

# Military and Poverty: A Critical Study in Sri Lanka

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## Abstract

Main objective of this study is to show that how military expansion in Sri Lanka contributed to achieve this macroeconomic goal, reduction of unemployment and poverty. Statistical evidences show that percentage of people, living under poverty level negatively correlated with size of military forces in time series data at 96 percent. Percentage of Sinhalese majority people in districts population negatively correlated with percentage of poor in district population in cross sectional data at 59 percent. Sri Lanka's military expansion creates employment and income to Sinhalese who are employing around 97.1 percent of security forces. Sri Lanka's per capita military expenditure reached Rs 30.12 per day in 2012 even after ending of war. The earnings of Tamil refugees in developed countries and earnings of Sri Lankan workers in Middle East have considerable tickle down effects on poverty reduction in North and East of Sri Lanka. In this context, contribution of Samurdhi (prosperity of poor) programme in Sri Lanka is hesitant in poverty reduction.

**Key words:** Sri Lanka, Military, Poverty, Pork barrel ethnic politics, and conflicts & war.

## 1. Introduction

Poverty reduction in developing countries has been a socio-economic and political challenge for policy makers and development practitioners. It is simply achieved in Sri Lanka from 26.3 percent people who living below the national poverty level to 8.9 percent despite of severe economic loses of war during war period 1991-2010. How it is possible despite of heavy war? Does conflict and war in Sri Lanka negatively or positively correlated with poverty? Does war have economic benefits for people? Answers are critical in Sri Lankan context.

Sri Lanka is natural beauty and multi- ethnics civilized Island in Indian Ocean. It has around 20 million population, composed 74.9 percent Sinhalese majority, 11.2 percent Sri Lankan Tamils, 4.2 percent Indian Tamils, 9.2 percent Sri Lankan moors and others in 2012. Sri Lanka has experienced with ethnic conflict from independence, 1948 to up to now and war so called war against terrorism during 1983 – 2009 has been ended. There are lacks of academic writings on that how defense expenditure affect Sri Lankan economy. Sri Lanka had size of 22 000 security forces before 1990 and it has increased to more than 300000 in 2012. Defense expenditure of nation has upward trend even after the war ended in 2009. War expenditures and allocation of more resources to defense ministry having some economic benefits to majority rural Sinhalese people, particularly expanding the defense sector positively contribute to create jobs and alleviate poverty in rural Sinhalese villages. Tamil minority in North and East of Sri Lanka have been migrating to developed countries as asylum seekers and Middle East (mostly poor) due to the conflicts and war in Sri Lanka and sending foreign remittance to their relatives who living in rural Tamil dominant villages also reduce poverty.

According to the department of census and statistics survey, latest calculation of poverty indices shows that poverty level of the nation has further turned down from 15.2% reported in 2006/07 to 8.9% in 2009/10. The 41% reduction of poverty reduction reported in just 3 years is the highest drop ever observed and the previous highest was the exactly one third drop, from 22.7% to 15.2% reported over the 4 years and 6 months period from 2002 to 2006/07 survey periods. Sri Lanka is having executive presidential powered political system which has been challenges to judicial system of Lanka. In this political system, it is difficult to show independent public institution to verify the data of this massive poverty reduction beyond the government sources. Total population living under the poverty line in 1990/1991 was 26.1 percent. Around 4.3 million people were under the absolute poverty in 1990/91. Sri Lanka attained around 17 percent of poverty reduction from 1990 to 2010 (3.4 million people came to out of poverty). Have sustainable and productive economic activities or Samurdhi (prosperity) programme reduced poverty in Sri Lanka during this period is interesting question to be tested in this study. Less productivity and unsustainable military based economy contributed mostly for these economic achievements to both majority and minority in Sri Lanka.

