The Impact of Monetary Policy on Economic Growth in Sri Lanka

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Abstract

Using monetary policy to maintain price stability and low inflation can help a country's economic growth. Economic growth is the increase in a country's volume of products and services. A developing economy, like Sri Lanka, produces commodities and services in every order, indicating capacity and productivity increases. This study examines the role of monetary policy in Sri Lanka's growth. Various arguments exist in the literature study about the link of certain variables in various nations. But not everyone who discovers can immediately adapt to Sri Lanka. Thus, this study seeks to fill a research vacuum on present monetary policy instruments and economic growth in Sri Lanka. This study focuses on GDP, inflation, and other monetary policy tools (money supply, interest rate). It's vital to examine the short- and long-term links between economic growth and monetary policy. This is because the study examines the behavior of two macroeconomic variables. The Sri Lankan economy is being studied to understand the important relationship between monetary policy and economic growth. The annual time series data are from 1990 to 2019. The data will be analyzed using unit root test, correlation, and OLS regression. The study will use quantitative methods to examine the relationship between GDP growth, interest rates, money supply, and inflation.

Keywords: *GDP, monetary policy, Inflation, money supply, Interest Rate*