Spatial Inequality in Sri Lanka: Contemporary Tendencies

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Introduction

Spatial inequality refers to the unequal distribution of income and access to services across different geographic areas or locations (World Bank, 2009). According to the World Bank (2024)**,** rising food insecurity, increasing malnutrition, and growing rural poverty in Sri Lanka highlight widening spatial and intergenerational inequalities, which demand urgent and inclusive policy responses. Urban areas - especially in the Western Province have seen sustained improvements in education, healthcare, digital connectivity, and income levels, while many rural and estate sectors remain underserved. According to the Household Income and Expenditure Survey (HIES), (Department of Census and Statistics (DCS), 2021), the poverty headcount in rural areas is nearly three times that of urban areas. Rural youth continue to face higher rates of underemployment, and access to tertiary education and health infrastructure remains disproportionately concentrated in urban districts (Central Bank of Sri Lanka, 2022).

Vicious cycle of poverty explains how poverty perpetuates itself across generations due to limited access to education, poor health, low productivity, and weak capital accumulation. In rural Sri Lanka, households often lack access to quality schools, healthcare, and markets, trapping them in a cycle of low income and limited upward mobility. As posited by Nelson (1993), breaking this cycle requires structural interventions, not merely short-term welfare assistance. This issue is not only empirical but also deeply rooted in development theory. One relevant framework is Gunnar Myrdal's theory of cumulative causation**,** which explains how economic advantages tend to concentrate in specific regions, typically urban centers creating a reinforcing cycle of development. As urban areas grow, they attract more investment, talent, and infrastructure, while rural areas fall further behind due to "backwash effects." This contributes to widening inter-regional inequalities, as seen in Sri Lanka, where public and private investments are disproportionately concentrated in the Western Province.

Spatial Inequality Theory explains that development is unevenly spread across different areas because of historical, institutional, and geographic reasons. In Sri Lanka, historical infrastructure development, colonial plantation economies, and current centralization of services have resulted in significant spatial gaps. These disparities are visible in sectors such as education, where access to advanced schools and universities is heavily urban-centric, and in healthcare, where rural areas often lack specialists and well-equipped hospitals (Kanbur & Venables, 2005; Henderson, 2002). Marxian analysis helps explain how capitalist growth, the legacy of plantation economies, and neoliberal globalization deepen the gap between urban and rural areas. Recent years have witnessed increased global attention to the need to tackle inequality (Stewart, 2010).

In Sri Lanka over 75% of population lives in rural areas. Regional inequality can trigger internal migration, overburdening urban infrastructure and weakening rural economies. Recent evidence from the World Bank's Sri Lanka Development Update (April 2024) highlights how these disparities are worsening with poor labor force participation particularly in rural and estate sectors, increased poverty (25.9% in 2023) etc. This signals geographically uneven issues and demands more targeted policy interventions. Therefore, this study investigates "What are the contemporary tendencies of Spartial inequality in Sri Lanka". The research aims to contribute to development policy by identifying both the causes and consequences of regional inequality, offering insights into how Sri Lanka can move toward more balanced and inclusive growth.

Objectives

The main objective of the study is to identify the Spatial distribution of Land Income, Poverty and the Labour force participation in Sri Lanka. The sub objectives are to investigate the historical and structural causes of spatial inequality and to identify opportunities to reduce partial inequality.

Methodology

This study adopts a qualitative, secondary data-based approach to analyse spatial inequality in Sri Lanka through selected macroeconomic indicators using reliable secondary data from Central bank reports, World Bank reports and reports from the DCS. The research focuses on four key dimensions: land distribution, economic distribution (per capita GDP), poverty and labour force participation. These indicators are examined across spatial units such as provinces, districts, and urban-rural-estate sectors to understand the regional disparities in development outcomes**.**

Results and Discussions

According to the Department of Census and Statistics, the labour force participation rate (LFPR), data from 2018 to 2023 shows that rural areas (49%) have a slightly higher LFPR than urban areas (46%)**.** On the surface, this may seem like rural areas are more economically active. However, this difference tells a more complex story. In rural areas, people often engage in low-paying, insecure jobs in agriculture or informal labour because they have few other options. This contrasts with urban areas, where although there are more formal jobs, many people especially women and youth remain outside the labour force due to higher unemployment, education, or household roles. Estate sector participation is typically even lower, and working conditions are often harsh and underpaid. These differences show how spatial inequality isn't just about whether people work it's about what kind of work is available and what that means for their quality of life.

Further evidence of spatial inequality can be seen in the distribution of employment across major economic sectors**.** According to the 2024 Economic Statistics report of DCS in 2023, around 26.1% of Sri Lanka's employed population was engaged in agriculture**,** with most of these workers residing in rural and estate areas. In contrast, urban regions are more concentrated in-service sector employment**,** which accounts for 71.2% of total employment and typically offers higher wages, better job security, and access to formal employment benefits**.** The industry sector**,** making up **27.5%**, is somewhat more evenly spread but still favours areas with better infrastructure and investment access, such as urban and semi-urban regions. Provincially, Western province has reported the highest labour force for Services (64%) and its labour force participation for agriculture sector is very low (5%). Uva province has reported the highest labour force participation for agriculture sector (52%) and it has reported the minimum (33%) Labour force for service sector.

