strengthening governance, transparency, and public accountability can prevent policy missteps and enhance social stability.

### Recommendations:

1. Maintain prudent fiscal policies with sustainable debt levels.
2. Align domestic prices and subsidies with market realities while protecting vulnerable populations.
3. Promote economic diversification to reduce dependence on a few sectors like tourism and tea.
4. Implement robust social safety nets to buffer citizens against future crises.
5. Foster transparent governance and institutional reforms to regain public and investor confidence.

In conclusion, Sri Lanka's experience serves as a **cautionary tale for emerging economies**, demonstrating the dangers of fiscal irresponsibility, inadequate planning, and failure to respond effectively to external shocks. Recovery is possible, but it requires **strategic, coordinated, and long-term efforts** to restore stability and foster sustainable growth.

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