

## **Impact of Financial Sector Development on Economic Growth in Sri Lanka**

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Financial sector plays an important role in economic development. Most of the researchers have proved it logically relating to their economies therefore by conducting this study, it would identify whether there is a relationship exists between financial sector development and economic growth in Sri Lanka and this research would be more useful to policy makers to implement the financial and economic policy in the country since the financial sector performs a major role in any economy as a resource allocator. Hence, financial sector contribution is very important for the whole economy. Under the classification of the research design, this research belongs to the conclusive design as this research is to test specific hypotheses and examine relationships. Under the conclusive design this is a causal research since it analyzes the cause and effect relationship. This analysis used data spanning from 1990 to 2015 to test the causality and impact of financial sector development on the determination of economic growth.” Economic Growth” which is the dependent variable in this study was measured through GDP per Capita. Variable dependents are “Liquid Liabilities, Credit to private sector”, “Credit provided by banks”. For this study, it was used secondary data sources such as central bank reports and international financial statistics to collect the required data which were easily accessible and available. All the estimations were carried out following the routine performed in E-Views software. Through that Unit root test and Least Square method were performed. The findings of this research confirm the existence of weak positive relationship between financial sector development and economic growth. It reveals the existence of the relationship between the dependent variable per capita GDP and the three independent variables; credit provided to private sector, credit provided by banks and broad money supply (M2) which implies the financial development of Sri Lanka, and the economic growth shall indicates by the per capita GDP.

**Keywords:** Financial sector, Economic, Sri Lanka