

DISTRIBUTION OF INCOME AND OWNERSHIP OF ASSETS: TRENDS IN SRI LANKA

Saman Kelegama

The objective of this study is to investigate whether the high economic growth achieved during the 1980s has "trickled down" to the bottom layers of the Sri Lankan society. The study consists of three parts: the first is on income distribution, the second on asset ownership, and finally, a conclusion.

1. Income Distribution

This part deals mainly with the income distribution patterns during the period 1970 to 1990. The GNP per capita of Sri Lanka increased from US\$ 120 in 1970 to US\$ 420 in 1990. The crucial question to be examined is whether this increase in income was distributed equitably. The most reliable information on income distribution comes from the Consumer Finance and Socio-Economic Surveys (hereafter referred to as CFS) conducted by the Central Bank of Sri Lanka. Using the data available in these and other surveys that were done by the Department of Census and Statistics, the conventional measures of inequality such as decile shares and the Gini coefficient will be examined in this exercise.¹

Table 1 presents the percentage of income received by deciles of income receivers and spending units for the years 1973, 1978/79, 1981/1982, and 1986/1987 (sometimes 1985/86 is used instead of 1986/87). It can clearly be seen that the income share of the lowest 40 per cent of income receivers declined from 15.1 per cent in 1973 to 12.1 per cent in 1978/79, to 11.8 per cent in 1981/82 and to 7.1 per cent in 1985/86. The income share of the highest decile on the other hand rose from 30 per cent to 39.1 per cent, to 41.7 per cent and to 49.3 per cent respectively. It should be noted that, in 1985/86, the top 10 per cent of income receivers had an income share nearly seven times higher than the bottom 40 per cent of income receivers, while in 1973 it was only double the amount. Furthermore, the share of income accruing to the bottom 40 per cent of spending units declined from 19.3 per cent in 1973 to 16.1 per cent in 1978/79 to 15.3 per cent in 1981/82 and to a still lower figure of 14.1 per cent in 1986/87.

Income inequality measured by the Gini coefficient was at its lowest in 1973, and since then income distribution has become more unequal with the Gini coefficient for spending units worsening from 0.35 in 1973 to 0.47 in 1986/87 (Table 2). Since there was no survey in 1977, it is not possible to be precise about the exact year that the Gini coefficient started to increase. But as most redistribution policies of the early 1970s continued until 1977, it is quite probable that the trend reversal occurred after the policy reforms of 1977.

Table 1

Percentage of Income Received by Deciles of Income Receivers and Spending Units

Decile	Income Receivers				Spending Units			
	1973	1978/79	1981/82	1985/86	1973	1978/79	1981/82	1986/87
Top 10 per cent	30.0	39.1	41.7	49.3	28.0	35.9	37.3	39.1
Middle 50 per cent	54.9	48.8	46.5	43.7	52.7	48.0	47.4	46.8
Bottom 40 per cent	15.1	12.1	11.8	7.1	19.3	16.1	15.3	14.1

Source: CFS 1973, CFS 1978/79, CFS 1981/82, CFS 1986/87, and LFSES, 1985/86.

Notes:

1. A spending unit consists of all the members of a household who act as a unit in decision-making for spending.
2. Data for the post-1983 period are computed excluding the districts in the North and East except Ampara.
3. Income received data for 1985/86 are from LFSES, 1985/86. There are problems with regard to obtaining the data for 1986/87 from the CFS, 1986/87.

Table 2

Gini Coefficient of Spending Units

1973	1978/79	1981/82	1986/87
0.35	0.426	0.452	0.464

Source: CFS, as in Table 1.

These figures indicate that a major redistribution of income has occurred over the period under consideration in favour of the more wealthy. Creation of inequalities of such magnitude within a relatively short time of just over a decade is cause for concern. By way of comparison, one may note that even in developed countries, the richest 10 per cent of the households command only about 20-25 per cent of a total income, while the bottom 40 per cent command nearly 20 per cent.² This is the case in the USA, Japan, the UK and most of the European countries. South



Korea and Taiwan, the rapidly growing newly industrialized countries, have prevented the emergence of marked inequalities with less than 30 per cent of total income accruing to the top 10 per cent of income earners.

