

Income, Consumption Pattern and Economic Status of Paddy Farming Household: Special Reference to Sammanthurai Divisional Secretariat Area

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Abstract: Contribution of Agriculture sector is extremely important to the development of a country. Nearly 70 percent of total population living in rural areas depends completely or partially on agriculture sector. Sri Lanka has made great strides in the sphere of agricultural development in general and paddy cultivation in particular. The history of paddy cultivation in the island goes back to 543 B.C. small scale farming, non-commercial, traditional agricultural practices lead to low productivity, affecting levels of income and saving of farmers especially smaller ones and pushing them in vicious circle of poverty. The main objective of the study is to examine income, consumption pattern and economic status of paddy farming household in Sammanthurai Divisional Secretariat Area. Primary data related to the year 2009-2010 collected from 280 paddy farmers from four types of paddy cultivation groups. Food ratios for all farming households are more than 50 percent of their total expenditure. The poorer the household the higher the share of total income or consumption assigned to food. This study further revealed that the average loan per household and per capita indebtedness, followed by the interest payments for the loans of the paddy farmers, is extremely higher. On the other hand, it is noteworthy to point out that the expenditure, income and debt are higher to the all categories of paddy farmers. Hence, policy makers should pay attention to increase their income especially from paddy cultivation and also to raise purchasing power of paddy farming community in Sri Lanka.

Keywords: Consumption, Debt, Economic status, Food ratio.

I. INTRODUCTION

Agriculture is a vital sector to the economic development of a country since it provides raw materials, labourers, food and investment to other sectors particularly industrial sectors. Agriculture sector is the important economic activity in Sri Lanka. Nearly 70 percent of total population living in rural areas depends completely or partially on agriculture sector. Agriculture also contributes to growth 12 per cent to GDP and also it provides employment to about 34 per cent of the labour force in Sri Lanka. As a result, the development of this sector is imperative for economic development of Sri Lanka Agriculture continues to be a dominant sector in the economic development of Sri Lanka sustaining majority of the population. Sri Lanka has made great strides in the sphere of agricultural development in general and paddy cultivation in particular. Paddy farmers specially small farmers face many problems, which include shortage of inputs, price volatility, low bargaining power and changing government policies in the favor of large farmers. Farmers are trapped in vicious cycle of poverty because they have low income and savings leaving them in a weak position. In the income model, academic qualification, land holding, agricultural expenditures and number of family members involved in agricultural activities affected income of small farmers. Family expenditure influences the income, including living style and consumption pattern of respondent [8]. Small scale farming, non-commercial, traditional agricultural practices lead to low productivity, affecting levels of income and saving of farmers especially smaller ones and

pushing them in vicious circle of poverty [5]. Small farmers experience low production, which leads to low income and savings. This further leads to low investment per hectare again causing low production, income and savings, this circle continues and these farmers remained under the unbearable burden of poverty [3]. The agricultural sector experiences very low productivity, by any standard, which may be attributed to low level of adaption of yield-enhancing technologies, poor farm management practices and inefficient production systems. As a result, farm households produce at subsistence level and hence generate inadequate surplus to the market [4]. Thus, it is noteworthy to point out that the expenditures, income and debt are higher to the as they are apparently dependent upon the creditors.

II. OBJECTIVES

The main objective of the study is to examine income, consumption pattern and economic status of paddy farming household in Sammanthurai Divisional Secretariat Area.

III. DATA AND METHODOLOGY

This descriptive analysis was carried out by using primary and secondary data sources. Primary data are mainly collected by personal interviews on the basis of pre-determined and structured interview schedule. Secondary data were collected from Department of Census and Statistics and Central Bank of Sri Lanka. The primary data was related to the year 2009-2010 (2009 Yala and 2009-2010 Maha). Two stage stratified sampling procedures were adopted to select 280 paddy farmers from four types of paddy cultivation groups. At the first stage, Sammanthurai Divisional Secretariat (D.S) Division was selected out of 20 D.S. Divisions in the Ampara district. At the second stage, paddy farmer households were classified into four groups according to the paddy operation such as attached labourers, small (less than 2 acres), medium (2-5 acres) and large (more than 5 acres) farmer household. 70 sample households from each group (totally 280 sample households) were selected from 52 Grama Sevega Niladari divisions (GSN).

