EFFECTIVENESS OF SELF-EMPLOYMENT SCHEMES IN THE AMPARA DISTRICT OF SRI LANKA

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Introduction

Self-employment plays an important role in any economy through generation of employment. So, development of this sector is paramount important in developing countries where povertyand unemployment are the pressing problem in these economies. Entrepreneur as a self-employed individual who does not work for wages (Cantillon, 1955). Recent years have been dramatic growth in the incidence of self- employment particularly amongst owner manager of incorporated enterprise. Self-employment in Sri Lanka has traditionally exhibited relatively high level in the agricultural sector. Self-employment programmes aiming at developing a culture of entrepreneurship have been part of the development strategy for some time.

The purpose of this study is to find out the effectiveness of self-employment schemes of the study area. Also to assess self-employment success rate among the self-employed. Unemployment rate in Sri Lanka is nearly 11% according to the central bank data. On top of this almost 22% of the employees are under-employed. Accordingly in Sri Lanka about 33% of Labour force is ether unemployed or underemployed. More people had to find jobs in informal sector, substance agriculture sectors mostly as unpaid family workers. Available data implies that one of the areas for increased in employment is having small scale produces as employees having launched number of projects, such as small and medium industries, Samurthi and microfinance and so on, it was realized the important of the promoting self-employment and its effectiveness. Employment generation is not up to the full potential, by promoting self-employment, the government can be in a position to accelerate the growth of self-employed and thereby to eradicate poverty in the region and the country.

Baskaran(2002), revealed that SMI loans have a positive impact on investment the estimation for the level of investment in function of the amount of loans granted in SMI loan scheme in the period 1980 to 1992. The model proposed is a simple linear regression model, which exhibits the relationship between investment (the dependent variable) and the amount of the loan granted (the independent variable in SMI loan scheme.

Informal financial sector for finance at a very high rate of interest generally, the rate is around 10% -15% per month. This high cost of finance makes most small and medium enterprises unviable. In Sri Lanka, as we know, SME sector is very important economically .SME sector accounts for approximately 94% of total business unit , its provide 36% of the total industrial employment and contributes 20% of the total value addition in the economy.(A.L.Somaratne Feb,15,2004, Sunday Leader).

Methodology

The study is both empirical and exploratory in nature. The data required for the study was collected from both primary and secondary sources. The desired sample size of the study was 200 respondents. Interview schedule were used to collect data from the respondents. The analysis and interpretation of data were made with the help of statistical tools and techniques.

multiple regression techniques was used to revealed the existence of non-liner relationship between the dependent and the independent variables which are presented in interval scale.

Discussion and Conclusion

It was observed that Self-employment schemes had generated a significant proportion of employment in the Ampara District. Multiple regressions model has been estimated to find out the major factors affecting the effectiveness of self-employment. It is found that that all the independent variables in the regression model are jointly responsible for 0.571 per cent (R^2) variations in the effectiveness of self-employment.

The F value 42.448 shows that the model fitted is statistically significant at 5 percent level. Out of the ten variables, all the variables namely individual income, family income, investment, sales amount, savings, liabilities in post credit period, asset in pre credit period and asset in post credit period are statistically significant at 5 per cent level excluding family expenditure, liabilities in pre credit period. According to the survey, there is a positive significant correlation between the micro credit capital and self-employment schemes in the District. Most of the self-employment Schemes in the Ampara District are not survival.

Based on the above findings, it is recommended that self-employed people should be given formal education through University or Technical colleges. Government should give more facilities for self-employed people in order to create more employment for the unemployed youth, since micro finance is very powerful tool for employment generation and poverty reduction as the study revealed.

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