

THE IMPACT OF DEMOGRAPHIC TRANSITION ON THE ECONOMIC GROWTH AND DEVELOPMENT IN SRI LANKA FROM 1963 TO 2007

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Abstract: - There is a reciprocal relationship between demographic transition (age structure transition) and economic development. As a result of country's socio-economic progress, Sri Lanka has been entered the third stage of demographic transition and reaching the final stage of it. Many researchers have been shown that the demographic transition has greatly been affected to the economic development process in many countries. Therefore, this study has paid attention, whether the demographic transition in Sri Lanka has affected to the economic growth and development of the country. A regression model is estimated using the published data on GDP growth rate, population growth rate (PGR), labour force growth rate (LFGR) and infant mortality rate (IMR). The results show that there is no significant effect of PGR, LFGR and IMR as a whole, on economic growth in the country. But when we take the population growth rate and infant mortality rate individually, are effectively impacted on the determination of GDP growth in the country.

Key words: Demographic transition, Economic growth, Population, Sri Lanka

I. INTRODUCTION

Sri Lanka is well advanced in its demographic and epidemiological transition. It was one of the first developing countries to achieve below-replacement level fertility and its population is rapidly aged during the course of this country. Demographic transition in Sri Lanka started quite early in comparison to other low-income countries (Karunaratne, 2000, p.211). Implementation of free health facilities reduced the death rate by one-third in mid 1940s. Furthermore, legalization of family planning programs in the early 1970s led to a significant decline in the birth rate. In addition, expansion of educational facilities and other social development achievements also influenced the rapid demographic transition. As a whole, a drastic reduction with respect to demographic indicators such as crude birth rate, crude death rate, fertility rate, maternal mortality rate, infant mortality rate and child death rate has been recorded within the past four decades.

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The population in one way is a labour force which could be utilized in the country's production. On the other hand, it is also a consumer group that uses largely the resources of the country. However, certain demographers in early times have pointed out that the increase of population and the rapid growth of population in a country is tied to its economy. But the opinion of some other demographers is that although the population grows rapidly in a country, as the natural and physical resources are limited, this situation can be an obstacle to the economic development of the country. In the midst of these arguments the demographic transition theory which shows clearly the close relationship between the population growth and the economic development occupies an important place.

The dynamics of population deals with the determinants and consequences of changes in the structure, growth and distribution of population over time. The structure of population is the distribution of a given population by age and sex. The size of a population, its growth and age-sex structure have many important socio-economic implications. In other words, the shift in the age structure produced by the demographic transition has several social and economic implications.

However, "both the developed and developing countries are experiencing substantial changes in their age structures with potentially important implications for long run economic growth" (Mason, Undated, p.81). Bloom and others say that, "many countries in the world already have used this age structure transition for their economic development" (Bloom, Canning, Fink and Finlay, 2007, p.5). Thus, the main objective of this paper is to examine the impact of demographic transition on economic growth and development in Sri Lanka.

II. OBJECTIVE

To examine the impact of demographic transition on economic growth in Sri Lanka.

III. RESEARCH METHODOLOGY

The impact of demographic transition on economic growth has been explored in the context of Sri Lanka for the period 1963-2007. I used annual time series data covering the period 1963-2007 for studying the relationship between demographic transition and