

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

**Final Draft of Consulting Report
Submitted to**

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Executive Summary

Executive Summary

This report is focussed on the formalization of informal economy by providing support to the informal sector through capacity building and entrepreneurship. The study was a desk research based on secondary data drawn from difference sources viz. NSS 67th & 73rd Round data, Annual Survey of Industry Unit Level data of 2010-11 & 2014-15, Academic studies national and international in the context of informal sector. Moving towards formal economy is a tall task and multiple stakeholders have taken multiple initiatives towards this end. In 2002, ILO launched the Decent Work Agenda providing seven key avenues towards formalization of an economy. Out of the seven agenda points, one was 'Entrepreneurship, Skills, Finance, Management and Access to Markets'. For furthering this agenda, this report focussed on the 'spread and depth' of informal labour and enterprises in India, highlighting the challenges faced by them and proposing action points for MSDE to enable their movement towards Formal Sector. Thereafter, a Framework was developed for MSDE to provide entrepreneurial support to informal enterprises, especially by aligning the current initiatives taken by multiple stakeholders in Informal Sector and strengthening the existing support. The report consists of 6 chapters.

Chapter One presents the organization of the report and mapping of chapters with respective points of the terms of reference (ToR). It essentially summarizes the major constituents of the report. It starts with introduction (Section 1.1) to the study which also talked about the characteristics of the Indian informal sector. It is followed by Section 1.2 which provides a brief on MSDE. Section 1.3 discusses about the definitions of major concepts that are central to this study and serve as anchors for the discussions and propositions through the remaining chapters of this study. Section 1.4 discusses about the overarching approach and methodology of the study. Section 1.5 discusses few existing approaches of formalization. Section 1.5 forms one of the basis for evolution of final recommendations in Chapter 6 and also helps the reader in understanding the connect and relevance of finalization of conceptual definition in Section 1.3. Section 1.5 serves as premise of the literature review done in Chapter 2 and the secondary data consolidation done in Chapter 3 and 4. This would also form a theoretical lens to absorb the case studies given in Chapter 5. Section 1.6 discusses the Scope of the present study and Broad Organization of the report in terms of ToR and the mapping of the expectation of the ToR with contents and deliverables encompassed in the various chapters of the report (Table 1.1). The key contribution of this chapter is the conceptualization of key definitions which will be used throughout the report, the approach and methodology of the report and the mapping of ToR with the chapters in this report.

Chapter Two This chapter presents the review of literature of the studies conducted in the informal sector aimed at formalization of informal sector. It starts with introduction to the chapter (Section 2.1) and is followed by review of studies in informal sector and formalization done by international scholars/organizations wherein policies (Section 2.2). These policies can be classified in terms of their domain and the costs and benefits of formalization that are being targeted. Section 2.3 presents the review of studies done by Indian scholars/organizations in the context of India. Section 2.4 presents the summary of major findings and evolution of broad themes for formalization framework and is followed by conclusion of the chapter (Section 2.5).

It is reported in the literature that informality takes various forms in different countries and new forms had emerge over time within a country. Therefore, there can be no “one size fits all policy” to regulate or improve the conditions of informal enterprises and workers in any country for longer duration. There are many perspectives of informality and its transition to formalization. These are capital view of formalization, labour view of formalization, technological perspective, and general perception of citizens working with or in informal sector. Many studies from different countries are reviewed in the part of the report.

These studies include the perception of scholars and experts for formalization of informal sector Majority of them used the phrases such as “formalization must be simple and easy”, “formalization must be optimal. There is no scope for either over regulation or lack of regulation “. Some of these reported that it is weakening the traditional trade union and new form of informal unions are emerged in some part of the world which often results in to violence. It is reported by many experts and scholar that a new form of formalization is happening in many part of the world that require intervention at different levels by the governments. In the context of Indian informal enterprises, the finding of economic studies related to formalization, impact of recent policy decisions of government specifically demonetization and GST, views of technology savvy start-ups, etc. are reviewed. There is need to bring awareness among masses about tangible benefits of the process, training of entrepreneurs for making them aware of new methodologies, administrative and procedural reforms, tax related fear and incentives, review of laws and regulations, easier inspection and compliance, common infrastructure facilities, increase efficiency of public procurement, monetary incentive, sectoral Approach, and extension of social protection etc.

Chapter Three presents the mapping of current available databases to estimate the informal enterprises and detailed classifications of informal enterprises under various sectors and subsectors. This chapter also includes the prioritisation of major sectors and sub-sectors

based on vital parameters such as GVA, employment, inclusion and geography. The chapter is divided into three broad sections. Section 3.1 explores the current available databases and other available reports to discuss the extent of Informal Sector in India. In this section, mapping of current available databases (NSSO, ILO, NAS, NCEUS, CSO, Economic Surveys MSDE, Reports of MOSPI etc.) for providing an in-depth overview on extent of informal sector and for elaborating and defining the unorganized and informal sector and identification of key characteristics. Section 3.2 depicts the picture of the size distribution of India's non-agricultural enterprise structure, both formal and informal, and presents a percentage break-up between the formal and informal enterprises under each sector. Section 3.3 encompasses the prioritisation of sectors and subsectors. This prioritisation mostly used NSSO data. First Set of Priority encompass focus on M15 (Manufacture of other non-metallic mineral products), M2 (Manufacture of food products), M10 (Printing and reproduction of recorded media), M5 (Manufacture of textiles), M14 (Manufacture of rubber and plastics products), M17 (Manufacture of fabricated metal products), M24 (Other manufacturing), M6 (Manufacture of wearing apparel) from manufacturing sector, T3 (Other wholesale trade), T4 (Other retail trade) from Trade sector and S13 (Education), S14 (Human Health and Social Work), S1 (Accommodation), S2 (Food service activities), S11 (Professional, Scientific and Technical activities) in Services sector. Similarly second and third set of priorities are given in the chapter in details and statewise calculations and detailing supported with secondary data in the Annexures 1 and 2. Sub section section 3.3.6 does prioritisation of sectors using economic census data and with focus on women entrepreneurs. Finally, Section 3.4 offers some concluding remarks.

Informal enterprises constitute for millions of unregulated, unlicensed, and untaxed microenterprises that are referred to as the "informal sector". The informal "enterprises" include small enterprises ranging from waste recycling units, street vendors, pavement food stalls, sale of pirated books, and digital products to home-based manufacturing enterprises. These small businesses or microenterprises typically operated at smaller scales of business, with low levels of labour, little use of technology, low physical and human capital, and low incomes. Compared to formal enterprises, informal enterprises have fewer or less valuable factors of production other than their own labour: such as capital, land, and technology. Second, they also have less bargaining power to demand their share of value added. The value of their production is often captured by employers, intermediaries along the supply chain, and especially the lead firms at the top of the supply chain. Third, definitions and measures of productivity vary from sector to sector. And, there are few direct measures of the productivity of the informal enterprises. However, the informal enterprises can potentially contribute to reduction of poverty and inequality, thereby enabling inclusive growth from below. This chapter guides w.r.t prioritization of sub sectors which was a source

of input for the next chapter – Chapter 4. This was also a source of input for Chapter 6 (The How part of the formalization process).

Chapter Four presents a summated view of the support/policies provided to informal sector by various stakeholders such as Central and State Governments/Ministries, large scale NGOs, Social Impact Enterprises, Private Sector CSR Activities, Technology Firms etc. The support includes measures like skilling, reskilling & upskilling development training of the entrepreneurs, recognition of prior learning (RPL), ease of doing business, financial support, new and improved technology implementation, or any other measure which will help these units towards capacity building and promoting them to have a formal economy touchpoint, better livelihood and augmented earnings/employability. Chapter four is divided in to seven sections. Section 4.1 is the introduction. Section 4.2 envisages the government policies that are working towards informal sector with a sub-classification on the basis of key impact areas such as Financial capital/support, infrastructures support, technological support and other relevant support. Similarly, Section 4.3 is about large scale NGOs with a sub-classification on the basis of key impact areas, Section 4.4 is about Social Impact Enterprises with a sub-classification on the basis of key impact areas, Section 4.5 is about Private Sector CSR Activities with a sub-classification on the basis of key impact areas and Section 4.6 is about support from Technology Firms with a sub-classification on the basis of key impact areas. Thereafter the support and initiatives of gig economy have been covered in Section 4.7.

Chapter Five reports various case studies from the context of informal sector, Indian as well as global. These cases have been drawn from various literature to understand and explore the challenge faced by micro-entrepreneurs, that might include gaps in terms of accessing government policies, formal/informal training, access to capital, markets, monitoring and role played by technology platforms (if any) etc. These cases have been borrowed from the respective sources and have been acknowledged while mentioning excerpt from a respective study. The said chapter is divided into six sections.

Section 5.1 is the introductory section which is followed by Section 5.2 that presents a comparative analysis between formal and informal enterprises to understand not only the working mode of a private organisation but also the characteristics informal enterprises possess which might be detrimental to their existence and subsequent growth. Section 5.3 deals with case studies on informal sector from the context of India. In this section various Indian cases from informal sector have been collated. The select cases represent various informal economic activities being carried out in India and which ranges from street vendors to handloom weavers to hardcore manufacturing activities. Various inferences have been drawn and reported in the said section. Some of the commonalities found in the said case

studies, are no formal training, lack of awareness about the same, access to market and capital and largely barriers and harassment at multiple levels. Section 5.4 reports international best practices wherein formalisation of informal sector has been attempted. Most of these cases had a clear indication about Govt. interventions. The said interventions primarily revolve around tax reforms, certification and accreditation and training and education as well as credit support. Section 5.5 collates and presents the problem and challenges faced by micro-entrepreneurs in general and also specific to the Indian context especially issues in terms of access to finance capital, infrastructure capital, knowledge capital, low productivity, low quality products and less value addition per employees, low profitability etc. This section starts with general problems of informal sector in India and also in select developing countries and is followed by the challenges of access to financial capital being faced by informal enterprises. Further it highlights the challenges of infrastructure capital including features of infrastructure capital. It is followed by challenges of knowledge capital wherein data with respect to education level of the workers and vocational training provided to informal sector workers, is presented. The challenges of productivity along with support data from selected countries is presented and issues related productivity, low quality of products and less value addition per employees are also discussed. Section 5.6 presents the concluding remarks of the chapter. The chapter concludes with a notion that the gradual and incremental reforms can fetch better results with respect to formalisation of Indian informal sector vis-à-vis radical and numerous structural changes in informal sector.

Chapter Six addresses the 'how' part of the formalization of informal enterprises starting with connect of various preceding chapters as a premise for the current chapter. This first section of the chapter includes summary of the extant literature from Chapter 2, priority sub-sectors identified from chapter 3, insights from primary data (a limited sample - independent primary study that was done for delving deeper into understanding of challenges of informal sectors and way forward towards formalization), summary of challenges and issues faced by the informal sector (from chapter 5) and summary of support/policies and stakeholders for formalization of informal sector (from Chapter 4). This is followed by a brief about existing ecosystem of MSDE, major schemes, programs, initiatives and projects of MSDE, National Policy for Skill Development and Entrepreneurship 2015, beneficiaries for the proposed formalization initiatives and possible approach themes for MSDE's intervention and mapping with existing MSDE's initiatives (including the National Policy for Skill Development and Entrepreneurship 2015). The next section presents the Suggested Framework, Approaches, Actions Points and Working Plan for MSDE for the process of formalization come into the picture. The suggested framework has two parts to it viz. framework towards formalization of informal sector through entrepreneurship promotion (Section 6.3.1) and skilling routes for enterprise as well as labour part of the framework.

Second part being framework for efficient addressing of challenges faced informal sector (Section 6.3.2).Section 6.4 outlines the Due diligence processes for partnerships and stakeholder engagement followed by the conclusion. The key contribution of the chapter are the proposed framework and the operational strategy to address and facilitate the formalization of informal enterprises into formal economy through entrepreneurship promotion.



Organization of Report & Mapping of Chapters with Terms of Reference (ToR)

Chapter 1 - Organization of Report & Mapping of Chapters with Terms of Reference (ToR)

1.1 Introduction

Informal sector in India has been contributing to the overall economy historically. It is widely agreed that India stands at the cusp of three vital transitions, if it is to transform itself from an emerging to a developed market economy. These are rural to urban, farm to factory, and informal to formal¹. As per the latest report of International Labour Organisation (ILO), share of informal sector and of non-agricultural informal sector (viz. manufacturing, construction and trade) in total employment has been 88.2% and 78.1% respectively in India (ILO (2018)). The term informal sector is often used interchangeably with unorganized sector in India and its interpretation is also consistent with that of ILO (Chen and Vanek (2013)). It consists of all unincorporated (not covered under the factories act and the social security legislations like Employees State Insurance Act and Provident Fund Act) private enterprises owned by individuals or households engaged in the sale and production of goods and services operated on a proprietary or partnership basis and with less than ten total workers. The overwhelming portion of workers of the poor and vulnerable groups (between 94% and 98%) are informal workers, while they constitute much smaller proportion of the work force in the middle class or higher income groups (NCEUS Report (2009)).

The informal sector, reportedly has been less productive vis-a-vis formal sector as the formal sector is driven by size, capital intensive production, access to capital, self-selection by more productive employers for formal activities, technology, taxation and usage of productive public distribution in developing countries including India (Esfahani and Salehi-Isfahani (1989)). The Indian informal sector can be characterized with low wages, seasonal unemployment, absence of bargaining skills, lack of access to credit and inability to access government schemes and inability to take advantage of policies. Many studies suggest that informal sector entrepreneurs' face difficulties in gaining access to credit and it has been one of their main handicaps vis- a-vis the formal sector (Kumar (2001)). There has been a lot of government intervention through various policy reforms however not much impact could be seen at the ground level.

According to Venkataratnam (2001) and Kapoor (2007), effective structures for integrating the government interventions and the intended recipients and beneficiaries have not been implemented due to the difficulty in balancing socio-economic complexity of a developing country and the apparent shift toward market based economy. Chauduri et. al. (2006) found that the liberalization of the Indian economy in 1991-92 had a significant negative impact on the informal sector. Siggel (2010) reasoned out threefold factors for the said deviation from

¹<https://www.livemint.com/Opinion/ZmfWEAVMWQ5U1lqv7YDfYI/The-challenge-of-formalizing-the-Indian-economy.html>

the desired impact of policy reforms for informal sector viz. ineffective reach of trade liberalization; increased international competitiveness of several industries in the formal sector through their substantial cost reduction; and subcontracting restricting increase in labor supply in the informal sector.

It is pertinent to say that India's informal economy requires a shift toward formalization which not only provide growth to the overall economy but also to the workers in the informal sector with a possible route out of poverty (Siggel (2010)). Given the spread of informal sector in India, which is marred with low productivity and poor wages, it is crucial for Government policies and programs to aim at informal enterprises which can support them to move towards formalization. At its 104th Session (2015), the International Labor Conference also adopted the Recommendation concerning the transition from the informal to the formal economy wherein one of the objectives, was to facilitate the transition of workers and economic units from the informal to the formal economy, while respecting workers' fundamental rights and ensuring opportunities for income security, livelihoods and entrepreneurship (ILO (2015)).

In view of the above, the present study endeavours to explore informal sector in India in terms of various studies existing in the extant literature, numbers and data available in current databases, existing policies and schemes in place for furthering the formalization efforts so that priority sectors for MSDE's focus of efforts and policy/scheme/framework for MSDE's consideration and possible implementation for Providing support for formalizing Informal Sector through Entrepreneurship Promotion.

The main aim of this chapter is to introduce brief background about informal sector and to specifically conceptualize/operationalize the definitions of informal sector, formal sector, formalization, capacity building and entrepreneurship. This will be followed by mapping of Terms of Reference with various chapters of the report. The chapter is divided in to six section including Section 1.1. of introduction. Section 1.2 presents a brief of MSDE. This is followed by Section 1.3 wherein the conceptual/operational definition(s) of informal sector, formal sector, formalization, capacity building, entrepreneurship promotion and entrepreneurship as referred to in the report are listed. Approach to the study is briefed in section 1.4. It is followed by description of different approaches to formalization as cited in the literature in section 1.5. Section 1.6 encompasses the scope of the present study as given in the Terms of Reference of the RFP along with its mapping with the various Chapters (Chapter 2 to 7) of the present report. This section also gives an overarching view of the brief outline of the report.

1.2 Ministry of Skill development and Entrepreneurship (MSDE)

“The Ministry is responsible for co-ordination of all skill development efforts across the country, removal of disconnect between demand and supply of skilled manpower, building the vocational and technical training framework, skill up-gradation, building of new skills, and innovative thinking not only for existing jobs but also jobs that are to be created” (Source: <https://www.msde.gov.in>). “The Ministry aims to Skill on a large Scale with Speed and high Standards in order to achieve its vision of a 'Skilled India’” (Source: <https://www.msde.gov.in>)

“It is aided in these initiatives by its functional arms – Directorate General of Training (DGT), National Skill Development Agency (NSDA), National Skill Development Corporation (NSDC), National Skill Development Fund (NSDF), Indian Institute of Entrepreneurship (IIE), National Institute of Entrepreneurship and Small Business Development (NIESBUD), and 37 Sector Skill Councils (SSCs)² as well as 187 training partners registered with NSDC. The Ministry also intends to work with the existing network of skill development centres, universities and other alliances in the field. Further, collaborations with relevant Central Ministries, State governments, international organizations, industry and NGOs have been initiated for multi-level engagement and more impactful implementation of skill development efforts” (Source: <https://www.msde.gov.in>).

“The present Government has taken multiple initiatives in this direction, with several Government Ministries/Departments supporting entrepreneurship through one or the other scheme. However, entrepreneurship support in true sense doesn’t get percolated to rural areas due to lack of access of these schemes. To overcome these challenges, the Ministry of Skill Development and Entrepreneurship (MSDE) is expected to work towards providing necessary growth support to informal enterprises to enable them to move towards formal sector and thus contribute positively towards India’s growth story” (Source: RFP Document of the present study). As per the ministry sources, MSDE is guided with two policy frameworks, i.e., National Skill Development Policy 2009, and National Policy on Skill Development and Entrepreneurship, 2015 (Source: <https://www.msde.gov.in>).

1.2.1. Directorate General of Training (DGT)

“The Directorate General of Training consists of the Directorate of Training and Directorate of Apprentice Training. This includes a network of Industrial Training Institutes (ITIs) in States; National Skills Training Institutes (NSTIs), National Skills Training Institutes for Women (NSTI-W) and other central institutes. A number of training Programmes catering to students, trainers and industry requirements are being run through this network. The building blocks for vocational training in the country - Industrial Training Institutes - play a vital role in the economy by providing skilled manpower in different sectors with varying

² <https://www.msde.gov.in/ssc.html>

levels of expertise. ITIs are affiliated by National Council for Vocational Training (NCVT). DGT also operationalizes the amended Apprentices Act, 1961” (Source: https://dgt.gov.in/About_DGT)

Major functions of the DGT are:

- To frame overall policies, norms and standards for vocational training.
- To diversify, update and expand training facilities in terms of craftsmen and crafts instructor training.
- To organize and conduct specialized training and research at the specially established training Institutes.
- To implement, regulate and increase the scope of training of apprentices under the Apprentices Act, 1961.
- To organize vocational training Programmes for women.
- To provide vocational guidance and employment counselling.
- Assist scheduled castes/scheduled tribes and persons with disabilities by enhancing their capabilities for wage employment and self-employment”.

The Craftsmen Training Scheme (CTS): “The scheme for training of skilled craftsmen is implemented through Govt. and Pvt. Industrial Training Institutes (ITIs) which are under the administrative and financial control of State Governments or Union Territory Administrations. Duration of these training courses varies from 6 Months -2 Years duration, NSQF compliant courses in 138 Trades which includes 74 Engineering trades, 59 Trades in the Non-Engineering Sector and 05 courses for Persons with Disabilities (PwD)/ Divyangjan. Currently, 23.15 Lakh persons are undergoing training in 14,491 ITIs (both Govt. & Pvt.)” (Source: https://dgt.gov.in/About_DGT). According to another statistics 23,14,000 persons are going under training in 14, 917 ITIs. The number of apprentices are 197,053 (Source: <https://dgt.gov.in/>).

The schemes of DGT include Scheme for Training - crafts training scheme (CTS), flexi MOU, dual system of training, Advanced Vocational Training Scheme (AVTS), Apprenticeship Training; Training for Trainers - Crafts Instructor Training Scheme (CITS): Scheme for creation/ improvement of training infrastructure- Enhancing Skill Development Infrastructure in North Eastern States(ESDI), Skill Development in 47 Districts Affected by Left Wing Extremism(LWE), Upgradation of 1396 Govt. ITIs through PPP, Skills Strengthening for Industrial Value Enhancement (STRIVE), Upgradation of Government ITIs into Model ITI, Grading of ITI's, and Vocational Training Improvement Project; and scheme for Scheme of Polytechnics. DGT conducts examination for CITS and publishes its results on its website. DGT has signed different MOU with its partners from industry to achieve the overall objectives of the ministry.

MOUs Signed: It has signed MOUs with IBM, NIOS, SAP, CISCO, NASSCOM, and (Accenture + Cisco + Quest) Alliance. In addition, MoU for strategic partnership on skill development

between MSDE and Dassault Aviation, and NSTI, RDSDE Mumbai and HPCL Mumbai under CSR is signed. Further, a letter of understanding between DGT & Reliance Jio Infocomm limited is signed.

1.2.2 National Skill Development Agency (NSDA)

National Skill Development Agency(NSDA) is an autonomous body under Ministry of Skill Development and Entrepreneurship that anchors the National Skill Qualifications Framework and allied quality assurance mechanisms for synergizing skill initiatives in the country (Source: <https://www.nsda.gov.in/nsda-about-us.html>)

The National Skills Qualifications Framework (NSQF) organizes qualifications according to a series of levels of knowledge, skills and aptitude. These levels are defined in terms of learning outcomes which the learner must possess regardless of whether they were acquired through formal, non-formal or informal learning. In that sense, the NSQF is a quality assurance framework. It is, therefore, a nationally integrated education and competency based skill framework that will provide for multiple pathways, horizontal as well as vertical, both within vocational education and vocational training and among vocational education, vocational training, general education and technical education, thus linking one level of learning to another higher level. In addition, it maintains the National Labour Market Information System (LMIS).

As per the dashboard of LMIS, the ecosystem consists of 20350 courses, 45401 training center, 6343 training providers, 95050 trainers, 57675 assessors, 623 assessment bodies, 442 certified bodies. According to another statistics, it has data of 9944385 certified candidates. Another functions of NSDA is provide The National Quality Assurance Framework (NQAF) aims to improve the quality of all education and training/skills Programmes in India, and National Skill Research Division (NSRD). We did not have access to LMIS. It is not possible to know type of data is stored with LMIS.

1.2.3 National Skill Development Corporation (NSDC)

“NSDC aims to promote skill development by catalyzing creation of large, quality and for-profit vocational institutions. Further, the organization provides funding to build scalable and profitable vocational training initiatives. Its mandate is also to enable support system which focuses on quality assurance, information systems and train the trainer academies either directly or through partnerships. NSDC acts as a catalyst in skill development by providing funding to enterprises, companies and organizations that provide skill training. It also develops appropriate models to enhance, support and coordinate private sector initiatives. As per its data as on July 31, 2019, it had 462 training partners, 11000 training centers, 2100 job roles, 38 SSCs. It has presence in 29 states and 6 union territories, and trained 1.12 crore persons. It has placed 50.68 lakhs trained persons. Its schemes include Pradhan Mantri Kaushal Vikas Yojana (PMKVY), Pradhan Mantri Kaushal Kendra, Udaan,

International Skill Training, and Technical Intern Training Program (TITP)” (Source: <https://nsdcindia.org/>)

1.2.4 National Skill Development Fund (NSDF)

The National Skill Development Fund was set up in 2009 by the Government of India for raising funds both from Government and non-Government sectors for skill development in the country. The Fund is contributed by various Government sources, and other donors/contributors to enhance, stimulate and develop the skills of Indian youth by various sector specific programs. A public Trust set up by the Government of India is the custodian of the Fund. The Trust accepts donation, contribution in cash or kind from the Contributors for furtherance of objectives of the Fund. The Fund is operated and managed by the Board of Trustees. The Chief Executive Officer of the Trust is responsible for day-to-day administration and management of the Trust.

1.2.5 The Indian Institute of Entrepreneurship (IIE)

“Indian Institute of Entrepreneurship (IIE) is an autonomous organization under the Ministry of Skill Development & Entrepreneurship. The main aim of the Institute is to provide training, research and consultancy activities in Small and Micro Enterprises (SME), with special focus on entrepreneurship development” (Source: <http://iie.nic.in/>)

1.2.6 The National Institute for Entrepreneurship and Small Business Development (NIESBUD)

It is an organization of the MSDE, engaged in training, consultancy, research, etc. in order to promote entrepreneurship and Skill Development. The major activities of the Institute include Training of Trainers, Management Development Programmes, Entrepreneurship³-cum-Skill Development Programmes, Entrepreneurship⁴ Development Programmes and Cluster Intervention.

1.2.7 Sector Skill Councils (SSC)

Sector Skill Councils are set up as autonomous industry-led bodies by NSDC. They create Occupational Standards and Qualification bodies, develop competency framework, conduct Train the Trainer Programs, conduct skill gap studies and Assess and Certify trainees on the curriculum aligned to National Occupational Standards developed by them (Source: <https://www.msde.gov.in/ssc.html>). As on date, 37 Sector Skill Councils (SSCs) are operational. In total, there are 39 SSCs. There are over 600 Corporate Representatives in the Governing Councils of these SSCs.

³ **Entrepreneurship** is the process of designing, launching and running a new business, which is often initially a small business. The people who create these businesses are called **entrepreneurs**.

⁴ An **entrepreneur** is an individual who starts and runs a business with limited resources and planning, and is responsible for all the risks and rewards of his or her business venture. The business idea usually encompasses a new product or service rather than an existing business model.

1.2.8 Trainees/ Beneficiaries

MSDE has large number of trainees as evident from the data given at the MSDE website. These beneficiaries belong to different categories. The details are available in various reports of government and reports published by the other organizations and experts. The trainees of MSDE are (i) who had not attended the school and colleges (may be a target population of JSSs), (ii) dropouts from universities, colleges, and schools, (iii) students who cannot afford the cost of higher education and forced to bear responsibilities of the families under forced circumstances but ready to do something, (iv) citizens who are willing to learn and also had will to start their own business or any other activity to enhance earnings, (v) citizens having their informal units and planning to take these units to the next level etc.

1.2.9 Capacity Developers

MSDE has a large group of capacity developers including master trainer, trainers, mentors, assessors, content developer, quality monitor, etc. These capacity developers are partner of MSDE as an individual or as an organization. The details of these capacity developers are available with website of MSDE or members of its ecosystem. These are very important component of ecosystem of MSDE.

The information about MSDE and its stakeholders along with research done in the first five chapters of this report combined with existing policy for entrepreneurship and skill development will pave way for a framework and working plan for transition of informal enterprises to the formal economy using entrepreneurship.

From a research study perspective, some tentative constructs that were looked by us for delving deeper inside into the phenomena of transmutation of informal economy business and entrepreneurs into formal economy business and entrepreneurs are given in the next section.

1.3 Conceptual/Operational Definitions of major concepts used in the report

There are various descriptions and definitions of informal sector, formal sector, formalization, capacity building and entrepreneurship available in the literature. The aim of this sub-section is to enlist some of the available conceptual definitions in literature for the aforementioned concepts and to finally present the definition(s) that will be used for describing and defining the concepts of informal sector, formal sector, formalization, capacity building and entrepreneurship in the present report.

1.3.1 Informal Sector

The term informal sector is used interchangeably with unorganized sector (Source: Chen and Vanek,(2013)). Since the very onset, the concept and definition of informal sector has been a subject of debate both at the national and international levels. Hart (1970) first

introduced this sector as unregulated economic enterprises. Followed by International Labour Office (1972) came with an official definition based on certain characteristics of the enterprises. Even though most of the international studies have used the term “informal sector”, Central Statistical Organization (CSO) in India introduces this sector as “unorganized sector” in its report on National Accounts Statistics. An explicit definition of the informal sector in the Indian context distinguishing between unorganized and informal sector is provided by National Sample Survey Organization (2000)⁵.

Definition 1: According to NSSO, the informal sector incorporates the unincorporated proprietorships or partnership enterprises of the Annual Survey of Industries (ASI). In the unorganized sector, in addition to the unincorporated proprietorships or partnership enterprises, enterprises run by cooperative societies, trusts, private and limited companies are also included. The informal sector can, therefore, be considered as a sub-set of the unorganized sector.

Definition 2: It consists of all unincorporated (not covered under the factories act and the social security legislations like Employees State Insurance Act and Provident Fund Act) private enterprises owned by individuals or households engaged in the sale and production of goods and services operated on a proprietary or partnership basis and with less than ten total workers (Source: NCEUS Report (2009), page 357).

Definition 3: “Production units of the informal sector were defined by the 15th ICLS as a subset of unincorporated enterprises owned by households, i.e. as a subset of production units which are not constituted as separate legal entities independently of the households or household members who own them, and for which no complete sets of accounts (including balance sheets of assets and liabilities) are available which would permit a clear distinction of the production activities of the enterprises from the other activities of their owners and the identification of any flows of income and capital between the enterprises and the owner” (Husmanns and Mehran (1994)).

Definition 4: The informal sector, also known as the underground economy, black economy, shadow economy, or grey economy, is part of a country’s economy that is not recognized as normal income sources⁶.

If one were to look at the major features of the aforementioned five definitions then we would conclude that Informal Sector Units mainly comprise of enterprises not mandatorily covered under any of the legislations (acts, laws and rules) of the country such as social protection/welfare, company registration legislation, labour legislation or under the tax net; and excluding illicit activities. This is the definition

⁵ Distinction between Informal and Unorganized Sector: A Study of Total Factor Productivity Growth for Manufacturing Sector in India. Available from: https://www.researchgate.net/publication/268366658_Distinction_between_Informal_and_Unorganized_Sector_A_Study_of_Total_Factor_Productivity_Growth_for_Manufacturing_Sector_in_India [accessed May 26 2020]

⁶ <https://marketbusinessnews.com/financial-glossary/informal-sector-definition-meaning/>

that ILO in its point 204 in 104th International Labour Conference in June 2015 envisaged⁷.

1.3.2 Formal Sector

Definition 1: According to IGI global, formal sector encompasses all economic activities operating within the official legal framework that are paying taxes on all generated incomes⁸.

Definition 2: Additional viewpoints about definitions of formal sector, comprehend distinction between formal and informal sector as (a) whether a worker has a formal contract; (b) whether a worker is a regular/salaried worker (as opposed to self-employed or casual); (c) whether a firm is registered with any branch of the government; (d) whether the firm pays taxes; and (e) whether a worker receives social security⁹.

Definition 3: Sociology Group defines Formal sector as - “Formal sector as activities which are taxed and monitored by the government and the activities involved are included in the Gross Domestic Product(GDP)” (Source: <https://www.sociologygroup.com/formal-informal-sector-differences/>)

1.3.3 Formalization

Definition 1: Broadly there are two views on the debate on formalizing the informal economy: Capital view considers inclusion of enterprises in the formal tax and financial systems; and labour view considers inclusion of workers in the social protection system². This is the broad worldview that has been used as an anchor for conceptualization of the concept of formalization in the report.

Definition 2: Also, formalization has been conceptualized broadly as the process of bringing more business firms and households under the tax and regulatory nets — whether of corporate tax, personal income tax, GST, provident fund contributions, labour laws, environmental regulations or any other regulations¹⁰. This is the broad worldview that has been used as an anchor for operationalization of formalization in the report.

1.3.4 Unorganized Sector

Definition 1: Unorganised sector is defined as that set of economic activities characterized by relative ease of entry, reliance on indigenous resources, small scale of operations, labour

⁷ The recommendation defined the term “informal economy” as: “all economic activities by workers and economic units that are—in law or in practice—not covered or insufficiently covered by formal arrangements; and does not cover illicit activities...”. This definition of economic activities and units would cover informal workers and enterprises under any of the legislations such as access to social protection, labour legislation or under the tax net.

Formalization of the Informal Economy: Perspectives of Capital and Labour. Available from: https://www.researchgate.net/publication/327731542_Formalization_of_the_Informal_Economy_Perspectives_of_Capital_and_Labour [accessed May 26 2020].

⁸ <https://www.igi-global.com/dictionary/formal-economy/68313>

⁹ <https://www.news18.com/news/business/economic-survey-for-the-first-time-estimates-size-of-formal-and-informal-sector-in-india-1645105.html>

¹⁰ <https://www.livemint.com/Opinion/ZmfWEAVMWQ5U1Iqv7YDfYI/The-challenge-of-formalizing-the-Indian-economy.html>

intensive operations, reliance on skills acquired outside the formal educational system and unregulated competitive market (ILO, 1983)¹¹

Definition 2: According to NCEUS Report, 2007 - "The unorganized sector consists of all unincorporated private enterprises owned by individuals or households engaged in the sale and production of goods and services operated on a proprietary or partnership basis and with less than ten total workers"¹².

1.3.5 Capacity Building

Definition: Capacity, according to OECD/DAC —...is understood as the ability of people, organisations and society as a whole to manage their affairs successfully||. The Agenda 21 of the United Nations Conference on Environment and Development (UNCED), Capacity Building was defined in the following way: —Capacity Building encompasses the country's human, scientific, technological, organizational, institutional and resource capabilities¹³.

1.3.6 Entrepreneurship

Definition: Entrepreneurship refers to the capacity and willingness to start, maintain and continuously improve a productive and gainful business venture whilst innovatively managing associated risks. Being involved in a livelihood activity for subsistence purposes is not an act of entrepreneurship¹⁴

1.3.7 Entrepreneurial Skills

Definition: Entrepreneurial skills such as innovativeness, problem solving skills, risk taking, customer care, selling (counting, adding and subtracting –sorting out change), confidence and communication skills¹⁰.

1.4 Approach to Study

The overarching methodology for this study encompasses the following steps:

Systematic analysis of available secondary information and databases for informal sector classification and estimation in India. This involved the following sub-phases: Data Collection, data reduction, data display, and drawing conclusions; with constant iteration between the analytical stages. Data reduction involves selecting, focusing, simplifying, abstracting, and transforming the data in the field notes or transcripts into summaries, coding, testing themes, etc. This sorts, discards, and organizes the data so that conclusions can be drawn.

¹¹ https://shodhganga.inflibnet.ac.in/bitstream/10603/219828/10/10_chapter%203.pdf

¹² <http://www.publishingindia.com/GetBrochure.aspx?query=UERGQnJvY2h1cmVzfC8xMTg1LnBkZnwwMTE4NS5wZGY=>

¹³ https://openei.org/w/images/8/80/Best_Practices_in_Capacity_Building_Approaches.pdf

¹⁴ https://unevoc.unesco.org/e-forum/INFORMAL_SECTOR_STUDY.pdf

Collection of secondary information: Collection of information that is already available from the archives and data stores from identified external institutions and organizations is done.

Collection of primary information: Collection of primary information was done with a view to fill the information gaps to some extent that were arising due to limited secondary information availability/access. Herein it is pertinent to be reiterated that this study is primarily based on secondary data.

Providing access to information: This part of approach of the study is about the dissemination of the findings of study. Dissemination includes government organization may have access to the compiled information and allowing civil societies/ citizens/ entrepreneurs/ informal sector to benefit from this additional amount of knowledge. This can be done using a stakeholder workshop in light of the final draft report of this study to have a participative confirmation of the findings and suggestions of the report. This helped in the evolution of the proposed **framework of formalization of informal sector through entrepreneurship promotion (as given in Chapter 6)**.

To add rigor and value to this study, this detailed research work has employed a plural research design (combination of exploratory, descriptive and conclusive). The purpose is to portray the accurate situations with respect to the policies and policy instruments concerned and the project deliverables.

1.5 Brief about Approaches of Formalization

The objectives of including this section is to briefly explain the approach of formalization based on the secondary data available in the literature.

It is evident from many studies that two sector of economy have dependency on each other. Hassan et al (2010) studied some aspect of formal and informal sector within a general equilibrium framework of a developing economy with a foreign owned factor of production. They raised questions whether the informal-formal sector relationship is pro cyclical/complementary – expansion or contraction in one necessarily implies an expansion or contraction in the other – when the informal sector is subject to a technological shock. They also discussed the issues that derive a necessary and sufficient condition under which a *positive* shock to the informal sector results in a *contraction* in both the size of the urban formal sector and the informal sector. The results of their study indicated that the informal-formal sector relationship is procyclical, it nevertheless calls into question the conventional wisdom on the benefits of intervention in the informal sector of developing economies, particularly where multinational corporations sub-contract certain labor intensive stages of production to the informal sector.

Unni (2018) mentioned that there are two views on the debate of formalizing the informal economy. These are (i) capital view which considers inclusion of enterprises in the formal tax and financial systems; and (ii) labour view which considers inclusion of workers in the social

protection system. Unni (2018) further mentioned that those argue about inclusion of informal units in the tax net or recommend transacting through formal banking channels constitutes formality are more concerned with inclusion of enterprises in formal accountable and traceable systems. She also mentioned that in a recent Research Conference on the Informal Economy in Harvard University, participants argued that the capital view of formalization is not formalization but just “Normalization”, all enterprises and workers are included in the same “net”. From the lens of labour formalization is when workers are included in the social security systems. She advocated like many others countries the perspective from the labour view be taken in to account for formalization. It will cover wider considerations such as redistribution of wealth, tackling poverty, inequality and vulnerability.

WIEGO¹⁵ mentioned that formalization of the informal economy can take different forms such as registration, taxation, organization and representation, legal frameworks, social protection, business incentives / support, and more. Formalization means different things to different categories of the informal workforce. What is needed on part of regulators is an approach to formalization of the informal economy that is comprehensive in design but context-specific in practice. The approach to formalization in bit more detail is given in the form of schemes and sub scheme of formalization of enterprises as listed below:

(i) “Registration and Taxation¹⁶:

- There is a need for simplified registration procedures in the context of micro entrepreneurs
- Progressive registration fees

(ii) Appropriate legal and regulatory frameworks, including:

- Enforceable commercial contracts
- Private property rights
- Use of public space for doing the business

(iii) Benefits of operating formally:

- Access to finance and market information through different channels including government channels.
- Access to public infrastructure and services
- Enforceable commercial contracts
- Limited liability. As per the present regulation for the proprietorship & partnership there is unlimited liability
- Clear bankruptcy and default rules
- Access to government subsidies and incentives, including procurement bids and

¹⁵ <https://www.wiego.org/rethinking-formalization>

¹⁶ A tax or tax system is considered progressive if the tax burden as a percentage of income increases as the level of income increases. The degree of progressivity or regressivity can be measured by the ratio of tax burden at the lowest income level to the tax burden at the highest income level.

- export promotion packages
- Membership in formal business associations even status of the unit is informal.
- Access to formal system of social security should be extended to informal units”

In formalizing a specific groups of informal workers, policymakers and practitioners should choose appropriate elements from this framework and tailor the interventions to meet local circumstances/requirements.

1.6 Scope of the present study and Broad Organization of the report

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

Activities

- A1. Performing a literature review of the Studies conducted in the Informal Sector aimed at formalization.
- A2. 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).
- A3. Mapping all the Policies and Support provided to Informal Sector by various stakeholders such as Central and State Governments/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.
- A4. Reviewing Case Studies, working mode of private organizations, 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.

Outcomes

- O1. Estimation of informal enterprises and detailed classification of informal enterprises under various Sectors and Sub-sectors.
- O2. 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.

- O3. Identification of Challenges (Key Issues) faced by micro- entrepreneurs, especially issues in terms of access to finance capital, infrastructure capital, knowledge capital etc.

1.6.2 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.

Activities

- A1. Developing a framework of approach based on possible synergies across the stakeholders in the eco- system for facilitating formulation of Policy by MSDE.
- A2. Conducting Stakeholder Workshops as well as individual interviews to discuss the implications of desktop research conducted.
- A3. Deliberating and discussing various approaches that could be adopted by MSDE to support conversion of informal enterprises to formal ones.

Outcomes

- O1. 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.
- O2. Providing a solution/ working plan in order to align all support schemes geared towards informal sector to remove duplicity and increase impact.
- O3. 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.

Given the aforementioned activities and outcomes, the research team at MDI, envisaged the present report in a manner such that there is point to point mapping of the scope (including various activities and outcomes of the present study) as given in the Terms of Reference of

the RFP along with the various Chapters (Chapter 2 to 7) of the present report. The same has also been described in Table 1.1.

Table 1.1 Mapping of the scope of the present study as given in the ToR of the RFP the various Chapters of the present report

Chapter S. No. (As per the Report)	Chapter Title (As per the report)	Scope of the Study & S.No. as per ToR	S.No. as per ToR for the respective Activity/ Outcome	Activity title as per ToR	Outcome title as per ToR
2	Literature Reviews of Studies conducted in the informal sector	3.1 Conducting a Comprehensive Study, through the existing databases (already commissioned Studies, Private Reports etc.) to understand the Informal Sector	3.1.1.1	Performing a literature review of the Studies conducted in the Informal Sector aimed at formalization.	-
3	Mapping the current available databases plus mapping the extent of Informal Sector		3.1.1.2	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).	-
4	Mapping the policies & support from stakeholders and agencies working on ground		3.1.1.3	Mapping all the Policies and Support provided to Informal Sector by various stakeholders such as Central and State Governments/Ministries, large scale NGOs, Social Impact Enterprises, Private Sector CSR	-

Chapter S. No. (As per the Report)	Chapter Title (As per the report)	Scope of the Study & S.No. as per ToR	S.No. as per ToR for the respective Activity/ Outcome	Activity title as per ToR	Outcome title as per ToR
				Activities, Technology Firms etc. and identifying agencies which are carrying out the related ground level support and implementation activities.	
5	Reviewing Case Studies and Identification of Challenges faced by the informal sector		3.1.1.4	Reviewing Case Studies, working mode of private organizations, 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.	-
3	Mapping the current available databases plus mapping the extent of Informal Sector		3.1.2.1	-	Estimation of informal enterprises and detailed classification of informal enterprises under various Sectors and Sub-sectors.
3	Identification of Priority Sectors		3.1.2.2	-	Classification of informal enterprises leading to identification of priority sectors (based on various parameters like employment, economic contribution, inclusiveness,

Chapter S. No. (As per the Report)	Chapter Title (As per the report)	Scope of the Study & S.No. as per ToR	S.No. as per ToR for the respective Activity/ Outcome	Activity title as per ToR	Outcome title as per ToR
		3.2 Exploring Potential Role of MSDE			geography etc.) and states/departments/ industry associations etc. for MSDE to focus on.
5	Reviewing Case Studies and Identification of Challenges faced by the informal sector		3.1.2.3	-	Identification of Challenges (Key Issues) faced by micro-entrepreneurs, especially issues in terms of access to finance capital, infrastructure capital, knowledge capital etc.
6	Roadmap/Guidelines for MSDE to support Formalization of Informal Sector		3.2.2.1	Developing a framework of approach based on possible synergies across the stakeholders in the eco- system for facilitating formulation of Policy by MSDE.	-
Depends on Proposed Stakeholder Workshop			3.2.2.2	Conducting Stakeholder Workshops as well as individual interviews to discuss the implications of desktop research conducted.	--
6 + Results of Proposed Stakeholder Workshop			3.2.2.3	Deliberating and discussing various approaches that could be adopted by MSDE to support conversion of informal enterprises to formal ones.	-
6	Roadmap/Guidelines for MSDE to support		3.2.3.1	-	Validation of action points with the identified stakeholders to create a

Chapter S. No. (As per the Report)	Chapter Title (As per the report)	Scope of the Study & S.No. as per ToR	S.No. as per ToR for the respective Activity/ Outcome	Activity title as per ToR	Outcome title as per ToR
	Formalization of Informal Sector				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.
6	Roadmap/Guidelines for MSDE to support Formalization of Informal Sector		3.2.3.2		Providing a solution/working plan in order to align all support schemes geared towards informal sector to remove duplicity and increase impact.
6	Roadmap/Guidelines for MSDE to support Formalization of Informal Sector		3.2.3.3	-	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.

1.7 Conclusion

This section essentially summarizes the major constituents of this chapter. Section 1.1 was the introduction to the study which also talked about Section 1.3 discussed about the definitions of major concepts that are central to this study with the finalized definitions which will be anchored to – for discussions and propositions throughout this study. Section 1.4 discussed about the approach and methodology of the study. Section 1.5 discussed few approaches of formalization. Section 1.5 forms one of the basis for evolution of final recommendations in Chapter 6 and also helps the reader in understanding the connect and relevance of finalization of conceptual definition in Section 1.3. Also, once section 1.5 has been read through the reader would be able to appreciate the literature review done in Chapter 2 and the secondary data consolidation done in Chapter 3 and 4. This would also form a theoretical lens to absorb the case studies given in Chapter 5. Section 1.6 discussed the Scope of the present study and Broad Organization of the report in terms of ToR and the mapping of the expectation of the ToR with contents and deliverables encompassed in the various chapters of the report.



Review of literature of the studies on Informal sector

Chapter 2 - Review of literature of the studies on Informal sector

2.1 Introduction

Informality takes various forms in different contexts, and new forms of informality emerge over time (within a country). There are many perspectives of informality such as the capital view of formalization, labour view of formalization, technological perspective, and a general perception of citizens working with or in the informal sector of an economy. This chapter presents a review of extant literature in the informal sector aimed at formalization. In addition, this chapter also presents new trends as they emerged in recent years across select economies in the world, e.g. India.

The chapter is primarily divided into five sections, including the introduction section. The second section (2.2) discusses the studies and suggestions provided by international scholars and experts for formalizing informal sector. Some of the studies also mentioned that a new form of formalization is happening in many parts of the world, and it requires intervention at different levels by the governments. Section 2.3 presents the efforts and suggestions of the scholars and experts in the context of Indian informal enterprises; it is followed by Summarization of Major Findings and Evolution of Broad Themes for Formalization Framework in section 2.4. Section 2.5 encompasses the conclusion of the chapter.

2.2 Studies by International Scholars/ organizations

In international extant literature many different policies have already been implemented throughout the world to support the formalization of informal enterprises. These policies can be classified in terms of their domain and the costs and benefits of formalization that are being targeted. In 2011, the Donor Committee for Enterprise Development suggested a classification into nine different business environment domains (DCED, 2011)¹⁷:

1. Business registration and licensing; adapting business registration and licensing regimes to simplify the administrative processes of registration (for example, one stop shop integrating all procedures necessary for business registration).
2. Simplification of taxation policy and administration, in order to ease tax compliance (for example, by introducing more transparent and simplified tax reporting, and differentiating tax schemes for micro enterprises, farmers and currently informal enterprises).
3. Land ownership and titling; reforming incomplete cadasters and onerous or costly land registration systems and enabling female ownership of land and assets, in order

¹⁷ DCED (August 2011), "How Business Environment Reform can promote formalization", annex to: "Supporting Business Environment Reform, Practical Guidance for Development Agencies", Donor Committee for Enterprise Development.

to enable enterprises to work from a permanent location and to raise capital through land-based collateral.

4. Labour and labour-related issues; given the need for regulation to guarantee a proper functioning of the labour market, basic social protection for workers and skills development, the costs of complying with these regulations should be as low as possible.
5. Judicial reform; reducing transaction costs, improving the quality of governance methods and improving access to justice in bureaucratic administration.
6. Intellectual property rights; improving the enforcement of existing laws regarding trademarks and other property rights, in order to provide economic opportunities under legal operation.
7. Improved access to financial services; increase the access of poor women and men to the full range of financial services, in order to reduce the costs of raising capital.
8. Access to information about business regulation and rules; awareness (and understanding) of existing business regulations and rules is a prerequisite for enterprises to register.
9. Incentives for reform and communicating these to informal enterprises. Formalization should introduce the benefits of compliance with the legal and regulatory framework. Micro and small enterprises should see formalization as an opportunity for greater access to markets and growth.

Government itself (being an important client in various markets for products and services) could be added as a tenth domain. For example, a percentage of public orders could be reserved for formal micro and small enterprises (MSEs), which could encourage informal MSEs to formalize (Ishengoma and Kappel, 2006)¹⁸. Together, the various combinations of domain and targeted costs and benefits could be used to develop a detailed typology of policies to formalize informal enterprises.

Table 2.1 Typology of formalization policies, by domain and the targeted costs and benefits of formalization. (Source: Panteia, 2014)

S.No	Domain	Entry costs	Taxes, fees and social contributions	Targeted costs and benefits of formalization			
				Compliance costs	Permanent location	Access to business development services	Access to new markets
1	Business registration and licensing	X	X			X	
2	Tax policy and administration		X	X			

¹⁸ Ishengoma, E. and R. Kappel (2006), "Formalization of informal enterprises: economic growth and poverty", Eschborn: Economic Reform and Private Sector Development Section, GTZ.

				Targeted costs and benefits of formalization			
S.No	Domain	Entry costs	Taxes, fees and social contributions	Compliance costs	Permanent location	Access to business development services	Access to new markets
3	Land ownership and titling	X			X		
4	Labour and labour-related issues		X	X			
5	Judicial reform			X			
6	Intellectual property rights						X
7	Improved access to financial services					X	
8	Access to information about business regulation and rules	X	X	X		X	
9	Incentives for reform and communicating these to informal enterprises	X	X	X		X	
10	Government as client						X

UNCATD¹⁹ is a publication that emphasizes the needs of formalizing the informal sector since the majority of the world's active population works in the informal economy. According to UNCATD, 1.8 billion people work in informal jobs compared to 1.2 million who benefit from formal contracts and social security protection. This number is projected to grow to two thirds of the workforce by 2020. It was suggested that formalization should be simple and desirable. There is a need to:

- (i) Explain the formalization to the masses; i.e. what minimum conditions should a small business satisfy to have legal existence and to operate legitimately? It must also include adapted information and targeted dissemination of the information.
- (ii) Make formalization easy; i.e. procedures should be made as simple as possible within the framework of existing laws or by amending them. New legal schemes for self-employed.
- (iii) Make formalization desirable; i.e. establishing good regulations and simple processes may not be enough. There needs to be communication about the benefits of

¹⁹ The year of publication for this document is not mentioned in the source (<https://businessfacilitation.org/assets/documents/pdf/formalizing-the-informal-sector.pdf>)

formalization. This will help reinforce benefits and enforce compliance when it is partnered with other empowering services.

One Example of failure of a simplified tax system in Argentina: In 2004, Argentina implemented a new simplified tax system for small businesses. After two years of this law, though simplified, only 44,000 new tax payers had enrolled to become part of the formal sector. This means the success rate of the simplified tax system did not encourage the informal sector.

Chen (2006) observed the link between informal and formal economies and also presented three forms of formalization. She pointed out that few informal enterprises, except perhaps some survival activities, operated in total isolation from formal firms. Most of these firms sourced raw materials from and/or supplied finished goods to formal firms either directly or through intermediate (often informal) firms. The sourcing and supplying of goods or services could take place through these ecosystem members. These were individual transactions, but they were more likely to take place through a sub-sector network of commercial relationships or a value chain of sub-contracted relationships. She discussed three forms of regulations, i.e. over regulation, deregulation, and lack of regulation. She suggested that there was a need for optimal regulation in the case of an informal sector. She suggested an approach wherein relations and linkages between formal and informal economies might be explored for the purpose of formalization.

Anyidoho and Steel (2016) explained the costs and benefits of informal and formal linkages in the context of market and street vendors in Accra, Ghana. They analysed data from 15 focus groups and conducted a survey of 150 vendors from both the centre city and non-central locations of Accra. Their analysis was performed in terms of vendors' relationships to the value chain, non-governmental institutions, the government, and the macro economy. They mentioned that a government and a macro economy exert a strong, mostly negative influence on informal operators. However, that was offset to some extent with the support from membership-based organizations and NGOs. Access to loans from microfinance institutions was viewed both as a positive and negative influence on vendors' work. Although there were few visible direct linkages between informal operators and formal firms, they were, to some extent, mutually interdependent as retailers and suppliers in the value chain. Taking advantage of the potential synergy in informal-formal sector linkages would require the government and other actors to become more proactive toward facilitating, rather than denying, infrastructure, support services, and adequate space for informal traders.