Collection of data was done by personal interviews on the basis of pre-determined and structured interview schedule and subsequently they have been cross-checked with other group of people living in the study area. The primary data collected from respondent households through interview schedule and were tabulated by using a widely used "Statistical Package for Social Sciences" (SPSS). Simple statistical tools like mean and standard deviation were used in order to explain the income and consumption pattern of paddy farmer households. Since most of paddy farmers happen to be illiterate or only with primary education, the required data were collected through interview schedule using a set of pre-determined questions. Every sample paddy farmer household head was interviewed by the researcher.

IV. RESULTS AND DISCUSSIONS

4.1. Income of the respondents

Paddy farmers of the study area earn monthly income from various sources. Hence, in order to collect accurate and reliable data on household incomes, the survey schedule has been divided into eleven sections. Using the information collected, the monthly and annual mean household incomes, per capita household income are estimated. The survey results with regard to the paddy farmer household income clearly exhibits that the highest and the lowest level of monthly mean income is reported to have been Rs. 37,566 of large farmer households (annual mean income is Rs. 450,797)

and Rs. 14,645 of labourers (annual mean income is Rs.175,735), respectively. On the other hand, Small farmer households receives average monthly income of Rs.17, 385 (annual mean income is Rs. 208,616) while medium farmer households earns overall monthly income of Rs. 19,716 (annual mean income is Rs.236,589). It has been noticed from the survey data that the overall mean income is related generally to the size of the cultivated paddy farm. Therefore, mean monthly income of the large farmer households is higher than that of the smaller paddy farmer households.

The respondent paddy farmer households' income from paddy farming varies based on size of land holdings. Labourers and small farmers earn nearly half of total monthly income from paddy farming. However, medium and large farmer household receive one fourth and one fifth of their total monthly income from paddy farming, respectively. Hence, the total share of the mean monthly farm income of different farming households differs significantly for obvious reasons.

4.2. Per capita income

Table 1 shows that paddy farmer households' monthly per capita income. According to the computed data, the per capita monthly income of the attached labourers, small, medium and large farmer households are reported to have been Rs.2, 663, Rs.3, 280, Rs.3, 943 and Rs. 7,366, respectively. The per capita income of the large farmer households is way ahead of the other farming households, which is however not close to the national per capita income that is Rs. 8931 (2009/10). The survey results clearly reveal that all groups of paddy farmers in the study area receive less per capita income than that of all other sectors in Sri Lanka (Table 2).

Table 1: Per Capita Income of Paddy Farmers in Sammanthurai Divisional Secretariat Area

Paddy Farmer Household	Per capita income (Rs)	Household size
Attached Labourer	2,663	5.5
Small	3,280	5.3
Medium	3,943	5.0
Large	7,366	5.1

Source: Computed from the primary data, 2009-2010

Table 2: Per Capita Income in Sri Lanka - 2009/2010

Sector	Per Capita Income
Urban	11143
Rural	8744
Estate	5978
Sri Lanka	8931

Source: Household Income and Expenditure Survey (2009/2010) of Department of Census and Statistics.

