

**INCOME DIVERSIFICATION OF ESTATE SECTOR
IN SRI LANKA**

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ABSTRACT

Sri Lankan estate sector can be considered as one vital component in country's economy. This study was conducted to investigate the determinants of income diversification at household level in Sri Lankan estate sector. This analysis builds on survey data of 1736 households in Sri Lankan estate sector, which was conducted in 2009/2010 by The Department of Census and Statistics of Sri Lanka. Descriptive Statistics, Herfindhal Diversification Index and Censored Tobit Model were employed in the analysis. Herfindhal index (HI) was applied to calculate income diversification at household level and Censored Tobit model was used to identify the determinants of income diversification. According to the data, employment income, agriculture income, non - agricultural income, Remittances and transfers and other income as the main income sources in estate sector. Majority of household displayed a tendency in generating income by employment. The econometric analysis shown Gender of the household head, Age of the household head, Household size, Ownership of an agriculture land, Number of workers above 15 years and Availability of migrants in a household have significantly contributed to the performance of income diversification in estate households. On the contrary, the effect of education level of household head, Number of household members above 15 years having grade 6 to 10 education, O/L education and A/L or Above A/L have insignificant effect but those were positively associated with income diversification of estate households. Further study results indicate that with the increase of members with mere primary school education, inclination to diversify their economy has also decreased. Hence it is evident that education plays a major role in household income diversification. Presence of migrant is imperative. Migrants play a critical role in non – estate income earning such as in-country migration, overseas employments, external employments etc. All in all the study clearly depicts that income diversification is the dynamic of income improvement in estate households. Households can increase their income by diversifying their activities.

Key words: Income diversification, Estate sector, Households, Determinants