CONSUMPTION DISPARITY AMONG URBAN AND RURAL COMMUNITY IN SRI LANKA

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Abstract

Consumption disparity is considered a global issue and it can be seen in Sri Lankan sphere too. This study investigates the consumption disparity among urban and rural communities in Sri Lanka. The main objective of this research is to explore the degree of consumption disparity within and between urban and rural settings in Sri Lanka. This is a quantitative analysis based on the collection of primary data. The survey included 166 families. The household income and expenditure data were collected for the survey through a structured questionnaire. The analysis was conducted using multiple linear regression while the Gini coefficient and Lorenz curve were used to identify the inequality level between urban and rural communities. As per the results of the study, consumption disparity between the sectors accounted for 0.61 Gini coefficient. Under the comparison analysis, a significant difference was identified in all the selected variables for the analysis. In conclusion, this study found factors which affect consumption disparity. Household head's age, education level, gender and household wealth, savings, and borrowings are the factors that created a significant influence for consumption disparity. The study highlighted the importance of financial encouragement of the breadwinner and it significantly impacts in minimizing consumption disparity at household level. In order to reduce the degree of inequality, the government should take measures to develop rural infrastructure, education, and health services around the same level similar to the urban sector.

Keywords: Consumption Disparity, Urban, Rural, Gini Coefficient, Sri Lanka

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1.   Introduction

Inequality studies have moved from income to consumption during the recent past and substantial studies focused on the consumption disparity (Cutler & Kartz, 1992; Krueger & Perri, 2002). Consumption is considered as a direct measure of individual and household well-being analysis. Measuring consumption inequality declares to be a better measurement of individual and household well-being (Meyer & Sullivan, 2017). Economic inequality is considered multidimensional, which is composed of income, consumption and wealth. Ideas, knowledge and reality of inequality are independently and conjointly formed through the above areas. (Fisher, Johnson, Smeeding and Thompson, 2017). Barrett, Crossley and Worswick (1999) stated that social welfare depends on the well-being of people and to measure well-being of people, consumption is considerably the most appropriate concept that can be used. Changes in consumption disparity differ from country to country. According to Crossley and Pendakur (2002) reasons for the shift are, (a) consumption tends to be more closely related to utility (b) borrowing and lending individuals have the ability to smooth their consumption.

In the context of the world, inequality is elevated frequently during the last decade in developing and developed countries. This increased due to the spatial and regional disparities in economic activities, income, consumption and social indicators in developed, developing and also transition countries (Kanbur & Venables, 2005). Sri Lanka is among the fewest developing countries which has reached higher levels of human development compared to wealthy countries (Arun & Borooah, 2004). Based on the income distribution - Gini Index calculations and according to the World Bank Development Indicators (2010) Sri Lanka is ranked as the 27th most unequal country in the world (Sup Lee, 2010). In Sri Lanka according to the latest Household Income and Expenditure data, the richest 20% of the country receives nearly 51% of the Sri Lanka's total income and 5% was distributed among the 20% of the poorest (HIES, 2016). De Silva's (2013) finding illustrates a more conflicting factor, that only a tiny fraction of the total income is dispersed for the poorest 20 percent of the population in Sri Lanka. Sri Lanka is undergoing an improvement in the macroeconomic field while experiencing a stable inflation, low unemployment and a considerable growth, yet the country fails to fight against inequality in all aspects (De Silva, 2013).

This study emphasizes on two sectors of Sri Lanka. According to the Household Income and Expenditure Survey report in 2016 in Sri Lanka, urban areas are defined as areas which are governed by Municipal Councils (MC) or Urban Councils (UC). Areas which are far away from urban influence can be categorized as traditional rural areas with low population density, low-income level and a high degree of primary production (Madsen et al., 2010).

This study mainly examines the consumption disparity between urban and rural community in Sri Lanka following certain objectives to identify the household consumption patterns and to evaluate the impacting factors on consumption of the households. Though there are a few number of studies that have examined consumption disparity around the world, it is difficult to find empirical and theoretical research studies carried out for the Sri Lankan economy. Thus, there exists a clear

literature gap in the Sri Lankan context: therefore, this study will be beneficial for studies of further implications.

