INCOME DIVERSIFICATION OF ESTATE SECTOR IN SRI LANKA

Dharmadasa, R.A.P.I.S. and Polkotuwa, P.W.T.P.
Uva Wellassa University
sdharmadasa@gmail.com, thilini.poorni@gmail.com

ABSTRACT

This study aims to identifying determinants of income diversification at household level in Sri Lankan estate sector. Analysis builds on data of Household Income and Expenditure Survey 2009/2010 conducted by Department of Census and Statistics of Sri Lanka. The data set covered 1736 households in Sri Lankan estate sector. Herfindhal Index was applied to calculate income diversification at household level and Censored Tobit model was used to identify the determinants of income diversification. The econometric analysis shows that gender and age of the household head, household size, ownership of agricultural land, number of workers above 15 years old and availability of migrants in a household have significantly contributed to the performance of income diversification. Further study indicates that migrants of estate household play a critical role in non estate income. All in all, the study clearly depicts that income diversification has become one of the important strategies of income improvement in estate households.

Keywords: *Income, Diversification, Households*

1. INTRODUCTION

Diversification is referred to a process by which the presence of multiple income sources is created in households (Nghiem, 2010). Most of households are willing to increase their household income to raise their wealth. Hence, they easily adopt income diversification activities. On-farm diversification and Non-farm diversification are the key elements in farm household diversification. Farming as a livelihood activity is associated with high amount of risk. Farm income fluctuates with various factors such as climatic change, pest and disease problems, price variations, policy changes etc. Therefore, households are pushed into income diversification. Most of the researches point out that participation in income diversification activities and level of income derived are influenced by human capital related variables such as gender, age of household head, number of economically active family members, education level, household size etc.(Bartolini*et al.,* 2014, Wanyama *et al.,* 2010Agyeman *et al.,* 2014, Demissie and Legesse, 2013) and also they describe income diversification as commercialization process and value addition process.