The survey conducted in the first quarter of 1996 by the Department of Census and Statistics estimated the unemployed population in Sri Lanka (excluding the Northern and Eastern provinces) at 0.71 million, of whom 0.33 million were males and 0.31 million were females. Of the unemployed, 0.11 million resided in the urban sector and 0.6 million resided in the rural sector. Increased unemployed youth from Southern of Sri Lanka has been absorbing into the defense sector with lower age and qualifications. Military expansion with Sinhalese nationalism contributes considerably to creation of employment and poverty alleviation of Sinhalese majority among multi-ethnic groups in Sri Lanka. Military expansion in North East of Sri Lanka makes a room to Tamil minority to earn more in developed countries and positively contribute to their economic development.

According to the world bank (2007) conflict-affected regions lag behind the rest of the country in availability of economic infrastructure, access to financial services, and key human development outcomes only 46 percent of the population in North and East has access to safe drinking water, compared with 62 percent for the rest of the country, and less than one-half of households have access to water seal toilets (Table 2). In the North and East 26 percent of children had low Birth weight compared with 18 percent for the rest of the country and 46 percent of children aged 3–59 months were underweight compared with 29 percent for the rest of the country. The literacy rate in Eastern Province is the lowest for the country. However, absolute poverty in this region is very less.

## 2. Literature Review

Arunatilake et al (2001) shows that by the late-1990s, almost two decades of civil war in Sri Lanka had twisted a heavy economic cost: the physical destruction of economic infrastructure, lost production, foregone investment, the flight of human capital, and the diversion of vast resources to military purposes were quantified as over a full year's worth of lost GDP. Selvarathnam S (2007), World Bank (2004) and other studies quantified the cost of the war as a loss of between 2-4 percent of economic growth per year, implying that *ceteris paribus*, Sri Lanka's 2002 GDP of \$900 per capita was half of what it would have been if there had been no war. Sarvananthan M (2008) explains that north-eastern part of the island in particular suffered to a very disproportionate extent during these years, and came to have the lowest income levels, the highest poverty levels, and the worst provision of health and education in the island. Indeed, due to the exclusion of the north-east from national accounts and most census statistics since 1981-2002, much of the cost of the war is not incorporated into published GDP and other socio-economic data.

Despite the extent of economic destruction and missed opportunities, what is striking about Sri Lanka, particularly in comparison to other such countries, is the extent to which economic normality prevailed through the war years in most of the country. Fitzgerald et al (2001) and O'Sullivan (2001) in study of the economic and social consequences of civil war in some countries find that Sri Lanka is unique not just in having experienced economic growth along with war, but in economic growth rates had been higher in pre-war period. According to the Stewart and Fitzgerald (2001) Sri Lanka stands out as a curious exception than other conflict-ridden countries where war has caused the substantial destruction of the formal economy and resulted in negative growth rates.

Rajesh Venugopal (2011) makes clear that military employment had by the late-1990s, come to occupy a very important role in Sri Lanka's labor market on the basis of ethnicity and regional background. Civil war had perversely become an important source of livelihood diversification, asset accumulation and poverty alleviation for the rural Sinhalese population. As Alex Argenti-Pillen (2003) describes in her research among families of Sinhalese soldiers, most young soldiers in the national armed forces come from extremely poor backgrounds. Their parents and siblings survive by means of casual labor in various sectors, particularly in rice paddies. The only alternative to unemployment, or the armed forces is the life of a casual laborer, a fate which most would seek to avoid to the extent possible, as it almost certainly implies a life of continued poverty.

Arye L. Hillman (2002) explains William Easterly book and shows why poverty persistence in developing countries. He pointed out important causes. Firstly, he blames government and political elites who use their poor as hostages from personally benefits from aids resource and debt relief. Second one is wonderland academics who have been seeking many causes for failure of their development from rest of world. But, they do not have interest and ignoring to find causes within their nation such as absent of good governance, corruptions, conflicts and other non economic factors. This phenomenon of poverty in Sri Lanka is similar to developing world and going worse off to productivity of economy by using poor as security forces. Politicians use race, religion, languages and region to maintain their power in the line of nationalism. Sri Lankan political elites and their government used poor as military forces to gain personal benefits in the line of Sinhala nationalism so called one nation one country. Political elites in Sri Lanka use poor as military forces for maintaining their political power and giving jobs and income to their families. Pork barrel political based social welfare expenditures and militarily expenditure pull out poor from poverty from majority Sinhalese people while economy does not have substantial GDP growth for maintaining welfare and military economy in long run. The Famous economist, Robinson in 1960s had stated that Sri Lanka had tasted fruits (welfarism) without growing tree (Economic growth).

