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Poverty and Rising Inequality in the Rural and Estate Sector in Sri Lanka

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ABSTRACT

Purpose

The purpose of the study is to understand the poverty and rising inequality in the rural and estate sector in Sri Lanka.

Methodology / Approach

The study based on the reports of Household Income and Expenditure Survey (HIES) (2016) of Department of Census and Statistics (DCS) of Sri Lanka, Annual reports of Central Bank of Sri Lanka (CBSL)(2020), Asian Development Bank (ADB) and The World Bank (WB) reports, relevant literature and the published information of the reputed sources. By the study, selected resources have been critically evaluated and the special attention were given to urban, rural and estate sector.

Multidimensional Poverty Index (MPI) (Alkire & Santos, 2014) uses for the evaluation, which was developed for 104 de veloping countries which covered 78% of the world population. The MPI measuring acute multidimensional poverty and it is the same three dimension of Human Development Index (HDI) which is Education, Health and Standard of Living that targets poorest who earn less than $1.25 a day.

Findings

Since the country poverty level reduced, the sector level poverty was not reduced at similar rate. The rural and estate sector poverty level did not reduce compared to the urban sector. Inequality of wealth distribution, lack of access to resources and lack of financial resources were the some of the reasons for this.

Recommendations

The study strongly recommend that to make policy changes in the resources distribution level and to create safety net to cover the rural and estate sector poor and marginalized families to come out from the poverty level. The government should focus poverty free society in the rural and estate sector community.

Keywords: Poverty, Inequality, Rural Poverty, Multidimensional Poverty, Sri Lanka

INTRODUCTION

Background of the study

Poverty is defined as deprivation of well-being. This can be measured by individual income, Assets ownership, equal rights in the society such as freedom of speech (Worldbank, 2007) and also multidimensional factors such as Health, Education and Standard of Living. Poverty, defined and measured in different criteria. Lack of material deprivation, education, health, and shelter are considered as non-tangible services of poverty. Identifying the dimensions of poverty in a specific setting is crucial for poverty analysis. Poverty is a prominent discussion in the Sri Lankan context, as in many other developing countries. The main purpose of this paper is to methodically analyze the core dimension of rural poverty and inequality.

Rural poverty is not happen in isolation which simultaneously connect to the present, past and the future. Inequality of distribution of the wealth is one of the major constrain to the development process. The economic benefits of development have not been evenly distributed over the whole island (Ranathunga S. P., 2017).

Poverty eradication is identified as global development agenda from the Millennium Development Goal (MDG) and the Sustainable Development Goal (SDG) which is critical factor for the development of the country. The MDG's targeted to reduce extreme poverty by 2015 and SDG's aim is to end all forms of poverty by 2030. The government main focus is to eradication extreme poverty and they have include its main agenda for this task. But the poverty alleviation is an immense challenge for country like Sri Lanka. Recent devastations like Ester Attack, COVID pandemic lead to minus economic growth of the country will be the biggest hit for MDG and SDG.

As per the World Bank report (2013), there were 766 million people suffering from poverty which is 10.7% of the total population while Sub-Saharan Africa 50.7% of the population and South Asia 33.4% of the population are experiencing poverty.

Sri Lanka is widely appreciated for the successful poverty eradication process which was carried out for last two decades. In 1990 the headcount index was 26.1% and was increased in 1995/1996 up to 28.8% and decreased to 4.1% in 2016 which is considerable achievement compared to the other countries in the region. Other poverty measures such as Poverty Gap Index (PGI) that measures depth of poverty declines by 6% and Squared Poverty Gap Index (SPGI) that reflects Severity of Poverty has decline to 2.1%.

In 2002 there were 3,841,000 (approx.) were in poverty line and in 2016 it was decreased to 843,913(approx.) which is significant achievement. In 2016 there were 169,392 (approx.) households were considered as poor households which is 3.1% of the total population.

The poverty is estimated based on National Poverty Line, Headcount Indices based on International measurements confirms that Sri Lankan poverty eradication process makes positive impact compared to the other countries in Asia. However, the rural and estate sector poverty level records higher poverty incidence compared to urban and semi urban sector in Sri Lanka.

Objective and Structure of the Study

Alleviation of poverty is the forefront agenda of the country development and the main focus of the policy makers. To effectively managed poverty, that should be measured accurately. That measurement depends on having as comprehensive a definition of poverty as is operationally possible, along with methodology that yields as representative a measure as possible.

Poverty determines as a household related phenomenon and household level characteristics are important determinants of poverty (Coulombe & Mckay, 1996). Following scholars have modeled the determinants of poverty in Sri Lankan context by using Household Income and Expenditure Survey (HIES) data. (Amarasinghe, Samad, & Anputhas, 2005); (Gunawardena, 2007); (Ranathunga S. P., 2010); (Sinnathurai & Olga, Poverty Incidence and its Determinants in the Ester Sector of Sri Lanka, 2012); (Sinnathurai & Olga, 2012); (Ranathunga & Gibson, 2014); (Jayathilaka, Selvanathan, & Bandaralage, 2016). The above studies done without North and Eastern provinces data since the data did not available at that region due to civil war. The economic condition significantly improved in that region after

ending of the war and the national poverty headcount index has fallen to 4.1% in 2016 from the 26.1% 1990/91 (HIES,2016)

Poverty can be consider as two dimensions, Economical Dimension and Ethical Dimension (Dieterlen, 2005). One of the fundamental argument is whether household consumption is the best yardstick to measure poverty, or whether we should consider other aspects such as health, access to education and quality of housing when determining the welfare status of a household (ADB, 2017)

Economic growth is believed to be an effective way to reduce poverty in developing nations, some economist argue based on hi storical evidence that the benefits of growth have not reached to the poor (Ranathunga S. P., 2017). According to the Food and Agriculture Organization (FAO), most of the poor live in rural areas. (Ranathunga S. P., 2017, p. 196)

The cause and behavior is more important to understand the depth of the problem in the sector (Ranathunga & Gibson, 2014). In June 2010, the UNDP introduced Millennium Development Goals (MDG) to reduce extreme poverty in the world. The main obstacle of eradicating poverty is to effectively reach to poor and to address their right to access to their basic needs. A reasonable starting place is to compare each individual's achievement against the respective dimension- specific cutoffs (Alkire & Foster, 2008). Poverty profiles describe the pattern of poverty (Ranathunga & Gibson, 2014).

Poverty reduction strategy in Sri Lanka mainly focused on i mproving the physical and human capital by giving emphasis on increasing economic activities and income. Why this inequality develop? After economic liberalization in 1977, the inequality of income has been developed (Gunatilaka, Chotikapanich, & Inder, Impact of Structural Change in Education, Industry and Infrastructure on Income Distribution in Sri Lanka, 2006).

Sri Lanka achieved mixed success alleviating poverty. The country was able to reached impressive gains in providing access to basic social services which has resulted in significant human development for the past few decades. At the same time income generation was uneven with the gains being largely limited to Colombo and neighboring districts. This resulted the gap between average urban and rural incomes has widened. The provinces and districts have clear demarcation on pove rty distribution. A key challenge facing Sri Lanka today is not only how to improve growth to increase the pace of poverty reduction, but also to ensure that the benefits of growth goes to the vulnerable areas (Narayan & Yoshida, 2005).

