

AN ANALYSIS OF HOUSEHOLDS RICE EXPENDITURE PATTERNS  
IN SRI LANKA

By

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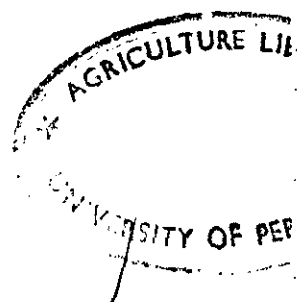
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## **ABSTRACT**

The choice of functional forms significantly influences the results of empirical demand studies. This study assesses the importance of this factor for estimating rice consumption expenditure parameters.

As rice is the main staple food, the analysis of rice consumption expenditure behaviour has special significance for Sri Lanka. Data for this study were collected from the Central Bank report on the Consumer Finances and Socio Economic Survey 1986/87, Sri Lanka which covered 7617 spending units.

The Box-Cox transformation technique was used to select an appropriate functional form and to distinguish statistically among classical forms. The maximum likelihood method was used to estimate the parameters in the general form. SAS (Statistical Analysis System) and lotus 123 computer software programs were used for statistical analysis. Box-Cox curves and the traditional functions were compared using the criteria of flexibility, elasticity behaviour and theoretical consistency.

The results show that the Box-Cox form is superior to the classical functional forms in all cases which included the urban, rural and estate sectors. There is a marked degree of non-linearity in the rice expenditure function for Sri Lanka. The estimates of the marginal propensity to expend and expenditure elasticities are theoretically consistent. They also support difference in rice consumption behaviour in the different sectors. Disparity in consumer behaviour among sectors disappears when income increases.

The projection indicates that there will be an excess demand for rice in the future. The projected demand and supply balance shows that food insecurity in Sri Lanka will persist.