

The Impact of Remittances of Overseas Workers on Sri Lankan Economy

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Abstract

The purpose of this study was to discover the impact of overseas workers' remittances on Sri Lankan economy. To achieve this purpose the time series data were used during the period of 1970 to 2013. Augmented Dickey Fuller (ADF) test was employed to test the stationary of the time series variables such as the remittances of overseas workers and gross domestic product in constant price. Here, the remittance of overseas workers was explanatory variable and the gross domestic product was considered as explained variable. The simple regression model was employed in this study to test the long run relationship between the variables.

Based on the regression results, the coefficient of worker's remittances was positively impact on Sri Lankan economic growth. Therefore, there was direct relationship among the variables. P – Value of the remittances of overseas workers for long run relationship was less than 5% and the value of R – squared was 65%. This was higher than Durbin Watson test statistics. The residual of this model was stationary at 5% significant level. So, the conclusion was that the remittances of overseas workers and Gross Domestic Product were cointegrated at I(0) level form. In the meantime, this study found that the remittances of overseas workers did no maintain any relationship with Gross Domestic Product in the short run period. Therefore, this study explored that the remittances of overseas workers is one of the key factor of economic growth in Sri Lanka.

Keywords: Overseas workers, Economic growth, Gross domestic product, Foreign exchanges, and Remittances