# Impact of Inflation on Economic Growth in Sri Lanka

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It is broadly assumed that modest and stable inflation rate stimulates economic growth of a country. Modest inflation encourages savers, enhances investments and therefore speed ups economic growth of the country. The aim of this study is to examine the impact of inflation on economic growth in Sri Lanka for the period from 1988 to 2017 using the framework of Johansen co-integration test and error correction model. The result shows that there is a long run negative and significant relationship between economy and inflation in Sri Lanka. These results supports with the model of utility function in consumption and real money balance as exposed by fischer (1979), De Gregorio (1930), Bruno and Easterly (1998) and disagree with the findings of Sidrauski's (1967) super neutrality of money in the long run. The results are more likely to support the utility functions in real money balances and consumption.

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