

Does infrastructure development spur poverty alleviation? Evidence from Sri Lanka

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Infrastructure refers to the basic facilities and systems that serve a country, region, or community, playing a significant role in promoting economic growth. The physical infrastructure, such as transportation, power, and telecommunication, eases economic access and contributes largely towards economic development, whereas social infrastructure improves people's living standards by focusing on education, health, and sanitation. Infrastructure development acts as a key pillar of economic development, whereas inefficient practices upsurge the vulnerability of the poor to lower quality of life and economic shocks and hinder their access to basic facilities. However, despite the substantial capital allocations on infrastructure projects over the last decade, more Sri Lankans were seen slipping into poverty lately. The study aims to examine the impact of infrastructure development on poverty alleviation in Sri Lanka. The study uses a quantitative research approach where secondary data were collected from 1960-2020 for multiple indicators available under four key segments, i.e., transportation, power, water, and telecommunication, to measure infrastructure development. Poverty alleviation was proxied through per capita consumption expenditure. Further, the study adopts Auto Regressive Distributed Lag (ARDL) technique to analyze the relationship between the variables. The co-integration test results of the study depict a long-run relationship between infrastructure development and poverty alleviation in Sri Lanka. The ARDL test results posit that infrastructure development and economic growth lessen poverty in both the long and short run. Further, the Causality test corroborates an optimistic and unidirectional causality from infrastructure development to poverty reduction in the Sri Lankan context. The study findings depict the importance of developing government economic policies to implement positive NPV-generating projects to maximize the benefit for the vulnerable parties in society.

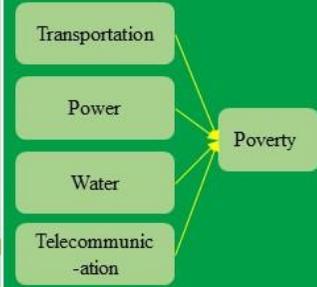
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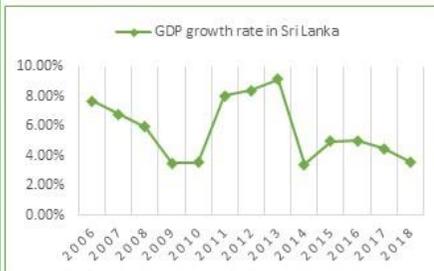
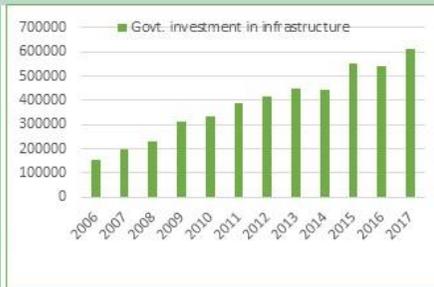


Conceptual framework



Background

Infrastructure refers to the fundamental facilities and systems that serve a community, playing a significant role in promoting economic growth. Infrastructure development acts as a key pillar of economic development whereas inefficient practices upsurge the vulnerability of the poor to lower quality of life, economic shocks and hinders their access to basic facilities. Despite the substantial capital allocations on infrastructure projects, lately, more Sri Lankans were seen slipping into poverty. This is one of the early studies to examine the causal relationship between infrastructure development and poverty reduction in the Sri Lankan context.



Methodology

Design	Quantitative design
Duration	1960-2020
Analysis technique	Auto Regressive Distributed Lag (ARDL) technique
Data collection method	Secondary data
Time horizon	Time series

Implications

The study findings depict the importance of developing government economic policies to implement positive NPV-generating infrastructure projects to maximize the benefit for the vulnerable parties in society.

Findings

The co-integration test results ($F(1,57) = 5.63, P < 0.1$) depict a long-run relationship between infrastructure development and poverty alleviation. The ARDL test results posit that infrastructure development lessen poverty in both the long run and short run. Further, the Causality test corroborates a positive and unidirectional causality running from infrastructure development to poverty reduction in the Sri Lankan context.



Research Question

Does infrastructure development lead to poverty reduction in Sri Lanka?

Research Objective

To analyze the relationship between infrastructure development and poverty reduction in Sri Lanka.