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Financial development is concerned with the unification of fragmented financial markets and indicators of financial development (Quantity, Structural, Financial product range and Transaction cost) are used to verify the proposal. The main objective is examined for Sri Lanka over the period 1978-96, using quantitative method.

Little attention has been given to the indicators and behaviour of financial variable in financial sector development. Traditional measures, particularly the monetary and credits aggregates, are not enough to assess accurately the financial development. Therefore alternative measures to evaluate the level of financial sector development have been proposed.

In this case, when we consider Sri Lankan experience, it was revealed some measures (Quantity, Structural, Financial) provided progress and some of them (Product range, Transaction cost) no support adequately to the financial sector development.

However each indicator is affected differently depending on the institutional background and extent of the policy formulation.