One of the key links posited by Baran and Sweezy (1966) is that millions of jobs are generated by military expenditure, and that this in turn, absorbs the reserve army of labor: Some six or seven million workers, more than 9 per cent of the labor force, are now dependent for jobs on the arms budget in world (Baran and Sweezy 1966). If military spending were reduced once again to pre-Second World War proportions, the nation's economy would return to a state of profound depression, characterized by unemployment rates of 15 per cent and up, such as prevailed during the 1930's. Dileni Gunewardena (2007) shows the sources of incomes to poor in Sri Lanka for consumption. Military employment income in rural Sri Lanka has considerable affect on consumption.

Ekanayake E.M.S A (2000) analyzes the impact of conflict on poverty in Sri Lanka. Poverty in Sri Lanka is predominantly a rural phenomenon; the rural sector accounts for about four-fifth of aggregate poverty. The share of the rural, urban and estate sectors in the total number of the poor in post-independence Sri Lanka, the dominant Sinhala ethnic group excluded the minorities in the formulation of constitution and policies in the national government. As a result ethnic conflicts arose in the country and the mid- 1980's witnessed the emergence of a civil war. According to the Silva K.T, (2003), ethnic conflict in Sri Lanka is embedded in and is an expression of existing social, political, economic and cultural structures. Since 1983 the war has had a devastating effect on all ethnic groups in the affected areas causing widespread misery, inclusive of displacement, loss of property, injury and deaths, and break up of communities. Patricia Justino (2012) shows various negative channels of war to poverty. This study show the positive channels of war on poverty.

### 3. Data and Methodology

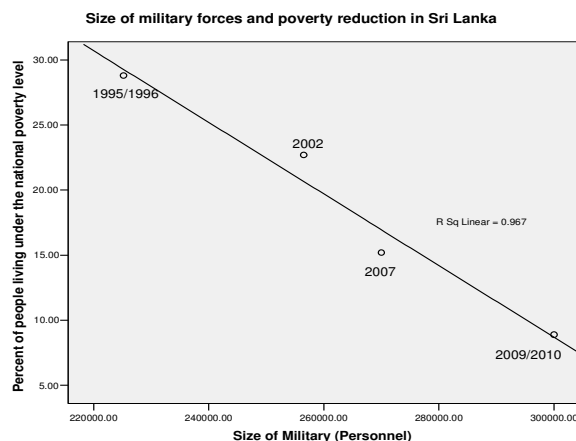
It is difficult to collect war related data in Sri Lanka in actual figures<sup>9</sup>. This study uses the data, given in previous studies and other sources such as reports from World Bank, central bank of Sri Lanka and department census and statistics of Sri Lanka. Poverty data to Sri Lanka is collected secondary sources of department of census and statistics, Sri Lanka. Data for military variable is taken from independent studies of World Bank, wikipedia, Nation master and Rajesh Venugopal (2011). Data covers 20 years for time series analysis and 23 observations based on districts data to cross sectional analysis in 2010. Poverty data for North and East province is available only year 2010.

This study engages with some statistical tools, graphs, and qualitative approaches to prove that military expansion in Sri Lanka positively contribute to reduction of poverty. Size of military forces is correlated with percentage of people who are living under the national poverty level. This study deals with both time series and cross sectional data. Time series data is taken in more than five years time lags depends on surveys. Data for poverty does not survey in all years. Time period data, not time series eliminate the time trends in both series. Further, there is no any conceptual linkage to auto correlations of both series.

