

**A STUDY OF FOREIGN DIRECT INVESTMENT (FDI)  
INFLOWS INTO THE SRI LANKAN CONSTRUCTION  
INDUSTRY**

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Dissertation submitted in partial fulfillment of the requirements for the  
degree Master of Science in Project Management

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May 2022

## **DECLARATION**

“I declare that this is my own work and this dissertation does not incorporate without acknowledgement any material previously submitted for a degree or diploma in any other university or institute of higher learning and to the best of my knowledge and belief it does not contain any material previously published or written by another person except where the acknowledgement is made in the text.

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## **ABSTRACT**

Foreign Direct Investment (FDI) plays a vital role in any industry as it provides several advantages in many aspects. This research attempted to find out the impact of FDI on the construction industry in Sri Lanka. Accordingly, the aim of the study was to analyse the relationship between construction FDI and the construction industry development. The prime objectives of this research were to identify the trend of FDI in the Sri Lankan construction industry, to find out the relationship between construction FDI and the construction industry development and to provide strategies to promote FDI into the construction industry. A mixed research method was used to achieve the objectives of the study. Data required for this research were obtained from the archival of Central Bank of Sri Lanka for the year 2005 to 2019 and through semi-structured interviews. MS Excel and SPSS software were used to generate the results of quantitative analysis and content analysis was used to analyse the qualitative data obtained through the semi structured interviews.

Initially, it was studied the trend of FDI in the construction industry within the study period and analysed it with other key economic sectors of Sri Lanka. It was identified that there is a considerable FDI inflow into the construction industry in Sri Lanka within the study period and the second highest average FDI inflow was in the construction industry. It was also identified that, there are various factors such as economic conditions, policy changes and the social and environmental factors made a considerable impact on the FDI inflows into the construction industry in Sri Lanka.

Moreover, it was analysed the relationship between the economic development parameters and the construction industry development parameters using the graphical analysis and the correlation matrix and found out that there is a positive relationship between construction industry development and the national economy in Sri Lanka. Further, it was analysed the relationship between construction FDI and construction industry development using graphical analysis and correlation matrix and found out that, FDI inflows into the Sri Lankan construction industry makes a considerable positive impact on the development of the industry which ultimately makes a positive impact on the economic development of Sri Lanka.

Finally, some recommendations are provided to promote the FDI inflows into the Sri Lankan construction industry through the semi structured interviews carried out among six professionals who involved with FDI. Accordingly, proper implementation of government policies, improving the technical knowledge of construction professionals, developing infrastructure facilities, creating international banking facilities and giving flexibility and confidence for the foreign investors were the key recommendations.

***Keywords:*** *FDI, construction industry development, Sri Lanka, promotional strategies*

## **ACKNOWLEDGEMENT**

This research is accomplished to be indebted much dedication and admiration of many people who have contributed in numerous ways. I express my gratitude to each and every individual for their encouragement, values and ideas, assistance and specially their commitment towards this research to make it a success.

It is my foremost duty to pay my heartiest gratitude to Dr. Thanuja Ramachandra, my dissertation supervisor, for her gentle guidance, invaluable support, advice and encouragement to make this research a successful one. I further extend my gratefulness to Ch. QS. Indunil Seneviratne, Programme Director- MSc. in Project Management, for his keen interest, encouragement and the guidance to the achievement of producing this dissertation.

I pay my gratitude to the Department of Building Economics, University of Moratuwa, and all the academic as well as non-academic staff of the Department for the tremendous service rendered. Special thanks go to all the professionals in the industry who gave me immense support by spending their valuable time to provide required data and share their knowledge and information towards the achievement of this dissertation.

Finally, I express my heartfelt thanks for my family members, relations, colleagues for giving me an outstanding support to make this dissertation successful.

Thanuja. S

March, 2022.

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## **LIST OF ABBREVIATIONS**

BOI- Board of Investment

CBI- Confederation of British Industry

CBSL- Central Bank of Sri Lanka

CHINCA- China International Contractors Association

CHEC- China Harbour Engineering Company

CIDA- Construction Industry Development Authority

FDI- Foreign Direct Investment

FEA- Foreign Exchange Act

FTZ- Free Trade Zone

GDP- Gross Domestic Product

GNI- Gross National Income

IMF- International Monetary Fund

IPA- Investment Promotion Agency

IRD- Inland Revenue Department

IT- Information Technology

LRA- Land Restrictions Act

M&A- Mergers and Acquisitions

MNE- Multinational Enterprises

OECD- Organisation for Economic Co-operation and Development

SDPA- Strategic Development Projects Act

SPSS- Statistical Package for the Social Sciences

UNCTAD- United Nations Conference on Trade and Development

USA- United States of America

USD- United States Dollar

WRMMP- Western Region Megapolis Master Plan