THE RELATIONSHIP BETWEEN PUBLIC DEBT AND ECONOMIC GROWTH EVIDENCE FROM SRI LANKA

Kumari K.W.P.P.[1] and Abeywardhana D.K.Y.[2]

[1]prabhapoor@gmail.com; [2]dilyapa@kln.ac.lk

Abstract

The paper analyzes the relationship between public debt and economic growth in Sri Lanka. Nowadays Sri Lankan economy face to biggest economic problem. The government always try to keep stable economic without huge variances. According to Sri Lankan context, Sri Lanka is developing country and it has issue about lack of financial capital. In that case the economy cannot invest funds investment and savings activity. The investors also withdrawal their investment from the country. Without investment and savings, there are no interest income for the government activity and then country had to go for take debt from other sources. The article examines the connection between Sri Lanka's state debt and economic expansion. Sri Lanka's economy is currently facing its largest economic issue. The government constantly tries to maintain an economy with small fluctuations

Internal and external debts make up the debts, therefore a country receiving debt cannot manage debt payments in the absence of interest. Due to this circumstance, Sri Lanka became dependent on foreign loans. A country had to deal with falling into a financial trap after taking on external debt. The economic problem in the nation is negatively impacted by this. Because a government has not paid its debts, it is always trying to get new loans from other nations. In the Sri Lankan context, this analysis was undertaken utilizing data that have been accessible for more than 20 years, commencing in 2000. Economic tools and procedures have been used to construct and assess a model, and conclusions have been drawn based on the model's output.

Keywords: *Internal debt, External debt, Economic growth, Export ratio, Inflation rate, Population growth rate*