

**The Higher Education Sector in a Paradox:
A Case of Sri Lanka
Abstract
*Sunil Chandrasiri***

Sri Lanka has achieved human development indicators (HDI) higher than all South Asian countries. Its continued practice of free education policy since 1945 and growth and expansion of economic activities particularly under a pro-market policy reforms initiated in 1977 have created high demand for university education in Sri Lanka. The emergence of knowledge based economic activities has further increased the demand for university graduates in the labour market. In spite of these changes, state universities continues to function as the dominant player with an absorptive capacity of 14 percent students who qualify for university entry. Hence, the wide safety net of free education is denied for more than 85 per cent of students eligible for university entry. An examination of this paradox reveals political system, policy inertia, slow progress in implementation, lack of resources and absence of quality monitoring as key factors for the continued presence of state dominant higher education sector in Sri Lanka. Given the relatively low public sector investments in higher education (0.5 percent of GDP), private sector participation in higher education needs to be encouraged through a supportive policy reform process to meet the ever increasing demand for higher education in Sri Lanka.

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