IDENTIFYING FACTORS AFFECTING THE SUCCESS OF RURAL SELF-EMPLOYMENT: A STUDY BASED ON AMBALANTOTA DIVISIONAL SECRETARIAT IN SRI LANKA

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ABSTRACT

Creating self-employment opportunities is a way of improving the socio economic status of a country's rural. Many rural inhabitants in Sri Lanka are self-employed. Successful self-employment contributes to increased production, income and eventually, the eradication of rural poverty. This study, therefore primarily aims to examine the determinants of the success of self-employed individuals such as their experience, training and education. A sample of 30 self-employed people living in the Ambalantota Divisional Secretariat in Hambantota was selected using a simple random sampling method and questionnaire and interviews were used to collect primary data. The study uses descriptive analysis and the Multiple Regression Model; and uses the success of self-employment as the dependent variable- self-employment success was measured by monthly income. The estimates show that overall regression model is significant at a 5% confidence level and that the overall goodness of fit is high. Moreover, the results indicate that there is a number of key significant factors such as education, training, family background and savings affecting the success of self-employment; which are statistically significant at a 5% confidence level. Technology tends to be significant at a 10% confidence level. The results, on the whole, indicate that the determinants of self-employed tend to be crucial for the success of self-employment.

JEL classification: Labor And Demographic Economics, Particular Labor Markets, Informal Labor Market

1 INTRODUCTION

Creating self-employment opportunities is a way of improving the socio economic status of a country's rural economy. They have enough natural resources to create self-employment businesses in rural area such as lands and raw materials. Therefore especially rural people in Sri Lanka pay more attention to be a self-employer. Many rural inhabitants in Sri Lanka are self-employed (International Labour Organization, 2014).In general, Successful self-employment contributes to increased production, income and eventually, the eradication of rural poverty. In Sri Lankan, Self-employment is a way of creating a larger space in job market to promote work opportunities for the unemployment people. Girdling and Newhouse, 2014study (cited in. De Mel et al, 2010) most workers in developing countries are self-employed and they work for themselves. During the period of 1991 to 2017 percentage of self-employed in total employment fluctuates between 36 and 46 percentages. In 1991, percentage of self-employed in total employment is 37.60 and 42.80 in 2017 (International Labour Organization, 2014).

In this research, we have attempted to identify the education, training and experience affecting to success of rural self-employed individuals and trends of self-employment. Nature of Self-employment activities categorize two parts that are non-farm and farm self-employment (Trends in non-farm self-employment activity for rural women, 2004). Majority of rural people in Sri Lanka engage with non-farm self-employment activities that are sweets productions, producing and selling spices, producing incense sticks, soaps, wicks, handicraft productions, bakery foods, beauty and hair cutting saloon, fashion designing, dress making and tailoring etc. Farm self-employment activities are mushrooms cultivation, flowers, vegetables and fruits plants cultivation and animal productions that are related to agriculture.

In the literatures provide information as what factors affect to success of self-employed individuals. There are many factors effect to self-employment success. According to Robinson and Sexton (1994) self-employment success was measured by monthly income and education, training, experience, developed technology, age of self-employer and gender affecting to the success of self-employment. The results indicate education, training, experiences that are

mainly affected to the self-employment success in rural inhabitance. Timothy (1995)finds that self-employers who arehighly educated individuals often possessing financial resources. In 2009 Macieire analyses the impact of self-employment experience on income. The results indicate that experience and earnings from self-employment has positive relationship and this quality of self-employer tend to be crucially for the success of business.

2   RESEARCH PROBLEM

This study will address the questions, analyzing self-employed individuals of training, experience and education affects to success of rural self-employed inhabitants. This research problem is specifically chosen because almost previous research has focused on the whole self-employment group and studied the psychological and social factors affect to success of self-employment. In 2011, a study was conducted by Fairoz and the team on the success of small or medium scale business in Hmbantota district. However, there is lack of attention on characteristics of self-employed people's such as experience, training and education affect the success of self-employment in Sri Lanka.Also in Sri Lanka, there are limited researches that examine how does affect training, experience and education to success of rural self-employed individuals. In this research, limit to analyze the factors of training, experience and education affecting the success of rural self-employed individuals.

3   OBJECTIVE

This study, primarily aims to examine the factors of the success of rural self-employed individuals that are training, experience and education. Most rural workers in Sri Lanka are self-employed. Secondary objectives included, identifying the nature of Self-employment activities and the major problems which are faced in the self-employment in rural inhabitants.

