

**DETERMINANTS OF INCOME DIVERSIFICATION  
STRATEGIES AMONG TEA SMALL HOLDERS IN  
BADULLA DISTRICT**

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## ABSTRACT

This Research examines the determinants on Income diversification of tea small holders in Badulla, Passara, Hali- ela and Attampitiya tea inspector ranges which belongs to Badulla district by using 300 tea smallholders. Multinomial logistic regression was used to analyze the determinants of income diversification according to income diversification categories. The results indicate that the tea smallholders are diversifying their income into on-farm diversification activities and/or off-farm diversification activities. The highest percentage (53.33%) has diversified their income by doing on-farm activities. Experience on tea cultivation, family labor availability, presence of old dependents and schooling children within the family increases on-farm diversification while presence of females above age fifteen decreases on-farm diversification. As well as gender, age, and education level of household head, number of family members, presence of children below age six and old dependents inside the family increases off-farm diversification activities. Further, age and education level of household head, number of family members, experience on tea cultivation and presence of old dependents within the family motivates both on-farm and non-farm diversification activities while land extent and presence of male members above age fifteen demotivates diversification activities. Censored Tobit model was also used to analyze determinants of income diversification by using Simpson index of diversity. Simpson index of diversity (SID) was used to measure income diversity among small holders. Age and education level of the household head, family size, experience on tea cultivation, family labor availability, presence of children below age six are positively significant factors while land extent and land ownership are negatively significant factors to income diversification decision. The obtained results have important policy implications which imply that programs targeted to engage people in other income generating activities would augment their income sources. As measures from the part of the government

reducing the rate of interest for private enterprising in the rural sector, development of rural infrastructure and improving information facilities at the rural areas are suggested.

**Key words:** Income diversification, Tea small holders, Multinomial logistic regression, Tobit model, Simpson index of diversity