ECONOMIC INSTABILITY AND EDUCATIONAL PARTICIPATION IN SRI LANKA

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Abstract

Economic instability has emerged as a major challenge in Sri Lanka, as persistent inflation and economic disruptions continue to affect household welfare and educational participation, particularly among low-income families. This study examines the impact of inflation on educational participation, measured by the gross school enrolment ratio, in Sri Lanka over the period 1990 – 2024. Inflation is the principal indicator of economic instability, with GDP per capita growth and government education expenditure (% of GDP) included as controls. Annual data from the World Bank and the Central Bank of Sri Lanka were analysed using the Autoregressive Distributed Lag (ARDL) bounds testing approach. Unit root tests show that inflation and GDP per capita growth are I(0), while enrolment and government education expenditure are I(1), with none integrated of order two. The bounds test ($F = 6.77$) exceeds the upper critical bound, confirming a long-run relationship. In the long run, inflation (0.092, $p = 0.035$) and GDP per capita growth (0.347, $p < 0.001$) are positively and significantly associated with enrolment, while government education expenditure is insignificant ($p = 0.535$). The error correction term is negative and significant (-1.037, $p = 0.001$), indicating that deviations from long-run equilibrium are corrected within about one year. In the short run, no variable is significantly associated with enrolment. Enrolment remained within a narrow band even as inflation reached 49.7% in 2022. These findings suggest that free-education policy has protected aggregate participation during macroeconomic shocks, but stable national enrolment should not be equated with equitable access, because aggregate data cannot reveal effects on low-income households. Policymakers should safeguard real education spending against inflation and adopt household-level monitoring systems to advance inclusive education under Sustainable Development Goal.

Keywords: Inflation, Educational Participation, ARDL Bounds Test, Inclusive Education, Sri Lanka