

**DETERMINANTS OF INCOME DIVERSIFICATION
OF FLUE CURED TOBACCO BARN OWNERS IN
SRI LANKA**

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ABSTRACT

Except tobacco farming, tobacco barn owners move to different income sources such as other crop cultivation and non Agricultural activities due to clear differences in the living status. Therefore, this study aims to analyze the determinants of flue cured barn owner's income diversification and share of income sources to total household income at Galewela, Polonnaruwa and Mahiyanganaya in Sri Lanka. The study drew a sample of 302 flue cured barn owners through random sampling technique from the three different regions and the data obtained were analyzed using descriptive statistics, Herfindhal diversification index and Censored Tobit regression. The results indicate that the level of income diversification among the flue cured tobacco barn owners in Sri Lanka depicted by inverse of Herfindhal index is 3.02. According to Herfindhal index highest income diversification is observed in Mahiyangana area while lowest income diversification is observed in Galewela area. Age of the barn owner, experience in tobacco cultivation, land ownership to the barn owner, total land availability (leased and tenure), capital goods ownership (tractors), tobacco specific resource endowment (number of barns), and distance to the nearest town were the major determinants of income shares from different sources of activities. Increased in size of land holding, number of tractors (capital goods) and average annual expenditure significantly increased the income diversification of the barn owners, while reduction in experience in tobacco cultivation, number of barn availability (tobacco specific resources) and distance to the nearest urban town significantly increase the income diversification.

Key words - Income diversification, Herfindhal Diversification index, Censored Tobit Regression, Tobacco, Barn owners