

## **STRATEGIC DIRECTION FOR SRI LANKA'S HIGHER EDUCATION SECTOR ENVISIONED THROUGH A COST COMPETITIVENESS ANALYSIS**

**G.T. Lalithasiri, S. Thilini\* and A.P.E. Gamage**

*Department of Economics, University of Colombo, Sri Lanka*

*\*tlgun@econ.cmb.ac.lk*

History of over 70 years of free education in Sri Lanka has resulted in many achievements on human development. However, the bureaucratic governance and the budgetary constraints have limited the development of the state-run national university system to meet the expanding demand. This has compelled candidate students to look for alternatives offered by local and foreign private universities leading to an outward drainage of hard-earned foreign exchange. There is also the perception that the present State university structure is cost-ineffective and thus is a burden on national coffers. However, if the reality is different, the relatively shrinking trend of the state university system would neither be justifiable, nor healthy. This question of cost-competitiveness of the Sri Lankan higher education sector was subject to examination in the present study.

Data were gathered pertaining to academic stream-specific variable and fixed costs of operation of the Sri Lanka's State Universities and the stated tuition fees for degree programmes offered by local private and foreign Universities. Graphical representations and statistical methods, including comparison of means using ANOVA, were used in the analysis. The results indicated that the state university system is significantly cost effective in producing a graduate of an internationally acceptable quality, except in a few academic streams. An in-depth analysis on the discipline of Medical Sciences confirmed that the Sri Lankan state university system is significantly capable of cost-wise competing among the international universities in producing medical graduates.

Letting the state university system suffocate within the bureaucratic governance and national budgetary restrictions is thereby proven unwarranted as the system appears capable not only of cost-effectively meeting the local demand for higher education, but also of being internationally marketable, potentially becoming a true knowledge-hub paving the way to earn foreign exchange to the national economy. The study therefore proposes further expansion and strengthening of the state university system, while freeing it from the bureaucracy and letting it operate within a healthy competition among higher education providers. Free education and equal access rights to all citizens are proposed to be guaranteed by administering a higher education voucher scheme, which would enable Sri Lankan students, who qualify to enter state universities under the prevalent entry criteria, to pursue higher education freely, benefitting from such vouchers funded through the government budget. In the same spirit, the study highlights the importance of examining in detail those academic disciplines which appeared relatively cost-ineffective, in view of formulating remedial policies and strategic action plans.