



INCOME DISTRIBUTION AND INCIDENCE OF POVERTY IN SRI LANKA

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Abstract

The purpose of this paper is to examine the income distribution disparity and poverty in Sri Lanka after the policy reforms in 1977, and compare it with the pre-policy reform period. Income distribution in Sri Lanka has been examined, by using both Central Bank Consumer Finance and Department of Census and Statistics Survey's data. The data from the two sources, and from two surveys from the same source, cannot strictly be compared owing to the differences in the methodology used. Data suggests that a trend of more equitable distribution of income has emerged after 1963 up till about 1977. Subsequently, a reversal trend has emerged and the distribution of income has moved to a more unequal trend up until the 1990s. Last decade data, 2010/11, suggests that a reversal trend is slowly emerging though some inconsistency in the data is suspected. This may prove that Kuznet Curves are even true for the Sri Lankan economy. The study identifies that there is a two-way causality between income distribution disparity and the level of poverty.

Keywords: Income Distribution Disparity, Policy Reforms, Poverty, Trade Liberalization.
