Impact of Fiscal Policy on Economic Growth - Comparison between Sri Lanka, India, Singapore and Thailand

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ABSTRACT

Introduction - This paper aims to examine the impact of Fiscal Policy on economic growth on four Asian Pacific countries, namely; Sri Lanka, India, Singapore and Thailand.

Design/Methodology/Approach - The analysis is based on Vector Error Correction Model (VECM) in order to examine the impact of fiscal policy variables; government capital expenditure, government recurrent expenditure, defence expenditure, direct tax revenue and indirect tax revenue on economic growth; real GDP, with the aid of annual time series data covering the period of 1978-2018 for the four Asian Pacific countries.

Findings - Fiscal policy has a significant influence on economic growth in the long run for the economies of Sri Lanka and Singapore**.** In India, Fiscal Policy has a significant influence on economic growth in both the long run and the short run, whereas short run significant influence in Thailand can be identified. Sri Lanka can boost the economic growth in long run through investing heavily on indirect tax revenue, direct tax revenue and defences expenditure, while Singapore and Indian economies should enhance direct tax revenue, government capital expenditure & defence expenditure to boost the economic growth in long run. Further indirect tax revenue, government recurrent expenditure positively related with economic growth in short run in Thailand.

Conclusion - Economic factors of a country are largely affected by its external and internal factors, therefore for each country consists with contradictory results which are specific to each country.

Keywords: *Fiscal Policy, Economic Growth, Vector Error Correction Model, Asian Pacific Countries*