4.3. Consumption pattern

The consumption pattern of sample households is divided into food and non-food expenditure. The survey schedule has included 12 food items such as cereals, fish, meat, vegetables, milk and sugar and also 12 non-food items such as clothing, education, health, transport, social norms and ceremonies. The food ratio is one of the principal indicators that use to measure human living standards in modern world. The proportion of expenditure on food and drink to total expenditure is called the food ratio and it is generally represented as a percentage [2]. The details of expenditure on food and non-food items are presented in Table 3. The survey results reveal that the food ratio for all farming households is around 51-54 per cent of their total expenditure. The poorer the household the higher the share of total income or consumption assigned to food [1]. Food ratio for attached labourers, small, medium and large farmer households is 51, 52, 53 and 54 per cent, respectively. Despite there is an affirmative relationship between land holding and food ratio among paddy farming households, it should be inversely related. This is the reason that farmers in the study area seek high quality meals than in earlier when their income increases. The non-food ratios are thus less than half of total household expenditure of the respondents. However, this expenditure increases gradually with farm sizes. According to the Household Income Expenditure Survey (2009/2010) the total average monthly household expenditure for both food and drink and non food was Rs. 32,446 in Sri Lanka in 2009. Out of that value, an amount of Rs. 12,918 has been spent on food and drink by a household on average. Hence the computed food ratio is 39.8 per cent for Sri Lanka in 2009. In terms of eastern province it is 61.5 per cent. Therefore, food ratio for study area is better than that of eastern province.

Table 3: Food and Non Food Ratio in Sammanthurai D.S. Area

Particulars	Paddy Farmer Household Categories			
	Attached Labourer	Small	Medium	Large
Food Items	9,445 (51.20)	11,128 (52.13)	11,719 (53.47)	19,915 (54.44)
Non-Food Items	9,000 (48.80)	10,216 (47.87)	10,196 (46.53)	16,660 (45.56)
Total	18,445	21,344	21,915	36,575

Source: Computed from the primary data, 2009-2010. Note: Figures in parentheses are percentage

Further, the survey data on income and expenditure obtained from the Department of Census and Statistics [2] indicate that rice, wheat flour and bread are the favourite food items consumed in Sri Lankan. However, this study has shown that in 98 per cent of the paddy farmer households of Sammanthurai D.S. area, rice consumption is for three times a day; that is, every meal is rice meal.

Large proportion of the income of the farming households is incurred for the provision of essentials, basic needs and the personal vices. Among the non-food expenditures, personal vices (especially cigarettes, beedis and betel and nut) account for the larger proportion of their expenditure, 14.25 per cent for the attached labourer households, 12.33 per cent for small, 9.22 for medium and 8.15 for large farming households. All paddy farming people are addicted to the vices, which are drain on the income in the long run. As education, the poorer one is, the less he/she spends on it. The attached labourers and medium farmers spend the least share of about 3 per cent on education and the small farmers spend around 6.22 per cent. As education is an investment for the future in large farmer households, they can afford good.

Table 4: Percentage Share of Expenditure on Essentials and Basic Needs and Vices in Sammanthurai

Items of Expenditure	Attached Labourer	Small Farmers	Medium Farmers	Large Farmers
Clothing	8.27	7.55	8.26	7.02
Education	3.25	6.22	3.15	7.09
Health	1.56	1.78	2.02	2.08
Transport	1.25	2.21	3.00	4.15
Housing	3.22	3.22	3.16	3.07
Personal Vices	14.25	12.33	9.22	8.15
Social occasions	7.72	6.64	8.01	6.04
Rituals and festivals	3.09	3.51	3.16	2.11
Interest on loans	4.01	3.99	5.01	5.02

Source: Computed from the primary data, 2009-2010.

4.4. Food poverty line and economic status

The Official Poverty Line (OPL) is calculated by Department of Census and Statistics and it is based on consumption of both food and non food items in Sri Lanka. Hence, the poverty line is the level of income necessary to attain an adequate standard of living. Official Poverty Line was Rs 1,423 in 2002. This amount is then adjusted to inflation in accordance with the movement of prices in the Colombo Consumer Price Index (CCPI). However, every month the Department of Census and Statistics publishes the updated OPL on their website. Accordingly, OPL for national level and Ampara district in December 2011 were Rs.3307 and Rs.3373, respectively (CCPI based year 2006/07=100).

