Effectiveness of Development Aid on Enterprising Poor in Yatiyanthota Area

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ABSTRACT

The purpose of the study is to identify the impacts of the development aid on the enterprising poor people in Yatiyantota area. Furthermore,in order to identify the effects of the different factors on the success of the development aid, a questionnaire based survey was carried out to collectdata from 100 enterprising poor persons in Yatiyantota area. An ordered probit regression was carried out to find the income increment due to aid with different covariates. The result of ordered probit regression revealed that the effectiveness of development aid vary with the family size and training. In addition, assistance on tea sector, and self employment had the highest impact. The income due to the support is negatively affected by the assistance on labour and persons with pre self owned house. Now self owned house and house owned by relatives increase the income.

KEYWORDS: Development aid, Enterprising poor, Income increment, Yatiyanthota area

INTRODUCTION

Poor people can be mainly categorized into three levels. First category, Enterprising Poor(EP), are those who are engaged in various income generation activities and their income is sufficient to fulfill basic human needs of the family. They can obtain a loan to develop their income generation activities. The second category, Economically Active poor (EAP), are engaged in income generating activities but their income is insufficient to fulfill basic needs of their families. Mainly, there are three types of EAPs in the villages;unskilled labours who cannot find continuous work, subsistence level farmers who do not have irrigable lands; andpeople who have recently returned from or have been displaced due to war and needs support to recommence their livelihoods. The last category, Economically Inactive Poor (EIP), cannot engage in productive income generation activities due to various reasons and largely depends on relatives, neighbors and other well-wishers for day today survival. Main reasons for being EIP are: Elderly, People who are suffering from long-term illnesses, people with physical and mental disabilities, and widows with small children (Anon, 2011a).

Development aid has been successful in opening economic opportunities for the EP people, increasing access to resources and contributing to their confidence and well being (Khadker, 1998). Therefore, in Sri Lanka, various governments have made efforts to develop the agricultural and other agricultural related sectors in order to improve the living standard of people who are living in rural areas. Majority of the EP are concentrated in rural areas and depend heavily on agriculture. Therefore, rural development is believed to increase return from agriculture, thereby reducing poverty.Most of the EP people cannot finance their economical operations from their limited savings. These people will therefore, require aid or assistance in the form of the production credit in order to adapt relevant technologies to improve their economic productivity and income (Aleret al., 1991).

Assistance can be provided to families who cultivate long term crops such as tea and other perennial crops until their income reach to a certain level. In addition necessary technical support, training could also be provided free of charge to improve their life standards. Continuous advisory services and counseling will also provide till the enterprises come to a sustainable level.

Yatiyantota divisional secretariat is located in Kegalle district, Sabaragamuwa province in Sri Lanka. It has 205.9 km^{2}land area and comprised 32 GramaNiladari Divisions (GNDs) and 107 villages (Anon, 2011b).The divisional secretariat's population was 63,592 in 2011 according to the Ministry of public administration and home affairs. The objective of this study was to identify the effectiveness of developmentaid on EP people in Yatiyanthota area by studying the income increment due to the development aid and identifying the different factors which responsible for this income increment.

METHODOLOGY

Data Collection and Analysis

The primary data were collected through face to face interviews from the EP families in the Yatiyanthota area from March to April 2013, using pre tested structured questionnaire. 100 EP families who received development aid from the Berendina Development Services were selected from the Yatiyanthota area for the survey by random sampling.

Analytical Framework

The income increment due to the development aid,factors such as age, gender, education level, total number of family members, ownership of the house, type of the aid, income earning activity, and the given training according to the aid may have an impact on the income increment. These were considered as independent variables. Responses on increase in income were measured in a categorical manner, because of the inability of respondents to realistically relate the changes in income to the activity where development aid was received. In addition to those factors mentioned above, ethnic groups, water source, sanitary facilities, energy source, household assets, savings, expenditures, and several other factors were also considered as factors which can have an influence on the income increment. Thus the relationship between the income increment and the above suggested factors is shown in the equation below.

$$Y=\beta_0+\beta_1(INAME)+\beta_2(AGE)+\beta_3(GEN)+\beta_4(EDU)+\beta_5(TNO)+\beta_6(SUPP)+\beta_7(USUPP)+\beta_8(IREG)+\beta_9(CON)+\beta_{10}(TRAIN)+\beta_{11}(LOAN)+\beta_{12}(TEA)+\beta_{13}(ANI)+\beta_{14}(SEMP)+\beta_{15}(EQU)+\beta_{16}(AGRI)+\beta17(V21)+\beta_{18}(LABOR)+\beta_{19}(OW)+\beta_{20}(DUM1)+\beta_{21}(DUM2)+\beta_{22}(DUM3)+\beta_{23}(DU1)+\beta_{24}(DU2)+\epsilon_i$$

Where,

Y = Income increment measured as
(0 = No increment, 1=Little increment (25%), 3=Medium increment (50%), 4=High increment (90%))
$\beta_0-\beta_{16}$ = Regression coefficients
INAME = Interviewer Name
(Pubudu=1, Nalin=0)
AGE = Age of the respondent
GEN = Gender
(Male=1, Female=0)
EDU = Educational level
(0=No schooling, 1=Up to Grade 8, 2 =Up to O/L, 3= Up to A/L)
TNO = Total Number of the family
SUPP = The support need or not
(Need=1, No=0)