### 4. Data analysis and discussion

This study uses available military and poverty data and show the relationship between war economy and poverty. There are 96 percent of negative correlation between size of military forces and percentage of people who living under the national poverty level. Figure 1 shows the relationship graphically.

**Figure1.**

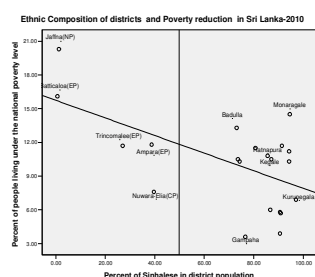


Source: Computed from data of department of census and statistics of Sri Lanka and Rajesh Venugopal (2011)

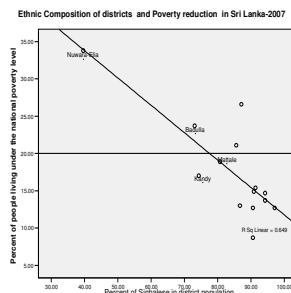
Rajesh Venugopal (2011) explains the data related Sri Lanka's military forces. "Despite the burgeoning role of military employment in Sri Lanka, and the widespread anecdotal evidence of its increasing significance in the Sinhalese rural economy there is, (perhaps deliberately for security reasons), virtually no data published on the extent of military employment, and consequently very little analytical or policy discussion of its repercussions. For example, the Census of Public Sector Employees excludes the military altogether from their data; the Quarterly Labour Force data does not separate out military employment as a category of its own".

In district level, percentage of poverty reduction positively correlated with percentage of Sinhalese population. The districts which have more Sinhalese population have reduced poverty sharply than more Tamil populated districts during 1990-2010. It is not north and east cases which have war for last three decades. Tamil populated districts in central provinces such as Nuwara –Eliya, Matale, Kandy and Badulla also have more poverty during this period in comparing other districts. Correlation between level of poverty in 2010 and 2007 and percent of Sinhalese people in districts is - 59 % and -64.4 percent respectively<sup>10</sup>. Figure 2.1 and 2.2 show the relationship between level of poverty and ethnic composition of districts. Rapid poverty reduced districts are Moneragala and Hambantota which have more security personals in Sri Lanka. Poverty in Nuwara –Eliya district which has Tamil majority population hence less military jobs, has increased from 20.1 percent in 1990/1991 to 33.4 in 2006/2007 whereas poverty in other districts in data set had been reduced. Asian Development Bank ‘Voices of the Poor’ report (Asian Development Bank 2001) states that from Moneragala and Hambantota – both of which find that the main reason cited for joining the army were the lack of other job opportunities and poverty (Gamburd 2004). Figures 2.1 and 2.2 show the cross sectional districts correlations between level of poverty and percentage of Sinhalese people in 2010 and 2007 respectively. Only 2010 data covers districts of North and East of Sri Lanka.

**Figure 2.1.**



**Figure 2.2**



Over the course of the 1980s and 1990s and 2000s, Sri Lanka’s military grew ten-fold, from 15,000 in 1982 (the year before the war started) to 150,000 by the time of the cease-fire of 2002 and to over 300 000 during 2002-2009. Including the police and paramilitaries, the size of the security sector increased from a total of 30,000 in 1982 to over 3 00 000 by 2010 (Rajesh Venugopal, 2011). Given that public sector employment has reduced in size as a result of privatization, the defense sector had by 1997 come to consist of one in five of all government jobs, with the Sri Lankan armed forces becoming the country’s largest employer. In financial terms, the salaries of the armed forces by the late-1990s amounted to over 40% of the government’s total wage-bill. It approaches to 53% in 2010. Table 1 shows the military salaries as percent of total government salaries and wages.

