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THE OPEN UNIVERSITY OF SRILANKA
DEPARTMENT OF SOCIAL STUDIES
MA IN DEVELOPMENT STUDIES AND PUBLIC POLICY (2024/2025)
DSP9402 ECONOMICS OF DEVELOPMENT
FINAL EXAMINATION 2024/2025

DURATION: THREE (03) HOURS

Date: 30.03.2025 **Time: 9.30 am – 12.30 pm**

Instructions

- There are 09 questions in this paper.
- Answer only **five (05)** questions.
- All questions carry equal marks.

1. (a) A major growth constraint evident in emerging market economies is labour market segmentation characterized by formal sector enterprises, informal sector enterprises and household level income-generating activities. Comment on this statement in relation to Sri Lanka. (10 marks)

   (b) It is argued that low labour productivity growth is a major constraint for the survival of local firms. Explain the rationale behind this statement. (10 marks)

2. (a) Export-led growth is a development strategy aimed at growing productive capacity by focusing on foreign markets. Evaluate the steps taken by Sri Lanka in promoting its export sector. (10 Marks)

   (b) Explain the role of imports in the Sri Lankan economy. (10 marks)

3. (a) Structural change involves major production shifts between the sectors. Comment on this statement based on the structural adjustment experiences of Sri Lanka. (10 marks)

   (b) Critically evaluate the structural reforms that are proposed in the recent IMF agreement. (10 marks)

4. (a) In developing countries, the agricultural sector has had to face many challenges while undergoing economic reforms aimed at free market economies. Why? (10 marks)

   (b) Discuss how Sri Lankan government uses tariff measures to regulate food supplies in the local market. (10 marks)

5. (a) The higher productivity of urban areas stems from agglomeration economies. Explain the rationale behind this statement. (10 marks)

   (b) Explain the nexus between urbanization and attractiveness to foreign investment. (10 marks)

6. (a) There is wide agreement that political institutions are more crucial in the case of developing economies. Discuss this statement. (10 marks)

   (b) Although masses, particularly the poor, are said to be the beneficiaries of populist policies, they are the most adversely affected group from the second-round effects of such policies. Explain this statement using examples from Sri Lanka. (10 marks)

7. (a) Explain how capital markets facilitate economic growth, drawing reference to various financial instruments offered by this market. (10 marks)

   (b) Capital markets in most emerging economies including Sri Lanka remain weak and fragmented. Explain the reasons. (10 marks)

8. (a) It is stated that small countries face major challenges due to limited economies of scale, less diversification and limited access to global capital markets. Explain this statement with reference to trade integration of small countries. (10 marks)

   (b) Explain the major objectives of regional economic and trade groupings. (10 marks)

9. (a) Explain the importance of efficient fiscal policy in achieving macroeconomic stability. (10 marks)

   (b) Discuss the challenges faced by developing countries regarding public debt. (10 marks)