ILO (2016) presented a roadmap for fighting undeclared work. In its report, the ILO Recommendation No. 204 on the transition from the informal to the formal economy, adopted at the International Labour Conference in June 2015 was discussed. Its recommendation affirmed that the transition to the formal economy was essential to achieve an inclusive development and to realize decent work for all. The ILO recommendations

emphasized that it was essential to improve working and living conditions, to promote sustainable small and medium enterprises, and to achieve fair competition and fiscal consolidation at a national level. These recommendations would help to achieve greater inclusiveness and cohesion in our societies and to better design the “Future of Work” that we wished to shape for our societies.

Based on the set of 25 policy recommendations from the Diagnostic Report on Undeclared Work in Greece, the ILO (2016) analysis identified critical elements, challenges, and barriers which are coming in the way to a holistic integrated strategic approach towards tackling undeclared work in Greece.

These critical elements are:

- (i) “The first critical element is the need for identifying and setting up (assigning or reforming) the tripartite social dialogue body bearing, on a permanent basis, and drawing on the appropriate legal provisions, the responsibility for policy design, overview and assessment of the holistic integrated strategic approach towards tackling undeclared work in Greece (including the present roadmap)”.
- (ii) “The second critical element is equally important and relates to technical need for interoperability of data bases for the exchange of data between the Ministry of Labour, the Ministry of Finance and GSPR. It is a critical prerequisite for the holistic integrated strategic approach”.

In addition, technical interoperability of the data bases, the operators of these data bases, should become able to cooperate and coordinate between them to allow the productive use of the data bases in the design and implementation of the holistic integrated strategic approach towards tackling undeclared work in Greece. The ILO Report suggested a 3-year roadmap to implement the strategy.

Sandra (2018) presented the experience of how the Philippines approached formalization of informal employment. He took into account three dimensions of formalization: (i) formalization of economic units, (ii) formalization of jobs, and (iii) productive job creation in the formal economy. In addition, **Sandra (2018)** presented different barriers to the formalization of jobs and sample measures to facilitate the transition of informal jobs to formal jobs. He also discussed country-level action planning for Greece and Vietnam.

Mukorera (2019) analysed the impact of growth constraints on the willingness to formalize by informal medium and small enterprises (MSEs). The author analysed 20 internal and external growth inhibiting factors that used the Principal Component Analysis (PCA), and a logistic model was estimated on a dichotomous variable of willing/unwilling to formalize.

Mukorera (2019) concluded that willingness/unwillingness to formalize by informal entrepreneurs in Zimbabwe was significantly related to institutional imperfections and asymmetry of bureaucracy associated with the registration process, lack of access to technology, market and financial constraints, and a lack of entrepreneurial and management

skills. Formalization is possible by improving the bureaucracy of the registration process and access to technology may possibly increase the odds of the informal operators formalizing their businesses. In addition, improvement in market and financial constraints and entrepreneurial and managerial skills would decrease the odds of a willingness to formalize.

Bashe (2012) studied the formalization of informal enterprises in the context of South Africa. His findings were centred around role of a government in terms of making policies and law governing informal sector, role of education in the success of enterprises, interconnected nature of the Informal Sector Economy with formal sector economy, the role of access to finance for growth of existing enterprises, and the role of historical political segregation. He also presented recommendations for members of an ecosystem of informal economy.

2.3 Studies by Indian Scholars/Organizations in the Indian Context

Kathuria et al. (2013) investigated units' (firms') record data for the informal and formal manufacturing sectors combined from four repeated cross-sections during the time period of 1989–2005 for the Indian economy. They applied a stochastic frontier analysis to these firms to calculate the absolute and relative technical efficiency, correcting for the selection bias in the firm's decision to be in a segment. They used a technique proposed by Green (2010). Their selection results indicated that the likelihood of the firm being in the formal sector was related to its size, less stringent labour regulation, the availability of the power supply, and priority sector lending. After accounting for selection bias, they found that formal firms were significantly more efficient than informal firms, irrespective of their locations. These finding suggested that a government should relax its regulations; it would help informal firms to be relocated as formal ones.

Bairagya (2013) tested the hypothesis of whether or not the informal firms operating on contracts with formal firms/agencies/contractors were more efficient in terms of technical efficiency vis-à-vis other firms. To test the hypothesis, the analysis of the efficiency performance of the informal enterprises in India across enterprises of two states (selected on the basis of level of development) used a two stage Data Envelopment Analysis (DEA) technique. The research used the large enterprise (sample size was large) level data of National Sample Survey Organisation. It was observed that, in the developed state (Delhi), firms on contracts were less efficient, while they were more efficient in the less developed state (Orissa). The results further revealed that the enforcement of regulations made the firms more inefficient. The findings did not support that formalization was needed; however, this is an exceptional study.

Kerswell and Pratap (2015) concluded that the automobile sector emerged as an important growth engine of the Indian economy. The Northern automobile cluster in Haryana was a very important cluster for the automobile sector. It was also a centre of industrial unrest at times. This article questioned informality in India's automobile sector through the

application of commodity chain analysis to explain why India's automobile sector was beset by informality, low wages, and insecure working conditions. They illustrated how leading firms in India's automobile industry, with the convenience of the Indian state, exploited the automobile commodity chain to marginalize both subordinate firms and the contract and casual workers who now make up the majority of the industry's workforce. The very structure of India's automobile industry locked many workers and firms into insecure work, where productivity gains were eaten up by leading firms, further reducing the margins of lower level suppliers and the wages of workers. This study of automobile sector in Haryana attempted to explain why this was the case. The findings concluded that India's industrial relations regime had long ceased to reflect the actual balance of power between labour and capital, institutionalizing noncompliance with the labour laws, and providing the basis for the industry's informalization.

Padmanabhan (2016) quoted Nandan Nilekani as:

Aggregation by platforms (provided by aggregatorssuch as Amazon, Flipkart, Uber, Ola, etc.) is the way of jobs creation and it will happen. This platform aggregation will also lead to formalisation of Indian economy. India's car rental economy is largely informal. But once a taxi driver becomes part of Ola, then in fact he becomes part of the formal economy. He is able to use data, get a loan, buy a car and start paying taxes. It will result in to formalisation of a few hundred millions of Indians and will spur growth

He also reported a conversation with one of India's top e-commerce retailers that shared two facts in an informal interaction with Mint. The retailer mentioned that most of the merchants of non-electronic items sold on their site came from Tier-II cities and beyond; secondly, using the transaction data of these merchants, the company had begun to create a credit history and extend working capital loans to them (which otherwise would be almost impossible for them to obtain from the formal banking sector).

Vijayabaskar (2016) pointed out that the state simultaneously informalized labour contracts while seeking to formalise their access to the financial system. He believed that formalization could create more problems in the present day context. He discussed the negative impact of demonetization. He had also mentioned that access to formal credit, as studies have repeatedly shown, the inability of those working in the informal economy to access formal credit, was not only due to lack of banking infrastructure but also providing the collateral to access the formal credit had been a major factor. Even in some cases, the governments that provided guarantees of collateral banks were not extending loans to formal sector (SMEs in this case). This means there were constraints in getting formal credit.

Vij et al. (2017) reported that, in order to increase the registered enterprises and promote more inclusive growth, the government might consider the following policies in relation to informal and formal sector of the economy. But, these policies are more related to the formalization of an informal sector of the economy in India.

- (i) Awareness and Training
- (ii) Administrative and Procedural Reforms
- (iii) Tax related incentives
- (iv) Review of laws and regulations
- (v) Easier Inspection and Compliance
- (vi) Common infrastructure facilities
- (vii) Public procurement
- (viii) Monetary Incentive
- (ix) Sectoral Approach
- (x) Extension of social protection

Sahoo (2017) discussed the socio-economic profile of the Informal Manufacturing Sector (IMS) in the Cuttack district, which was famous for unique filigree, ivory, and brass works, textiles of silk, and cotton clothes—earning them a national reputation. He reported that a large number of IMS establishments were operating in this district, and he studied the personal characteristics such as education levels, skills, and earnings of those workers who work under the IMS in the Cuttack district. Though this study is not directly related to the formalization of the informal sector, it may be helpful in identifying clusters or segments for formalization.

Unni (2018) mentioned that the debate on formalizing the informal economy can be seen from the lens of capital or the lens of labour. She also mentioned that the capital view was only normalizing the enterprises, while the labour view was actually formalizing, with an inclusion of workers in the formal systems. The Indian debate on formalization to overcome the formal/informal divide had mainly taken the capital view. This choice will hamper the process of formalization. It means a government should follow the labour view of formalization.

Porta and Shleifer (2014) examined the two contrasting assessments of the informal sector: one regarded informal firms “as an untapped reservoir of entrepreneurial energy held back by government regulations”; and the other referred to them as “parasites competing unfairly with law abiding formal firms” and, therefore, should to be held down. However, they concluded in favour of a third perspective which would see informality as a by-product of poverty with formal and informal firms being fundamentally different from each other. It means to formalize informal sector reduction of poverty is a pre-requisite.

Knawar (2018) reported that the technology start-ups with modern business models and efficient distribution system would drive the actual change at the grassroots level. It would work as catalyst to the government and the banking sector efforts in regulating and in creating the financial infrastructure that could support the informal sector. He listed the following themes and challenges that would shape the Indian economy’s path to formalization and, ultimately, to a decade of rapid economic growth. He mentioned that these are the views of the Fintech start-up:

- (i) Formalization of the employer-employee relationship
- (ii) Digitisation of supply chains
- (iii) Compliance and digital adoption by unorganised MSMEs
- (iv) Stronger protection and benefits for informal labour via formal contracts
- (v) Modern credit in a new data-rich digital economy
- (vi) The role of tech start-ups in making transitions more equitable

Kumaraswamy, V. (2019) mentioned that formalization was shrinking the economy of the country which was contrary to the general belief. He also mentioned that formalization aimed to bring more of the unorganised sector into the formal fold by means of GST, making it uneconomical for others to deal with it, and certainly ensuring registration under laws governing manufacturing and income tax. Estimates of different sources pegged the formal sector at 45-50% and expected it to rise to 70-75% within a span of five years. It would provide same level playing field to formal and informal enterprises (migrated to formalization), but it may have had adverse effects on the economy as a whole as evident from the recent data. The question is, which is the right solution?

Khatarpal (2018) reported that informal work was set to increase in India with the rise of outsourcing and contractualisation of jobs; again this is contrary to the expectations.

BW Online Bureau (2019) also reported that the current and imminent policies and reforms to catalyse the push from informal to the formal sector; over seven million jobs were formalized between 2015 and 2018, and 19.9 million workforce growth (formal sector) during the same span. According to the recent reports in Business Bhaskar on 21st January 2020, the government is preparing a 450 million worker database. News also mentioned that beauticians, electricians, plumbers, fitness trainers, etc. needed to register under GST for conducting their businesses. The department for promotion of industry and international trade made it mandatory for UrbanClap, Housejoy, and Bro4u to be given to workers who had GST accounts. There is a condition, if their income was less than 40 lakhs, they did not need to file for GST. This was accomplished to provide social security to 95% of informal workers **(Source: Dainik Bhaskar, Faridabad, Monday, January 21, 2020- dainikbhaskar.com).**

Sharma et al. (2019) reported an overwhelming part of workers in India remaining 'informal', contractual, unorganized, or simply not having any channel to be formal—while a strategy for formalization is pivotal to address the most basic of developmental issues. In this context, understanding the root causes of informality becomes important to create strategies. They concluded that technology becomes important to scale and can accelerate an intended transition towards financial inclusion. They brought out one strategy for the financial inclusion of the static workers in the informal economy which is based on a socio-technical transition involving distributed ledger technology.

Jha and Bag (2019) established that competition and the lack of awareness were the most dominant reasons for why informal firms were hesitant in moving towards formalization.

Based on their finding, they suggested that, for successful transition towards formalization, a “new pact” between the workers, enterprises, and governments needed to be developed. It should be based on the building capacity, productivity gains, enabling business environment, empowerment, and entitlements to social and economic rights.

Bhattacharya (2019) quoted demonetization as a bold experiment to give push to the digital payment technologies and to reduce the dependency on cash. It was expected to lead a formalization of the informal economy, as more and more transactions would come out of the shadow economy because of the reduced cost of transactions aided by digital technologies accessible on devices such as smart phones. After a gap of 2 years’ dependency on cash had come back.

He further mentioned that, if one looks at informality as a problem of governance, then one should go for digital solutions as a way of formalizing the informal economy. On the other hand, given the overwhelming statistical picture of informality across the developing societies, if one (specifically a government) understood informality as a mode of creating employment and livelihoods for majority of the workforce, then we would likely advocate for a different set of digital solutions to the problems of the informal economy. In any case, ICT solutions can go a long way in helping eliminating poverty in the informal economy, but not if it is a tool for adventurist policies targeted at dissolving (i.e., formalizing) the informal economy as an undesirable element of our economy.

Kalyani (2016) reported that “informal sector refers to economic activities, i.e. production and distribution of goods and services by the operating units of the households which essentially differ from the formal sector in terms of technology, economies of scale, use of labour intensive processes, and virtual absence of the well maintained accounts. It embraces a widely dispersed multitude of operating units with high rates of birth and death and substantial mobility.

Kalyai (2016) further reported that this sector was informal in the sense that they are not been regulated by the government under any statute. But, because of its contribution to the economy, which is quite visible and its strength in absorbing a huge portion of unemployed persons to whom the State is unable to provide adequate employment. It becomes the duty of the policy makers to devise policies that can take care of the problems faced by the informal sector units and workforce. It also necessitates monitoring the size and structure of this sector and its performance over time for framing appropriate policies. **Kalyani (2016)** attempted to know industry wise distribution of Net Domestic Product (NDP) in the organized and unorganized sectors and to also attempt to acquire the status of registered and unregistered enterprise in the country”.

Some recent news items are also very important from the point of view of an informal economy. The Business Bhaskar said that online market places will give work to the professionals who are having GST numbers. In addition, it said beauticians, plumbers, and

fitness trainers may require GST registration (Agency, 2020). As per another post, 6,238.061 new accounts were added under EPFO during the April–November period of 2019 which a surrogate for expansion of formal economy (Bureau, 2020).

2.4 Summarization of Major Findings & Evolution of Broad Themes for Formalization Framework

Table 2.2. summarises the major highlights of the past research studies quoted in this chapter in three broad categories viz. findings, problems and measures with respect of formalization of informal enterprises/units/economy.

Table 2.2 Summary of Findings, Problems and Measures as inferred from extant literature

Study	Main Findings	Constraints/ Problems	Remedial Measures
UNCATD: How to formalize the informal sector? make formalization easy and desirable. Retrieved on September 12, 2019 from https://businessfacilitation.org/assets/documents/pdf/formalizing-the-informal-sector.pdf .	Informality manifests itself in many ways, but especially in land and housing ownership, business operations and labour	There is a widespread misconception that the informal economy is somehow illegal, or even criminal.	(i) Explain the formalization to the masses, (ii) Make formalization easy , (iii) Make formalization desirable
Chen, M.A. (2006). Rethinking the Informal Economy: Linkages with the Formal Economy and the Formal Regulatory Environment. Retrieved on August 31, 2019 from https://www.un.org/en/ecosoc/meetings/2006/forum/Statements/Chen%27s%20Paper.pdf	Significant gaps in earnings within the informal economy: on average, employers have the highest earnings; followed by their employees and other more “regular” informal wage workers; own account operators; “casual” informal wage workers; and industrial outworkers. Also, across the world, men tend to be over-represented in the top segment; women tend to be over-represented in the bottom segments; and the shares of men and women in the intermediate segments tend to vary across sectors and countries.	Men tend to embody more human capital due to educational discrimination against girls	Informal enterprises want to receive the benefits of operating formally in return for formalization, including: enforceable commercial contracts; legal ownership of their place of business and means of production; tax breaks and incentive packages to increase their competitiveness; membership in trade associations; and statutory social protection.
Anyidoho, N.A. and Steel, F.A. (2016). Perceptions of Costs and Benefits of	Informal Economy operates in a dualism manner with Formal	The discussions in focus groups indicated that the negative perception of	Potential synergy in informal-formal sector linkages would require

Informal-formal linkages: Market and Street Vendors in Accra, Ghana. Retrieved on September 01, 2019 from https://www.wiego.org/publications/perceptions-costs-and-benefits-informal-formal-linkages-market-and-street-vendors-accra .	economy having facets of independence and dependence at the same time on each other. The informal vendors appear to bear the brunt of the costs and risks of inflation, currency depreciation, and stagnating real wages—which often impairs their ability to formalize	government authorities was related to non-fulfilment of their obligation to provide market infrastructure for vendors, the imposition of perceived high levies, taxes and fees, “harassment” of vendors, demolition of kiosks, and the city’s unwillingness to provide enough publicity about newly built markets to attract the public to them.	the government and other actors to become more proactive toward facilitating, rather than denying, infrastructure, support services, and adequate space for informal traders.
ILO (2016). Roadmap for fighting undeclared work. Retrieved on September 01, 2019 from https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/gen-ericdocument/wcms_533853.pdf	Provides a set of policy recommendations that reflects the ILO’s vision of a balanced approach combining incentives with compliance measures , as enshrined in the ILO Recommendation n. 204	Transition of undeclared work into formal economy is one of the major constraints towards formalization of informal units	Inter-ministerial reforms and actions with consent, participation and collaboration of various ministries for achieving the aim of formalization. Also, enabling inter-operability of data across various ministries.
Mukorera, S.Z.E. (2019). Willingness to formalize: A case study of the informal micro and small- scale enterprises in Zimbabwe. Journal of Developmental Entrepreneurship Vol. 24, No. 01: https://doi.org/10.1142/S1084946719500018 Retrieved on August 31, 2019 from https://www.worldscientific.com/doi/10.1142/S1084946719500018	The logistic results indicated that a one percent increase/improvement in removal of the Regulation cluster (that is, access to business networks, improvement in business registration process and reduction in problems with authorities) may increase the odds of willingness to formalize by informal entrepreneurs	Willingness/unwillingness to formalize by informal entrepreneurs in Zimbabwe was significantly related to institutional imperfections and asymmetry of bureaucracy associated with the registration process, lack of access to technology, market and financial constraints , and a lack of entrepreneurial and management skills	Formalization is possible by improving the bureaucracy of the registration process and access to technology may possibly increase the odds of the informal operators formalizing their businesses. In addition, improvement in market and financial constraints and entrepreneurial and managerial skills would decrease the odds of a willingness to formalize.
Bashe, A. (2012). The formalization of the informal sector economy: Panacea or Chimera? Master’s Thesis submitted to Gordon Institute of Business Science, University of Pretoria. Retrieved on August 21, 2019 from https://pdfs.semanticscholar.org/1084946719500018	His findings were centred around role of a government in terms of making policies and law governing informal sector, role of education in the success of enterprises, interconnected nature of the Informal Sector Economy with formal sector economy, the role	Access to finance and education are major problems that constrain formalization	The entrepreneurs in the informal sector economy must organize themselves into forums and associations to increase their bargaining power. They must then use this bargaining power to negotiate with government on potentially increasing their education levels,

holar.org/ad75/5f16b25582450233d9c82036eeaf5695f797.pdf	of access to finance for growth of existing enterprises, and the role of historical political segregation		skills and proficiency in exchange for formalization.
Kathuria, V., Rajesh Raj S.N., Sen, K. (2013). Efficiency comparison between formal and informal firms- evidence from Indian Manufacturing. The Journal of Industrial Statistics, 2(1): 1-23.	Results of this study indicated that the likelihood of the firm being in the formal sector was related to its size, less stringent labour regulation, the availability of the power supply, and priority sector lending. After accounting for selection bias, they found that formal firms were significantly more efficient than informal firms, irrespective of their locations.	Limited firm level granular data which can enable comparison between formal and informal units	Relaxation of government regulations that make the transmutation of enterprises from informal to formal sector difficult and discouraging
Bairagya, I. (2013). Sub-contracting and efficiency of the informal sector in India. The Journal of Developing Areas, 47(2): 341-361	It was observed that, in the developed state (Delhi), firms on contracts were less efficient, while they were more efficient in the less developed state (Orissa).	The results further revealed that the enforcement of regulations made the firms more inefficient in certain contexts	Addressing regional variances in terms of labour productivity, market access, sub-contracting prevalence, household based enterprises and cost of regulation for formalization is critical
Kerswell, T. and Pratap, S. (2015). Informality in Automobile Value Chains in India. The Journal of Labor and Society, 18: 533-553	The findings concluded that India's industrial relations regime had long ceased to reflect the actual balance of power between labour and capital, institutionalizing noncompliance with the labour laws, and providing the basis for the industry's informalization	Informality, low wages, and insecure working conditions are major problems faced by informal sector in the context of the study	-
Porta, R. La and Shleifer, A. (2014). Informality and Development, June. NBER Working Paper Series. Retrieved on August 21, 2019 from https://www.nber.org/papers/w20205.pdf	Examined the two contrasting assessments of the informal sector: one regarded informal firms "as an untapped reservoir of entrepreneurial energy held back by government regulations"; and the other referred to them as "parasites competing	Although avoidance of taxes and regulations is an important reason for informality, the productivity of informal firms is too low for them to thrive in the formal sector. Lowering registration costs neither brings many informal firms into the formal sector, nor	To formalize informal sector reduction of poverty is a pre-requisite

	unfairly with law abiding formal firms"	unleashes economic growth.	
Jha, S. and Bag, D. (2019), "Why do informal service enterprises remain informal? A RIDIT approach", Journal of Small Business and Enterprise Development, 26(3): 381-396. https://doi.org/10.1108/JSBED-01-2018-0009	Authors established that competition and the lack of awareness were the most dominant reasons for why informal firms were hesitant in moving towards formalization.	Economic uncertainty, State and local taxes, Regulatory burdens, Cost of technology, Decline in customer, Competition, Perceived level of corruption, Lack of capital, Cost of training workers, Cost of employee, Lack of awareness	Based on their finding, they suggested that, for successful transition towards formalization, a "new pact" between the workers, enterprises, and governments needed to be developed. It should be based on the building capacity, productivity gains, enabling business environment, empowerment, and entitlements to social and economic rights.

Summary of the highlighted terms: land and housing ownership, business operations and labour, explain, easy, desirable, gaps in earnings, men, benefits, dualism, synergy in informal-formal sector, pro-active, combining incentives with compliance measures, undeclared work, Inter-ministerial reforms and actions with consent, participation and collaboration, increase/improvement in removal of the Regulation, institutional imperfections, lack of access to technology, market and financial constraints, and a lack of entrepreneurial skills, interconnected nature of the Informal Sector, Access to finance and education, organize themselves into forums and associations, Relaxation of government regulations, enforcement of regulations, labour productivity, market access, sub-contracting prevalence, "new pact" between the workers, enterprises, and governments needed.

On the basis of literature review, following theoretical underpinnings emerge:

- State intervention is required to enhance the productivity growth of the informal enterprises in the undeveloped regions through technological transfers, education and training of the informal sector's workers which, in turn, will enhance the competitiveness of the enterprises.
- Lack of market and competition from larger units make the informal firms more inefficient in both developed and developing regions. Thus, a promotional policy needs to be implemented for better marketing facilities for the informal enterprises.
- Sub-contracting makes the informal firms more efficient in underdeveloped region but not necessarily in developed regions²⁰. Thus, policy should focus on strengthening the linkages between the formal and informal sectors.
- Firms producing their products within the household premises are relatively inefficient than the ones operating outside the household premises. Since household

²⁰ <https://www.jstor.org/stable/23612296?seq=1>

premises are traditional in nature producing mainly consumer goods and enjoy a relatively low share of market surplus, a promotional policy needs to be implemented in terms of credit for start-up and expansion capital and skill formation of these enterprises.

- Some studies also point to a finding that informal enterprises are inefficient due to extra cost of regulation. Since the informal sector is the last resort of the working poor in the developing country like India, any discouragement of the production of these enterprises will lead to high unemployment, poverty and income inequality. Thus, the regulations should be imposed in such a way that it should not be burdensome of the enterprises.

As per **Bashe (2012)** there are three possibilities with respect to formalization of informal enterprises as suggested by These are: (i) formalize the informal sector economy, (ii) leave the informal sector economy as it is in its current state, and (iii) neither formalize it nor leave it as is, but rather create an environment that is conducive to both types of the economy where both economies can thrive together and avoid competition.

The first option looks like a distant possibility if generating more revenue is the agenda of the government in any country or countries wherein informal economy is contributing significantly to GDP. Many studies inferred that this will result in the economy shrinking. The second option is not desirable; it will hamper the growth of any country. It will also bring in notion of ineffectiveness of ruling classes or elected member which will make their continuance difficult or impossible. It will give birth to a new organization style which will result in confrontation or violence and maybe a replacement of trade unions with no control in the hand of government agencies as can be seen in many cases such as sand mafia, water mafia, vegetable markets mafia, space mafia (control of places of beggars what to talk about entrepreneurs). The third option looks the most feasible. First, create segments of informal enterprises with an objective to formalize with easy and simple processes with no or bare-minimum taxation so that both sectors grow and their bond becomes stronger to benefit the economies.

2.5 Conclusion

Section 2.2 discussed the relevant studies in international contexts followed by the Section 2.3 discussing the relevant extant literature in Indian context. The importance of writing the emergent words/themes in the boxed format in Section 2.4 post table 2.2, is in continuation and synch with the approach/methodology of study mentioned in section 1.4 of the chapter 1 of the report. If looked upon carefully these emergent phrases/themes from the extant literature paves path – not only for further secondary analysis but also for guiding the HOW part of formalization (covered mainly in Chapter 6 of this report). The challenges of informal sector emerging from this chapter and those that emerge from chapter 5 coalesce to guide the challenges that need to be addressed towards formalization. The ways and means

discussed in the summary section 2.4 along with findings and Chapter 4 guide the emergence of framework of formalizing informal sector as posited in Chapter 6. For estimation and for prioritizing the sectors for MSDE and other ministries and stakeholders to focus upon, chapter 3 has been written.



Mapping the Current Available Databases for the Estimation, Classification and Prioritization of the Informal Sector

Chapter 3 - Mapping the Current Available Databases for the Estimation, Classification and Prioritization of the Informal Sector

Chapter Three presents the mapping of current available databases to estimate the informal enterprises and detailed classifications of informal enterprises under various sectors and subsectors. This chapter also includes the prioritisation of major sectors and sub-sectors based on vital parameters such as GVA, employment, inclusion and geography. The chapter is divided into three sections. Section 3.1 explores the current available databases and other available reports to discuss the extent of Informal Sector in India. In this section, mapping of current available databases (NSSO, ILO, NAS, NCEUS, CSO, Economic Surveys MSDE, Reports of MOSPI etc.) for providing an in-depth overview on extent of informal sector and for elaborating and defining the unorganized and informal sector and identification of key characteristics. Section 3.2 depicts the picture of the size distribution of India's non-agricultural enterprise structure, both formal and informal, and presents a percentage break-up between the formal and informal enterprises under each sector. Section 3.3 encompasses the prioritisation of sectors and subsectors. This prioritisation mostly used NSSO data. Sub-section 3.3.6 does prioritisation of sectors using economic census data and with focus on women entrepreneurs. Finally, Section 3.4 offers concluding remarks.

3.1. Formal - Informal Enterprise Classification

3.1.1 Introduction

Today, the question is whether informal is the new normal that re-emerges with a new urgency. The evidence indicates that policymakers should maintain a focus on formalization as a medium- to long-term strategy for optimal outcomes in terms of productivity and the reduction of poverty and inequality (La Porta and Scheleifer, 2008; Kanbur, 2014; IMF, 2017; McMillan et al., 2017). Informal enterprises are variously identified as “employers” (Chen, 2012; Gindling and Newhouse, 2014) or “top performers” (Grimm et al., 2012) and as the informal sector (Maloney, 2004; IMF, 2017). A basic distinction between characteristics of enterprises (which emphasise the informal sector) and employment relationships (which go beyond this sector to include informal work in the formal sector, private households, and for workers' own use) is reflected in the evolution of international conceptualisation of informality.

In 1993, the International Conference of Labour Statisticians (ICLS) adopted a definition based on the characteristics of the enterprises that made up the informal sector enterprises, which may be unregistered or small. Subsequently, in 2002, ICLS expanded the concept of informality to include the nature of employment (ILO and WIEGO, 2017b), namely whether or not workers had legal and social protections, be it in enterprises—whether formal or

informal—or households (ILO, 2003). In the context of statistical definitions of informality, according to Chen (2012), the informal sector referred to the production and employment that takes place in informal small or unregistered enterprises; and the informal economy refers to all units, activities, and workers so defined and the output from them. As such, the informal sector is comprised of all economic activity that remains outside of the official institutional framework. In India, informal enterprises have persisted over the years. Labour regulations, in more ways than one, have implicitly supported this informalization or ‘contractualisation’ of classifying the work force.

3.1.2 Informal-Formal Classification Landscape in India

3.1.2.1 Overview

The micro- and small-sized firms as well as informal sector firms dominate the enterprise classification landscape in India. In informal enterprises, the work takes place outside formal, public, and/or private systems and is beyond the reach of typical regulations or policies.

Regarding the international definition and classification of informal employment in India, the National Commission for Enterprises in the Unorganised Sector defined informal employment to include individuals that were “...working in the unorganised enterprises or households, excluding regular workers with social security benefits, and the workers in the formal sector without any employment/social security benefits provided by the employers” (NCEUS, 2008, p.27, para 2.7.3). Therefore, informality could exist in formal enterprises or informal enterprises, where informal enterprises are defined based on their size/scope for regulation. The ‘informal sector’ or ‘informal enterprises’ includes all informal proprietary and partnership enterprises, as defined by the National Sample Survey Organisation (NSSO, 1999). Within this classification, household-level enterprises are also included—that is ‘production units that are owned and operated by single individuals working on their own account as self-employed persons, either alone or with the help of unpaid family members. However, these types of informal enterprises are relatively overlooked (Kweka and Fox, 2011), yet they lie ‘at the intersection of formal and informal enterprise perspectives.

It is believed that adopting an expanded approach of classification will enable the micro enterprises that account for the majority of informal activities. Since the choice and implementation of policy and its financing will vary depending on the relative size and composition of the informal enterprises within the country, this paradigm of classification is critical. There are two main approaches to classify informal enterprises on the basis of size and composition.

- One approach is to classify informal enterprises on the basis of levels of informal enterprise activity using indirect proxies, such as: small enterprises, electricity

demand, levels of cash deposits or money transactions, and income-expenditure discrepancies.

- Another approach is to classify and measure informal enterprise employment directly through surveys (Williams, 2015, p. 120; Medina and Schneider, 2017). However, data on these proxy indicators is often lacking, while data collected through surveys may be subject to various country-level differences, despite a shared conceptual underpinning and the establishment of internationally-agreed statistical definitions (ILO, 2013).

Furthermore, given the size of India, dependency on surveys of unorganised informal sector is inevitable. The administrative data on these enterprises is also not available from other sources given the size and characteristics of the informal sector. The frequency of surveys of unorganised enterprises and employment are around five years. However, we have adopted a holistic approach in order to see the true representation of different firm size categories, both organized as well as unorganized.

3.1.2.2 On the basis of registration with acts/authorities

We have attempted to merge the data on all of India's registered, as well as unorganised, enterprises. We examined both formal and informal sector enterprises by analysing both the ASI data and the National Sample Survey (NSS) data. Other than these two data sources, there are two other databases on industries: the MSME Census data and the Centre for the Monitoring of the Indian Economy (CMIE) Prowess database. We have not used the latter two for this study. This is because the last MSME census, which is available, is the 4th MSME census 2005-06, and the data was published in 2011. After that, there is no available MSME census data. Additionally, the CMIE Prowess database is mainly for companies that are registered in the share market. Therefore, we only used the NSS unorganized survey rounds' data for unorganized or informal sector firms. It is also pertinent here to mention that unorganised or informal sector firms are not covered by the ASI, whereas the NSSO Surveys of Unorganized Manufacturing Enterprises covers those. Also, the NSS unorganized surveys are follow-ups to the different Economic Censuses. The NSS uses the Economic Census as their sampling frame, hence why it is used in this study. We have mainly used the NSS unorganized survey rounds' unit level data (73rd in 2015-16 and 67th in 2010-11). The NSS is used for unorganized sector data; for organized sector, ASI databases (2010-11 and 2014-15-unit level data) are referred. However, ASI does not classify firms by the categories—Micro, Small, and Medium—but NSSO's unorganized sector survey does. An additional source used is two years of the CSO's Annual Survey of Industries, for 2010-11 and 2014-15, the latter one being the latest for which unit-level data are available. In them, only operational enterprises were taken into consideration. ASI mostly covers manufacturing units and manufacturing process (very small in number). Also, this study references sources like various Industry-specific acts/ authorities under which the enterprises were registered

in 2010-11 and 2015-16. Table 3.1 summarizes the industry-specific acts/authorities under which enterprises were registered in 2010-11 and 2015-16.

Table.3.1: depicting Industry-specific acts/ authorities under which enterprises registered in 2010-11 & 2015-16

2010-11	2015-16
Cinematograph act	Cinematograph act
Coir Board	
Development Commissioner of Handicraft/ handloom	Development Commissioner of Handicraft /handloom
Directorate General of Foreign Trade/ other export promotion agencies	Directorate General of Foreign Trade/ other export promotion agencies
Directorate of education /AICTE/NCTE	Directorate of education /AICTE/NCTE
District Supply and Marketing Society	District Supply and Marketing Society
Indian Charitable Act	Indian Charitable Act
Jute Commissioner	
Khadi and Village Industries Commission/Board	Khadi and Village Industries Commission/ Board
Money lender's Act	Money lender's Act (including the State variants)
Others	Others
Pollution Control Board	
Public Trust Act	Pollution Control Board
Silk Board	
Small Industries Development Bank of India (SIDBI)	
Small Industries Services Institutes/ other small industries registration agencies	
Societies Registration Act, 1860 (including the State variants)	Societies Registration Act, 1860 (including the State variants)
State directorate of industries	State directorate of industries
State Financial Corporation/Industrial Cooperative Banks/Industrial Development Banks	
State Financial Corporation/Industrial Cooperative Banks/Industrial Development Banks/ SIDBI	
State Trading Corporation of India Limited (STC)	
Technical Consultancy Services Organisations/Council for Technological Upgradation	Technical Consultancy Services Organisations/Council for Technological Upgradation
	Commodity boards (Coir board, Silk Board, Jute commissioner, etc.)
	Employees Provident Fund Organisation (EPFO)
	Food safety and Standards Act, 2006
	Indian Trust Act/Public Trust Act (including the State variants)
	Sale tax

Source: 73rd round NSSO Unincorporated Non-Agricultural Enterprises (Excluding Construction) survey 2015-16-unit level data & 67th NSS Unincorporated Non-Agricultural Enterprises (Excluding Construction) survey 2010-11-unit level data

The observed acts or authorities under which informal sector firms are registered are shown in the following Table 3.2. There are some inclusions and exclusions of acts and authorities between these two points of time between the NSS rounds (Table 3.2).

Table.3.2: Registration Act/ authorities of unorganized firms

Particulars (Acts)	Number of Enterprises	
	2010	2015-16
Shops and Establishment Act	3772223	4270136
Municipal Corporation/Panchayats/ Local Body	9904106	12678481
Provident Fund Act	72974	91159
Employees State Insurance Corporation Act	64720	61390
Vat /Sales Tax Act	1830626	2383199
Registered with SEBI/ Stock Exchange?		13039
any other industry-specific Act/ Authority*	1181990	95150
Total registered	16826639	19592554
Total unregistered	40846606	43799421
Total	57673245	63391974

Source: 73rd round NSSO Unincorporated Non-Agricultural Enterprises (Excluding Construction) survey 2015-16-unit level data & 67th NSS Unincorporated Non-Agricultural Enterprises (Excluding Construction) survey 2010-11-unit level data

It is also observed that registration under these acts or authorities for informal sector firms is a mere formality and is not particularly effective. It is also not synonymous to formalization. These acts or authorities only register about 30% of the unorganised firms. Formalization under the Factory Act registration tends to assure social security benefits and other benefits in the firms. But, registrations under these other acts or authorities are only for simple registrations, the firms remain the same as before. Some small incentives for any state/central government exhibitions or fairs include early access of benefits from any government schemes, and availing credit from banks can be gained by these types of registrations from informal firms.

3.1.2.3 On the basis of micro, small and medium and services and manufacturing

In addition to the content above, we noted that the Ministry of Micro, Small and Medium Enterprises the government of India classifies enterprises as Micro, Small and Medium Enterprises as per the MSMED Act (2006). These are further categorised in to two sectors, namely Manufacturing and Service. Where manufacturing enterprises are defined and classified as the enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and Regulation Act, 1951) or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use. Here, the size of Manufacturing Enterprise is defined in terms of investment in Plant and Machinery. The other types are Service Enterprise that are defined and classified providing or rendering services and are defined in terms of investment in equipment. The limitation for investment in plant and machinery/equipment for manufacturing/service enterprises are shown in Table 3.3a.

Table.3.3a: Micro, Small and Medium Enterprises Classification: Limit for investment in plant and machinery

Enterprise Type	Manufacturing Sector	Service Sector
	Investment in plant & machinery	Investment in plant & machinery
Medium Enterprises	More than 5 crore rupees but doesn't exceed 10 crore rupees	More than 2 crore rupees but doesn't exceed 5 crore rupees
Small Enterprises	More than 25 lakh rupees but doesn't exceed 5 crore rupees	More than 10 lakh rupees but doesn't exceed 2 crore rupees
Micro Enterprises	Does not exceed 25 lakh rupees	Does not exceed 10 lakh rupees

Source: The MSMED Act, 2006, Ministry of MSMEs

However, with effect from 01.07.2020; As per revised definition, an enterprise shall now be classified as a micro, small or medium enterprise on the basis of limit for investment in plant and machinery equipment and Turnover as shown in table 3.3b.

Table.3.3b: Micro, Small and Medium Enterprises Classification: Limit for investment in plant and machinery equipment and Turnover

Revised Classification applicable w.e.f 1st July 2020			
Composite Criteria: Investment in Plant & Machinery/equipment and Annual Turnover			
Classification	Micro	Small	Medium
Manufacturing Enterprises and Enterprises rendering Services	Investment in Plant and Machinery or Equipment: Not more than Rs.1 crore and Annual Turnover ; not more than Rs. 5 crore	Investment in Plant and Machinery or Equipment: Not more than Rs.10 crore and Annual Turnover ; not more than Rs. 50 crore	Investment in Plant and Machinery or Equipment: Not more than Rs.50 crore and Annual Turnover ; not more than Rs. 250 crore

Source: Gazette of India, dated 01 June 2020. Source: https://msme.gov.in/sites/default/files/MSME_gazette_of_india.pdf

3.1.2.4 Unorganized vs Informal and Other Sources of Classification

Sometimes, there is a confusion about enterprises in the formal/registered and informal/unorganised sectors. The unorganised sector refers to those informal enterprises that do not maintain any regular accounts. The first Indian National Commission on Labour (1966-69) classified the unorganised sector as those units that have not been able to organise themselves in pursuit of their common interest due to certain constraints like a casual nature of employment, ignorance and illiteracy, and small and/or scattered establishment sizes. Similarly, the report on Definitional and Statistical Issues Relating to the Informal Economy (2008) recommended that the Informal Sector be defined and classified as the unorganized sector consisting of all informal, private enterprises owned by individuals or households engaged in the sale and production of goods and services that are operated on a proprietary or partnership basis and with less than 10 total workers.

On the other hand, the formal sector is comprised of enterprises where statistics are available from the budget documents or reports etc. Likewise, the Directorate General of Employment and Training (DGET) has also used varying definitions and classification of informal/unorganised depending on the specific requirements of each organisation. In the case of services, enterprises that are neither run by the government nor included in the public sector are classified as un-organised. The National Commission for Enterprises in the

Un-organised Sector (NCEUS) adopted a similar approach for this classification. However, the National Accounts Statistics (NAS) classifies the unorganised sector not only by the informal proprietorships or partnership enterprises, but it also includes enterprises run by cooperative societies, trust, private, and limited companies. Alternatively, the organised sector is classified by utilising the sole criterion of availability of production statistics through administrative sources or regular surveys. Furthermore, the 5th and 6th economic censuses are good examples for classifying both formal and informal sector enterprises. The 6th economic census (2013) tried to collect various useful characteristics, like employment size (i.e. establishments employing less than 10 workers), for classifying an enterprise as an informal sector enterprise. As such, economic censuses have broadly classified both formal and informal sector enterprises. More specifically, establishments employing less than 10 workers were classified as an informal sector enterprise. However, the vision of the 7th census is to comprehensively cover and classify the non-farm economic activities carried out by units registered/licensed or by self-employed/own account establishments not registered/licensed in India.

In the context of labour, both formal and informal sector enterprises are classified and divided into two classes: (a) organised labour that is strongly protected by law and has their own auriferous trade unions, and (b) unorganised labour that is unprotected and more often remains uncovered by protective legislations.

In addition, the Small Industries Development Organizations (SIDO) group conducts the census of small-scale industries. This census covers and classifies units such as the small-scale industries, ancillary units, and small-scale servile and business enterprises (SSSBs). However, it does not include definitions and elaborations of informal enterprise classifications. There seems to be a need for a categorical inclusion and definition and classification of informal enterprises.

The units under the purview of Khadi and Village Industries Commission (KVIC), Silk Board, Handicrafts Board, Textile Commissioner, etc. also do not seem to define and include informal enterprises classifications. While in the case of manufacturing industries, registration under the Factories Act (1948) or Beedi and Cigar Workers (Conditions of Employment) Act (1966) is the criterion for classification and inclusion in the organised sector. Ownership by the Government or Government Undertakings or Corporate bodies constituted under the Companies Act is largely the criterion of classification in the case of Agriculture, Construction, Trade, Hotels, Restaurants, etc. In the case of forestry, it is the production of industrial and fuel wood as reported by the State Forest Departments; in the case of mining and quarrying, all major minerals as reported by the Indian Bureau of Mines constitute the organised sector. In the education sector, all recognized institutions, irrespective of ownership, are in the organised sector. In the compilation of National Accounts, the term unorganised sector is used differently and consists of residual enterprises that are not included in the organised sector.

Similarly, the Unorganised Workers Social Security Act (2008) has also defined the unorganised sector and unorganised workers. However, the scope of the term 'unorganised workers' is not classified and extended/widened in order to include to agricultural labourers and unorganised labourers in the organised sector. The application of such varying classifying criteria makes it impossible to have comparable statistics across the sectors, either for the organised or for the un-organised sectors. Furthermore, the national commission, after deliberating on a number of alternatives, adopted the following approach, "all unincorporated private enterprises owned by individuals or households engaged in the production and sale of goods and services and operated on a proprietary or a partnership basis goods and services and operated on a proprietary or a partnership basis and employing less than 10 persons"²¹. Although this definition and classification approach does not make any distinction between agricultural and non-agricultural types of informal enterprises, it seems that the concept of enterprise is generally being used in India only in the context of the non-agricultural sector.

In India, the 'informal sector' or 'informal enterprises' include and are classified as all informal proprietary and partnership enterprises, as defined by the National Sample Survey Organisation (NSSO, 1999). The informal sector, in this case, encompasses the units with groups of workers who cannot be defined by definition but could be described and classified as those who have not been able to organize in pursuit of a common objective because of constraints. The informal sector/unorganised sector also classifies and includes the enterprises which are personal account enterprises and operated by the account workers themselves or unorganised enterprises employing hired workers. They are essentially proprietary and partnership enterprises. Therefore, the term informal non-agricultural enterprises that classifies and includes both market producers and non-market producers as used by NSSO seems to be more appropriate approach to for classifying the informal enterprises.

In order to address this above discussed confusion about enterprises in formal/registered sector and informal enterprises, we observe and clarify that the informal sector is not entirely overlapping with what is called the unregistered sector. As per NSS unorganised survey rounds, there are enterprises which can be small registered enterprises under Shops and Establishment Act, or the Municipal corporation/Panchayat/local body, VAT/sales tax, Employee Provident Fund Act, the Employees State Insurance Corp. Act, and/or registered with SEBI/stock exchanges and any other specific act or authorities. So, the unorganised sector consists of mostly unregistered enterprises and some registered enterprises under some specific act or authorities other than the Factories Act (which is captured under the ASI). Firms captured under the ASI, on the other hand, are all registered/formal firms under Sections 2m(i) and 2m(ii) of the 1948 Factories Act and firms registered in the 1966 Bidi and

²¹ <http://sri.nic.in/unorganised-sector>

Cigar Workers Act—particularly, (i) those firms that use electricity and hire more than 10 workers, and (ii) those that do not use electricity but nevertheless employ 20 or more workers. Therefore, it is evident that there is no overlapping or double-counting between NSS and ASI datasets. In the Indian context, the enterprises with less than 10 workers are considered as unorganized sector units, while those with more than 10 workers are regarded as organized. Table 3.4 presents the total universe of India’s non-agricultural enterprises. In terms of level of informality, the table shows that there are 63million enterprises informal (unorganized) and formal (organized) together. It is also observed that approximately 30% enterprises are registered in both years (2015-16 and 2010-11) under any act or authority. There is no change in the share of registered enterprises in informal sector over the years. Similarly, it is also evident that 99.7% of enterprises are in the unorganized sector, and this share is constant over these two points of time, i.e. 2015-16 and 2010-11. Of these, two thirds are not registered anywhere. It is also observed that only 0.3% is the total ratio of registered/formal sector firms, whereas the informal sector is much bigger than the registered sector.

Table.3.4: Classification of total Number of Enterprises in organised and unorganised sector in 2010-11 & 2015-16

Particulars		Number of Enterprises (Nos.)		Share (%)	
		2010-11	2015-16	2010-11	2015-16
Unorganized (NSS)	Registered under any act/authority	16,826,639	19,592,554	29.1	30.8
	Unregistered	40,846,606	43,799,421	70.6	68.9
	Total	57,673,245	63,391,974	99.7	99.7
Registered under Factories act, companies act or other (ASI)* / Formal		167,964	173,640	0.3	0.3
Total		57,841,209	63,565,614	100	100

Source: Annual survey of Industry Unit level data of 2014-15, Annual survey of Industry Unit level data of 2010-11, 73rd round NSSO Unincorporated Non-Agricultural Enterprises (Excluding Construction) survey 2015- 16 unit level data & 67th NSS Unincorporated Non-Agricultural Enterprises (Excluding Construction) survey 2010-11 unit level data ***since still now ASI 2015-16 data is not available, we have used ASI 2014**

3.2 Size of the Formal and Informal Sectors

3.2.1 Overview

In order to analyse the size of the formal and informal sectors, please refer to Table 3.5 which is presented below. Within unorganized units, the number of small enterprises in 2010-11 and 2015-16 increased quite sharply, both among the registered as well as the unregistered unorganized sectors. But, their share is still marginal in 2015-16 as it was in 2010-11: from 0.1 to 0.6% of all unorganized enterprises. Out of 63 million MSMEs, only 0.38 million were considered small and medium. Also, between 2010-11 and 2015-16, the number of registered (under Factories Act) units that were small had actually reduced slightly, as did the medium-sized enterprises. However, the small firms among the unregistered exceeded

in numbers from 1,682 to 51,072 over the same period. Similarly, it was observed that the unorganized small units (registered under any Act/authority) also increased from 38,414 to 279,794.

The reason for this increase in number over just five years, we argue, was due to the increased number of acts under which registration was permitted between 2010-11 and 2015-16. (See table Table.3.1 and Table 3.2 for list of additional Acts under which registration was permitted). The medium enterprises had similar experiences. If we examine the registered firms under the Factories Act (columns 8 and 9) of Table 3.5, there was some growth, but here too the growth in number of firms was accounted for by micro firms, not the small or medium categories. If anything, small and medium firms actually shrank in number over that five-year period. The number of large firms grew only a little. It is also observed that there was an overall growth in the number of enterprises (Micro) but not the small or medium types. The number of large firms, again, grew only a little.

Table. 3.5: Size wise total number of enterprises in India in 2010-11 & 2015-16

Type of Units/Enterprises	Unorganized/ Informal Enterprises (NSS)						Registered under Factories act, companies act or other/ Formal (ASI)		Total		Share (%)	
	Registered under any act/authority		Unregistered		Total							
	2010-11	2015-16	2010-11	2015-16	2010-11	2015-16	2010-11	2014-15*	2010-11	2015-16*	2010-11	2015-16*
(A)1	(B)2	(C)3	(D)4	(E)5	6(F)=(B)+(D)	7G=(C)+(E)	8H	9I	10J=F+H	K= G+I	L	M
Micro	16,787,999	19,304,556	40,844,924	43,746,969	57,632,923	63,051,524	38,136	45,947	57,671,059	63,097,471	99.7	99.3
Small	38,414	279,794	1682	51,072	40,097	330,866	43,171	42,349	83267	373215	0.1	0.6
Medium	142	5,064	0	218	142	5,282	62,638	59,448	62,780	64,730	0.1	0.1
Large	83	3,092	0	25	83	3,117	24,019	25,895	24102	29012	0.0	0.0
Total	16,826,639	19,592,505	40,846,606	43,798,285	57,673,245	63,390,789	167,964	173,640	57,841,209	63,564,429	100	100

Source: Annual survey of Industry Unit level data of 2014-15, Annual survey of Industry Unit level data of 2010-11, 73rd round NSSO Unincorporated Non-Agricultural Enterprises (Excluding Construction) survey 2015-16 unit level data & 67th NSS Unincorporated Non-agricultural Enterprises (Excluding Construction) survey 2010-11 unit level data *since on present day ASI 2015-16 unit level data is not available, we have used ASI 2014-15

3.2.2 Sector wise estimation

Since this study's focus is on the informal sector, we utilised the NSS enterprise surveys that examined the unorganized sector. The NSSO classifies and defines the informal sector enterprises as well as all the informal proprietary and partnership enterprises. The NSS enterprise surveys in the past have classified informal non-agricultural enterprises as manufacturing, services, and trade. In the NSS's 55th round, the subject of informal sector enterprises was covered where the informal sector was classified as proprietary and partnership enterprises. While, the coverage of activities in 55th round was only for non-agricultural sector, the coverage of activities in the 61st, 66th, 67th, and 68th rounds were in the non-agricultural sector (manufacturing, trade, and other services, excluding

construction) and also in the AGEGC. Specifically, the NSS's 68th round results showed a high proportion of informal sector enterprises were there in both the rural and urban areas.

In addition, the informal sector in the Indian economy (as per 73rd NSS round) classified a large number of enterprises of varying sizes and spread as informal sector; the classification includes: (i) informal unorganised manufacturing units, (ii) enterprises engaged in cotton ginning, cleaning and baling which are not covered by the Annual Survey of Industries (ASI), and (iii) units engaged in trading, non-captive electricity generation and transmission and other services activities. The ownership categories of enterprises that were under coverage of the NSS's 73rd round were proprietary and partnership enterprises, Trusts, Non-Profit Institutions (NPIs), Self Help Groups (SHG), etc. The NSS Surveys have shown that the most growing classified categories of Indian economy like manufacturing, trade, and other services were dominated by informal units.

These informal enterprises that were based on the type of activities of enterprises were broadly classified as manufacturing enterprises, Trading enterprises, and servicing enterprises. A manufacturing informal enterprise is defined as a unit engaged in the physical or chemical transformation of materials, substances, or components into new products. It covers units working for other concerns on materials supplied by them. It also includes the units primarily engaged in maintenance and repair of industrial, commercial, and other related machinery and equipment, which were, in general, classified in the same class of manufacturing as those specialising in manufacturing the goods the activity of cotton ginning, cleaning, and baling. Non-captive electricity generation and transmission were also considered under manufacturing. However, a trading informal enterprise was considered an undertaking engaged in trade; where trade is defined to be an act of purchase of goods and their disposal by way of sale without any intermediate physical transformation of the goods. Thus, all the trading activities, like wholesale and retail (perennial, casual, or seasonal) and the activities of intermediaries who do not actually purchase or sell goods but only arrange their purchase and sale and earn remuneration by way of brokerage and commission. The purchase and sale agents, brokers, and auctioneers were also considered as being a part of trade. Similarly, the third category of an informal servicing enterprise or service sector enterprise is defined as an entity engaged in activities carried out for the benefit of a consuming unit and typically consists of changes in the condition of consuming units realized by the activities of servicing unit at the demand of the consuming unit.

In addition to this, informal servicing enterprise or units that include services like transporting, cleaning, repairing, transporting people, providing accommodations, providing medical or surgical treatments, improving appearance, providing the insurance, financial intermediation, protection, guarantees, providing education, information, advice, entertainment, or similar services are included. Therefore, in view of the above, we classify the informal non-agricultural enterprises in to three sectors: Manufacturing, Trade, and Other Services (excluding construction). Table 3.6 represents the type of informal

enterprises classification where the activities have been classified into following broad heads: Manufacturing, Non-captive electricity generation and transmission, Trade, and Other Services.

