

Assessment of the Relationship between Foreign Direct Investment and Economic Growth in Sri Lanka

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Abstract

Foreign Direct Investment (FDI) can be considered as an influential determinant for the economy of developing countries. Under the objective of assessing the relationship between FDI & economic growth in Sri Lanka, this study employed descriptive analysis, correlation & regression analysis by using data from 1997 to 2016. The findings of the study indicate as there is an upward trend of FDI over last 40 years & the relationship between FDI & economic growth rose strongly at the beginning of 21st century. There is a strong positive relationship between FDI & economic growth. Regression analysis does not give much support to find the impact of FDI on economic growth since the variables are not become stationary at their level form & suffering from errors. Therefore, this study suggests for future studies to use time series analysis rather than using OLS estimates. As a summary of conclusion, there is a positive relationship between FDI & economic growth in Sri Lanka.

Keywords: Correlation, Descriptive Statistics, Economic Growth