Urban Poverty in Sri Lanka: An Asset Based Analysis

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The meaning or the philosophy behind the concept of poverty has been changing over the past decades to cover the broader aspects of poverty: empowerment, health, education, social exclusion, social and human rights, and strategies. In this context, poverty is seen as a function of asset holdings and the need for wealth creation is stressed by many researchers.

Urban poverty is different from rural as well as general poverty due to its inherent features and therefore economists increasingly advocate using the asset base to analyze it multi dimensionally. It is reported that more than 66000 households are scattered in over 1500 settlements in the Colombo city. Poverty status of the people living in these settlements cannot be identified on the basis of the official poverty line or any other income consumption related measures, as they have faced poverty with severe deprivation. Therefore, researchers have pointed out that the poverty in Colombo cannot be regarded as one of low level income. It is considered in a broader sense of social marginalization in which social exclusion, lack of access to basic services and lack of shelter are found to be crucial aspects of poverty.

This paper used the principle component method to carry out a latent structure analysis in order to construct a wellbeing index to assess the urban poor in Sri Lanka, collecting data from a sample of 2250 household representatives of Colombo slum dwellers. Logistic regression was estimated for the determinants of poverty. It was found that there was an insufficiency of public as well as private assets for the wellbeing of the ultra poor, while there was no significant relationship between most of the demographic factors with poverty status. Further, it was found that education; ownership of productive assets; permanent employment and access to formal credit were most significant determinants of urban poverty in Sri Lanka. Wellbeing status of the urban poor was directly related with the level of education showing the possibility of improving livelihoods by creating opportunities for asset creation.

Key words: Urban poverty, Asset base, Wellbeing index, Logistic regression