Problem statement

Most of the studies have limited their investigations to analyze one dimension. Disparity is generating consequences and social implications among different groups. The high inequality level within a country generally shows extended levels of crimes and social insecurity, especially for lower income people. Wodon and Yitzhaki (2002) exemplified that a higher level of disparity may lead its people to poverty within the country. The benefits shared among the poverty-stricken community will be reduced due to the increased inequality. The concept of inequality has a direct and negative impact on social welfare. Considerably, the Sri Lankan government has provided access to basic social services and facilities to most of the sectors and regions of the country. Despite the same, the gains and benefits are largely limited to Colombo and close by districts. Growth and poverty reduction is not sufficient for a country, but it also requires to ensure that all benefits are equally distributed among all the regions and sectors of the country (Narayan & Yoshida, 2005).

Concurrently, inequality in consumption is prominent and problematic as it indicates differences in economic well-being. Existing Inequality prominently affects the next generations overtime. Numerous scholars provide conflicting evidence regarding consumption disparity (Cutler & Katz, 1992; Johnson & Shipp, 1994; Slesnick 1993; Slesnick, 1998). When analyzing inequality, some of the researchers argued that consumption is more appropriate to measure the individual and household well-being (Slesnick, 1998). According to Slesnick (1993) and Barrett et al., (1999) the examination of consumption disparity is more suitable to analyze the well-being of households and individuals. (Attanasio & Pistaferri, 2016) The findings exemplified that consumption might give away certain diverse perspectives than income if someone is interested in evaluating the effects of disparity in the society. Crossley and Pendakur (2002) stated that the material well-being of households or individuals are determined by the goods and services which people actually consume in the given period.

Sri Lanka has been recording moderate economic growth during a certain period yet inequality exists in the country (Kumara, 2012). A significant gap can be seen between urban and rural community in many ways such as, communication barriers, quality of education, geographical aspects, opportunities and many more (De Silva, 2013; Menike, 2015; Kumara, 2012). Increasing consumption disparity is a rising problem in the whole world including developed and developing countries covering all the sub groups in the countries. To accomplish a rapid economic growth in a country, it is important to reduce poverty and unemployment and moreover it is prominent to reduce inequality in order to expand and to achieve success (De Silva, 2013). Reducing disparity is one of the most important steps that countries can take to increase community well-being, distribute people's incomes fairly and to increase the country's overall economic growth (Asad & Ahmad, 2011). Therefore, eradicating inequality in Sri Lanka at microeconomic level would reduce excessive health spending and increase educational performances of the poor. At a

macroeconomic level, reducing disparity would increase growth and build a stabilized economy (De Silva 2013).

In Sri Lanka, there are limited number of researches that focus on either income or consumption inequality. Though there are a few number of studies that have examined consumption disparity around the world, it is difficult to find empirical studies carried out within the Sri Lankan economy. Thus, there exists a clear literature gap in the Sri Lankan context regarding a comparison between these two sectors using consumption disparity. Therefore, this study examines the consumption gaps between urban and rural community and this study will be useful for further implications regarding this problem in the country. Consequently, this research study investigates the problem "is there a consumption disparity among urban and rural community in Sri Lanka?"

Research objectives
The main objective of the study is to evaluate the degree of consumption disparity within and between urban and rural community in Sri Lanka. Specific objectives of the study are to examine the consumption patterns of the urban and rural community in Sri Lanka and to identify the determinants of consumption disparity in both urban and rural settings of Sri Lanka.