4   METHODOLOGY

A sample of 30 self-employed people living in the Ambalantota Divisional Secretariat in Hambantota was selected using a simple random sampling method. Questionnaire and interviews were used to collect primary data. The study uses descriptive analysis and the Multiple Regression Model; and uses the success of self-employment as the dependent variable

(Y); self-employment success was measured by monthly income. The multiple linear regression model is specified follows.

$$Y= \beta_0+\beta_1X_1 +\beta_2X_2+\beta_3X_3 +\beta_4X_4 + \beta_5X_5+ \beta_6D_1 + \beta_7D_2+ \beta_8D_3\ldots+ U_i$$

In this model independent variables are X_1, X_2, X_3, X_4, and X_5. (X_1) is monthly savings from self-employment (Rs.), (X_2) is numbers of family workers engaged to the business, (X_3) is experience (numbers of years of getting experience) , (X_4) is age of self-employer, (X_5) is education (numbers of years of getting education). There are three qualitative variables that have been included in the multiple regression model as dummy variables. D_1 is usage of machine, if (use=1, otherwise no=0), D_2 is vocational training of the self-employer, if the answer is yes, the value is given 1 and if the answer is no, the value is given zero. D_3 is Gender of the self-employer, if (male= 1, otherwise female=0).

5   RESULTS AND DISCUSSION

The results of multiple regression model shows that there R^2 is 0.9766. The estimation results show that overall regression model is significant at a 5% confidence level and that the overall goodness of fit is high. It indicates that the independent variables used to explain about 97% of the success of self-employment. Moreover, the results indicate that there are a number of key significant factors such as savings, numbers of family workers engaged to the business, education, experience, training, usage of machine and gender affecting the success of self-employment; which are statistically significant at 5% and 10% confidence levels. Technology tends to be significant at a 10% confidence level. Age of self-employer is not significant at 5% and 10% confidence levels.

$$Y= 4340.33+1.09X_1+2363.87X_2+428.73X_3 +17.12X_4 + 986.47X_5+ 4193.13D_1$$

$$+ 6123.16D_2-2756.73D_3\ldots+ U_i$$

Results of Multiple Regression Model

Prob>F =0.0000 No. Of Observation= 30				
R^2 value= 0.9766				
Adj R-squared= 0.9676				
Dependent variable: self-employment monthly earning (Rs.)				
Independent variables	Coefficient	Std.err	t	P>(t)
X_1	1.094404	.2728732	4.01	0.001*
X_2	2363.867	792.5593	2.98	0.007 *
X_3	428.7277	188.4375	2.28	0.033*
X_4	17.12102	59.96484	0.29	0.778
X_5	986.4656	354.3682	2.78	0.011*
D_1	4193.128	2119.603	1.98	0.061**
D_2	6123.159	1781.513	3.44	0.002*
D_3	-2756.731	1276.059	-2.16	0.042*
-cons	4340.327	2309.008	1.88	0.074**

Table 1

Note: * 5% significance level   **10%   significance level

According to the secondary data analysis to identify the nature of Self-employment activities, 27% of the sample is engaged with farm self-employment activities and 73% is engaged with non-farm self-employment activities.

Percentages of Self-employment activities
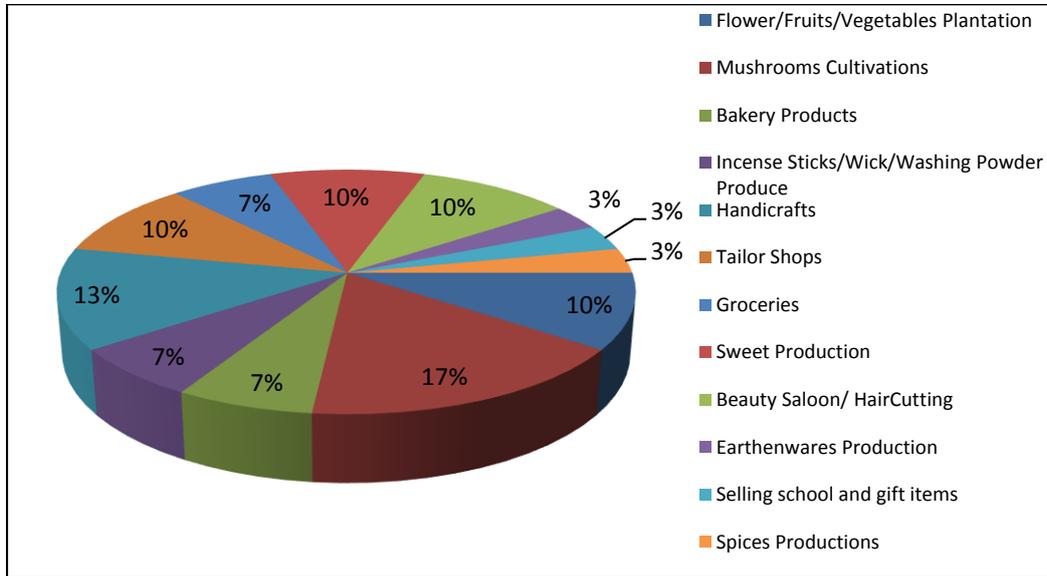
Figure:1

