

## **SOCIAL WELFARE AND ECONOMIC GROWTH IN SRI LANKA**

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Successive governments in Sri Lanka have been utilizing many of its resources for social welfare with a high opportunity cost. As a result, it has been argued that economic growth has been lowered and opportunities to gain a higher per capita income were lost. In this context, the main objective of this study was to analyze the possibility of obtaining existing social welfare levels by devoting resources, which have already been utilized for welfare in the past, to investment in the country. The study also attempts to identify the influence of social welfare expenditures on the important macro economic variables over the last four decades.

The possibility of obtaining existing social welfare levels through economic growth is calculated by using macro level data on per capita income, welfare expenditure and investment for the period from 1961 to 2000. A simple regression model is used to capture the macro economic impact of welfare expenditure. The main variables that are used in the regression model are welfare expenditure, investment, budget deficit and savings in the above period.

The results suggest that the country could have gained existing welfare level with higher per capita income by devoting resources to growth based activities during this period. A significant impact of the welfare expenditure on some of the macro economic variables such as budget deficit and saving could be observed during this period.

The study concludes that Sri Lanka has lost the opportunity to be a country with a higher per capita income and higher welfare levels, because of state welfare intervention. Further, welfare expenditures have possibly decelerated economic growth by enlarging budget deficit and lowering savings in the country.