2. Literature Review

Consumption is described as the use of goods and services to fulfill human needs directly. Households want to gain maximum benefits not just from the products they consume presently, but also from the products they will purchase in the future (Terzioglu & Dogangun, 2013). Income, prices, distribution of income, educational status, occupation, age and other socio-cultural factors affect consumption decisions of the individuals (Caglayan & Astar, 2012). Brzozowski and Crossley (2011). It is expressed that the fact of consumption actually generates well-being, hence in economic designs the most appropriate statement for utility functions is not the income but consumption. Consumption is considered as a direct measure of individuals and household well-being analysis. Measuring consumption inequality is declared as a better measurement of individual and household well-being (Meyer & Sullivan, 2017). Attanasio and Pistaferri (2016) mentioned if researchers are interested in studying the effects of disparities in the society, consumption might convey different perspectives. In the world, inequality is raising swiftly between the wealthy people and the impoverished. Though some people are very rich, a higher number of the population are underprivileged compared to the wealthy population (Asad & Ahmed, 2011). Sometimes, lack of knowledge, good income, political instability, rising population and corruption might be the causes of inequality between the sub-groups.

Deviating from some prominent studies that are discussed, Aguiar and Bils (2015) mentioned in their study that, disparity in consumption has been traced by income disparity. Disparity in consumption bears a possibility to get affected by the choices of labor supply, the access to transfers and savings to cover temporary and unforeseen disturbances. (Attanasio, Berloffa, Blundell & Preston, 2002). This problem of inequality might be a challenge to the economic growth; therefore

reducing consumption disparities might promote well-being of the individuals and the country as a whole (Asad & Ahmed, 2011). Inequality limits investment possibilities, diminishes borrower incentives, slows growth by boosting fertility rates, and causes macroeconomic volatility (Atkinson & Morelli, 2011).

Most of the earlier research studies on disparity are conducted using income data (Meyer & Sullivan, 2017; Arun & Borooah, 2004; Gunatilaka & Chotikapanich, 2009; Japelli & Pistaferri, 2010; Heathcote et al., 2009). But it may cause numerous problems whereas people may experience transitory changes in income and that would be a cause to indicate more inequality than now (Fisher, Johnson & Smeeding, 2013). Consumption can be identified differently from income, when people receive transfers from other family members or government in response to income shocks. (Attanasio & Pistaferri, 2016). Therefore, current income may not be an accurate estimate to measure the well-being of individuals or household units compared to consumption (Seitz & Lise, 2004). Therefore, studying of inequality has converted from examining of income disparity to the study of consumption disparity (Cutler & Kartz, 1992; Blundell & Preston, 1998; Krueger & Perri, 2002).

According to the empirical results of Meyer and Sullivan (2017) and Heathcote., et al (2009) consumption measures are equally increased by the same amount as in income inequality. According to empirical results of Asad and Ahmad (2011), their study found that rural inequality was increasing and urban inequality was decreasing over the period in Pakistan. The study published by Japelli and Pistaferri (2009) showed that income inequality grew faster than consumption disparity. A study on consumption inequality and intra- household allocations showed the increase in the share of women's income in the household which created some important consequences for disparity in income. As stated by Gunatilaka and Chotikapanich (2009), the study showed that income inequality in Sri Lanka increased by following the economic liberalization and even all income groups earned higher income levels than they had at the beginning. Fisher et al., (2013) conducted a study measuring trends in inequality of individuals and families. According to the study between 1985 and 2006 Consumption disparity has increased about 7.2 percent, and 0.7 percent disparity in consumption, decreased between 2006 and 2010. The empirical results of the study indicated that disparity has increased in three dimensions; such as consumption, income and wealth.

De Silva's (2013) study showed that access to infrastructure, education and occupation are the key determinants that had created inequality in Sri Lanka as well as estimates of decomposition of the Gini index by source of expenditure, using Rao's method showed that the distribution of non-food expenditure was more uneven or asymmetrical compared to food expenditure. Consumption gaps doubled between urban-rural areas. Consumption in urban areas is considerably higher than in rural areas. Regarding the quantile regression decomposition analysis in lower quantiles, the consumption gap is lower between urban and rural groups, but higher in the upper quantiles (Kumara, 2012).

The factors affecting consumption disparity are examined, basically using consumption expenditure survey data by many scholars. The income inequality, wealth inequality and skill inequality affect the consumption inequality (Attanasio, Hurst & Pistaferri, 2012; Asad & Ahmed, 2011; Neckerman & Torche, 2007).

