

**POVERTY, INEQUALITY AND DEVELOPMENT:
SOME FIELD EXPERIENCES FROM RURAL SECTOR IN SRI LANKA**

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Undoubtedly Development requires a higher and sustainable growth rate. Considering the economic development in third world the most important issue is not only how to make GNP grow but also to make sure as to who would make it grow. In this regard change in increasing attention on small scale manufacturing sector is vitally important since small sector has some unique characteristics to suit needs of less developed countries. Present study is an attempt to inquire mainly on poverty alleviation and secondly on income distribution by rural industries in the rural sector. Main conclusions were made according to the extensive field surveys carried-out in two different districts in Kalutara and Kurunegala at micro level.

The study has found that poverty could be eliminated with meaningful development of the small industrial sector. This argument has been proved by almost all the indexes, which this study has used to test poverty (namely the head count, the income gap the poverty gap, the squared poverty gap and the Sen's index) in the small sector. With regard to the income inequality in both the tested regions, the Gini coefficient shows increasing income disparity among the poor households while positive income distribution is in existence among the non-poor groups.