Poverty statistics are most important for a country to assess the poverty situation and to formulate antipoverty policies. (Ranathunga S. P., 2017)

LITERATURE REVIEW

There are many studied carried out regarding poverty in the household level, country level and cross country level to identify Demographic Level, Human Capital, Geographical location, Employment status, and level of assets ownership.

Poverty is considered as relative deprivation. (Ranathunga S. P., 2017). Number of dependents and Household size been recognized as important correlation of the poverty. (Hassan & Babu, Measurement and determinants of rural poverty: Household consumption patterns and food poverty in rural Sudan, 1991); (Mukherjee & Benson, 2003); (Anyanwu, 2006); (Mok, Gan, & Sanyal, 2007); (Daranto & Nurkholis, 2013) proved that size of household is associated with high probability of being poor.

Education and human capital also recognized as important correlates of poverty. (Rodriguez & Smith, 1994); (Adams & Jane, 1995); (Mukherjee & Benson, 2003). The scholars have examined the impact of human capital on poverty in Costa Rica, Pakistan and Malawi and confirmed that higher level of human capital reduce the probability of being poor. (De Silva, 2008); (Gunatilaka, Wan, & Chatterjee, 2010); (Deepawansa, Sooriyarachchi, & Wickremasinghe, 2011); (Ranathunga & Gibson, 2014); (Jayathilaka, Selvanathan, & Bandaralage, 2016) all scholars confirm the relationship in the context of Sri Lanka. Empirical studied done by (Rodriguez & Smith, 1994); (Fields, Cichello, Feriji, & Newhouse, 2010); (Rupasingha & Goetz, 2007);

Recognize employment type is a crucial determinant of poverty. For the case of Sri Lanka, (De Silva, 2008); (Ranathunga & Gibson, 2014) find that the government sector workers do better than those who are employed in other sectors. (Hassan & Babu, 1991); (Adams & Jane, 1995); (Janvry & Sadoulet, 2000); (Mukherjee & Benson, 2003) found that higher level of physical asset ownership are more common among the non-poor than the poor. Other important correlates of poverty for studies examining Sri Lanka include local and foreign remittance (De Silva, 2008); (Ranathunga & Gibson, 2014) alcoholism and the condition of the house (Jayathilaka et al, 2016) is also consideralble factor.

Among the household determinants of poverty, age of the head of household has been recognized as one of the key determinants of poverty. Studies such as (Mukherjee & Benson, 2003) and (Rupasingha & Goetz, 2007); and (Jayathilaka et al, 2016) assumed a l inear relationship between age and poverty while (Coulombe & Mckay, 1996); and (De Silva, 2008); tested for a non-linear asssociation between age and poverty. Both (Mukherjee & Benson, 2003); observed positive relationship between age and poverty in the context of Malawi. In contrast, (Rupasingha & Goetz, 2007); found a negative relationship in US countries.

Literature shows that the most commonly used measures of poverty are the headcount index, the poverty gap index, and the poverty sensitive index. (Ranathunga S. P., 2017)

Social Indicators

Sri Lanka has over 21.803 Million population with a significant health development program which resulted high life expectancy ratio of 76.8 (year 2019) and literacy rate of 92.5 (Average- year 2018) (CBSL, 2020)

Poverty Indicators by Sector

Sector / Country	Poverty Head Count Index (Percentage) By HIES Survey Period						Poor Household Percentage			Poverty Gap Index (%)		
	95/96	2002	2006/07	2009/10	2012/13	2016	2009/10	2012/13	2016	2009/10	2012/13	2016
Sri Lanka	**28.8**	**22.7**	**15.2**	**8.9**	**6.7**	**4.1**	**7.0**	**5.3**	**3.1**	**1.7**	**1.2**	**0.6**
Urban	14.0	7.9	6.7	5.3	2.1	1.9	3.8	1.5	1.3	1.2	0.3	0.3
Rural	30.9	24.7	15.7	9.4	7.6	4.3	7.5	6.0	3.3	1.8	1.4	0.6
Estate	38.4	30.0	32.0	11.4	10.9	8.8	8.9	8.8	6.8	2.1	1.6	1.2

Source : CBSL Annual Report - 2020

The above graph clearly shows the inequality of poverty level of each sector. Countries Poverty line of HIES index has been reduced to 4.1% (2016) from 28.8% (1995/96). The Urban poverty index has been reduced to 1.9% (1995/96) from 14% (2016) which is below the country level. But Rural and Estate Sector level is above the country level that is 4.3% and 8.8% in 2016.

Country level Poor Household Percentage has been reduced 7% to 3.1% in (2009/10 to 2016). But rural level reduced to 3.3% and Estate level reduced to 6.8% and the both figures are above the national level.

Country level Poverty Gap Index has been reduced to 0.6% from 1.7% in (2009/10 to 2016) but rural and estate sector remain 0.6% and 1.2% in 2016 which is above the national level.

Poverty Indicators by Province Level

Country/ Province	Poverty Head Count Index (Percentage) By HIES Survey Period						Poor Household Percentage			Poverty Gap Index (%)		
	95/96	2002	2006/07	2009/10	2012/13	2016	2009/10	2012/13	2016	2009/10	2012/13	2016
Sri Lanka	**28.8**	**22.7**	**15.2**	**8.9**	**6.7**	**4.1**	**7.0**	**5.3**	**3.1**	**1.7**	**1.2**	**0.6**
Western	16.3	10.8	8.2	4.2	2.0	1.7	3.0	1.5	1.2	0.8	0.4	0.3
Central	32.6	25.1	22.3	9.7	6.6	5.4	8.2	5.1	4.1	1.8	1.0	0.9
Southern	32.6	27.8	13.8	9.8	7.7	3.0	7.5	6.3	2.3	1.8	1.4	0.4
Northern	n.a	n.a	n.a	12.8	10.9	7.7	10.0	8.8	6.3	2.1	2.3	1.1
Eastern	n.a	n.a	10.8	14.8	11.0	7.3	12.4	8.0	5.3	3.2	2.1	1.2
North Western	27.7	27.3	14.6	11.3	6.0	2.7	8.2	4.5	2.1	2.4	1.1	0.4
North Central	24.7	21.5	14.2	5.7	7.3	3.3	4.6	6.1	2.4	1.0	1.0	0.5
Uva	46.7	37.2	27.0	13.7	15.4	6.5	12.0	13.5	5.4	2.4	2.6	0.7
Sabaragamuwa	41.7	33.6	24.2	10.6	8.8	6.7	8.7	6.6	5.1	2.1	1.5	1.1

Source : CBSL Annual Report - 2020

Poverty indicators by provincial level clearly shows the inequality of wealth distribution. Central, Northern, Eastern, Uva and Sabaragamuwa Provinces are above the poverty level compared to National Poverty line. The above Provinces represent Rural and Estate Sector.