Table. 3.6: Classification based on types of activities of Informal Enterprises

Category: Manufacturing
Manufacture of Food Products
Manufacture of Beverages
Manufacture of Tobacco Products
Manufacture of Textiles
Manufacture of Wearing Apparel
Manufacture of Leather and Related Products
Manufacture of Wood and of Products of Wood and Cork, except Furniture; Manufacture of Articles of Straw and Plaiting Materials
Manufacture of Paper and Paper Products
Printing and Reproduction of Recorded Media
Manufacture of Coke and Refined Petroleum Products
Manufacture of Chemicals and Chemical Products
Manufacture of Pharmaceuticals, Medicinal Chemical and Botanical Products
Manufacture of Rubber and Plastics Products
Manufacture of Other Non-Metallic Mineral Products
Manufacture of Basic Metals
Manufacture of Fabricated Metal Products, except Machinery and Equipment
Manufacture of Computer, Electronic and Optical Products
Manufacture of Electrical Equipment
Manufacture of Machinery and Equipment N.E.C.
Manufacture of Motor Vehicles, Trailers and Semi-Trailers
Manufacture of Other Transport Equipment
Manufacture of Furniture
Other Manufacturing
Repair and Installation of Machinery and Equipment
Cotton Ginning, Cleaning and Bailing
Non-captive electricity generation and transmission. Electric power generation, transmission and distribution
Category: Trading
Wholesale and Retail Trade and Repair of Motor Vehicles and Motorcycles
Wholesale Trade, except of Motor Vehicles and Motorcycles
Retail Trade, except of Motor Vehicles and Motorcycles
Category: Other Services
Sewerage
Waste collection, treatment and disposal activities; materials recovery
Remediation activities and other waste management services
Other Land Transport
Water Transport
Warehousing and Support Activities for Transportation
Postal and Courier Activities

Accommodation
Food and Beverage Service Activities
Publishing Activities
Motion Picture, Video and Television Programme Production, Sound Recording and Music Publishing Activities
Programming and Broadcasting Activities
Telecommunications
Computer Programming, Consultancy and Related Activities
Information Service Activities
Chit funds
Trusts, Funds and Other Financial Vehicles
Other Financial Service Activities Except Insurance and Pension Funding Activities (including investment club, and activities of private moneylenders)
Other Financial Activities, except insurance and pension fundings
Risk and Damage Evaluation
Fund Management Activities
Real Estate Activities
Legal and Accounting Activities
Activities of head offices; management consultancy activities
Architecture and Engineering Activities: Technical Testing and Analysis
Scientific Research and Development
Advertising and Market Research
Other Professional, Scientific And Technical Activities
Veterinary Activities
Renting and leasing of motor vehicles
Renting and leasing of personal and household goods
Renting and leasing of other machinery, equipment and tangible goods n.e.c.
Employment Activities
Travel Agency, Tour Operator and Other Reservation Service Activities
Security and Investigation Activities
Services to Buildings and Landscape Activities
Office Administrative, Office Support and Other Business Support Activities
Education
Human Health Activities
Residential Care Activities
Social Work Activities Without Accommodation
Creative, Arts and Entertainment Activities
Libraries, Archives, Museums and Other Cultural Activities
Gambling and Betting Activities (coverage restricted to legal activities only)
Sports Activities and Amusement and Recreation Activities
Activities of business, employers and professional membership Organizations
Activities of Other Membership Organisations (excluding 9492 and part of 9491 relating to organisation)
Repair of Computers and Personal and Household Goods
Other Personal Service Activities

Source: Adapted from NSS 73rd round (July 2015 – June 2016); includes informal non-agricultural enterprises belonging to three sectors viz., Manufacturing, Trade and Other Services (excluding construction).

In addition, percentages of shares of formal/informal sectors across broad sectors are summarized in Table 3.7. India treats unincorporated enterprises maintaining accounts as quasi corporates, and they are treated as part of the formal sector. The percentage shares of the informal/unorganized sector GVA to the total, as shown in Table 3.7, is more than 50% across the years. However, as stated above, if the quasi sector is also considered, the share reduces below 50%. The share of unorganized sector is highest in agriculture as the holdings are small and fragmented. This is followed by trade, construction, real estate, professional services, and other services.

Table 3.7 Percentage Share of formal/informal sectors across broad sectors

Industry	2011-12				2016-17				2017-18			
	Organised/ formal	Unorganised/ informal		Total	Organised/ formal	Unorganised/ informal		Total	Organised/ formal	Unorganised/ informal		Total
			Of which HH*				Of which HH*				Of which HH*	
Agriculture, forestry and fishing	3.2	96.8	94.8	100.0	2.8	97.2	95.2	100.0	2.9	97.1	95.2	100.0
Mining and quarrying	77.4	22.6	22.6	100.0	77.4	22.6	22.6	100.0	77.5	22.5	22.5	100.0
Manufacturing	74.5	25.5	12.7	100.0	76.4	23.6	12.5	100.0	77.3	22.7	12.0	100.0
Electricity, gas, water supply & other utility services	95.7	4.3	3.2	100.0	95.0	5.0	5.0	100.0	94.7	5.3	5.3	100.0
Construction	23.6	76.4	76.4	100.0	26.6	73.4	73.4	100.0	25.5	74.5	74.5	100.0
Trade, repair, Accommodation and food services	13.4	86.6	56.0	100.0	13.4	86.6	55.8	100.0	13.4	86.6	55.8	100.0
Transport, storage, communication & services related to broadcasting	53.0	47.0	39.6	100.0	53.7	46.3	38.5	100.0	52.3	47.7	39.6	100.0
Financial services	90.7	9.3	0.0	100.0	88.1	11.9	0.0	100.0	88.1	11.9	0.0	100.0
Real estate, ownership of dwelling & professional services	36.9	63.1	57.2	100.0	46.8	53.2	46.7	100.0	47.2	52.8	46.0	100.0
Public administration and defence	100.0	0.0	0.0	100.0	100.0	0.0	0.0	100.0	100.0	0.0	0.0	100.0
Other services	58.8	41.2	22.6	100.0	52.7	47.3	24.4	100.0	52.1	47.9	24.3	100.0
TOTAL GVA at basic prices	46.1	53.9	45.5	100.0	47.3	52.7	43.6	100.0	47.6	52.4	43.1	100.0

*Excludes quasi corporates

Source: Computed from National Accounts Statistics, 2019

Tables 3.8A and 3.8B present the estimation of informal enterprises based on secondary data taken from different sources encompassing summary for two categories of enterprises, i.e. OAE²² and Establishment²³.

²² The Own Account Enterprises (OAEs), defined as "an enterprise, which is run without any hired worker employed on a fairly regular basis".

²³ Economic unit that produces and/or sells goods or services and operates from a single physical location. If a firm has multiple locations such as this, each is considered an individual establishment.

Table 3.8A. Estimated number of enterprises by broad activity category for sector and enterprise type (2010-11)

Broad activity Category	Number of enterprises ('00)								
	Rural			Urban			Rural + Urban		
	OAE	Establishment	all	OAE	Establishment	all	OAE	Establishment	all
1	2	3	4	5	6	7	8	9	10
Manufacturing	9,138	977	10,115	5,292	1,803	7,095	14,430	2,780	17,210
Trade	9,954	611	10,565	7,870	2,316	10,186	17,824	2,926	20,751
Other services	9,154	1,057	10,211	7,402	2,098	9,501	16,556	3,156	19,712
All*	28,246	2,645	30,891	20,564	6,218	26,782	48,810	8,863	57,673
* includes enterprises engaged in non-captive electricity generation and transmission									
OAE- Own Account Enterprises: Year 15-16. Source: NSS 73rd Round									

Table 3.8B. Estimated number of enterprises by broad activity category for sector and enterprise type (2015-16)

Broad activity Category	Number of enterprises ('00)								
	Rural			Urban			Rural + Urban		
	OAE	Establishment	all	OAE	Establishment	all	OAE	Establishment	all
1	2	3	4	5	6	7	8	9	10
Manufacturing	104,975	9,169	114,144	63,163	19,341	82,504	168,139	28,510	196,649
Trade	101,874	6,837	108,711	92,829	28,818	121,648	194,703	35,655	230,359
Other services	90,084	11,930	102,014	80,639	24,225	104,865	170,723	36,156	206,879
All*	296,959	27,938	324,897	236,634	72,389	309,023	533,593	100,327	633,920
* includes enterprises engaged in non-captive electricity generation and transmission									
OAE- Own Account Enterprises: Year 15-16. Source: NSS 73rd Round									

Based on the analysis of data given in these two tables, it is calculated that 1,143,500 units are added each year. Assuming the growth was same for next three years, the total number of units will be 66,822,500 at the end of 2018-19. It is evident from the data that the number of manufacturing units are more concentrated in rural areas in comparison to urban areas. On the other hand, for the other two categories, more enterprises are found in the urban areas.

Data with respect to number of enterprises for 67th and 73rd rounds are given in Table 3.9A. It is evident from the data given in Table 3.9A that the growth of establishment units was more in comparison to the OAE units. It is a promising sign, suggesting it will create even more production and employment opportunities.

Table 3.9A Estimated number of enterprises in NSS 67th round and NSS 73rd round- all-India

NSS round/ Year	Number of enterprises ('00)		
	OAE	Establishment	all
1	2	3	4
201516 (NSS 73 rd round)	533593 (84.2%)	100327 (15.8%)	633920 (100%)
201011 (NSS 67 th round)	488105 (84.6%)	88628 (15.4%)	576733 (100%)
Growth rate (%)	9.3%	13.2%	9.9%

Source: 67th and 73rd round NSSO Unincorporated Non-Agricultural Enterprises (Excluding Construction) survey, 2010-11 and 2015-16. all-India

After examining the distribution across manufacturing and services of India's unorganized sector enterprises, as shown below in Table 3.9B, one can see that service firms are the

dominate type; they account for around 60% or more of units (regardless of size of enterprise), with manufacturing accounting for the remainder. What is interesting is that services are relatively more important among the OAEs and the smallest units (with 1-5 workers), while manufacturing is more important among the slightly bigger units (>6 workers). Secondly, it is notable that manufacturing is much more important as an economic activity in urban areas, regardless of size, than in rural areas.

Table 3.9B: Size wise sectoral share distribution of informal enterprises in manufacturing & services in 2010-11 & 2015-16

Firm Categories	Rural Services		Urban Services		Rural Manufacturing		Urban Manufacturing		Total	
	2010-11	2015-16	2010-11	2015-16	2010-11	2015-16	2010-11	2015-16	2010-11	2015-16
OAE	39.1	36.0	31.3	32.4	18.7	19.7	10.8	11.8	100.0	100.0
Nondirectory establishment	20.1	19.3	51.5	54.2	10.1	8.7	18.3	17.8	100.0	100.0
Directory establishment	11.4	14.0	43.7	45.8	13.3	11.6	31.6	28.6	100.0	100.0
10 & more workers	15.8	18.5	38.7	45.6	19.2	11.5	26.4	24.4	100.0	100.0

Source: 67th and 73rd round NSSO Unincorporated Non-Agricultural Enterprises (Excluding Construction) survey, 2010-11 and 2015-16. Estimated from unit level data

Similarly, Table (3.10) represents the percentage of enterprises by broad activity category for the sectors and enterprise types.

Table:3.10 Estimated percentage of enterprises by broad activity category for sector and enterprise type all India 2015-16

Broad Activity Category	Percentage of Informal enterprise (%)					
	Rural	Urban	Rural Urban	OAE	estt	all
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Manufacturing	58.0	42	100	85.5	14.5	100
Trade	47	52.8	100	84.5	15.5	100
Other Services	49.3	50.7	100	82.5	17.5	100
All*	51.3	48.7	100	84.2	15.8	100

* includes enterprises engaged in non-captive electricity generation and transmission
Source: NSS Report No.582: Economic Characteristics of informal Non-Agricultural Enterprises (Excluding Construction) in India

Furthermore, Table 3.11 summarizes the number of informal enterprise types in rural and urban areas in India by following the broad classification of informal enterprise activity into three categories of: Manufacturing, Trading, and Other Services.

Table:3.11 Estimated number of enterprises by broad activity category for sector and enterprise type All India

Broad Activity Category	Number of Informal enterprises ('00)								
	Rural			Urban			Rural + Urban		
	OAE	estt	all	OAE	estt	all	OAE	estt	all
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
manufacturing	104,975	9,169	114,144	63,163	19,341	82,504	168,139	28,510	196,649
Trade	101,874	6,837	108,711	92,829	28,818	121,648	194,703	35,655	230,359
Other Services	90,084	11,930	102,014	80,639	24,225	104,865	170,723	36,156	206,879

Broad Activity Category	Number of Informal enterprises ('00)								
	Rural			Urban			Rural + Urban		
	OAE	estt	all	OAE	estt	all	OAE	estt	all
All	296,959	27,938	324,897	236,634	72,389	309,023	533,593	100,327	633,920
* includes enterprises engaged in non-captive electricity generation and transmission									
Source: NSS Report No.582: Economic Characteristics of Informal Non-Agricultural Enterprises (Excluding Construction) in India									

3.2.3 Estimate of Manufacturing, Trade and other services enterprises as per their categories – Rural V/s Urban and OAE V/s Establishment.

This section presents the data with respect to manufacturing, trade and other services enterprises and their descriptive analysis in terms of actual number and percentage. The detailed data is presented in Annexure 1A. Summary of data is given in table 3.12 to table 3.14. Based on detailed data following is inferred.

Estimate number of “Manufacturing” Enterprises as per their categories

In all, there are twenty five categories of enterprises based on manufacturing. These are coded as M1 to M25. The names of the codes along with data of enterprises numbers and percentage are given at the end of Table A3.1 to Table A3.4. Summary data is given in table 3.12. Based on the data given in Tables A3.1 to Table3.4, the following can be inferred:

- In all there are fifteen categories of manufacturing enterprises during 2010-11.
- Prominent categories are M6-Manufacture of wearing apparel (25.10%), M5:- Manufacture of textiles (15.35%), M4- Manufacture of tobacco products (13.06), M2- Manufacture of food products (11.80%), and M24- Other manufacturing (6.10).
- There are twenty-five categories of manufacturing enterprises during 2015-16.
- Major contributing categories are M6-Manufacture of wearing apparel (28.53%), M5- Manufacture of textiles (13.24%), M4- Manufacture of tobacco products (16.65), M2- Manufacture of food products (11.57%), and M24- Other manufacturing (4.83).
- Important sector for both years are the same but their rank has changed and also contribution.

Table 3.12: Summary of Estimated number of enterprises by enterprise types and sector for each activity category- All-India (200-11 & 2015-16) – Manufacturing, Trade & Other Services

Year	Number of Enterprises								
	Rural			Urban			Rural + Urban		
	OAE	Estt	all	OAE	Estt	All	OAE	Estt	all
Manufacturing									
2011-12	9138228	976854	10115082	5291761	1803426	7095188	14429989	2780280	17210269
2015-16	10497538	916893	11414431	6316315	1934128	8250444	16813853	2851022	19664875
Trade									
2010-11	9953886	610732	10564618	7870356	2315730	10186086	17824242	2926462	20750704
2015-16	10187387	683716	10871103	9282944	2881815	12164759	19470331	3565531	23035862
Other Services									
2010-11	9153903	1057490	10211394	7402353	2098586	9500939	16556256	3156076	19712332
2015-16	9008350	1193037	10201387	8063947	2422522	10486470	17072298	3615559	20687857
Source: NSS Report No.582									

Estimate number of “trade” Enterprises as per their categories:

In all, there are four categories of enterprises based on the basis of trade. These are coded as T1 to T4. The names of the codes are given at the end of Table A3.5 to Table 3.8, and summary data in table 3.12. Based on the data given in Table A3.4 to Table A3.8, the following can be inferred:

- (i) In all there are four categories of trade enterprises during 2010-11.
- (ii) 87.73% of enterprises belong to the T4 category (Other retail trade) followed by the T3 (Other wholesale trade-6.69%), T1 category (Trade and repair of motor vehicles and motor cycles) and T2 (Activities of commission agents = 1.17%) during the year 2010-11.
- (iii) There are five categories of trade enterprises during 2015-16.
- (iv) 86.89% of the trade enterprises are in the T5 category (Other retail trade) followed by the T4 category (other whole sale trade – 7.08%) and T2 category (Trade and repair of motor vehicles and motor cycles = 4.25%)

Estimate number of “Other Services” Enterprises as per their categories:

This section presents the data with respect to “Other Services” enterprises and their descriptive analyses for the years 2010-11 and 2015-16. In all, there are 15 categories of enterprises in “Other Category”. The detailed data and categories (codes & full titles) are given in table A3.9 to Table A3.12. Summary data is in table 3.12. Based on the data presented in four tables (Tables A3.9 to Table A3.12), the following conclusions can be drawn:

- (i) Both the years ranges 2010-11 and 2015-16 have 15 categories of the Other Services enterprises.
- (ii) The maximum number of enterprises for the period of 2010-11 are in the S15 (27.28%) category, followed by the S3 category (25.96%) and S2 category (14.09%).
- (iii) The maximum number of enterprises from the 2015-16 period are in the S15 category (26.88%), followed by the S3 category (25.99%) and S3 category (14.39%).

3.2.4 State Wise Estimation

For the purpose of state wise classification, Table (3.13) presents the percentage distribution of the estimated number of enterprises by State separately for each sector and enterprise type. The states are arranged in the descending order of number of enterprises. As shown in the table 3.13; there are five states, namely: Uttar Pradesh, West Bengal, Tamil Nadu, Maharashtra, and Karnataka. These accounted for nearly half of the total estimated number of unincorporated non-agricultural enterprises (excluding construction) in the country. It is also noted that a total of 22 major states represented more than 98% of the total estimated number of enterprises in the country. Uttar Pradesh reported the highest share in the number of enterprises (14.20%) followed by West Bengal (13.99%). West

Bengal (17.44%) was the leader among the states with highest share in the number of enterprises in the rural sector followed by Uttar Pradesh (14.93%). In the urban sector, it was observed that Uttar Pradesh (13.43%), followed by Tamil Nadu (10.86%), had the highest share in the estimated number of enterprises. Even though Uttar Pradesh and West Bengal had an almost equal share in the total number of enterprises, Uttar Pradesh had a higher number of establishments than West Bengal.

Table. 3.13: Percentage distribution of enterprises by State/UTs for each sector and enterprise type

State	Rural			Urban			Rural + urban		
	OAE	estt	all	OAE	estt	all	OAE	estt	all
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Uttar Pradesh	15.03	13.84	14.93	14.42	10.20	13.43	14.76	11.21	14.20
West Bengal	17.96	11.93	17.44	11.21	7.58	10.36	14.97	8.79	13.99
Tamil Nadu	4.66	7.49	4.90	10.47	12.14	10.86	7.23	10.85	7.80
Maharashtra	5.94	5.95	5.94	8.52	11.52	9.22	7.08	9.97	7.54
Karnataka	5.40	5.60	5.42	6.22	8.32	6.71	5.76	7.56	6.05
Bihar	7.50	6.28	7.39	3.43	3.19	3.38	5.70	4.05	5.44
Andhra Pradesh	6.03	5.57	5.99	5.10	3.24	4.66	5.62	3.89	5.34
Gujarat	3.09	2.65	3.05	8.02	5.90	7.52	5.28	4.99	5.23
Rajasthan	3.94	3.90	3.93	4.73	4.00	4.56	4.29	3.97	4.24
Madhya Pradesh	4.27	3.23	4.18	4.37	3.86	4.25	4.32	3.68	4.22
Telangana	4.22	1.87	4.02	4.32	3.82	4.20	4.26	3.28	4.11
Kerala	2.80	8.53	3.29	4.03	4.92	4.24	3.35	5.93	3.75
Odisha	4.62	4.12	4.58	1.61	1.60	1.61	3.29	2.30	3.13
Jharkhand	3.76	3.23	3.72	1.30	1.01	1.23	2.67	1.63	2.51
Punjab	1.82	2.72	1.89	2.60	3.25	2.75	2.16	3.10	2.31
Assam	2.49	3.96	2.61	1.05	1.61	1.18	1.85	2.27	1.92
Haryana	1.12	1.80	1.18	1.69	2.60	1.90	1.37	2.38	1.53
Delhi	0.03	0.03	0.03	2.25	5.46	3.00	1.01	3.95	1.48
Chhattisgarh	1.57	0.91	1.51	1.12	1.28	1.15	1.37	1.18	1.34
Jammu & Kashmir	1.02	1.44	1.06	1.13	1.36	1.18	1.07	1.38	1.12
Uttarakhand	0.62	1.00	0.65	0.66	0.66	0.66	0.64	0.75	0.66
Himachal Pradesh	0.89	1.81	0.97	0.22	0.34	0.25	0.59	0.75	0.62
sub total	98.78	97.86	98.68	98.47	97.86	98.30	98.64	97.86	98.53
all India	100	100	100	100	100	100	100	100	100

Source: Computed from KI (73/2.34): Key Indicators of Unincorporated Non-Agricultural Enterprises (Excluding Construction) in India

State/UT wise estimated number of enterprises by the sector for the period (2010-11 and 2015-16) are compiled and analysed in terms of actual number and percentage. Percentage data is given in Table 3.14 and detailed data is in Annexure 1A (Table A3.13& Table A3.14). Based on detailed data given in Annexure 1A (Table A3.13& Table A3.14), it can be said that that number of units/enterprises are the maximum in the state of Uttar Pradesh (8,999,763) followed by West Bengal (8,868,455) during the years 2015-16. Based on density, it can be inferred that the maximum enterprises in the informal sector are in West Bengal for the years 2015-16.

Similar trends can be seen for the years 2010-11. But, for the period 2010-11 to 2015-16, the growth was more in West Bengal. Based on the percentage shares data (Table 3.16) for both these years, following can be inferred.

- West Bengal, Tamil Nadu, Karnataka, Rajasthan, Kerala, and Bihar have increased in number of enterprises during 2015-16 in comparison to 2010-11.
- Uttar Pradesh, Maharashtra, Odisha, Madhya Pradesh, Punjab, Assam, Haryana, Delhi, and Uttarakhand have declined in the number of informal enterprises.
- The reason behind these patterns could be closure of businesses by the owners, or informal units might have moved to the formal sector.

Table 3.14: Comparative Analysis of Share (%) of Enterprises in Different States for the year 2010-11 and 2015-16

States	Share (%)	States	Share (%)
	2010-11		2015-16
Uttar Pradesh	14.54	Uttar Pradesh	14.11
West Bengal	12.64	West Bengal	13.99
Andhra Pradesh	9.71	Tamil Nadu	7.80
Maharashtra	8.94	Maharashtra	7.53
Tamil Nadu	7.75	Karnataka	6.05
Gujarat	6.30	Bihar	5.43
Karnataka	4.87	Andhra Pradesh	5.35
Madhya Pradesh	4.50	Gujarat	5.24
Odisha	4.24	Rajasthan	4.23
Bihar	4.00	Madhya Pradesh	4.21
Rajasthan	3.71	Telangana	4.10
Kerala	3.23	Kerala	3.75
Punjab	2.50	Odisha	3.13
Jharkhand	2.07	Jharkhand	2.50
Assam	2.00	Punjab	2.31
Delhi	1.95	Assam	1.92
Haryana	1.83	Haryana	1.54
Chhattisgarh	1.17	Delhi	1.48
Jammu & Kashmir	1.04	Chhattisgarh	1.34
Uttaranchal	0.81	Jammu & Kashmir	1.12
Tripura	0.69	Uttarakhand	0.66
Himachal Pradesh	0.61	Himachal Pradesh	0.62
Manipur	0.21	Tripura	0.33
Meghalaya	0.17	Manipur	0.28
Puducherry	0.10	Meghalaya	0.18
Chandigarh	0.10	Puducherry	0.15
Goa	0.09	Nagaland	0.14
Nagaland	0.05	Goa	0.12
Sikkim	0.05	Chandigarh	0.09
Arunachal Pradesh	0.04	Mizoram	0.06
Mizoram	0.04	AP	0.04
A & N. Islands	0.03	Sikkim	0.04
Dadra & N. Haveli	0.02	Andaman & Nicobar Island	0.03
Daman & Diu	0.01	Dadra & Nagar Haveli	0.03
Lakshadweep	0.00	Daman & Diu	0.01
all-India	100.00	Lakshadweep	0.00

Sectoral Data Analysis

The state-wide estimated number of Manufacturing Enterprises for the years 2010-11 and 2015-16: For the overall data of the states for manufacturing sector over all percentage and percentage for rural, urban, OAE, and Establishment is also calculated. The following can be inferred from the data:

- (i) The maximum number of manufacturing units are in West Bengal with a share of 16.06% in 2010-11. It is followed by 13.60% manufacturing units in Uttar Pradesh during the same year.
- (ii) The maximum number of manufacturing enterprises are in West Bengal with a share of 21.25% during 2015-16. It is followed by Uttar Pradesh (11.24%) during the same year. The third highest units are in Tamil Nadu (8.88%).
- (iii) There is no definite trend in the data for Rural and Urban. As per the data given in Table above, the West Bengal units are more concentrated in Rural areas. On the other hand, in case of Gujarat, the number of units are more concentrated in Urban areas during 2010-11.
- (iv) In case of Uttar Pradesh, the number of units are more concentrated in rural areas, but the difference is much less in comparison to West Bengal and Gujarat.
- (v) Similar trends are seen in the data for the years 2015-16.

The state-wide estimated number of trade category enterprises for the years 2010-11 and 2015-16: For the overall data of the states for trade sector over all percentage and percentage for rural, urban, OAE, and Establishment is also calculated. Based on the data, the following conclusion can be drawn:

- (i) The State of Uttar Pradesh has the maximum number of enterprises in the trade sector. Its share is 16.46% during the years 2010-11 and 17.34% during the years 2015-16. Its unit's share in rural areas is more than that in the urban areas.
- (ii) West Bengal was ranked second in terms of trade units in the state with a share of 10.91% during 2010-11 and a share of 9.81% during the years 2015-16. This number of units in rural areas is larger in comparison to urban areas.
- (iii) The third state with the maximum number of trade units is Maharashtra with a share of 9.01% during the years 2010-11 and 8.24% during 2015-16. However, Maharashtra had more units in urban areas in comparison to rural areas. In that way, it is different from West Bengal and Uttar Pradesh.
- (iv) Andhra Pradesh and Tamil Nadu are at 4th and 5th with a share of 7.72% and 6.13%, respectively, during 2010-11.

- (v) Bihar and Karnataka come in at 4th and 5th place in terms of trade units in different states with a share of 6.53% and 6.02%, respectively, during 2015-16. Bihar has more units in rural areas. The same can be said of Maharashtra during 2015-16.
- (vi) During the years 2015-16, many states such as Andhra Pradesh, Assam, Chhattisgarh, Himachal Pradesh, Jharkhand, Rajasthan, etc. had more units in rural areas.
- (vii) Within the states, the trend was different for OAE units and Establishment units.

The state-wide estimated number of “Other Services” enterprises for the year 2010-11 and 2015-16: For the overall data of the states for manufacturing sector over all percentage and percentage for rural, urban, OAE, and Establishment is also calculated. Based on the data given in the tables(see appendix), the following conclusions can be drawn:

- (i) During 2010-11, the number of other services units were maximally found in Uttar Pradesh (13.32%) followed by Andhra Pradesh (12.07%), West Bengal (11.47%), Maharashtra (9.65%), and Tamil Nadu (7.83%).
- (ii) During 2015-16, the number of other services units were maximally found in Uttar Pradesh (13.46%) followed by West Bengal (11.75%), Tamil Nadu (8.11%), Maharashtra (7.92%), and Andhra Pradesh (7.02%). The Andhra Pradesh share has come down due to a bifurcation of the state. The combined share of Andhra Pradesh and Telangana is 10.94%. It is less than the share of Andhra Pradesh during 2010-11.
- (iii) There are no set trends as far as the share of rural and urban areas is concerned. In some states, the share of rural is more, while in other cases the share of urban is more.
- (iv) Similarly, there are no set trends for the share of OAE and Establishment for both the year ranges among the different states.

3.2.5 Discussion

In 2018, the number of informal sector enterprises was estimated as 6.34 crore²⁴ at the all-India level. Out of them, 31.0% of enterprises were engaged in manufacturing, 36.3% enterprises were in trading, and 32.7% enterprises were in the ‘other services’ sector. Out of 6.34 crores of informal non-agricultural enterprises, 51.3% were located in rural areas. Also, 84.2% were informal enterprises (OAEs). The remaining 15.8% of the informal enterprises were establishments (i.e. the enterprises which employ hired workers on a fairly regular basis).

The share of OAEs in the three broad activity categories are Manufacturing’ (85.5%), ‘Trade’ (84.5%), and ‘Other Services’ (82.5%). The shares of OAEs in the total informal enterprises in rural and urban areas were 91.4% and 76.6%, respectively. It was observed that Uttar

²⁴NSS Report No.582: Economic Characteristics of Informal Non-Agricultural Enterprises (Excluding Construction) in India

Pradesh had the highest share (14.2%) in the total number of informal non-agricultural enterprises, followed by West Bengal (14.0%), Tamil Nadu (7.8%), Maharashtra (7.5%), and Karnataka (6.1%). These five states accounted for nearly half of the informal non-agricultural enterprises at all-India level. The informal sector not only dominated the enterprise structure of India's establishments, but it employed the vast majority of the workers in India; they were the self-employed as well as the wage-employed. They were also what constituted as the bulk of non-agricultural informality in India.

Informal workers normally worked in informal enterprises. However, a last thorough analysis of the size structure of the non-agricultural sector was in the reports of the National Commission for Enterprises in the Unorganized Sector (over 2007-09). By contrast, in the 2019 Economic Survey, the Indian MSME sector was discussed but, during the discussion, the MSME data of unorganised sector was not really used. The ASI database talked about the dwarf and infant firms (less than 100 workers in a firm; those aged more than 10 years are considered dwarfs), small firms (less than 100 workers in a firm) and large firms (more than 100 workers in a firm). However, the MSME sector is not about only these two categories. We have noted that, while using enterprise data, even the total number of unregistered and unorganised firms were not exactly overlapping. There were plenty of unorganized firms that were registered, except that they seemed to be registered under a variety of Acts. It was realised that the problems of unorganized sector could not be addressed unless we dealt with each of these types separately. Also, if the units were not even registered, then it would be difficult to frame policies and strategic programs to facilitate and empower such informal enterprises. It was also observed that, of the 31 informal enterprises that were registered, these were actually registered under acts that were so numerous and diverse in nature. Therefore, there is strong need to have a consolidated source of information to support and facilitate such unorganised units. Similarly, it was observed that only very few (less than 1%) were registered, and there were very few under the category of medium and small enterprises. Also, a huge number of units were in the category of own-account enterprises. Although the small sized enterprises were numerous in number, they were simply visible as a negligible proportion of all enterprises. Finally, we must acknowledge that the unorganised sector of informal enterprises is vast, and it is also highly differentiated and dominated by OAEs; these may be termed as nano-enterprises.

3.3 Prioritization of Sectors

3.3.1 Overview

This section presents the classification of informal enterprises leading to identification of priority sectors (based on various parameters like employment, economic contribution, inclusive ness, geography etc.) for MSDE and allied stakeholders to focus on. To begin task of this identification of priority sectors first it was important to have a comprehensive list of sectors to begin with. The Survey of Unincorporated Non-Agricultural Enterprises conducted

in NSS covered all the unincorporated non-agricultural enterprises in manufacturing, trade and other services sector. The focus for the identification for these sectors was Employment, GVA (Gross Value Added) and inclusion in line with the point 3.1.2.2 of the ToR that stated: “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.” Gross Value Added (GVA) is an important economic indicator that measures the contribution of different segments to the economy. It gives the value of goods and services produced less the cost of all intermediate consumption that are directly attributable to that production. GVA is a measure comparable to GDP and may be defined as turnover minus input costs. GVA rather than turnover is the preferred indicator for measuring economic activity as it removes the danger of double counting and allows a meaningful comparison across sectors. Classification on the basis of inclusiveness wherein inclusiveness has been operationalized by using gender based inclusion parameters. It is well recognised²⁵ that gender inclusiveness is a key driver for sustainable transition and inclusive growth across regions, and is a key element of a modern, well-functioning market economy and essential for sustainable growth.

3.3.2. Employee Productivity in different sectors of informal enterprises (GVAPW)

Sub-section 3.3.2 presents employee productivity (value added by employment) in various sectors of informal enterprises by look at the GVA data which in this case has been plotted using GVA per worker²⁶ in case of informal enterprise²⁷ using data from NSSO as shown in Table 3.15. Gross Value Added per Worker (GVAPW) is a very important measure of labour productivity obtained by dividing the gross value added by the total number of workers employed by the enterprises. *The worker definition for this study includes both full time and part-time workers including working owners, hired workers (i.e., persons who are in the payroll of the enterprise), unpaid family members who help in the entrepreneurial activities and other helpers and apprentices.* Equal weightage has been given to full time and part time workers.

Table 3.15: Distribution of informal enterprises based on labour productivity - Estimated GVA per worker by enterprise type and sector for each activity category

Activity category	GVA per Worker ('000)									Overall GVAPW Based Rank
	Rural			Urban			Rural + Urban			
	OAE	estt.	all	OAE	estt.	all	OAE	estt.	all	
1	2	3	4	5	6	7	8	9	10	
M1	35	87	75	36	98	85	36	94	81	15
M2	49	75	57	77	132	105	58	105	77	18
M3	31	108	41	47	129	89	35	122	56	24
M4	20	91	22	23	87	25	21	90	23	25

²⁵ <https://www.ebrd.com/gender-equality-and-inclusion.html>

²⁶ Ruane, F., & Sutherland, J. (2005). Export performance and destination characteristics of Irish manufacturing industry. Review of World Economics, 141(3), 442-459.

²⁷ Mihajlović, I., & Stojanović, A. (2019). How to address and understand the failure of SMEs: framework and factors. MONOGRAPH How to prevent SMEs failure-Actions based on comparative analysis in Visegrad countries and Serbia, Bor, University of Belgrade, Technical Faculty in Bor, Engineering Management Department (EMD), 663-694.

Activity category	GVA per Worker ('000)									Overall GVAPW Based Rank
	Rural			Urban			Rural + Urban			
	OAE	estt.	all	OAE	estt.	all	OAE	estt.	all	
M5	28	77	35	44	131	81	35	119	60	22
M6	42	76	47	61	119	82	50	108	66	19
M7	83	75	79	67	116	95	69	111	93	14
M8	31	112	42	62	135	105	35	125	57	23
M9	19	128	61	28	128	85	26	128	81	15
M10	73	112	93	94	144	132	91	142	129	7
M11	0	103	103	60	76	75	60	81	80	17
M12	26	61	38	16	150	93	23	113	63	20
M13	22	122	102	55	175	152	36	145	123	8
M14	15	162	76	53	186	169	33	183	151	6
M15	22	79	57	40	121	90	25	87	63	20
M16	81	124	100	100	130	127	90	129	122	9
M17	61	118	87	128	139	137	93	135	122	9
M18	44	151	103	193	180	184	178	179	178	3
M19	80	360	305	89	161	155	87	173	166	4
M20	30	155	113	116	279	269	99	275	263	1
M21	110	145	142	83	171	160	86	166	158	5
M22	85	148	144	83	211	197	83	209	195	2
M23	78	106	87	104	129	121	85	120	102	12
M24	49	80	56	88	130	109	73	122	94	13
M25	68	98	77	135	121	129	110	114	112	11
M	36	86	48	63	141	103	46	122	74	
T1	99	166	135	203	279	257	179	265	238	1
T2	82	102	91	110	117	115	101	114	108	4
T3	70	98	79	196	338	289	146	305	237	2
T4	119	142	127	169	235	218	148	224	197	3
T5	61	134	68	108	175	132	83	168	103	5
T	64	132	72	114	190	147	88	180	116	
S1	122	210	201	106	316	304	109	303	291	1
S2	57	100	70	83	134	112	70	125	95	13
S3	97	130	105	120	176	132	107	148	116	11
S4	73	64	67	130	339	158	113	94	104	12
S5	42	225	196	80	190	177	61	204	185	5
S6	87	121	111	93	145	136	92	143	134	8
S7	74	89	79	126	159	148	105	149	130	10
S8	337	139	271	133	263	195	198	238	216	2
S9	116	102	113	211	198	202	186	194	191	4
S10	61	111	66	136	230	157	114	213	133	9
S11	89	99	92	154	181	170	136	172	156	6
S12	67	79	74	99	119	112	84	103	95	13
S13	50	170	153	89	172	158	75	171	156	6
S14	99	202	133	168	241	227	129	236	201	3
S15	51	59	52	85	118	96	67	103	76	15
S	71	131	92	104	169	140	88	158	120	

Productivity is the key component of growth within an economy and as such is an important determinant of output, competitiveness and living standards. Productivity may be defined as the rate of inputs to outputs within a company, industry or economy. Increases in

productivity allow firms and sectors to achieve higher levels of value added within the broader economy and increase their competitiveness in both Ireland and internationally. Labour productivity measures economic output per unit of labour. In general, improvements in productivity are realised at the firm level; economy wide productivity levels are primarily an aggregation of the productivity levels of individual firms. As such, it is difficult for policy-makers and governments to have a direct impact of productivity, except through efficiency improvements in the provision of public services, namely education (human capital), physical infrastructure (capital) and knowledge capital. It is to be noted that it is the lower rate of productivity within the more labour intensive sectors that drives down productivity. Prioritization was done keeping in view these things.

3.3.3 Distribution of informal enterprises based on their economic contribution (GVAPE)

Policymakers frequently use GVA as a headline indicator of regional/sectoral productivity and regional/sectoral incomes and, therefore, the welfare of people belonging to a particular region/sector²⁸. The sector wise distribution of informal enterprises based on their economic contribution in terms of GVA per enterprise as per NSSO data has been given in the table 3.16.

Table 3.16: Distribution of Informal enterprises based on their contribution to Indian economy - Estimated GVA per enterprise (GVAPE) in manufacturing by enterprise type and sector for each activity category

Activity category	GVA per Enterprise ('000)									Overall GVAPE based Rank
	Rural			Urban			Rural + Urban			
	OAE	estt.	all	OAE	estt.	all	OAE	estt.	all	
1	2	3	4	5	6	7	8	9	10	
M1	89	621	369	69	1422	524	76	974	455	6
M2	75	300	109	133	534	259	92	425	162	19
M3	46	413	66	97	622	257	54	535	103	22
M4	24	268	26	28	415	32	25	294	28	25
M5	41	384	57	68	715	179	53	637	115	21
M6	47	276	59	69	506	127	57	440	92	24
M7	149	478	226	126	600	283	129	589	276	14
M8	49	377	72	95	553	257	55	466	103	22
M9	22	690	103	39	768	205	35	758	183	17
M10	85	383	165	140	615	399	129	600	369	11
M11	0	433	433	124	506	441	124	488	440	8
M12	37	378	74	22	940	233	32	702	135	20
M13	48	699	442	55	852	421	52	770	430	9
M14	17	1095	130	85	1078	732	44	1079	506	5
M15	53	1144	278	85	714	321	59	986	289	13
M16	111	539	194	187	602	513	141	596	419	10
M17	88	403	171	183	557	400	133	523	313	12
M18	44	818	189	236	831	480	212	831	453	7
M19	89	1833	917	127	1027	774	119	1091	790	2

²⁸ Woznitza, B., Tyrrell, K., & Knight, J. (2009). Regional economic indicators: A focus on enterprise-driving regional productivity. Economic & Labour Market Review, 3(2), 54-68.

Activity category	GVA per Enterprise ('000)									Overall GVAPE based Rank
	Rural			Urban			Rural + Urban			
	OAE	estt.	all	OAE	estt.	all	OAE	estt.	all	
M20	55	775	354	222	2400	1924	188	2320	1784	1
M21	120	732	557	191	882	727	176	858	698	3
M22	92	515	434	110	945	694	109	929	686	4
M23	105	305	145	138	470	279	115	397	194	15
M24	69	371	97	122	586	229	102	550	185	16
M25	81	291	113	158	387	206	130	360	173	18
M	49	424	79	85	645	216	62	574	136	
T1	136	586	277	271	1129	656	241	1055	585	1
T2	102	284	153	139	366	232	126	347	208	4
T3	88	258	119	224	1188	592	173	1027	446	3
T4	169	461	222	246	916	585	213	852	472	2
T5	85	372	99	149	578	230	115	536	165	5
T	89	376	107	157	650	274	121	598	195	
S1	240	1043	868	243	1711	1525	242	1625	1432	1
S2	95	376	139	138	622	292	116	549	221	9
S3	102	341	129	123	670	160	111	442	142	13
S4	76	328	168	135	958	178	117	442	174	11
S5	165	3701	2142	100	1082	704	116	1603	1012	2
S6	91	353	214	131	566	402	125	547	380	5
S7	94	236	121	158	602	332	132	527	260	8
S8	18	241	22	70	855	172	27	656	51	15
S9	122	283	135	223	621	385	196	606	338	6
S10	63	392	73	143	688	192	119	651	158	12
S11	101	256	126	182	675	338	159	615	287	7
S12	100	291	164	136	416	248	119	368	212	10
S13	54	1927	733	98	1920	715	82	1923	722	3
S14	106	831	188	192	1152	668	142	1103	456	4
S15	64	197	71	105	374	149	83	331	110	14
S	78	580	136	125	815	283	100	737	211	

Among the manufacturing activities, the estimated GVAPE was highest for 'Manufacture of machinery and equipment n.e.c.' (M20) with Rs. 17.84 lakhs at all-India level as also for urban sector (Rs. 19.24 lakhs). GVAPE was maximum (Rs. 9.17 lakhs) for manufacturing enterprises engaged in 'Manufacture of electrical equipment' (M19) in rural areas. GVAPE is lowest for the manufacturing activity 'Manufacture of tobacco products' (M4) for all-India (Rs. 28 thousand) as well as separately for rural (Rs. 26 thousand) and urban (Rs. 32 thousand) sectors. Among all trading activity categories, the activity 'Wholesale and retail trade of motor vehicles and motor cycles' (T1) had the highest GVAPE (Rs. 5.85 lakhs) for all-India and over different sectors. Taking rural and urban trading enterprises together, the GVAPE was lowest (Rs. 1.65 lakhs) in 'Other retail trade' (T5) among all the trading activities. Both for all-India level and urban sector, enterprises involved in the activity - 'Accommodation' (S1) had the highest GVAPE with Rs. 14.32 lakhs and Rs. 15.25 lakhs respectively. But for rural areas GVA per enterprise was highest for enterprises engaged in 'Warehousing and storage' (S5) (Rs. 21.42 lakhs). The lowest GVAPE in 'other services' was

for enterprises engaged in 'Financial service activities except insurance and pension funding' (S8) both for rural sector (Rs. 22 thousand) and at all-India level (Rs. 51 thousand). Rs. 1.49 lakhs were the lowest GVA per enterprise in the urban sector corresponding to enterprises belonging to 'Other community, social and personal service activities' (S15).

Prioritisation of sectors of informal economy based on GVA per enterprise is one of the several ways of prioritization. Another way is based on inclusions and mitigated inequality. This is what has been described in the next section. Widespread informality - with regard to employment, enterprises, and productive activities – is frequently perceived as a barrier to full participation in the economy and as a hindrance to long run economic development and poverty reduction. In part, this is because the link between, informality, growth and inclusiveness is not fully understood. 'Inclusive growth' has been defined as growth that takes place in a context in which economic opportunities (including employment opportunities) expand, access to opportunities improves, and inequalities are reduced²⁹.

3.3.4. Classification of informal enterprises as per their inclusiveness

This section presents classification of informal enterprises as per their inclusiveness. In 2007, the international Global Entrepreneurship Monitor (GEM) published a report on "Women and Entrepreneurship" which drew the following conclusions³⁰:

A gender gap exists with respect to new venture creation and business ownership. This gap is significant and systematic, varying both by country GDP as well as by region. The gender difference is more pronounced in high-income countries but persists throughout all regions, with European and Asian low/middle-income countries showing a greater gap [...]

Opportunities for economic growth exist in all countries where the gap between male and female entrepreneurship is high. Segmenting the prospective business startup market by gender, women represent the largest market segment for potential new venture creation. Understanding the market and tailoring services accordingly is good business practice. The same applies to effective economic development policy.

The percentage distribution of female workers in the manufacturing enterprises by detailed activity category for each sector and share of female workers in OAEs by activity category is given in table 3.17.

²⁹ Heintz, J. (2012). Informality, inclusiveness, and economic growth: an overview of key issues. University of Massachusetts, Amherst, USA.

³⁰ Waring, J. and Brierton, J. (2011), "Women's enterprise and the Scottish economy", International Journal of Gender and Entrepreneurship, Vol. 3 No. 2, pp. 144-163. <https://doi.org/10.1108/17566261111140215>

Table 3.17. Classification of informal sector enterprise's based on gender inclusiveness - Percentage distribution of female workers in informal enterprises over activity category and share of female workers in OAEs by activity category

Activity category	Rural		Urban		Rural + Urban		Overall Inclusivity based Rank
	share in total workers (%)	% of OAE female workers	share in total workers (%)	% of OAE female workers	share in total workers (%)	% of OAE female workers	
1	2	3	4	5	6	7	
M1	0.01	27.84	0.03	30.09	0.02	29.14	21
M2	8.08	69.38	8.29	63.96	8.16	67.25	11
M3	1.04	95.2	0.53	86.25	0.85	93.02	3
M4	30.47	99.35	13.68	98.45	23.97	99.15	1
M5	16.14	93.49	19.28	85.36	17.36	90	4
M6	23.32	94.85	39.05	84.82	29.4	89.7	5
M7	0.06	27.15	1.58	81.01	0.65	77.84	8
M8	6.6	98.13	1.4	83.8	4.59	96.43	2
M9	0.27	78.23	1.68	71.81	0.81	73.11	9
M10	0.05	40.18	0.96	21.94	0.4	23.3	22
M11	0	0	0.06	8.25	0.03	7.85	25
M12	1.59	74.77	1.76	68.2	1.66	72.07	10
M13	0.05	13	0.04	14.39	0.05	13.48	23
M14	0.59	87.23	1.27	34.35	0.85	56.86	14
M15	8.34	46.08	2.48	60.5	6.08	48.36	17
M16	0.01	30.25	0.04	46.39	0.02	41.15	18
M17	0.42	86.23	0.61	40.93	0.5	64.71	12
M18	0	0	0.06	8.62	0.03	8.04	24
M19	0.02	1.53	0.21	38.55	0.1	33.67	20
M20	0.03	74.56	0.12	45.09	0.07	54.36	15
M21	0.01	0	0.12	43.49	0.05	39.01	19
M22	0	0	0.03	83.39	0.01	81.44	7
M23	0.1	78.46	0.15	33.96	0.12	57.57	13
M24	2.74	89.29	6.51	80.27	4.2	83.88	6
M25	0.02	53.52	0.05	48.77	0.03	50.63	16
M	100	89.3	100	81.62	100	86.33	
T1	0.09	19.78	0.94	8.64	0.5	9.68	4
T2	0.09	7.3	0.39	9.67	0.24	9.18	5
T3	0.29	89.28	0.19	38.04	0.24	70.26	2
T4	3.13	76.59	6.11	22.96	4.57	41.97	3
T5	96.39	95.74	92.38	77.57	94.45	87.15	1
T	100	94.96	100	73.25	100	84.47	
S1	0.79	1.65	1.84	16.21	1.5	13.71	11
S2	26.68	82.66	16.57	63.92	19.87	72.14	3
S3	0.78	59.77	0.27	43.35	0.44	53	5
S4	0	0	0	0	0	0	15
S5	0.1	2.51	0.03	6.18	0.05	3.9	14
S6	0.05	56.64	0.45	36.57	0.32	37.63	6
S7	0.52	46.69	1.07	24.62	0.89	28.81	8
S8	1.71	74.51	0.87	52.56	1.15	63.26	4
S9	0.03	46.81	0.12	8.45	0.09	12.06	12
S10	1.46	74.75	1.84	78.37	1.72	77.37	2
S11	0.47	25	2.68	17.83	1.96	18.39	9

	Rural		Urban		Rural + Urban		
Activity category	share in total workers (%)	% of OAE female workers	share in total workers (%)	% of OAE female workers	share in total workers (%)	% of OAE female workers	Overall Inclusivity based Rank
S12	3.19	38.73	2.67	35.97	2.84	36.98	7
S13	38.38	11.47	41.71	17.08	40.62	15.35	10
S14	5.18	24.46	13.13	6.87	10.54	9.69	13
S15	20.66	93.8	16.75	68.26	18.03	77.82	1
S	100	51.59	100	34.25	100	39.91	

In table 3.17, columns (2), (4) and (6) give the detailed activity category wise percentage distribution of female workers out of the total female workers in each of the three broad activity categories by sector. The shares of OAE female workers in total female workers for each activity category are presented in columns (3), (5) and (7). At all-India level, OAEs accounted for 86.33% of the female workers in manufacturing enterprises. The share of female workers engaged in OAEs was 89.30% among the rural manufacturing enterprises and 81.62% in their urban counterparts. In case of enterprises engaged in 'Manufacture of tobacco products' (M4), 99.15% of the female workers were from OAEs. For 16 out of the 25 activity categories in manufacturing, OAEs had a major share in number of female workers. These 16 activity categories accounted for about 93.1% of the total female workers engaged in manufacturing activities.

At all-India level, OAEs accounted for 84.47% of the female workers in trading enterprises. 94.96% of these female workers were employed by trading OAEs located in rural areas and 73.25% in urban areas. Out of the total number of female workers employed in trading enterprises, 94.45% were employed in 'Other retail trade' (T5) followed by 4.57% employed in 'Other wholesale trade' (T4). Percentage share of female workers in the three remaining trading activities taken together was about 1% in trading enterprises during 2015-16. About 87.15% female workers were engaged in OAEs pursuing 'Other retail trade' (T5) at all-India level.

At all-India level, OAEs accounted for 40% of the female workers in enterprises engaged in 'other services' activities. The share of female workers engaged in OAEs was 51.59% among the enterprises located in rural sector and 34.25% in their urban counterparts. About 77.82% of the female workers were engaged in OAEs in 'Other community, social and personal service activities' (S15), closely followed by 'Real estate activities' (S10) with 77.37% female workers engaged in OAEs of this activity category. OAEs had a major share in number of female workers in 5 out of the 15 activity categories in 'other services'. These 5 activity categories accounted for about 41.2% of the total female workers engaged in 'other services' activities. Percentage share of female workers in enterprises engaged in 'other services' is highest at 40.62% for 'Education' (S13) at all-India level followed by 19.87% workers in 'Food service activities' (S2). 89% female workers are engaged in 4 activities, viz.,

'Food service activities' (S2), 'Education' (S13), 'Human health and social work' (S14) and 'Other community, social and personal service activities' (S15).

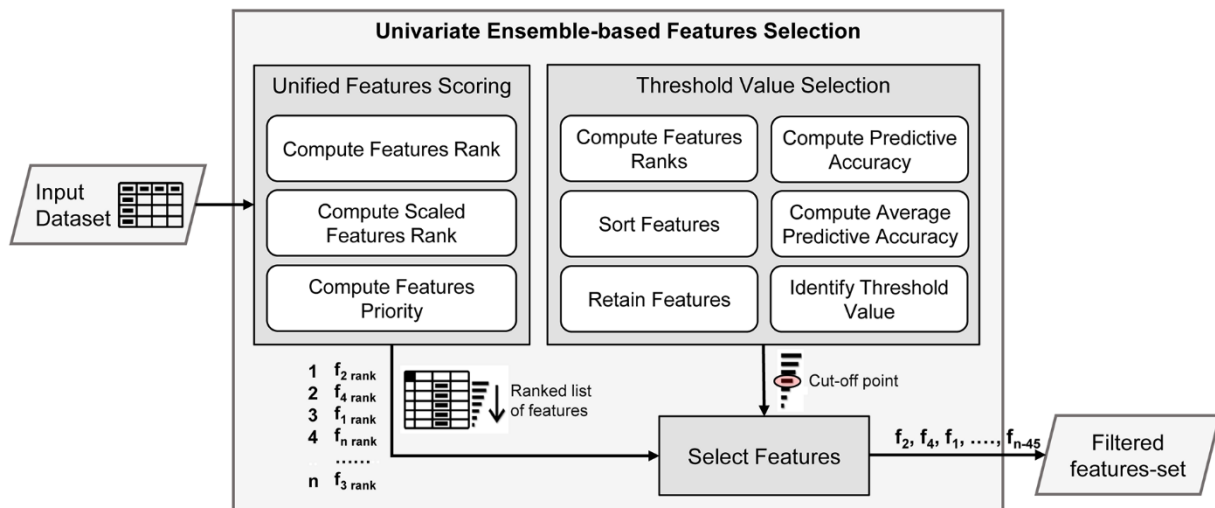
3.3.5 Major state wise prioritization of sectors/subsectors based on an efficient and comprehensive ensemble-based feature selection methodology

In Section 3.3.2 to 3.3.4 it can be seen that the various Manufacturing (M), Trade (T) and other services (S) sectors have been ranked on the basis of individual sup-parameter (GVAPW, GVAPE and gender based inclusivity criteria respectively). But for getting an overall picture of the order of priority of focus a combined overview of ranks of GVAPW, GVAPE, gender based inclusivity and **number of workers** (employment data) is critical.