Salaries and incomes are measures of flow, but wealth is a stock kept by people which households can use in economic needs and in case of emergency. Wealth is distributed much more unequally than income (Neckerman & Torche, 2007). Primary demographic factors which affect consumption are, age of the household head, marital status, family size, occupation type of the household (Terzioglu & Dogangun, 2013; Menike, 2015; De Silva, 2013), educational level of household head and the number of dependents in the family (Caglayan & Astar, 2012; De Silva, 2013). Scholars illustrated that disposable income is measuring consumption disparity and the disposable income and it also includes household earnings, transfer payments, pension benefits, capital income and income from financial assets (Jappelli & Pistaferri, 2009; Fisher et al., 2013). As a consumption expenditure, non-durable goods are a major component of consumption expenditure (Attanasio, Battistin & Ichimura, 2004; Crossley & Pendukar, 2002). The savings factor is used, by a small number of researchers (Menike, 2015).

Hypothesis 01: There is a significant relationship between household income and consumption disparity.

Scholars included disposable income in measuring consumption disparity and the disposable income includes household earnings, transfer payments, pension benefits, capital income and income from financial assets (Japelli & Pistaferri, 2009; Fisher et al., 2013). Income disparity can be measured by household disposable income and it includes wages, salaries, asset incomes and transfer incomes (Ravallion & Chen, 2011). In this study employment earnings, investment income and transfer payments were used.

Hypothesis 02: There is a significant relationship between demographic factors and consumption disparity.

The primary demographic factors which affect consumption are age of the household head, marital status, family size, (Terzioglu & Dogangun, 2013; Menike, 2015; De Silva, 2013), and the number of dependents in the family (Caglayan & Astar, 2012; De Silva, 2013). Gender of the household has a significant influence on inequality (Caglayan & Astar, 2012; Karunarathne, 2000). Karunarathne (2000) stated that the change in the structure of age is considered as an important factor which affects income disparity patterns. For this study, factors such as the age of the household head, gender and family size were measured with care.

Hypothesis 03: There is a significant relationship between skill inequality and consumption disparity.

Skill-based components may also have an influence on the advancement of inequality (Attanasio et al., 2012). It escalates mostly due to differences in education qualifications and employment (Caglayan & Astar, 2012; Juhn, Murphy & Pierce, 1993). The education level of the main income earner and the occupation type of the main income earner were considered as important factors which denote and require skills (Gunatilaka & Chotikapanich, 2009).

Hypothesis 04: There is a significant relationship between wealth inequality and consumption disparity.

Wealth is a stock kept by people, which households can use in economic needs and in case of emergency. Wealth is the overall capital owned and also it is identified as the sum of financial and non-financial assets (Piketty & Saez, 2014). Wealth is distributed much more unequally than income (Neckerman & Torche, Anand & Thampi, 2016; Keister & Moller, 2000).

Hypothesis 05: There is a significant relationship between savings & borrowings and consumption disparity.

Savings include direct savings and indirect savings (Heathcote et al., 2009). In developing countries, the income levels of the households are not sufficient for their survival and productivity. Therefore, long-term and short-term savings are limited. Majority of households in rural areas are engaged in agricultural activities and the unpredictable fluctuations of production (drought, flood) may affect their consumption. Therefore, poor households access credit facilities in order to smooth their consumption (McKenzie, 2006; Akanda, 2010).

Hypothesis 06: There is a significant relationship between socio-cultural factors and consumption disparity.

Consumers' consumption or purchasing behavior is affected by socio-cultural factors. People change their consumption patterns according to their religion beliefs, culture and sub-cultures (Caglayan & Astar, 2012).

3. Methodology

This section is designed to discuss about the research methodology to study about the consumption disparity among urban and rural community in Sri Lanka. Therefore, in order to achieve the desired goals of the study, the methodology followed must be presented by following correct and reliable research methods. Therefore, this section outlines the research site, study design, population, sample, sampling technique, methods of data collection and methods of analysis.

Research site

The study was conducted between urban and rural community in Sri Lanka. Therefore, households under Negombo Municipal Council in Gampaha district and households under Imbulpe Pradeshiya Sabha in Rathnapura district are the selected research sites for the study.

