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**FINANCIAL INTERMEDIATION DEVELOPMENT:
A CONTRIBUTING FACTOR TO ECONOMIC
GROWTH IN SRI LANKA**



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Abstract

The topic relating to this study is the empirical relationships between financial liberalisation, financial development and economic growth in Sri Lanka over the time period 1976-2006. Under which an attempt was made to examine indeed the contribution made by financial liberalisation to economic growth of Sri Lanka. In the context as a focal problem how far Sri Lanka has achieved best results of practicing McKinnon-Shaw financial liberalisation policies as expected by policy makers, was identify an in supporting diagnosing that five objectives were formulated. Also in carrying out the research systematic manner a suitable methodological frame work was also applied.

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විෂයයයි.

To the results of discussion certain findings were made, with regard to considering field. At first it was found that private investments play a significant role in driving the economic growth in Sri Lanka. The results also show that although the interest rate may have a positive impact on financial savings, the overall effect of interest rate on growth is ambiguous. The two models provide mixed evidence with respect to the impact of the real interest rate on real per capita income and on financial savings. In practice though, there is a positive relationship between rate of interest and savings it was noted that considerable influence is not made by rate of interest in increasing volume of savings.

After the introduction of financial liberalisation policies, on the face it seems that there is a certain development in financial sector in Sri Lanka. It has happened so, due to the expansion of related institutions from work. So then, it was understood that no considerable influence has been made by rate of interest for improvement of financial market in Sri Lanka as viewed by McKinnon and Shaw.

Thus, it can be hypothesized here that the economic growth of the country has been supported by the financial sector to some extent without having much more favouritism of financial liberalisation policy.