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).