

Determinants of Income Diversification Strategies among Tea Smallholders in Badulla District, Sri Lanka

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This paper investigates the determinants on income diversification using 300 tea small holders in Badulla, Passara, Hali-ela and Attampitiya tea inspector ranges. Multinomial logistic regression was used to analyze the determinants of income diversification. The results indicate that tea smallholders with old experienced educated household heads and more family labor diversify income into different sources. Number of schooling children, number of old dependents also stimulate income diversification while households with male household heads, larger land extent and presence of male and female members above the age of fifteen demotivate diversification activities. A censored Tobit regression model was used to find the determinants of the degree of income diversification measured by the Simpsons Index of Diversity (SID). Average value of SID is 0.296 indicating low level of income diversification in tea smallholders in Badulla District. Age and education level of the household head, family size, experience on tea cultivation, family labor availability, presence of children below age six are positive significant factors while land extent and land ownership are negative significant factors affecting degree of diversification.

Keywords: *Income Diversification, Multinomial Logistic Regression, Simpson Index of Diversity, Tea Smallholders, Tobit Model*

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