

PROJECT PROPOSAL

THE IMPACT OF CENTRAL BANK INTEREST
RATE CHANGES ON

GDP

GROWTH IN SRI LANKA



PREPARED FOR

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AGENDA

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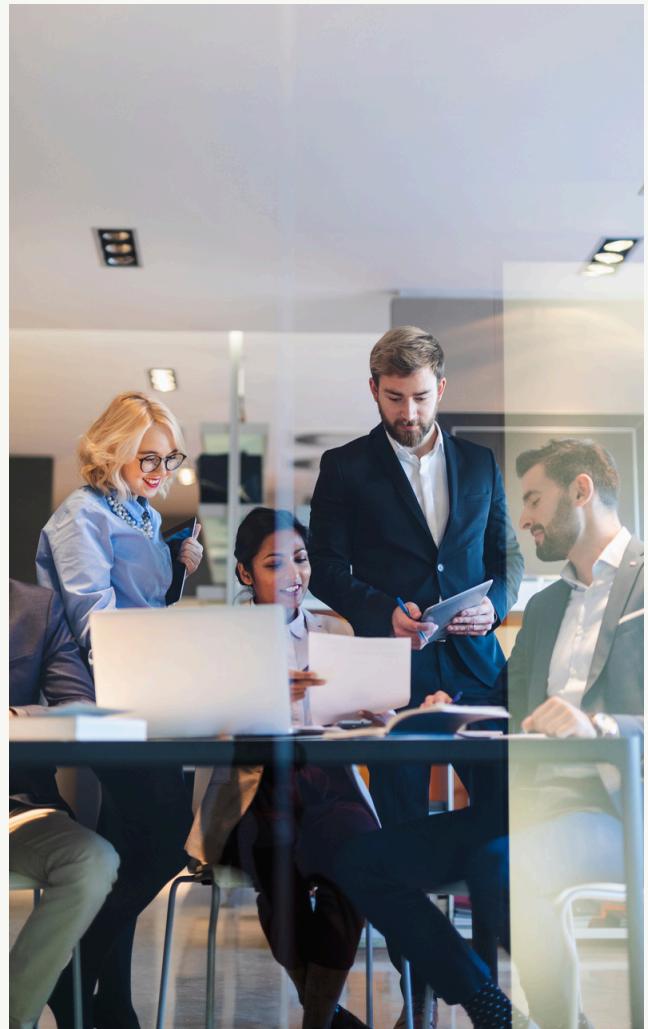
INTRODUCTION

