Is Sri Lanka's private sector a slow engine of growth? : the snail paced policy of the private sector

Nanda Samarawickrama

The 'emerging-market-nations' are operating at the new frontier of economic development that has surfaced in the environment of globalization. China, India, Malaysia, Vietnam and even Russia are in the forefront of those who are taking part in this new endeavour especially after 1980s. The fuel that set in motion the engine of growth of these countries is the mutual trust built between local and foreign private capital class, state capital and human capital. In this alliance the motto has been the private sector, the State provides necessary prerequisites while the labour force lends its fullest support participating productively in making the national cake.

Sri Lanka is on the verge of achieving the status of 'emerging-market-nation'. It has fulfilled the prerequisites required to become an 'emerging-market-nation' like opening the economy, allowing market economics, welcoming FDI, agreeing to WTO conditions, providing institutional and physical infrastructural requisites and providing an educated and trained labour force. Surprisingly, some of the above countries have not yet fulfilled these conditions.

The private sector in Sri Lanka does not appear to be fully involved in taking advantage of favourable market signals produced by its scarce economy. It appears that - weakness, slowness and deliberate unresponsiveness- are all well-rooted in the behaviour of the private sector in Sri Lanka. The cause for this strange behaviour needs to be explored to find remedies.

The snail paced strategy of the private sector in Sri Lanka is characterised by several features. Its progress is insupportably slow, and performs the role of a white elephant in the system. Though the private sector is relatively large in size, its capacity for effective participation in the system is yet to grow. It plays a 'strategist role' by operating in safe environments and hiding in risky environments. It can sense the political environment and engages in political manoeuvring. It takes steps to safeguard family interests by maintaining a closed-door policy. It strategically practices a policy of unrevealing information to others on performance, accounting and record-keeping, employment, hiring & firing in which there is no transparency. It however, expects the state enterprise sector to be transparent and to operate in a glass-house while the competitor, the private sector, operates in a black-box in the current competitive environment. The state enterprise sector is subject to everyone's criticism while the latter is subject to none. But both do business in a competitive environment.

This study endeavours to understand three basic issues. The first is the nature of the private sector in Sri Lanka, its Strengths and Weaknesses, Opportunities and Threats (SWOT). Secondly, the causes for the slowness, particularly, the interrelatedness between the governance and the participation of the private sector in the economy. Thirdly, the capacity of the entrepreneurial class in relation to the Schumpeterian viewpoint, where the big companies have the resources and capital to move the innovation and economy.

Key words: Private Sector, Growth, Emergin market nations, Globalization, Sri Lanka