Population, sample and data collection

For this study 36,092 households under Negombo Municipal Council and 16,880 households under Imbulpe Pradeshiya Sabha were selected. The Multi-stage cluster sampling method was used to select participants for the study. Equally 3 GN divisions from each local authority was selected to the sample frame. Under Negombo Municipal Council, 3353 households were chosen from Bolawalana, Periyamulla and Angurukaramulla GN divisions. Also, from Imbulpe Pradeshiya Sabha, 899 households were selected for the sample frame respectively from Muttettuwegama,

Karagasthalawa and Kinchigune GN divisions. 166 households were selected as the total sample. A Structured questionnaire was used for the process of data collection.

Table 1: Operationalization of variables

Determinants/ Indicators	Variables or Dimensions	Author
Income disparity	Employment earnings	Ravallion & Chen (2011); Japelli & Pistaferri (2010); Piketty & Saize (2014); Menike (2015); Arun & Borooah (2004); Heathcote et al., (2009)
	Investment income	Ravallion & Chen (2011); Japelli & Pistaferri (2010); Piketty & Saize (2014); Menike (2015); Arun & Borooah (2004); Heathcote et al., (2009)
	Transfer payments/cash receipts	Ravallion & Chen (2011); Japelli & Pistaferri (2010); Piketty & Saize (2014); Menike (2015); Arun & Borooah (2004); Heathcote et al., (2009)
Demographic factors	Age of Household head	Caglayan & Astar (2012); De Silva (2013); Barrett et al., (1999); Akanda (2010); Quadrini & Rull (1997); Karunarathne (2000)
	Gender of Household head	Caglayan & Astar (2012); De Silva (2013); De Silva (2008); Akanda (2010); Arun & Borooah (2004); Terzioglu & Dogangun (2013)
	Family type	Terzioglu & Dogangun (2013); Akanda (2010); Heathcote, Perri & Violante (2009); Caglayan & Astar (2012)
Skill inequality	Education level of the household head	Terzioglu & Dogangun (2013); Menike (2015); Meyer & Sullivan (2017); Heathcote et al., (2009); De Silva (2013); Gunatilaka & Chotikapanich (2009); Caglayan & Astar (2012); Arun & Borooah (2004); Quadrini & Rull (1997)
	Employment status of household head	Menike (2015); Meyer & Sullivan (2017); De Silva (2013); Gunatilaka & Chotikapanich (2009); Arun & Borooah (2004); Quadrini & Rull (1997)
Wealth inequality	Financial assets, Property and pension assets	Quadrini & Rull (1997); Anand & Thampi (2016); Keister & Moller (2000)
Savings & Borrowings	Savings	Akanda (2010); Heathcote, Perri & Violante (2009)
	Borrowings- Credit by NGO, Credit by bank, Credit by other informal sources, Other small loans	Akanda (2010); Heathcote, Perri & Violante (2009)
Socio-cultural aspects	Socio factors	Caglayan & Astar (2012);

Source: Researchers' findings, 2020

Table 2: Sample selection

GN division	Population	Sample
Negombo Municipal Council		
Bolawalana	1435	36
Periyamulla	911	24
Angurukaramulla	1007	23
Imbulpe Pradeshiya Sabha		
Muttettuwegama	505	46
Karagasthalawa	239	22
Kinchigune	155	15
Total	4252	166

Source: Survey findings, 2020

Method of analysis

Gini coefficient and Lorenz curve were used to identify the degree of consumption disparity within and among urban and rural communities in Sri Lanka. Gini coefficient is the most widely used indicator of disparity due to its desirable properties that guide the policy analysis. The graphical representation of Gini coefficient is the Lorenz curve.

