Abstract

Informal Sector being an important segment of the economy and the world labour market, Sri Lanka is also depending on the informal sector and marks around 59.5% of the total population (2014, Sri Lanka Labour Force Survey Annual Report). It's observed that in most of the developing countries that three out of five small businesses fail within the first few months of operation (Michael., Makarius., & Samuel., 2009).

By understanding the apprehensions related to informal sector employment in conflict-affected areas of Sri Lanka using Vavuniya District women headed households, recommending policy changes to enhance its contribution to district labour force, and to increase their livelihoods and eventually contribute to the Local Economic Development has been the major drive of the study.

The study was conducted in two stages while stage one has been an exploratory qualitative study that focused on identifying success factors, hindering factors and factors which should be improved, which identified all possible factors influencing the performance of informal sector. The literature also reviewed and compared with the initial findings. And it further narrowed down the major factors influencing for the stage two study. And this was carried out by testing the hypotheses developed for this study using a sample size of 300 women headed households selected through stratified random sampling and a descriptive, analytical and quantitative study were used.

Based on the study at stage one a questionnaire was developed and validated using reliability and validity testing. A factor analysis was carried out to extract the valid factors. As a result, four variables were identified namely training, economic, social and education factors. Alpha values of the variables ranged from 0.70 to 0.97 which explained excellent reliability or high reliability of the factors. To understand the definite influence of these factors on performance of the informal sector, regression and correlation analysis were carried out at the stage two.

While considering the correlation between performance and the four factors, the r values between training and performance was 0.845, economic and performance was 0.89, social and performance was 0.841, and education and performance was 0.89 which explains a positive strong correlation.

Results of the regression analysis revealed that training accounted for 71%, while economic factors 13%, social factors covered 4% and education resulted in an additional 0.5% which means 88.5% of the variance performance of informal sector was explained by theses four factors. Through this the following equation for the model was developed as, $P = 0.103 + 0.139 (TS) + 0.395 (E) + 0.283 (S) + 0.204 (ED)$. The factors are positively correlated with the performance of informal sector among women headed households in the district of Vavuniya in Sri Lanka (Adjusted R Square = 88.8 p = 0.00).

Results of the regression analysis revealed that factors training and skills, economic, social and education collectively as well as individually associated with the performance of informal sector in a positive mannar. Training and skills are significantly related to performance of informal sector. Overall findings of the study supported all hypotheses and all independent variables are best predictors of performance of informal sector. Thus it is discovered that the factors including training and skills, economic, social and education are contributing the performance significantly.

This study will help the beneficiaries directly benefiting from this sector to concentrate and improve their performance. NGOs and government institutes working in this field could use these findings as a base information source to prepare future development projects and maximise the outcome of their projects.

This will be also an awakening call to the banks and the micro finance institutes to understand the extent their products have reached the customers, future researchers for literature reviews and references could use it as many of the studies are been conducted in other countries but not in Sri Lanka. This study can also be considered as a guide line since the factors were ideally identified from the respondents.

As there could be other factors influencing the performance of the informal sector and they have not been identified in this study future researchers could use it as an option for future studies. This study has been conducted at the Sri Lankan context, in the war affected region where in another country or in another region which was not effected by war might have other factors influencing. Moreover, women headed households were the respondents and other respondents might have different opinions. During the first study as some factors hadn't significant respondents supporting them they were eliminated but in other regions these might be the major factor influencing and needs to be studied further. Additionally research could be done based on the factors identified as an example training when considering the past years there are being continues training programmes held but yet why isn't it achieved its target, what kind of training programmes should be done to enhance the performance of the informal sector also could be considered as future researches.

Keywords: Informal sector, individual factors, environmental factors, women headed households, Sri Lanka.