Source: Sample Data Analysis

The nature of Self-employment activities in rural area
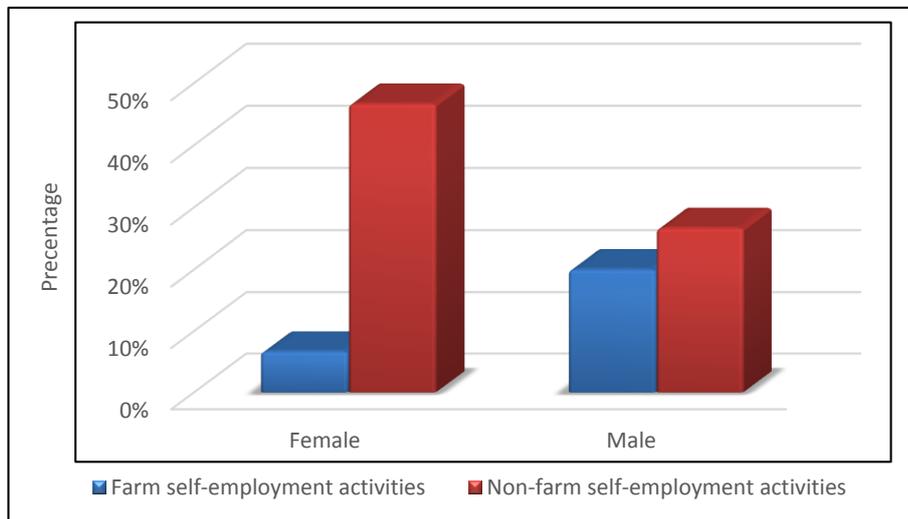
Figure:2

Source: Sample Data Analysis

The results also indicate demography factors that are age, gender and family background, human capital and experience and economic factors are affected to be a self-employer in country's rural. As the results, 53% of the sample is female self-employers and 47% is male

self-employers. The highest proportion of self-employers are engaged between the ages of 24-30.

Age of self-employer
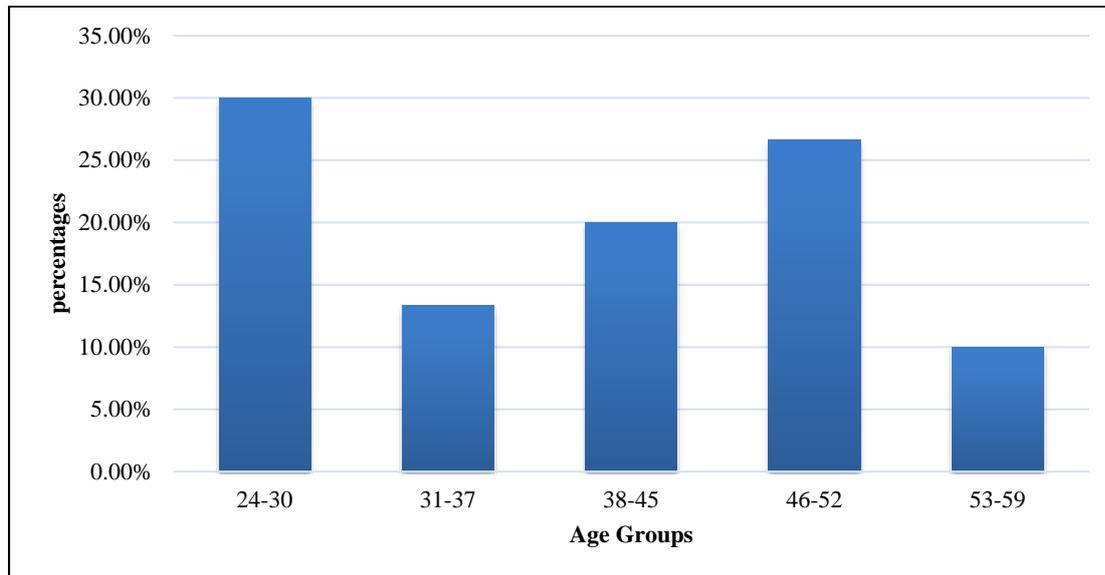
Figure:3

Source: Sample Data Analysis

This research has discussed three major problems in the self-employment in rural inhabitants that are difficulties of registration their business, difficulties of getting loan from government and private sector, insufficient infrastructures in rural area. According to the sample data, 53% of the sample is not registered business and 47% is registered business. As the results of five point Likert-scales, difficulties of getting loan from government and private sector is 80% of the sample and 53% of the sample indicates that infrastructure is not sufficient in rural area.

6   CONCLUSION AND POLICY RECOMMENDATION

The results indicate that the factors of education, training and experience that tend to be crucial for the success of self-employment in rural inhabitants. Independents variables of savings from self-employment, numbers of family workers engaged to the business, education, experience, training and be a female self-employer are mainly affect to earn high income and that tend to success of self-employment in rural inhabitants. This research also has discussed three major problems in the self-employment in rural inhabitants that are difficulties of registration their

business, difficulties of getting loan from government and private sector, insufficient infrastructures in rural area. Therefore, the government and private sector should take necessary actions to supply sufficient infrastructure facilities like transport, communication, crediting facilities and marketing facilities. Marketing facilities help to find suitable markets for their produce without any losses. Also encourage rural self-employer to produce more using their resources and should take an action to distribute their production around the country. This study, which studied the self-employed individuals of training, experience and education affects to success of rural self-employed inhabitants. Therefore, further studies need to conduct psychological and social factors affect to success of self-employment in rural inhabitants.

CONFLICTS OF INTEREST AND PLAGIARISM:

The authors declare no conflict of interest and plagiarism.

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