To explore the factors affecting consumption disparity multiple linear regression model was utilized. There are 10 independent variables in this study. The Pearson correlation analysis and ANOVA table was used to explain the relationship between continuous and continuous variables and categorical variables with continuous variable. Only the independent variables which have a significant relationship was taken to the analysis. The normality of the distribution of the dependent variable was analyzed using Kolmogorov-Smirnov test.
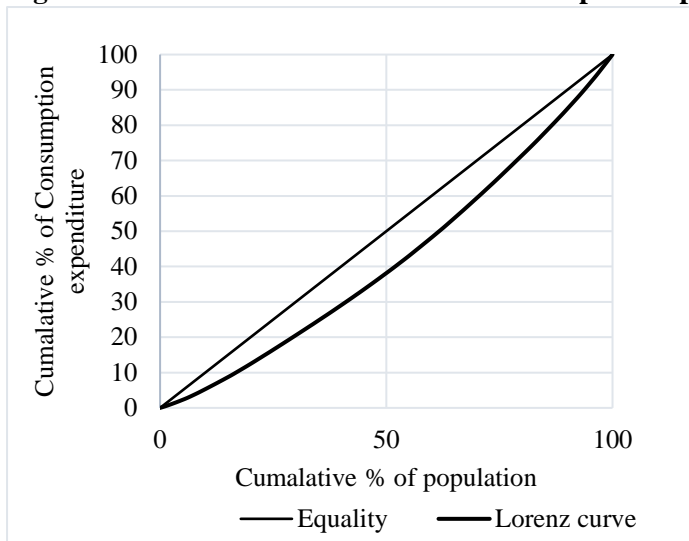
4. Results and Discussion

This is the most important section of the research study. The data collected for the study is converted into useful formats and information in this part. In here the researcher attempts to present and interpret the collected data which would be easily understood by the readers. All the data for this part was collected through a questionnaire distributed among the sample of the study. The first part, will present the inequality levels of both urban and rural population using the Gini coefficient and the Lorenz curve and the second part contains inferential analysis using multiple linear regression model.

Inequality analysis

The Gini Coefficient result was 0.16 which indicated the consumption disparity among rural sector and it was significantly high. The value was close to zero because the income variation among households were not so high. A huge gap was not observed regarding their consumption expenditure levels.
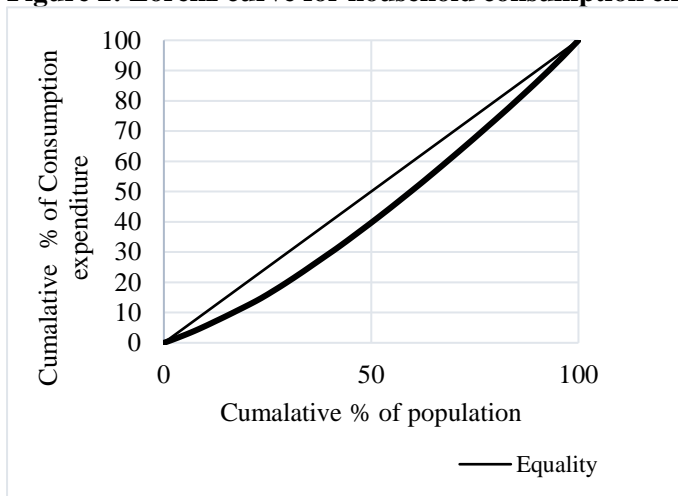
Figure 1: Lorenz curve for household consumption expenditure of rural sector

Source: Survey findings, 2020

The Gini Coefficient value of 0.15 indicates that the consumption disparity in the urban sector was significantly large. However, the value was also near to zero since the income variation across families were not high. Most of the households were middle and high revenue earners.

Figure 2: Lorenz curve for household consumption expenditure of urban sector
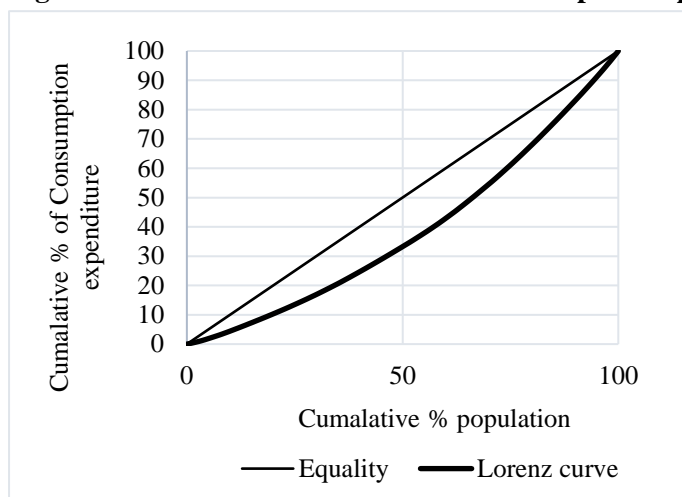

