THE IMPACT OF MONETARY POLICY ON ECONOMIC GROWTH IN SRI LANKA

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ABSTRACT

Gross Domestic Production (GDP) is an important factor which determines the performance of an economy in a country. Through the increase or decrease of GDP growth rate, it can be realized that whether an economy has achieved positive performance or negative performance. For a positive or negative performance of an economy, number of macro-economic variables will be affected, such as monetary policy, inflation, unemployment, interest rate, corruption, and budget deficit…etc. Although there are many factors that may affect to economic growth such as monetary policy, inflation, unemployment, corruption, budget deficit, interest rate and so on in this research researcher focused on relationship between monetary policies towards the economic performance. Data collection was carried out in Sri Lanka from 1995 to 2016 and in this study was used software of SPSS for data analysis. When analysed these data it has been realized that monetary policy positively relates to the growth of GDP. The findings of the study are evidence to conclude that the monetary policy and GDP growth has been found for the studied time-series data. Monetary policy in the economy of Sri Lanka is constructive for the growth of GDP. Monetary and fiscal policies of Sri Lanka are playing a key role for the control of inflation and inflationary negative outcome control and also play a vital role to promote the employment conditions in Sri Lanka.

Keywords: Monetary policy, GDP, Money Supply