Table 3 shows that there has been a marked shift in the distribution of income in favour of the urban sector where nearly 22 per cent of the population lives. The share of urban sector in the total income of the country had risen from 28.1 per cent in 1981/82 to 35.6 per cent in 1985/86 representing a gain to the urban sector of 26 per cent, while the rural sector — where 72 per cent of the people live — had suffered a loss of 12 per cent in its share. These figures are indicative of the pattern of economic growth in the 1980s which was heavily biased towards urban-based mercantile and services activity.

Table 3

Sectoral Income Distribution Pattern

	Population (%)	Sectoral distribution of Total Income	
	Early 1980s	1981/82	1985/86
Urban	22	28.1	35.6
Rural	72	67.2	59.4
Estate	06	4.6	5.0
Total	100	100	100

Source: CFS, 1981/82 and LFSES, 1985/86.

Clearly, income inequality has increased during the 1973—1986/87 period. However, even though the relative shares of income of the high income groups have increased, there is a possibility that the absolute incomes of all groups have also increased, thus improving the living conditions of all segments of the population. To investigate whether this is in fact the case, real incomes and real wages are examined. The real income data for the 1973—1981/82 period have been analysed by Sanderatne (1985). According to him: "When the income deciles of spending units are analysed, ... an improvement of real income [is evident] between 1973 and 1978/79 for all deciles, but a considerably better improvement for the higher deciles. Between 1978/79 and 1981/82 all deciles of spending units suffered a loss in real incomes. When 1981/82 real incomes are compared to 1973 incomes, real incomes increased by 15 per cent or less for the lower 40 per cent of spending units and for the sixth decile but the other deciles had a significantly greater increase in real incomes". (pp.21-22).

For the purpose of this exercise, Sanderatne's study was extended to the 1986/87 period using 1977 as the base year for estimating real income. The results are recorded in Table 4. Clearly, it is seen that the first five deciles have faced a continuous decline in real income during the

1978/79 - 1986/87 period while the upper groups from the sixth decile have had a substantial improvement of real income during 1981/82 and 1986/87.

Table 4

Mean One Month Income per Income Receiver by Deciles for the Total Population

Deciles	Mean Income (Rupees)				Real Mean Value at 1977 Prices		
	1973	1978/79	1981/82	1986/87	1978/79	1981/82	1986/87
Lowest	41	74	134	79	63	57	23
Second	72	158	277	240	135	117	68
Third	100	223	385	388	191	162	111
Fourth	130	295	512	665	252	216	166
Fifth	161	367	619	843	314	261	240
Sixth	199	451	770	1332	386	325	380
Seventh	240	564	951	2261	483	401	644
Eighth	288	695	1182	4107	595	498	1170
Ninth	362	944	1646	7215	808	694	2056
Highest	682	2414	4632	17366	2065	1952	4949

Sources:

- 1978/79 and 1981/82 mean income, Sanderatne (1985), p.22.
- 1986/87 Mean Income was obtained from the CFS, 1986/87 (p.436).

Notes:

- Real incomes for the years 1978/79, and 1986/87 were estimated using the Special Consumer Price Index (SCP1) given in Sanderatne (1990). Real mean value was not calculated for the year 1973 as SCPI was not available.
- There are certain inaccuracies in the CFS, 1986/87 mean income data. Due to this reason, publication of the CFS, 1986/87, Part I has been postponed.
- Data are for all-island and the post-1983 data exclude the Northern and Eastern provinces.

Since there are problems in regard to decile-wise real income estimates, it is prudent to analyse the main component of income, i.e., wages. This is because income levels are defined as wages plus income supplements, such as annual increments, overtime payments, bonus earnings, other incentive payments, non-employment incomes accruing from holdings of land and other property, and so on.³ Table 5B presents the real wage indexes (minimum wages) for some of the crucial sectors of the Sri Lankan economy. It can be seen that, in the organised sector, wage patterns were not very satisfactory during the 1979-1990 period. In the case of workers in trades covered by Wages Boards, those in agriculture have experienced a slight



increase in their real wages during the late 1980s. In contrast, workers in industry and commerce and in services have suffered an erosion of real wages. As the former category is concentrated in the rural areas of the country, the implication appears to be that some segments of the population in the rural sector have enjoyed an increase in real wages while those in the urban sector have suffered a decrease. However, it should be noted that there are more opportunities to earn non-wage incomes in the urban sector (see Table 6B).

In the public sector, minor employees seem to have enjoyed an increase in real wages during the 1980s (Table 5A). This, however, is influenced to a great degree by the increase in income of unskilled minor employees. Among the non-executive officers category, clerical and skilled workers suffered an erosion in their wages during the 1980s, whereas, the unskilled workers made gains in real wages. Other categories have not been as favourably affected. Government school teachers suffered a decrease in real incomes during the 1980s.