Source: Survey findings, 2020

According to the combined analysis, the Gini coefficient for consumption inequality was recorded as 0.61. As a result, there is a significant disparity between urban and rural communities. The value was more than 0.5 and close to 1. The results indicated that the degree of disparity between the sectors is higher than the degree of

disparity within the sector. In the urban households there is a relatively luxurious consumption pattern compared to the rural households.

Figure 3: Lorenz curve for household consumption expenditure between sectors

Source: Survey findings, 2020

Regression analysis

To identify the factors which effect consumption disparity for both urban and rural sector, the Multiple Linear Regression model was used. However, before doing the regression analysis, the OLS assumptions must be fulfilled. As a result, the researcher examined the dependent variable's normality, multicollinearity, heteroscedasticity and autocorrelation. Finally, the researcher selected the appropriate independent variables to the regression model and after that the multiple linear regression model was conducted using the appropriate variables as below.

Table 3: Multiple linear regression model for rural consumption disparity

	β	Std. error	t	P value
Constant	14150.854	6079.553	2.328	.023
HHead income	.067	.040	1.693	.095
HH age	-54.262	56.510	-.960	.340
Family size	1644.748	569.729	2.887	.005
Female	-5495.237	2063.076	-2.664	.010
Amount of savings	-.033	.355	-.093	.927
Secondary	4936.956	1689.413	2.922	.005
Tertiary	720.537	3807.991	.189	.850
Have wealth	3165.941	1737.699	1.822	.073
Taken borrowings	-1745.249	1178.124	-1.481	.143

Source: Survey findings, 2020

According to the estimated function the autonomous consumption was 14150.854 rupees. When the household income is increased by one rupee, the consumption expenditure increased by 0.067 Rupees. When the family size is

increased by one unit, the consumption expenditure increased by 1644.748 Rupees. The consumption expenditure of female headed households decreased by 5495.237 Rupees compared to male headed households. In the rural sector, it has a negative relationship because the female household heads do not have a permanent job to earn well. Therefore, they do not earn an enough income to cover the expenses totally. The household heads with secondary education and tertiary education, as compared to household heads with primary education, will realize 4936. 956 Rupees and 720.537 Rupees increase on consumption expenditure respectively. The variables of household heads accordingly: age, savings, wealth and borrowings were not significant.

Table 4: Multiple linear regression model for urban consumption disparity

	β	Std. error	t	P value
Constant	25618.453	6307.758	4.061	.000
HHead income	-.124	.037	-3.387	.001
HH age	93.804	79.844	1.175	.244
Family size	-1686.707	864.507	-1.951	.055
Female	11654.504	3648.689	3.194	.002
Amount of savings	.531	.374	1.421	.160
Secondary	7788.795	2423.554	3.214	.002
Tertiary	6906.005	2676.633	2.580	.012
Do not have wealth	3065.098	1711.485	1.791	.077
Taken borrowings	1453.401	1784.604	.814	.418

Source: Survey findings, 2020

According to the analysis the autonomous consumption was 25618.453 Rupees. When the household income was increased by one rupee, the consumption expenditure decreased by 0.124 rupees. When the amount of savings was increased by one rupee, the consumption expenditure increased by 0.531. It is because people will consume goods and services using debit cards. The amount they saved again would be used for their consumption. The consumption expenditure of female headed households increased by 11654.504 Rupees compared to male headed households. Most of the female household heads in the urban sector hold a good job and they earn an enough salary to their consumption. Compared to rural sector, household head being a female shows a positive relationship to consumption expenditure. The household heads with secondary education and tertiary education, as compared to household heads with primary education, would realize 7788.795 Rupees and 6906.005 Rupees increase on consumption expenditure respectively. The variables of household head's age, family size, wealth and borrowings were not significant.

