

AGEING POPULATION AND ECONOMIC GROWTH NEXUS IN SRI LANKA

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Abstract: *Increasing trend of ageing population is one of the key issues in the economy of Sri Lanka. This research aims to find out how the ageing population affects the economic growth of Sri Lanka from the period of 1990 to 2019. Data for this study was collected from World Bank online database and Eviews:9 econometrics software was used to analyze the data. Unit root test was done on the variables and the method chosen was the Augmented Dicky – Fuller test. Co-integration analysis was used for the long run relationship. According to the results, it shows that ageing population has a negative and significant impact on economic growth. Likewise, gross capital formation also has a positive and significant impact on economic growth. Therefore, this study suggests that policies should consider the high level of expenditure on human capital, increase the saving and investments as well increase the working age of laborers to reduce the old age dependency burden and huge expenses for ageing population at the same time increase the economic growth of the country.*

Keywords: Ageing Population, Economic Growth, Gross Capital Formation, Inflation

Introduction

Achieving economic growth is an essential economic goal and it depends on many different factors. The labour force is one of the key factors that playing vital role in achieving economic growth of countries like Sri Lanka which mostly uses labour intensive method for its production. Therefore concentration on ageing structure of a country is unavoidable. Because, the amount of people in the working age group will determine the economic growth of a country.

Population aging refers to changes in the age composition of a population such that there is an increase in the proportion of older persons. Traditionally, the United Nations and most researchers have used measures and indicators of population ageing that are mostly or entirely based on people's chronological age, defining older persons as those aged 60 or 65 years or over.

Today every country in the world is experiencing growth in the number and proportion of older persons in their population. According to World Population Prospects by 2050, 1 in 6 people in the world will be over the age of 65, up from 1 in 11 in 2019. In the world, number of persons aged 65 or over in 2019 is 702.9 millions and in 2050 it is expected as 1548.9 million and also in Asia ageing population has increased from

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