

**Comprehensive Study for Preparation of a Policy/Scheme
for Providing Support for Formalising the
Informal Sector through Entrepreneurship Promotion**

1. The Background

The Ministry of Skill Development and Entrepreneurship (MSDE), Government of India, aiming to support skill development and entrepreneurship activities for large scale employment generation in the country, has awarded undertaking of the captioned Study to the Institute, to be completed in a time-bound manner.

2. The Objectives

- a) Understanding the ‘spread and depth’ of informal enterprises in India, highlighting the challenges faced by them and proposing action points for MSDE to enable their movement towards Formal Sector.
- b) Developing a Framework for MSDE to provide entrepreneurial support to informal enterprises, especially by aligning the current initiatives taken by multiple ministries in Informal Sector and strengthening the existing support.
- c) Identifying appropriate solutions including technology integration that support the movement of informal enterprises towards formalization through Policy as well as Funding Support.

3. The Scope of Work

3.1 Conducting a Comprehensive Study, through the existing databases (already commissioned Studies, Private Reports etc.) to understand the Informal Sector

a) Activities:

- i. Performing a literature review of the Studies conducted in the Informal Sector aimed at formalization.
- ii. Mapping the current available database (national as well as state level) such as NCEUS, Economic Survey, MOSPI, NSSO, data available with various relevant Ministries and other available Reports to provide an in-depth Report on extent of Informal Sector in India. (The analysis would cover extent of Informal Sector in all States and Union Territories,

providing a percentage break-up between formal and informal enterprises under each Sector).

- iii. Mapping all the Policies and Support provided to Informal Sector by various stakeholders such as Central and State Ministries, large scale NGOs, Social Impact Enterprises, Private Sector CSR Activities, Technology Firms etc. and identifying agencies which are carrying out the related ground level support and implementation activities.
- iv. Reviewing Case Studies, working mode of private organisations, international best practices etc. to understand the challenge faced by micro-entrepreneurs, including gaps in terms of accessing government policies, formal/informal training, access to capital, markets, monitoring and role played by technology platforms (if any) etc.

b). Outcome:

- i. Estimation of informal enterprises and detailed classification of informal enterprises under various Sectors and Sub-sectors.
- ii. Classification of informal enterprises leading to identification of priority sectors (based on various parameters like employment, economic contribution, inclusiveness, geography etc.) and states/departments/industry associations etc. for MSDE to focus on.
- iii. Identification of Challenges (Key Issues) faced by micro-entrepreneurs, especially issues in terms of access to finance capital, infrastructure capital, knowledge capital etc.

3.2 Exploring Potential Role of MSDE:

Discussing the results of comprehensive desktop research with a Panel of Experts in ‘Stakeholder Workshop’ with a view to identify areas of intervention for MSDE in order to support conversion of informal enterprises to formal ones. The Panel will consist of representative of stakeholders in the entrepreneurial space, such as enabling agencies and incubators, impact investors, NGOs, key sector experts, technology firms and financial institutions providing support to micro-enterprises in the informal sector as well as policy making bodies.

a) Activities:

- i. Developing a framework of approach based on possible synergies across the stakeholders in the ecosystem for facilitating formulation of Policy by MSDE.
- ii. Conducting stakeholder workshops as well as individual interviews to discuss the implications of the desktop research conducted.

- iii. Deliberating and discussing various approaches that could be adopted by MSDE to support conversion of informal enterprises to formal ones.

b) Outcome:

- i. Validation of action points with the identified stakeholders to create a roadmap/guidelines for MSDE to provide necessary support to enable movement of informal enterprises towards the formal sector through exploring various approaches and solutions, including disruptive digital technology solutions as the key anchor point. This would also include the potential role of MSDE and the support it may provide to informal enterprises in terms of skills, training, access to markets and capital, mentoring and capacity building.
- ii. Providing a solution/ working plan in order to align all support schemes geared towards informal sector to remove duplicity and increase impact.
- iii. Proposing an operational framework to MSDE for implementation by clearly identifying mission, vision, due diligence processes for partnerships, yearly plans, governance model, digital platform and support eco-systems (compliance handling, payment solutions, B2B, B2C and G2B networking etc.), convergence etc.