Daily wage rates in the informal sector rubber, coconut, paddy, and construction, have generally shown an increase after 1979, but in the tea sector there has been a decline in all years except 1988 (Table 5C). The general trend is consistent with the Wages Board's agriculture wages behaviour. Generally, except in a few sectors, minimum wage rates have not kept up with inflation, and this fact is consistent with what was revealed earlier by

the data on real income of the lower segment of the population.

What is revealed by income distribution, real income behaviour, and real wage behaviour during the 1978/79 to 1981/82 period is, in fact, confirmed by calorie intake patterns. Jayawardena, *et.al.* (1987) analysing the impact of State policies during this period on nutritional levels, wrote: "The analysis of data on calorie consumption reveal that: (1) the consumption levels have declined for all expenditure categories immediately after 1978/79; (2) the decline continued into 1981/82 with the lower 30 per cent bearing a brunt of the declines; (3) urban and estate households suffered a higher degree of deprivation; (4) the estate sector was the worst affected; and (5) the percentage of ultra-poor (people who spend 80 per cent or more on food, yet fulfill less than 80 per cent of the average calorie requirements) increased between 1978/79 and 1981/82"(p.46).

What explanation can be found for the income-distribution patterns stated above? The income-distribution pattern was heavily biased towards the top 10 per cent of income receivers for several reasons. First, as mentioned earlier, the high growth pattern that occurred during the early 1980s was highly urban-biased. There was such a bias because, when growth occurs within the framework of a market mechanism, there is a cumulative tendency for the relatively developed regions to grow faster than those which are less developed. The developed regions enjoy

Table 5A
Real Wage Index of Government Employees, 1979-1990
(1978 = 100)

Year	Non-Executive Officers				Minor Employees			All Central	Government
	Clerical Employees	Skilled (Other than Clerical)	Unskilled Employees	All Non-Executive Officers	Skilled Employees	Unskilled Employees	All Minor Employees	Government Employees	School Teachers
1979	106.7	107.3	111.9	109.7	110.2	105.1	112.6	111.2	106.6
1980	91.2	92.0	99.5	94.9	95.1	101.0	99.4	97.2	90.5
1981	85.1	86.2	93.2	89.9	92.0	98.7	96.4	93.2	84.9
1982	94.6	97.1	110.3	103.9	105.6	115.4	112.0	108.0	95.7
1983	93.2	95.9	110.6	103.4	106.7	118.3	114.2	109.0	95.1
1984	89.6	92.3	107.4	100.1	104.4	117.3	112.8	106.6	91.4
1985	100.0	103.2	121.7	112.8	119.1	134.8	129.3	121.2	105.4
1986	97.0	100.2	117.9	109.3	115.4	130.6	125.3	117.5	97.7
1987	90.0	93.0	109.5	101.5	107.2	121.3	116.4	109.1	90.7
1988	103.9	107.5	126.0	117.0	122.9	138.6	133.1	125.4	106.6
1989	100.6	106.3	123.2	114.4	119.1	133.3	128.4	121.9	106.3
1990	92.1	93.8	114.3	104.3	112.4	126.8	121.8	113.2	96.0

Source: Central Bank of Sri Lanka, Economic Bulletin, various issues.



Table 5B

Real Wage Index (Minimum) of Workers in Wages Boards Trades, 1979-1990 (1978 = 100)

Year	Workers in Agriculture	Workers in Industry & Commerce	Workers in Services	Workers in Wages Boards Trades
1979	116.0	105.2	107.8	112.9
1980	115.9	105.4	98.9	111.1
1981	98.3	96.2	93.2	97.1
1982	104.2	92.6	97.7	101.1
1983	100.4	82.5	89.7	95.5
1984	108.0	79.3	82.6	98.8
1985	116.6	86.9	81.3	105.2
1986	113.8	88.6	75.3	103.8
1987	110.8	93.9	72.0	101.8
1988	121.6	87.4	73.8	107.9
1989	125.7	96.6	71.0	112.0
1990	122.2	89.9	63.5	107.6

Source: Central Bank of Sri Lanka

Table 5C

Informal Sector Unskilled Real Daily Wage Rate Indices, 1979-1988 (1979 = 100)

