Research method : regression model on the gdp of sri lanka

Economics

In extension Of the production function, foreign financed capital (l), export (EX) and import (IM) are added into the model to determine their impact on the economic growth. Pawl's (2002) mentioned that the import is considered will affect the economic growth which are divided into intermediate and capital good imports. Flamboyancy's (as cited in Bait, 2013) include FED as the addition input to labor and domestic capital in production function since it's the main source of human capital and newtechnologyfor new developing country.

As mentioned by Namely (as cited in Bait, 2013), exports are included in the production function as more input of macro are needed. The FED stock was excluded from the Gross Capital Formation as it included both domestic and foreign investment and to avoid double measurement (Bait, 201 3) The production function extended, assuming multiple-linear equation, an Ordinary Least Squared estimate which specified below: Where -? The estimated Gross Domestic Product per capita growth (annual = The Investment in terms of Gross Fixed Capital formation (% of GAP). The Labor force in terms of total (person). The Export of goods and services (% of GAP). = The Import of goods and services (% of GAP). The Gross Capital Formation (% of GAP). = The error term of the regression. In the research done by Bass, Corroboratory and Regale (as cited in Turned, 201 2) studied the long-run and the short-run relationship between the investments with the gross domestic product (GAP). The result of their finding that there are positive long-run relationship between GAP and investment where their finding are consistent with findings obtained from Khan and Khan ND Mathematician (as cited in Turned, 2012).

Allah, Zamia, Faro and Jived (as cited in Hussein, 2014) have conducted a research to check whether there is nun-directional or bidirectional causality between the export and economy growth and the result suggested that there is nun-directional causality between the economic growth and export. In addition, findings by Mishear (201 1) there exist a positive impact on the increasing of real GAP with export in thecase studyof India which supported by Pharaoh (as cited in Mishear, 201 1) also found that export have positive and significant impact on economic growth.

The increasing number of global labor workforce represent the opportunity to drive the economic growth and the increase in the gross domestic product (GAP) but it also represent many challenges (Wristwatch Institute, 2014). With the increase of number of labor in the labor workforce, the productivity level will reach optimum level at a certain point but after that point, the productivity level will decrease as the number keep increasing.

As or the case of Sir Lankan, now with the government effort to achieve upper middle income country, the increasing of the labor workforce will bring positive impact to the economic growth of Sir Lankan. According to Pawl's (2002), imported intermediate goods have a positively and significantly influence the GAP growth in the long run. The main export of Sir Lankan is mainly architecture goods which are mainly depends on the import of fertilizers and agriculture machines. Thus it is acceptable to said that import of intermediate goods will brings positive and significant effect on the economic growth of Sir Lankan.

Based on the study by Imprimatur (2013) on effects of the gross capital formation on the GAP growth in India on agriculture sector found that higher level of gross capital formation in the agriculture sector as agriculture is the main backbone of the India economy was able to improve the overall GAP growth rate. This study can be apply to Sir Lankan as Sir Land's main economy are agriculture based economy. Thus, this shows positive relationship between the Gross Capital Formation (GIF) with the Gross Domestic Product (GAP).