

Impact of Fiscal Policy on Economic and Social Factors in Sri Lanka**M. A. D. P. P. Wijewardana¹ and L. A. S. Perera²**Department of Finance, University of Kelaniya, Sri Lanka^{1,2}danushikapramodi3@gmail.com, shanakala@kln.ac.lk²**ABSTRACT**

Introduction: Fiscal policy is the use of government taxation and spending to direct the economy. Sri Lankan Government also use fiscal policy to influence the overall demand level of the economy to achieve economic objectives and social variables. The objective of this study was to assess the impact of fiscal policy changes on economic and social variables in Sri Lanka.

Design/Methodology/Approach: This is a quantitative study conducted using secondary data sources. This study was carried out by using secondary data sources of Annual Reports of Central Bank and World Bank data of Sri Lanka. Data for the time series from 1985 to 2019 was used to carry out this study. Data analysis was done by using both descriptive analysis and inferential statistics. The hypotheses were tested using linear regression analysis and it was concluded that there is no significant impact of government revenue on GDP Growth, Budget Deficit, General education and Public Health.

Findings: The hypotheses were tested using linear regression analysis and it was concluded that there is no significant impact of government revenue on all economic and social factors. Also there is a significant impact of government expenses on all economic and social factors. Further research reveal that budget deficit has a positive impact with government expenditure and negative impact with tax revenue. There is a negative impact with GDP growth and government expenditure, and there is a positive impact between GDP Growth and tax revenue. And so on General education has a positive impact with government expenditure, negative impact with government revenue. Public health has a negative impact with government expenditure, positive impact with government tax revenue.

Conclusion: According to depth statistical analysis of this study it can be concluded that government expenditure is significantly impact to achieve both economic and social factors than government revenue.

Keywords: *Government Expenses, Government revenue, GDP Growth, Budget Deficit, General Education, Public Health*