Table 1: Military salaries as a percentage of total government salaries and wages

1979-82	1983-86	1987-90	1991-94	1995-98	1999-01	2010-11
3%	4%	14%	32%	39%	41%	53%

Source: Rajesh Venugopal (2011) and central Bank of Sri Lanka

The Sri Lanka Integrated Survey (SLIS) data reveals that the structure of employment varies significantly by age, ethnicity, region and education. Indeed, the data reveals rather unsurprisingly that military employment is concentrated amongst young Sinhala-Buddhist males aged 18-30. Furthermore, it is very disproportionately drawn from the overwhelmingly rural areas of the outer Sinhalese periphery distant from the capital Colombo. That is, military employment is heaviest in areas such as Polonnaruwa, Anuradhapura, Kurunegala, Trincomalee and Ampara. All these districts have massive poverty reduction from 1990 to 2010. In terms of educational background, military employment is concentrated heavily on those who have completed secondary school, with 10-11 years of education, a category that accounts for almost half the total 18-25 age groups who had been family members of poor. There is also data to suggest that military recruitment is also higher in the more predominantly agricultural districts, as there is also a close correlation between districts with a high degree of military employment among the male, 18-30 age group, and those where the older male

<sup>10</sup> Poverty data for 2007 excludes north and east districts. Tamil populated districts, out of north and east also have more poverty in comparing other districts.

generation aged 45-65 include a high proportion of farmers. Sri Lanka's poverty is rural and agricultural phenomenon and it is consistent with recruitment of military forces phenomenon. Table 2 shows ethnic composition of occupational categories for males aged 18-30.

	Public	Military	Priv Sal	Casual	Business	Farming	Total Employed	Count*
Sinhalese	63.2%	97.1%	61.2%	60.5%	63.9%	75.5%	65.5%	1,796
SL Tamil	20.3%	1.4%	23.0%	25.6%	13.0%	21.3%	21.6%	593
Indian Tamil	0.5%	0.0%	2.8%	3.0%	1.4%	1.6%	2.2%	59
Muslim	15.6%	1.4%	12.4%	10.1%	18.5%	2.1%	9.9%	270
Others	0.5%	0.0%	0.7%	0.8%	3.2%	0.0%	0.9%	26
Total	100%	100%	100%	100%	100%	100%	100%	2,744
Count	212	210	575	1,020	216	440	2,744	

Source: The Sri Lanka Integrated Survey (SLIS), World Bank 2000.

Salary differences among the public servant are significantly absorbed rural Sinhalese within military forces. The overall household incomes for military families (which of course include all other sources of income) are significantly higher than those of non-military families. This is confirmed by qualitative studies which suggest firstly that families with military personnel are drawn from very impoverished backgrounds, and secondly that military employment has enabled these households to lift themselves out of poverty. For example, one study describes how: 'a soldier in the family can bring recognition, power and economic security to people who have no social status. Social status and real freedom for poor which emphasized by Amartya Sen (1999) for poverty alleviation in development is achieved from military employment in rural Sinhalese villages in Sri Lanka. Liyanage (2004) explains that poor' is how they generally describe their condition prior to their enlistment in the army. Most have not possessed a permanent shelter prior to joining the military, but have lived in mud houses with cadjan or tin roofs. Indeed, 72% of the military households surveyed in Sri Lanka Integrated Survey had experienced a substantial improvement in their living standards, having either built or bought permanent houses. Military households are better living standard in comparing others. Unlike others in the village, military households had television sets, refrigerators, proper furnishings, access to clean water and electricity, and ate better food. One young farmer described the mobility effects of the military very clearly

*"Small scale agriculture is an income source which hardly allows us to manage with the bare necessities. This source of income can never foster a significant change in living patterns, or assist us to achieve our long-term objectives. ... Significantly, families which have members enlisted in the military have achieved very prominent economic development"*. (Liyanage 2004, p. 29)