Measurement of poverty

Measurement of the poverty gives clear idea to policy makers. Poverty measurement and analysis are needed to identify the poor, the nature and extent of poverty and its determinants to assess the impact if policies and welfare programs of the poor (Gunawardena, Improving poverty measurment in Sri Lanka, 2004). Sri Lanka has different type of measurement tools. Household Income and Expenditure Survey (HIES) was one of the measuring indicator to collect the data. The other indicators are caloric intake and income criteria, Poor Household Index (PHI), and Poverty Gap Index (PGI). Single indicator of poverty will not adequately describe or measure the complex phenomenon of poverty (Gunawardena, Improving poverty measurment in Sri Lanka, 2004)

Interpretation of the Official Poverty Line

In 2002 Census and Statistic Department was created National Poverty line concept. If the Households monthly per capita consumption expenditure is below Rs.1,423, is considered as poor. (Department of Census and Statistics of Sri Lanka, Official Poverty Line, 2004)

Poverty figures refer to the share if individuals whose households per capita consumption falls below the official poverty line. This poverty headcount index is the measurement of incidence of poverty. The head count index is calculated by taking in to account all the food and non-food expenditures collected in the household.

The per capita household consumption is compared with national poverty line. This line was defined as the expenditure for a person to meet the daily calorie intake of 2,030 kcal based on the Cost Basic Need (CBN) Approach, and was set at Rs. 1,423 in 2002. The National line align with the Colombo Consumer Price Index (CCPI) (ADB, 2017)

Between 2008 and 2015 the absolute international poverty line was set as $1.25 a day. However, in 2015 the World Bank updated the level from $1.25 to $1.90 per day. The line was set based on the national poverty lines of 15 very low-income countries, converted to US$ using purchasing power parity exchange rates (ADB, 2017)

The Department of Census and Statistics (DCS) measures poverty on consumption approach since 2002 to determine incidence of poverty across the country based on the information collected from Household Income and Expenditure Survey (HIES) conducts periodically by the Department using Cost of Basic Need (CBN) approach. In relation to the consumption, the incidence of poverty in Sri Lanka has been dramatically declined from 2002 to 2016 from 22.7 % to 4.1%.

Data for poverty measurement

By compiling poverty statistics, data can be made to speak on behalf of people who are experiencing severe socioeconomic disadvantage, making them visible to the policy makers who set the development agenda (ADB, 2020). Department of Census and Statistics (DCS) and Central Bank of Sri Lanka (CBSL) is generating data for the poverty measurement in timely basis. They have carried out large number of surveys, and collect data from the public and private sector organization for the decision making

process. But the reliability of the data is questionable and some of the raw data is not true and fair.

During the civil war period they were unable to gather the data properly in northern and eastern province. After 2010 the civil operation was started and they will be able to collect quality data form that area.

Common practice in poverty estimation is to allow for the equivalence scale simple means that families or households with the same levels of income or expenditure are not necessarily equally rich or equally poor (ADB, 2020). A Much debated question is whether poverty should be considered in absolute terms or relative terms (Gunawardena, 2004)

According to Sustainable Development Goals (SDG – 2030) Poverty should be eliminated in all its forms everywhere. In addition to the consumption approach the DCS measured the poverty in multidimensional approach periodically. The multidimensional approach (Alkire & Foster, 2008) counting method globally accepted and used to measure acute poverty covering more than 104 countries. The DCS has complied the Multidimensional poverty measures as official statistics for the first time in 2018 in collaboration with the Oxford Poverty & Human Development Initiative (OPHI) in the United Kingdom using the data collected through Demography and Health Survey (DHS) conducted by the DCS in 2016.
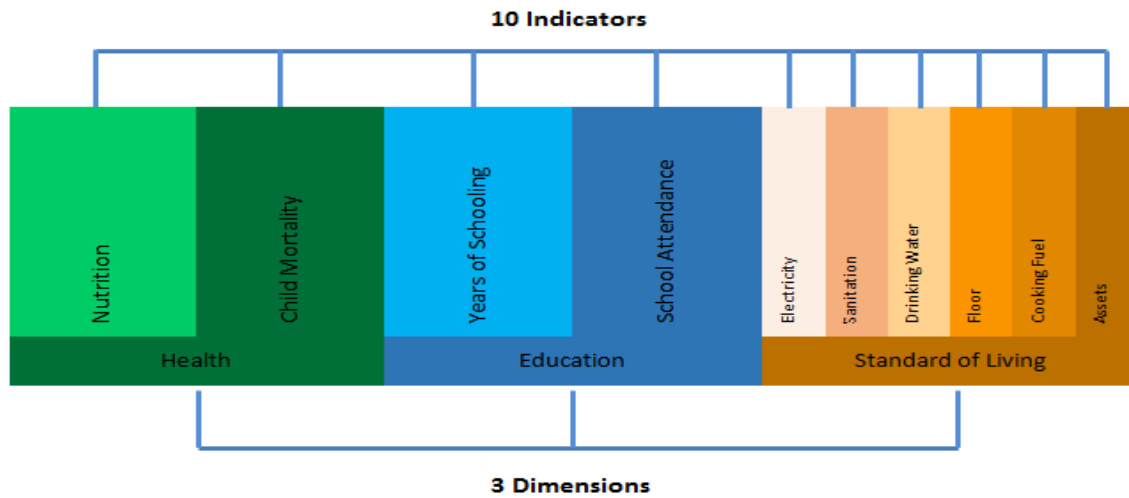
The Global Multidimensional Poverty Index (MPI) measures poverty in multidimensional approach considering three dimensions with ten indicators which reflect that deprivations of people facing at household levels. The MPI has the mathematical structure (Alkire & Santos, 2010) each dimensions are equally weighted. This method was developed and introduced by Sabina Alkire and Maria Emma Santos (Alkire & Santos, 2010) . This tool could be used to target the poorest track the Millennium Development Goals, and design policies that directly address the interlocking deprivations poor people experience (Alkire & Santos, 2010).

What is Global MPI

The Global Multidimensional Poverty Index (MPI) is and international measure of acute poverty covering over 104 developing countries. This makes in invaluable as an analytical tool to identify the most vulnerable people who live in poverty and also the poorest people among the poor that is severity of poverty.

The MPI reveals the combination of deprivations that better a household at the same time. Multidimensional poor and its indicator, weighted sum is 30 percent or more of the dimension considered as a household (Alkire & Santos, 2010)

The methodology which is used to measures the Global Multidimensional Poverty is given below.

Sri Lanka's Multidimensional Poverty Measures - 2016	
Multidimensional Poverty Headcount Index (H)	2.4%
Intensity of Poverty (A)	37.5%
Multidimensional Poverty Index (MPI)	0.009
Vulnerable to multidimensional poverty	11.9%
Severely multidimensional poor	0.02%

According to the survey findings, it is reported that the proportion of population that is Multidimensional poor (H) living in Sri Lanka is 2.4% (Around 500,000 people).

