

CHAPTER I

INTRODUCTION

1.1 Background

Sri Lanka is an island country located in Indian Ocean to the south of India and separated from India by Palk Strait. It is also known as the Island of Serendipity. Sri Lanka lies just above the equator between 5° 55'N and 9° 55' N and between the eastern longitudes 79° 42' and 81° 52'. The maximum length and width of Sri Lanka is 435 km and 225 km respectively. Total area of Sri Lanka is 65,610 sq km (Land area: 64,740 sq km, Water area: 870 sq km).

Sri Lanka is a lower-middle income developing nation with a total population of 19.94 million growing at a rate of 1.2 percent annually. The rural areas account for 80% of the population and about 88% of the poor. Poverty reduction is dampened by inequality among sectors and regions. Civil conflict-affected North and East lag behind in economic infrastructure and key human development outcomes. The importance of agriculture in the economy of Sri Lanka contributes as follows: more than 65 percent of the rural families secure their livelihood from agriculture. About 35 percent of the employed population is engaged in agriculture. About 20 percent of the GDP is derived from agriculture. About 30 percent of the land area is devoted for agriculture and about 24 percent of gross export earnings are from agricultural commodities. Ampara is located in Eastern province of Sri Lanka and famous for paddy production among all other districts in the country.

The important peasant crop is paddy of which the land prepared in advance known as “Asweddumized” extend aggregated up to about 750, 000 ha in the country. Currently in a main season known as “Maha” cultivates about 600,000 ha of paddy and in the second season “Yala” the area restricts mainly to irrigated land which would be about a half of the extent of main season depending on the water availability. The country did not yet reach self sufficiency in rice production. It is also a net importer of other essential consumption items like wheat, milk powder, sugar and oil. Price volatility in consumption items is a severe constraint on the poor. Ampara is also one of the districts under this increased price crisis for major consumption goods. The real wages for unskilled workers also have reduced in value to such a degree that it is worth 40 percent of what it was in 1978. Most of the times, the poor occupy these unskilled work.

The country macroeconomic imbalances, particularly like high inflation and persistent budget deficits, are emerging as serious concerns in the recent economy. These factors tend to increase the input cost of rice production on rural poor. Economic growth in Sri Lanka has been stymied by a combination of factors such as inadequate infrastructure, adverse impact of the civil conflict on investment climate and size of public debt, the stagnant agricultural sector, the lack of advanced skills in the labor force, and the inefficiencies in the labor market.

1.2 Statement of the problem

Rural poverty represents a significant portion of the country population and most of the development opportunities are opened in the urban sector. Poverty reduction has been slow due to widening inequalities among income groups and across regions, and because growth is concentrated in Western Province surrounding

capital city as like in other developing countries. Therefore, poverty is predominantly a rural phenomenon in Sri Lanka, with over 85 percent being the poor in rural areas. The estimated consumption based poverty measure is to be over 33 percent of the population in the rural areas compared to 17 percent in the urban areas (ADB, 2000). It is well known that the agricultural sector remains one of the major sources of livelihoods in all provinces except Western Province and those agricultural wage employees are vulnerable. Thus, a natural disaster such as flooding or drought may have serious consequences on livelihoods and result in sharp rises in poverty. The impact also depends on other factors—such as the diversity in cropping or the diversity in occupations, livelihood resource ownership—that affect the vulnerability of the people to risk incidences.

Ampara is one of the coastal districts in Sri Lanka. It is a remote district situated far from Colombo city. Three ethnic groups of people are living in nearby areas. It is famous for paddy farming. Fishing is another important livelihood found here. It is subject to several national economic shocks (e.g high inflation). It lacks much of infrastructure for development. It also was hit by recent biggest tsunami in Asia.

Livelihood of the poor in Ampara district revolves around paddy cultivation which absorbs most of the rural poor. Employment in this sector is nevertheless seasonal. Paddy is cultivated in two seasons. The incidence of flooding, unexpected pest and disease attack reduce the earning from paddy related activities. Successful paddy output/cultivation for a specified season determines the next paddy cultivation and other construction activities of rural people. Successful paddy cultivation leads to

more nonfarm opportunities for employees. This situation is also true with successful seasonal fishing.

National statistics show the trend in agriculture employment pattern and its contribution to the rural poor. It nevertheless did not highlight non-agriculture contribution among the rural poor. Usually, wage earners need to find various economic activities to diversify their income to ensure food sufficiency and minimum achievable family welfare. The structure of employment differs by region with the economic structure, income level and human capacities. In Sri Lanka, wage employment ranges from 53.1 to 79.0 percent of the population engage in some kinds of wage employment. A significant Proportion of farm laborers are employed part-time and sometimes engaged in other gainful activities e.g., including off farm activities. Rural employment patterns can not be properly understood unless there is an attention on non agricultural sector employment. There are major gaps in understanding rural poverty, in particular the linkage between defined actions and outcomes for specific groups of the rural poor and effective mechanisms for selecting and sequencing public sector choice to achieve desired outcomes. Poverty reduction will require better and real understanding of rural livelihood system in relation to rural planning and development. Domestic institutional capacities for monitoring and analysis of rural livelihood systems remain weak. No statistical analysis or study reports are available in this regard. The country assistance strategies should be developed based on the analyses of poverty and the participation of the poor. In the future, the country assistance strategies should be mostly demand driven and relatively limited in number. They should be specific in different situations of poverty.

On the other hand, attention should also be on female-headed households among the rural poor. It is also important to take into account of gender role in livelihood system as most of the time female headed households differ from male headed households in poverty dimension. Therefore, sporadic attention to gender in future development project designs should be replaced by mandatory gender analysis in livelihood system.

1.3 Rationale

As poverty is a dynamic and multidisciplinary concept, the underlying factors that keep a household in or below the poverty line is interlinked and complex in nature. These factors should be studied and so as to suggest policy interventions. Among the different approaches available to carry out poverty analysis, livelihood approach is a promising approach. Barrett and Reardon (2000) pointed out that the livelihood approach has played an important role in highlighting the multiple activities undertaken by rural households, the importance of assets in determining the capacity to undertake activities, the dynamic nature of the actions of rural households and the link between the diversification of assets and activities. A periodical assessment of rural populace is important to suggest changes in implementing programmes. In Ampara district of Sri Lanka, there is a lack of people oriented research studies with no statistical data available on the people's livelihood pattern and their resource ownership. Therefore, it is important to study the poor communities in this district to see the extent of poverty and the factors which affect it.

1.4 Objectives of the study

Given the above background, the overall objective of this study was to assess the economic security situation and its (profile) major determining factors of poor households of Ampara district of Eastern Sri Lanka. This study has the following specific objectives:

- I. Identify the household types and their relation to the vulnerability in livelihoods
- II. Assess the diversity of household economic strategies and its relation to economic security
- III. Analyze the livelihood assets determining household economic security