

Income Diversification of Paddy Farming Households in Anuradhapura District

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EXECUTIVE SUMMARY

Paddy cultivation provides a substantial contribution to achieve food security of the country while safeguarding rural economy. However, paddy farmers face numerous socio-economic issues in the face of rapidly changing socio-economic and natural environment with nearly half of the farming population is ridden with poverty. Income diversification has emerged as a promising approach when considering the strategic measures to overcome many issues pertaining to the agrarian community. Paddy farmers have adequate labour days as seasonal paddy cultivation is generally limited to a maximum of four months with the two peak labour demanding periods per year; hence it is possible to invest available labour days in slack periods in other income generation activities in both farm and non-farm activities. Such measure would help enhance the farmers' income and living standards while the extra income would also help cushion the risk and uncertainties associated with paddy farming.

Therefore, it is important to identify how the farmers have diversified and utilized these slack time periods through on-farm and non-farm income generating and other activities. Identifying possibilities and constraints associated with effective utilization of available labour is also imperative to develop strategies to use unproductive time efficiently and effectively. Thus, based on primary and secondary data from randomly selected 200 paddy farming households in Anuradhapura district, the study has identified existing patterns, opportunities and barriers for income diversification. The determining factors for diversified patterns were examined by employing multinomial logistic regression model.

The study identified that none of the paddy farming households in Anuradhapura district relies on paddy farming as their sole income source and have diversified their income sources ranging from two to seven sources. Majority of the households have diversified into four income generating activities while the least number of households have diversified into seven income sources. The highest average income was earned by the households that diversified into seven income generating activities whilst the lowest average income was recorded by the households that have diversified into two, three and six income sources. When the number of income sources are increasing the household members have moved into income sources which are mostly non-farm oriented and the income received from non-farm activities is higher than that of paddy farming.

Considering income diversification based on type of income sources, the crop income includes income receiving from paddy farming, OFC cultivation, vegetable cultivation, fruit crop cultivation and other perennial crop cultivation whereas non-farm income sources include agricultural waged labour, other waged labour, self-employment, renting, cash and goods in-kind, pensions, foreign remittances and salaried employment. Considering the non-farm income sources, majority are engaged in salaried jobs such as armed forces while the highest income was earned

by the income generating activity of foreign remittances followed by salaried employment. Considering overall income diversification majority of the farming households (87 percent) have diversified their income into non-farm income generating activities while only 13 percent is solely relying on on-farm activities. Age of the household head and the number of members in a household are the major determining factors for income diversification.

Having knowledge and skills for income diversification, residential area being suitable for other income generating activities, increased spending on children's education, close proximity to the market, developed infrastructure in the area, institutional support and guidance to engage in other income generating activities, accumulation of assets by increased opportunities for access to loans and grants and family savings were the major pull factors that caused income diversification.

As a coping strategy for natural disasters, inability to get a uniform income throughout the year by exclusively relying on paddy farming, irrigation water scarcity, marketing and price issues and lack of land ownership and health issues were found to be the major push factors for income diversification.

Lack of resources (mainly financial resources, natural resources, knowledge and information resources) and marketing issues can be broadly identified as major barriers for income diversification among paddy farming households.

It is recommended to develop a national level income diversification strategy to boost the income of paddy farmers and uplift their living standards while safeguarding the national food security. Addressing three major groups of aged farmers, women and youth separately when formulating income diversification strategies would be more effective in achieving the expected outcomes.