

**EVALUATION OF DIVERSIFICATION
STRATEGIES ADOPTED BY TEA
PLANTATIONS**

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ABSTRACT

Plantation crop industry being one of the most key important drives in Sri Lankan economy, the performance plays vital role. Kahawatte Plantations Limited (KWPL) is one of the 23 Regional Plantation Companies established on 22nd June 1992 with the decision taken by the government to privatize the plantation sector in Sri Lanka. Kahawatte Plantations Limited mainly manages tea, rubber and cinnamon as their major agricultural commodity.

Diversification is one of the emerging strategy which is used by different industries to survive and sustain in the competitive environment. Price volatility of agricultural commodities being one of the main constraint towards stability makes it direction towards diversification.

The study focused on the performances of diversified estates holding of Kahawatte Plantations Limited in low country region within recent past five years. It was carried out as an empirical case study based on the data gathered during the mentioned time frame. The unavailability of researches on this topic in Sri Lankan Plantations crop industry, it directs the researcher to find out financial and physical performance of diversification strategies adopted by Kahawatte Plantations Limited.

Specialization Ratio (SR) was used to measure the degree of diversification and it was tested with every financial performance variables and physical performances. The data were gathered using secondary data collection method based on MIS reports, accounts, and annual reports.

The significant variables on both financial and physical measures yielded indifferent results making it complex to decide whether going for diversification is better or not. But in financial performance context it is said that going for diversification is better which the most favorable condition expected by industry. Being operating at moderate level of diversification according to the researcher classification the company has been able to yield better results in overall financial performance.

The further modification and improvements of this model by future research prospects will be able to generalize to the whole industry to have better idea on diversification.