

## **Impact of foreign direct investment on employment in Sri Lanka**

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It has been argued that FDI would bring prosperity in the recipient countries through technology transfer, higher exports, enhancing employment opportunities and improving government revenues. Attracting FDI is really a subject matter of developing economies like Sri Lanka as a way to accumulate capital to fill the gap between savings and investment with an ultimate goal of economic development through export expansion, creating employment opportunities, and by transferring technologies. At the same time this has been a key aspect of their outward-oriented development strategy, as investment is considered a crucial element for output growth and employment generation.

This research mainly focuses on the impact of FDI inflows on employment in textiles and garment industry in Sri Lanka. Also, the strategies and policies related to FDI-focused export-led growth and employment generation after economic liberalization are considered. The study is based on primary data collected through a survey of 53 companies in the textiles and garment industry in Sri Lanka. The methodology involves building an econometric model based on Revenga's model using panel data taken from the survey.

The study proves that FDI has a positive and significant effect on employment generation in the textiles and garment sector, while recognizing that export-orientation of an industry positively influence its employment in Sri Lanka. The formulation of FDI policies after economic liberalization in 1977 highlights the promotion of FDI for the expectation of export and employment growth of the country. FDI has made a notable contribution to the economic development of Sri Lanka by way of export expansion, generating more employment opportunities and higher wages since economic liberalization in 1977.

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