

Assessment of the Contribution & the Relationship between Foreign Direct Investment & Economic Growth in Sri Lanka

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Foreign Direct Investment (FDI) has been identified as an important determinant of economic growth in developing countries. Accordingly, this study intends to examine the relationship between FDI and economic growth in Sri Lanka over the period of 1977 – 2016 and to assess the contribution of FDI to the Sri Lankan economy. The hypothesized relationship between FDI and economic growth was tested using regression analysis. Findings revealed that there is an upward trend of FDI over the last 40 years and the relationship between FDI and economic growth rose strongly at the beginning of 21st century. In conclusion, it can be stated that FDI has positively contributed to the economic growth in Sri Lanka.

Keywords: *Economic Growth, Foreign Direct Investment, Gross Domestic Product, Developing Country, Sri Lanka*

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