Taking average of ranks is not trivial and hence an ensemble based feature selection (FS) methodology can be used. In the FS process, normally, two steps are required. In the first step, features are typically ranked, whereas, in the second step, a cut-off point is defined to select important features and to filter out the irrelevant features for building more robust machine learning models. In this regard, the applied univariate feature selection (UFS) algorithm covers the first step of FS, while the threshold value selection (TVS) algorithm covers the second step. Fig 3.1 shows the functional details of the applied univariate ensemble feature selection (Uefs) methodology, which consists of three major components of UFS, TVS, and select features.

For example, feature f_2 has the highest priority, then feature f_4 , and so on, as shown in Fig 3.1. Similarly, the TVS component defines a cutoff point for selecting important features. Finally, the select features component filters out the irrelevant features from the final-ranked list of features based on a cutoff point and selects a subset of features that are deemed as important for the classifier construction. For example, $f_2, f_4, f_1, \dots, f_{n-45}$ is the list of features that were selected **by the proposed uEFS methodology**

Figure 3.1: Univariate ensemble-based features selection methodology



The prioritized sub-sectors/activities, state-wise is given in the Annexure 1B. A summary table of the same as desired is given in Table 3.18. This table has all the subsectors as column names and the names of states/UTs as the row names. The last row in the table is cumulative frequency to sum the count of occurrences of a particular activity/subsector so that recommendations can be made for prioritization of focus sub-sectors for MSDE and stakeholders. The “Y” in the table explains the presence or absence of a particular activity/subsector in the top ranks (as per the rankings calculated) for the particular state/U.T. . We have seen top three to four activities/sub-sectors for manufacturing sector, two for trade and top three to four for services sector.

Following is the expanded form of the coded subsectors/activities for each sector:

MANUFACTURING: M1: Cotton ginning, cleaning and bailing, M2: Manufacture of food products, M3: Manufacture of beverages, M4: Manufacture of tobacco products, M5: Manufacture of textiles, M6: Manufacture of wearing apparel, M7: Manufacture of leather and related products, M8: Manufacture of wood and products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials, M9: Manufacture of paper and paper products, M10: Printing and reproduction of recorded media, M11: Manufacture of coke and refined petroleum products, M12: Manufacture of chemicals and chemical products, M13: Manufacture of pharmaceuticals, medicinal chemical and botanical products, M14: Manufacture of rubber and plastics products, M15: Manufacture of other non-metallic mineral products, M16: Manufacture of basic metals, M17: Manufacture of fabricated metal products, except machinery and equipment, M18: Manufacture of computer, electronic and optical products, M19: Manufacture of electrical equipment, M20: Manufacture of machinery and equipment n.e.c., M21: Manufacture of motor vehicles, trailers and semi-trailers, M22: Manufacture of other transport equipment, M23: Manufacture of furniture, M24: Other manufacturing, M25: Repair and installation of machinery and equipment

TRADE: T1: Trade and repair of motor vehicles and motor cycles, T2: Activities of commission agents, T3: Other wholesale trade, T4: Other retail trade

SERVICES: S1: Accommodation, S2: Food service activities, S3: Land transport, S4: Water transport, S5: Warehousing and storage, S6: Support activities for transportation, postal and courier activities, S7: Information and Communication, S8: Financial service activities except insurance and pension funding, S9: Other financial activities, S10: Real estate activities, S11: Professional, Scientific and Technical activities, S12: Administrative and support service activities, S13: Education, S14: Human Health and Social work, S15: Other community, social and personal service activities

Table 3.18: Summary of Prioritized Sub-Sectors/Activities in each of the three sectors across all States/U.T.s in India

STATE/UT	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	M13	M14	M15	M16	M17	M18	M19	M20	M21	M22	M23	M24	M25	T1	T2	T3	T4	S1	S2	S3	S4	S5	S6	S7	S8	S9	S10	S11	S12	S13	S14	S15
Andhra Pradesh					Y									Y	Y										Y		Y	Y			Y											Y	Y	
Jammu & Kashmir		Y										Y			Y				Y									Y	Y									Y				Y		
Himachal Pradesh		Y							Y										Y								Y		Y		Y							Y				Y		
Punjab		Y			Y	Y																				Y			Y	Y						Y					Y			Y
Chandigarh										Y		Y														Y			Y	Y							Y						Y	Y
Uttarakhand		Y						Y						Y												Y			Y	Y	Y	Y										Y	Y	
Haryana			Y					Y									Y			Y									Y	Y										Y			Y	Y
Delhi		Y			Y									Y															Y	Y									Y			Y	Y	
Rajasthan										Y		Y			Y										Y					Y	Y	Y					Y				Y			
Uttar Pradesh							Y				Y				Y		Y												Y	Y										Y		Y	Y	
Bihar					Y	Y								Y					Y										Y	Y	Y	Y								Y			Y	
Sikkim		Y				Y				Y															Y		Y		Y		Y											Y	Y	
Arunachal Pradesh		Y			Y			Y																	Y		Y			Y	Y											Y	Y	
Nagaland						Y				Y					Y										Y				Y	Y	Y	Y											Y	Y
Manipur		Y						Y							Y														Y	Y													Y	Y
Mizoram					Y	Y									Y	Y													Y	Y	Y	Y							Y				Y	Y
Tripura		Y								Y					Y										Y		Y			Y										Y		Y	Y	
Meghalaya					Y										Y	Y									Y				Y	Y				Y	Y							Y		
Assam					Y										Y	Y	Y	Y											Y	Y	Y	Y	Y											Y
West Bengal					Y	Y										Y	Y		Y	Y									Y	Y										Y	Y		Y	
Jharkhand		Y	Y							Y					Y													Y		Y												Y	Y	
Odisha					Y					Y				Y							Y							Y		Y												Y	Y	
Chhattisgarh		Y				Y			Y						Y													Y		Y	Y	Y	Y								Y		Y	Y
Madhya Pradesh															Y	Y	Y									Y			Y	Y										Y		Y	Y	
Gujarat		Y				Y				Y							Y											Y		Y		Y										Y	Y	
Daman and Diu										Y		Y		Y			Y												Y	Y		Y	Y	Y									Y	
Dadra and Nagar Haveli					Y					Y					Y											Y	Y		Y			Y										Y	Y	
Maharashtra																	Y	Y		Y						Y			Y	Y										Y	Y		Y	
Karnataka		Y							Y						Y				Y										Y	Y			Y									Y	Y	
Goa		Y								Y														Y	Y				Y	Y	Y	Y					Y						Y	
Lakshadweep						Y						Y			Y		Y							Y		Y				Y	Y		Y							Y				
Kerala			Y							Y		Y			Y															Y	Y	Y	Y										Y	Y
Tamil Nadu																	Y		Y	Y	Y								Y	Y	Y											Y	Y	
Puducherry		Y													Y			Y			Y								Y	Y			Y						Y		Y			
Andaman and Nicobar Islands										Y					Y									Y	Y				Y	Y	Y										Y			
Frequency Count	0	15	3	0	12	8	1	4	3	14	1	5	1	10	17	2	9	1	6	4	3	0	4	9	7	9	5	31	25	15	9	2	0	0	1	7	0	3	2	8	2	27	26	2
Intra Sector (M/T/S) Rank	23	2	15	23	4	8	19	12	15	3	19	11	19	5	1	18	6	19	10	12	15	23	12	6	9	3	4	1	2	3	4	8	13	13	12	6	13	7	8	5	8	1	2	8

(Qualitative details and secondary data triangulating the details of this table are available as Annexure 2)

(Source of Data: Calculations by authors based on 67th and 73rd Rounds of NSSO)

For further understanding and deriving meaningful inferences from the summary data of the priority table given in Table 3.18, it deemed necessary that we rank the cumulative frequencies of the chapters and come up with sets of focussed priorities w.r.t the activities/subsectors for MSDE and allied stakeholder. These sets of priorities are shown in Table 3.19. The way to interpret this table will be: Row 1 i.e. First Set of Priority encompass focus on M15 (Manufacture of other non-metallic mineral products), M2 (Manufacture of food products), M10 (Printing and reproduction of recorded media), M5 (Manufacture of textiles), M14 (Manufacture of rubber and plastics products), M17 (Manufacture of fabricated metal products), M24 (Other manufacturing), M6 (Manufacture of wearing apparel) from manufacturing sector, T3 (Other wholesale trade), T4 (Other retail trade) from Trade sector and S13 (Education), S14 (Human Health and Social Work), S1 (Accommodation), S2 (Food service activities), S11 (Professional, Scientific and Technical activities) in Services sector. Similarly row two and three can be interpreted.

Table 3.19 Three sets of priorities that could be focused by MSDE based on summary of Table 3.2

	Manufacturing	Trade	Services
First Set of Priority	M15, M2, M10, M5, M14, M17, M24, M6	T3, T4	S13, S14, S1, S2, S11
Second Set of Priority	M25, M19, M12, M8, M20, M23, M9, M3, M21	T1	S7, S9, S10, S12, S15, S3
Third Set of Priority	M16, M7, M11, M18, M1, M4, 13, M22	T2	S6, S5, S4, S8

To further do data triangulation and incorporate the women entrepreneur data the following section has been written – 3.3.6.

3.3.6 Women Entrepreneur Data based Priority Ranking using Economic Census data

Womenpreneurs (women entrepreneurs) and the augmentation of enterprises started by women has led to the change in the demographic characteristics of business and economic growth of our country. Women-owned businesses enterprises are playing a prominent role in society inspiring others and generating more employment opportunities in the country. Although data on women labour force, literacy, health aspects etc., are being generated regularly though regular Censuses and Surveys but data on women entrepreneurship at national level is rather scanty. Therefore, during Sixth Economic Census, questions related to women entrepreneurship in proprietary ownership were added³¹.

The total number of establishments owned by women entrepreneurs was 8,050,819 out of which 5,243,044 constituting about 65.12% of the total establishments were located in rural areas and the remaining 2,807,775 (34.88%) were located in urban areas. Further, about 6,697,354 establishments i.e., 83.19% operated without hired workers and 1,353,465 (16.31%) operated with

³¹ <https://msme.gov.in/sites/default/files/All%20India%20Report%20of%20Sixth%20Economic%20Census.pdf>

hired workers. The percentage of establishments without hired workers in rural areas was 86.85% whereas, in urban areas, it was 76.33%. The number of women establishments involved in agricultural activities was 2,761,767 constituting 34.3% of the total number of establishments owned by women.

Table 3.20 depicts the total no. of establishments under women entrepreneurs by broad activity. Total number of agricultural establishments were 2.76 million constituting 34.3% of the total establishments owned by women, whereas, about 5.29 million establishments (65.7%) were involved in non-agricultural activities. In agricultural sector majority of establishments i.e., 2.54 million establishments (92.20%) pertains to livestock, followed by forestry and logging (4.51%), agriculture other than crop production (1.89) and fisheries and aquaculture (1.4%). In non-agricultural sector, about 2.4 million establishments (45.36%) were engaged in manufacturing activity. Other important activities were trading (28.57%), other services (8.18%), accommodation and food services (4.22%) and education (4.1%).

Table 3.20 Broad Activity/Type-wise Total Number of Establishments under Women Entrepreneurship in India

Broad Activity/Type-wise Total Number of Establishments under Women Entrepreneurship in India (2013)				
Broad Activities	Without Hired Workers	With at least One Hired Worker	Total	%age Share in Total Establishments
01. Activities Relating to Agriculture other than Crop Production and Plantation	37294	15016	52310	0.65
02. Livestock	2342134	204211	2546345	31.63
03. Forestry and Logging	118365	6110	124475	1.55
04. Fishing and Aqua Culture	33747	4890	38637	0.48
Sub-Total Agricultural Activities	2531540	230227	2761767	34.30
05. Mining and Quarrying	4009	3820	7829	0.10
06 Manufacturing	2099355	300108	2399463	29.80
07. Electricity, Gas, Steam and Air Conditioning Supply	957	2366	3323	0.04
08. Water Supply, Sewerage, Waste Management and Remediation Activities	5860	4284	10144	0.13
09. Construction	33261	13764	47025	0.58
10. Whole Sale Trade, Retail Trade and Repair of Motor Vehicles and Motor Cycles	14000	16237	30237	0.38
11. Whole Sale Trade (Not Covered in Item-10 Above)	31581	17067	48648	0.60
12. Retail Trade (Not Covered in Item-10 Above)	1159414	272788	1432202	17.79
13. Transportation and Storage	88623	36084	124707	1.55
14. Accommodation and Food Service Activities	148988	74107	223095	2.77
15. Information and Communication	11142	8711	19853	0.25
16. Financial and Insurance Activities	54578	21693	76271	0.95
17. Real Estate Activities	41570	4484	46054	0.57
18. Professional, Scientific and Technical Activities	15080	15601	30681	0.38
19. Administrative and Support Service Activities	27018	18246	45264	0.56
20. Education	113751	103723	217474	2.70
21. Human Health and Social Work Activities	32407	42988	75395	0.94
22. Arts Entertainment, Sports and Amusement and Recreation	9113	9439	18552	0.23
23. Other Service Activities not Elsewhere Classified	275107	157728	432835	5.38
Sub-Total Non-Agricultural Activities	4165814	1123238	5289052	65.70
Total	6697354	1353465	8050819	100.00
Source : Ministry of Statistics and Programme Implementation, Govt. of India. (ON1121)				

Table 3.21 depicts the total no. of persons employed in establishments under women entrepreneurs by broad activity. The top five economic activities as per the number of persons employed in establishments owned by women entrepreneurs were: i) Agriculture (30.14%), ii) Manufacturing (29.36%), iii) Trade (17.69%), v) Education (5.49%), iv) Other Services (5.37%). In agricultural establishments, maximum persons were employed i.e., 3.68 million (90.8%) in Livestock followed by Forestry and logging (5.16%), agriculture other than crop production & plantation (2.54%) and Fishing and aquaculture (1.52%). In non-agricultural establishments, about 3.95 million persons constituting 42.02% were engaged in manufacturing activity. Other important activities in terms of employment were trading (25.32%), education (7.86%), other services (7.68%) and accommodation and food services (4.96%).

Table 3.21 Broad Activity/Type-wise Total Number of Persons Employed in Establishments under Women Entrepreneurship in India

Broad Activity/Type-wise Total Number of Persons Employed in Establishments under Women Entrepreneurship in India (2013)				
Broad Activities	Without Hired Workers	With at least One Hired Worker	Total	%age Share in Total Establishments
01. Activities Relating to Agriculture other than Crop Production and Plantation	53979	48849	102828	0.76
02. Livestock	3141875	537661	3679536	27.36
03. Forestry and Logging	192751	16441	209192	1.56
04. Fishing and Aqua Culture	43677	18117	61794	0.46
Sub-Total Agricultural Activities	3432282	621068	4053350	30.14
05. Mining and Quarrying	5616	24176	29792	0.22
06 Manufacturing	2650723	1297571	3948294	29.36
07. Electricity, Gas, Steam and Air Conditioning Supply	1218	18099	19317	0.14
08. Water Supply, Sewerage, Waste Management and Remediation Activities	7128	12761	19889	0.15
09. Construction	42587	55107	97694	0.73
10. Whole Sale Trade, Retail Trade and Repair of Motor Vehicles and Motor Cycles	18852	56592	75444	0.56
11. Whole Sale Trade (Not Covered in Item-10 Above)	43147	63297	106444	0.79
12. Retail Trade (Not Covered in Item-10 Above)	1432474	765440	2197914	16.34
13. Transportation and Storage	106097	107940	214037	1.59
14. Accommodation and Food Service Activities	207342	259542	466884	3.47
15. Information and Communication	13809	44821	58630	0.44
16. Financial and Insurance Activities	96331	88491	184822	1.37
17. Real Estate Activities	46041	13656	59697	0.44
18. Professional, Scientific and Technical Activities	18765	56293	75058	0.56
19. Administrative and Support Service Activities	34000	81946	115946	0.86
20. Education	133134	605720	738854	5.49
21. Human Health and Social Work Activities	41899	180186	222085	1.65
22. Arts Entertainment, Sports and Amusement and Recreation	11865	30026	41891	0.31
23. Other Service Activities not Elsewhere Classified	330647	391493	722140	5.37
Sub-Total Non-Agricultural Activities	5241675	4153157	9394832	69.86
Total	8673957	4774225	13448182	100.00
Source : Ministry of Statistics and Programme Implementation, Govt. of India. (ON1121)				

For drawing combined inferences together with sub-section 3.3.5 of this report (which used NSSO data it is important to map synergies in the activity areas/sub-sectors that are common

in both the sources of data. The following table – table 3.22 – throws light on the same.

Table 3.22: Mapping of non-agricultural activities' terminology between economic census and NSSO data sources

Broad Activities (As per economic census) - Non Agricultural	NSSO Based Activities Terminology
05.Mining and Quarrying	-
06 Manufacturing	M
07. Electricity,Gas,Steam and Air Conditioning Supply	-
08. Water Supply,Sewerage,Waste Management and Remediation Activities	-
09. Construction	-
10. Whole Sale Trade,Retail Trade and Repair of Motor Vehicles and Motor Cycles	T1
11. Whole Sale Trade (Not Covered in Item-10 Above)	T3
12. Retail Trade (Not Covered in Item-10 Above)	T4
13. Transportation and Storage	S5+S6
14. Accommodation and Food Service Activities	S1+S2
15. Information and Communication	S7
16. Financial and Insurance Activities	S8+S9
17. Real Estate Activities	S10
18. Professional, Scientific and Technical Activities	S11
19. Administrative and Support Service Activities	S12
20. Education	S13
21. Human Health and Social Work Activities	S14
22. Arts Entertainment, Sports and Amusement and Recreation	S15
23. Other Service Activities not Elsewhere Classified	S15

Now that mapping of terminology between economic census and NSSO data sources has been done, the next task is to determine prioritization of activities based on two criteria viz. number of establishments under women entrepreneurship in India and number of persons employed in establishments under women entrepreneurship in India. The same has been shown in Table 3.23.

Table 3.23 Calculation of Priority of various non-agricultural activities based on women entrepreneurship data

Broad Activities (Non Agricultural)	Total Number Of Establishments Under Women Entrepreneurship In India					Total Number Of Persons Employed In Establishments Under Women Entrepreneurship					Overall Rank using 2 criteria (establishments + employment)
	Without Hired Workers	With at least one hired worker	Total	%age Share in Total Establishments	Rank on basis of Number of Establishments	Without Hired Workers	With at least one hired worker	Total	%age Share in Total Establishments	Rank on basis of no. of People Employed	
05. Mining and Quarrying	4009	3820	7829	0.1	18	5616	24176	29792	0.22	17	18
06 Manufacturing	2099355	300108	2399463	29.8	1	2650723	1297571	3948294	29.36	1	1
07. Electricity,Gas,Steam and Air Conditioning Supply	957	2366	3323	0.04	19	1218	18099	19317	0.14	19	19
08. Water Supply,Sewerage,Waste Management and Remediation Activities	5860	4284	10144	0.13	17	7128	12761	19889	0.15	18	17
09. Construction	33261	13764	47025	0.58	10	42587	55107	97694	0.73	11	10
10. Whole Sale Trade,Retail Trade and Repair of Motor Vehicles and Motor Cycles	14000	16237	30237	0.38	13	18852	56592	75444	0.56	12	13
11. Whole Sale Trade (Not Covered in Item-10 Above)	31581	17067	48648	0.6	9	43147	63297	106444	0.79	10	9
12. Retail Trade (Not Covered in Item-10 Above)	1159414	272788	1432202	17.79	2	1432474	765440	2197914	16.34	2	2
13. Transportation and Storage	88623	36084	124707	1.55	6	106097	107940	214037	1.59	7	6
14. Accommodation and Food Service Activities	148988	74107	223095	2.77	4	207342	259542	466884	3.47	5	4
15. Information and Communication	11142	8711	19853	0.25	15	13809	44821	58630	0.44	14	15
16. Financial and Insurance Activities	54578	21693	76271	0.95	7	96331	88491	184822	1.37	8	7
17. Real Estate Activities	41570	4484	46054	0.57	11	46041	13656	59697	0.44	14	11
18. Professional, Scientific and Technical Activities	15080	15601	30681	0.38	13	18765	56293	75058	0.56	12	13
19. Administrative and Support Service Activities	27018	18246	45264	0.56	12	34000	81946	115946	0.86	9	12
20. Education	113751	103723	217474	2.7	5	133134	605720	738854	5.49	3	5
21. Human Health and Social Work Activities	32407	42988	75395	0.94	8	41899	180186	222085	1.65	6	8
22. Arts Entertainment, Sports and Amusement and Recreation	9113	9439	18552	0.23	16	11865	30026	41891	0.31	16	16
23. Other Service Activities not Elsewhere Classified	275107	157728	432835	5.38	3	330647	391493	722140	5.37	4	3
Sub-Total Non-Agricultural Activities	4165814	1123238	5289052	65.7		5241675	4153157	9394832	69.86		
Sub-Total Agricultural Activities	2531540	230227	2761767	34.3		3432282	621068	4053350	30.14		
Total	6697354	1353465	8050819	100		8673957	4774225	13448182	100		

(number of establishments and number of people working in those establishments) using 6th Economic Census data downloaded from <https://www.indiastat.com/economy-data/8/economic-census/15008/economic-census-2012-2013/859489/stats.aspx>

From the calculations done in Table 3.23, the following prioritization (in order of multi-criterion ranking) of activities (non-agricultural) based on women entrepreneurship data from the 6th economic census:

1. Manufacturing
2. Retail Trade
3. Other Service Activities not Elsewhere Classified
4. Accommodation and Food Service Activities
5. Education
6. Transportation and Storage
7. Financial and Insurance Activities
8. Human Health and Social Work Activities
9. Whole Sale Trade
10. Construction
11. Real Estate Activities
12. Administrative and Support Service Activities
13. Whole Sale Trade, Retail Trade and Repair of Motor Vehicles and Motor Cycles
14. Professional, Scientific and Technical Activities
15. Information and Communication
16. Arts Entertainment, Sports and Amusement and Recreation
17. Water Supply, Sewerage, Waste Management and Remediation Activities
18. Mining and Quarrying
19. Electricity, Gas, Steam and Air Conditioning Supply

Comparing this prioritization with the prioritization done in section 3.3.5 we can see that few sectors are common and emerging as the possible key focus areas for promoting formalization initiatives by MSDE and allied stakeholder namely: Retail Trade, Accommodation and Food Services, Transportation and Storage (Logistics), Education (Services), Health and Social Welfare (Services), Financial and Insurance Activities, Whole Sale Trade and Real Estate Activities.

3.4 Conclusion

This chapter mostly focussed on reporting of the data and also prioritisation of the subsectors/activities. The reporting and estimation part of the chapter (viz. sections 3.1 and 3.2) encompassed the mapping of current available databases to estimate the informal enterprises and detailed classifications of informal enterprises under various sectors and subsectors along with a percentage break-up between the formal and informal enterprises under each sector. Section 3.3 described the distribution and prioritization of informal enterprises to give the overall ranking of various sectors/sub-sectors for priority. 3.3.5 section had prioritization based on four parameters viz. Employment, GVAPW, GVAPE and inclusiveness on a state-level. This was supplemented with women entrepreneurship data based prioritization in section 3.3.6. The state-level detailed calculations and prioritizations

of all sectors/sub-sectors in given in Annexure 2 of this report for section 3.3.5. This section mostly focussed on NSSO data. Three sets of priorities were shown in this section.

First set comprised of: M15 (Manufacture of other non-metallic mineral products), M2 (Manufacture of food products), M10 (Printing and reproduction of recorded media), M5 (Manufacture of textiles), M14 (Manufacture of rubber and plastics products), M17 (Manufacture of fabricated metal products), M24 (Other manufacturing), M6 (Manufacture of wearing apparel) from manufacturing sector, T3 (Other wholesale trade), T4 (Other retail trade) from Trade sector and S13 (Education), S14 (Human Health and Social Work), S1 (Accommodation), S2 (Food service activities), S11 (Professional, Scientific and Technical activities) in Services sector. Similarly row two and three can be interpreted.

Second Set Comprised of: M25, M19, M12, M8, M20, M23, M9, M3, M21, T1, S7, S9, S10, S12, S15, S3

Third set comprised of: M16, M7, M11, M18, M1, M4, 13, M22, T2, S6, S5, S4, S8

This was followed by prioritisation based on women entrepreneurship data sourced from 6th Economic Census (2013). Comparing this prioritization of section 3.3.6 with the prioritization done in section 3.3.5 we can see that few sectors are common and emerging as the possible key focus areas for promoting formalization initiatives by MSDE and allied stakeholder namely: Retail Trade, Accommodation and Food Services, Transportation and Storage (Logistics), Education (Services), Health and Social Welfare (Services), Financial and Insurance Activities, Whole Sale Trade and Real Estate Activities.

Informal enterprises constitute for millions of unregulated, unlicensed, and untaxed microenterprises that are referred to as the “informal sector”. The informal “enterprises” include small enterprises ranging from waste recycling units, street vendors, pavement food stalls, sale of pirated books, and digital products to home-based manufacturing enterprises. These small businesses or microenterprises typically operated at smaller scales of business, with low levels of labour, little use of technology, low physical and human capital, and low incomes. Compared to formal enterprises, informal enterprises have fewer or less valuable factors of production other than their own labour: such as capital, land, and technology. Second, they also have less bargaining power to demand their share of value added. The value of their production is often captured by employers, intermediaries along the supply chain, and especially the lead firms at the top of the supply chain. Third, definitions and measures of productivity vary from sector to sector. And, there are few direct measures of the productivity of the informal enterprises. However, the informal enterprises can potentially contribute to reduction of poverty and inequality, thereby enabling inclusive growth from below. This chapter guides w.r.t prioritization of sub sectors which was a source of input for the next chapter – Chapter 4. This was also a source of input for Chapter 6 (The How part of the formalization process).



Mapping the policies and support provided to informal sector

Chapter 4 - Mapping the policies and support provided to informal sector

4.1. Introduction

The chapter presents support/policies of different stakeholders provided to the employees/units in the informal sector which may possibly help transform informal units towards formalization. This chapter also includes key actors that support the informal sector including (but not limited to) – Central and State Governments/Ministries, large scale NGOs, Social Impact Enterprises, Private Sector CSR Activities, Technology Firms etc. and agencies which are carrying out the related ground level support and implementation activities. The supports include measures like skilling, reskilling & upskilling development training of the entrepreneurs, recognition of prior learning (RPL), ease of doing business, financial support, new and improved technology implementation, or any other measure which will help these units towards capacity building and promoting them to come under the purview of formal sector. This chapter presents the overview of policies, schemes, support etc in an actor wise and impact area wise manner. Section 4.2 envisages the government policies that are working towards informal sector with a sub-classification on the basis of key impact areas such as Financial capital/support, infrastructures support, technological support and other relevant support. Similarly, Section 4.3 is about large scale NGOs with a sub-classification on the basis of key impact areas, Section 4.4 is about Social Impact Enterprises with a sub-classification on the basis of key impact areas, Section 4.5 is about Private Sector CSR Activities with a sub-classification on the basis of key impact areas and Section 4.6 is about support from Technology Firms with a sub-classification on the basis of key impact areas. Thereafter the support and initiatives of gig economy have been covered in Section 4.7. A detailed account of state levels policies focussing on promotion of entrepreneurship (one of the key themes of this study) on state-wise and actor wise level are discussed in appendix 3.

4.2 Government Initiatives for Informal Sector

4.2.1 Financial Capital and Insurance support

The Pradhan Mantri Rojgar Protsahan Yojana (PMRPY)

It is a scheme to incentivise employers registered with the Employees' Provident Fund Organisation (EPFO) for job creation by the Government paying the full contribution of employers to the Employee Pension Scheme (EPS) and Employees' Provident Fund (EPF) in respect of new employees having a new Universal Account Number (UAN). This Scheme has a dual benefit, where, on the one hand, the employer is incentivised for increasing the employment base of workers in the establishment, and on the other hand, a large number of workers will find jobs in such establishments. A direct benefit is that these workers will have access to social security benefits of the organized sector. The Scheme will be in operation for

a period of 3 years and the Government of India will continue to pay the full contribution to be made by the employer for the next 3 years. That is, all new eligible employees will be covered under the PMRPY Scheme till 2019-20

Key Stakeholder(s): Employees' Provident Fund Organisation, India; Ministry of Labour and Employment, Ministry of Electronics & Information Technology, Government Of India

Source: <https://pmrpy.gov.in/>

Pradhan Mantri Shram Yogi Maan-dhan

Pradhan Mantri Shram Yogi Maan-dhan is a central government scheme meant for old age protection and social security of Unorganised Workers (UW). Unorganised Workers (UW) are mostly engaged as rickshaw pullers, street vendors, mid-day meal workers, head loaders, brick kiln workers, cobblers, rag pickers, domestic workers, washer men, home-based workers, own account workers, agricultural workers, construction workers, beedi workers, handloom workers, leather workers, audio- visual workers or in similar other occupations. There are estimated 42 crore such unorganised workers in the country.

It is a voluntary and contributory pension scheme, under which the subscriber would receive the following benefits:

- (i) Minimum Assured Pension: Each subscriber under the PM-SYM, shall receive minimum assured pension of Rs 3000/- per month after attaining the age of 60 years.
- (ii) Family Pension: During the receipt of pension, if the subscriber dies, the spouse of the beneficiary shall be entitled to receive 50% of the pension received by the beneficiary as family pension. Family pension is applicable only to spouse.
- (iii) If a beneficiary has given regular contribution and died due to any cause (before age of 60 years), his/her spouse will be entitled to join and continue the scheme subsequently by payment of regular contribution or exit the scheme as per provisions of exit and withdrawal.

Key stakeholder(s): Ministry of Labour and Employment

Source: <https://labour.gov.in/pm-sym>

Credit Facilitation Through Bank

To meet the credit requirements of MSME units, NSIC has entered into a Memorandum of Understanding with various Nationalized and Private Sector Banks. Through association with these banks, NSIC arranges for credit support (fund or non-fund-based limits) from banks for the MSMEs. Scheme Benefits & Highlights

- Term loans for acquisition of fixed assets (viz, land/building, plant/machinery, other fixed assets) towards setting up of new units and for expansion, modernization and diversification in case of existing units.

- Working Capital requirement facility to meet the working capital needs of the MSME units in the form of open cash credit, overdraft against book debts and bill discounting facility.
- Non fund-based limits such as guarantees, letter of credit, foreign bank guarantees, foreign letter of credit etc. are provided.
- The interest rate and the security norms depend upon banks to banks.
- The scheme also provides handholding facility to the entrepreneurs and facilitate documentation

Key Stakeholder(s): National Small Industries Corporation (Ministry of Micro, Small and Medium Enterprises)

Source: <https://www.nsic.co.in/schemes/Credit-Facilitation-Through-Bank.aspx>

Bill Discounting

The scheme covers purchase/discounting of bills arising out of genuine trade transactions i.e., purchase of supplies made by small scale units to reputed public limited companies/State and Central Government Departments/Undertakings. Bills drawn by small-scale units for supplies made by them and duly accepted by purchaser will be financed against security of bank guarantee in favour of NSIC. Purchaser unit(s) may approach NSIC for sanction of annual limits by furnishing information as per the prescribed application form.

Key Stakeholder(s): National Small Industries Corporation (Ministry of Micro, Small and Medium Enterprises)

Source: <https://www.nsic.co.in/Schemes/Bill-Discounting>

Pradhan Mantri MUDRA Yojana (PMMY)

Pradhan Mantri MUDRA Yojana (PMMY) is a scheme launched by the Hon'ble Prime Minister on April 8, 2015 for providing loans up to 10 lakh to the non-corporate, non-farm small/micro enterprises. These loans are classified as MUDRA loans under PMMY. These loans are given by Commercial Banks, RRBs, Small Finance Banks, MFIs and NBFCs. Under the aegis of PMMY, MUDRA has created three products namely 'Shishu', 'Kishore' and 'Tarun' to signify the stage of growth / development and funding needs of the beneficiary micro unit / entrepreneur and also provide a reference point for the next phase of graduation / growth.

Key Stakeholder(s): Ministry of Finance

Source: <https://www.mudra.org.in/>

Credit Guarantee Fund Scheme for Micro and Small Enterprises

The Credit Guarantee Fund Scheme for Micro and Small Enterprises (CGMSE) was launched by the Government of India to make available collateral-free credit to the micro and small enterprise sector. Both the existing and the new enterprises are eligible to be covered under

the scheme. The Ministry of Micro, Small and Medium Enterprises and Small Industries Development Bank of India (SIDBI), established a Trust named Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) to implement the Credit Guarantee Fund Scheme for Micro and Small Enterprises. The scheme was formally launched on August 30, 2000 and is operational with effect from 1st January 2000. The corpus of CGTMSE is being contributed by the Government and SIDBI in the ratio of 4:1 respectively and has contributed Rs.1906.55 crore to the corpus of the Trust up to March 31,2010. As announced in the Package for MSEs, the corpus is to be raised to Rs.2500 crore by the end of 11th Plan

Key Stakeholder(s): Development Commissioner (MSME), Ministry of MSME; Scheduled commercial banks and select Regional Rural Banks. National Small Industries Corporation Ltd. (NSIC), North Eastern Development Finance Corporation Ltd. (NEDFi) and SIDBI.

Source: https://msme.gov.in/sites/default/files/CreditGuaranteeFundScheme_1.pdf

Micro Credit (MC) for SHGs

This scheme is meant to provide small loans to the eligible Scheduled Tribes members of SHGs for undertaking Income Generation Activities. The loans are provided based on requirement of the SHGs through State Channelizing Agencies. The beneficiaries/SHGs have to full fill the eligibility criteria of the SCAs and comply with the terms and conditions of the lending by the SCA. NSTFDC provides loan upto Rs. 50,000/- per member and maximum Rs. 5.00 lakh per SHG. NSTFDC may provide upto 100% of the funds required, as loan, in case the SCAs is/are not able to provide Margin/Money/Subsidy.

Key Stakeholder(s): National Scheduled Tribes Finance and Development Corporation

Source: [http://www.nstfdc.net/nstfdc/\(S\(j5pbxmohkbaw4fbknwg0dee1\)\)/frm_mcs.aspx](http://www.nstfdc.net/nstfdc/(S(j5pbxmohkbaw4fbknwg0dee1))/frm_mcs.aspx)

Financial service activities except insurance and pension funding

The Government of India has introduced several reforms to liberalize, regulate and enhance this industry. The Government and Reserve Bank of India (RBI) have taken various measures to facilitate easy access to finance for Micro, Small and Medium Enterprises (MSMEs). These measures include launching the Credit Guarantee Fund Scheme for Micro and Small Enterprises, issuing guidelines to banks regarding collateral requirements and setting up a Micro Units Development and Refinance Agency (MUDRA). With a combined push by both government and private sector, India is undoubtedly one of the world's most vibrant capital markets. In 2017, a new portal named 'Udyami Mitra' was launched by the Small Industries Development Bank of India (SIDBI) with the aim of improving credit availability to Micro, Small and Medium Enterprises' (MSMEs) in the country. India has scored a perfect 10 in protecting shareholders' rights on the back of reforms implemented by Securities and Exchange Board of India (SEBI).

4.2.2 Knowledge Capital Support

General Education

Mid-day meal scheme, Rashtriya Madhyamik Shiksha Abhiyan, Rashtriya Uchchatar Shiksha Abhiyan, Saakshar Bharat, Sarva Shiksha Abhiyan, etc.

Technical & Vocational Education

Sub-Mission on Polytechnics, Apprenticeship Training, Deen Dayal Uppadhyaya Grameen Kaushal Yojna (DDU-GKY), Craftsman Training Schemes Implemented through Industrial Training Institute (it is), National Urban Livelihood Mission, Bachelor of vocational degree in universities, Community Colleges, Jan Shikshan Sansthan, Pardhan Mantri Kaushal Vikas Yojna (PMKVY): Recognition of prior learning, Pardhan Mantri Kaushal Vikas Yojna (PMKVY): Short Term Training, Vocationalization of secondary and higher secondary education, etc.

Seekho aur Kamao (Learn & Earn)

This is a placement linked skill development scheme implemented since 2013-14 for minorities aiming to upgrade the skills of minority youth in various modern/traditional skills depending upon their qualification, present economic trends and market potential, which can earn them suitable employment or make them suitably skilled to go for self-employment. The scheme ensures placements of minimum 75% trainees, out of which at least 50% placement is in organized sector. The scheme is implemented through selected Project Implementing Agencies (PIAs) all over the country.

Key Stakeholder(s): Ministry of Minority Affairs

Source: <http://seekhoaurkamao-moma.gov.in/Index.aspx>

Upgrading the Skills and Training in Traditional Arts/ Crafts for Development (USTTAD)

Scheme has been launched on 14th May, 2015 to preserve the rich heritage of traditional arts/crafts of minorities. The scheme aims at:

- capacity building and updating the traditional skills of master craftsmen/artisans
- documentation of identified traditional arts/crafts of minorities; set standards for traditional skills
- training of minority youths in various identified traditional arts/crafts through master craftsmen; and
- develop national and international market linkages

Key Stakeholder(s): Ministry of Minority Affairs

Source: <http://www.minorityaffairs.gov.in/schemesperformance/usttad-upgrading-skills-and-training-traditional-arts-crafts-development>

Nai Manzil

Scheme has been launched on 8th August, 2015 with an aims to benefit the minority youth who do not have a formal school leaving certificate i.e. those in the category of school dropouts or educated in the community education institutions like Madrasas, in order to

provide them formal education and skills, and enable them to seek better employment in the organized sector and thus to equip them for better lives.

Key Stakeholder(s): Ministry of Minority Affairs

Source: <http://www.minorityaffairs.gov.in/schemesperformance/nai-manzil-social-assesment-and-social-management-framework>

Maulana Azad National Academy for Skills

Maulana Azad National Academy for Skills (MANAS), established on 11/11/2014 works towards meeting all skill up-gradation/development needs of Minority Communities. MANAS provides an all India level training framework based upon tie-ups with Local/National/International training organisations on PPP model, for imparting training to the Minority population in skill sets that are in line with emerging market demands. The training programme is aimed at providing meaningful and sustainable livelihood options in terms of self-employment/wage employment opportunities to all its trainees, with primary focus on self-employment. MANAS also provides concessional credit for minority community after meeting their Skilling Needs for expanding their existing businesses and setting up new businesses.

Key Stakeholder(s): Ministry of Minority Affairs

Source: <http://manassd.ind.in/>

Entrepreneurship Skill Development Programmes (ESDPs)

Comprehensive training programmes are organized to upgrade skills of prospective entrepreneurs, existing workforce and also to develop skills of new workers and technicians of MSEs by organizing various entrepreneurship-cum-skill development training programmes for new livelihood enterprise creation and rural enterprise development.

Key Stakeholder(s): Development Commissioner (MSME), Ministry of MSME

Source: <http://www.dcmsme.gov.in/Enterprise&skillDevelopment.htm>

Management Development Programmes (MDPs) by MSME

The objective of imparting training on management practice system is to improve the decision-making capabilities of existing & potential entrepreneurs resulting in higher productivity and profitability. Inputs on a variety of topics of managerial functions are provided to the participants in short duration training programmes. These programmes are of short duration and the curriculum is designed based on the needs of the industry and are customized, if required by the clients.

Key Stakeholder(s): Development Commissioner (MSME), Ministry of MSME

Source: <http://www.dcmsme.gov.in/Enterprise&skillDevelopment.htm>

Assistance to Training Institutions Scheme (ATI Scheme)

The assistance is provided to National level training institutions operating under the Ministry of MSME, namely, NIMSME, KVIC, Coir Board, Tool Rooms, NSIC & MGIRI in the form of capital grant for the purpose of creation and strengthening of infrastructure and support for entrepreneurship development and skill development training programmes. Assistance is also provided to existing State level EDIs for creation or strengthening/expansion of their training infrastructure.

Key Stakeholder(s): Development Commissioner (MSME), Ministry of MSME

Source: <https://msme.gov.in/sites/default/files/Revised-ATI-GUIDELINES-without-research.pdf>

Skill Upgradation & Quality Improvement and Mahila Coir Yojana (MCY)

Skill Upgradation & Mahila Coir Yojana (MCY) is one of the key components under the Scheme Coir Vikas Yojana. Coir Board imparts training in processing of coir and value addition to potential workers, coir artisans/entrepreneurs through its training centres, i.e., National Coir Training and Design Centre (NCT DC), Kalavoor, Alleppey and Research-cum-Extension Centre, Thanjavur, and Field Training Centres of Regional Officers/ Sub Regional Officers of the Board located at various parts of the country. The Mahila Coir Yojana (MCY) is intended to provide self-employment opportunities to rural women artisans in regions processing coconut husk.

Key Stakeholder(s): Development Commissioner (MSME), Ministry of MSME

Source: http://coirboard.gov.in/?page_id=221

Wholesale and Retail Trade and Repair of Motor Vehicles and Motorcycles

The ecosystem includes Industry Bodies such as CII, ACMA, SIAM, FICCI which are playing an important role in communicating and coordinating across companies in the sector. Government Bodies which include Ministry of Labour & Employment, Ministry of Skill Development and Entrepreneurship (MSDE), and Ministry of Heavy Industries and Public Enterprises (MOHIPE), department of Electronics and Information Technology, Ministry of Human Resource Development, and Niti Aayog. State Level bodies are also there and play an important role. Trade Unions, Companies and manufacturing units, Universities and Training Centers, Skilling Bodies such as National Skill Development Council (NSDC), and National Skill Development Agency (NSDA).

Marketing Development Assistance Scheme

Export promotion continues to be a major thrust area for the Government. In view of the prevailing macro-economic situation with emphasis on exports and to facilitate various measures being undertaken to stimulate and diversify the country's export trade, Marketing Development Assistance (MDA) Scheme is under operation through the Department of Commerce to support the under mentioned activities:

- (i) Assist exporters for export promotion activities abroad
- (ii) Assist Export Promotion Councils (EPCs) to undertake export promotion activities for their product(s) and commodities
- (iii) Assist approved organizations/trade bodies in undertaking exclusive nonrecurring innovative activities connected with export promotion efforts for their members
- (iv) Assist Focus export promotion programmes in specific regions abroad like FOCUS (LAC), Focus (Africa), Focus (CIS) and Focus (ASEAN + 2) programmes.
- (v) Residual essential activities connected with marketing promotion efforts abroad.

Key Stakeholder(s): Ministry of Commerce

Sources: <https://www.eepcindia.org/policy-info/P150323153115/53/mda-schemes>

Education Service Sector Initiatives

Education service sector will play the major role in skill India and startup India initiatives. It will also promote entrepreneurship culture in the country, in addition to do its basic responsibility (Teaching, Research & Development, Innovation, Training etc.). New Education policy 2020 will be a defining tool for the future in the country.

4.2.3 Infrastructure Capital Support

Enterprise Development Centres

The EDCs will be set up at District level, within the administrative control of the MSME Development Institutes/ Technology Centre, under whose jurisdiction they fall. The EDCs would primarily have two verticals viz., Enterprise Development Vertical and Skill Development Vertical. The two verticals will ensure that aspirations of the youth are well addressed in terms of hand holding support to those who aspire to be self-employed and create business enterprise and imparting Skill training to those who intend to get employed.

Enterprise Development Vertical inter alia among other things would focus primarily on:

1. Ideation;
2. Mentoring and incubation;
3. Credit facilitation & Market accessibility; and
4. Enterprise Clinic: Diagnostic studies in the event of sickness, counselling and other facilities.

Skill Development Vertical would provide information such as potential jobs availability in the market based on in-depth market intelligence and advise the potential job seekers to get relevant skill sets through prominent institutions/agencies in pertinent sector(s). These EDCs shall be connected with the National Resource Centre to be set up in the office of DCMSME. The EDCs will offer benefits to entrepreneurs viz. access to common tools and infrastructure, collaboration and sharing, networking, business infrastructure.

Key Stakeholder(s): DCMSME, Technology Centre DCMSME

Source: www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=924#BVIII

Pandit Deendayal Upadhyay Shramev Jayate Karyakram

It is a dedicated Shram Suvidha Portal: That would allot Labour Identification Number (LIN) to nearly 6 lakhs units and allow them to file online compliance for 16 out of 44 labour laws. An all-new Random Inspection Scheme: Utilizing technology to eliminate human discretion in selection of units for Inspection, and uploading of Inspection Reports within 72 hours of inspection mandatory. Universal Account Number: Enables 4.17 crore employees to have their Provident Fund account portable, hassle-free and universally accessible. Apprentice Protsahan Yojana: Will support manufacturing units mainly and other establishments by reimbursing 50% of the stipend paid to apprentices during first two years of their training. Revamped Rashtriya Swasthya Bima Yojana: Introducing a Smart Card for the workers in the unorganized sector seeded with details of two more social security schemes

Key Stakeholder(s): Ministry of Labour and Employment

Source: <https://labour.gov.in/sites/default/files/5486751d17b04eflyerenglish1.pdf>

Marketing Assistance & Technology Upgradation

The objective of this programme envisages that some of those clusters of MSMEs, which have quality production and export potential, shall be identified & encouraged and assisted through this scheme to achieve competitiveness in the national and international markets. The programme aims at improving the marketing competitiveness of the MSME sector by improving their techniques and technologies' promotion of exports and to provide a check on imports also. The broad activities planned under the scheme include Technology up gradation in Packaging, Skills upgradation/Development for Modern Marketing Techniques, Competition Studies of threatened products, Special components for North Eastern Region (NER), Identification of new markets through state/district level, local exhibitions/trade fairs, Corporate Governance Practices, Marketing Hubs and Reimbursement to ISO 18000/22000/27000 Certification.

Key Stakeholder(s): The office of Development Commissioner (MSME), Ministry of Micro, Small & Medium Enterprises, Government of India Site is Hosted by National Informatics Centre, Department of Electronics and Information Technology, Ministry of C&IT, Government of India

Source: <http://www.dcmsme.gov.in/schemes/MarketingAss&Techup.htm>

ZED Scheme

The scheme envisages promotion of Zero Defect and Zero Effect (ZED) manufacturing amongst MSMEs and ZED Assessment for their certification with the following objectives:

- To promote adaptation of Quality tools/systems and Energy Efficient manufacturing.

- To encourage MSMEs to constantly upgrade their quality standards in products and processes.
- To drive manufacturing with adoption of Zero Defect production processes and without impacting the environment.

There further is a series of financial support to be provided under this scheme to the informal sector MSMEs

Key Stakeholder(s): Development Commissioner (MSME), Ministry of MSME; National Monitoring and Implementing Unit (NMIU)

Source: http://www.dcmsme.gov.in/schemes/FAQ_ZED_11619.pdf

Entrepreneurial and Managerial Development of SMEs through Incubators

The objectives of the scheme are:

- To promote emerging technological and knowledge based innovative ventures that seek the nurturing of ideas from professionals.
- To promote and support untapped creativity of individual innovators and also to assist individual innovators to become technology-based entrepreneurs.
- To promote networking and forging of linkages with other constituents of the innovation chain for commercialization of their developments.

Funding support for setting up of 'Business Incubators (BI)': The cost may vary from Rs 4 to 8 lakh for each incubatee/idea, subject to an overall ceiling of Rs 62.5 lakh for each BI.

- a) Upgradation of infrastructure Rs 2.50 lakh
- b) Orientation/training Rs 1.28 lakh
- c) Administrative expenses Rs 0.22 lakh

Total assistance per BI Rs 66.50 lakh

Key Stakeholders: National Manufacturing Competitiveness Programme, DCMSME

Source: http://www.dcmsme.gov.in/schemes/Institutions_Detail.pdf

Lean Manufacturing Competitiveness Scheme (LMCS) for MSMEs

Under the Scheme, MSMEs will be assisted in reducing their manufacturing costs, through proper personnel management, better space utilization, scientific inventory management, improved processed flows, reduced engineering time and so on. LMCS also brings improvement in the quality of products and lowers costs, which are essential for competing in national and international markets.

The larger enterprises in India have been adopting LMCS to remain competitive, but MSMEs have generally stayed away from such Programmes as they are not fully aware of the benefits. Besides, experienced and effective Lean Manufacturing Counsellors or Consultants are not easily available and are expensive to engage and hence most MSMEs are unable to

afford LMCS. Scheme has been approved as a pilot project in 100 Mini Clusters for implementations of Lean Techniques. The main objective of the Lean Manufacturing Competitiveness Scheme (LMCS) is to bring manufacturing competitiveness in the MSME Sector. Lean Manufacturing involves applying Lean Techniques (e.g. Total Productive Maintenance (TPM), 5S, Visual control, Standard Operating Procedures, Just in Time, Kanban System, Cellular Layout, Poka Yoke, TPM, etc.) to identify and eliminate waste and streamline a system. The focus is on making the entire process flow, not improving only a few operations. Worker empowerment is also emphasized throughout the effort.

Key Stakeholder(s): The office of Development Commissioner (MSME), Ministry of Micro, Small & Medium Enterprises

Source: <http://www.dcmsme.gov.in/schemes/lean-manufact.htm>

Make in India

Make in India initiatives launched in 2014 to encourage MNCs to set up manufacturing units in India. With this initiative India became a most attractive center for FDI. Many policy initiatives are taken under the Make in India and favorable results are seen. **Skill India** initiative was launched in 2015 with an objective to train 400 million people with different skills. It involves schemes such as National Skill Development Mission, Pradhan Mantri Kaushal Vikas Yojana (PMKVY) and national Policy for Skill Development and Entrepreneurship. In addition, the Government has launched two new World Bank Assisted projects. i.e., Skill Acquisition and Knowledge Awareness for Livelihood promotion (SANKALP) Scheme and Skill Strengthening for Industrial Value Enhancement (STRIVE). These schemes are aimed to improve quality of skill development and reform institutions for skill development in India. These schemes will certainly impact informalization in the manufacturing sector.

Startup India campaign was launched in 2015 with two objectives, i.e., support startups and make policies for startups. Many benefits are provided under the scheme during the last five years. The Japanese firm Softbank has pledged US\$10 billion under the scheme. US \$ 2 billion is already invested by Softbank. The evaluation of the scheme is already started by the government. Many more initiatives are on card to make it a reality.

National Manufacturing Policy launched during 2011. The objectives were to make manufacturing contribution in GDP 20% and create 100 million jobs by 2021. There are many component of the policy. To mention, PPP, National Investment and Manufacturing Zones (NMZs) are popular ones. In 2016, 8 NMZs were announced for development. 100% FDI is approved in the sector through direct routes under the policy.

Food

The Ministry of Food Processing Industries (MoFPI) is making all efforts to encourage investments in the food business. It has approved proposals for joint ventures (JV), foreign

collaborations, industrial licenses, and 100 percent export oriented units (Ibaf (2019)).

The HRD Ministry is supporting this sector by creating infrastructure facilities for degree/diploma courses in the food processing sector, entrepreneurship Development Programme (EDP), Food Processing Training Centres (FPTC), and providing training at recognized institutions at State/National level.

Beverages

Tax rebate, custom duty exemptions, encouragement to private sector, FDI norms, Focus on Infrastructure, Focus on R&D, Cold storage facilities. There is no mention in the policies directly about formalization. However, these policy initiatives may promote formalization of the sector.

