

Human Capital as a Tool of Economic Growth during the Post Conflict Scenario in Sri Lanka: An Econometric Analysis

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Individuals differ in both inherited and acquired abilities, but only the latter differ among countries and time periods. Human capital analysis deals with acquired capabilities, which are developed through formal and informal education at school and at home, through training, experience, and mobility in the labour market. Accumulation of personal human capital produces individual economic (income) growth, so do the corresponding social or national aggregates. At the national level, human capital can be viewed as a factor of production coordinate with physical capital. This implies that its contribution to growth is greater the larger the volume of physical capital and vice versa. The framework of an aggregate production function shows also that the growth of human capital is both a condition and a consequence of economic growth. This study attempts to analyze the significance of improving human capital as a tool of enhancing the economic growth of Sri Lanka during the post conflict period. Various econometric tools have been employed to estimate the Cobb-Douglas production function for the period of 1990-2008. After estimating the production function, it has been observed that there was a possibility of increasing real gross domestic product (GDP) by 5% following an increase of 1% human capital, even though the mean contribution of human capital to real GDP growth during that period was significantly low and it is approximately 0.397%. Therefore, it is apparent that if Sri Lanka can improve the human capital, there is a higher possibility of sustaining a higher economic growth, which leads to economic development in the post-conflict scenario in Sri Lanka. Consequently, the study highly recommends that adaptation of efficient policies to develop the human capital, in order to accomplish the economic development in the post-conflict period in Sri Lanka.

Key Words: Cobb-Douglas Production Function, Real Gross Domestic Product, Econometric tools, Post-Conflict Scenario.