This sectoral and provincial breakdown highlights a significant divide in job quality and income potential**.** Agricultural employment, common in rural areas, is often informal, seasonal, and highly vulnerable to climate and market shocks. Meanwhile, urban-based service sector jobs are more diverse and stable. This reinforces the observation that higher labour force participation in rural areas does not translate into better economic outcomes**,** but rather reflects limited alternatives and economic pressure. The estate sector, heavily reliant on plantation agriculture, is particularly affected by low wages and limited mobility between sectors. These differences show that where a person lives strongly shapes their employment opportunities**,** reinforcing regional inequality across Sri Lanka.

Looking at economic distribution, by using the Central bank report 2024, House hold per Capita Income (PCI) is frequently used as a better Indicator to understand and compare the Country's Standard of living over time. Sri Lanka's per capita income remains highest in the Western Province, where urban centres like Colombo benefit from strong infrastructure, private investment, and access to markets. Meanwhile, provinces with larger rural and estate populations such as Uva and Eastern continue to show much lower per capita income**,** highlighting a clear urban-rural divide with an uneven Income distribution. This reflects how economic growth is geographically concentrated, leaving many regions behind. According to the mean and median monthly household per Capita income of the Country by Sector in 2019, The highest mean per capita income reported (30,452) in urban sector and the lowest per capita income has reported (11,647) in estate sector. The per capita income in rural sector is 18,870.

According to the HIES by the DCS 2019, when compare the sectors, estate sector reports the highest headcount index 33.8% than that of the other two sectors. Among the districts, Mullativu district is reported the highest headcount index (44.5%) and the lowest (2.3%) reported from Colombo district. Further Multidimensional Poverty Index (MPI) was used to analyse the urban, rural and estate sectors. According to the findings, the headcount ratio is 4.4% in urban areas, 16.6% in rural areas, and 51.3% in estate areas. The national MPI is 0.02 in urban areas, 0.07 in rural areas and 0.24 in estate areas. This highlights estate areas as pockets of poverty that require policy attention.

Squared Poverty gap index measure which takes in to account the inequality among the people live in poverty. According to the HIES by the DCS 2019, poverty gap index was 2.8%. Estate Sector reported highest poverty gap index 7.3% than the other two sectors. Among the districts the highest index was reported from Mullaitivu district and that is 10.9%. The lowest (0.4%) is reported from Colombo, Hambantota, Anuradhapura and Puttalam districts.

Land distribution in Sri Lanka reveals a long-standing pattern of Spatial inequality, heavily influenced by colonial land policies and post-independence land reforms. According to the HIES 2019, by the DCS, 88% of households owned lands and nearly 12% of households didn’t possess any kind of Lands in Sri Lanaka. The most of the household (91.7%) were owned land in the rural sector and nearly 81.7% of households owned land in urban sector and 43.8% owned land in estate sector. However, it was found that more than half of the households (56.2%) didn’t possess any kind of Land in estate sector. These disparities not only reflect uneven patterns of land ownership but also reinforce broader Socio – economic inequalities.

These persistent disparities can also be interpreted as a structural outcome of capitalism rather than a temporary imbalance. The radical perspective perceives state elites as part of the problem of deepening unbalanced regional development. Rooted largely in neo-Marxist theories, these analysts perceive regional inequalities as an inevitable outcome of capitalism.

It is argued that the dynamics of capital accumulation inherently creates a centre periphery structure in production in which the role of the periphery (marginalised regions) is essentially to serve as: a labour reserve for production; and a market place for goods produced (Harvey, 1975). True social equality can be achieved only by changing the generating forces of inequality; as these are fundamental to the operation of the capitalist production system, social equalization necessarily involves great changes in that system, and especially social control over the means of producing income (Peet, 1975).

The persistent spatial inequalities observed in Sri Lanka can be critically understood through the lens of Marxist Geographic Theory**,** which argues that spatial inequality is a structural outcome of capitalist development, where wealth, resources, and economic activity become concentrated in core urban centers and certain provinces, while peripheral and rural areas remain underdeveloped and marginalized. The essence of the Marxist argument, therefore, is that inequality is neither a "temporary abberation" nor poverty a "surprising paradox" in advanced capitalist societies; instead, inequality and poverty are vital to the normal operation of capitalist economies (Peet, 1975).

Conclusion and Policy Recommendations

Spatial inequality in Sri Lanka remains deeply rooted, with rural and estate communities facing persistent disadvantages in income, employment quality, and access to land, while urban areas continue to capture the largest share of investment and opportunities. This study contributes to existing research by providing a recent, multidimensional analysis across provinces and sectors, highlighting persistent disparities in rural and estate regions, and linking these patterns to structural and historical causes. These imbalances are not short-term fluctuations but outcomes of long-standing historical and structural processes that reproduce disadvantage across generations. The findings highlight that addressing inequality requires more than temporary welfare measures. Meaningful progress depends on policies that ensure fair land ownership, promote decentralized regional development, and expand access to quality education, healthcare, and secure employment for marginalized groups. By strengthening rural livelihoods and creating more balanced opportunities, Sri Lanka can bridge the urban–rural divide and build a more inclusive development path. Ultimately, reducing spatial inequality is essential not only for poverty alleviation but also for safeguarding social stability and achieving long-term national progress. Addressing the structural roots of inequality through transformative policy action is therefore central to ensuring that economic growth translates into equitable and sustainable development for all regions of the country.

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