Tobacco Products

PTI (2019b) reported that the Union Health Ministry has re-initiated the process of amending the Cigarettes and Other Tobacco Products Act (COTPA) in a bid to strengthen its provisions, including a ban on the sale of loose cigarettes and heavy fine for violation of rules. The ministry had proposed a number of amendments to the 2003 legislation and put the draft Cigarettes and Other Tobacco Products (Prohibition of Advertisement and Regulation of Trade and Commerce, Production, Supply and Distribution) Amendment Bill in the public domain in 2015. It will achieve two objectives. The first one is that it will be more in line with WHO framework Convention on Tobacco control. Secondly, it will reduce informalization in the sector.

Textile

Department of industries and commerce (2018) highlighted the central government scheme for development and export from the textile sector. These schemes are (i) Amended technology upgradation fund scheme (ATUFS), (ii) Scheme for Integrated Textile Parks (SITP), (iii) Scheme for Capacity Building in Textile Sector (Samarth), (iv) Swarnjayanti Gram Swarajgar Yojana (SGSY), (v) Integrated Processing Development Scheme (IPDS), (vi) Duty Drawback, (vii) Remission State Levies (ROSL), (viii) Merchandise Export from India Scheme (MEIS), (ix) market Development Assistance (MDA), (x) Market Access Initiative (MAI).

Government Policy Initiatives: The government has been implementing various policy initiatives and programmes for development of textiles and handicrafts, particularly for technology, infrastructure creation, skill development. These initiatives include (i) Amended Technology Upgradation Funds Scheme (ATUFS), (ii) PowerTex India Scheme, (iii) Scheme for Integrated Textile Parks, (iv) SAMARTH- scheme for capacity building in Textile Sector, (v) Silk Samagra- integrated silk development scheme, (vi) North Eastern Region Textile Promotion Scheme (NERTPS), (vii) National Handicraft Development Programme (NHDP), and (viii) Comprehensive Handicrafts Cluster Development Scheme (CHCDS).

The Textile Ministry of India announced Rs 690 crore (US\$ 106.58 million) for setting up 21 ready-made garment manufacturing units in seven states for development and modernization of Indian Textile Sector (India Today (2018)). These initiatives along with the skill development scheme of the government, new expected textile policy 2020, and labour law reforms will help in reducing informal activities of the textile sector.

Wearing Apparel

The government had provided fiscal incentives for apparel, made ups, and technical textile units under MSME and large categories. These incentives are (i) investment subsidy by way of reimbursement of net GST on intra state sale, (ii) Exemption from electricity duty, (iii) Exemption from development and land use charges (CLU/EDC), and Exemption from property tax. Further to it, support for apparel, made ups, and technical textile units is provided under (ATUFS).

Leather related products

“Central sector scheme ‘Indian Footwear, Leather & Accessories Development Programme’ is under implementation for the period 2017-18 to 2019-20. The scheme aims at development of infrastructure for the leather sector, addressing environmental concerns specific to the leather sector, facilitating additional investments, employment generation and increase in production.” Goods and Service Tax (GST) Rates, Duty Free Import of Inputs, Interest equalization rate, Removal of Animal Quarantine clearance for most of the categories of finished and crust leathers imported into India.

PIB (2019) reported recent initiatives for the leather industry. These initiatives include (i) Human Resource Development (HRD) sub-scheme: HRD sub-scheme provides assistance for Placement Linked Skill Development training to unemployed persons, (ii) Integrated Development of Leather Sector (IDLS) sub-scheme, (iii) Establishment of Institutional Facilities sub-scheme, (iv) Mega Leather, Footwear and Accessories Cluster (MLFAC) sub-scheme, (v) Leather Technology, Innovation and Environmental Issues sub-scheme, (vi) Promotion of Indian Brands in Leather, Footwear and Accessories Sector sub-scheme, (vii) Additional Employment Incentive for Leather, Footwear and Accessories Sector sub-scheme: (Employees' Provident Fund). GST incentives are also given to the industry. Some of these may directly contribute towards formalization of informal components of the industry. However, there is no direct mention of policies with respect to formalization but these initiatives will promote formalization.

Coke and Refined Petroleum products

Large number of policy initiatives are taken by Government of India as listed at the website of Ministry of Petroleum and Natural Gas, GoI but these are mainly for organized sector.

Chemical and Chemical Products

The Government of India has conceptualized PCPIRs as clusters that provide investors with a transparent and investment friendly policy and facility regime. PCPIRs have high-class infrastructure and provide a competitive environment conducive for setting up businesses. The details can be seen at <https://www.makeinindia.com/sector/chemicals>. These policy initiatives will give boost to formalization but in the absence of policy initiatives it will give rise to informalization also.

Basic Metals

Government of India is devising new policy of basic metal sector keeping in view changing scenario. To mention new Aluminum policy includes seven major changes in different components of the industry. These are (i) declaring Aluminum as a core industry, (ii) reforms in coal and bauxite mining, (iii) metal scrap recycling, (iv) energy policy for energy intensive sector, (v) export policy for downstream industry, (vi) trade policy and mega free trade agreements, (vii) policies for infrastructure and databases. (Source: Niti Aayog – Need for Aluminum Policy in India)

Computer, Electronic and Optical Products

The Government of India is developing manufacturing hubs in this sector. It has taken initiatives such as (i) Ease of doing business, (ii) Phased Manufacturing Programme (PMP), which according to experts, supported the local industry transition from a simple phone-assembly market to one that now manufactures PCBs, (iii) The National Policy of Electronics 2019 (NPE 2019) recently replaced the policy book of 2012, (iv) Development of the Electronics System Design and Manufacturing (ESDM) sector, (v) The policy is required to generate employment for 10 million by 2025 (However, no mention of informal and formal segment).

Electrical Equipment

Mission Plan 2012-22 Vision was “To make India a country of choice for the production of electric equipments and reach an output of US\$ 100 billion by balancing export and imports

Other Transport Equipment

Under its "Aatma Nirbhar Bharat Abhiyan", government has decided to soon initiate procurement of arms and ammunition from local industries to reduce import dependence on foreign Original Equipment Manufacturers (OEMs). The government started preparing a road map in this direction since it came into power, and the Arms (Amendment) Bill, 2019, bringing changes to the six-decade-old Arms Act, 1959 was passed by Parliament in December last year for this purpose.

Technology and Quality Upgradation Support to MSMEs

The first objective of the present Scheme is to sensitize the manufacturing MSME sector in India to the use of energy efficient technologies and manufacturing processes so as to reduce

cost of production and the emissions of GHGs by providing EET equipment. The second objective of the scheme is to encourage the MSMEs to acquire product certification/licences from National/International bodies and adopt other technologies mandated as per the global standards.

- Creating awareness among the MSMEs within and around the identified Clusters about Market Transformation of Energy Efficiency, Carbon Credit Trading, etc.
- Increased adoption of National /International Product Certification standards by the MSME sector to enhance profitability of the implementing MSMEs by reducing energy costs and also through possible income from carbon credits.
- Implementation of Energy Efficient Technologies and other technologies mandated as per the global standards in MSMEs

The basic objective of this Activity is to encourage MSMEs in adopting energy efficient technologies. Under the present Activity, MSMEs will be assisted in implementation of the projects through loans from SIDBI /banks/financial institutions for which subsidy upto 25% of the cost of the project will be provided.

Key Stakeholder(s): The office of Development Commissioner (MSME),Ministry of Micro, Small & Medium Enterprises

Source: <https://msme.gov.in/technology-and-quality-upgradation>

Accommodation

e-Visa facility was offered to 169 countries as of December 2019.

Land transport

Major policy initiatives impacting land transport sector includes (i) National Urban Transport Policy 2014, (ii) Atal Mission for Rejuvenation and Urban Transportation, (iii) Automotive Mission Plan – 2016-26, (iv) Smart Cities Mission, (v) Make in India, (vi) National Manufacturing Policy, (vii) Skill Development, (viii) Fame India Scheme, and (ix) Voluntary Vehicle Modernization / End of the life policy. The smart transport will change the landscape of the land transport in days to come.

Water transport

The government under the Sagarmala scheme and National Waterways Act is developing 20, 275 kilometre long 111 new river course into national water ways. A 1620 kilometre long national waterway is situated on River Ganga between Haldia and Allahabad. On Brahmaputra river. A 891 kilometre long national waterway 2 between Sadia and Dhubri. Apart from that western coastal rivers on the coast of Kerala and national waterway 3 in Maharashtra and Goa are being developed. Coastal cargo transport is being developed on these coasts. Government is also determined to give a boost to tourism apart from making travel easier. More and more preparations are now being made for sea planes.

The sea plane will open up a unique window of connectivity to many areas and regions all over the country where land and other restrictions do not allow construction of a full-fledged airport.

Key Stakeholder(s): Ministry of Ports, Shipping and Waterways

Source: <http://sagarmala.gov.in/about-sagarmala/vision-objectives>

Warehousing and storage

The growth in warehousing in India is primarily being driven by (i) Make-In-India initiative, (ii) Enhanced Trade, (iii) Superior Technology and Digital India (wider internet penetration, technology enabled growth drivers like automation, real time tracking, RFID for automated data collection and stock identification, the modern Warehouse Management Systems (WMS) and other IT driven solutions, help create a sophisticated and efficient warehousing network that provides integration with automatic material handling equipment, cross-docking, yard management, labour management, billing and invoicing, etc) (iv) Government Policies such as free trade warehousing, zones (FTWZs) and logistic parks, and (v) relaxed international trade, implementation of superior and reformed tax structures like GST have further led to the fast growth of the sector.

Food Services

National Horticulture Board (NHB)

Setting up of cold storage (of capacity above 5000 MT and up to 10000 MT) and their modernization are eligible for assistance under the NHB Scheme of Capital Investment subsidy for construction/ expansion/ modernization of cold storage for Horticulture Products (a sub scheme under MIDH). It is open ended credit linked scheme with scale of assistance @ 40% of capital cost of project limited Rs 30.00 lakhs per project in general area and 50% limited to Rs 37.50 lakhs per project in case of NE, Hilly & amp.

National Horticulture Mission (NHM)

Cold storage (long term storage and distribution hubs) up to 5000 MT capacity are eligible for assistance under the open-ended scheme of NHM/ HMNEH (a sub scheme of MIDH). The assistance is extended as subsidies to credit linked projects @ 35% of capital cost of project in general area and 50% in case of Hilly & Scheduled area. Operational Guidelines for Mission for Integrated Development of Horticulture (MIDH)

Small Farmer Agri-Business Consortium (SFAC) assistance to cold storage

Setting up of cold storage as a part of a integrated value chain project are eligible for subsidy provided the cold storage component is not more than 75% of TFO (Total Financial Outlay). The scale of assistance as subsidy to projects is @ 25% of capital cost and maximum ceiling to Rs 2.25 crores in general area and 33.33% and maximum ceiling up to Rs 4 crores in case of NE, Hilly & Scheduled area. Integrated Scheme for Agricultural Marketing (ISAM)-

Operational Guidelines.

Agricultural and Processed Food Products Export Development Authority (APEDA)

Setting up of cold chain are assisted by APEDA as a part of strategy to develop the industries relating to the scheduled products for export. The Scale of assistance as 40% subsidy subject to a limit of Rs 75 lakhs for cold chain projects with mechanized handling system.

Food Processing Unit

Under Horticulture Mission For North Eastern Region and Himalayan States (HMNEH) a sub scheme of MIDH Food processing units for horticulture products are extended credit linked back ended capital investment assistance of 50% of project cost (ceiling amount of project cost is Rs 8 crores) in the States of J&K, Himachal and Uttarakhand.

Key Stakeholder(s): Ministry Of Food Processing Industries

Source: <https://www.mofpi.nic.in/Schemes/related-schemes-other-agencies>

Support activities for transportation, postal and courier activities

PTI (2020) reported that India Post has entered into a tie-up with the Indian Council of Medical Research (ICMR) for delivery of its COVID-19 testing kits to 200 additional labs designated for coronavirus testing across the country, an official statement said on Thursday. Nodal officers have been identified from both the agencies -- Department of Post and ICMR for each regional depot to ensure smooth operations.

Information and Communication

Ministry of electronic and communication provide in total 34 services such as e-Visitor Pass, NIELIT-Payment Details Updation, Download Aadhaar, UIDAI, Locate a UIDAI enrollment/update center near you, UIDAI, etc.

Real estate activities

IBEF reports that as per data of Department for Promotion of Industry and Internal Trade Policy (DPIIT), construction is the fourth largest sector in terms of FDI inflows. FDI in the sector (includes construction development and construction activities stood at US\$ 41.53 billion from April 2000 to December 2019. IBEF (2020) further listed the new initiatives of government such as smart city projects, Pradhan Mantri Awas Yojana (Urban), Affordable Housing Fund (AHF) in the National Housing Bank (NHB), approved 419 SEZs etc., will give further boost to the sector.

The Real Estate Regulation and Development Act, commonly known as RERA, is another such step. It is an act of the Parliament of India which seeks to protect home-buyers as well as help boost investments in the real estate industry. The Act establishes Real Estate Regulatory Authority (RERA) in each state for regulation of the real estate sector and also acts as an adjudicating body for speedy dispute redressal. It makes it mandatory for all commercial and

residential real estate projects where the land is over 500 square meters, or eight apartments, to register with the Real Estate Regulatory (RERA) for launching a project, in order to provide greater transparency in project-marketing and execution. The main aim is to prohibit unaccounted money to enter this sector and create a more transparent structure regarding pricing of any property.

Human Health and Social work

Government Initiatives to promote Indian healthcare industry are (i) allocation of Rs 35,600 crore (US\$ 5.09 billion) in Union Budget 2020-21 for nutrition-related programmes, (ii) allocation of Rs 69,000 crore (US\$ 9.87 billion) outlay for the health sector that is inclusive of Rs 6,400 crore (US\$ 915.72 million) for PMJAY scheme in Union Budget for 2020-21, (iii) government initiative to increase healthcare spending to three percent of the Gross Domestic Product (GDP) by 2022, (iv) setting up new branches All India Institute of Medical Sciences (AIIMS) at Manethi, District Rewari, Haryana at a cost of Rs 1,299 crore (US\$ 180.04 million), (v) setting up of National Nutrition Mission (NNM) with a three-year budget of Rs 9,046 crore (US\$ 1.29 billion) to monitor, supervise, fix targets and guide the nutrition related interventions across ministries, (vi) launch of Pradhan Mantri Jan Arogya Yojana (PMJAY), to provide health insurance worth Rs 500,000 (US\$ 7,124.54) to over 100 million families every year, (vii) approval of Ayushman Bharat-National Health Protection Mission as a centrally Sponsored Scheme contributed by both center and state government at a ratio of 60:40 for all States, 90:10 for hilly North Eastern States and 60:40 for Union Territories with legislature. The center will contribute 100 per cent for Union Territories without legislature, and (viii) launching of Mission Indradhanush with the aim of improving coverage of immunization in the country. It aims to achieve at least 90 per cent immunization coverage by December 2018 which will cover unvaccinated and partially vaccinated children in rural and urban areas of India

Hotels, Small Restaurants and street food vendors

Government initiatives includes (i) major policy changes made by the Ministry of Food Processing Industries to formalize the small restaurants and street vendors, **(ii)** National Policy on Food Processing, (iii) Investment Via NABARD: The government plans to establish INR 8000 crore fund for Dairy Processing and Development. This will help in modernization of old and obsolete milk processing units particularly in the cooperative sector resulting in more value addition for the farmers and increase in their income and it will also help industry to serve quality products to consumers and create formal jobs (Saily (2017)).

Domestic Work Segment

The ministry is considering a Draft National Policy on domestic workers. The policy aims to give the domestic workers the right to register as workers. Registration of domestic workers will in return give them all the rights and benefits as conferred upon them by the Constitution

of India. Following are some of the major considerations of the Draft National Policy. Apart for National Policy on Domestic Workers, Government of India has also launched many schemes such as Aam Aadmi Bima Yojana, Pradhan Mantri Suraksha Bima Yojana and Pradhan Mantri Jeevan Jyoti Bima Yojana (Tyagi (2020)). These social security schemes aim to provide domestic workers with life and disability coverage along with a INR 2 lakh on death at a premium of INR 330/annum. One major issue about formalization is the increase in cost of hiring domestic services, which may lead to reduction in demand, eventually reducing jobs in this sector. But, research shows that gains in income generate benefits for the welfare of the society as a whole, with the demand remaining stable even there are increased costs for domestic work.

Informal Private Transport

Organized mass public transport to cater to the needs of a humongous population is another aspect which India needs to look upon. In some parts, organized mass public transport is not available, while in others, provisions are rarely able to meet the fast growing demand. Consequently, various road transport solutions are coming up to fill the gap. They are classified as Intermediate Public Transport (IPT) or “para transit” as they cover the space between public and mass public transport. IPT operates either through commuters hiring them for door to door trips or as informal public transport by carving out fixed routes and prices. These vehicles operate largely informally and therefore their service levels, accountability and reliability often remains poor. In Tier 2 and Tier 3 cities, IPT is the most used source of transport as it provides an affordable option for the commuters. Auto rickshaws which are part of IPT are responsible for high levels of CO₂ emissions and are unsafe. The people involved in the IPT sector need training and made aware about their responsibilities as per the law of the country.

4.3 Support by Large Scale NGOs

4.3.1 Financial Capital and Insurance Support

Ford Foundation

Ford Foundation aims to provide market ecosystem to all small businesses and credit access to the daily wage workers and artisans to provide them working capital by means of micro finance.

- Making Micro Finance more accessible to provide working capital to small artisans, low wage workers.
- Enhancing skills and leadership capacity among poor people to build their own micro-finance and development organizations
- Leveraging greater resources for micro finance from government and commercial resources especially banks
- Access to market ecosystem with reference to market demand and coordination of

services

- Promoting market responsive and demand led enterprise development services to micro and small entrepreneurs

Beneficiary: Small artisans and low wage workers

Source: <https://ngosindia.com/the-ford-foundation/>

Shreni Community Trust

- The Shreni Relief Fund, spearheaded by Shreni Community Trust, a non-profit in Bengaluru, aims to provide direct monetary support to the daily wage earners primarily weavers and artisans.
- The aim of Shreni is to help them overcome their lack of access to monetary capital. As Shreni already works with them on the ground, they have built a certain amount of network through the years especially with the community leaders, who are basically one representative from a weaver or artisan community.
- Shreni has a network of over 1500 workers, with secondary access to several thousand more from the informal sector.
- The members are spread over the south Indian states, in clusters such as Kallur, Shigli, Kamatagi, Guledgudda, Channapatna, Srikakulam, and Gadwal amongst others.
- From this network, they will identify 500 of the most vulnerable weaver and artisan families who will receive direct financial support to address their immediate needs such as food grains and medical supplies, as well as, to make credit and loan payments.

Beneficiaries: Weavers and artisans

Source: <https://www.shrenis.com/initiatives>

4.3.2 Knowledge Capital Support

4.3.2.1 Upskilling for all

Utthan Mahiti

They use a strategy of developing and disseminating knowledge and know-how appropriate to the needs of local people and the creation of an enabling environment rather than merely providing training in job-oriented skills.

Beneficiary: Daily wage workers

Source: <http://www.nzdl.org/gsdldmod?e=d-00000-00---off-0cdl--00-0----0-10-0---0--0direct-10---4-----0-1l--11-en-50---20-about---00-0-1-00-0--4-----0-0-11-10-0utfZz-8-00&cl=CL1.82&d=HASH0157d9f6294695adac270ae7.4.6.5.7>=1>

Shroffs Foundation Trust

- They have a strategy of integrating socio-economic development which includes services and dispensation of welfare along with the promotion of training and education.
- They work in uplifting the marginalized by training them in various skills so that they can earn a decent living and are not exploited by inhumane conditions.

Beneficiary: Artisans and handloom manufacturers

Source: <http://www.shroffsfoundation.org/initiatives.aspx>

Mitti Ke Rang

- MKR started in 2014 as a social venture, currently working in 11 countries across the globe, rebuilding the lives of underprivileged women and their children by providing a portal to empower, educate, and rehabilitate them.
- They organize various skill-based workshops and projects to make women aware of their rights and benefits. At present, MKR is dedicated to raising funds to help migrant workers affected in the pandemic by directly transferring money to their accounts.

Beneficiaries: Women daily wage workers

Source: <https://mittikerang.medium.com/top-15-ngos-in-india-working-for-women-empowerment-81a878bb77d2>

Success Foundation (NGO arm of Viztar International)

The budget for skilling has been increased to more than Rs 10,000 crore a year by the Government. PPPs such as those initiated through NSDC need to be stepped up to create awareness and training modules which can help fill this gap with the help of organisations such as Viztar International which is a transformation training and business consulting firm, and through its NGO, Success Foundation, has partnered with NSDC to provide vocational training in semi-urban and rural areas. These are unique in the way that they equally emphasise on providing soft-skills so that the candidates have a holistic development that helps them deliver their best in whatever they do.

Beneficiaries: Agriculture workers and daily wage earners

Source: http://viztarinternational.com/corporate_social_responsibility.php

Foundation for Sustainable Development (FSD)

Promotion of alternative income generation activities for reducing extreme poverty, discriminations and economic inequalities; Foundation for Sustainable Development Involved role to implement MGNREGA work for the poor communities and community-based health precautions are revived. They are trying to eradicate poverty through upskilling methods.

Beneficiaries: Farmers and agricultural labourers

Source: <http://www.fsdindia.org/>

4.3.2.2 Upskilling For Women

MAKAAM

MAKAAM is a national informal platform working to secure women farmers' identity and rights in India. They address the status of women farmers in farm suicide families and various issues that women farmers are content with. MAKAAM provides support and empowerment to farm suicide affected families for the women to continue with their lives, livelihood, and familial responsibilities. By becoming self-reliant through education.

Beneficiary: Women farmers

Source: <https://mittikerang.medium.com/top-15-ngos-in-india-working-for-women-empowerment-81a878bb77d2>

Self-Employed Women's Association (SEWA)

- India that has built a supply chain of artisans, SEWA trade facilitation Centre company owned and managed by **50,000 women artisans**. They aim at strengthening women by providing them with adequate training and skills to work in various informal sectors. There are 1.9 million SEWA Members across the globe including countries like Afghanistan and Sri Lanka.
- Employs common and implementable approaches of combining training in self-employment skills and providing a network of other services for support of the marginalized women to help them find work and uplift themselves.

Beneficiaries: Women artisans and workers

Source: <https://mittikerang.medium.com/top-15-ngos-in-india-working-for-women-empowerment-81a878bb77d2>

AZAD Foundation

- AZAD Foundation is a feminist foundation with a vision to shape the world where all women are able to access livelihoods with dignity, generate wealth and value and to create a sustainable and more equal world for all by imparting training and education.
- The foundation has been able to support more than 2000 crore women to gain employability for decent work. Their project **"Women on Wheel"** has empowered urban women to become professional drivers making transportation safer for women in India.

Beneficiary: Women daily wage earners

Source: http://azadfoundation.com/latest_news/bringing-women-wheels

Snehalaya

They rescue and rehabilitate trafficked and force sex workers providing a safe haven, free counselling, legal aid, vocational training, and alternative work.

Beneficiary: Forced sex workers

Source: <https://www.shethepeople.tv/drafts/10-ngos-working-womens-empowerment-know/>

4.3.3 Infrastructure Capital Support

4.3.3.1 Digital Inclusion

National Hawker Federation

- NHF has been actively working with the **Navdanya (Farmers network)** and **Qlikchain (Technology Partner)**, to empower the livelihoods and build an inclusive people-sustainable economy by means of digital inclusion.
- Hawker Bazaar Express, an organic home delivery app for hawkers directly sourced from farmers of Navdanya, providing transparency on the blockchain from farm to thali. During this lockdown, Hawker Bazaar Express is being revived to help allow the street vendors to reach out to a wider market and provide fair pricing to the farming communities.

Beneficiaries: Street vendors and farmers

Source: <http://www.nationalhawkerfederation.com/>

Bill & Melinda Gates Foundations

- They support efforts by the Indian government to digitize government payments to poor households and encourage new digital banking models.
- They also work to identify gaps in digital financial inclusion efforts, and we work with private-sector providers to design digital financial products that meet the needs of poor households.
- This is extremely helpful for daily wage earners to be brought under the ambit of formal economy by getting access to products digitally which would otherwise be beyond the reach of the poor households of daily wage workers, street vendors etc.

Beneficiaries: Daily wage workers primarily in Bihar and Uttar Pradesh

Source: <https://www.gatesfoundation.org/Where-We-Work/India-Office/Financial-Services>

Nexharvest:

They primarily work to help farmers increase output while linking them to E-mandis and food processing units so that they can digitally sell their produce. They have 3 operations that they currently are working on:

- **Operation Sapling:**
A programme to increase output in terms of quality and quantity in farmers' fields.
- **Operation Doubling:**
To double farmers income in terms of business sustainability of agricultural enterprise.
- **Operation Coupling:**
To link farmers to e-mandis, food processing units and other means of selling produce.

Beneficiary: Farmers

Source: <http://www.nexharvest.org/services.html>

4.3.3.2 Access to Legal Aid

WIEGO

- WIEGO works with four main occupational groups of informal workers: domestic workers, home-based workers, street vendors and waste pickers. Workers in each occupational group face unique legal challenges.
- Domestic workers' hours are often poorly defined; many lack the right to live outside the employer's home or even to take their rest periods outside of the home. Migrant domestic workers face additional challenges, as their immigration status may be directly tied to their continued employment with a single employer.
- Where protective legislation does exist, it is often difficult to enforce as domestic work is carried out in private homes, out of the public eye.
- Convention 189 (C189). C189 recognizes domestic workers' right to decent working conditions, which include: daily and weekly rest periods; a minimum wage and minimum age consistent with other sectors the right to choose where to spend their leave and where to live; and the right to clear terms of employment. The Convention came into force in 2013.

Beneficiaries: Domestic workers, home-based workers, street vendors and waste pickers.

Source: <https://www.wiego.org/informal-workers-and-law>

CLAP (committee for legal aid to poor)

- CLAP, the acronym of Committee for Legal Aid to Poor, is the oldest Public Interest Law Organisation in India.
- CLAP has a mission to render legal services pro-bono to strengthen access to justice for marginalized and undertakes juridical advocacy for legal reform.
- It originated with a view to broaden the horizon of legal services in its various dimension for promotion, protection and enforcement of human right.
- Over the years it evolved as a specialized organization in the field of law and justice. Broadly the Legal Service Institute endeavours to eliminate injustice from the society and engaged to promote justice.
- Through its strategic legal intervention, the Legal Service Institute re-affirms its

commitment to strive towards progressive realization of fundamental human rights with dignity of individuals and the communities.

- While doing so it aims to bring about good governance based on rule of law through strategic application of law which is equitable, transparent and accountable as well as gender responsive.

Beneficiaries: Daily wage earners

Source: <https://www.clapindia.org/>

Nirmana: National Platform for Domestic Workers (NPDW)

- NIRMANA: Works for construction and domestic workers in unorganised sectors to provide them social security, dignified livelihoods
- NIRMANA undertakes its work for unorganised sector workers in general and specifically construction and domestic workers, in three critical areas :-
 - National Campaigns
 - Public Education and Policy Change
 - Dignified Livelihoods
- This platform was created in 2012, comprising of several domestic workers collectives and member-based organisations from around the country that are demanding comprehensive legislation. The coordinated effort across the country is focused on getting the Government of India to ratify ILO Convention 189 on 'Decent Work for Domestic Workers' passed in June 2011.

Beneficiary: Construction and domestic workers

Source: <https://www.nirmana.org/>

4.3.3.3 Access to food & basic amenities

Swaniti

- Swaniti works with members of Parliaments on constituency and state-level development work by picking particularly progressive MPs and topics that need to be addressed and help catalyze changes in communities.
- They analyze government data, understand local challenges, and deliver development solutions to elected officials by leveraging government resources. Swaniti aims at providing improved access to basic food and amenities for all daily wage workers.
- There have been signature campaigns all over the country with worker organisation attempting to sensitize their local MPs on the issues affecting this often marginalized and vulnerable section of workers, with the hope they will raise it in Parliament.
- NPDW has brought out a draft Domestic Workers Bill (Regulation of Work and Social Security), 2017 bill which has been given to the petition committee of the Rajya Sabha.

- Mission Convergence was a flagship programme of the Delhi Government during 2008-2016. NIRMANA had worked with Gender Resource Centre to support skill development and vocational training of women. NIRMANA covered more than 3000 marginalized households in the North-East and North- West district of Delhi and provided different types of support such as linking them with government schemes, vocational training, medical support through health camp etc.
- In order address migration and human trafficking, an integrated approach to tackle the problem at source and destination was taken up. NIRMANA conducted livelihood training in the form handloom weaving and lac cultivation at source areas. At destination i.e. Delhi, training on tailoring and beautician as well general housekeeping has been taken up.
- In 2018, NIRMANA conducted 'Recognition of Prior Learning (RPL)' certification programme through NSDC for domestic workers in North West District of Delhi. Placement services have also been introduced.
- NIRMANA supports the National Campaign Committee for Unorganised Sector Workers to ensure effective legislation is passed by Parliament in accordance with the recommendations of the Second Labour Commission.

Beneficiary: Construction and domestic workers

Source: <https://www.nirmana.org/>

Goonj

- Goonj undertakes disaster relief, humanitarian aid and community development in parts of 21 states across India. It recycles discarded clothes and household goods into useful products for the poor, such as sanitary napkins.
- Goonj is working towards long-term rehabilitation of daily wage earners. Under the programme Rahat, the volunteers aim to prepare kits with essentials such as dry rations and personal care products, and transport them to over a million people in areas with huge pockets of migrant labour. They will also utilise donations to address the impact on family income, healthcare, debt and education.

Beneficiary: Low wage workers

Source: <https://www.wiego.org/resources/goonj>

RAHI (Rise Against Hunger)

Under the current Covid-19 circumstances, the lowest strata of the society, comprising of daily wage workers, construction workers, contract laborers, street vendors have been the worst hit. These groups have lost the only source of their income and have no means to make ends meet or provide food for their families. Rise Against Hunger India (RAHI) has stepped in to support such groups in the time of this emergency by providing them with meals and other essential support.

Beneficiaries: Contract labourers, street vendors

Source: <https://www.riseagainsthunger.org/>

NYDHEE

- NYDHEE is serving the lowest strata of the society (such as daily wage workers, construction workers, contract laborers, street vendors etc.) through supply of dry meals.
- Along with the supply of essential items, their volunteers are also educating households/community groups on the behavioural change aspect like hand washing, social distancing and other measures they must adapt to avoid contamination.

Beneficiaries: Construction workers and street vendors

Source: <https://www.investindia.gov.in/bip/resources/list-ngos-providing-relief-during-covid-19>

OXFAM India

Capacity Development of local stakeholders, Food Security and **Water, Sanitation and Hygiene (WASH)**, to ensure the Right to Survival for those worst affected – migrant workers, stranded daily wage earners, agricultural workers and other vulnerable groups, including women and girls.

Beneficiaries: Migrant workers, stranded farmers and daily wage earners

Source: <https://www.oxfamindia.org/programdetails>

4.4 Social Impact Enterprises

4.4.1 Financial Capital

Registered with National Housing Bank (NHB), Altum Credo aims at providing financial assistance to first-home buyers in the rural and semi-urban areas who are otherwise excluded from formal channels of long-term finance. They have their presence in the states of Karnataka, Maharashtra and Tamil Nadu currently. Similarly, another organization, called Arohan Financial Services Ltd, reaches out to the underserved with a range of low-ticket size products. Ergos Grainbank is a company which is helping the formalization of financing process for the farmers, as they enable farmers to convert their grains to digital assets and gain credit against these digital assets through partnered banks and NBFCs.

4.4.2 Infrastructural and Technological Capital

AgroStar is a tech-based platform which provides agronomy advice along with the service and agri-input products that enable farmers to significantly improve their productivity and income. It is currently operational in states of Gujarat, Maharashtra, Rajasthan, Madhya Pradesh and Uttar Pradesh and has over 5 Lakh farmers on its digital platform. The organization helps the farmers to avail agro-solutions through a simple missed call through its Android app. Another organization named EkGaon has helped connect the farmers

directly to the consumers by leveraging state of the art technology and tools to connect over 20,000 farmers and over 20 artisan-producer organizations to bring over 100 premium food products to markets. ReMaterials is a company which works for improving the livelihood of the people in rural areas who do not have adequate roofing in their houses.

4.4.3 Knowledge Capital

Aimed at improving the life of cotton workers, Appachi, a Tamil Nadu based organization, helps the cotton farmers by working closely on the cotton manufacturing supply chain, right from production to the final selling and consumption of cotton. They have also opened a holistic school which educates around 850 rural children providing quality education as a CSR activity. Butterfields makes learning more effective for the children coming from disadvantaged backgrounds in the fields of science, math, sanitation, early childhood education, nutrition, health & hygiene. It has partnership with organizations such as RB, State Bank of Hyderabad, NTPC, ITC, etc.

4.4.4 Others

G.V. Meditech is helping provide accessible, low-cost, quality healthcare facilities to villagers in and around Varanasi area using e-Choupal network. They have created over 150 health camps to provide awareness of basic health and hygiene and educate the villagers. Waste is the livelihood of thousands of socially marginalized waste pickers throughout the country who collect and consolidate recyclable waste. These waste pickers often belong to oppressed communities and work in sometimes de-humanizing conditions. Hasiru Dala Innovations is a company that believes in the professionalization and the subsequent formalization of these informal waste pickers with an aim to provide access to opportunity and markets that empower entrepreneurship in and secure predictable livelihoods for waste pickers. Let's Recycle is an organization which has formalized the Indian unregulated and unorganized waste management sector by sourcing waste from the marginalized waste pickers.

4.5 Private Sector CSR Activities

4.5.1 Financial Capital Initiatives

Goldman Sachs 10,000 Small Businesses is an investment to help entrepreneurs create jobs and economic opportunity by providing access to education, capital and business support services. Goldman Sachs *10,000 Women* initiative provides economic growth by to women entrepreneurs with a business and management education, mentoring and networking, and access to capital.

Beneficiary: Small businesses/ Women

Category: S8

Source: <https://www.goldmansachs.com/worldwide/india/citizenship/india-10kw.html>

4.5.2 Infrastructure & Technological Capital Initiatives

- Abbott partnered with Prabhat dairy limited to extend support to small Dairy farmers by providing them training and key resources essential to produce higher quantity of higher quality milk.

Beneficiary: Dairy Farmers

Category: M2

Source: <https://www.abbott.com/responsibility/social-impact/shared-impact/india-dairy.html>

- Aditya Birla Fashion trains women to become entrepreneurs via micro manufacturing unit scheme and enables them to set up garment manufacturing units.

Beneficiary: Rural women

Category: M6

Source: <https://www.adityabirla.com/media/stories/madura-supports-women-entrepreneurs>

- Bajaj Education Initiative covers 76 low cost and supports them with infrastructure development and capacity building. Bajaj Auto is also supporting Bhartiya Yuva Shakti Trust (BYST) in training 25000 young persons in Aurangabad and Wardha to create 1000 entrepreneurs in 5 years.

Beneficiary: Underserved children/Youth

Category: S13

Source: <https://www.bajajauto.com/corporate-social-responsibility>

- Castrol runs its own Livelihood program Castrol Sarathi Mitra for training truck drivers in entrepreneurship and business and Castrol Eklavya for mechanics

Beneficiary: Truck Drivers and Mechanics

Category: S3 and T1

Source: https://www.castrol.com/content/dam/castrol/country-sites/en_in/india/home/csr/policy.pdf

- ICICI: Rural Self Employment Training Institute (RSETIs) As a part of Ministry of Rural Development (MoRD), ICICI started RSETIs. It focuses on providing free vocational training in to empower villagers to become self-reliant. The initiative also promotes entrepreneurship and development of micro-enterprises by providing loans.

Beneficiary: Rural people

Category: S8

Source: <https://www.icicibank.com/managed-assets/docs/about-us/ICICI-Bank-CSR-Policy.pdf>

- Ola provides Employment through Ola Foundation. To ensure Economic Independence through handmade products and other crafts, the Ola Foundation Corporate Gifting Unit hires the wives of our driver partners to help create authentic handmade products.

Beneficiary: Women

Category: M8

Source: <https://ola.foundation/>

- Pidilite: The company has made arrangements / signed MOUs with various institutes and expert organizations, for providing technical inputs to the farmers. For the important crops of the region such as cotton, onion, groundnut, coconut, etc

Beneficiary: Farmers

Category: S2

Source: <http://www.pidilite.com/rural-development>

- GoCoop, India's first global online marketplace, enables handloom and handicraft cooperatives and artisans in connecting directly with buyers. GoCoop also supports national and international buyers including wholesalers, retailers, brands, designers and consumers in efficiently sourcing hand-made fabrics and craft directly from the producers resulting in a better price for both buyers and sellers

Beneficiary: Cotton farmers

Category: M5

Source: <https://www.textileexcellence.com/news/industry-news/textile-companies-focus-on-csr-but-still-fall-short-of-mandate/#:~:text=Companies%20such%20as%20Aditya%20Birla,Nitin%20Spinners%20are%20classified%20active.>

4.5.3 Knowledge Capital

- Abbott Dairy Farm Initiative: *Please refer to Infrastructural and Technological Capital section for details.*
- Hindalco runs The Aditya Birla Rural Technology Park(training program in programmes in diesel / hand pump repair / maintenance, electrical repair/maintenance, bee-keeping, tailoring, knitting and agriculture-related programmes and encouraging self-employment) and The Yashogami Skills Training Centre(Trains women in skills such as rexine handicraft, fashion design, tailoring, food processing, pottery, lamination, electronics assembly, zardozi, jewellery design, papier mache, rangoli, and fabric design), Balwadis(primary education)

Beneficiary: Rural People

Category: S13

Source: <http://www.hindalco.com/sustainability/corporate-social-responsibility>

- Aditya Birla Fashion Entrepreneurship Program: *Please refer to Infrastructural and Technological Capital section for details.*

- Asian Paints runs vocational and skill-based training program for painters, carpenters and workers to improve their livelihoods

Beneficiary: Painters

Category: S12

Source: <https://www.asianpaints.com/sustainability/community-C.html>

- Bajaj Auto supports IISER, India's leading research institute, in constructing a dedicated Hall of residence for Women Research Scholars. Bajaj Auto has continued to support the Banasthali Vidyapeeth (a women's university) in setting up a Hostel and a Bajaj center for Automation and Bajaj Law School.

Beneficiary: Research Scholars/Students

Category: S11

Source: <https://www.bajajauto.com/corporate-social-responsibility>

- BMW runs Skill Development Livelihood program to train disadvantaged youth and help them in achieving their personal and professional goals by successfully moving into sustained employment or job-based training

Beneficiary: Urban youth

Category: S13

Source: <https://www.bmw.in/en/topics/bmw-india-foundation/skill-development.html>

- Castrol Sarathi and Castrol Eklavya Programme: *Please refer to Infrastructural and Technological Capital section for more details.*

- Cipla has partnered with the Skill & Entrepreneurship Development Institute (SEDI) in Baddi and the ITI Sikkim to provide opportunities for youth to learn technical and functional skills by trained professionals in areas such as carpentry, electrical, sewing, beautician course, etc.

Beneficiary: Underserved youth

Category: S13

Source: https://www.cipla.com/sites/default/files/2019-08/Corporate_Social_Responsibility_Policy.pdf

- Dabur has its livelihood program to enhance vocational skills including, bee keeping, food processing, preservation, vermi-composting, etc.

Beneficiary: Rural people

Category: S2 or M2

Source: <https://www.dabur.com/amp/in/en-us/csr-be-the-change/csr-policy>

- Dr Lal pathlabs has Rural Phlebotomist Entrepreneurship Development Program and Centre of Excellence to train youth in phlebotomy Technician and develop them as successful micro-entrepreneurs.

Beneficiary: Rural Youth

Category: S14

Source: <http://b-able.in/lal-pathlabs/>

- Goldman Sachs 10,000 Small Businesses/ 1000 Women initiative: *Please refer to Financial Capital section for more details.*
- ICICI: Rural Self Employment Training Institute (RSETIs): *Please refer to Infrastructural and Technological Capital section for more details.*
- JSW runs its own JSW skills school aims to improve the employability of the youth and women by offering industry-centric courses for vocational skill enhancement. This is achieved through facilitation of infrastructure and development and up-gradation of teaching tools of Governments' Industrial Training Institutes (ITI), across India.

Beneficiary: Youth

Category: S13

Source: <https://www.jsw.in/foundation/program-page-skill-enhancement>

- Kohler runs The Kohler Plumbing Academy (KPA) that began as an initiative to combat the lack of qualified plumbers in India and to provide a reliable livelihood where options were limited.

Beneficiary: Plumbers/Rural unemployed youth

Category: S12

Source: <https://kohler.design/happy-and-proud-indian-kohler-plumbing-academy-graduates/>

- PepsiCo India continues to strengthen its partnerships with farmers across the country to boost their productivity and income. Working closely with farmers and state governments to improve agri sustainability, crop diversification and enhance farmer incomes. Helping farmers refine their farming techniques and raise farm productivity.

Beneficiary: Farmers

Category: S2

Source: [https://www.pepsico.com/docs/album/sustainability-report/2018-csr/pepsico 2018 csr.pdf](https://www.pepsico.com/docs/album/sustainability-report/2018-csr/pepsico%2018%20csr.pdf)

4.5.4. Others

- Tata Tea and HUL provide support to Tea plantation farmers in terms of medical care in emergencies, schools for children, and vocational trainings to youth.

Beneficiary: Tea plantation farmers

Category: M3

Source: <https://zenodo.org/record/884097#.X7k7FWgzZPY>;

<http://www.csrmandate.org/hindustan-unilever-and-unicef-support-tea-plantation-workers-in-assam-to-tide-over-covid-19/>

4.6 Technology Firms

4.6.1 Financial Capital Initiatives

1. PayPal³²: The global leaders in payments has announced **Seller Protection for Intangibles**. This program is an extension of an existing program that earlier covered merchants selling tangible goods such as handicrafts, fashion goods etc. The extension will cover 2 types of buyer complaints – unauthorized transactions and item not received transactions. A key objective for PayPal in India is to ensure that genuine sellers, small or big, are protected from unauthorized claims and charge backs.
2. Flipkart:
 - a. **Growth Capital programme**³³ to address the sellers' need for working capital
 - b. To help MSMEs and sellers through this pandemic, Flipkart had introduced a health insurance plan³⁴, specific to COVID-19, to cover the seller's along with their families and employees, at a special rate with a coverage ranging between Rs 50,000 to Rs 3 lakh per individual with annual premiums starting at Rs 369.

4.6.2 Infrastructure & Technological Capital Initiatives

1. Intel³⁵: Intel India launched **Digital Skills for India** programme where the company, along with the Indian Government, hopes to 'impact' nearly five million people in the country by the end of 2015. The programme included the launch of a mobile application to enable digital skills training, programme to impart training at village level and an 'Innovate for India Challenge'.
2. Google: **Internet Saathi**³⁶, an initiative led by Google was started in 2015 and has now reached around 4,000 villages with 1,900-trained 'saathis'. Under this initiative, Google conducts various outreach and educational programmes to help women get online.

³² <https://www.paypal.com/in/webapps/mpp/paypal-seller-protection>

³³ <https://seller.flipkart.com/slp/content/flipkart-growth-capital>

³⁴ <https://www.flipkart.com/covid-insurance-store>

³⁵ <https://www.livemint.com/Politics/TVi3qteBfYKkXOPdw1O4J/Intel-India-to-aid-govt-with-digital-literacy-programme.html>

³⁶ <https://internetsaathiindia.org/>

Google is adding up to 500 additional 'saathis' per week. More than 100,000 women have been trained so far.

3. Paytm³⁷: Mobile commerce platform Paytm has tied up with National Centre for Trade Information (NCTI), aimed at helping MSMEs scale faster. The two organisations have signed a memorandum of understanding to offer a virtual marketplace platform for NCTI members and will extend its services and to enable them to sell online.
4. Amazon³⁸: Amazon India launched the '**Kala Haat**' program in 2016 to give Indian crafts persons and their products a global platform to display their products. Amazon reports an impact on over 750,000 weaver and artisan households through Kala Haat. Under the partnership with the Government of Uttar Pradesh for the state's 'One District One Product scheme', Amazon, through its 'Kala Haat' programme is helping traditional industries to scale up and access the Indian market. Amazon also provides these entrepreneurs training, account management guidance, marketing tools and excellent infrastructure of storage and delivery network to aid their progress through online selling.
5. Alibaba: The "**Global SME Enablement Programme**"³⁹ will provide cloud technology relief to both new and existing SME customers of the company around the world and equip them with the solutions needed to maintain business continuity amid the COVID-19 pandemic.
6. Flipkart:
 - a. **Walmart Vriddhi Supplier Development Program**⁴⁰, which aims to empower 50,000 small and medium manufacturers in the next five years with cash & carry and ecommerce (Flipkart) businesses, but for its global outsourcing arm that supplies to developed markets.
 - b. **Flipkart Samarth programme**⁴¹ will enable local artisans, weavers and artisans of Karnataka to display their hallmark products to a pan-India customer base.

4.6.3 Knowledge Capital

1. Facebook: The '**SME India Council**'⁴², an initiative by Facebook has been set along with 12 small business owners from different geographies and varied business objectives to share concerns, new ideas, and feedback to customize offerings towards the sector.

³⁷<https://economictimes.indiatimes.com/small-biz/sme-sector/paytm-ties-up-with-ncti-to-promote-indian-msmes/articleshow/46907518.cms?from=mdr>

³⁸<https://www.thehindubusinessline.com/news/amazons-kala-haat-weaves-magic-for-indias-textile-traditions/article24692771.ece>

³⁹<https://www.alibabacloud.com/press-room/alibaba-cloud-launches-usd-30m-global-sme-enablement-program>

⁴⁰<https://walmartvriddhi.org/>

⁴¹<https://seller.flipkart.com/slp/content/flipkart-samarth>

⁴²<https://www.facebook.com/business/news/Introducing-the-SME-India-Council>

4.7 Gig Economy

Gig economy is a work engagement where on one side, there is a service seeker i.e. a consumer with a demand for a specific task, and on the other side, and there is a service provider i.e. a gig worker who can perform that specific task. In this economy, tech-enabled platforms connect the consumer to the gig worker to hire services on a short-term basis. The prime attraction of the model lies in the reduction of transaction costs for both sides. Digitization and online platforms bring the freelancers and clients together in one place

Gig workers include self-employed, freelancers, independent contributors and part-time workers. India has emerged as the fifth largest country for flexi-staffing after the US, China, Brazil and Japan. Haryana, Madhya Pradesh, Andhra Pradesh, Gujarat and Telangana have most opportunities in terms of growth for the flexi-workers⁴³. Digital platforms have emerged as enablers for employment creation with the power to easily discover job seekers and job providers in the absence of intermediaries.

According to a World Bank report, India is home to 1.8 crore freelancers, more than developed markets like UK and US. The global market size for online freelancing is projected to grow to USD 4.4 billion in 2016. It is also estimated that by the end of 2020 global revenues for freelancing will be to the tune of USD 15 billion to USD 25 billion. PayPal wants to be an enabler for this segment.

About 23% of the surveyed freelancers earn in the range of ₹40-45 lakh annually, 23% earn in the range of ₹2.5-5 lakh a year, 13% earn between ₹10-15 lakh annually, 11% earn ₹2.5 lakh or less annually and 8% earn ₹7.5-10 lakh annually, as per the report.⁴⁴

Payment methods used in freelancers are an important part of the transaction. The common problems faced by freelancer in the matter of payment is unnecessary fees, increased risk of not being paid for work, and lengthy delays in payment. PayPal and Stripe are the two largest used payment platforms used by freelancers across the globe.

Table 4.1 Mapping of gig-work organizations with skills

Organization	No. of freelancers	No. of clients	Organization type	Task complexity	Skill/Applicable sector	Provisions for training and upskilling
Flexing It	50,000	19,000	Online freelancing	High	Business/ Strategy Consulting	No
Ghar se Naukri		750	Online freelancing	Low to Medium	Content development, social media development, chat assistants etc.	Yes- third party tie ups
V-Pact	250		Online freelancing	Medium to High	Consulting, research, IT services	Yes
Gaia Internet	70-100		Online freelancing	Medium to High	Content writing	No
JobsForHer		3000	Online freelancing	Low to medium	Translation, content writing, designing etc	Yes

⁴³ <https://www.investindia.gov.in/team-india-blogs/gig-economy-shaping-future-work>

⁴⁴ Insight into the freelancers ecosystem, PayPal

Organization	No. of freelancers	No. of clients	Organization type	Task complexity	Skill/Applicable sector	Provisions for training and upskilling
SHEROES ⁴⁵			Online freelancing	Low to Medium	Call centre and help centre chat services	Yes
Desi Crew ⁴⁶			Rural BPO	Low to Medium	Data entry, content creation, GIS based mapping services, transcription and localisation	Yes
HarVa ⁴⁷			Rural BPO	Low	Data entry, processing and conversion, document scanning, web search and call centre services	Yes
Truelancer			Online freelancing	Medium to High	Graphic designing, content writing, basic data entry, video production, digital marketing	No
Data Halli ⁴⁸			Rural BPO	Medium	Cheque processing, xml/html coding, customer services, funding services etc	Yes
iMerit ⁴⁹			Data processing and analytics organization ⁵⁰	Medium to High	Simple data based jobs	Yes
Hansa Cheetah ⁵¹			Online Survey platform	None	Filling up surveys for various sectors like telecom, media, financial services, consumer products and technology spaces ⁵²	No
Croogster			Online Freelancing	Medium to High	Logo design, content writing, digital marketing etc.	No
Upwork ⁵³			Online freelancing	Low to Medium	App development, social media marketing, content writing, graphic design ⁵⁴	Yes
Youth for Work ⁵⁵			Online freelancing	Medium	Matches freelancers with companies based on skill assessment	Yes
Vindhya ⁵⁶			Rural BPO	Medium	Contact centre solutions, data processing, onsite support etc	Yes
Data Pure ⁵⁷			Online Freelancing	High	Data enrichment, marketing, research, sales intelligent personal assistants ⁵⁸	
Indi Village ⁵⁹	98		Rural BPO	Low to Medium	Data entry and verification, image editing and processing, content writing ⁶⁰	

⁴⁵ <https://inc42.com/buzz/sheroes-wants-to-connect-1-mn-women-with-opportunities-in-next-3-years-founder-sairee-chahal/>

⁴⁶ <https://www.nextbigwhat.com/social-entrepreneurship-interview-with-desicrew-founder-rural-bpo-297/>

⁴⁷ <http://www.harva.co.in/slider2.html>

⁴⁸ <https://yourstory.com/2013/08/datahalli-a-village-of-data-empowering-its-women-with-the-rural-bpo/>

⁴⁹ <https://imerit.net/ourstory>

⁵⁰ <http://www.thehindubusinessline.com/info-tech/helping-youth-in-hinterland-acquire-deeplearning-skills/article9707238.ece>

⁵¹ <http://www.hansaresearch.com>

⁵² <https://play.google.com/store/apps/details?id=com.hansaresearch.cheetah&hl=en>

⁵³ <https://www.forbes.com/sites/elainepofeldt/2016/05/03/freelance-giant-upwork-shakes-up-its-business-model/#10e546c41855>

⁵⁴ <https://www.upwork.com/about>

⁵⁵ <https://kb.youth4work.com/identify-improve-showcase-your-talents-4e3caab8a8a>

⁵⁶ <http://vindhya.info.com/about-2/>

⁵⁷ <https://www.datapure.co>

⁵⁸ <https://in.linkedin.com/company/datapure>

⁵⁹ <http://www.indivillage.com/#ruralbp>

⁶⁰ <http://www.indivillage.com/services#bposervices>



Informal Micro-entrepreneurs: Challenges and Issues

Chapter 5 - Informal Micro-entrepreneurs: Challenges and Issues

5.1 Introduction

This chapter reports the challenges and issues faced by micro-entrepreneurs in India as well as at global level. It presents review of various academic studies along with select Indian case studies in the context of informal sector. It also depicts select cases across globe wherever any endeavour regarding formalisation of informal sector, has taken place. On the basis of afore-mentioned cases/studies, the chapter subsequently draws inferences and suggests recommendations.

