

09**The Determinants of Household Savings in Tea Smallholders: With Special Reference to Kotapola Divisional Secretariat Division of Matara District**

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Abstract

Saving is a part of disposable income of a certain period that has not been allocated to consumption. Household saving is the source of investment and is considered an important factor in economic growth. Tea is a major cash crop that is grown in Sri Lanka. Tea smallholding division has made the highest contribution to the overall tea output of Sri Lanka. Most studies have not been conclusive on the factors that influence savings among various households especially in the tea sector. The main objective of the present study was to explore important determinants of household saving in tea smallholders. The primary data was collected through a questionnaire from a sample of 50 tea smallholders who were selected using a simple random sampling technique. Data was analysed using the Statistical Package of Social Science (SPSS). This study has used the multiple regression model to find out the determinants of savings of tea smallholders. The results revealed that socio-economic factors and the income were the major

determinants of saving while demographic variables do not show significant association with the level of savings. But according to the results of t-test, there is a significant relationship between dependency ratio and household saving. Out of six independent variables only four variables are significant at probability levels. The saving behaviour of the study area is largely determined by the income of tea cultivation and income of extra crop cultivation. The study recommends to provide a standard price, to set up well equipped factories and enable proper schemes of saving that would encourage investments within the tea industry to grow with quality tea. Policies should be formulated to develop additional crops cultivation.

Keywords: Saving, Determinants, Tea smallholders, Extra crop cultivation, Household savings