

IMPACT OF ENERGY CONSUMPTION ON ECONOMIC GROWTH IN SRI LANKA (1990-2019)

The main objective of this study to investigate the impact of energy consumption on economic growth in Sri Lanka. For this study, gross domestic product is used as a dependent variable, and energy consumption (EC), energy intensity (EI), export (X), import (M), inflation (INF) and low carbon usage (LCU) are used as independent variables. The Central Bank Annual Report and the World Bank used to collect data from 1990 to 2019. This study examined the long-run relationship of energy consumption with economic growth using Johansen co-integration and the short-run relationship of economic growth using a vector error correction model. This research found that energy consumption, energy intensity, exports, and inflation are negatively significant on economic growth, and imports of low carbon energy are positively significant in the long run. In the short run, energy consumption and inflation are negative influences on economic growth. At the same time, there is a uni-directional causal relationship between economic growth and inflation. Therefore, this study suggests that policies involving energy resources should be reformed to achieve the positive impact of energy consumption on economic growth in Sri Lanka.

Keywords: Energy consumption, Economic growth, Gross domestic product, Inflation

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