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ROLE OF FAMILY IN HUMAN CAPITAL FORMATION: IMPLICATIONS FOR POVERTY REDUCTION IN SRI LANKA

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By

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On 11th December, 2008

Dedication

This study is dedicated to the loving memory of my precious father

and

to my mother Mrs. A. Hewavitharana who made an immeasurable contribution throughout my education career

Declaration

The work described in this thesis was carried out by me under the local supervision of Professor Upali Wickramasinghe, in the Department of Economics University of Sri Jayewardenepura, and foreign supervision of Dr. Susanne Stenbacka, Department of Social and Economic Geography, University of Uppsala, Sweden, and a report on this has not been submitted in whole or in part to any university or any other institution for another Degree/Diploma.

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Certification

I certify that the above statement made by the candidate is true and that this thesis is suitable for submission to the University for the purpose of evaluation.

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ABSTRACT

This study examined the role of family in human capital formation through education. The study adopted both quantitative and qualitative methods complementarily in reaching the aim. The data for the quantitative analysis came from a questionnaire survey while the data for the qualitative analysis was obtained through discussions with children, their family members and village elites in three different areas of the Anuradhapura District of the North Central Province of Sri Lanka. Descriptive statistics helped identify the binary logistic regression model with a probability of a child reaching Advanced Level as the dependent variable and six explanatory variables as appropriate for the estimation purpose.

It was found that the two variables, 'Number of Senior Siblings' and 'Assets Index' are positively correlated with the probability of a child reaching Advanced Level while the two variables, 'Father's Age' and 'Number of Junior Siblings' show a negative relationship. The qualitative analysis revealed how the role of family is important in the formation of human capital among children. It revealed that family assets being a proxy for long-term family income reduces time for work and increases the time for education of children. However, despite the assets level, rural children especially girls are at a disadvantage in education. Among the occupation categories, teaching and executive occupations are the best in the formation of human capital while the worst is farming and low-level physical labour occupations. Senior siblings endow both pecuniary and non-pecuniary benefits for junior siblings while junior siblings generate negative effects on elder siblings' education. Father's age is inversely related with the education of children because older fathers are not rich enough with modern attitudes, education and social contacts which are important for education compared to young fathers. The other members living with the nuclear family positively affect the education of children as they fulfil much of the duties which otherwise

should be completed by children although the number of families that have such members are negligible. The study further reveals that though gender of child is not a factor for the education decisions of parents, girls face disadvantages in education due to femininity.

The study presents its special implications for poverty alleviation. When the children are not matured enough to take education decisions by themselves, the role of family is more important. Since this role is significantly determined by the economic position of families, there should be an alternative mechanism for poor families to mobilize human capital among them. Steps should also be taken to minimize the rural and urban disparity in human capital formation. Positive externalities generated by senior siblings on junior siblings should be expanded by economically empowering the elder children in poor families. Government education policy should be linked with the housing and employment policies. As parents' presence at home is important for the children's education, the government should take action not to employ or transfer parents far away from family. Higher drop outs of elder children and the time of children devoted to work should be paid more attention by the government. Alternative strategies should be adopted when the family variables are not possible to be activated in the short-run. Since private tuition improves the accessibility to effective human resources for all children, steps should be taken to extend the service of the private sector more systematically.

Among the links identified for further research, the impact of age gaps among siblings, gender structure, role of non-family factors and informal education in the formation of human capital are important. In addition, children's specialization in different fields of study, possibility to regulate the private sector for a better process of human capital formation, and children's time allocation among education, work, and leisure are to be further studied.