

Effect of Government Debt on Gross Domestic Product: Evidence from Sri Lanka

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This paper investigates the relationship between government debt and gross domestic product (GDP) of Sri Lanka. Objective of this study is to find out the relationship between these two variables and the impact of government debt on economic growth. Data was collected from the annual reports of Central Bank of Sri Lanka, which has proven to be normally distributed. Correlation and Linear Regression model were used to ascertain the mentioned relationships. Data sample represents the annual time series data for a period of 15 years starting from 2000 to 2014. The results of the study is consistent with the Keynes view which proves that there is a positive impact of government debt on Gross Domestic Product.

Keywords: *Government Debt, Gross Domestic Product, Economic Growth, Keynes View*

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