Therefore, Rs.3373 is necessary for sustaining life for the paddy farmers of the study area for their minimum living standards. Using these figures and comparing them with the income per capita per month (Attached Labourer households Rs. 2,663; small farmer households Rs. 3,280; medium farmer households Rs. 3,943; and large farmer households Rs. 7,366), it could safely be inferred that the attached labourer households and small farmer household lack the minimum living standards required to sustain life. All the other categories (medium and large) have income per capita per month greater than OPL.

Table 5: Status of Paddy Farmers in Sammanthurai D.S. Area

Paddy Farmers Categories	Per Capita Income (Per month)	OPL + Per Capita Loan + interest	Status
Labour	2,663	4822 (3373 + 1128+ 321)	-2159
Small	3,280	5084 (3373+ 1195+ 516)	-1804
Medium	3,943	7104 (3373+ 2813+ 918)	-3161
Large	7,366	7054 (3373+ 2815+ 866)	+312

Source: Computed from the primary data.

From our survey data and available understanding, each of the farmer households, no matter what category they belong to, should have an income per capita per month of Rs. 3,373 to sustain themselves in life, with the food and non-food requirements met, squarely. Considered in the light of the minimum living standards and per capita indebtedness and per capita interest for loan, the attached labourers require an income per capita of Rs. 4,822, small farmers of Rs. 5,084, medium

farmers of Rs. 7104, and large farmers of Rs. 7054, to meet their minimum living standards and repay their loan and interest without difficulty. On the other hand, the attached labourer households fall short in income per capita by 2159, small farmer households by Rs. 1804, the medium farmer households by Rs. 3161. The large farmer households alone have an excess of income per capita of Rs. 312. This really means that the large farmers are better off in maintaining their minimum standards of living as well as repay their loan and interest without much difficulty.

Thus among the paddy farming households of Sammanthurai Divisional Secretariat area, only the large farmers are able to maintain standard of living with an excess few income per capita of Rs. 312 whereas all the other categories are left with deficits that they are unable to meet their ends meet, much less meeting the repayment schedules of their loans. Medium farmer households have greater burden than either attached labourer households or small farmer households, in that order.

V. CONCLUSIONS AND RECOMMENDATIONS

Sri Lanka has made great strides in the sphere of agricultural development in general and paddy cultivation in particular. The main objective of the study is to examine income, consumption pattern and economic status of paddy farming household in Sammanthurai Divisional Secretariat Area. Primary data related to the year 2009-2010 collected from 280 paddy farmers from four types of paddy cultivation groups. The results of the study shows that highest monthly mean income is reported to have been Rs. 37,566 earned by the large farmer households; and the lowest level of monthly income is earned by the labour category at Rs. 14,645. Food ratios for all farming households are more than 50 percent of their total expenditure. Income and expenditure pattern of the individuals or households are the vital indexes in measuring the standard of living. However, the average loan per household and per capita indebtedness, followed by the interest payments for the loans of the paddy farmers, is extremely higher. On the other hand, the mean expenditures of all paddy farmers exceed their mean income. Meanwhile, the all paddy farmer households have spent more than 50 per cent of their total expenditure on food. In terms of income, they spent 60 per cent on food items. In general, economic status of all groups of paddy farmers except large farmer household in the study area did not progress well enough as they borrowed loans and caught up in a huge interest payment.

The following suggestions are extended for the consideration of planners and policy makers:

- Farming households should be provided credit at minimum interest rate.
- There should be an easy and enhanced access of paddy farmers to institutional credit facilities.
- As the open price of paddy is very low during harvesting season government should take necessary action to purchase paddy from poor paddy farming households.
- Agricultural machinery like combined harvester, four and two wheel tractors which are main tools for paddy cultivation are unaffordable for poor small farmers due to which production remains low, therefore government should give either subsidy or provide these instruments at easy installments. This will help paddy farmers to increase level of income and reduce unnecessary expenditure and credit.
- Policy initiatives should be taken to provide technical education for paddy farmers to use of different types of agricultural machinery at gross root level, which will enhance capability, and capacity of paddy farmers.

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