That is the **incidence** of multidimensional poverty. Intensity of the poverty (A) is the average proportion of indicators that poor people are deprived. That is the average deprivation score a multidimensional poor person experience. For Sri Lanka, it is 37.5 % in 2016. In other words, on a verage poor people are deprived in 37.5% of the weighted indicators. The **Multidimensional Poverty Index (MPI)** is product of incidence and the intensity. That means the percentage of deprivation of poor person experienced, as a s hare if the possible deprivations that would be experienced if all

people were deprived in all dimensions. The multidimensional poverty index for Sri Lanka is 0.009 in 2006. This means the poor in Sri Lanka experience 0.9 % of the total possible deprivations the country could experience. The people whose deprivation score greater than or equal to 20% and less than 33.3 % a re considered as the vulnerable group with respect to the multidimensional deprivation scores. Accordingly, 11.9% are reported as vulnerable in poverty status in Sri Lanka. That amounts to 2.5 Million poor people. The people having the deprivation score equal or more than 50% are considered the severely poor people in the country. It is reported that 0.2% are severely multidimensional poor in Sri Lanka in 2016.

Cutoffs Indicator

MPI uses three dimensions which includes 10 indicators to measure poverty. Each indicator weighted equally at 1/6. The great priority will be given to the disadvantaged people.

Dimension	Indicators	Deprived if	MDG indicator	Relative Weight
(1) Health*	(i)Mortality	Any child has died in the family	MDG4	16.7%
	(ii)Nutrition	Any child or adult** in the family is malnourished	MDG1	16.7%
(2) Education	(iii) Year of schooling	No household member has completed five years of schooling	MDG 2	16.67%
	(iv) Child School attendance	Any school- aged child is not attending school in year 1-8	MDG 2	16.67%
(3) Standard of living	(v) Electricity	The household has no electricity		5.6%
	(vi)Sanitation	The household's sanitation facility is not improved, or it i s improved but shared with other household	MDG 7	5.6%
	(vii)Water	The household does not access to the clean drinking water, or more than 30minutes walking from home	MDG 7	5.6%
	(viii)Floor	The household has dirt, sand or dung floor		5.6%
	(ix)Cooking Fuel	The household cooks with dung,	MDG 7	5.6%

|				
		wood or charcoal		
	(x)Assets	The household does not own more than on of Radio, TV, Telephone, Bike, Motorbike or refregirator and does not own a car or truck	MDG 7	5.6%

(Alkire & Santos, 2010)

* Health is the most difficult indicator to measure

** Adult malnourished is considered if the BMI is below 18.5 / Child malnourished is considered their z-score of weight-for-age is below minus 2 standard deviations from the median of the population.

Sanitation, clean drinking water and Improved sanitation is directly represent MDG literature. The MPI is the product of two numbers. The Headcount H or Percentage of People who are poor, and the Average Intensity of Deprivation A- which reflect the proportion of dimensions in which household are deprived. (Alkire & Santos, 2014).
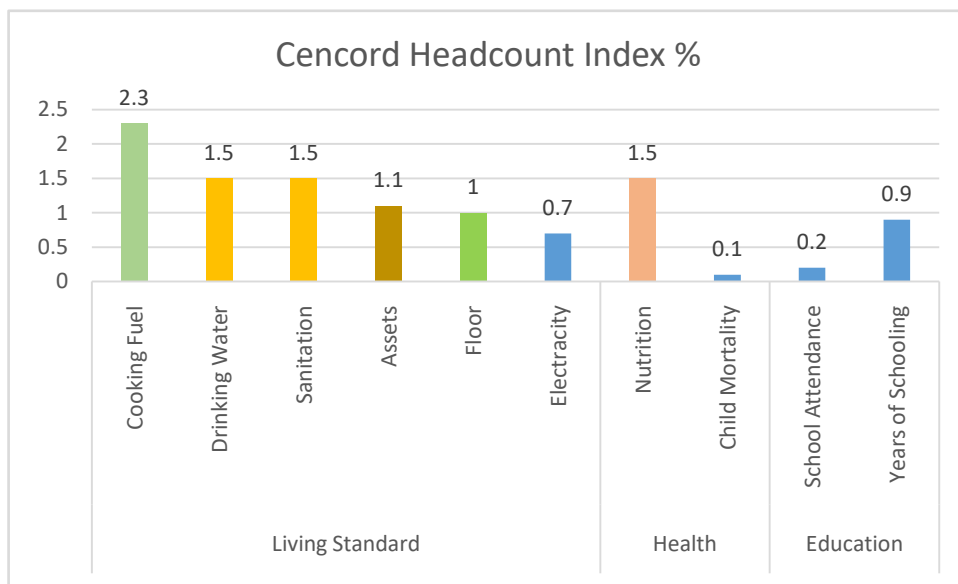
Source : Department of Census and Statistics

The above chart shows the proportion of the population that is multidimensional poor and deprived in each indicator at the same time, also called the censored headcount index. The highest deprivation has been reported from the deprivation of cooking fuel in the dimensions of living standard and the lowest deprivation reported from the child mortality in the health sector. 2.26% of the total population are multidimensional poor

and deprived in cooking fuel and only 0.1 % are multidimensional poor and deprived in child mortality.

Multidimensional Poverty by Sector

Sector level multidimensional poverty measures are given in the Table below. It reveals that all the multidimensional indicators for the estate sector are comparably higher than the other two sectors.
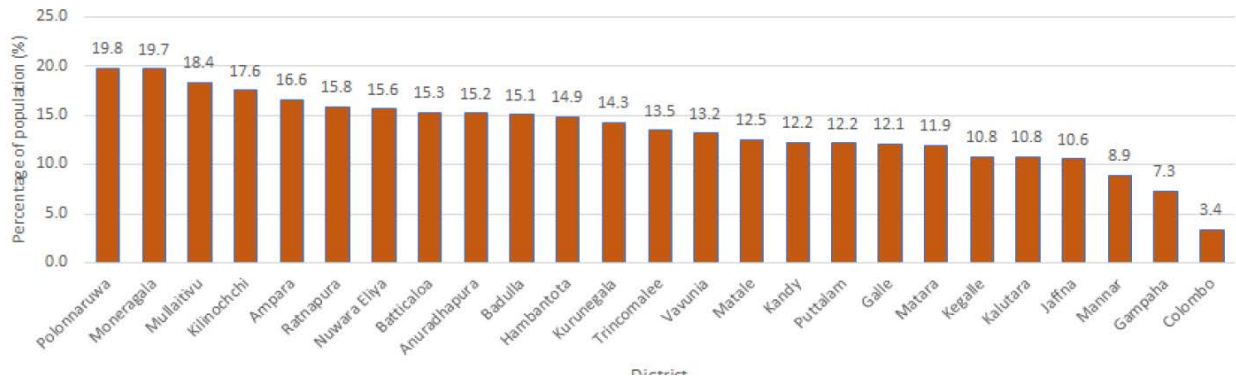
Multidimensional Poverty Measures by Sector - 2016	
Sri Lanka	**2.37 %**
Urban	0.58 %
Rural	2.3 %
Estate	11.34 %

For instance, 11.34% of population living in estate sector are multidimensional poor while urban and rural are 0.58% and 2.3 % respectively. Likewise, intensity, MPI and ratio of population to vulnerable poor also comparably higher in estate sector than in the other two sectors.