Year	Tea	Rubber	Coconut	Construction	Paddy
1979	100	100	100	100	100
1980	91	121	99	103	102
1981	95	118	101	106	104
1982	92	123	121	115	115
1983	82	117	117	111	102
1984	78	103	99	99	96
1985	90	113	106	109	105
1986	100	121	144	116	110
1987	98	117	113	114	108
1988	136	113	110	110	104

Source: Central Bank of Ceylon, *Prices & Wages Statistics* various issues. All Island daily wage rates for male workers in tea, rubber, coconut and paddy. For construction, the average of the wages of unskilled helpers to carpenters and masons was taken.

internal and external economies, resulting in lower production costs than other regions, thus becoming more attractive for further investment. The specific factors underlying cumulative divergence in the attractiveness of regions for further investment, with increasing disparity in regional growth rates are: concentration of communications, banking facilities, public utilities, technical know-how, trained manpower, and maintenance facilities.

Furthermore, as growth becomes concentrated in a developed region, it pulls capital and skilled labour from backward regions, thereby adversely affecting the capital and skill endowments of backward and rural areas. The new growth pattern in the 1980s concentrated incomes in the hands of the urban minority while adversely affecting the inhabitants of rural areas.

Secondly, an analysis of ownership patterns of joint ventures approved by the Export Processing Zone shows that almost all local collaboration was carried out by a few of the country's top industrialists. Moreover, the share ownership of most companies does not appear to have been broadbased (see Part 2). Partly, this was because an osmosis of funds across a wide range of enterprises enabled the entrepreneurs to expand their wealth without let or hindrance. A fillip to this process was the Tax Amnesty on undeclared wealth and the repeal of punitive laws against foreign exchange and tax violations. Thirdly, most small and rural industries which were highly labour-intensive went out of production owing to the across-the-board import liberalization policy of 1977 (Osmani, 1987). Most of these industries were located in the unorganised sector preventing income concentration in the organised sector during the mid-1970s. But after most of them started to close down in the early 1980s due to the adverse effects of import liberalization, reallocation of labour from the unorganised sector to the organised sector took place. Such redeployment accentuated inequality in the distribution of income, since income in the organised sector generally tends to be distributed more unequally. This problem was further aggravated by the fact that the organised sector itself experienced an increase in income concentration during the 1980s.⁴

Fourthly, in the agriculture sector, the immediate beneficiaries from the high prices were farmers with a marketable surplus. The farmers in the unorganized sector, whose output was either entirely or substantially consumed by their own household, did not gain much from the higher prices. Changes in agrarian legislation have favoured the rich farmers with access to land at the expense of the small farmer. Act no.58 of 1979 was designed to restructure agrarian relations so as to reinforce the rights and interests of landlords. The security of tenancy has been tied to the productivity of the tenant. The *de facto* share going to the landlord has increased, while ensuring that big tenants will not emerge. Various attempts to convert small farmers who have depended on subsidies into viable small producers within the market economy do not seem to have been successful (Bastian, 1993).

Fifthly, income receivers without occupation are mainly pensioners residing in rural and urban areas. An increasing proportion of this group has been falling into the poverty group because of the failure of pensions and other government and local transfers to keep up with the inflationary trends in the economy.



2. Asset Ownership

The problems pertaining to data were briefly mentioned in Part 1. This problem is particularly acute when it comes to interpreting trends in asset ownership. A few areas where some scattered data are available, viz., shares, land, and housing are analyzed here. The analysis is by no means comprehensive or conclusive.

2.1 Corporate Sector Share Ownership

In the corporate sector, it can be seen that many large companies have grown at the expense of small and medium-scale family-owned import substitution industries which lacked external contacts and other state benefits. In 1988, for instance, large industries—which accounted for 10.7 per cent of the total number of industries in the country—accounted for 82.1 per cent of industrial output. The bulk of the output of many industrial products is still controlled by the top two or three firms (Kelegama, 1992, pp 30-31). Moreover, the large corporate sector has diversified its activities across different sectors of the economy and has focussed investment in liquid-asset holdings such as trade, finance, and real estate, rather than on fixed-asset productive sectors, such as agriculture and industry. This strategy has enabled them to adjust more quickly to market signals.