Expansion of security forces created more than 250000 public jobs in defense sector. The equal jobs creations for poor have been made in foreign employment also. According to central bank report (2012), total departures to foreign employment in 2010 was 262 960. According to the central Bank, estimated stock foreign employment in 2010 is 1932245. All these 0.5 million jobs creation opportunities (250 000 military forces and 250 000 foreign employment to poor) absorbed mostly poor people who were Samurdhi beneficiaries before getting these jobs and incomes<sup>11</sup>. Poor families in Sri Lanka have more than 4 children in average. If we take 6 persons in poor families as members of family, around 3 million people (0.5x6) in Sri Lanka came to out of poverty without helping Samurdhi programme directly. 17 percent of poverty reduction during 1991-2010 periods covers only 3.4 million of total population. Balance 0.4 million people (3.4 -3.0) covers beneficiaries of indirect jobs in defense sector, indirect beneficiaries of foreign employment (out of foreign employment family), direct and indirect beneficiaries of Tamil Diaspora in Europe (Tamil Diaspora in developed countries is more than one million). According sense of this estimation, poverty reduction in Sri Lanka has not been taken placed

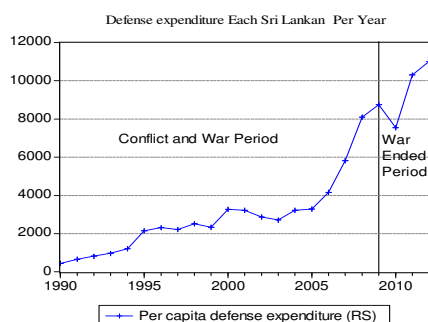
<sup>11</sup> This estimation is made by author. Accumulated foreign employment during period 1990-2010 may be more than 250000. It is 1932245 in 2010. This study assumes that around 12 percent of foreign employment stock absorbed poor in Sri Lanka. This is a minimum estimates. The balance may be riches. When leaving one employee to foreign, he/she is excluded from total population. But his /her family is getting foreign remittance and excluded from Samurdhi beneficiaries. Family members come to out of poverty.

by poverty alleviation programme, Samurdhi in Sri Lanka. This is a political oriented project and has to be tried to change as Divi Neguma' by present government and opponents has been increasing. Divi Neguma bill is roof causes for conflicts between government and chief judge in Sri Lanka at end of 2012.

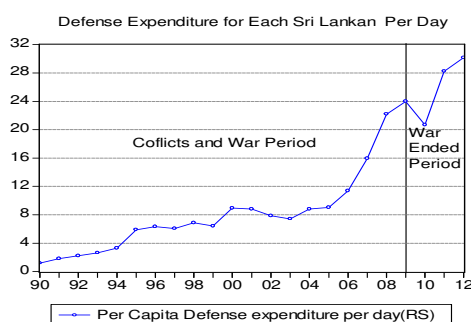
According World Bank report Glinskaya, Elena (2000) shows that Samurdhi is an inefficient programme in Sri Lanka<sup>12</sup>. Thibbotuwawa1 R. M. M. I et al (2012) works bring failure of Samurdhi programme in the context of micro finance for poverty alleviation in Sri Lanka<sup>13</sup>. Politicians show this massive poverty reduction victory in Sri Lanka as their economic development victory made by Samurdhi programme. Indeed, these job creations; income generation and poverty reduction have not been taken placed by permanent and productive economic activities such as jobs and income creation in industrial estate and agricultural farms away from the military and welfare activities in Sri Lanka . Instead, beyond the reliability of poverty reduction data, this poverty reduction is taken placed by sending female workers ( mostly minority) to Middle East at a lower wages and by sending male (Mostly Majority) to North and East of Sri Lanka as security forces to build up Sinhalese nationalism with Mahawamsa mentality<sup>14</sup>. Economic development is going on in old track with expansion of military economy to attain Sinhalese nationalism.

Each Sri Lankan spent more than Rs 30 to defense service per day in 2012. According to the budget proposal 2013, this amount will be Rs 40.2 per day in 2013. The value of the Official poverty line (OPL) of Sri Lanka was Rs. 3,028 real total expenditure per person per month for the 2009/10 survey period. Around one third of national poverty line income is spent to defense services. Figure 3 show the per capita defense expenditure in Sri Lanka. Figure 4 show the per capita defense expenditure of Sri Lanka for per day.

