INVESTIGATING THE IMPACT OF MACROECONOMIC FACTORS ON GROSS DOMESTIC PRODUCT OF SRI LANKAN ECONOMY FOR THE PERIOD FROM 1980 TO 2017

N. N. Mayazir[1], A. Jahufer[2*] and A. Haalisha[2]

[1]*Postgraduate Institute of Science, University of Peradeniya, Peradeniya.*
[2]*Department of Mathematical Sciences, Faculty of Applied Sciences, South Eastern University of Sri Lanka, Sammanthurai.*
Corresponding Author Email: jahufer@seu.ac.lk

Gross Domestic Product (GDP) is usually treated by economists to be the most significant measure of the economy's present wellbeing. The elements affect GDP is one of the greatest key concerns in that economist's study frame for numerous years. Hence, an effort has been made up to build the experimental connection amongst certain macroeconomic factors to GDP and focus the influences of different factors on GDP. The gathered set of data is yearly from 1980 to 2017. The stationarity belongings were tested by Augmented Dickey-Fuller (ADF), Phillips-Perron (PP) and Kwiatkowski-Phillips-Schmidt-Shin (KPSS) unit root tests. Variables having correlation were recognized with the assistance of statistical implement variance inflation factor. The multiple regression methodology was engaged for fitting the model and the Granger causality test was executed to measure the causal relationship among two variables econometrically. The results of unit root test disclose that the consumption, expenditure, foreign direct investment, and trade balance are stationary at level, while gross domestic product, investment and consumer price index are stationary at first difference. The outcomes of the fitted models endorse that the investment, consumer price index, consumption, and expenditure are meaningfully influencing the GDP of Sri Lanka. Likewise, Granger causality estimate authorizes that the unidirectional causality from GDP to consumption exist.

Keywords: Economy, GDP, Macroeconomic Factors, Sri Lanka