In terms of ownership, control, and management, the majority of Sri Lankan companies are identified with a particular individual or family group which holds at least a controlling interest, and more often, a major part of the share holdings. Most of the registered companies are private and their returns are kept confidential. This, precise data are not available. An inspection of the share structure of a sample of ten companies shows that the first five shareholders own 60-90 per cent of the share capital issue, while the mean share capital of the first five shareholders was 75 per cent.⁵ A survey of publicly-quoted companies undertaken in 1988 revealed that only in 10 per cent of companies did the largest twenty shareholders between them own less than 60 per cent of shares. Conversely, in over 60 per cent of the companies, the largest twenty shareholders held 80-100 per cent of issued shares (Jayawardena, 1988). In contrast, in 1976, in only seven of the USA's 122 largest companies did the largest 20 shareholders between them own more than 50 per cent of the total stock (Moore, 1992).

The share-owning population in Sri Lanka was estimated to be around 7,000 in 1986 (Karunatilake, 1986, p.228), 9,000 in 1989 (Baring Securities, 1989, p.9) and around 50,000 by early 1992 (Kelegama, 1993, p.58). The sudden increase in the share owning population during the 1989-92 period was mainly due to the privatization programme that was initiated in 1989. However, the share-owning population is a highly urban-based group and the majority of them are wealthy.

2.2 Assets of the Poor: Land

The poor remain largely excluded from the benefits of growth and development because they lack control over productive resources and have limited access to extension systems and other sources of information and assistance. The poor are largely precluded from organising, raising capital, and taking risks. They are "resource poor" - with little or no ownership of productive assets (such as land and equipment).

An analysis of assets reveals that the poor have little command over assets all over the island. From Tables 6A and 6B it is clear that the ownership of land distinguishes the poor from the non-poor more in the urban sector than in either the rural sector (where most families own some land) or the estate sector (where almost no families own land). Only 29.1 per cent of land ownership belongs to the households that are categorized as poor. In the case of paddy land, only 16.9 per cent of the total poor households own them.

Table 6A
Household Asset Ownership, 1985

	Urban	Rural	Estate	All Island
Land Ownership *				
All	63.3	87.9	6.1	78.0
Non - Poor	67.1	89.4	6.2	79.1
Poor	55.3	84.7	5.7	75.5
Paddy Ownership*				
All	5.0	31.0	0.5	23.7
Non - Poor	6.3	34.9	0.6	26.7
Poor	2.1	22.1	0.0	16.9
Nonwage Income *				
All	28.5	15.7	18.1	18.5
Non - Poor	30.5	16.9	19.6	20.0
Poor	24.3	12.7	10.3	15.2

Table 6B
Household Asset Ownership, 1985 (%)

	Urban	Rural	Estate	All Island
Land Ownership **				
Non - Poor	72.1	70.6	84.8	70.9
Poor	27.9	29.4	15.2	29.1
Paddy Land Ownership**				
Non - Poor	86.8	78.2	100.0	78.6
Poor	13.2	21.8	0.0	21.4
Nonwage Income **				
Non - Poor	72.8	75.3	90.7	75.3
Poor	27.2	26.7	9.3	24.7



- * Percentage of households conditional on being in both the sector and the poverty group, for example the first cell, 63.3, should be read as the percentage of all households in the urban sector that own land.
- ** The distribution within the sector among landowners/non-wage income recipient; across poverty groups. (Within sectors, non-poor + poor = 100 per cent).

Source: Rouse (1990, p.19).

70 per cent of the country's 2.1 million rural households live in the wet zone, which accounts for only 30 per cent of the arable land. As a result, operational land holdings are extremely small as shown in Table 7. In addition, 38 per cent of tenants farm less than half an acre; 71 per cent, less than one acre. Soil erosion and fragmentation due to partitioning have added to the problem. Nearly 12 per cent of the households are absolutely landless, and another 42 per cent (owning less than one acre) are functionally landless.⁶ The landowners own only 7.1 per cent of total arable land. The largest number of landless operators were in Kurunegala, Ratnapura, Hambantota, Kandy and Matara. Operators owning only home gardens were concentrated in the wet zone districts of Gampaha, Kalutara, Kandy, Galle, Kurunegala, Ratnapura, Kegalle and in Jaffna. Landlessness and uneconomic size of holdings are significant factors that contribute to poverty among farmers and cultivators in Sri Lanka. Although this is the case, State policy on asset distribution has assisted the poor in various ways.