5.2 Review of Case Studies in the context of Indian Informal Sector

This section is primarily based on the literature in which reportedly informal sector has been studied and explored. The timeline of this literature ranges from 1990 till 2019. Efforts have been made to collate a number of cases from the context of Indian informal sector. These cases have been drawn from various literature and are treated as sample to understand challenges and issues of informal micro-entrepreneurs in the context of India that might include gaps in terms of accessing government policies, formal/informal training, access to capital, markets, monitoring and role played by technology platforms (if any) etc. These cases have been borrowed from the respective sources and have been acknowledged while mentioning excerpt from a respective study.

5.2.1 Informal Manufacturing Sector

5.2.1.1 Case Study 1: Thana-Belapur, Maharashtra⁶¹

The trans-Thana Creek industrial belt lies west of the Thana creek between the urban centers of Thana and Belapur. It is approximately sixteen kilometers in length and in the east is flanked by the Mumbra-Parsik hills. The land slopes westwards into the Thana creek; soils are poor and the natural vegetation is one of scrub grassland.

Unlike the large scale and small-scale units in the trans-Thana Creek area, informal sector units are mostly unauthorized and do not occupy MIDC (Maharashtra Industrial Development Corporation) plots. They have instead sprung up mostly opposite the large-scale plants, that is, along the western side of the Thana-Belapur road. This land belongs to the MIDC but a few yards further west, it becomes CIDCO (City and Industrial Development Corporation) land. Since the width of the MIDC land west of the Thana-Belapur road is narrow' (approx 20 ft) there are space constraints to the carving out of industrial plots. Instead, the land has seen a host of unauthorized structures including small thatched eating

⁶¹ Shaw, A. (1990). Linkages of large scale, small scale and informal sector industries: A study of Thana-Belapur. *Economic and Political weekly*, M17-M22.

places and numerous informal sector units which are functionally integrated into the industrial matrix of the region.

There is an important forward link that large plants have with informal sector units and that is through the recycling of the waste products from large plants. Waste products could be empty drums, cartons, treated effluents and even un-standardized chemicals. Informal sector units buy the wastes, clean and sort them in sorting units located nearby and resell them. Thus, on the west side of the Thana-Belapur highway one comes across an assortment of small sheds dealing with waste paper, empty plastic bags and sacks, dyes and powdered chemicals, old tyres and timber.

As per the said study, fifteen such units were visited in the field including a polyester chip work shed. Here polyester chips bought from Kota, Rajasthan were stored, cleaned and weighed. Two large thatched-roofed sheds comprised the workshop. In one, the chips were stored and in the other, the chips were cleaned. Women did the cleaning using large strainers or 'jalis' which were similar to 'jalis' used for cleaning flour and other cereals. About twenty women were involved in this work. The basic method of cleaning chips was no different from that of cleaning food grains. Men workers did the heavy manual work such as packing the cleaned chips into sacks, weighing the chips and loading and unloading. Further south of this work shed one came across a string of much smaller IS units- about fifteen in all and mostly dealing with timber wastes. However, the first unit visited was a shed where thick plastic matted bags were piled and stored. In the courtyard in front of the shed lay empty plastic drums and containers. These products were collected from both small and medium units. The search for materials is a daily affair with three of the shed's total of four workers being out on the search most of the time. On both sides of this unit there were other timber units. They collected packing cases from the plants opposite paying one rupee per kg for them and all had three to four workers. Apart from breaking the cases and stacking them, the work also involved taking the nails out of the wood. In one of the units there was a worker who did just this work for around Rs 600 a month. The nails are resold to scrap iron dealers. Wooden spools on which cables are wrapped and wooden stands on which goods are stored in the large plants, were also collected and resold. In some units, as in another plastic bag collection unit, the owners not only went in search of materials but also bought them from individual collectors. Many such collectors were women from local villages. Prices their wastes fetched were very low: around one rupee per sack. In the larger IS waste collection units, the plastic wastes are not just stored but also cleaned and cut. These are labour-intensive operations with a high percentage of female workers. Inside such a unit, one generally finds a central position occupied by the weighing and cutting equipment. In the courtyard outside the shed is generally located a cement water tank for scrubbing clean items such as plastic bags. The bags are first cut into, sheets and then cleaned with soap and water. This is women's work. The cleaned sheets are hung out on rows of rope to dry looking very much like clothes on a clothes-line. The workers in such units are mostly temporary,

their numbers depending on the availability of material. Most come from local villages living within walking distance of the shed. Prices of the wastes, after cutting, washing and cleaning varied considerably: an oil drum can fetch upto Rs 250, a large plastic sack between Rs 10 to Rs 15 while wooden stands sell for around Rs 2 to 4 a kg. While most of the roadside IS units were small, operating from thatched-roof sheds and run with three or four workers, there was one IS unit which did not fit into this pattern. This one lay inside a roadside village and was the largest and best organised of all the units, author had visited. Unlike the others, it was run by a city owner who had his new car parked outside. The shed was built of bricks and cement with a tin roof. The wastes collected here were large plastic sacks and plastic pipes. Like the other IS units, the workforce here fluctuated, there being twenty workers at the time of visit. The unit was only three years old, quite unlike the other IS units which were on an average around fifteen years old.

The field study of the numerous small informal sector units reveals several interesting features about the informal sector in Thana-Belapur:

- The geographical proximity of recycling units to their sources of material supply, the large plants;
- The labour intensive process of sorting, cutting and cleaning the wastes;
- The high percentage of female workers who are engaged in tasks that are extensions of household work;
- The lack of adequate physical protection of workers undertaking such tasks. The plastic bags that are so highly priced by waste dealers originally contained strong chemicals. In fact, the sacks often had warnings about the chemicals being skin irritants. However, the plastic waste recycling workers were rarely seen to be wearing gloves.

5.2.1.2 Case Study 2: Durgapur, West Bengal⁶²

Durgapur, an industrial city is situated in the Bardhaman district of West Bengal, 175 km from the state capital Kolkata. The Grand Trunk Road (NH 2) and the main Delhi-Kolkata Railway line pass through it. The Durgapur Barrage on the River Damodar serves flood control, reservoir, water supply and Irrigation purposes. Informal manufacturing sector (IMS) in Durgapur, are characteristically different not only in terms of their employment size, but also in terms of their interactions with the rest of the economy and their role in the development process. This is truer when the region has a dominant formal industrial sector. IMS, here are classified into own account manufacturing enterprises (OAMEs), non-directory establishments (NDMEs) and directory establishments (DMEs). Highest numbers of enterprises and employment are observed to be in repair services, followed by food products, wood products and metal products sector.

⁶² Mukherjee, D. (2004). Problems and prospects of informal manufacturing sector: A Case study of Durgapur City. *Indian Journal of Regional Science*, 36(2), 1-22.

As per the said study, the reasons for setting up a unit were classified into three categories viz. pull factors (good prospect, adequate demand, etc.), push factors (previous experience, family business, etc.) and distress factors (low capital or skill required, etc.). It was observed that whereas 85% of the DMEs and 51% of the NDMEs are results of Pull factors, only 30% of the OAMEs were so. Push factors are responsible for setting up of 40% of NDMEs and 50% of OAMEs, while 20% of the OAMEs were set up due to Distress factors. DMEs were doing fairly well on parameters like fixed capital per enterprise and working capital per enterprise. Performance parameters like Value Added per enterprise and Profit per enterprise were also better in case of DMEs. However, the NDMEs were in a superior position regarding capital-labour ratio and labour productivity (value added per labour).

The said study identifies following factors which might affect the performance of these units:

- Resource availability and use
- Productivity and unit size

The said study further identifies following problems faced by informal manufacturing sector (IMS) in Durgapur:

- Inadequate Demand
- Resource Crunch: with limited capital, low capacity and irregular, scanty and drawn out turnover due to declining demand, the resource generation process has been slowed down significantly. The problem could have been mitigated by the formal credit system. However, such forces are inoperative mostly because the smaller units suffer from absence of collateral required for institutional loans. In many cases, the entrepreneurs are harassed by bank officials and are unable to get bank loan even after proving their credit-worthiness unless they grease their palms.
- Infrastructural Problems
- Activity-specific Problems: can be linked with the resource crunch.
- Absence of Mobility: due to gained specialization in a particular trade due to longer involvement and lack of training and skill development programmes for the entrepreneurs and workers

5.2.1.3 Case Study 3: Assam⁶³

In this study a primary survey of a group of informal manufacturing units was carried out which includes manufacture of food products and beverages, manufacture of textiles, manufacture of wearing apparel, manufacture of fabricated metal products, and manufacture of furniture as the said group constituted largely the informal manufacturing

⁶³ Majumdar, A., & Borbora, S. (2015). Production Linkages between the Formal and the Urban Informal Manufacturing Sectors: A Case Study in Assam. *Review of Integrative Business and Economics Research*, 4(1), 75.

sector of Assam. Guwahati was considered as the main sampling area because of the rapid urbanization and consequent migration of people to this area.

Around 62% of these enterprises were proprietorship business. A large number of these enterprises were non directory establishments (NDMEs). A very high percentage (83.3%) of the enterprises was run by the male entrepreneurs. The mean age for the workers in the informal sector was found to be 41 years. The minimum entry age of an entrepreneur to the informal sector was found to be 23 years. Aged people above 60 (1.7%) years were also found to be running such units. The entrepreneurs operating in this part of the state were found to be hailing from the native districts, mostly from Kamrup (25%), Nalbari (23.3%) and Barpeta (19%). A very small number of such entrepreneurs are found to be from outside the state such as Bihar (5.2%), Rajasthan (0.9), U.P (0.9) and west Bengal (0.9).

A sound literacy level was found among the entrepreneurs. 46.6% of them have studied up to 10th standard and 36.2% have studied up to 12th standard and above. Average family size was found to be of consisting of 4 members with the average size of the dependents 1.62; whereas the number of earning members in the family was 1.44.

Nearly 82% of these enterprises were run by the entrepreneurs without any training. Regarding prior work experience, it is found that only 15% of the entrepreneurs were engaged in formal sector; the rest are found to be actors of the informal sector itself. Lack of job opportunities apparently was the most important factor for a worker to indulge in an informal sector activity, over other factors such as family tradition or higher returns than other economic engagement. Educational qualification of the workers was not an important factor for their employment as only 14% of the employers wanted their workers to know the minimum reading and writing skills. The owners of the rest of the units wanted their workers to know the basic skills required in the process of manufacturing the respective goods.

62% of the informal units were found to be registered under Guwahati Municipality Corporation (GMC). Investment made by these informal units varies from a minimum of Rs. 3500 to a maximum of Rs. 400000. Mean investment was found to be Rs. 86185. Steel fabrications and some of the wooden furniture units are found to have incurred high investment. 42% of the informal units have the accessibility to credit; of which 28% approach to the formal sector (banks etc.) and 14% takes informal source of credit financing (friends, relatives, past savings etc). Monthly income of the owners of these urban informal manufacturing units varies from a minimum of Rs. 3000 to a maximum of Rs. 30000, with a mean income of Rs. 11720.

Almost all steel fabrication units and a high 62.9% of the furniture units, purchase their raw materials/intermediate goods entirely from the formal sector. In terms of the sale of the final products by the informal manufacturing sector to the formal sector, it was found to be only 21.5% of the said sample.

These units sell a major portion of their final products directly to the final consumers. However, a little more than half of the enterprises show existence of the backward linkage with the formal sector in terms of the purchase of raw materials and the intermediate goods. The presence of backward linkage between the formal sector and the informal manufacturing sector was found to be affected positively by the status of registration, number of workers, level of investment and income, credit accessibility, intention for expansion and attitude towards profits. Whereas, contrary to prior expectations; training of the entrepreneurs, duration and location of operation and introduction of economic reform, were found to affect the presence of backward linkage negatively.

5.2.1.4 Case Study 4: Handloom Weaving, Bhagalpur, Bihar⁶⁴

In India, handloom weaving has a long tradition of excellence and craftsmanship. However, the industrialisation of the nation during 1980s resulted in the virtual destruction of the handloom sector with the advent of the mechanised units of textiles and garment production. Over a period of about two decades, the handloom-weaving sector has witnessed a shift from conventional skills to modern technological advances.

The erstwhile ‘city of silk’, Bhagalpur in Bihar, is situated on the southern bank of the Ganges river and known for its historical importance as well. Bhagalpur is a divisional town. The historical existence of the weaving community of Bhagalpur district can be traced back to over 100 years. Handloom silk weaving has traditionally been a family enterprise carried on at the household basis that involved all family members. Since Bhagalpur is not a very fertile land, agriculturally, many families in this region depended on the textile industry for their livelihood. The ‘Tassar’ variety is one of the finest qualities of silk and is produced only in the tropical zones of India and is exclusively handloom-based. ‘Tassar’ silk has traditional and cultural values associated with the lives of weavers of Bhagalpur. In this region, there are two major weavers’ pocket, namely, Nathnagar and Champanagar, where handloom weaving takes place at a large scale.

Traditionally, handloom weaving has been a family occupation, practiced in a rural household set-up by members of the lower strata of society. Out of the total workforce of sprawling weaving villages of Nathnagar and Champanagar, there were nearly thousand weaving families and approximately 30 thousand weavers, who depend on this industry for their livelihood.

As per the study, the nature of the industry was small-scale and weavers were self-employed and the operating system in silk production was very similar to the silk production system being adopted in other traditional handloom industry, that is, the putting down system.

In the history of handloom industry, there existed a system of one head or master weaver who trained and gave raw material to small independent weavers to work on under the

⁶⁴ Sarmistha, U. (2015). Rural Handloom Textile Industry in Bihar: A Case of Rural Informal Sector. *Social Change*, 45(1), 107-117.

putting-down system. In this system, the independent weavers were able to sell their own product to the buyers directly and then pay back the master weavers the cost of the raw material. The weaver's family used to make one thread, dye it and then make cloth of their own. However, with increasing globalisation, a new player was added to this system. This was mahajan (moneylender/trader), who emerged from the same community and is a part of the capitalist class. Under the new system (with the mahajan), he keeps full control over the market, production and profit of the product. Apart from being the moneylender, he acts as distributor, supplier and marketing person as well.

As per the said study, the mahajans were the master weaver earlier and used to work on looms with other workers. This segment, over the years, accumulated wealth and moved away from weaving work to become businessmen. Under the new system, the wage weavers procure the raw silk from the mahajan on loan and then the weaver's family work together to reel, dye and weave the finished cloth and hand over the final cloth material to the mahajan, who then pays all the weavers on piece rate basis. Under the piece rate system workers are paid according to number of pieces of work they produce regardless of time they spend to produce it. Under the piece rate system, the handloom workers are always at a loss as their time is underestimated.

The study reveals that the weavers are poor, illiterate and lack bargaining power. They are left with no option but to depend on the mahajans. Further, in the handloom sector wherein the work is manual and tedious, on a normal day of work, a weaver family cannot produce more than 8–10 meters of cloth material, which is why payment on the basis of the piece rate system leads to the marginalisation of the weavers. The average wage paid to a weaver for his labour was Rs. 2–2.5 per meter, irrespective of whether the individual is working alone or the entire family is engaged in production. The average remuneration for weavers working on the power loom (who can produce 20 meters per day) is Rs. 40–45 per day and the income for weavers working on the handloom (who can produce 8 meters per day) is Rs. 16–20 per day.

The other key issues, as per the said study were lack of market opportunities and prevalence of illiteracy among the poor weavers. The weavers had no access to either raw material or market.

A sample quote: As a young weaver, Iqbal, says, *“I know how the mahajans work and take benefits out of our work but we can say nothing against them as otherwise who will give work to us? Also, if we accumulate some wealth and start our own businesses, it will still be difficult for us to survive among the sahuakar (mahajans) in the market”*.

The lack of medication and proper health-care facilities were leading to large scale migration from this dying industry. To earn a better living, more than 80% of the skilled adult weavers migrated out of this region to work in other destinations.

A sample quote: Om Tanti, a 28-year-old weaver from Bhagalpur, says, “*We belong to the weaving community and have our own hereditary art, which has been providing us with livelihood for generations, and therefore, we want to save and preserve it*”.

The said study further pointed out the failure of the government to control the supply, distribution and marketing operations and to arrange ancillary facilities to the weavers is giving space for infiltration of growing number of mahajans into the system, who ultimately enjoy the heavy profit margins resulting in marginalisation of poor weavers.

5.2.2 Street Food Vendors

5.2.2.1 Case Study1: New Delhi⁶⁵

New Delhi is one of the megacities in northern India. In the said study, a pool of twenty street food vendors was considered. In terms of gender, the profession is male-dominated in New Delhi. These vendors have widely differing levels of education; some has very little basic education while others have degrees. Many street food vendors have completed some formal general education and have acquired at least basic reading, writing and numeracy skills. A very small proportion of these vendors have received any kind of formal vocational training. Moreover, less than half of the few who do have experience of training within the formal vocational education training (VET) sector; have taken any kind of examination, while none has any kind of certification. They have virtually no knowledge of what formal vocational education and training might be available to them. It appears that skills development takes place almost exclusively through informal learning processes. Here is a sample portrait of street food vendors from New Delhi: and one from Coimbatore.

A sample portrait: Lala Ram, 58, runs his business at Saket Community Centre, in New Delhi. His father started the stall 19 years ago and he worked with his father from an early age. The entire family works in the business. The food is prepared by his wife at home, and he and his nephew sell it. No written accounts are maintained. Lala Ram has no other workers apart from his family. The stall is open every day of the week from 10 a.m. to 10 p.m. They have not undergone any training for this and do not want any. He says he is willing to teach someone how to cook if they want to learn from him. The snacks are sold at regular market prices. The price may vary according to the cost of raw materials.

5.2.2.2 Case Study2: Coimbatore, Tamil Nadu⁶⁶

Coimbatore is the medium-sized city in the southern state of Tamil Nadu. In the said study, a pool of thirty street food vendors was considered. In terms of gender, street vendors in Coimbatore include both men and women. These vendors are homogeneous in terms of formal qualifications; more than two-thirds of them have an upper primary or secondary

⁶⁵ Pilz, M., Uma, G., & Venkatram, R. (2015). Skills development in the informal sector in India: The case of street food vendors. *International Review of Education*, 61(2), 191-209.

⁶⁶ Pilz, M., Uma, G., & Venkatram, R. (2015). Skills development in the informal sector in India: The case of street food vendors. *International Review of Education*, 61(2), 191-209.

qualification. None of these vendors in Coimbatore has received any kind of formal vocational training. They have virtually no knowledge of what formal vocational education and training might be available to them. It appears that skills development takes place almost exclusively through informal learning processes. Here is a sample portrait of street food vendors from Coimbatore:

A sample portrait: Om Pal, aged 42, is a native of Uttar Pradesh and runs a stationary stall at Lawley Road, Coimbatore. He is educated up to Standard 8 and speaks three languages, including English. His wife encouraged him and taught him to cook a range of fast-food dishes commercially. He started his business in 2006 and has a branch at another commercial area run by his son. He was previously working in a local sweet shop and has eight years' experience. His former employer taught him to prepare 320 different types of sweets; mostly, he acquired his skills through observation and 'learning by doing'. He records his daily transactions in his diary. He has no loan repayment obligations. He does not have a license. He is happy that his customers believe that the food he serves is hygienic and his prices are cheaper than those of the competitor stall in his locality

5.2.2.3 Case Study3: Madurai, Tamil Nadu⁶⁷

Majority of street food vendors offered ready to eat (RTE) cooked food items and dishes in which the most commonly sold RTE street foods were rice-based products (idli, dhosai, paniyaram, pongal, and fried rice dishes), milletbased products (pearl millet porridge and finger millet porridge), wheat-based products (poori, parota, and chapatti) and pulse-based products (vada).

All of the street food vendors were poor; porridge vendors and especially hawkers were the most marginalized groups and fared poorly on all socio-economic indicators. Female vendors were found in greater proportions within these more marginalized vending categories. As per the study, majority of the street vendors (98%) were from lower castes, including scheduled caste (SC), backward class (BC), and other backward classes (OBC). A large majority of porridge vendors (92 %) were in possession of a Green BPL (Below Poverty Line) card, which confirms their poor economic status. The intensity of their poverty is further witnessed by the lack of material assets they owned, as none of them conducted their operations on owned land, and only 19% had a motorcycle.

Porridge vendors had very few qualifications in terms of formal education and training. While male vendors had more education than female vendors, education levels were low for both sexes. Of all porridge vendors, 83 % had obtained less than a grade 11 education and 40% reported that they were illiterate. Porridge vendors, though scored better than hawkers did in most socio-economic categories, they were the least likely among all vendors to have access to a bank account (16.7%) or to have membership status with an NGO or self-help

⁶⁷ Patel, K., Guenther, D., Wiebe, K., & Seburn, R. A. (2014). Promoting food security and livelihoods for urban poor through the informal sector: a case study of street food vendors in Madurai, Tamil Nadu, India. *Food security*, 6(6), 861-878.

group (16.7%). These statistics lend support to the notion that porridge vendors are predominately poor, and have also been excluded from development interventions that target more marginalized groups, such as female hawkers.

The majority of porridge vendors were 30-59 years old, yet despite their age most had been in the business for 10 years or less. Almost half (43%) of the porridge vendors studied were rural migrants who came from rural parts of Madurai district as well as the nearby Theni, Sivaganga, and Ramanathapuram districts in southern Tamil Nadu.

However, migrant porridge vendors had an advantage in overcoming these challenges as their novel millet- based product did not face any resistance from other vendors who were selling very different RTE food products. Thus, porridge vendors who pursued this emerging business opportunity found fewer barriers to entry.

Due to intense competition amongst vendors, the cost of porridge in Madurai is set at INR 10 per serving, making it one of the cheapest street food options available to consumers. During peak season (February through October), vendors reported an average of 60 customers per day (420 per week), resulting in revenues of around INR 4200 per week. Costs for materials, transportation, and bribe payments to local officials brought their profits down to approximately INR 1100 per week. In order to keep costs down, vendors employed a number of different strategies when purchasing millet. This included buying millet in bulk from a wholesaler on a less frequent basis or, in some cases, purchasing directly from a farmer.

Porridge vending is exclusively a family business in which none of them hired any outside labour and all work was done by members of the porridge vendor's household. During the cold rainy season, porridge sales drop due to less foot traffic and reduced demand for pearl millet porridge. Although porridge vendors are technically mobile, they tend to operate from a single location. Because of the stationary nature of porridge vending, delivery services are less popular among porridge vendors than other street food vendors. Porridge vendors also choose to remain in the same daily location due to the territorial aspects of the industry. By keeping to their turf, vendors avoid confrontation with competitors and are able to form stronger networks of reciprocity with other non-competitor vendors. Additionally, they are better able to form relationships with the individual police officers and officials who might otherwise evict them for traffic offences or vending without a license. Nearly all enterprises (95%) had women working at them, often as unpaid family labour. Female vendors also reported higher incidences of harassment, forced shutdowns, and the payment of bribes to police and authorities. Female porridge vendors showed more of a desire to expand their enterprise than did their male counterparts.

More than a third of all street vendors in Madurai faced some form of harassment, including increased bribe payments, relocation, and threats of being shut down. An even greater proportion of female street vendors (40%) reported harassment by the state administration during the same period.

5.2.3 Market Vendors

5.2.3.1 Case Study 1: Surat, Gujarat⁶⁸

Surat is one of the fastest growing cities of the state of Gujarat in India. The number of female street vendors found in Surat city is less vis-à-vis male. Nearly half of the vendors are in the age group of 33-59 years. About half of the street vendors belong to 35-54 age-groups and one-third vendors fall under the age- group of 25- 34 years. Majority of these vendors have 2-4 members in their family. Larger family sizes are more prevalent among the cloth vendors, cosmetic product vendors, and among vendors selling miscellaneous items. Small family size is more prevalent among the vegetable and wooden item sellers.

Literacy trends among the street vendors, show that the more illiterate vendors have smaller businesses like fruit stalls. More than 90% of all surveyed vendors are literate, and have studied at least up to 5th grade. Many of the vendors have started their business in this market, or have been second or third generation vendors in this market. Most of the vegetable, fruit juices, cloth, footwear, bags, cosmetics and wooden item vendors, have come to the markets more than 15 years ago. A large number of the vendors were single earning members in their house while one fifth vendors have two working persons in their house. A large number of vendors engaged in this occupation because it's their family occupation.

Large number of vendors buy goods from whole sale market while one fourth vendors from super markets. Less than one fifth of the vendors are paying rent for the space used by them. Almost half of the vendors have paid fine in the past against half of the vendors who never paid fine. These vendors have either taken loan from the money lenders on high interest rate or have been supported by their family/ relatives / friends. Some vendors have been taking goods from wholesalers or agents on credit. More than half of the hawking units are mobile in nature while one third units are stationary and very few come under others category. One third of the vendors are selling their goods on sitting ground with sheet, handcart becomes second and kiosk or stalls are the third option.

As per them, established market is an important factor for vending. Some believe both, high residential density and established market place are important factors. Very few vendors are member of any vendor organization. Most of the vendors want to buy a shop, some wants to rent a shop and few vendors want to get rented hand cart. Majority of the vendors don't want their son/ daughters continue this trade due to insufficient earning despite of hard work. Half of the vendors reported that they are facing problems to continue doing business. Out of half of vendors one third facing problem of harassment by authorities, one third facing problem of eviction and few of them are facing problem of conflict with pedestrians, confiscation of goods and extortion by authority. Around 60% of the total vendors, one third expect space with license ID, one fifth expect only space, 8% expect space with basic facilities

⁶⁸ Ray, C. N., & Mishra, A. (2011). *Vendors and informal sector: a case-study of street vendors of Surat City*. Centre for Urban Equity, CEPT University.

like water and sanitation, 5% expect only license ID and few of them expect only basic facilities from the surat municipal corporation (SMC). In general, three fourth of the total vendors do not agree to relocate from original place whereas one fifth of the vendors agreed only if they are shifted to nearby places and their requirements are taken care in new location.

5.2.3.2 Case Study 2: Kashmir, Jammu & Kashmir⁶⁹

This case study captures the lives of street vendors in the Kashmir valley of Jammu and Kashmir. Majority of these vendors hail from poor families and work seven to ten hours daily. A vendor starts early in the morning with the day's purchase. The marketing place is invariably far from his residence. Bringing large sacks of vegetables and fruits and loading them in a rickshaw cart is a tedious job. Arranging, cleaning, sorting, weighing and dealing with customers is not easy. Hawkers are on the move from one lane to another irrespective of the heat, wind, rain and cold. Calling out loud to attract buyers, consumes time and energy.

The largest concentration of vendors is in the age group 16-35 years which indicates that it involves enormous physical labour. The male vendors outnumber female vendors also in literacy level. Majority of the male vendors have studied up to 12th standard while more than half of the female vendors are illiterate and rest have studied up to 12th standard. All the family members are engaged directly or indirectly in the said activities. Immigrants are also part of the said group and have come from places like Tibet, Bihar, Bengal, Assam and Calcutta etc.

Most street vendors sell items produced by home-based and small-scale industries. They are constantly harassed by the authorities. The local bodies conduct eviction drives and sometimes confiscate their goods. Besides these sudden raids, street vendors normally have to regularly bribe the authorities in order to carry out their business on the streets.

These vendors got into vending because of various reasons viz. lack of employment opportunities; no earning member in the family; lower investment; and no/low skill. The demand in their respective area has been seasonal. There is no significant difference between the earnings of male and female vendors. These vendors are satisfied with their present earnings and are not willing to change their occupation.

5.2.3.3 Case Study 3: Yeola, Maharashtra⁷⁰

Yeola town is a Taluka place in Nasik district and located on a border of three districts namely: Ahmednagar, Nasik, and Aurangabad. The area comes under Khandesh and Northern Maharashtra region. Yeola is surrounded by Kopargaon Taluka (Southside), Nandgaon Taluka (Northside), Vijapur Taluka (Eastside) Chandwad Taluka (Westside). It

⁶⁹ Bhat, G. M., & Nengroo, A. H. (2013). Urban informal sector: A case study of street vendors in Kashmir. *International Journal of Management & Business Studies*, 3(1), 112-115.

⁷⁰ Patil, A. V., Gogte, A. J. C., & Talnikar, A. K. (2019). Study of Informal Sector (Street Vendors) in Central Market Area of Yeola, Maharashtra (India) and their Integration in Market Architecture. *International Journal of Applied Engineering Research*, 14(13), 3022-3027.

caters 124 villages under Taluka head. Holy Saint Raghuji Baba was the main person behind the rise of Yeola town. Municipal Council of Yeola is the oldest in India which was formed in 1857.

Yeola is well known for Traditional Maharashtrian “Paithani” saree. Currently, in Yeola many Paithani weavers are working independently and earning their livelihood. This traditional Paithani weaving Business has given employment to many skilled and unskilled people. This business has generated several small-scale activities like thread preparation, bundling of threads, thread coloring, etc. Most of the Paithani business runs in Yeola gaothan area due to easy and efficient linkage with associated activities related to Paithani weaving. Yeola has a large gaothan area having narrow lanes and compact residential and commercial units. Many Paithani weavers are selling Paithani’s from their homes only while few are having shops and showrooms on narrow lanes. Hence, most streets in gaothan areas always remain congested with vehicles and pedestrians.

In Yeola, the major concentration of street vendors was found in the central market area of town which comprises of two main markets viz. Daily Market and Weekly Market. Majority of the vendors were from age group 20-30 and 31-40. Unemployment was found to be the reason for street vending. Majority of male vendors were into this business as market areas are in dense commercial zone of the Yeola town. However, females could be seen in Weekly market i.e., on Tuesday. Most of them had primary education only. Reportedly, the average income was Rs. 10000/- per month.

Nearly 76% of the street vendors were engaged in the said business from 0-30 years. As per the study, approximately 22% vendors invested Rs. 2000 to Rs. 4000/- and few invested more for setting up their selling unit, i.e., temporary stall, handcart etc. Many vendors approx. 34% had mobile selling unit while others 42% had stationary type. Most of the street vendors were selling goods on sitting ground with sheet, Handcart becomes second and Stall or kiosk is the third option. Approximately 38-40 % street vendors were sitting on ground in central market area and some mobile street vendors who generally found along streets abutting central market area via handcarts.

Majority of Daily market vendors approx. 88% in central market area were ready to move as per Municipal council’s decision as they were not having any proper facilities and allocated space in current market. So, they were expecting a positive development by municipal Council. Remaining 12 % vendors were afraid of losing their current business if they would get relocated. They were also expecting infrastructure facilities and fixed allocated space but they were in a dilemma and hence refusing to move if relocated on another place. Whereas in weekly market, approximately 62% vendors were ready to move and remaining 38% were not willing to move from current place.

The vendors in central market area of Town stated that the market is an important factor for creation of demand. Some of them would believe that high traffic and pedestrian density

increases the demand for goods in particular locality. Some vendors from weekly market area approx. 58% reported that festivals like Pola, Diwali, Sankrant, Dasara, Gudhipadawa , Ramazan Eid fetches maximum people.

5.2.4 Challenges faced by Indian micro-entrepreneurs

Following challenges are drawn on the basis of review of case studies from Indian informal sector:

- **Skill Gap**

- As per the studies in the context of street vendors including food vendors, majority of them had no formal vocational training. Reportedly, majority of them were not aware about formal vocational education and training.
- Most of the case studies concluded that skill development takes place almost exclusively through informal learning processes.
- Absence of Mobility: due to gained specialisation in a particular trade due to longer involvement and lack of training and skill development programs for the entrepreneurs and workers.

- **Capital & Resource Crunch**

- These street vendors reportedly have either taken loan from the money lenders on high interest rate or have been supported by their family/ relatives / friends. Some vendors have been taking goods from wholesalers or agents on credit. They had been struggling in getting access to credit for their respective economic activity.
- With limited capital, low capacity and irregular, scanty and drawn out turnover due to declining demand, the resource generation process has been slowed down significantly. The problem could have been mitigated by the formal credit system. However, such forces are inoperative mostly because the smaller units suffer from absence of collateral required for institutional loans. In many cases, the entrepreneurs are harassed by bank officials and are unable to get bank loan even after proving their credit-worthiness unless they grease their palms.
- Infrastructural Problems and economic activity-specific Problems were also reported which can be linked with the resource crunch.
- Majority of these informal entrepreneurs had no access to a bank account. They also had issues regarding registration and credit accessibility. Invariably they no access to either raw material or market.

- **Harassment by Authorities**

- Various types and levels of harassment by authorities were also being reported viz. eviction, conflict with pedestrians, confiscation of goods and extortion by authority.

The street vendors particularly opined that they were constantly harassed by the authorities and sometimes the local bodies conduct eviction drives and sometimes confiscate their goods. Besides these sudden raids, street vendors normally have to regularly bribe the authorities in order to carry out their business on the streets.

- Reportedly, There were voices for direct relationship with the Urban Local Bodies for payment of fees and other dues and for immediate discontinuance of the practice of farming out of Tehbazari (fee) to contractors and other intermediaries, as it results in exploitation of street vendors by anti-social elements. It has been their experience that Tehbazari (fee) contracts are captured by the mafia enjoying political/bureaucratic patronages, who exploit the street vendors with impunity⁷¹.

- **Protection**

- Lack of adequate physical protection of workers in some of the informal manufacturing sector. The lack of medication and proper health-care facilities were also the concerns.

- **Inadequate Demand**

- It was also one of the concerns shared across. Most of the studies reported that lack of market opportunities is one of the major concerns.

5.3 Working Mode of Private Organizations

This section explores working mode of private organizations and identifies various characteristics of informal enterprise through a comparative analysis with formal enterprises. In comparison to formal enterprises, informal enterprises have fewer or less valuable factors of production other than their own labor, e.g., capital, land and technology. Formal enterprises have more bargaining power to demand their share of value-added vis-a-vis informal enterprises. The value of their production, is often captured by employees and intermediaries across the supply chain, and especially, the firms at the focal of supply chain. Though, the definitions and measures of productivity vary across sectors, there are few direct measures of the productivity in case of the informal enterprises, e.g., *the productivity of a street trader, who depends on how much sales occurred in a given period of time*. In this example, productivity has little to do with the labor, capital, equipment, or technology, rather it has more to do with market access, demand aggregation, purchasing power, and the intensity of competition. The term “*productivity*” is likely to be qualitatively different in varied scenario, e.g., *the amount of crop produced by a farmer produces on a certain acre of land vs. the number of garments produced by an industrial outworker at home*.

⁷¹ <http://dcmsme.gov.in/Street%20Vendors%20policy.pdf>

The informal enterprises can be characterized with following features which are compiled from various sources that may not be exhaustive⁷².

- Informal enterprises are characterized with **lower productivity** compared to formal sector, irrespective of its contribution in employment generation and of what measure of productivity is used.
- There is often a **shortage of capital** which is required to start a new business as well as to run an existing business. In both the scenario, fund is required which often lead to borrowing. The scale of such enterprises, thus is lower and it has lesser liquidity.
- There is also a **seasonality and volatility of demand** of what they purely produce for local markets which is further constrained by the low rates received as they typically face narrow and lower quality markets, and thus typically tend to have less information about such markets.
- Informal enterprises reportedly **lack in marketing and other infrastructural facilities** such as transport, storage and other services.
- **Skills and technological development**, are not very much reported by informal enterprises. In many cases, it has been clearly seen that access to more discerning markets has resulted in greater skill or training requirements, but unorganized sector operators who are not able to **access training** because of lack of motivation, access or resources get left out of upgrading possibilities. Similar considerations also hold for technology upgradation as well.
- These enterprises end up with practically no option but to dispose-off their products or to discontinue offering services, in case of **rejection by customers**. Given the unequal bargaining strength of such firms, the risk sharing is also uneven which results into not having personal income for several months or even years.
- More than half of the self-employed start their businesses with a preparation period of less than six months and with **no business experience**.
- Most of the businesses in an informal sector, reportedly face **competition from large units** which are primarily formal enterprises.
- The **working conditions are poor** and it offers comparatively lower wages to workers. It is evident that there are insufficient labour laws in this regard. It, however witnesses an excessive seasonality of employment.
- It has **Poor human capital base** (*in terms of education, skill and training*) as well as lower mobilisation status of the work force vis-a-vis formal enterprises. The workers have limited or no education or other required skills.

⁷² e.g., Shaw, A. (1990). Mukherjee, D. (2004); Ray, C. N., & Mishra, A. (2011); Bhat, G. M., & Nengroo, A. H. (2013); Basole, A. and Basu, D. (2014); Choudhury, P., and Mukhuti, M. (2017); Nandakumar, V. P. (2018); Patil, A. V., Gogte, A. J. C., & Talnikar, A. K. (2019) etc. Detailed citation is available in the section on references.

- There has been **absence of social security measures and welfare legislations**. Negation of social standards and worker rights and denial of minimum wages are also evident. Social stratification on the basis of castes and sub-castes, is evident in such enterprises, specifically in rural areas. Historically, there has been instances of “bonded labour” primarily due to low incomes & permanent indebtedness.

The comparative analysis between formal and informal enterprises, apprise about the working mode of private organisations. The aforementioned discussion is in sync the section 5.2, in which review of various case studies in the context of Indian informal sector and subsequent identification of various challenges, are reported.

5.4 International Best Practices

This section reports and highlights some of the best international practices with respect to formalisation of informal sector, in which select case studies were drawn from the said context. The basis for this selection was the attempts made by respective country for the formalisation of informal sector. Most of these cases had a clear indication about Govt. interventions. The said interventions primarily revolve around tax reforms, certification and accreditation and training and education as well as credit support.

5.4.1 The South African Experience⁷³

The rapid expansion of South Africa’s new black bourgeoisie has significantly altered **the country’s class structure**. Simultaneously, the state and private sectors have embarked upon concerted programs to privatize and deregulate the hitherto heavily bureaucratized economy, and to ensure the survival of capitalism as the dominant mode of production. Such a program featured the promotion of black business through the **semi-formalization of informal manufacturing** activities in industrial parks where the environment is very different from that in the segregated urban townships from where they originated. The promotion of black-run informal businesses within industrial parks in white areas has initially had largely beneficial effects on them. The deregulated environment, incentives and support facilities provided by the parks have assisted development by partially overcoming existing constraints such as restrictive regulations and the lack capital and technology. Moreover, away from the restrictions imposed by the poverty of the township environment, the firms have benefited from wider access and new opportunities for diversification and expansion.

Moreover, little evidence was found to support the view that informal sector was subordinated to and exploited by the more powerful formal sector. On contrary, the noteworthy level of **subcontracting** was found to contribute significantly to increased

⁷³ Us, V. (2006). Integrating the informal sector into the formal economy: Some policy implications. *Socioeconomic Journal*, (2006-1).

turnover and the regularity and reliability of income for many firms. These small firms thus seemed generally complementary rather than subservient to the formal sector.

5.4.2 The Mexican Experience⁷⁴

Between 1993 and 1994, the government of Mexico City implemented the most ambitious market construction program since the 1960s in the downtown area known as the Historical Center. This area, designated as a cultural and historical landmark by the UNESCO, has been until recently taken over by more than 10,000 street vendors that disloyally competed with formal commercial businesses, evaded taxation, sold contraband goods, and presented a health threat for the general public due to lack of sanitary facilities and health department supervision of food stalls.

The market construction program was therefore designed to remove vendors from the street, to make the vendors subject to tax codes and health regulations. The planning of the market program was taken over by an agency- COABASTO (*Coordinacion de Abasto y Comercio Popular*), which was given full authority to negotiate credit guarantees to secure financial backing for the project. A special credit institution, the *Fondo de Desarrollo Economico y Social del Distrito federal* (FONDEDF) was opened as a subsidiary of Nacional Financiero, S.A. – a state bank, to manage the financial side of the program, allocating about 175 million US dollars at 1994 exchange rates, while still most of the financing was provided by the *Banco Nacional del Comercio Interior*, another state bank.

Since street vendors generally neither had a proof of their income nor were they able or willing to put up other property as a collateral to the debt they were to incur which ranges between US\$5,000-10,000 depending on the size and type of stall, of which 10 percent was to be paid as a down payment, with monthly instalments extended to over 6 years, the city had to function as the guarantor of all the financial credits provided by the market program. Thus the market program exposed the city to incur a tremendous financial risk.

5.4.3 The Brazil Experience⁷⁵

5.4.3.1 SIMPLES NACIONAL²

In the spirit of articles 146, 170 and 179 of the federal constitution, which establish preferential treatment for micro and small enterprises, in the early 1990s several policy initiatives sought to streamline and standardise the regulations for small and micro-enterprises in the country. In 1996, the Simples Federal Law 9317 simplified **tax regulation** for micro and small enterprises by creating an integrated system for the payment of tax and social security contributions. This law allowed the unification of five different federal taxes plus the employer's contribution to social security into one single payment. The amount paid

⁷⁴ Cross, J. (1995). *Formalizing the informal economy: the case of street vendors in Mexico City*. Cairo, The American University, Department of Sociology, Anthropology and Psychology.

⁷⁵ <http://www.brasildamudanca.com.br/en/microeconomia/what-was-simple-now-super-simples>.; ILO Report - Policies for formalisation of SME in Brazil

by each enterprise depended on the level of annual sales and the type of economic activity. The system exempted small businesses from having to maintain accounting ledgers. On its own, however, this law turned out to have little impact on the formalization of MSEs. As of 2000, formalization picked up significantly with the passing of a complementary law (Lei Complementar 123, 2006), which became known as the general law for micro and small enterprises. This law created an upgraded version of SIMPLES Federal, known as Simples Nacional, which helped to further reduce bureaucracy, combining eight different taxes affecting small firms into one single payment. Firms eligible under Simples Nacional, sometimes known as Super Simples, are (i) micro businesses with gross annual income of up to BRL360,000 and (ii) small businesses with gross annual income ranging from BRL360,000 to BRL3.6 million. Since the Simples Nacional came into effect in July 2007, replacing Simples Federal, all companies that want to subscribe to the system, have to register with the national tax authority (Super Receita Federal). 9 Simples Nacional allows companies to file a single simplified annual tax declaration, replacing the tax and social security declarations that they until then had to present at the federal, state, and municipal levels with a monthly payment which varies according to the economic activity. The general law, moreover, exempts micro and small enterprises from paying additional social contributions required at the federal level, and reduces a few other fiscal obligations.

The implementation of Simples Nacional required the cooperation of states and municipalities, which under the previous Simples Federal continued to levy taxes on the movement of merchandise and services (*Imposto sobre Operações Relativas à Circulação de Mercadorias*), interstate and inter-municipal transport and communications services (*Serviços de Transporte Interestadual e Inter-municipal e de Comunicação*, ICMS), and other services (*Imposto sobre Serviços de Qualquer Natureza*, ISS). For the new system to take effect each state had to adapt its own legislation and sign agreements with the Receita Federal. The same procedure was required at the municipal level in relation to the ISS tax.

5.4.3.2 SEBRAE

The Brazilian micro and small enterprise support agency (*Servicio Brasileño de Apoyo a las Micro y Pequeñas Empresas*), funded mainly through company deductions on wages, has played a central role in the strengthening and formalisation of micro and small firms. SEBRAE, which operates autonomously since 1990, is the main small enterprise development support body, offering assistance in technology development, market access, credit guarantees and local economic development, amongst others. SEBRAE has taken a decentralised approach that enables it to respond appropriately to different regional conditions through over 700 support centres spread throughout the country. In 2013, SEBRAE provided assistance to micro and small enterprises, either individually or in groups, on 1.5 million occasions. SEBRAE's mandate, however, goes beyond technical and financial assistance to micro and small enterprises. Its mission to promote a competitive and sustainable micro and small enterprise sector in broad terms also gives it a role in the design

and implementation of the regulatory framework for micro and small enterprises. In terms of public policies, SEBRAE has not only played a leading role in the design of the general law on micro and small enterprises (*Lei Geral da Micro e Pequena Empresa*), but has also trained public officials in applying the law, particularly at the municipal level. SEBRAE, the national confederation of municipalities (*Confederação Nacional de Municípios*, CNM) and the national association of mayors (*Frente Nacional de Prefeitos*, FNP) joined efforts to create a national network of local development agents, thereby enhancing cooperation between local governments and technical support bodies in the creation of a **favourable business environment for micro and small enterprises**.

5.4.3.3 SUPERSIMPLES

The Supersimples took effect in 2007, **unifying eight taxes** (six federal, one state and one municipal), dramatically reducing the tax burden and encouraging openness and legalising of millions of small businesses. According to the Department of Micro and Small Companies, there are now 8.7 million such companies, between micro and small enterprises and individual micro entrepreneurs, responsible for tax collections of \$ 228 billion between 2007 and 2013.

5.4.4 The Kenya Experience⁷⁶

The informal dairy sector makes a huge contribution to Kenya's national economy and generates 70% of the 40,000 jobs in dairy marketing and processing. Less than 14% of Kenya's milk reaches the formal (meaning, pasteurised milk) sector: the rest is sold by unorganised, small-scale businesses in informal markets or consumed directly at home. There is a misperception that milk sold in the informal sector is more of a health hazard than pasteurised milk in the formal sector. Although most milk in Kenya does not meet food safety standards, destroying informal milk and banning or criminalising vendors on the basis on poor food safety could have negative implications for health and nutrition, particularly in children. With the sheer number of informal small operators in the Kenyan dairy market, it is almost impossible to monitor and regulate the industry using existing approaches and mechanisms. Large operators and interest groups who have a vested interest in formalising markets will also try to influence regulation in their own favour. Policymakers need to withstand pressure from these vested interests, which can work against more progressive, effective and inclusive policies.

After a minor revision of **Kenya's dairy policy** in 2004, the Kenya Dairy Board (KDB), which regulates the sector, was able to offer small-scale milk vendors a facilitated route to licensing through their training and certification (T&C) scheme. KDB worked with SITE, a local nongovernmental organisation, to launch the scheme at a number of pilot sites in 2006 with support from an international donor (DFID). The T&C approach aims for progressive

⁷⁶ Blackmore, E., Alonso, S., & Grace, D. (2015). Legitimising informal markets: a case study of the dairy sector in Kenya. (<https://pubs.iied.org/pdfs/17316IIED.pdf>)

registration and formalisation of informal businesses, while upgrading traders' milk handling practices to address safety concerns. Under the scheme, accredited business development service providers (BDS) offer training on hygienic milk handling, quality control and entrepreneurship. With low fees that the traders can pay themselves, the T&C scheme was designed to be affordable and sustainable, and not reliant on donor funding. The training is short to avoid loss of earnings, and tailored to vendors' realities, providing guidance on milk safety practices that they have the power to change. There are clear financial incentives for both training providers and traders to engage. Trainees gain a certificate that facilitates access to a KDB licence, which is needed to legally sell raw milk. The training stresses how improvements in handling and hygiene will increase business while also reducing milk loss and transaction costs. It also emphasises the link between safer and higher quality milk and higher returns. Trainers are paid for the guidance they provide and are accredited by KDB, offering them a competitive advantage relative to other service providers in the country.

Following inferences are drawn on the basis of review of case studies from informal sector across globe where formalisation of informal economy has been attempted:

- Promotion of black business through the **semi-formalisation of informal manufacturing activities** in industrial parks in South Africa. The deregulated environment, incentives and support facilities provided by the parks have assisted development by partially overcoming existing constraints such as restrictive regulations and the lack capital and technology.
- **The market construction program** by the government of Mexico City in the downtown. The said market, known as the Historical Center, has a presence of more than 10000 street vendors. The Mexican govt. function as guarantor of all the financial credits provided by the market program since street vendors neither had a proof of their income nor were they able or willing to put up other property as collateral to the debt. However, the said market program exposed the city to incur a tremendous financial risk.
- **Establishment of a global network** called Women in Informal Employment: Globalising and Organising (WEIGO) which has affiliates in over 25 countries and has prioritised five areas in informal sector viz. urban policies to promote and protect street vendors, global trade and investment policies to maximise opportunities and minimise threats associated with globalisation for home-based workers, social protection measures for women who work in the informal economy, organisation of women in the informal economy and their representation in relevant policy making bodies and institutions at the local, national and international levels, and statistics on the size and contribution of the informal economy.
- **Creation of an integrated system for the payment of tax and social security contributions** by Brazilian govt., called Simples Nacional which helped in reducing

bureaucracy, combining eight different taxes affecting small firms into one single payment. This system allowed firms to file a single simplified annual tax declaration, replacing the tax and social security declarations that they until then had to present at the federal, state, and municipal levels with a monthly payment which varies according to the economic activity.

- The Brazilian micro and small enterprise support agency known as *Servicio Brasileño de Apoyo a las Micro y Pequeñas Empresas* (SEBRAE) was set up as small **enterprise development support body** which offers assistance in technology development, market access, credit guarantees and local economic development, amongst others.
- Kenya's revised dairy policy in 2004 was able to offer small-scale milk vendors a facilitated route to licensing through their training and certification (T&C) scheme. Under this scheme, accredited business development service providers (BDS) offer **training on hygienic milk handling, quality control and entrepreneurship**. The training stresses how improvements in handling and hygiene will increase business while also reducing milk loss and transaction costs.

5.5 Concluding Remarks

The afore-mentioned text wherein the review of various case studies from India as well as across globe, drawn from academic literature, were attempted, clearly points out that the relationship between law, regulations and their impact on informal sector has been ineffective and misguided. Therefore, having a synergistic approach between/among them has remained a policy issue.


The intention to pull the levers for the desired growth of the informal economy was constrained in its implementation due to ineffective implementation of macro-economic and social policies, absence of conducive legal and institutional frameworks and due to the lack of proper governance. As it is evident that the informal economy represents groups whose primary and often only source of livelihood is through informal enterprises which historically has been unprivileged and disadvantaged. This warrants for improvement in capacity for advocacy by enforcement agencies, labour departments and local committees etc. The said advocacy can take many forms e.g., collective bargaining, subcontracting provisions, employer-employee relationships, compliances like preventive occupational safety, health policies and measures etc. It is desirable that the said capacity improvement might take care of the governance issues.

It is also important to note that a favourable regulatory environment enables informal businesses to formalise in a steady manner. If a well-designed, transparent, accountable and communicable regulations are in place, the said formalisation is likely to be facilitated which can also boost systematic competitiveness. Therefore, the synergistic effect of the regulatory framework and its internal consistency (whether or not) can provide a significant incentive (or disincentive) for promoting transition towards formalisation.

It is also evident from the text that the presence of women in informal sector is not inferior. However, their sufferings are at the higher side vis-a-vis their male counterparts and which has been limiting their growth. Historically they had limited access to credit, skills, technology, networks, business information and markets etc. Therefore, an appropriate government support is desirable which can take form of women specific entrepreneurship development programs and workshops. Expectedly, the said interventions are likely to result in strong growth-oriented businesses which can significantly reduce poverty. An integrated approach that is sensitive to gender differences is required in order to equip women entrepreneurs with the means to enable them to shift from marginal income generation to profitable business. At the micro level, this includes combining provision of skills training with basic business development and other soft skills which in many cases may include literacy.

In general, almost every case study is hinting about the strong need for developing, designing and conducting the training and awareness sessions on simplifying, harmonising and reducing the cost and procedures for business registration and promoting “one-stop” business registration mechanisms for increased recognition and integration of informal economy units. Further, up-skilling is a must for survival and growth of informal units. With formal and informal sector economy, consumers have less choice. In the developed world, consumers can typically buy either very expensive, high-quality goods and services like those found in rich countries or cheap, low-quality goods and services from informal enterprises. They buy low quality goods without knowledge of the hazards and risks. In this process, goods and services targeted at the middle market (which represent a sizeable consumer population across the world) are missing. Farrell (2004) mentioned that consumers may, for example, have a choice only between super safe pasteurised milk or raw milk, luxurious dwellings or shanties, expensive modern shopping malls or tiny mom-and-pop shops, expensive Western cars or motorcycles and bicycles. The small and midsize businesses that might develop products to meet the needs of middle-market consumers are mostly informal, lacking the ability and incentives to fill the gap. This is possible through selective and partial formalisation of informal enterprises with their willingness and by communicating benefits of the formalisation to them in their language.

In totality, the assessment of the regulatory framework is essential with respect to its adequacy, affordability and efficacy in the context of Indian informal sector. This is required not only to preserve and develop the job-creation potential as well as to sustain and grow its contribution to the overall Indian economy. However, it is also suggested that a heavy-handed approach to formalisation is unlikely to work. Light-touch approaches that require minimal policy changes such as voluntary training and certification schemes can improve and help the informal sector move along a pathway towards formalisation. Such approaches are more affordable and acceptable than trying to make radical, structural changes to the informal sector.