Vulnerable to Poverty

A household is said to be vulnerable if it he or she is likely to be fallen in to poverty in future. The people living just above the poverty threshold are more vulnerable than other groups of people. The economic shock such as loss of the job, severe illness, injuries and loss of livelihood have greatly impact to cause poverty. In the process of analyzing multidimensional poverty, a person identified as vulnerable if deprivation score is greater than or equal to 20% and less than 33.3%. The following figure shows vulnerable population by district level. That shows highest number of vulnerable people of multidimensional poverty living in Polonnaruwa District while the lowest number of vulnerable people are living in Colombo District.

Distribution of Population Vulnerable to Poverty by District

Source : (Department of Census and Statistics of Sri Lanka, 2017)

Consumption Poverty Vs. Global MPI

The MPI is a globally accepted poverty measurement tool which measures acute multidimensional poverty. National Poverty measures uses by the countries to get some other result. The global MPI index set 1.9US$ per day income as an international poverty line.

Following is the global multidimensional poverty index for Asian Countries which is published by OPHI. It reveals that among seven countries and Pakistan reported the highest MPI (23%) while Sri Lanka reported 0.1%
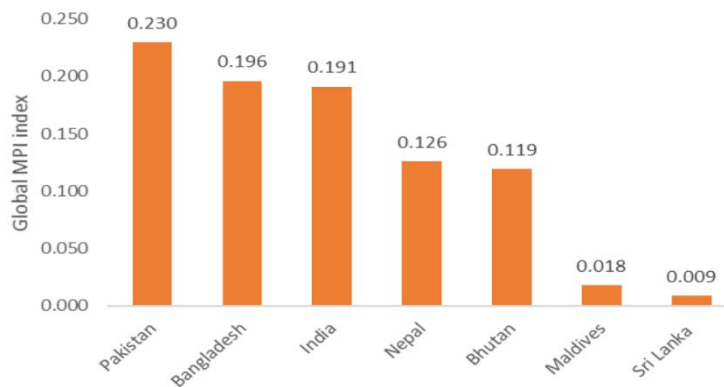
Source : (Department of Census and Statistics of Sri Lanka, 2017)

Global MPI Measures are especially useful for cross country comparisons and in country context. it is useful for policymakers to target more effectively identifying severely deprived dimension of poverty.
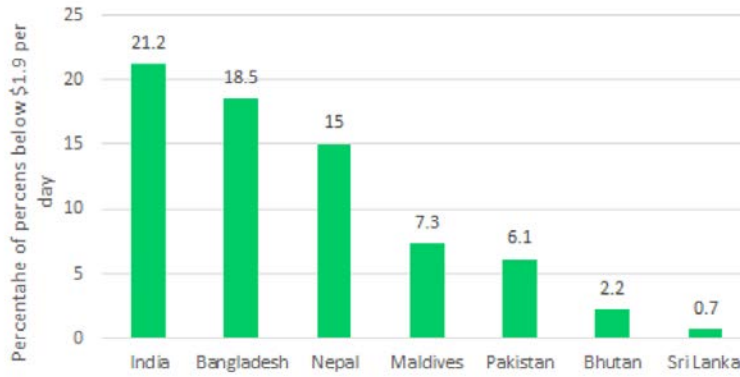
Source : (Department of Census and Statistics of Sri Lanka, 2017)

Poverty and Inequality in Sri Lanka (% of Total Population)

Poverty Indicators	1990 – 1991	1995-1996	2002	2006-2007
Poverty incidence	26.1	28.8	22.7	15.2
Poverty gap	0.056	0.066	0.051	0.031
Poverty Severity	0.018	0.022	0.016	0.009
Poverty incidence by Sector				
Urban Poverty	16.3	14	7.9	6.7
Rural Poverty	29.4	30.9	24.7	15.7
Estate Poverty	20.5	38.4	30.0	32
Poverty incidence by region				
Western	21	18	11	8
North Central	24	24	21	14
Central	28	37	25	22
Northwest	25	29	27	15
Southern	30	33	28	14

| Sabaragamuwa | 31 | 41 | 34 | 27 |
| Uva | 33 | 49 | 37 | 24 |

Source : World Bank (2007) for 1990 to 2002 ; Department of Census and Statistics (2008) for 2006-2007

Rural area contain about five times more MPI poor people than urban

Out of the 1689 million poor people, there are about 1388 million live in rural area. The pattern of higher incidence and intensity of poverty in rural areas than in urban ones in consistent across the different regions in the developing world (Alkire & Santos, 2010)

South Asia is home to nearly twice as many multidimensional poor people as the next poorest-region to Africa (Alkire & Santos, 2010)

Discussion

Sri Lanka achieved Millennium Development Goals (MDGs) in the early stage. The government provide free education, free health system, and relief program for poor and marginalized community. Sri Lanka was on track to eradicate extreme poverty between 1990 and 2015.

Sri Lanka is the only one of the five countries we consider in this region that has low poverty estimates, with only 5 % of MPI poor people. (Alkire & Santos, 2010, p. 46). Poverty level has been declined in urban and rural areas after 1990. But, estate sector poverty level has been increased by over 50% in the same period. The child malnutrition and maternal mortality rates are exceptionally high in the estate sector. Western Province has performed much better than other regions.

Distribution of wealth is unequal across the country. This may resulted the poverty level high in rural and estate sector. The country is failing in the fight of inequality (De Silva, 2013)

The 2030 Sustainable Development agenda recommends that development indicators, including poverty statistics, be disaggregated by location, gender, age, income and other relevant dimensions (ADB, 2020). 2011 data of Census of Population and Housing (CPH) and the Household Income and Expenditure Survey done in 2012/13 shows differences in the incidence of poverty throughout Sri Lanka. The data reveals three main pockets of poverty. The first are the former conflict districts in Northern Province, Mullaitivu (28.8 percent),

Mannar (20.1 percent), and, to a lesser extent, Kilinochchi district (12.7 percent). The second is Batticaloa district (19.4 percent) in Eastern province, and the last one is Monaragala district (20.8 percent) in Uva province.

Between 2002 a nd 2012/13, different districts also reported different rates of poverty reduction – the most notable results came from Kalpitiya, Mundel, and Vanathawilluwa divisions in Puttalam district, as well as in Badulla and Hambantota districts. DS divisions in Colombo and Gampaha and some of the DS Divisions in Monaragana gain little progress in reducing poverty. In fact, many pockets of high poverty existed even in affluent districts, including Colombo. (ADB, 2017)

