THE IMPACT OF EXPORT AND IMPORT ON ECONOMIC GROWTH: STUDY BASED ON SRI LANKA (1980 -2020)

The contributions of exports and imports are most important to Sri Lanka's economic context. Its influence is also observable from earlier times. Thus, this study aimed to find out the impact of exports and imports on economic growth in Sri Lanka during the period from 1980 to 2020. Economic growth has been used as a dependent variable, and export, import, inflation, and exchange rate have been used as independent variables. The time series data were collected from the Annual Report of the Central Bank of Sri Lanka and the World Development Indicators period from 1980 to 2020. The software in E-Views 10 and MS Excel was used to analyze the data. The Johansen cointegration testing results confirmed that there is a cointegrating relationship between the variables. Further, the test suggests that exports have a negative and significant impact on economic growth in the long run at a 1 percent level. And also, imports have a positive and significant impact on economic growth at the 1 percent level. The vector error correction model found that the import has a positive and significant impact on economic growth in the short run at the 5-percentage level. Based on the conclusion, exports and imports are considered important sectors that can influence economic growth in Sri Lanka. As a result, recommendations for export-import-oriented policies have been made, such as attempting to produce domestically the raw materials required for export production and diversifying exports in order to limit the negative impact of exports in the long run and turn them into positive impacts.

Keywords: Exports, Imports, Economic growth, Inflation

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