

## Impact of Ageing Population on the Economy of Sri Lanka

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### Abstract

Population ageing is, the increase in the proportion of “older people”, in the total population. This is a compulsory result of demographic transition. Declining fertility and increasing longevity are resulting in ageing of population in both developed and developing countries. The aging population in Sri Lanka has started to grow up rapidly since 1990s. Sri Lanka is a developing country it shares the problems of ageing population with the more developed countries. According to the recent population projections, in Sri Lanka, the share of population over 60 years will rise from 13% in 2012 to 17% by 2021. In addition, Sri Lanka’s population is expected to start declining by 2031, indicating that the share of the elderly will rise even further. By 2051, the population over 60 years will be 29%. Population ageing would have profound implications on the economies as well as societies experiencing a rapid increase in the share of old aged in the total population. The main objective of this paper is to focus economic impact of population ageing in Sri Lanka, mainly based on the literature and secondary data published nationally and internationally. Descriptive statistical tools have been used for the data analysis. According to the study, it reveals that ageing population of the country mainly effect to the economic imbalance. Increasing ageing population significantly influence on public expenditure, in particular on the provision of pensions and health care in Sri Lanka. Due to the aging population government has to spend more from the national income on health, pensions and other compensation of the elderly people. Not only that the aged population who are not beneficiaries of a pension fund would normally depend on their savings or their children's income for consumption spending. Such a tendency will affect the economy at macro level because there will be a decline in the total domestic

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savings. In such situations, if domestic savings are insufficient for investment, alternative sources have to be sought. Also, the labor force in the country declining dramatically and it will be caused reducing labor supply and productivity.

**Key Words :** *Demographic Transition, Ageing Population, Economic Impact, Birth Rate, Death Rate*