POCKETS OF SEVERE POVERTY REMAIN
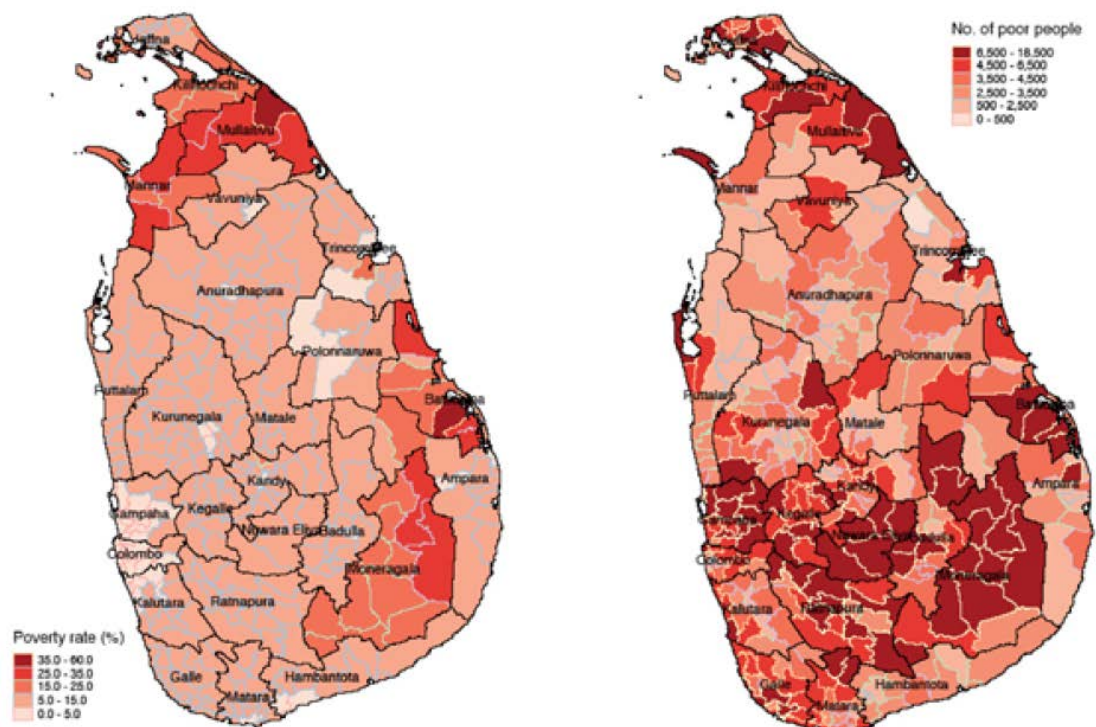
CONCLUSIONS AND RECOMMENDATIONS

The MPI is considered as a poverty measurement tool that gives more and more in-depth analysis of poverty levels. It shifts attention from solely income to include other intrinsically of functioning available. When this has not been possible, the MPI includes indicators of means closely linked to essential functioning.

The policy maker's attention to be needed on Rural and Estate Sector population those are below the poverty line. "Samurdhi" movement should have responsibility to upgrade the selected area people to give them the basic needs. Special Microfinance program to be carried out with the government supervision to upgrade the lifestyle of the people in the area. As per the Millennium Development Goals, the government should focus on 2030 t o eradicate the poverty from the country.

Efforts to further improve living standards of the poor should focus on promoting further structural transformation and urbanization. Many of the poor live in semi-urban areas, over half of the poor are estimated to live within 30 km of a main agglomeration area.

In the meantime, poor farmers and agricultural labour need help to generate the income to allow them to invest in the human capital of their children. Farmers and agricultural labour could benefit greatly from practical infrastructure investments, such as water storage tanks, irrigation facilities, fertilizer and seeds, electricity, and roads that would make them more productive. In addition, microfinance programs that offer loans at reasonable interest rates, could also facilitate productive investment among smallholder farmers.

Effective governance system important to enhance the ability of workers to take advantage of more productive job opportunities in and around urban areas.

Sri Lanka has remarkable history of strong social assistance programs to the poor and marginalized people which are well-worth continued investment. These along with interventions targeted to the remaining pockets of poverty, can help support the existing poor.

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Appendix

Figure 3: Dimensions, indicators, cutoffs and weights of the MPI

Dimension	Indicator	Deprived if…	Related to…	Relative Weight
Education	Years of Schooling	No household member has completed five years of schooling	MDG2	16.7%
	Child School Attendance	Any school-aged child is not attending school in years 1 to 8	MDG2	16.7%
Health	Mortality	Any child has died in the family	MDG4	16.7%
	Nutrition	Any adult or child for whom there is nutritional information is malnourished*	MDG1	16.7%
Standard of Living	Electricity	The household has no electricity		5.6%
	Sanitation	The household´s sanitation facility is not improved (according to the MDG guidelines), or it is improved but shared with other households	MDG7	5.6%
	Water	The household does not have access to clean drinking water (according to the MDG guidelines) or clean water is more than 30 minutes walking from home.	MDG7 MDG7	5.6%
	Floor	The household has dirt, sand or dung floor		5.6%
	Cooking Fuel	The household cooks with dung, wood or charcoal.	MDG7	5.6%
	Assets	The household does not own more than one of: radio, TV, telephone, bike, motorbike or refrigerator, and does not own a car or truck.	MDG7	5.6%

Note: **MDG1** is *Eradicate Extreme Poverty and Hunger*, **MDG2** is *Achieve Universal Primary Education*, **MDG4** is *Reduce Child Mortality*, **MDG7** is *Ensure Environmental Sustainability*.
* Adults are considered malnourished if their BMI is below 18.5. Children are considered malnourished if their z-score of weight-for-age is below minus two standard deviations from the median of the reference population.

Global MPI Methodology

Each Person is assigned a deprivation score according to his or her household's deprivations in each of the component indicators. The Maximum score is 100%, with each of dimensions. Education, Health and Living Standard are equally weighted (thus the maximum score in each dimension is 33.3 % (100/3). Each of the education and health dimensions have two indicators, so each component is worth 33.3/6 % = (100/18)

To identify the multidimensional poor, the deprivation scores for each indicators are summed to obtain the household deprivation score. A cutoff 33.3 % which is equivalent to 1/3 of the weighted indicators is used to distinguish between the poor and non-poor