Table 7

Size Distribution of Small Holdings (1982)

Size Class (acre)	% Holdings	% Area
Less than 1	42	8
1 - 2	22	14
2 - 3	14	16
3 - 20	22	62
	100	100

Source: Sri Lanka Census of Agriculture, 1982

2.3 Distribution of Assets by the State: Some Observations in Regard to Land and House⁷

2.3.1 Land

Under the Land Reform Act of 1972 the State acquired 981,368 acres of agricultural land in the early 1970s. By 1984, individuals, as well as the private sector, were granted, or were in the process of being granted, ownership and control of 225,087 acres of this land. The colonization and land settlement schemes of the early 1970s were accelerated under the Mahaweli Programme towards the end of this period. During the period 1971-84, colo-

nists and settlers had received 290,493 acres, and a further 508,348 acres of encroachment had been regularised. In addition, 136,409 acres were given to allottees as land grants under the Land Development Ordinance and the Swarnabhoomi Programme. Of a total of 939,357 poor allottees who benefitted under State land alienating programmes during this period, 11 per cent who received land were able to improve their income generating capacity immediately, 58 per cent enhanced their security of tenure on land they already occupied, while 31 per cent received homestead plots. These measures enabled the allottees to increase productivity and earn more, and also build their own houses using available loan facilities.

2.3.2 Housing

To bring within the means of the general public the construction or purchase of a house of their own, government measures included housing loan schemes, direct construction of houses, the encouragement of private sector housing schemes, etc. During the period 1970-84, government policy had been instrumental in the provision of 166,291 new housing units, and the transfer to ownership of 34,450 housing units. Of the new units provided, 100,408 or 60 per cent had gone to the poor; however, of the transfer of housing units effected, it is estimated that only about 9,620 units or 28 per cent were made to the poor. Of a total of 273,934 rental housing units in 1971, only an estimated 13 per cent saw a transfer in ownership, mainly under the Ceiling on Housing Property Law of 1973. However, taken as a whole, in the area of housing, the asset base of the poor has shown significant improvement. During the 1971-81 period, for example, public housing policy was instrumental in increasing their home-ownership by 34 per cent, and increasing owner-occupied housing units by 29 per cent in the island as a whole.

During the period 1971-1984, government land distribution and housing programmes improved the asset base of 1,175,953 households, i.e. 36 per cent of the 3,239 million households in the island in 1984. Of the estimated 1.55 million poor households in 1984, a total of 1,057,974 or 68 per cent benefitted from land distribution schemes (939,357 households) or from housing programmes (108,617 households). The land and housing programmes of the government have helped alleviate poverty to some extent. In the long-run, however, the provision of land was likely to have been more effective in assisting the very poor than the provision of housing. The estate sector poor, due to lack of citizenship and the 'enclave' nature, were excluded from public land settlement and colonization schemes and public housing.

Conclusion

In switching from a redistribution strategy of development to a growth-oriented strategy in the late 1970s Sri Lanka lost some features of "equity" of the



former strategy which distinguished it so favourably from most other Third World Countries. Perhaps the worsening of income inequalities and the erosion of the purchasing power of the bottom deciles of the population during the 1980s are consistent with the inverted U-hypotheses that is often stated in economic literature. According to this hypothesis, when pursuing a growth-oriented strategy there is bound to be a worsening of income distribution for some period until appropriate linkages are developed in the economy for the "trickle down" to take place.

During the 1980s the government took various steps to improve the distribution of assets in the country, such as the One Million Housing Programme, the *Swarnabhoomi* Land Distribution Programme, etc. These programmes would have cushioned the adverse impact of the growth-oriented strategy on the bottom layers of the population. Despite this, in an overall sense, income inequality increased in the 1980s and the government itself realised this fact and appointed a High Level Committee on Poverty Alleviation in 1988 in order to find ways and means of improving the living conditions of the poor. It would not be wrong to say that the new welfare measures that were introduced in 1989/90 such as the Janasaviya Programme and the Free Mid-Day Meal Programme were in response to the recommendations of the above Committee.

The results of the 1990/91 Socio-Economic and Labour Survey have not been published yet. However, there are reasons to believe that the income distribution has improved during the last two years as a result of the *Janasaviya* Programme, the Free Mid-Day Meal Programme, the Two Hundred Garment Factories Programme and the Free Distribution of School Uniforms Programme. It may also be the case that Sri Lanka has passed the peak of the inverted U in its growth process and the trickle-down of high economic growth may have started. With the new incentive package that accompanies the declaration of the private sector as the engine of growth, a multitude of self-employment opportunities have mushroomed in the economy. Moreover, many new employment opportunities are created by the expansion of the private sector. Given these facts, there are reasons for optimism in regard to a more equitable distribution of income and asset ownership in the country in the near future.

