HOW HEALTH MATTERS TO THE WEALTH OF A NATION? CASE OF A DEVELOPING COUNTRY

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To improve the health of the public, the majority of developing countries offer free public healthcare services. As per the economic theory, strengthening healthcare services improves labor productivity and, as a result, domestic production. This paper aimed to examine the role of healthcare services in uplifting developing-country production. The study examined the evidence of Sri Lanka, which has progressed in healthcare development. With World Bank data, the study estimated an OLS regression to examine the effect of healthcare investments on the gross domestic product of the country. Based on the Solow Swan theory, capital formation, labor force size, and inflation rate were included as predictors of gross domestic product in the model. The results found that the size of the labor force, as well as capital formation, have a significant effect on production, confirming the Solow-Swan model. It was found that the investment in healthcare services does have a significant impact on the country's GDP. However, the findings revealed that healthcare services makes a negative effect on the GDP. This finding, along with a few similar findings in the literature related to the developing country context, opens the possibility of further research.

Keywords: Health; GDP; Economic growth; Human capital; Sri Lanka