Multidimensional poor: Deprivation score, $K \geq 33.3$ %

Vulnerable to poor: $20 \leq$ Deprivation score, $k < 33.3$ %

Severely multidimensional poor: Deprivation score, $k \geq 50$ %

Multidimensional Poverty Head Count Ration (Incidence),

H = <u>Number of multidimensional poor population</u>

    Total Population

Intensity of Poverty,

A = <u>The sum of deprivation score of multidimensional poor population</u>

    Total number of multidimensional poor population

Multidimensional Poverty Index, MPI = H* A

Base Year 2013 Rs.	3730	3878	3873	3776	3724	3746	3763	3606	3584	3436	3678	3853	3812	3689	3782	3776	3702	3730	3604	3726	3529	3679	3576	3390	3625	3766
2019 Dec Rs.	4939	5361	5198	5172	5116	5024	5253	4876	4720	4737	4827	4932	4839	4792	4739	5030	4939	4891	4865	4820	4767	4956	4839	4650	4898	5136
2020 Jan Rs.	5021	5450	5284	5258	5201	5108	5340	4957	4798	4816	4907	5014	4919	4872	4818	5114	5021	4973	4946	4900	4846	5038	4920	4727	4979	5222
2020 Feb Rs.	5021	5450	5284	5258	5201	5108	5340	4957	4798	4816	4907	5014	4919	4872	4818	5114	5021	4973	4946	4900	4846	5038	4920	4727	4979	5222
2020 Mar Rs.	4976	5401	5237	5211	5155	5062	5292	4913	4755	4773	4864	4970	4875	4828	4775	5068	4976	4928	4902	4856	4803	4993	4876	4685	4935	5175
2020 Apr Rs.	4983	5409	5245	5219	5163	5070	5300	4920	4762	4780	4871	4977	4883	4835	4782	5076	4983	4936	4909	4864	4810	5001	4883	4692	4942	5183
2020 May Rs.	5006	5434	5268	5242	5186	5093	5324	4942	4784	4801	4893	4999	4905	4857	4804	5099	5006	4958	4931	4886	4831	5023	4905	4713	4964	5206
2020 June Rs.	5047	5478	5312	5285	5228	5134	5368	4983	4823	4841	4933	5040	4945	4897	4843	5141	5047	4998	4972	4926	4871	5065	4945	4752	5005	5249
2020 July Rs.	5050	5482	5316	5289	5232	5138	5372	4987	4827	4844	4937	5044	4948	4901	4847	5144	5050	5002	4975	4929	4875	5068	4949	4755	5009	5253
2020 Aug Rs.	5050	5482	5316	5289	5232	5138	5372	4987	4827	4844	4937	5044	4948	4901	4847	5144	5050	5002	4975	4929	4875	5068	4949	4755	5009	5253
2020 Sep Rs.	5084	5519	5351	5324	5267	5172	5407	5020	4859	4877	4969	5078	4981	4933	4879	5178	5084	5035	5009	4962	4907	5102	4982	4787	5042	5288
2020 Oct Rs.	5091	5527	5359	5332	5275	5180	5415	5027	4866	4884	4977	5085	4989	4940	4886	5186	5092	5043	5016	4969	4914	5109	4989	4794	5050	5295
2020 Nov Rs.	5114	5551	5382	5355	5298	5303	5439	5049	4887	4905	4999	5107	5011	4962	4908	5209	5114	5065	5038	4991	4936	5132	5011	4815	5072	5319

Official Poverty line at National level for November 2020 is Rs. 5114
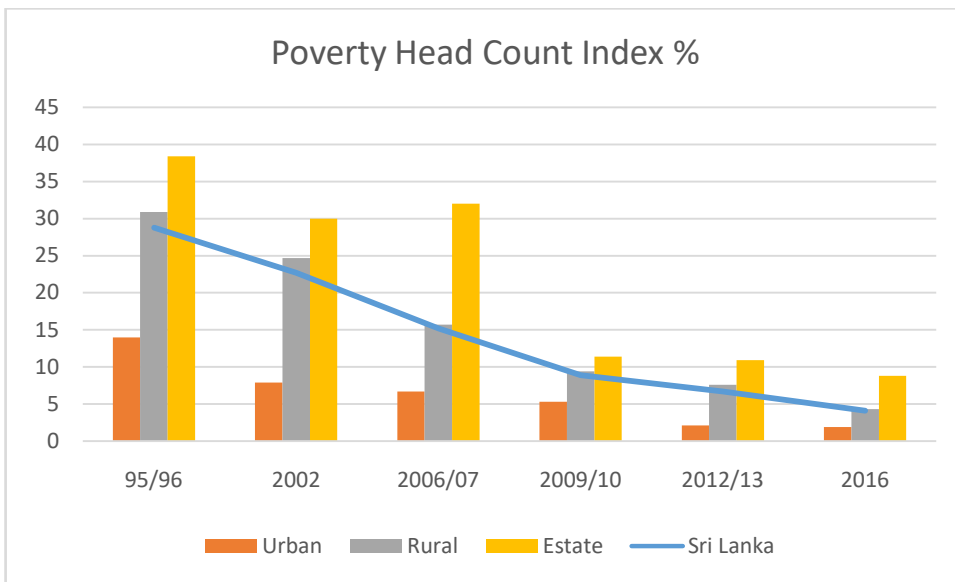
Source : Department of Census & Statistics - Sri Lanka

Note:-

1. The base year for CCPI calculation was changed from 2006/07 to 2013 since January 2017.

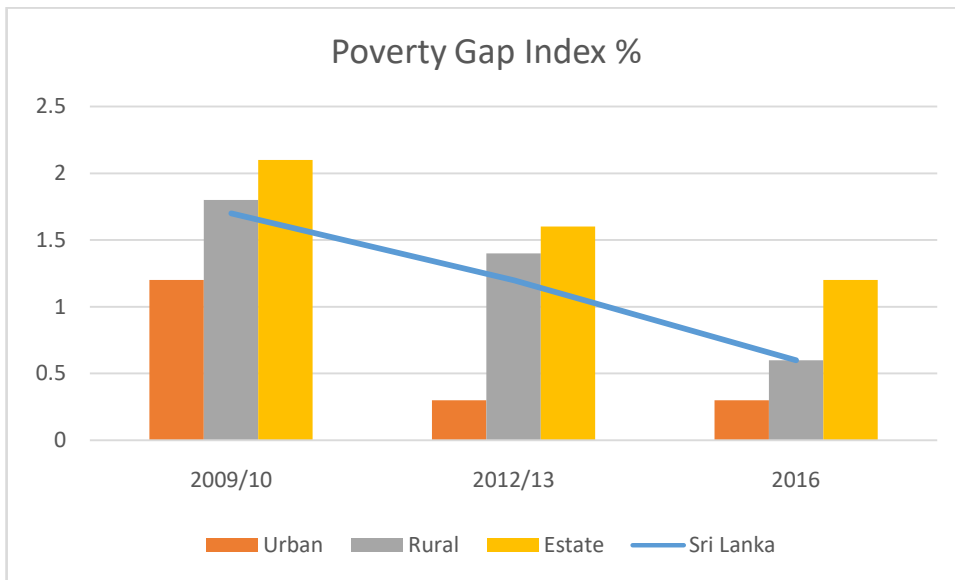## Poverty Indicators by Sector, Province and District

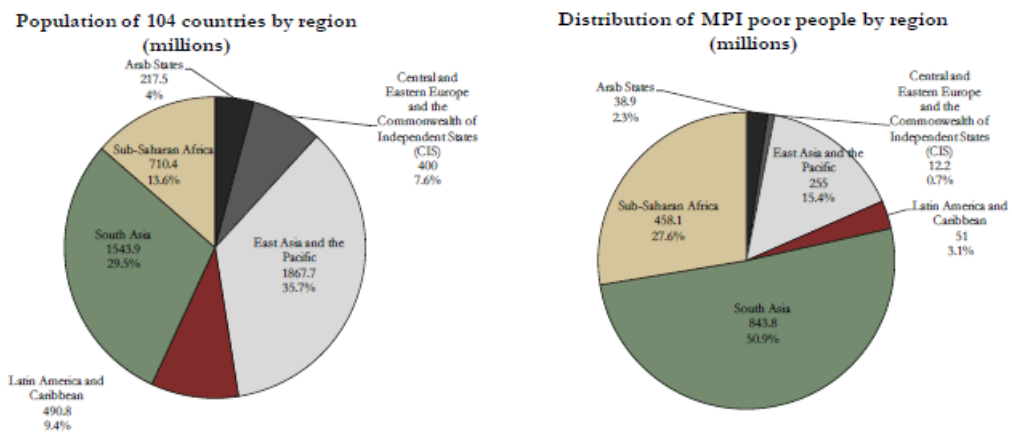| Sector / Province / District	Poverty Head Count Index (Percentage) by HIES Survey Period						Poor Household Percentage			Poverty Gap Index (%)		
	1995/96	2002	2006/07	2009/10	2012/13	2016	2009/10	2012/13	2016	2009/10	2012/13	2016
Sri Lanka	28.8	22.7	15.2	8.9	6.7	4.1	7.0	5.3	3.1	1.7	1.2	0.6
Sector												
Urban	14.0	7.9	6.7	5.3	2.1	1.9	3.8	1.5	1.3	1.2	0.3	0.3
Rural	30.9	24.7	15.7	9.4	7.6	4.3	7.5	6.0	3.3	1.8	1.4	0.6
Estate	38.4	30.0	32.0	11.4	10.9	8.8	8.9	8.8	6.8	2.1	1.6	1.2