USUPP = Usefulness of the support
(Useful=1, No=0)
IREG = Income regular get or not
(Yes=1, No=0)
CON = Continuation of the activity
(Yes=1, No=0)
TRAIN = Training for the support
(Yes =1, No=0)
LOAN = Got a or not a loan
(Yes=1, No=0)
TEA = Tea cultivation
(Yes=1, No=0)
ANI = Animal husbandry
(Yes=1, No=0)
SEMP = Self employment
(Yes=1, No=0)
EQU = Equipment
(Yes=1, No=0)
AGRI = If agriculture is an income earning activity=1 No =0
V21 = If animal husbandry is an income earning activity=1 No=0
LABOR = If causal labour is an income earning activity=1 No=0
OW = If self own businessis an income earning activity=1 No=0
DUM1 = Self owned now
(Yes=1, No=0)
DUM2 = Owned by relatives
(Yes=1, No=0)
DUM3 = Other
(Yes=1, No=0)
DU1 = Self owned before
(Yes=1, No=0)
ϵ_i = Error terms

Some of these factors could not be directly expressed in numerical values due to their qualitative nature. Thus, relevant statements were employed to value each of them respectively.

Orderd Probit Regression model

The ordered probit model will estimate the statistical significance and direction of the relationship each explanatory variable has on income increment.(Anon, 1998).

The ordered probit uses the following form:

$$Y_i^*=\beta x_i+\epsilon_i$$

Where, Y_i^* is a latent unobserved utility which will be related to the actual observed variables by:

$$Y_i= \quad j \quad if \quad \gamma_{j-1}<Y_i^*\leq\gamma_j$$

Therefore, it is assumed that a particular level of income is reported (observed) when the latent utility Y_i^* is a particular region.

RESULTS AND DISCUSSION
Descriptive Statistics of the Sample

The percentage representation of the factors which were used to analyze the effectiveness of the development aid is summarized in Table 1. Further the income increment which was also used in this analysis is summarized in the Figure 1. According to the Figure 1, majority of the EP people experience, only a 25% income increment due to the given development aid.

**Table 1. Descriptive summary of the variables**

Description of the variable		Parentage
Gender	Male	73.73
	Female	26.26
Education level	No schooling	7.21
	Up to grade 8	57.73
	Up to O/L	30.92
	Up to A/L	4.12
Ownership of the	Self owned	18.18
house (now)	Owned by relatives	72.72
	Rent/ lease	1.01
	Other	8.08
Ownership of the	Self owned	18.55
house (before)	Owned by relatives	72.11
	Other	9.27
Support	Needed	93.54
	Not need	6.45
Usefulness of the	Not useful	4.25
support	A little	7.44
	Medium	29.78
	Lot	58.58
Receiving of the	Received regularly	68.36
income	Not received regularly	21.42
Willingness to continue the activity	Willing	85.55
	Not willing	14.44
Training	Received	69.44
	Not received	30.52
Credit facilities	Received	46.91
	Not received	53.08
Aid category	Tea cultivation	68
	Animal husbandry	12
	Self employment	7
	equipment	14
	other	14
Type of the income	Agriculture	69
	Animal husbandry	8
	labour	58
	Self employment	15
	Own business	29

Table 2. Outcome of the ordered probit regression

Independent variable	Coefficient	Standard error	P value
INAME	-0.60	0.51	0.23
AGE	0.07**	0.02	0.00
GEN	0.20	0.67	0.76
EDU	0.06	0.31	0.84
TNO	0.50**	0.17	0.00
SUPP	-0.68	0.47	0.15
USUPP	0.42	0.36	0.24
IREG	1.52	1.13	0.18
CON	1.04	0.80	0.19
TRAIN	1.12**	0.35	0.00
LOAN	0.33	0.44	0.45
TEA	3.02**	0.83	0.00
ANI	1.03	1.25	0.41
SEMP	5.57**	1.56	0.00
EQU	0.55	0.70	0.42
AGRI	-0.45	0.70	0.51
V21	0.70	0.58	0.22
LABOR	-1.04**	0.45	0.02
OW	0.62	0.62	0.31
DUM1	7.84**	1.69	0.00
DUM2	-0.16	0.67	0.81
DUM3	9.90**	1.90	0.00
DU1	-6.63**	1.60	0.00

***Significant at 5%*

There is a positive relationship between the total number of family members and the income increment, the income increment increases when the number of family members is high.
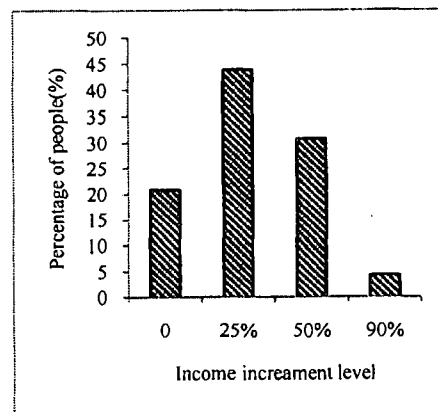
Figure 1. Percentage of respondents for different income increment levels

The probability of increasing income for those who received training is higher than those who did not. Those who received aid on tea cultivation has a higher probability of increasing their income than others.

Similar result is evident in the case of aid for self employment activities. Results show that people who are labourers aid not show any increase in income from the aid provided to them.

Here, wealth of respondents is measured in terms of ownership of house. It is interesting to note that those who were relatively wealthy at the time of disbursement of aid has low probability of income increment than those who are less wealthy.

CONCLUSIONS

The outcome of this study showed that the effectiveness of the development aid is higher inrecipients who are experienced, whose total number of family members is higher, who have received a training and development aid for tea cultivation and who got the development aid for self employments.

When development aid is given to EP people in Yatiyanthota area, it is suggested to give the aid to people with above characteristics. However aid organizations should be careful in providing aid to labour community.

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