

Fiscal Deficit and Economic Growth: A Study on Sri Lankan Economic Perspective

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Abstract

The concept of budget deficit has become a major social and political issue. Fiscal policy and its indicators play an important role in the design and execution of fiscal policies by the government of many countries. The main purpose of the study is to find out the impact of fiscal deficit on economic growth in Sri Lankan perspective. Data on the Fiscal deficit and economic growth from the year 1970 to 2010 were collected for the study purpose. The results revealed that, there is no significant impact of fiscal deficit on the economic growth. And also, there is no significant relationship between fiscal deficit and economic growth in the Sri Lankan economic perspective. Finally, we have suggested that, government of Sri Lanka should heavily focus on the infrastructure development to enhance the economic growth level through the effective fiscal policy frame work.