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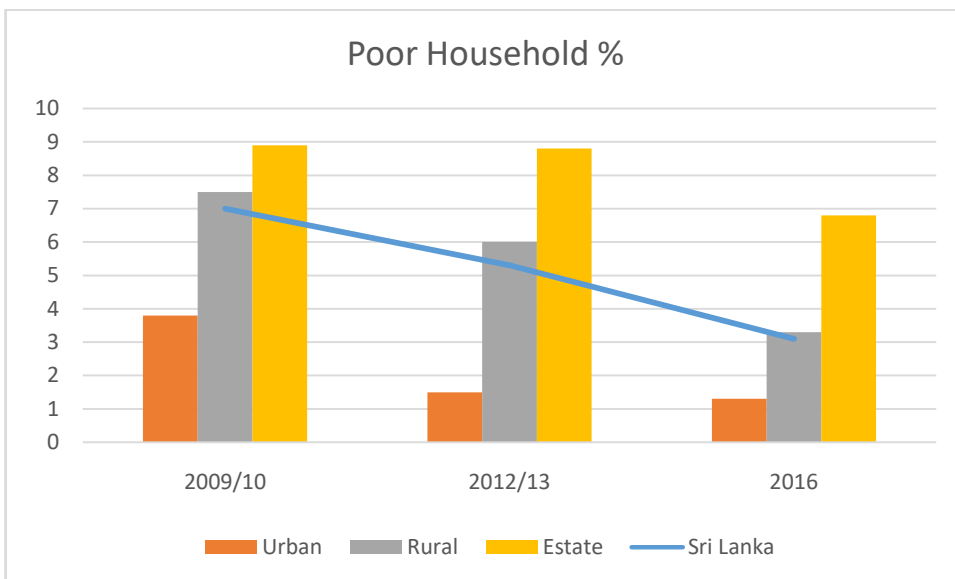
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World Poverty Distribution

Note : A total of 5.2 Billion people in 104 developing countries are considered, about 78.5% of the total world population estimated in 2007. (Alkire & Santos, Acute Multidimensional Poverty : A New Index for Developing Countries, 2010)

Sector / Country	Poverty Head Count Index (Percentage) By HIES Survey Period						Poor Household Percentage			Poverty Gap Index (%)		
Year	95/96	2002	2006/07	2009/10	2012/13	2016	2009/10	2012/13	2016	2009/10	2012/13	2016
Sri Lanka	28.8	22.7	15.2	8.9	6.7	4.1	7	5.3	3.1	1.7	1.2	0.6
Colombo	12.0	6.4	5.4	3.6	1.4	0.9	2.5	1.1	0.6	0.7	0.3	0.2
Gampaha	14.1	10.7	8.7	3.9	2.1	2.0	3.0	1.5	1.3	0.7	0.4	0.3
Kalutara	29.5	20.0	13.0	6.0	3.1	2.9	4.1	2.5	2.3	1.3	0.5	0.4
Kandy	36.7	24.9	17.0	10.3	6.2	5.5	8.3	4.6	4.2	2.2	1.0	1.0
Matale	41.9	29.6	18.9	11.4	7.8	3.9	9.3	6.0	3.2	2.0	1.1	0.6
Nuwara Eliya	32.1	22.6	33.8	7.6	6.6	6.3	7.1	5.6	4.6	1.0	1.0	0.8
Galle	31.6	25.8	13.7	10.3	9.9	2.9	7.9	7.7	2.0	2.1	1.8	0.4
Matara	35.0	27.5	14.7	11.2	7.1	4.4	8.3	6.2	3.7	1.7	1.2	0.5
Hambantota	31.0	32.2	12.7	6.9	4.9	1.2	5.4	3.8	1.1	1.3	0.9	0.1
Jaffna	na	na	na	16.1	8.3	7.7	12.4	6.6	6.0	2.6	1.7	0.9
Mannar	na	na	na	na	20.1	1.0	na	15.0	0.9	na	4.6	0.1
Vavuniya	na	na	na	2.3	3.4	2.0	2.0	2.4	1.5	0.3	0.5	0.2
Mulathivu	na	na	na	na	28.8	12.7	na	24.7	11.2	na	6.2	2.1
Killinochchi	na	na	na	na	12.7	18.2	na	1.7	15.0	na	2.4	3.4
Batticaloa	na	na	10.7	20.3	19.4	11.3	17.0	14.3	8.1	5.1	4.5	1.8
Ampara	na	na	10.9	11.8	5.4	2.6	10.0	41.0	2.1	2.3	0.6	0.4
Trincomalee	na	na	na	11.7	9.0	10.0	9.0	6.2	6.8	1.8	1.4	1.8
Kurunegala	26.2	25.4	15.4	11.7	6.5	2.9	8.6	5.0	2.3	2.6	1.3	0.4
Puttalam	31.1	31.3	13.1	10.5	5.1	2.1	7.5	3.3	1.6	2.0	0.9	0.3
Anuradapura	27.0	20.4	14.9	5.7	7.6	3.8	4.6	6.3	2.7	1.0	1.1	0.5
Polonnaruwa	20.1	23.7	12.7	5.8	6.7	2.2	4.5	5.6	1.7	1.0	0.9	0.5
Badulla	41.0	37.3	23.7	13.3	12.3	6.8	10.9	10.4	5.9	2.2	1.8	0.7
Monaragala	56.2	37.2	33.2	14.5	20.8	5.8	13.9	18.8	4.4	2.8	4.2	0.7
Rathnapura	46.4	34.4	26.6	10.4	10.4	6.5	8.5	7.5	4.8	2.4	1.8	1.1
Kegalle	36.3	32.5	21.1	10.8	6.7	7.1	9.0	5.4	5.4	1.7	1.1	1.1

Source : CBSL Annual Report – 2020

This report clearly shows some of the District Poverty level is above the National Level Poverty Line. The Districts are , Kandy, Nuwara Eliya, Matara, Jaffna, Mulathivu, Kilinochchi, Batticaloa, Trincomalee, Badulla, Monaragala, Rathnapura, Kegalle. Those District represent Rural and Estate sector.