Policy Recommendations and Framework for MSDE to Support Formalization of Informal Enterprises through Entrepreneurship

Chapter 6 - Policy Recommendations and Framework for MSDE to Support Formalization of Informal Enterprises through Entrepreneurship

“While Udyog Aadhaar offers a simple mode of registration, it is usually not enough. Often, more is needed e.g., Shops and Establishments, PAN, GST, etc. Lack of formalization impacts the sector in terms of development and also impacts in availing credit from financial institutions like banks and in terms of policy making as well as development interventions.”

-RBI Report of expert committee on
Micro, Small and Medium Enterprises⁷⁷

6.1 Introduction

Informal sector units are an important part of the economy and their potential to drive the economy can be augmented if they become part of the formal economy. It is pivotal to provide impetus and support towards formalization and entrepreneurship is one way to do the same. The informal sector is often depicted as a transitory or incubatory space for entrepreneurial activities. However, for many, especially women, it can also represent a space of vulnerability characterized by discontinuous careers linked to reproductive roles, poor education and ill-health (Ulrichs 2016). Informal Sector Units mainly comprise of enterprises not mandatorily covered under any of the legislations (acts, laws and rules) of the country such as social protection/welfare, company registration legislation, labour legislation or under the tax net; and excluding illicit activities. Given the spread of informal sector in India (68.9%⁷⁸), which is marred with low productivity and poor wages, it is crucial for Government policies and programs to aim at informal enterprises which can support them to move towards formalization. There are few things that extant literature tells us which have emerged to be universally true in the context of formalization viz:

- Formalization of informal sector (labour and enterprises) is a gamut of activities which demand multi-stakeholder coordination for its operationalization. Formalization process encompass complexities and onboarding in terms of registration and taxation, legal recognition, infrastructure support, social protection and other benefits. The complexity of formalization processes stem from the fact that formalization is not only about the informal sector making efforts towards formalization but also government making it easy and creating pull mechanisms for formalization of informal sector. When either side of this two-way exchange does not happen efficiently then complexity in formalization arises. For example, formalization projects fail when governments ask informal workers/enterprises to register and pay taxes and tolls (many informal workers already

⁷⁷<https://rbidocs.rbi.org.in/rdocs/PublicationReport/Pdfs/MSMES24062019465CF8CB30594AC29A7A010E8A2A034C.PDF>

⁷⁸ 73rd round NSSO Unincorporated Non-Agricultural Enterprises (Excluding Construction) survey 2015-16 unit level data

pay taxes) without giving informal actors the benefits that formal workers/enterprises enjoy.

- Myths about the informal economy (such as the informal economy does not contribute to the overall economy) must be replaced with realities (informality is not necessarily synonymous with illegality) before smart, effective, sustainable policies can be developed.
- Formalization means different things for different groups: While all informal workers share a set of demands — e.g. freedom from harassment and fear, the right to organize, legal standing, social protection and economic rights — each sector has specific needs. For example, the case studies based and primary research conducted during this study reveals:
 - For street vendors, formalization involves secure access to public space, licenses to sell, and identity cards and infrastructure (e.g. water, electricity, sanitation) support.
 - For waste pickers, access to waste, contracts and remuneration from municipalities and health issues are high priorities.
 - For domestic workers, decent living and working conditions, a living wage, time off, and sick/maternity leave and pensions are important, as is a commitment that their workplaces (private homes) be subject to inspection.
 - For home-based workers, secure transparent contracts that provide fair prices or piece-rates, basic infrastructure and no forced relocation are important.

The informal sector is comprised of an “upper tier” and a “lower tier” (Fields, 2005). The upper tier comprises the workers who voluntarily choose to be informal and the lower tier consists of individuals who cannot afford to be unemployed but do not have access to more productive employment in either the formal or the informal sector.

The informally employed can further be classified into groups, based on the status of employment. Among those self-employed it is possible to distinguish: an entrepreneurial class among the self-employed, micro-entrepreneurs and own-account workers with no intention of, or scope for, potential growth, and unpaid family workers. Among informal wage employees there is also a wide range of workers, including regular wage employees in the informal sector, casual and day labourers in the informal sector, and other wage employees, including informal sector enterprises, without employment-based protection (Jütting and de Laiglesia, 2009).

Informality is often considered both a social challenge and an economic challenge. Informality is a social challenge because informal employment is often associated with low earnings, low-quality jobs and poverty (Jütting and de Laiglesia, 2009). Without access to social security mechanisms, informal workers are particularly vulnerable and face severe risks, particularly in times of crisis (OECD, 2012). Registration improves the work security of micro-entrepreneurs, increasing their ability to establish property rights over their investments and seek legal protection. Informality is also an economic challenge, as it affects

public revenues and firm productivity. As a result of informality the tax base is small and high taxes have to be levied on a subset of firms, usually the most productive ones. Moreover, competition tends to be distorted in a business environment that does not sufficiently reward formalization.

This desk study was started in 2019 with an aim to create a document that informs and advises MoSDE to provide Support for Formalising the Informal Sector through Entrepreneurship Promotion. For promoting formalization at a policy level what was important was a cusp of existing literature and data about the informal sector, inferences coming from that extant data, learnings from challenges faced during formalization, stakeholders involved and possible policy way-forwards. This chapter summarizes all but last part and intends to focus in detail on the last part i.e. policy way-forwards based on data, literature, challenges faced during formalization and stakeholders involved.

Based on the data collected from different sources and compiled in this report, chapter presents following in its different section. Section 6.1 of the chapter is introduction . Section 6.2 presents a brief about ecosystems of MoSDE. Section 6.3 presents the Suggested Framework, Approaches, Actions Points and Working Plan for MoSDE for the process of formalization.

6.1.1 Existing Literature

Informality takes various forms in different contexts, and new forms of informality emerge over time (within a country). There are many perspectives of informality such as the capital view of formalization, labour view of formalization, technological perspective, and a general perception of citizens working with or in the informal sector of an economy. In 2011, the Donor Committee for Enterprise Development suggested a classification into nine different business environment domains (DCED, 2011): Business registration and licensing, Tax policy and administration, Land ownership and titling, Labour and labour-related issues, Judicial reform, Intellectual property rights, Improved access to financial services, Access to information about business regulation and rules, Incentives for reform and communicating these to informal enterprises.

According to existing literature, there are four broad ways to stimulate the transition of informal enterprises to formal economy viz:

- Informal enterprises (and especially unofficial enterprises that have the potential to become part of the formal economy) may be motivated to formalize by lowering the costs of becoming (and remaining) formal. This includes entry costs, taxes, fees and social contributions, and costs of compliance.
- Another way to motivate informal enterprises to formalize, is by improving the benefits of being formal. This can be obtained by reducing the bureaucracy and out-

of pocket expenses involved with obtaining a permanent location, getting access to business development services and new markets.

- The development of the formal economy may be stimulated by improving the general business environment. Amongst others, this implies that policies to lower costs and improve the benefits of formalization (as mentioned in the previous two bullets) should also target formal firms.
- Strengthening law enforcement

But for government and allied stakeholders to achieve efficacy in doing so they need to have a focussed approach and for that churning of existing data and derivation of focus/priority sectors is important. This is exactly what was done in Chapter 3.

6.1.2 Priority Sub-Sectors to Focus upon

In chapter 3, it was seen that the various Manufacturing (M), Trade (T) and other services (S) sectors have been ranked on the basis of individual sup-parameter (GVAPW, GVAPE and gender based inclusivity criteria respectively). But for getting an overall picture of the order of priority of focus a combined overview of ranks of GVAPW, GVAPE, gender based inclusivity and **number of workers** (employment data) is critical. Taking average of ranks is not trivial and hence an ensemble based feature selection (FS) methodology can be used.

The prioritized sub-sectors/activities in the larger sectors – Manufacturing/Trade/Services in a state-wise (along with additional secondary information for each priority sub sector at state/UT level) is given in the Annexure 2. A summary table of the same is given in Table 6.1. This table has all the subsectors as column names and the names of states/UTs as the row names. The last row in the table is cumulative frequency to sum the count of occurrences of a particular activity/subsector and may be used for prioritization of focus sub-sectors. The “Y” in the table explains the presence or absence of a particular activity/subsector in the top ranks (as per the rankings calculated) for the particular state/U.T.

Table 6.1 Summary of Prioritized Sub-Sectors/Activities in each of the three sectors across all States/U.T.s in India

STATE/UT	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	M13	M14	M15	M16	M17	M18	M19	M20	M21	M22	M23	M24	M25	T1	T2	T3	T4	S1	S2	S3	S4	S5	S6	S7	S8	S9	S10	S11	S12	S13	S14	S15				
Andhra Pradesh					Y									Y	Y										Y		Y	Y			Y											Y	Y					
Jammu & Kashmir		Y										Y			Y				Y										Y	Y								Y			Y			Y				
Himachal Pradesh		Y							Y										Y								Y		Y		Y								Y				Y					
Punjab		Y			Y	Y																				Y			Y	Y								Y				Y			Y			
Chandigarh										Y		Y			Y											Y			Y	Y								Y					Y	Y		Y		
Uttarakhand		Y						Y							Y											Y			Y	Y	Y													Y	Y		Y	
Haryana			Y					Y										Y			Y								Y	Y												Y			Y	Y		
Delhi		Y			Y					Y					Y														Y	Y											Y		Y	Y				
Rajasthan										Y		Y				Y									Y				Y	Y	Y							Y				Y		Y	Y			
Uttar Pradesh							Y				Y				Y		Y												Y	Y											Y		Y	Y			Y	Y
Bihar					Y	Y									Y														Y	Y	Y										Y				Y			
Sikkim		Y				Y				Y															Y		Y		Y		Y													Y	Y			
Arunachal Pradesh		Y			Y			Y																	Y		Y				Y	Y												Y	Y			
Nagaland						Y				Y					Y										Y				Y	Y	Y													Y	Y			
Manipur		Y						Y							Y									Y				Y	Y													Y		Y	Y			
Mizoram					Y	Y									Y	Y													Y	Y														Y	Y			
Tripura		Y								Y					Y										Y		Y		Y													Y		Y	Y			
Meghalaya					Y										Y	Y									Y					Y	Y		Y	Y									Y					
Assam					Y										Y	Y	Y												Y	Y	Y	Y													Y			
West Bengal					Y	Y													Y	Y									Y	Y												Y	Y			Y		
Jharkhand		Y	Y							Y						Y												Y			Y			Y										Y	Y			
Odisha					Y					Y				Y								Y						Y		Y			Y											Y	Y			
Chhattisgarh		Y				Y			Y						Y							Y							Y		Y	Y	Y												Y			
Madhya Pradesh															Y	Y	Y									Y			Y	Y													Y		Y	Y		
Gujarat		Y			Y					Y								Y										Y		Y		Y												Y	Y			
Daman and Diu										Y		Y			Y		Y													Y	Y	Y	Y	Y											Y			
Dadra and Nagar Haveli					Y					Y					Y											Y	Y		Y				Y											Y	Y			
Maharashtra																		Y	Y		Y					Y	Y		Y				Y											Y	Y		Y	
Karnataka		Y							Y						Y					Y								Y	Y				Y											Y	Y			
Goa		Y								Y														Y	Y				Y	Y	Y							Y							Y			
Lakshadweep						Y												Y						Y		Y			Y	Y		Y											Y					
Kerala			Y							Y		Y				Y														Y	Y	Y												Y	Y			
Tamil Nadu																		Y		Y	Y	Y							Y	Y	Y													Y	Y			
Puducherry		Y												Y			Y					Y							Y	Y				Y									Y		Y			
Andaman and Nicobar Islands										Y					Y									Y	Y					Y	Y	Y												Y				
Frequency Count	0	15	3	0	12	8	1	4	3	14	1	5	1	10	17	2	9	1	6	4	3	0	4	9	7	9	5	31	25	15	9	2	0	0	0	1	7	0	3	2	8	2	27	26	2			
Intra Sector (M/T/S) Rank	23	2	15	23	4	8	19	12	15	3	19	11	19	5	1	18	6	19	10	12	15	23	12	6	9	3	4	1	2	3	4	8	13	13	12	6	13	7	8	5	8	1	2	8				

The details of this table are available as Annexure 2 with supplemental information in Annexure 3

(Source of Data: Calculations by authors based on 67th and 73rd Rounds of NSSO)

For further understanding and deriving meaningful inferences from the summary data of the priority table given in Table 6.1, it deemed necessary that we rank the cumulative frequencies of the chapters and come up with sets of focussed priorities w.r.t the activities/subsectors as shown in Table 6.2⁷⁹.

The way to interpret this table will be: Row 1 i.e. First Set of Priority encompass focus on M15 (Manufacture of other non-metallic mineral products), M2 (Manufacture of food products), M10 (Printing and reproduction of recorded media), M5 (Manufacture of textiles), M14 (Manufacture of rubber and plastics products), M17 (Manufacture of fabricated metal products), M24 (Other manufacturing), M6 (Manufacture of wearing apparel) from manufacturing sector, T3 (Other wholesale trade), T4 (Other retail trade) from Trade sector and S13 (Education), S14 (Human Health and Social Work), S1 (Accommodation), S2 (Food service activities), S11 (Professional, Scientific and Technical activities) in Services sector. Similarly row two and three can be interpreted.

Table 6.2 Three sets of priorities that could be focused by MOSDE (Full forms in the footnote)

	Manufacturing	Trade	Services
First Set of Priority	M15, M2, M10, M5, M14, M17, M24, M6	T3, T4	S13, S14, S1, S2, S11
Second Set of Priority	M25, M19, M12, M8, M20, M23, M9, M3, M21	T1	S7, S9, S10, S12, S15, S3
Third Set of Priority	M16, M7, M11, M18, M1, M4, 13, M22	T2	S6, S5, S4, S8

To incorporate the women entrepreneur data, information from the sixth economic census – particularly focussing on women entrepreneurship in proprietary ownership were added to come up with a women entrepreneur data for prioritization of sectors/sub-sectors and activities with number of establishments under women entrepreneurship in India and number of persons employed in establishments under women entrepreneurship in India as the prime criteria (Table 6.3).

⁷⁹**MANUFACTURING:** M1: Cotton ginning, cleaning and bailing, M2: Manufacture of food products, M3: Manufacture of beverages, M4: Manufacture of tobacco products, M5: Manufacture of textiles, M6: Manufacture of wearing apparel, M7: Manufacture of leather and related products, M8: Manufacture of wood and products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials, M9: Manufacture of paper and paper products, M10: Printing and reproduction of recorded media, M11: Manufacture of coke and refined petroleum products, M12: Manufacture of chemicals and chemical products, M13: Manufacture of pharmaceuticals, medicinal chemical and botanical products, M14: Manufacture of rubber and plastics products, M15: Manufacture of other non-metallic mineral products, M16: Manufacture of basic metals, M17: Manufacture of fabricated metal products, except machinery and equipment, M18: Manufacture of computer, electronic and optical products, M19: Manufacture of electrical equipment, M20: Manufacture of machinery and equipment n.e.c., M21: Manufacture of motor vehicles, trailers and semi-trailers, M22: Manufacture of other transport equipment, M23: Manufacture of furniture, M24: Other manufacturing, M25: Repair and installation of machinery and equipment

TRADE: T1: Trade and repair of motor vehicles and motor cycles, T2: Activities of commission agents, T3: Other wholesale trade, T4: Other retail trade

SERVICES: S1: Accommodation, S2: Food service activities, S3: Land transport, S4: Water transport, S5: Warehousing and storage, S6: Support activities for transportation, postal and courier activities, S7: Information and Communication, S8: Financial service activities except insurance and pension funding, S9: Other financial activities, S10: Real estate activities, S11: Professional, Scientific and Technical activities, S12: Administrative and support service activities, S13: Education, S14: Human Health and Social work, S15: Other community, social and personal service activities

Table 6.3 Calculation of Priority of various non-agricultural activities based on women entrepreneurship data

Broad Activities (Non Agricultural)	Total Number Of Establishments Under Women Entrepreneurship In India					Total Number Of Persons Employed In Establishments Under Women Entrepreneurship					Overall Rank using 2 criteria (establishments + employment)
	Without Hired Workers	With at least one hired worker	Total	%age Share in Total Establishments	Rank on basis of Number of Establishments	Without Hired Workers	With at least one hired worker	Total	%age Share in Total Establishments	Rank on basis of no. of People Employed	
05. Mining and Quarrying	4009	3820	7829	0.1	18	5616	24176	29792	0.22	17	18
06 Manufacturing	2099355	300108	2399463	29.8	1	2650723	1297571	3948294	29.36	1	1
07. Electricity,Gas,Steam and Air Conditioning Supply	957	2366	3323	0.04	19	1218	18099	19317	0.14	19	19
08. Water Supply,Sewerage,Waste Management and Remediation Activities	5860	4284	10144	0.13	17	7128	12761	19889	0.15	18	17
09. Construction	33261	13764	47025	0.58	10	42587	55107	97694	0.73	11	10
10. Whole Sale Trade,Retail Trade and Repair of Motor Vehicles and Motor Cycles	14000	16237	30237	0.38	13	18852	56592	75444	0.56	12	13
11. Whole Sale Trade (Not Covered in Item-10 Above)	31581	17067	48648	0.6	9	43147	63297	106444	0.79	10	9
12. Retail Trade (Not Covered in Item-10 Above)	1159414	272788	1432202	17.79	2	1432474	765440	2197914	16.34	2	2
13. Transportation and Storage	88623	36084	124707	1.55	6	106097	107940	214037	1.59	7	6
14. Accommodation and Food Service Activities	148988	74107	223095	2.77	4	207342	259542	466884	3.47	5	4
15. Information and Communication	11142	8711	19853	0.25	15	13809	44821	58630	0.44	14	15
16. Financial and Insurance Activities	54578	21693	76271	0.95	7	96331	88491	184822	1.37	8	7
17. Real Estate Activities	41570	4484	46054	0.57	11	46041	13656	59697	0.44	14	11
18. Professional, Scientific and Technical Activities	15080	15601	30681	0.38	13	18765	56293	75058	0.56	12	13
19. Administrative and Support Service Activities	27018	18246	45264	0.56	12	34000	81946	115946	0.86	9	12
20. Education	113751	103723	217474	2.7	5	133134	605720	738854	5.49	3	5
21. Human Health and Social Work Activities	32407	42988	75395	0.94	8	41899	180186	222085	1.65	6	8
22. Arts Entertainment, Sports and Amusement and Recreation	9113	9439	18552	0.23	16	11865	30026	41891	0.31	16	16
23. Other Service Activities not Elsewhere Classified	275107	157728	432835	5.38	3	330647	391493	722140	5.37	4	3
Sub-Total Non-Agricultural Activities	4165814	1123238	5289052	65.7		5241675	4153157	9394832	69.86		
Sub-Total Agricultural Activities	2531540	230227	2761767	34.3		3432282	621068	4053350	30.14		
Total	6697354	1353465	8050819	100		8673957	4774225	13448182	100		

(number of establishments and number of people working in those establishments) using 6th Economic Census data downloaded from <https://www.indiastat.com/economy-data/8/economic-census/15008/economic-census-2012-2013/859489/stats.aspx>

From the calculations done in Table 6.3, the following prioritization (in order of multi-criterion ranking) of activities (non-agricultural) based on women entrepreneurship data from the 6th economic census:

1. Manufacturing
2. Retail Trade
3. Other Service Activities not Elsewhere Classified
4. Accommodation and Food Service Activities
5. Education
6. Transportation and Storage
7. Financial and Insurance Activities
8. Human Health and Social Work Activities
9. Whole Sale Trade
10. Construction
11. Real Estate Activities
12. Administrative and Support Service Activities
13. Whole Sale Trade, Retail Trade and Repair of Motor Vehicles and Motor Cycles
14. Professional, Scientific and Technical Activities
15. Information and Communication
16. Arts Entertainment, Sports and Amusement and Recreation
17. Water Supply, Sewerage, Waste Management and Remediation Activities
18. Mining and Quarrying
19. Electricity, Gas, Steam and Air Conditioning Supply

Comparing this prioritization with the prioritization done in Table 6.1 we can see that few sectors are common and emerging as the possible key focus areas for promoting formalization initiatives by MoSDE and allied stakeholder namely: Retail Trade, Accommodation and Food Services, Transportation and Storage (Logistics), Education (Services), Health and Social Welfare (Services), Financial and Insurance Activities, Whole Sale Trade and Real Estate Activities. Above are simply the sectors and priorities that have been calculated deductively. We randomly selected few of these sectors along with few additional allied sector and did a small primary data collection and analysis task to further confirm these priority sectors.

6.1.3 Insights from Primary Data

This section presents a summary of the primary data collected to enrich this desktop research. Six sets of data were collected using semi-structured questionnaire that gathered data from informal enterprises. One set of data was collected with the help of MSDE/NIESBUD/IIE⁸⁰ from the informal sectors of food, wood and tailoring (61 responses in total). Remaining sets of data were collected by Team MDI from the Delhi NCR region pertaining to the informal sectors of plant nursery, coaching institutes, crèche and bicycle repair shops; eateries and dhabas⁸¹; automobile repair shops and garages; beauty salons and construction and fabricated construction material. The questions

⁸⁰ <https://www.msde.gov.in/IIE.html>

⁸¹ <https://en.wikipedia.org/wiki/Dhaba>: Dhaba is a roadside restaurant in the Indian subcontinent. They are on highways, generally serve local cuisine, and also serve as truck stops. They are most commonly found next to petrol stations, and most are open 24 hours a day. Since many Indian truck drivers are of Punjabi descent, and Punjabi food and music are popular throughout India, the word dhaba has come to represent any restaurant that serves Punjabi food, especially the heavily spiced and fried Punjabi fare preferred by many truck drivers.

ranged from general information, demographics to specific details focusing on the capital and labor side of the informal enterprises⁸² - focusing on opportunities and challenges faced by the informal sector. Detailed analysis is given in Annexure 4 of this report and summary in the following paragraph.

Indian informal economy, like any other, is a multifaceted and diverse phenomenon. Thus, each situation in the informal sector poses different challenges and solutions. Today, the informal economy is marred by low wages, seasonal unemployment, absence of bargaining skills, lack of access to credit and inability to access government schemes and policies which hamper prospects of growth. Table 6.4 encompasses major highlights (summarized) from the primary data that was collected and analysed (in addition to the secondary data and case studies):

Table 6.4 Major highlights summarized from the primary data

Sector (Sector Code as per NSSO data)	Sample Demographics	Sample Characteristics	Issues and Challenges (in the context of formalization)	Livelihood and Sustainability Augmentation Opportunities
Food (M2)	Age group of 20 to 46 years old Average monthly income of the said sample is Rs. 21,940, of which highest monthly income reported is Rs. 60,000 while the lowest monthly income is Rs. 2,000	Majority of the shops run in a self-owned space None of these shops are registered under any forum, group or association. Payments are accepted and made mostly in cash Limited digital wallet usage and pucca bill usage	<ul style="list-style-type: none"> Majority are aware/familiar with some government schemes which can help them improve their business but very few avail the benefit for it (mostly in terms of loans) Most respondents do not look forward to exploring new markets for their products/services Lack of documents & collateral were the challenges faced by them for accessing required capital for capex and lack of documents and delay in receipt were the challenges for maintaining the required opex 	Enabling food preparation and processing furthers healthy families and sustainable livelihoods ⁸³
Wood (M8)	Age group of 20 to 64 years old Average monthly income was Rs. 22,360, of which highest monthly income reported was Rs. 40,000 while the lowest monthly income was Rs. 10,000	Most informal enterprises were family businesses These shops do employ workers and these workers are paid in cash only. 96% of them use their personal mobiles for their business, of which 72% carry a smart phone. None of them has computer and 48% of them own a two-wheeler. Most of the respondents maintained some form of business records		Traditional knowledge, conservation of agro-ecosystems, augmented earnings and livelihood ⁸⁴
Tailoring (M6)	Age group of 22 to 52 years old Average monthly income of the said sample was Rs. 14,000, of which	None of these shops are registered under any forum, group or association. Those who run their shop in a rented space, pay the		Based on low or no raw material purchase and enables rural and semi-urban livelihood resilience

⁸² Jeemol Unni, 2018. "Formalization of the Informal Economy: Perspectives of Capital and Labour," The Indian Journal of Labour Economics, Springer; The Indian Society of Labour Economics (ISLE), vol. 61(1), pages 87-103, March.

⁸³ <http://www.fao.org/3/y5113e/y5113e05.htm>

⁸⁴ Pandey, N., Garg, A. K., Malhotra, R., & Pandey, D. N. (2007). Linking local knowledge to global markets: livelihoods improvement through woodcarving in India. World Development, 1-9.

	highest monthly income reported was Rs. 25,000 while the lowest monthly income was Rs. 4,500	rent in cash only and they don't get any receipt for the same. No mobile wallets used and only 18% of respondents maintained business records		with swift-to-achieve breakeven points ⁸⁵
Plant Nurseries (M13)	Age group from 19 to 50 years Income ranges between Rs.10,000 and Rs. 70,000	-		Low-carbon resilience and Climate change mitigation are by products of this economic activity ⁸⁶
Coaching Institutes (S13)	Age group from 19 to 50 years Income ranges between Rs.10,000 and Rs. 70,000	Offering discounts to get more business on regular basis to our regular customers however, during festivals, marriage season business goes up with advance bookings for parties etc		Contributes towards inclusive and equitable quality education and promote lifelong learning opportunities
Creche (S14)	Age group from 19 to 50 years Income ranges between Rs.10,000 and Rs. 70,000	Most creches are home-run and informal units		Creches provide safe and caring shelters for young children of working women and also provide an alternate source of employment ⁸⁷
Bicycle repair shops (S6)	Age group from 19 to 50 years Income ranges between Rs.10,000 and Rs. 70,000	Bicycle repair shops was run by people who learned the craft of work on the job.		Overlooked as a development tool, the bicycle can drive global progress. Compared to walking, bicycle riders can carry five times as much cargo in just a quarter of the time. A high-quality bicycle in a developing rural area is a powerful, cross-cutting intervention that immediately improves livelihoods and educational and healthcare outcomes ⁸⁸
Eateries & Dhabha (S2)	Age group from 19 to 70 years Income ranges between Rs.10,000 and Rs. 70,000	No registration done to start this business. Hyper local competition is another major characteristic Family members an essential part of the business operations		Street food provides a flexible yet profitable source of income, This highly decentralized food distribution system provides affordable, nutritious and culturally accepted food items tailored especially to the needs of poorer urban dwellers. It

⁸⁵ <https://yemen.un.org/sites/default/files/2019-09/Livelihoods%20Impact%20Assessment%202019.pdf>

⁸⁶ http://ioraecological.com/success_stories/creating-sustainable-livelihoods-through-nursery-establishment/

⁸⁷ <https://www.giveindia.org/program/Support-livelihood-for-women-living-in-construction-sites>

⁸⁸ <https://worldbicyclerelief.org/wp-content/uploads/2019/11/World-Bicycle-Relief-Mobility-and-the-SDGs-3.pdf>

				operates on the basis of resource efficiency, low waste output and low greenhouse gas emissions. ⁸⁹
Automobile Repair and Garages (T1)	Age group from 22 to 52 years Income ranges between Rs.15,000 and Rs. 50,000	Most of them have worked for few years in the shop, learnt techniques of work and then after few years started their own shop. Most of respondents were migrants. Many of them did not possess necessary documents to avail loan facility. Another reason for refusal of loan by banks was poor bank balance		Enabling of mobility not only augments earnings of the informal enterprise but also the economy of the region in which the garage exists
Beauty Salons (S15)	Age group from 22 to 52 years Income ranges between Rs.10,000 and Rs. 35,000	Most of them have worked for few years in the salons, learnt techniques of facial and grooming work and then after few years started their own Salon.		A critical source of decent work and economic growth for informal women entrepreneurs
Construction and fabricated construction material business (T3)	Age group from 26 to 60 years Income ranges between Rs.5,000 and Rs. 100,000	Most of the informal entrepreneurs in this sector deal in cash in their receipts and expenses and mobile wallets are used only in extreme cases (such as when a client insists and is not paying)		Trade in construction material, real estate, infrastructure, and urban development is paramount for sustainability and for provision of livelihood – in the informal sector ⁹⁰

Additional insights regarding key characteristics and challenges faced by informal units (and for the process of formalization) can be semantically aggregated into broad sub-head such as Need for Skills to make Networks and Collectives, Need for Digital Skill Sets, Need for Skill/Knowledge about Legalities of the sector and Need for Financial Management Skills. Detail of the same have been shown in Box 6.1.

BOX 6.1 GAPS THAT NEED TO BE ADDRESSED

- Need for Skills to make Networks and Collectives
 - Most of the informal economy entrepreneurs are not a member of any industry association. Industry associations often augment the social capital and value accrued through networking for an informal economy entrepreneur.
 - Another insight revealed from primary data was - most of the informal entrepreneurs have responded that they have regular local demand. Since fulfilment of local demand relies a lot on informal networks and modes of operation, informal enterprises sometimes due to this reason also have lessened motivation to formalize their setups. Though this trend has begun to

⁸⁹ Dittrich, C. (2017). Street food, food safety and sustainability in an emerging mega city: insights from an empirical study in Hyderabad, India. In *Work, Institutions and Sustainable Livelihood* (pp. 227-248). Palgrave Macmillan, Singapore.

⁹⁰ Goubran, S. (2019). On the role of construction in achieving the SDGs. *Journal of sustainability research*, 1(2).

change – particularly with enterprises that are part of the e-commerce value chain in one form or the other – but formalization is a long way.

- Need for Digital Skill Sets
 - Majority of the respondents own smartphone. This is a positive trend towards telecom mobility enabling greater connectivity to informal entrepreneur and opportunity for digital initiatives. Post demonetization in India, alternate channels of payments (sending and receiving) are on the rise especially those are mobile enabled. This finding is in resonance with increase in use of smartphones by informal entrepreneurs.
- Need for Skill/Knowledge about Legalities of the sector
 - Most informal entrepreneurs were unsure whether they were authorized to do a particular economic activity in the respective region or not. Say for example for operating a food stall or being listed on a food delivery aggregation portal, there could be rules/regulations in place that might demand adherence to particular standards or quality audits by some agencies such as FSSAI (Food Safety and Standards Authority of India) etc.
 - With respect to help from Government Policies – two businesses that have benefitted from external economic environment changes and government policies have been plant nurseries (Eg: for pollution mitigation) and coaching centres (policy eg: RTE)
 - Most of these informal economy workers/enterprises face expansions problems since e-commerce portals such as Amazon/Paytm malls necessitate digital skills and GST registration
- Need for Financial and **Marketing** Management Skills
 - A viable organization (formal or informal) has to generate enough revenue over time to cover the costs of all factors of production and funds under its command, while being able at all points in time to honour the contractual obligations implied by its liabilities. This requires knowledge about maintenance of funds to support operational expenses. This is also one of the areas wherein informal economy entrepreneurs face most challenges thereby making it an ideal dimension for government to intervene.
 - Majority respondents said “no” for invoices for their business transactions. This is one of the key features of informal economy
 - As is evident from the responses, the kaccha bill still supersedes pakka bill. This happens due to many reasons – one of them being tax evasion⁹¹

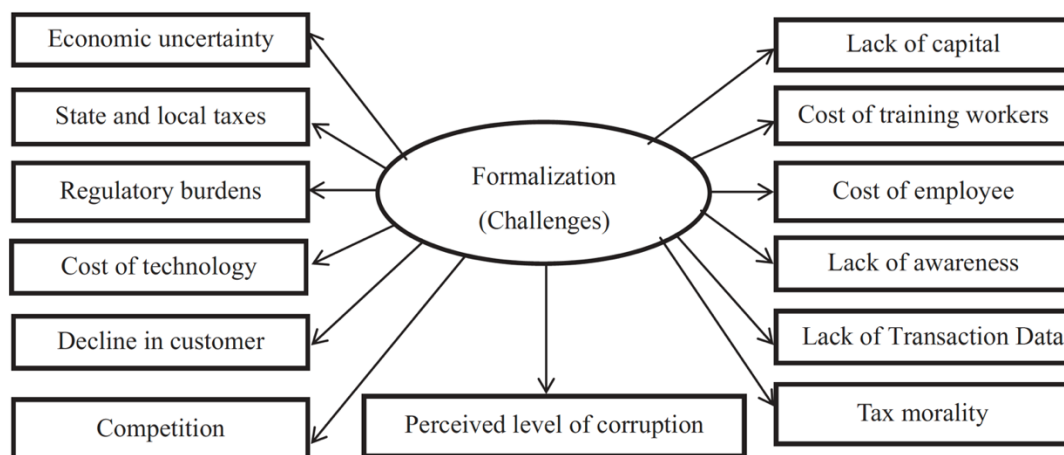
The aforementioned discussion on insights via primary data towards characteristics and needs of informal sector pave way for deliberations on the existing challenges faced by informal sector towards formalization.

⁹¹ <https://www.tribuneindia.com/news/himachal/gst-kutcha-bill-still-preferred/504434.html>

6.1.4 Challenges faced during Formalization

According to the 73rd round of National Sample Survey (NSS), there are 63.39 million MSMEs in the country. However, a large number of these enterprises exist in the informal sector and are not registered with any statutory authority. Reasons for lack of registration are many and varied. For **nano/household type of enterprises**, in their view, not obtaining registration is a way of circumventing the official machinery, paperwork, costs and rent expenses.

Figure 6.1 Challenges faced by informal enterprises that affect the process of formalization⁹²



Not only the review of extant literature but also the national and international case studies covered in chapter five, clearly points out some of the major challenges in transmutation of informal units to formal units through entrepreneurship promotion. This have been visually represented in Figure 6.1.

Defining various sub-components of the challenges outlined in Figure 6.1:

- a. State and local taxes: the higher the tax rates, the higher are the incentives to evade and operate informally
- b. Economic uncertainty: Increased uncertainty suppresses investment and thus limits opportunities, which restricts informal units from moving towards formalisation. It plays a significant role in entrepreneur's decision of moving from informality towards formalisation.
- c. Decline in customer spending: While triangulating findings from secondary case studies, we found that the entrepreneurs are willing to move towards formalisation if their customer base and turnover expanded
- d. Regulatory burdens: The informal enterprises cultivate because of the government regulations that entrepreneurs believe are burdensome
- e. Cost of technology: most of the units operating informally worked using jugaad⁹³

⁹² Source: Created by authors based on case studies covered in this chapter and by referring to Sunanda Jha, Dinabandhu Bag, (2018) "Why do informal service enterprises remain informal? A RIDIT approach", Journal of Small Business and Enterprise Development, <https://doi.org/10.1108/JSBED-01-2018-0009>

⁹³ Jugaad: a flexible approach to problem solving that innovatively uses limited resources (Oxford Dictionary).

technology, the most famous terms in the context of frugal (novel) informal sector operations in India⁹⁴. They are not aware of the latest technology using which they can upgrade their business and increase their productivity. One of the perceptions of the owners was if they register they will have to buy new machines, and consider the safety of the workers. Purchasing new equipment would attract some investment, increasing their cost of operation.

- f. Competition: The motive of formalisation is to reduce unfair competition⁹⁵ but the standard perception among the units operating informally is that their competition increases with formalisation. If they formalise, they need to follow all the regulations imposed by the government. Due to which their cost of operation increases and also their competition with other units increases.
- g. Perceived level of corruption: Many of the surveyed enterprises chose to remain informal due to the level of corruption they faced due to which they have a perception that the whole process is filled with crime, and at every stage they need to bribe to get the licence. Several past scholars too confirm these findings⁹⁶.
- h. Lack of capital: The informal unit lacks working capital, and as registration involves cost, tiny units avoid formalisation. The survivalist entrepreneurs do not want to spend if they are not getting any benefit instantly⁹⁷. This perception is one of the principal reasons for firms remaining informal.
- i. Cost of training workers: One of the common perceptions among the entrepreneurs was that they need to train the workers on new methods and technology if they move towards formalising, as they would be required to follow the minimum qualification or acquired skill benchmark. The informal units consider training workers as a burden which would increase their cost of operation, rather than finding the benefits of training and its impact on productivity.
- j. Cost of employees: The registered units on hiring formal employees need to follow the basic rules of giving minimum benefits to the employees (minimum wage, medical benefits, etc.) They consider this too as a cost which would increase if they move towards formalisation. According to Labour Department notification (Delhi, 3 March 2017)⁹⁸, the minimum rate of wages is INR 13,350 per month and INR 513 per day, whereas the informal entrepreneurs are paying much below the minimum benchmark
- k. Lack of awareness: Most of the enterprises operating informally were unaware of the fact that even they needed to be registered, they lacked information on how to register and were uninformed of the benefits of registration.
- l. Lack of Transaction Data: As the scale of the operation of informal units was small,

⁹⁴ Kumar, H. and Bhaduri, S. (2014), "Jugaad to grassroot innovations: understanding the landscape of the informal sector innovations in India", *African Journal of Science, Technology, Innovation and Development*, Vol. 6 No. 1, pp. 13-22.

⁹⁵ Levenson, A. and Maloney, W. (1998), "The informal sector, firm dynamics and institutional participation", working paper series, The World Bank, Mexico, 30 September.

⁹⁶ Schneider, F. and Enste, D.H. (2000), "Shadow economies: size, causes, and consequences", *Journal of Economic Literature*, Vol. 38 No. 1, pp. 77-114.

⁹⁷ Farazi, S. (2014), "Informal firms and financial inclusion: status and determinants", *Journal of International Commerce, Economics and Policy*, Vol. 5 No. 3, pp. 1-28.

⁹⁸ F.No.ADM(HQ)/DDMA/ORDER/2010/75, <http://it.delhigovt.nic.in/writereaddata/egaz201751244.pdf>

they did not even manage records of their transactions.

- m. Tax morality: the tax morality captures the willingness with which individuals leave the official economy and enter the illegitimate (untaxed) economy⁹⁹

The aforementioned challenges focus mainly on the enterprise (economic unit) perspective but consideration of the labour (job/employment) challenges is also important and there are few challenges that span across both these categories. Based on discussions in chapter 5 and keeping in view demand and supply challenges in the context of sustainability following challenges categories into semantically similar abstract categories is given as follows:

I. Financial Dimension

1. Lack of Capital and Resources
2. Economic Uncertainty and Insurance

II. Infrastructure Dimension

1. Low Productivity
2. Lack in marketing and other infrastructural facilities
3. Volatile demand
4. Lack of Protection (safety, family welfare and health care)
5. Competition from established players

III. Knowledge Dimension

1. Skill gap
2. Limited access to government schemes
3. No/limited business experience
4. Access to Digital Skills and Digital Support Schemes/Programmes

6.1.5 Support/Policies and Stakeholders for Formalization of Informal Sector

The section presents an overview of the support/policies provided to the employees/units in the informal sector which may possibly help transform informal units towards formalization by various actors/stakeholders. This includes key actors that support the informal sector including such as – Central and State Governments/Ministries, large scale NGOs, Social Impact Enterprises, Private Sector CSR Activities, Technology Firms etc. and agencies which are carrying out the related ground level support and implementation activities. The supports include measures like skilling, reskilling & upskilling development training of the entrepreneurs, recognition of prior learning (RPL), ease of doing business, financial support, new and improved technology implementation, or any other measure which helps the informal sector towards capacity building and promoting them to come under the purview of formal sector.

These stakeholders spearheaded with MoSDE will be pivotal in the journey from informal to formal economy for enterprises. Summarized details of main categories of stakeholders and the schemes/initiatives through which they are impacting the

⁹⁹ Frey, B.S. and Weck-Hanneman, H. (1984), "The hidden economy as an 'unobserved' variable", European Economic Review, Vol. 26 Nos 1-2, pp. 33-53.

formalization ecosystem are as follows (in Table 6.5):

Table 6.5 Summary of Stakeholder's support and policies towards enabling the informal sector's capacity and promotion

Actors	Policy/Initiative/Actor	Financial Capital	Infrastructural and Technological Capital	Knowledge Capital	Others
Government	The Pradhan Mantri Rojgar Protsahan Yojana (PMRPY)		✓	✓	✓
	Pradhan Mantri Shram Yogi Maan-dhan	✓			
	Credit Facilitation Through Bank	✓			
	Bill Discounting	✓			
	Pradhan Mantri MUDRA Yojana (PMMY)	✓			
	Credit Guarantee Fund Scheme for MICRO AND SMALL ENTERPRISES	✓			
	Micro Credit (MC) for SHGs	✓			
	Entrepreneurship Skill Development Programmes (ESDPs)			✓	
	Management Development Programmes (MDPs)			✓	
	Assistance to Training Institutions Scheme (ATI Scheme)		✓	✓	
	Skill Upgradation & Quality Improvement and Mahila Coir Yojana (MCY)		✓	✓	
	Marketing Development Assistance Scheme			✓	✓
	Enterprise Development Centers		✓	✓	
	Pandit Deendayal Upadhyay Shramev Jayate Karyakram		✓		
	Marketing Assistance & Technology Upgradation		✓		
	ZED Scheme		✓	✓	✓
	Entrepreneurial and Managerial Development of SMEs through Incubators		✓	✓	
	Lean Manufacturing Competitiveness Scheme (LMCS) for MSMEs		✓	✓	
	Make in India	✓	✓	✓	✓
	Skill India			✓	✓
	Startup India	✓			✓
	National Handicraft Development Programme (NHDP)		✓	✓	✓
	Indian Footwear, Leather & Accessories Development Programme	✓	✓		
	Human Resource Development (HRD) sub-scheme		✓	✓	
	Integrated Development of Leather Sector (IDLS) sub-scheme		✓		✓
	Establishment of Institutional Facilities sub-scheme			✓	
	Mega Leather, Footwear and Accessories Cluster (MLFAC) sub-scheme				✓
	Leather Technology, Innovation and Environmental Issues sub-scheme			✓	
	Promotion of Indian Brands in Leather, Footwear and Accessories Sector sub-scheme				✓
	Development of the Electronics System Design and Manufacturing (ESDM) sector		✓		
	Technology and Quality Upgradation Support to MSMEs	✓	✓		
	Sagarmala scheme		✓		
	National Waterways Act		✓		
	Superior Technology and Digital India		✓		
	Pradhan Mantri Jeevan Jyoti Bima Yojana	✓	✓		
	Pradhan Mantri Suraksha Bima Yojana	✓	✓		
	Small Farmer Agri-Business Consortium (SFAC) assistance to cold storage		✓		
	National Horticulture Mission (NHM)		✓		
	Agricultural and Processed Food Products Export Development Authority (APEDA) assistance for cold chain		✓		
	Aam Aadmi Bima Yojana	✓			
	National Urban Transport Policy 2014		✓		
	Atal Mission for Rejuvenation and Urban Transportation		✓		
	Automotive Mission Plan – 2016-26		✓		
	Smart Cities Mission		✓		
	Fame India Scheme		✓		
	Voluntary Vehicle Modernization / End of the life policy		✓		
	Additional Employment Incentive for Leather, Footwear and Accessories Sector sub-scheme				✓
	Phased Manufacturing Programme (PMP)		✓		
	The National Policy of Electronics 2019 (NPE 2019) recently replaced the policy book of 2012		✓		
	Amended technology upgradation fund scheme (ATUFS)		✓		
	Scheme for Integrated Textile Parks (SITP)		✓		
	Scheme for Capacity Building in Textile Sector		✓		
	Swarnjayanti Gram Swarajgar Yojana (SGSY)		✓		✓
	Integrated Processing Development Scheme (IPDS)		✓		✓
	Merchandise Export from India Scheme (MEIS)				✓
	Sub-Mission on Polytechnics, Apprenticeship Training			✓	
	Deen Dayal Upadhyaya Grameen Kaushal Yojna (DDU-GKY)			✓	✓
	Craftsman Training Schemes Implemented through Industrial Training Institute			✓	
	National Urban Livelihood Mission			✓	
	Bachelor of vocational degree in universities			✓	
	Community Colleges, Jan Shikshan Sansthan			✓	
	Pradhan Mantri Kaushal Vikas Yojna (PMKVY)			✓	✓
	Seekho aur Kamao (Learn & Earn)			✓	✓
	Upgrading the Skills and Training in Traditional Arts/ Crafts for Development (USTTAD)			✓	✓
	Maulana Azad National Academy for Skills		✓	✓	✓
	Nai Manzil			✓	

	Punjab Industrial and Business Development Policy 2017	✓	✓	✓	
	Chandigarh Incubation and Co-Working Startup Scheme Document	✓	✓	✓	
	Uttarakhand State Start-up Policy-2018	✓	✓	✓	
	Haryana Entrepreneur & Startup Policy-2017	✓	✓	✓	
	Lakshadweep Policy of Development, 2018	✓	✓	✓	
	Jharkhand Sustainable Mica Policy		✓		
	Odisha Madhu Babu Pension Yojana 2020	✓			
	Andhra Pradesh Industrial Development Policy 2020-23			✓	
Large Scale NGOs	Ford Foundation	✓			✓
	Shreni Community Trust	✓			✓
	Utthan Mahiti			✓	✓
	Shroffs Foundation Trust			✓	
	Mitti Ke Rang	✓		✓	
	Success Foundation (NGO arm of Viztar International)			✓	
	Foundation for Sustainable Development (FSD)			✓	
	Makaam			✓	✓
	SEWA			✓	✓
	Azad Foundation			✓	✓
	Snehalaya			✓	✓
	National Hawker Federation (NHF)	✓	✓		✓
	Bill & Melinda Gates Foundation	✓	✓		
	Nexharvest		✓	✓	✓
	WIEGO		✓		✓
	CLAP		✓		✓
	Nirmana		✓		✓
	Swaniti		✓	✓	
	Goonj	✓	✓		✓
	RAHI				✓
	NYDHEE		✓		✓
	OXFAM India		✓		✓
Social Impact Enterprises	AgroStar		✓		
	Altum Credo	✓			
	Appachi			✓	
	Arohan Financial Services Ltd	✓			
	Butterfields			✓	
	EkGaon		✓		
	Ergos Grainbank	✓			
	G.V. Meditech				✓
	Hasiru Dala Innovations				✓
	Let's Recycle				✓
	ReMaterials		✓		
Private Sector CSR Activities	Dairy Farm Initiative(Abbott)		✓	✓	
	Aditya Birla Rural Tech Park/Yashogami Skills Training Centre			✓	
	Aditya Birla Fashion Entrepreneurship Program		✓	✓	
	Asian Paints Vocational Programme			✓	
	Bajaj Education Initiative/IISER support programme		✓	✓	
	BMW Skill Development Programme			✓	
	Castrol Sarathi/ Castrol Eklavya programme		✓	✓	
	Cipla-SEDI partnership Programme			✓	
	Dabur Vocational Training Programme			✓	
	Dr. Lal Pathlabs RPED Programme			✓	
	Goldman Sachs 10000 Small Business/ 10000 Women Programme	✓	✓	✓	
	ICICI RSETI Programme		✓	✓	
	JSW Skills School			✓	
	Kohler Plumbing Academy			✓	
	Ola Foundation Initiatives		✓		
	Pepsico Agricultural Initiatives			✓	
	Pidilite Initiatives for Farmers		✓		
	Tata Tea Programmes for Tea Plantation Farmers				✓
	Gocooop Platform		✓		
	PayPal Seller Protection for Intangibles	✓			
Technology Firms	Flipkart Growth Capital Program	✓	✓		
	Flipkart Health Insurance	✓			
	Intel Digital Skills for India		✓		
	Google Internet Saathi		✓	✓	
	Paytm tie up with NCTI	✓	✓	✓	✓
	Amazon Kala Haat		✓		✓
	Alibaba Global SME Enablement Programme		✓		
	Flipkart Walmart Vriddhi Supplier Development Program		✓		
	Flipkart Samarth Programme		✓		
	Facebook SME India Council			✓	

6.2. Ministry of Skill Development and Entrepreneurship (MoSDE) & Skill Ecosystem

6.2.1 Introduction

MoSDE is responsible for co-ordination of all skill development efforts across India, removal of disconnect between demand and supply of skilled manpower, building the vocational and technical training framework, skill up-gradation and building of new skills. It is aided in these initiatives by the following viz.

- Directorate General of Training (DGT)
- National Skill Development Agency (NSDA)
- National Council for Vocational Education and Training (NCVET)
- National Skill Development Corporation (NSDC)
- National Skill Development Fund (NSDF)
- 38 Sector Skill Councils (SSCs)
- 33 National Skill Training Institutes (NSTIs/NSTI(w))
- 15000 Industrial Training Institutes (ITIs) under DGT
- 187 training partners registered with NSDC
- Jan Shiksha Sansthan (JSS)

Besides the aforementioned, MoSDE also has collaborative and special projects such as Tata-Indian Institute of Skills, Mumbai, Centres of Excellence (such as SIDAC Odisha) etc. The Ministry also intends to work with the existing network of skill development centres, universities and other alliances in the field. Further, collaborations with relevant Central Ministries, State governments, international organizations, industry and NGOs have been initiated for multi-level engagement and more impactful implementation of skill development efforts. MoSDE has been actively involved in the

6.2.2 Major Schemes, Programs, Initiatives and Projects

There are two in which MoSDE can further the formalization of informal sector: Bolt-on to existing schemes, programs, initiatives and projects or proposed new ones. Following is an overview of the major existing schemes, programs, initiatives and projects of MoSDE:

SANKALP: Skill Acquisition and Knowledge Awareness for Livelihood Promotion (“SANKALP”) is a programme of the Ministry of Skill Development with loan assistance from the World Bank. It aims to improve short term skill training qualitatively and quantitatively through strengthening institutions, bring in better market connectivity and inclusion of marginalised sections of the society. SANKALP was launched on 19th January 2018 and has a tenure till March 2023.

PMKVY 3.0: Pradhan Mantri Kaushal Vikas Yojana (PMKVY) is the flagship scheme of the Ministry of Skill Development & Entrepreneurship (MSDE) implemented by National Skill Development Corporation. The objective of this Skill Certification Scheme is to enable a large number of Indian youth to take up industry-relevant skill

training that will help them in securing a better livelihood. Individuals with prior learning experience or skills will also be assessed and certified under Recognition of Prior Learning (RPL). The third phase of the scheme is designed towards making skill development more demand-driven and decentralised in its approach, with focus on digital technology and Industry 4.0 skills. In the third phase, District Skill Committees (DSCs), under the guidance of State Skill Development Missions (SSDM), shall play a key role in addressing the skill gap and assessing demand at the district level. PMKVY 3.0 envisages encouraging healthy competition between states by making available increased allocation to those states that perform better.

Craftsmen Training Scheme: The Craftsmen Training Scheme (CTS) was introduced by the Government of India in year 1950 to ensure a steady flow of skilled workers in different trades for the domestic industry, to raise quantitatively and qualitatively the industrial production by systematic training, to reduce unemployment among the educated youth by providing them employable skills, to cultivate and nurture a technical and industrial attitude in the minds of younger generation. Presently, training courses under the Craftsmen Training Scheme are being offered through a network of 15,042 ITIs (Govt. 2,738 + Private 12,304) located all over the country with total trainees enrolled 22.82 lakhs (in the trades of 1 year and 2 year durations) on NCVTMIS portal with an objective to provide skilled workforce to the industry in 138 NSQF compliant trades.

Model ITI Scheme: Under this Scheme, an existing ITI in a State is being upgraded as Model ITI which will be evolved as an institution showcasing the best practices, efficient and high quality training delivery and sustainable and effective industry relationship by:

- Becoming a demand center for local industries for its expertise and best performance in training.
- Better engagement with local industries
- Signing flexi MoU with industry to conduct training program to meet specific skill requirement of the Industry. For such approved courses, examination / assessment and certification will be done by NCVT
- Training of unorganized sector workers.
- Training of existing industrial workforce

PMUmeed (Forthcoming by MoSDE): PM Udyam Mitra Excellence in Entrepreneurship Development (PMUmeed) Scheme will be a demand driven scheme and states will have to pitch in to identify potential entrepreneurs and ventures that would be extended support. The support under PMUmeed Scheme will be extended for 18 months after completion of a 2 month entrepreneurship development training. There is need to help create an enabling ecosystem for budding and existing entrepreneurs so that new businesses can absorb the unemployed as well as new entrants in the job market. Broadly two categories of beneficiaries:

- Support for new entry level entrepreneurs
- Support for existing entrepreneurs

NATS: The National Apprenticeship Training Scheme, launched in 2016, is a one-year programme offered at central, state and private organisations equipping technically qualified youth with practical knowledge and skills required in their field of work. The apprentices are imparted training by the organizations at their place of work. During the apprenticeship, candidates are paid a stipend, 50% of which is reimbursable to the employer from the government.