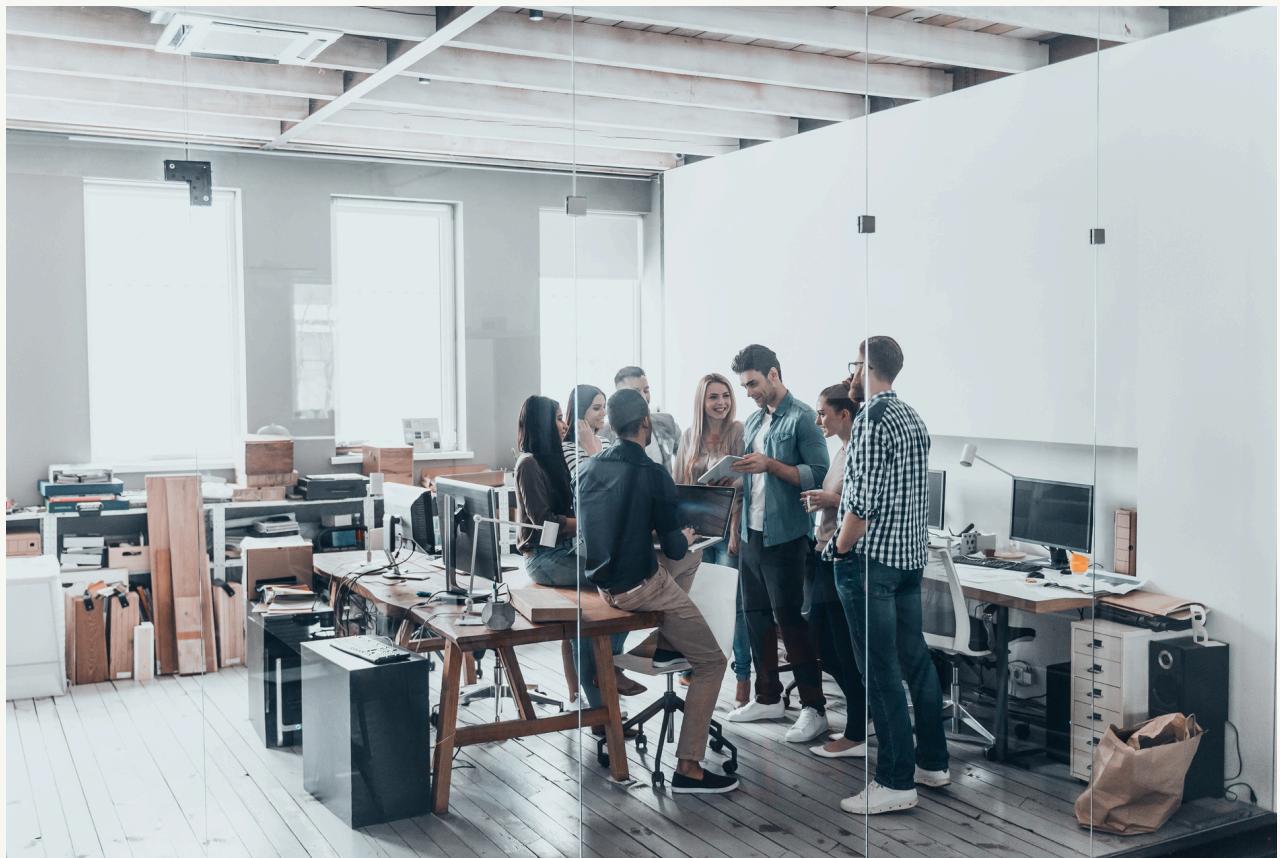
BACKGROUND

The Central Bank of Sri Lanka (CBSL) uses interest rate adjustments as a primary tool for monetary policy to influence economic activity. Understanding the relationship between these adjustments and GDP growth is crucial for policymakers, economists, and investors in Sri Lanka.

OBJECTIVE

To analyze the relationship between central bank interest rate changes and GDP growth in Sri Lanka, identifying patterns, correlations, and potential causal effects specific to the Sri Lankan economy.





MONETARY POLICY AND ECONOMIC ACTIVITY

Review existing literature on how changes in interest rates affect economic variables such as investment, consumption, and overall GDP, with a focus on Sri Lanka.

EMPIRICAL STUDIES

Summarize findings from previous empirical research on the impact of interest rate changes on GDP growth in emerging economies, particularly Sri Lanka.

THEORETICAL FRAMEWORKS

Discuss theoretical models that explain the transmission mechanisms of monetary policy to real economic activity, emphasizing their applicability to Sri Lanka.

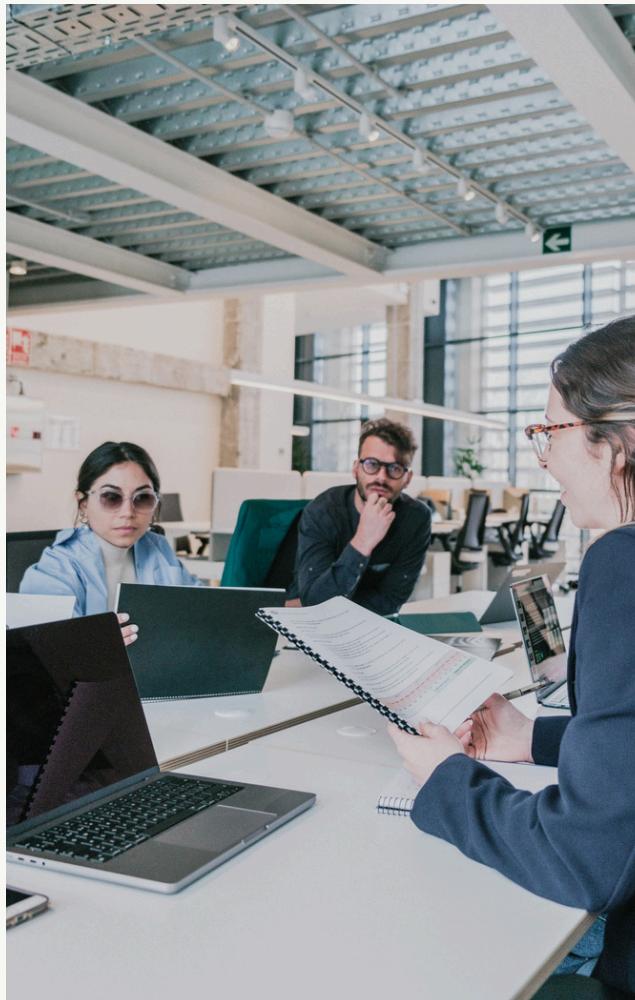
DATA COLLECTION

SOURCES

Gather historical data on interest rates and GDP from CBSL publications, Department of Census and Statistics, and international financial databases (e.g., World Bank, IMF).