**Figure 3:**



**Figure 4:**



Sri Lanka as small economy can not maintain this boomed defense sector in long run due to the lack of industrial and agro based productions. Military extended poverty reduction will be in crisis if defense sector will be minimized by the way of political power decentralization to ethnic conflicts in Sri Lanka. For maintaining of political power, extension of military sector is necessary to politicians in Sri Lanka even it adversely affects economy in long run in two points of view. First, it make and help build up Sinhalese nationalism and strengthening of voting bank from hardliners of urban Sinhalese. Second, it creates jobs to absorb increased unemployed people from country side and strengthening of voting bank from rural Sinhalese. Therefore, poverty reduction from sustainable and productive economic activities in Sri Lanka is absent. These approach from Sinhalese dominant government and politicians even after ending of 30 year terrible war in 2009 make a room to minority in Sri Lanka to join with anti-Sri Lankan team in world, particularly with India and USA. Sri Lanka makes an external and internal environment for another human made disaster.

<sup>12</sup> Based on the empirical analysis of distributional outcomes, Samurdhi transfer program emerges as inefficient program. In the case of a transfer program, efficiency constitutes reaching the objective (transferring to the intended beneficiaries) in the least costly way (minimizing leakage to unintended beneficiaries and administrative cost). Glinskaya, Elena. (2000). P.24

<sup>13</sup> The core of the conclusions in this study remains that Samurdhi program does not have an overall significantly positive impact on the short and long run. Thus, future research should focus on measuring the impact before and after receiving "Samurdhi" benefits for a longer period of time accounting for externalities of such participation. Thibbotuwawa1 R. M. M I at al (2012), p.12

<sup>14</sup> Mahawamsa is a historical legends added book, describes ancient shelter in Sri Lanka is Sinhalese.

## 5. Conclusion

Military forces employed by 97 percent of majority Sinhalese has been getting more economic benefits from expansion of security forces. Social welfare expenditure from independent to 1980s in Sri Lanka biased to majority and made political unrest and violent which led to war. Public resources allocated to free education, health and housing etc went to people passing through parliament which marginalized the minority in Sri Lanka. From 1990, Sri Lanka's public resources have been absorbed into the defense in the line of so called war against terrorism. War related employment increased in Sri Lanka and it has contributed to reduce poverty, particularly in rural Sinhalese villages. On other side, this poverty reduction has not been taken place in Tamil majority area rapidly. Empirical evidences show that there are negative strong relationship between size of security forces and level of national poverty in Sri Lanka in time series data. In cross sectional district data, Sinhalese majority population negatively correlated with population living under the national poverty level. It clears that military expansion considerably helped to alleviate poverty in Sri Lanka. Sri Lanka economic success in poverty reduction during war period is not rooted from economic fundamentals that have solid foundation in industrial and agricultural activities, instead, it made by war economy associated with pork barrel ethnic politics. In developing countries politicians uses poor as hostage to get financial resources from international community. In Sri Lanka, politician used public resources by wefarism to make political supports from poor. It made ethnic conflict and war. Politicians have used war to get financial resources from international community and used poor as war victims. However, the war made employment and income to poor families and reduced overall poverty. Post war economic development also has been moving toward the military expansion without political solution to ethnic conflict in Sri Lanka. It generates employment and income to majority people in Sri Lanka. Minority in Sri Lanka has been migrating to abroad and getting foreign remittances and reducing poverty themselves. Military employment and income to majority and foreign employment and remittance income to minority mostly helped to reduce poverty in Sri Lanka<sup>15</sup>. It implies that poverty reduction in Sri Lanka has not been made by efficient and sustainable economic activities. Sri Lanka's poverty reduction is pork barrel ethnic political phenomenon, not an economic phenomenon.

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<sup>15</sup> World Bank (2007) report highlights that remittances appear to have contributed to safeguarding income and consumption levels of minority to a certain extent. P.XXI

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