Notes:

1. In Sri Lanka, regular surveys have not been undertaken and the available data are subject to various inadequacies and limitations. Thus the analysis is constrained by these shortcomings. It should also be noted that a comparison of statistics of the Central Bank surveys and that of the Department of Census and Statistics is strictly not correct. However, due to data limitations, comparisons are made in this exercise in order to analyze the trends.
2. These statistics are for income receivers and not for spending units.
3. According to the LFSES, 1985/86, wages comprise 52 per cent of total family incomes in the island as a whole. However, in some

employment sectors such as, salesmen, working proprietors and spinners and weavers for instance, 80 per cent of total income comes from wages (CFS, 1978/79).

4. The concept of opening up 200 garment factories in rural areas came about in late 1991 as a result of this phenomenon (see Kelegama, 1992).
5. Company Registrar's Records, quoted in Athukorala, 1986, p. 100.
6. According to the 1982 Agricultural Census, most paddy holdings (64 per cent) are under two acres in size. Although these smallholdings account for only 2.2 per cent of land under paddy, 87 per cent of these smallholdings are rainfed, of low productivity, employing family labour and located mainly in the wet zone. In Sri Lanka as a whole, 38 per cent of the agricultural operators own home gardens averaging about half an acre in size.
7. A detailed analysis of asset transfers by the government during the period 1971-1984, has been made by Alailima (1988). This account and the following section on Housing rely heavily on the above mentioned study.

References:

- Alailima, P. (1988)**, *The Impact of Public Policy on the Poor in Sri Lanka*, Institute of Policy Studies Library, Colombo.
- Athukorala, P. (1986)**, "The Impact of 1977 Policy Reforms on Domestic Industry", *Upanathi*, Vol.1, No.1.
- Baring Securities (1990)**, *Sri Lanka's Stock Market Review*, D.Robinson, Hong Kong.
- Bastian, S. (1993)**, "Growth vs. Welfare Populism, Capitalist Development in the Social Sector, 1992", *Pravada*, Vol.2, No.1.
- Central Bank of Sri Lanka (various months)**, *Economic Bulletin*, Colombo.
- Department of Census & Statistics (1987)**, *Labour Force and Socio-Economic Survey, 1985/86*, Colombo (referred to as LFSES, 1985/86 in the text).
- Jayawardene, L. et al. (1987)**, *Stabilization and Adjustment Policies and Programmes: Sri Lanka*, WIDER, Helsinki.
- Jayawardene, D.L.L.P. (1988)**, *Report on the Survey of Public Quoted Companies of Sri Lanka, 1984*,
- Karunatilake, H.N.S. (1986)**, *The Banking and Financial System in Sri Lanka*, CDSS, Colombo.
- Kelegama, S. (1992)**, *Liberalization and Industrialization: The Sri Lankan Experience of the 1980s*, Industrialization Series, No.2, Institute of Policy Studies, Colombo.
- Kelegama, S. (1993)** *Privatization in Sri Lanka: The Experience During the Early Years of Implementation*, Sri Lanka Economic Association, Colombo.
- Moore, M. (1992)**, *What Type of Capitalism does Sri Lanka Need?*. Visiting Lecturer Series, No.2, Institute of Policy Studies, Colombo.
- Osmani, S. (1987)**, "The Impact of Economic Liberalization on Small and Rural Industries in Sri Lanka" in Islam R (ed.) *Rural Industrialization and Employment in Asia*, ILO, ARTEP, New Delhi).
- Rouse, C.E.(1990)**, *The Study of the Poor in Sri Lanka, IDP 65, Asian Regional Studies, The World Bank*.
- Sanderatne, N. (1985)**, "The Effects of Policies on Real Income and Employment" in UNICEF (ed.) *Sri Lanka: The Social Impact of Economic Policies During the Last Decade*, Colombo.
- Sanderatne, N. (1990)**, *Inflationary Trends in Sri Lanka since 1978*, Institute of Policy Studies, Colombo (memo).
- Statistics Department, Central Bank of Sri Lanka (1982/84/90)**, *Report on Consumer Finances and Socio-Economic Survey, 1978/79 (1981/82 and 1986/87)*, Sri Lanka, Colombo (referred to as CFS in the text).