TIME FRAME

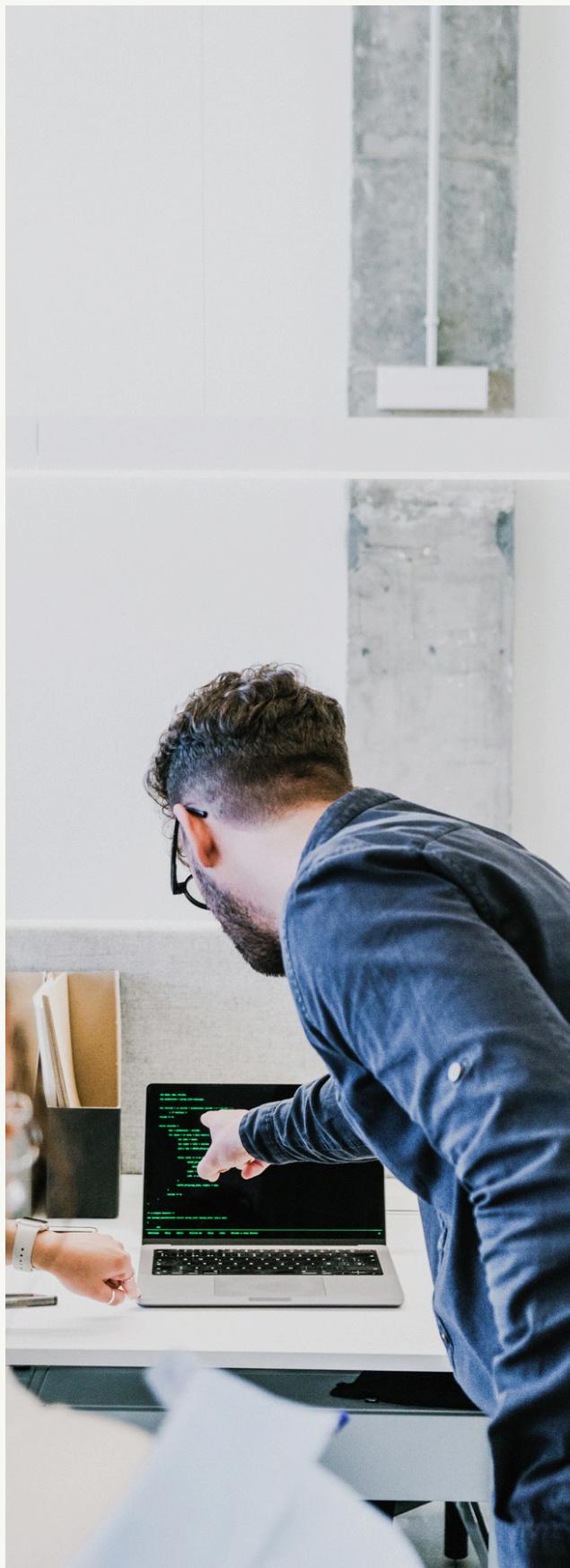
Focus on data from the past 30 years to capture different economic cycles, particularly significant economic events and policy changes in Sri Lanka.



GEOGRAPHICAL SCOPE

Concentrate on Sri Lanka, while also considering regional economic influences from South Asia.

ANALYTICAL METHODS



DESCRIPTIVE STATISTICS

Summarize the data using mean, median, standard deviation, and other statistical measures to provide an overview of interest rate and GDP trends in Sri Lanka.

CORRELATION ANALYSIS

Calculate correlation coefficients to identify the strength and direction of the relationship between interest rates and GDP growth in Sri Lanka.

REGRESSION ANALYSIS

Use econometric models to quantify the impact of interest rate changes on GDP growth, controlling for other variables such as inflation, government spending, exchange rates, and external economic conditions.

GRANGER CAUSALITY TESTS

Determine if changes in interest rates can predict future changes in GDP growth in Sri Lanka, implying potential causality.

EXPECTED OUTCOMES

IDENTIFICATION OF PATTERNS

Clear patterns and trends showing how interest rate adjustments correlate with GDP growth in Sri Lanka.

POLICY IMPLICATIONS

Insights into how CBSL can use interest rate policies more effectively to stabilize and stimulate economic growth in Sri Lanka.



THEORETICAL CONTRIBUTIONS

Contributions to existing economic theories by providing empirical evidence on the relationship between monetary policy and economic activity in an emerging market context.

GOALS



PHASE 1 (WEEK 1)

Literature review and data collection.

PHASE 2 (WEEK 2)

Data analysis using descriptive statistics and correlation analysis.

PHASE 3 (WEEK 3) :

: Regression analysis and Granger causality tests.

PHASE 4 (WEEK 4)

: Interpretation of results and drafting of the final report.

PHASE 5 (WEEK 5)

Review, revision, and submission of the final report.

CONCLUSION



This project aims to provide a comprehensive analysis of how central bank interest rate changes affect GDP growth in Sri Lanka, with implications for policymakers and economic theory. The findings will contribute to a better understanding of monetary policy's role in economic management and help formulate more effective strategies for economic stabilization and growth in Sri Lanka.

REFERENCES

Include a list of academic papers, books, and data sources reviewed and cited in the project proposal.

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