Discussion

Consumption disparity is considered as the best way to measure the standard of living and the well-being of the households. According to this analysis the Gini coefficient value recorded within the rural and urban sector was 0.16 and 0.15 respectively. As the income levels within the sectors were quite the same, huge variation of disparity within the sectors were not observed. The household expenditure in the rural group was decided according to the amount that can be afforded by their level of income.

Low level in urbanization; less number of opportunities to consume high priced goods, less facilities (super markets) can be the reasons for low level of consumption expenditure in the rural sector. With regard to the urbanization level, though urban people have many kinds of expenditures than rural people, the group inequality was also not significantly high. According to the analysis of Kumara (2012), it is observed that obstacles such as remoteness and poor access to markets to keep regions lagging from being integrated into the modern sector especially for the rural households.

According to the combined analysis, the Gini coefficient for consumption inequality recorded as 0.61. It is approximately three times higher than the disparity level recorded individually. The reasons can be that urban households spend more on consumption than rural people because with the impact of urbanization urban households got various opportunities to consume more than rural people. In the urban sector, households have a luxurious consumption pattern compared to rural people. Most of them mentioned that they buy food items, necessary goods and other things from super markets. But such opportunity for rural people was not easy to obtain. Regarding the collected data most of the urban people spend a lot on take away food and sweets, compared to the rural sector. According to De Silva's (2013) empirical findings, reducing inequality within sectors has a small impact on reducing total inequality. The findings confirm that disparity in Sri Lanka is motivated by comparatively higher levels of spending disparities at the top of the expenditure scale.

Discussing about the regression analysis, there were some differences observed between the two sectors. In the urban model the household head age has a positive relationship to consumption but, in rural sector household age has a negative relationship. If a household head is a female in the rural sector consumption expenditure decreases, but in the urban sector consumption expenditure increases. Most of the female household heads in the urban sector holds a good job and they earn an enough salary for their consumption. But in the rural sector, it has a negative relationship because the female household heads do not have a permanent job to earn well.

The wealth variable is also not showing the same relationship. In the rural sector only a small number of the families had wealth. Most of them had property (building or land). In the urban sector the most common component in their wealth stock is life insurance cover. Therefore, the household has to pay an amount to maintain it. Considering the borrowings variable, it also shows a different relationship. The rural households show a negative relationship between borrowings and consumption expenditure. Majority of them have taken borrowings for their cultivations and to their essential needs. They pay back a monthly amount and as a result of that they have to sacrifice some amount from their consumption. But in the urban sector borrowings show a positive relationship. It is because majority of the households use credit cards to consume goods and services. With the usage of credit cards their consumption limit grows wider. Therefore, most of them consume more from those facilities.

5.   Conclusion

The study reveals that there is a vast gap between urban and rural sectors in the country regarding their consumption expenditure. The total expenditure on all items in the urban sector is considerably more than the rural sector. More infrastructure and other services are provided to the urban community than to the rural population as a result of urbanization. Therefore, the urban families have more opportunities to consume various things than the rural. Hence, urban people spend more on those services and the expenditure level goes up and showed a huge difference with the rural sector. In addition, the living standards and the environment of the two sectors were different too.

The rural households should be enhanced. The breadwinner of the rural household needs a permanent employment. Therefore, the researcher recommends that the government can take steps to develop small businesses such as, new handy crafts, clay products and Bathik products in their areas. It will be an opportunity for them to increase their income levels. Proper training and financial assessments must be given by the government. This will be an opportunity for the households to be a part of national production. As a country we can increase our export capacity and also this will be a technique to attract more tourists to Sri Lanka. In order to reduce the disparity, following policy implications are proposed by the researcher. The department of Rural Development should take steps to enhance the living standard and the economy of the rural people. In addition to that, relevant support, guidance and facilities must be provided accurately for them. The progress and suitability of the policies which are already implemented should be monitored. As well as to update the policies which require a significant change and further add special features or changes accordingly to that are not compatible or relevant to these days. Rural development bank can provide more financial assistance to the small-scale business people to strengthen their businesses.

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