



Determinants of household poverty in the rural sector in Sri Lanka: 1990-2010

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To cite this article:

Seetha Ranathunga, John Gibson. Determinants of Household Poverty in the Rural Sector in Sri Lanka: 1990-2010. *Economics*.

Vol. 3, No. 3, 2014, pp. 43-49. doi: 10.11648/j.economics.20140303.11

Abstract: A satisfactory explanation of why some people are poor is essential to tackle the roots of poverty. Therefore, the causes of poverty and their behavior over time are more important to understand the depth of the problem in a particular sector in a country. This study examines the micro-level factors associated with household poverty and their behavior over the years in the rural sector in Sri Lanka using disaggregated Household Income and Expenditure Surveys (HIES) data in 1990/91 to 2009/10 using Probit regression analyses. The major factors affected for the poverty reduction in the rural sector within last two decades are employment of the head of the household in the public sector, education of the head of the household, the head engaging in the non-agriculture sector, higher female adult ratio, and the receipt of remittances. They are statistically significant variables to the model. Relatively, foreign remittance has played a very important role in poverty reduction in the rural sector. Households with the higher dependency ratio, the large household size, and head engaged in private sector job and the female headed households are more likely to be poor in the rural sector in Sri Lanka. However, almost all the coefficients (both positive and negative factors) show declining trends of their impact on poverty over time while impacts of the head engage in non-agriculture activities and the higher female adult ratio have increased.

Keywords: Poverty Determinants, Probit Regression Analysis, Rural Sector, Sri Lanka

1. Introduction

Poverty measurements are significant yardsticks in understanding the nature of the problem of poverty as it differs from region to region and country to country. Since the poverty profile describes the pattern of poverty, understanding the poverty profile is of key importance for effective planning of poverty reduction for any country. Nevertheless, poverty profiles are not principally concerned with household poverty determinants. Therefore, poverty analysis are much needed same as poverty measurements to observe causes for poverty

and the impact of policy changes on it, as it differs region to region and time to time. A satisfactory explanation of why some people are poor is essential to tackle the roots of poverty. Thus, causes of poverty are more important to understand the depth of the problem.

Poverty reduction programs are brought to the forefront in economic development agenda in successive governments in Sri Lanka since its independence. Thus, this force is evidenced by the fact that Sri Lanka has achieved the MDG Goal 1 by 2010 despite of the long-lasting ethnic conflict between the Tamil minority and Sinhalese majority. However, regional and sectoral disparities are significantly large and key concern yet. Eighty three percent of the poor located in rural sector by 2010 (DCS, 2011) depicts that the problem of poverty in Sri Lanka is totally a rural phenomenon. Thus, there is a need of detailed poverty analysis to have a clear understanding of the fundamental causes of poverty in the rural sector in particular for developing an effective strategy for combating rural poverty in Sri Lanka.

This study attempts to analyze and examine the behavior

The first author is highly grateful and acknowledged Professor Anna Strutt, and Dr. Steven Lim, Department of Economics, University of Waikato, NZ for the constructive feedback for the improvement of this paper. Also gratefully appreciate the comments and suggestions of the Chairpersons, commentators of the Conferences: 14th Annual Student Research Conference in Waikato Management School (2010), the Conference in Asian Studies in Auckland University (2010), National Geography Conference in Sri Lanka (2012), Third International Conference on Management and Economics- Bangkok, 2nd International Conference on Social Sciences in University of Kelaniya (2013), Sri Lanka.