DDU-GKY (with MoRD): DDU-GKY is uniquely focused on rural youth between the ages of 15 and 35 years from poor families. As a part of the Skill India campaign, it plays an instrumental role in supporting the social and economic programs of the government like the Make In India, Digital India, Smart Cities and Start-Up India, Stand-Up India campaigns.

STRIVE: Skills Strengthening for Industrial Value Enhancement (STRIVE) is a new World Bank funded project that aims at creating awareness through industry clusters/geographical chambers that would address the challenge of involvement of micro, Small and Medium-sized Enterprises (MSMEs). The Project would also aim at integrating and enhancing delivery quality of ITIs. In order to ensure achievement of outcome these ITI would be competitively selected for upgradation under the scheme.

PMYUVA (in association with MUDRA): Pradhan Mantri YUVA Yojana (PM-YUVA) is the initiative of Ministry of Skill Development and Entrepreneurship (MSDE) on entrepreneurship education and training, advocacy and easy access to entrepreneurship support network to over 7 lakh youth to initiate maximum start-ups over five years. The two prime objectives of the scheme are :- 1) Educate and equip potential and early stage entrepreneurs 2) Connect entrepreneurs in enabling networks of peers, mentors, incubators, funding and business services.

The aforementioned policy/scheme/project initiatives of MoSDE have had an enabling impact towards formalization of informal sector especially when working with on-ground stakeholders. Figure 6.2 visualizes the way current initiatives of capacity development of MoSDE with support from other stakeholders is enabling addressing of challenges faced by informal economy (enterprises and employees) and also the gap areas that need augmented focus of MoSDE in entirety (shown in green boxes in last column) or partially (shown in orange boxes in last column).

6.2.3 National Policy for Skill Development and Entrepreneurship 2015

According to National Policy for Skill Development and Entrepreneurship 2015 of MoSDE, vibrant entrepreneurship requires support from an enabling ecosystem of culture, finance, expertise, infrastructure, skills and business friendly regulation. This policy framework, cognizant of the need for the full ecosystem to be present to unlock entrepreneurial potential, proposed a nine-part entrepreneurship strategy:

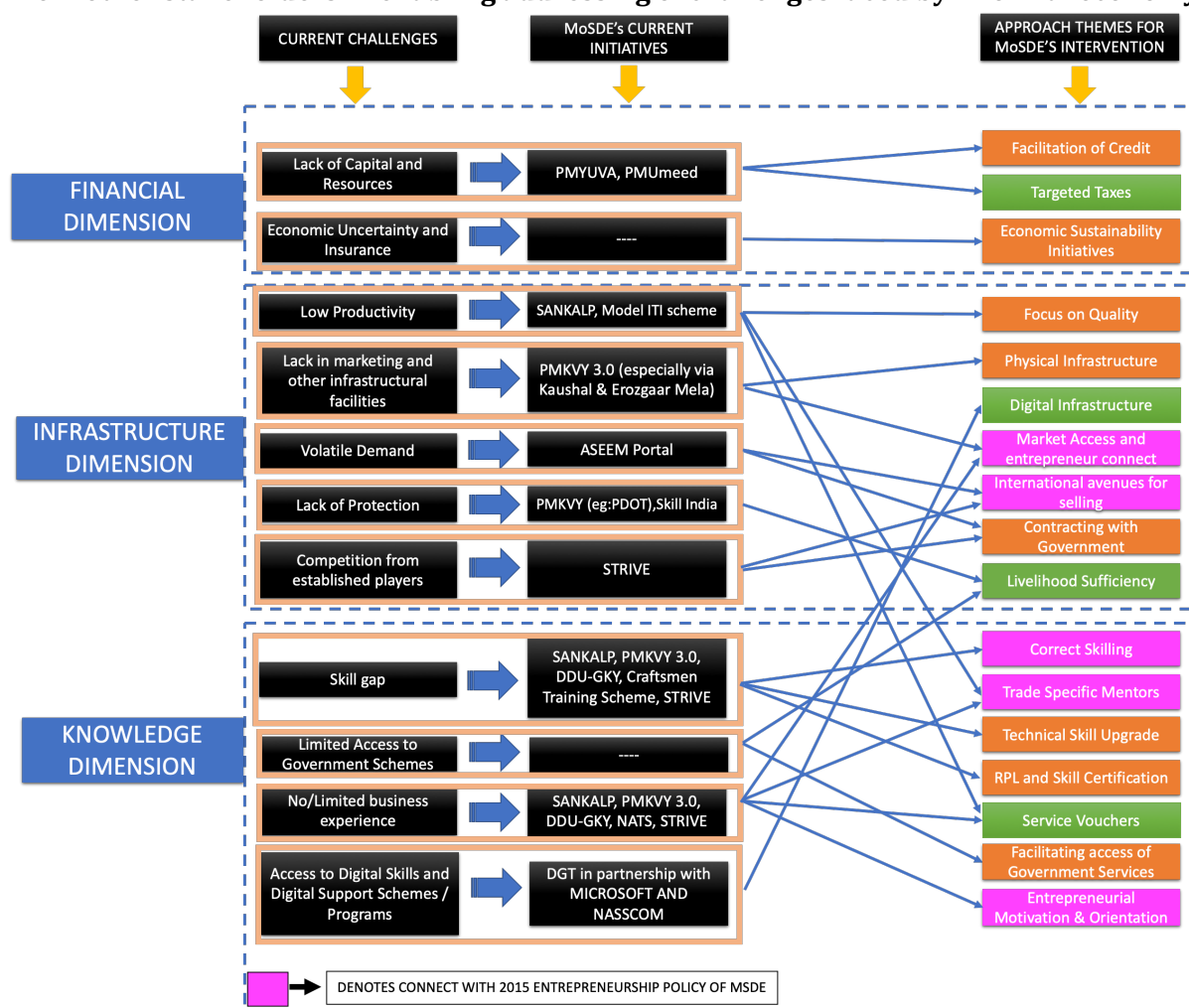
- Educate and equip potential and early stage entrepreneurs across India (Knowledge Dimension)
- Connect entrepreneurs to peers, mentors and incubators (Knowledge Dimension)
- Support entrepreneurs through Entrepreneurship Hubs (Infrastructure Dimension &

Financial Dimension)

- Catalyze a culture shift to encourage entrepreneurship (Knowledge Dimension)
- Encourage entrepreneurship among under-represented groups (Knowledge Dimension)
- Promote Entrepreneurship amongst Women (Knowledge Dimension)
- Improve ease of doing business (Infrastructure Dimension)
- Improve access to finance (Financial Dimension)
- Foster social entrepreneurship and grassroots innovations (Infrastructure Dimension)

Figure 6.2 presents the possible approach themes for MoSDE's intervention and mapping with existing MoSDE's initiatives including the National Policy for Skill Development and Entrepreneurship 2015. The arrows depict the mapping with existing MoSDE initiatives and the pink colored boxes under approach theme in the figure 6.2 depict mapping with the National Policy for Skill Development and Entrepreneurship 2015.

Figure 6.2 Mapping of current initiatives of capacity development of MoSDE with support from other stakeholders in enabling addressing of challenges faced by informal economy



The same policy document also envisaged a framework for skill augmentation which included five components, seven foundations and a state-of-the-art digital infrastructure; possible action plan in the context of strategic priorities and key initiatives taken by the

different arms of the MoSDE. A brief of this framework of skill development is given as follows:

Components: Framework had five components as given in the following table 6.5 viz. create, correct, certify, connect and catalyze. The last one, i.e., catalyze (entrepreneurship) will be the starting point of support and incentive-based interventions that will lead to formalization of informal sector.

Foundations: The aforementioned five components are supported by 7 foundations, i.e., (i) Synergy across ministries, departments, & industry, (ii) mobilization and engagement entrepreneurs / trainers/ skill seekers/ content developers etc., (iii) local and global partnerships, (iv) outreach & advocacy, (v) ICT- Enablement (Technology & technology providers), (vi) faculty/ trainers, and (vii) disadvantaged regions, communities and people.

Table 6.5: Five components of Skill Development framework of MoSDE
(Source: National Policy for Skill Development and Entrepreneurship 2015)

Create	Correct	Certify	Connect	Catalyze
Pipeline of Skilled Persons	Align supply with demand by up skilling and re-skilling	Global/Common Standards	Match supply with demand	Entrepreneurship

6.2.4 Key beneficiaries to focus for proposed formalization framework and key challenges faced by informal sector

Besides the priority sectors identified in section 6.1 the following audience could be looked at by MoSDE for optimizing and maximising the impact of formalization and entrepreneurship promotion through capacity building:

Capacity Building for MicroEntrepreneurs/Enterprises: As per World bank, Microenterprises can be defined differently, depending on country's stage of development, policy objectives, and administration." In Indian context, micro enterprises are those enterprises which have investments up to INR 1 crore and turnover of less than INR 5 crore¹⁰⁰. Growth in microenterprises is important because it is an important source for employment generation and growth of the country. Limited employment opportunities clubbed with high population in the agricultural sector and the modern manufacturing sectors leaves a vast mass of the labour without any productive employment. Microenterprises play an important role in employing the surplus labour force productively. Key needs of formalization for micro-enterprises are increasing the aggregate output, enabling efficient use of labour and capital, initiating indigenous enterprise and improving the distribution of income. Key challenges troubling microenterprises and their formalization include high cost of

¹⁰⁰ https://economictimes.indiatimes.com/small-biz/sme-sector/finance-minister-announces-revised-msme-definitions-no-different-between-manufacturing-and-service-enterprises/articleshow/75717694.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

capital, inadequate infrastructural facilities, primitive technology and limited access to input and output markets¹⁰¹.

Micro-entrepreneurship is being increasingly recognized as one of the prominent ways of poverty alleviation and income generation and governments can focus on the development of sector specific technology to support microenterprises. Two important moderating factors that are going to make technology all the useful for formalization efforts are stress on overall user experience and support for vernacular languages. Capacity building initiatives, keeping in mind the aforementioned two features, will help in furthering of utility of skilling and thereby formalization in this strata.

Capacity building for Mass Entrepreneurship (Nano Entrepreneurs): Mass Entrepreneurs and those entrepreneurs who hire or improve the incomes of 5 plus people, use local inputs or solve local problems. The percentage of mass entrepreneurs in India is 11% in comparison with global percentages of 30-40%¹⁰². These mass entrepreneurs are a 'missing middle' we often don't talk about - those falling between self-employment and the fast-growing start-ups who are celebrated. These are the mass entrepreneurs, or nano-entrepreneurs, or those who start a small business and hire three to five people. Empowering them through policy intervention is yet another area of vast opportunity¹⁰³. Certain problems faced by mass entrepreneurs as mentioned in the report by GAME¹⁰⁴ encompass: Paucity of operationalization of long term funding, aspiration mismatch between entrepreneur and the support organization trying to help them (incubator/accelerator) and mobilization of potential entrepreneurs. A survey commissioned by The Indus Entrepreneurs (TiE), Chennai, in association with Global Alliance for Mass Entrepreneurship (GAME) highlighted that minimal digitisation of accounting and poor cash flow management are common barriers that affected mass entrepreneurs from accessing formal credit¹⁰⁵.

Capacity Building for Women Entrepreneurs:

Unlike their male counterparts (Williams 2009), many women entrepreneurs in India operate within the informal economy neither out of choice nor as a path to formalization, but as a way to position themselves within contexts shaped by norms and expectations around roles and family (Babbitt et al. 2015; Williams and Gurtoo 2011). The idea of engagement in entrepreneurial activities in the informal economy as an 'opportunity' incorrectly portrays the nature of women entrepreneurship in developing countries, which is more typically characterized by the need for survival and to support livelihoods. This portrayal downplays the realities of women's business choices and decisions in these contexts, where contingencies such as environmental risk, economic instability, social conflict and family morbidity are the norm (London

¹⁰¹ Bhattacharya, S., & Londhe, B. R. (2014). Micro entrepreneurship: Sources of finance & related constraints. *Procedia Economics and Finance*, 11, 775-783.

¹⁰² <https://massentrepreneurship.org/>

¹⁰³ <https://www.businesstoday.in/top-story/funding-lack-of-aspiration-clog-up-nano-entrepreneurship/story/338598.html>

¹⁰⁴ <https://massentrepreneurship.org/research-reports/>

¹⁰⁵ <https://www.thehindubusinessline.com/economy/mass-enterprises-provide-stable-job-opportunities-survey/article29924670.ece>

et al. 2014). For women this progression from informal to formal economy is critical since it represents various risks, including a loss of networks, traditional roles, status and identity, rendering success more like betrayal than achievement (Neves and Du Toit 2012). Further evidence suggests progression can delegitimize traditional social positions as a result of changed status due to success (De Vita et al. 2014). So formalization process in case of women entrepreneurs needs to be done keeping in mind these social implications and challenges as well.

Capacity building for Youth entrepreneurs: Youth form a sizeable percentage of the Indian demographic. Youth can be categorized into groups based on age: the formative stage of pre-entrepreneurship (15-19 years), the growth stage of budding entrepreneurs (20-25 years), and the prime stage of emergent entrepreneurs (26-29 years) e.g. the moment to start seriously with a business. Additionally, the age category of 10- 15 years, can be added, labelling this as the awareness stage of entrepreneurship.

Youths turn out to be part of the gig and platform economy. Professionalisation and skilling gaps always interrupt the process of formalisation. Status (class/gender/caste) also matters here a lot.

Youth have their own challenges which form barriers to formalization for them: lack of awareness, lack of prior work and entrepreneurship experience, fewer financial resources, limited business networks and business-related social capital etc.

Formalization approaches need also to be complemented by tacit learning with peers and networks. These may involve, for example:

- Partnership involvement: meetings with financiers, banks, landlords, incubators, trade and professional organisations
- Mentoring with peers – young people who have actually started and run a business
- Face-to-face interaction effective
- Connecting youth with knowledge network¹⁰⁶

A close partnership with Ministry of Education for creating a bridge and inter-operability between formal and vocational education needs to be furthered.

6.3 Frameworks and Approaches for MoSDE for formalization of informal sector

For enabling journey from informal sector to the formal sector and for formulation of approaches by either capacity development, funding support or incentives such as simplifying procedures and hand-holding, it is important to knit the existing efforts of ministry (MoSDE) in this direction along with partners and allied stakeholders with themes and approaches that would facilitate formalization. That is wherein in the existing

¹⁰⁶ <https://www.oecd.org/cfe/leed/SummaryReportSeminarYouthEntrepreneurshipRev.pdf>

skill development ecosystems comes into play paving a path for an incremental update on the lines of enabling formalization. The suggested framework has two parts to it viz. framework towards formalization of informal sector through entrepreneurship promotion (Section 6.3.1) and skilling routes for enterprise as well as labour part of the framework. Second part being framework for efficient addressing of challenges faced informal sector (Section 6.3.2).

6.3.1 Framework of formalization of informal sector through entrepreneurship promotion and skilling ecosystem

Framework for formalization of informal sector (labour and enterprise) through skill ecosystem and entrepreneurial ecosystem is presented in fig 6.3. The framework is guided by taking into consideration the two prevalent worldviews of formalization – formalization of informal enterprises and formalization of labour. There are similarities and differences in the means and routes of formalization for both these factions. The various components of the framework are guided by the desk research (mostly secondary research in nature) of this study – triangulated with limited sample primary data. The framework has been developed keeping in mind the existing challenges, needs and available support arms, channels and routes to keep it as close to the realities on-ground. This framework will act as a guiding framework for the supplementary framework given in Section 6.3.2. The framework given in section 6.3.2 is supplementary to this current section's framework since this current framework is more **'need-based and formalization' focused**. It mainly emphasizes the transmutation and progress of informal sector actor (enterprise/labour) to the formal sector via an augmented earning/livelihood opportunity. The supplemental framework in section 6.3.2 is more **'addressing informal sector's challenges' focused** - emphasizing on what support (policy/program/scheme/collaboration level) can be provided to informal sector to address the existing challenges – in terms of existing and new policy initiatives.

The basic approach in the current framework across both the factions encompasses certain common steps viz. mobilization, advocacy and onboarding; mentoring and handholding; skilling, access to market and better livelihood. One important caveat here to keep in mind is that though there are concept level similarities in both the routes of formalization (enterprise as well as labour) the operationalization of each of these concepts in each of the routes can have a distinct and separate meaning. For example: nature of mobilization and quantum of mobilization efforts in case of informal enterprises is different from mobilization in the case of informal labour. Mobilizing resources, defining eligibility criteria, setting benefit levels, reaching out to individuals, registering eligible beneficiaries and delivering support in case of informal labour is a more challenging task than doing the same in case of informal enterprises. On the contrary if an initial touch point has been established with the informal sector labour – in terms of training/skilling camps and initiatives – then mobilization, advocacy and onboarding works better for them than for the enterprises. Similar is the case with mentoring and handholding.

Mentoring is a process of tacit transmission of knowledge, social capital and psychosocial support. Handholding involves careful support and guidance during procedural, technical or business processes. For informal labour, mentoring and handholding leads to work, career or professional upgradation. For informal enterprises, mentoring and handholding leads to better business decision making.

The next step towards formalization is to extend advantages accrued by mentoring and handholding through relevant skilling processes. The proposed nature of skilling is different in case of informal entrepreneurs and for informal labor. The skilling approach for informal entrepreneurs includes four sets namely technical skills, entrepreneurial skills, digital skills, and skills of networking. The skilling approach for informal labour includes three sets namely technical skills, employability skills and digital skills. Technical skilling in case of an informal entrepreneur will involve technical concepts and independent projects whereas technical skilling in case of informal labour will have a more vocational approach with comprehensive technical content. Similar is the case with entrepreneur skilling and digital skilling for an informal entrepreneur and employability skilling and digital skilling for informal labour.

For formalization of informal labour, the skilling will be followed with apprenticeship which would further lead to better income and higher possibility of employment with the support of access to employment markets and access to certification of new (and old skills through RPL). It will help workforce to have access to job opportunities and getting certificate of their skills which will enhance their acceptability among enterprises where they are seeking jobs. In turn it will enhance their livelihood and social status.

For formalization of informal entrepreneurs - post the skilling process – an entrepreneur could choose to operate his unit individually or operate it by being part of a consortium/association/network. The call the two approaches as the individual and the network routes respectively. The idea here is to make the informal entrepreneur understand the importance of social capital (such as increased bargaining capacity – collective bargaining and collective access to market). However, since efficacy of networking skills is a highly context driven and subjective matter hence an in some case individual route might also be taken. Through individual routes the entrepreneurs will develop ability to work and access markets at local level, national and international level for their products and services and access to credit sources supported and launched by government financial institutions, & processes of getting credit from these sources and also to take advantages of various promotional interventions by government (State & Central). The networking routes will equip entrepreneurs for collective bargaining for credit and markets for their product and services. For Example: The network will enhance the skills of entrepreneurs for pooling their products and through digital skills finding big buyers in the market who are not only ready to buy their products but ready to augment their businesses further by providing access to better technology and manufacturing processes. It will enhance their income and livelihood and will motivate other to be onboard in to ecosystem and be part of formal enterprises.

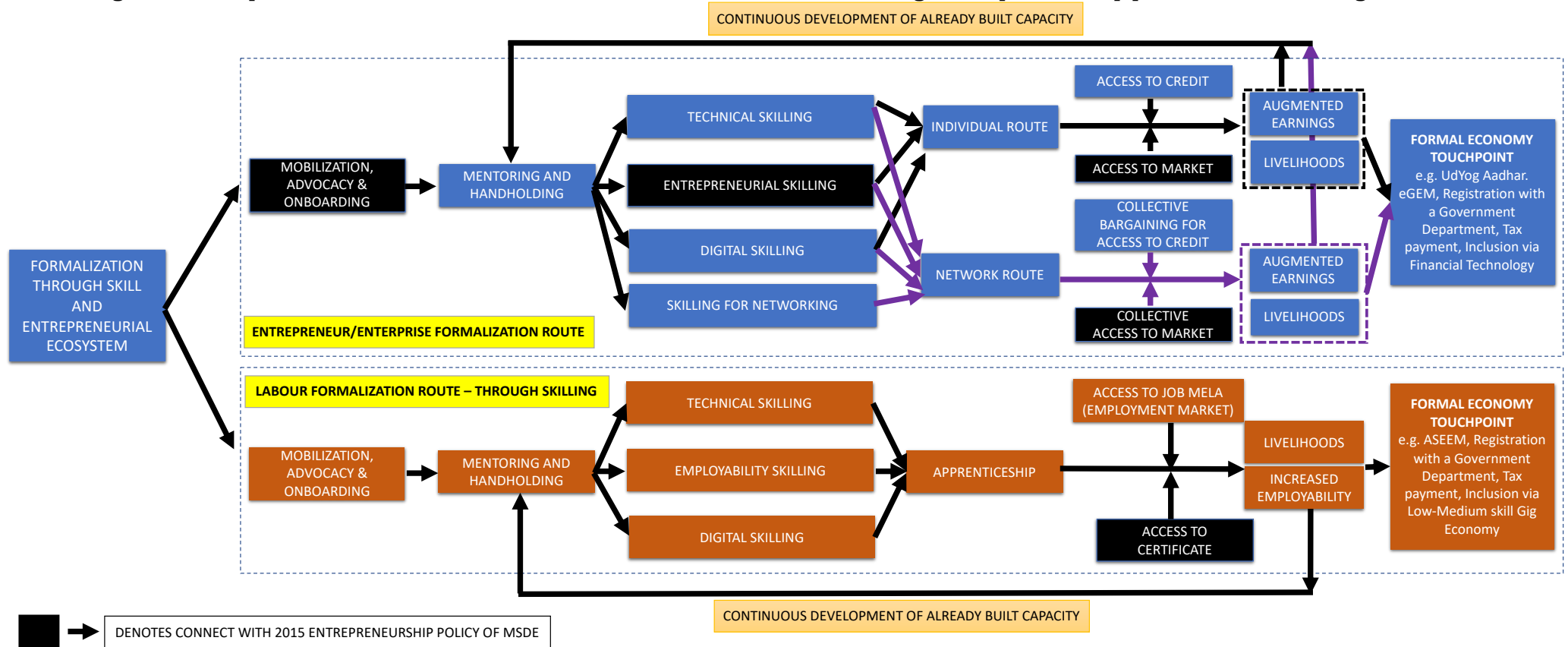
Here it is important to note that formalization is a gradual and, in most cases, a glacially slow process. Operating in informal economy has its own merits (tax avoidance) and demerits (social security) in the perspective of an informal economy actor (labour/enterprise). A chance to get a better and respectable livelihood for self and family along with upliftment in ability to earn or ability to get a job are one of the basic motivators and pre-cursors to formalization. Once an informal economy actor is certain about the tangible benefits of formalization routes proposed via the framework – the possibility of the informal economy actor leveraging one of the formal economy touch points to enter the formal economy increase manifold times.

For informal entrepreneurs these formal economy touchpoints could be – Getting an Udyog Aadhar Number (which further facilitates business development opportunities with government, cheaper loans, tax rebates), getting an eGEM registration done (to have access to Indian government's e-market Place), registration with a government department, tax payment etc. This touch points will not only result in to formalization but also an inclusive growth via the entrepreneurial ecosystem.

For informal labour the formal economy touchpoints could be – registration with Aatmanirbhar Skilled Employee Employer Mapping (ASEEM) of MoSDE, registration with government department, tax payment, registration with a gig economy platform. Low and medium skills gig platforms and on the rise and will play an important role (in times to come) with respect to formalization of informal labor.

The entrepreneurial and skilling routes that have been described in this section will work best in iterations. The process steps will continue to repeat itself with the development of new technologies, with the emergence new demand of quality products and services, with the emergence of new markets, with the emergence of new demand from consumers, evolving digital systems, and new opportunities created by the government by changing policies at regional, national and international level. This iteration will enable one thing – immediate earnings or employability benefit in the short term and formalization in the mid-long term.

Figure 6.3: Proposed framework towards formalization of informal sector through entrepreneurship promotion and skilling routes¹⁰⁷



¹⁰⁷ For the purpose of this report LIVELIHOOD is defined as capabilities, material and social resources and activities required for a means of living.
Reference: https://www.ilo.org/asia/WCMS_224123/lang--en/index.htm

The secondary data (based on published sources) based case studies, as detailed in Chapter 5, helped us in understanding the challenges, best practices and routes taken by informal sector across India and outside India for formalization. Summary of the insights as has been shown in Table 6.6 will allow to visualize the empirical (in field) application of the proposed formalization framework via its two routes – Entrepreneur/Enterprise formalization route and Labour formalization route.

Table 6.6 Insights from Secondary Case Studies and connect with the proposed formalization framework

Case Study	Inferences in terms of challenges and issues	Interventions Facilitating Formalization	Dominant Route to Formalization
Case Study 1: Thana-Belapur, Maharashtra	Unauthorized waste-recycling units which are backwardly linked with large plants	Mentoring And Handholding; Entrepreneurial Skilling	Enterprise Formalization Route
	Labor intensive operations	Technical Skilling; Apprenticeship	
	Lack of adequate physical protection of workers	Entrepreneurial Skilling	
Case Study 2: Durgapur, West Bengal	Inadequate and declining demand	Entrepreneurial Skilling	Enterprise Formalization Route
	Limited capital and low capacity	Entrepreneurial Skilling	
	Infrastructural challenges	Entrepreneurial Skilling	
	Absence of collateral to avail credit	Access To Credit	
	Harassment by bank official for credit	Access To Credit	
Case Study 3: Assam	Majority of units were run by the entrepreneurs without any training	Mentoring And Handholding; Entrepreneurial Skilling	Enterprise Formalization Route
	Workers with poor literacy level	Skilling; Apprenticeship	
	Non-existence of the backward linkage with the formal sector	Mentoring And Handholding; Entrepreneurial Skilling	
Case Study 4: Handloom Weaving, Bhagalpur, Bihar	Weavers, reportedly are poor and illiterate, thus lack bargaining power.	Skilling; Apprenticeship	Labour Formalization Route
	Low capacity	Mentoring And Handholding; Entrepreneurial Skilling	
	Lack of market opportunities	Access To Market	
	Failure of the government to control the supply, distribution and marketing operations and to arrange ancillary facilities to the weavers	Mentoring And Handholding	

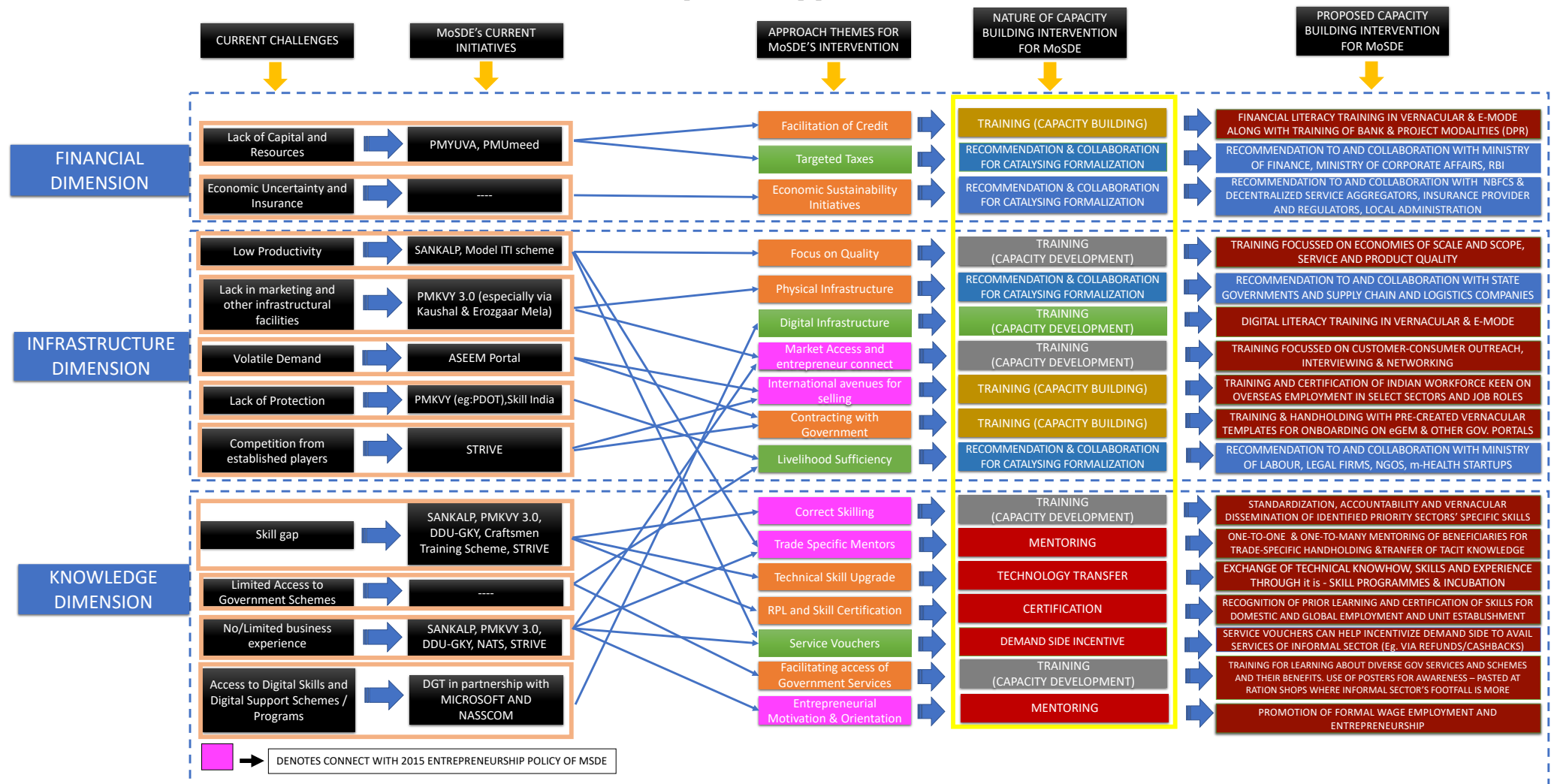
Case Study 5 – New Delhi Street Food Vendors	No knowledge about formal vocational education and training	Mobilization, Advocacy & Onboarding	Labour Formalization Route
	Skill development exclusively through informal learning processes	Skilling; Apprenticeship	
	Lack of entrepreneurial skill	Mentoring And Handholding;	
Case Study 6 – Coimbatore, Tamil Nadu - Street Food Vendors	Lack of formal vocational training	Mentoring And Handholding;	Labour Formalization Route
	No knowledge about formal vocational education and training	Mobilization, Advocacy & Onboarding	
	Skill development exclusively through informal learning processes	Skilling; Apprenticeship	
	Lack of entrepreneurial skill	Mentoring And Handholding; Entrepreneurial Skilling	
Case Study 7 – Madurai, Tamil Nadu – Street Food Vendors	No access to formal credit system	Access To Credit	Enterprise Formalization Route
	Absence of mobility due to longer involvement in a particular trade	Access To Market	
	Reportedly harassment, forced shutdowns, and the payment of bribes to police and authorities	Mobilization, Advocacy & Onboarding	
	Seasonal demand	Access To Market	
Case Study 8 – Madurai, Tamil Nadu – Street Food Vendors	No access to formal credit system	Access To Credit	Enterprise Formalization Route
	Reportedly harassment by authorities, eviction threats, problem of conflict with pedestrians, and confiscation of goods and extortion by authority.	Mobilization, Advocacy & Onboarding	
	Absence of mobility	Access To Market	
Case Study 9 – Surat, Gujarat (Market Vendors)	Reportedly harassment by authorities, eviction threats, problem of conflict with pedestrians, and confiscation of goods and extortion by authority.	Mobilization, Advocacy & Onboarding	Enterprise Formalization Route
	Lack of entrepreneurial skill	Entrepreneurial Skilling	
	Absence of mobility	Access To Market	
Case Study 10 – Kashmir, Jammu and Kashmir (Market Vendors)	Lack of infrastructural facilities	Mobilization, Advocacy & Onboarding	Enterprise Formalization Route
	Lack of fixed allocated space	Mobilization, Advocacy & Onboarding	
	Seasonal demand	Access To Market	

6.3.2 Framework towards addressing of challenges of informal sector

The approach mainly encompasses three things viz. 1. the journey from the key challenges faced by informal economy entrepreneurs (job/employment view) and enterprises (unit view) and 2. how the existing stakeholders have addressed these challenges and 3. What are the prevalent gaps still waiting to be addressed. Its these gaps that form basis of the approach and forthcoming framework and roadmap. The gaps help us in getting to a basket of approach categories/themes in which current initiatives of diverse stakeholders have been focussed upon to address the challenges of informal entrepreneurs and enterprises and wherein MoSDE along with the respective prominent/appropriate stakeholder in each of these approach theme and along with a suitable technological solution can march ahead towards promotion of formalization through entrepreneurship).

The section has been arranged as follows: The key challenge faced towards formalization of informal enterprise and/or job spearheads the start of each sub-section followed by the key stakeholders' efforts in that area and gap waiting to be addressed. These gaps are an avenue/starting-point for the MoSDE to direct their efforts in resonance with the priority sectors already discussed. The operational idea is to summarise AS-IS overview of existing efforts by MoSDE diverse stakeholders for addressing that particular challenge and also **coalesce these efforts into thematic groups of government and non-government mechanisms** that form the constituents of the framework that emerges in section 6.3.2 and the operational roadmap given in section 6.3.3. Also, for greater clarity, the challenges have also been arranged in three broad dimensions viz. financial dimension, infrastructure dimension and knowledge dimension to yield a greater clarity in way forward and avenue of intervention possible.

Figure 6.4 Proposed Framework towards addressing of challenges of informal sector through capacity building, capacity development and entrepreneurship promotion



6.3.2.1 AS-IS Analysis of the Key Challenges of Formalization

This sub-section describes the existing initiatives, major stakeholders, limitations/areas of improvement and key approach themes for the challenges faced by the informal sector. The challenges have been classified in terms of the semantic categories of finance, infrastructure and knowledge dimensions.

6.3.2.1.1 Lack of Capital and Resources [Financial Dimension]

Existing Initiatives

- PMYUVA, Future Programmes on Entrepreneurship by MoSDE
- Credit Guarantee Fund Scheme For Micro and Small Enterprises
- Credit facilitation through Bank
- Pradhan Mantri MUDRA Yojana
- Micro credit through self-help groups

Major Stakeholders

- Central and State Governments/Ministries: MoSDE, Ministry of MSME, NSIC, SIDBI, NEDFi
- Large Scale NGOs: Ford Foundation, Azad Foundation
- Social Impact Enterprises: Bill and Melinda gates foundation, Altum Credo
- Private Sector CSR: Goldman Sachs, Walmart Vriddhi Supplier Development Program

Limitations/Areas of Improvement

- Major credit schemes for micro, small and medium scale enterprises linked to their formalization status (circular fallacy) and document availability - leaving informal sector unable to reap benefits – especially women and youth transitioning from school age to adulthood.

Key Approach themes (government and non-government mechanisms)

- a) Facilitation of Credit
- b) Targeted Taxes

6.3.2.1.2 Economic Uncertainty and Insurance[Financial Dimension]

Existing Initiatives

- Pradhan Mantri Suraksha Bima Yojana
- Aam Aadmi Bima Yojana
- Emergency Credit Line Extension for 100 % collateral free loans to MSMEs
- Lower Interest Rate Loans to MSMEs
- Insurance for emergent situations

Major Stakeholders

- Central and State Governments/Ministries: Government Insurance regulatory bodies
- Large Scale NGOs: - Shreni Community Trust, Mitti Ke Rang, Foundation for Sustainable Development, Nirmana, Goonj, OXFAM India
- Private Sector CSR: Ola Foundation, PayPal
- Technology Firms: Decentralized service aggregator platforms (which can provide insurance at source or at time of platform on-boarding at minimal or no cost)

Limitations/Areas of Improvement

- Major welfare and allied schemes for micro, small and medium scale enterprises linked to their formalization status (circular fallacy) leaving informal entrepreneurs unable to reap benefits – especially women and youth transitioning from school age to adulthood.
- Financial Service activities with little focus on pension funding and insurance
- Finding employment for growing number of workers under the PMRPY scheme

Key Approach themes (government and non-government mechanisms)

a) Economic Sustainability Initiatives

6.3.2.1.3 Low Productivity[Financial Dimension]

Existing Initiatives

- SANKALP, Model ITI Scheme (MoSDE)
- ZED (Zero Effect and Zero Defect)
- Credit Linked Capital Subsidy Scheme (CLCSS) for Technology Upgradation
- Lean manufacturing competitiveness scheme (LMCS) for MSMEs

Major Stakeholders

- Central and State Governments/Ministries: Ministry of MSME, National Monitoring and Implementing Unit (NMIU)
- Large Scale NGOs: Nexharvest, Agrostar
- Private Sector CSR: PepsiCo India

Limitations/Areas of Improvement:

- Leakage and delays in receiving payments cause mitigated operating cash in the informal sector and thereby causing compromises on productivity
- Lack of quality across traditional and modern informal industries still needs to be addressed
- Schemes such as CLCSS only applies to enterprises that have obtained a term loan from the approved list of financial institutions to invest in machinery
- Infrastructure challenges, affordability of machines to improve performance

Key Approach themes (government and non-government mechanisms)

- a) Focus on Quality
- b) Trade specific mentors
- c) Service vouchers

6.3.2.1.4 Lack in marketing and other infrastructural facilities [Infrastructure Dimension]

Existing Initiatives

- PMKVY 3.0 (Especially via Kaushal and eRozgaar Melas) - MoSDE
- Dairy Farm Initiative(Abbott)
- Aditya Birla Fashion Entrepreneurship Program
- Bajaj Education Initiative/IISER support programme
- Goldman Sachs 10000 Small Business/ 10000 Women Programme
- Flipkart Growth Capital Program
- Paytm tie up with NCTI
- Amazon Kala Haat
- Flipkart Walmart Vriddhi Supplier Development Program
- Flipkart Samarth Programme
- Start-up Village Entrepreneurship Programme (SVEP)
- Export promotion initiatives by Ministry of MSME

Major Stakeholders

- Central and State Governments/Ministries: MoSDE, Ministry of MSME
- Large Scale NGOs: National Hawker Federation
- Private Sector CSR: Amazon, Flipkart
- Technology Firms: Digital Marketing Platforms

Limitations/Areas of Improvement:

- Most aid in this regard provided by government extends to exhibitions and trade fairs. Lacks assistance in building online presence which is need of the hour and future. Lack of branding advisory
- Solutions provide by local government are difficult to access
- Solutions provided by technology companies are too expensive for small businesses in the informal sector and informal entrepreneurs also lack awareness about the same

Key Approach themes (government and non-government mechanisms)

- a) Physical Infrastructure

6.3.2.1.5 Volatile demand [Infrastructure Dimension]

Existing Initiatives

- ASEEM by MoSDE
- Nexharvest Enterprise Development Centres

Major Stakeholders

- Central and State Governments/Ministries: MoSDE
- Large Scale NGOs: National hawker federation
- Social Impact Enterprises: Bill Melinda Gates Foundations

Limitations/Areas of Improvement

- Inability to retain price sensitive customers and failure to create new demand leading to loss of market share/sales
- Limitations on business reach for local vendors and farmers leading to shutting shops
- Most eCommerce firms need formalization for onboarding
- Government e-marketplace requires formalization for onboarding
- Lack of information, leading to poor demand prediction
- Most support schemes do not address seasonal products and quality issues

Key Approach themes (government and non-government mechanisms)

- a) International avenues for selling
- b) Contracting with Government

6.2.1.1.6 Lack of Protection (safety, family welfare and health care) [Infrastructure Dimension]

Existing Initiatives

- PMKVY (eg: PDOT), Skill India - MoSDE
- Pradhan Mantri Jan Arogya Yojana (PMJAY)
- Mission Indradhanush
- Ayushman Bharat
- Pandit Deendayal Upadhyay Shramev Jayate Karyakram

Major Stakeholders

- Central and State Governments/Ministries: MoSDE, Ministry of Health, Ministry of Ayush, Ministry of Labour
- Large Scale NGOs: Oxfam India, GV Meditech
- Social Impact Enterprises: Bill Melinda Gates Foundation, Village Capital
- Private Sector CSR: Tata Tea and HUL

Limitations/Areas of Improvement

- Caste system is one major obstacle in formalization of informal entrepreneurs (particularly in the rural areas) wherein work needs to be done
- Limited resources
- Corruption
- Limited awareness about welfare schemes

Key Approach themes (government and non-government mechanisms)

- a) Livelihood Sufficiency

6.3.2.1.7 Competition from established players [Infrastructure Dimension]

Existing Initiatives

- STRIVE - MoSDE
- Lean Manufacturing Competitiveness Scheme (LMCS)
- ZED scheme
- Make in India initiative
- Technology and Quality Upgradation Support to MSMEs

Major Stakeholders

- Central and State Governments/Ministries: MoSDE
- Private Sector CSR: Gocoop, Paytm

Limitations/Areas of Improvement

- Inability to achieve economies of scale and scope
- Black marketing
- No direct strategy for competitive advantage

Key Approach themes (government and non-government mechanisms)

- a) International avenues for selling
- b) Contracting with Government

6.3.2.1.8 Skill gap [Knowledge Dimension]

Existing Initiatives

- SANKALP, PMKVY 3, DDU-GKY, Craftsmen Training Scheme, STRIVE - MoSDE
- Entrepreneurship Skill Development Programmes (ESDPs)
- National Skill Development Mission
- Pradhan Mantri Kaushal Vikas Yojana (PMKVY)

Major Stakeholders

- Central and State Governments/Ministries: MoSDE, Ministry of Education
- Large Scale NGOs: - Utthan Mahiti, Shroffs Foundation Trust, Mitti Ke Rang, Success Foundation, MAKAAAM; Self-Employed Women's Association (SEWA); AZAD FOUNDATION, Appachi,
- Private Sector CSR: Abbott partnered with Prabhat dairy limited, Castrol Sarathi and Castrol Eklavya Programme, ICICI with Rural Self Employment Training Institute (RSETIs), The Aditya Birla Rural Technology Park, Asian Paints, BMW runs Skill Development Livelihood program, Cipla, Dr Lal pathlabs, JSW skills school, The Kohler Plumbing Academy (KPA), Google: Internet Saathi

Limitations/Areas of Improvement

- The scheme has been successful in attracting a lot of trainees, but the on-ground impact of transmutation of the same to actual informal enterprises being formalized and entrepreneurship being promoted is yet to show

Key Approach themes (government and non-government mechanisms)

- a) Correct Skilling

- b) Technical Skill Upgrade
- c) RPL and skill certification

6.3.2.1.9 Limited Access to Government Schemes [Knowledge Dimension]

Existing Initiatives

- Pardhan Mantri Kaushal Vikas Yojna
- Shramave Jayate Yojna

Major Stakeholders

- Central and State Governments/Ministries: Ministry of Minority Affairs, Ministry of Health, Ministry of Labour and Employment
- Large Scale NGOs: Shroffs Foundation Trust, Snehalaya, MAKAAAM; Self-Employed Women's Association (SEWA); Azad Foundation, WIEGO

Limitations/Areas of Improvement

- Awareness about government schemes and facilitation of beneficiary onboarding in the respective government scheme/support-initiative

Key Approach themes (government and non-government mechanisms)

- a) Livelihood Sufficiency
- b) Facilitation of access of Government Services

6.3.2.1.10 No/Limited business experience [Knowledge Dimension]

Existing Initiatives

- SANKALP, PMKVY 3, DDU-GKY, NATS, STRIVE - MoSDE
- Management Development Programmes (MDPs)
- Assistance to Training Institutions Scheme (ATI Scheme)
- Nai Manzil
- Upgrading the Skills and Training in Traditional Arts/ Crafts for Development (USTTAD)

Major Stakeholders

- Central and State Governments/Ministries: Ministry of MSME, Ministry of Minority affairs, Ministry of Education, Sector skill councils

Limitations/Areas of Improvement

- No place to apply the concepts that are being taught by most of the existing skills initiatives. Projects, Small term assignments, Internships are not present
- Most programmes of training focussed on formal sector
- Lack of awareness
- Relevance and practical applicability of training material a big concern
- Outdated skills, Poor Monitoring of Training programmes in terms of pragmatic relevance
- Employment opportunities (temporary as well as permanent) another big concern area

Key Approach themes (government and non-government mechanisms)

- a) Market Access and Entrepreneur Connect
- b) Service Vouchers
- c) Entrepreneurial motivation and orientation

6.3.2.1.11 Access to Digital Skills and Digital Support Schemes / Programs [Knowledge Dimension]

Existing Initiatives: Digital Skilling spearheaded by DGT in partnership with Microsoft and NASSCOM

Major Stakeholders

- Central and State Governments/Ministries: MoSDE, MEITY
- Private Sector: Organizations such as Microsoft, NASSCOM etc.

Limitations/Areas of Improvement:

- Wider coverage in terms of regions and gender
- Vernacular language support
- Standardisation of training materials

Key approach Theme:

- a) Digital Infrastructure

6.3.2.2 Emergent Framework for Addressing of Challenges of Informal Sector

The key thing that is achieved via emergence of this framework (figure 6.4) is the connect challenges and emergent categories of government and non-government approaches based on existing efforts towards formalization through entrepreneurship by diverse set of stakeholder. This framework also delineates the categories of government and non-government approaches detailing wherein MoSDE will spearhead with which stakeholder. The framework also spurs deliberation about possible initiatives that could be taken by varied stakeholders for addressing gaps in formalization and entrepreneurship promotion. From these the operational roadmap with approach wise initiatives with stakeholders concerned and timeline and possible temporal priority will follow.

Policy makers seeking formalization and entrepreneurship promotion are faced with choices. The central choice is to either follow a low regulation route or to follow a high “support” route. The low regulation route focuses policy upon two areas. The first is to enable the starting of a business to take place as quickly and cheaply as possible. The second is to minimise the number and severity of regulations upon that business whilst it is trading. The US is seen as the exemplar low regulation country. The alternative policy is for government to provide “support” to new and small firms, funded by the taxpayer. It can be in the form of information, advice, training, or finance to new firms or existing small firms. EU countries have traditionally favoured “support” policies. This leads to incentives spread over demand and supply sides. Herein it is also important to understand the possible situations and scenarios wherein lowering regulation barriers

or enablement (via incentives) works and how (because this is primarily how MoSDE would be enabling informal entrepreneurs from an entrepreneurship side). See Table 6.7:

Table 6.7 Linking entrepreneurial groups with policy options (Hypothesized)¹⁰⁸

	Lowering barriers to start up	Lowering barriers to expansion and growth	Providing advice, support and finance from public funds
Nascent opportunity entrepreneurs	Strong impact	Weak impact	Strong impact
Nascent necessity entrepreneurs	Strong impact	Weak impact	Strong impact
Actual entrepreneurs (young businesses and established SMEs)	Weak impact	Strong impact	Strong impact

The first two categories of entrepreneurs in the first column are nascent entrepreneurs – defined as individuals taking active steps to start a business – with a distinction being made between necessity and opportunity entrepreneurs. This distinction is important from the inclusion perspective that was covered in chapter 3. The third group are the actual entrepreneurs defined as individuals actually running a business. This third group consists of newly established young businesses, as well as established SMEs or small firms.

Theoretically, nascent entrepreneurs will be less influenced by barriers to growth than by barriers to entry on the grounds that nascents are less likely to have business experience. A possible distinction is that opportunity nascents may have higher growth expectations than necessity nascents and so may be more likely to be deterred if they think they are likely to be prevented from their business reaching optimal size.

Summarised approaches for enabling addressing of key challenges in formalization are grouped in semantically coherent dimensions are given below:

- I. Finance Dimension
 - a. Facilitation of Credit (Supply and Demand Side)
 - b. Targeted Taxes (Demand Side)
 - c. Economic Sustainability Initiatives (Demand Side)
- II. Infrastructure Dimension
 - a. Focus on Quality (Supply Side)
 - b. Physical Infrastructure (Supply Side)
 - c. Digital Infrastructure (Supply Side)
 - d. Market Access and Entrepreneur connect (Supply and Demand Side)
 - e. International avenues for selling (Supply Side)
 - f. Contracting with Government (Supply Side)
 - g. Livelihood Sufficiency (Supply and Demand Side)
- III. Knowledge Dimension
 - a. Correct Skilling (Supply Side)
 - b. Trade-specific mentors (Supply and Demand Side)
 - c. Technical Skill Upgrades (Supply Side)

¹⁰⁸ Van Stel, A., Storey, D. J., & Thurik, A. R. (2007). The effect of business regulations on nascent and young business entrepreneurship. *Small business economics*, 28(2-3), 171-186.

- d. RPL and skill certification (Supply Side)
- e. Service Vouchers (Demand Side)
- f. Facilitation of Availing of Government Services (Supply Side)
- g. Entrepreneurial motivation and orientation (Supply Side)

It is important to pay focus on the supply and demand side perspective when considering each of the aforementioned approaches. Supply side can further be classified into two sub heads viz. supply of products/services by economic units (informal enterprises) and supply of labour/skills by informal sector labour. Similarly, demand side can be classified into two sub heads viz. demand of products/services by economic units (informal enterprises) and demand of labour/skills by informal sector labour.

6.3.2.2.1 Facilitation of Access to Credit (Supply and Demand Side)

Working Plan (Proposed Areas of Intervention for MoSDE):

- CAPACITY BUILDING: Financial literacy to informal sector trainees with a focus on bank and credit modalities, cyber-security and project management (eg: preparation of DPR for availing credit etc)
- MoSDE can collaborate with existing P2P platforms operational in India from payment and lending perspective. Ministry can start with easing onboarding and possibly using much simpler yet robust eKYC mechanisms for assessing, assigning and updating credit worthiness of micro/nano and women entrepreneurs and making them available short- and long-term credit
 - Timeframe: 3 years
 - Priority: High
- MoSDE can partner with collateral management SaaS firms (eg. CloudMargin) and emergent business lending platforms
 - Timeframe: 2 years
 - Priority: Low
- Partner with emerging startups such as Agro Star and Ek Gaon that are aimed to provide common platform to farmers Credit Linked Capital Subsidy Scheme for Technology
 - Timeframe: 2 years
 - Priority: Medium

6.3.2.2.2 Targeted Taxes (Demand Side)

Working Plan (Proposed Areas of Intervention for MoSDE)

RECOMMENDATION AND COLLABORATION: Targeted taxes work either by using deterrence measures to increase the costs of non-compliance ('sticks') i.e. continuing to stay in informal sector and/or by making the conduct of declared work more beneficial and easier ('carrots'). MoSDE can achieve this by collaborating at a policymaking level with Ministry of Finance and RBI

- Timeframe: 4 years
- Priority: Medium

Key Partners: Ministry of Finance and Ministry of Corporate Affairs, RBI, MEITY, Local District Administrations

6.3.2.2.3 Economic Sustainability Initiatives (Demand Side)

Working Plan (Proposed Areas of Intervention for MoSDE):

- Vernacular financial literacy and partnership with relevant insurance and allied bodies to offer specialized plans for nano, youth and women entrepreneurs and other allied beneficiaries currently in informal sector
 - Timeframe: 2 Years
 - Priority: High
- MoSDE can enable first line of informal entrepreneurs by standardising and collaborating outreach in region/area specific flea markets and partnering with Urban local bodies
 - Timeframe: 2 years
 - Priority: High
- Recommendation and Collaboration for Catalyzing Formalization

Key Partners: NBFCs and Decentralized Service Aggregators/Platforms, Insurance Provider and insurance regulators, Local Administration, Urban Local Bodies

Technological Intervention/Innovations proposed for MoSDE:

- Creation of app based repository of financial literacy resources for informal sector learners with self-help features and vernacular language translations

6.3.2.2.4 Focus on Quality (Supply Side)

Working Plan (Proposed Areas of Intervention for MoSDE):

- Collaborate with corporates and established organisations to offer assistance regarding best supply chain practices to minimise wastage. This might include software and other digital tools' use in manufacturing. Focus needs to be on enabling the value chains and supply chains of priority sectors.
 - Timeframe: 3 Years
 - Priority: High
- Provision of access to quality production facilities (government owned and private) to learn and produce quality good at a reasonable price to identified priority sectors
 - Timeframe: 2 years
 - Priority: Medium
- Provision of Lean manufacturing counsellors and consultants to informal sector to augment quality and productivity
 - Timeframe: 2 years
 - Priority: Medium
- Enterprise Research Centres - to raise standards of evaluation and disseminate best practices across network of businesses; Collaborating with trusted intermediaries such as Accountants, trade bodies to propagate best practices

- Timeframe: 3 years
- Priority: High

Key Partners: ITIs, CIPETs, Educational Institutions, Private Companies (who are ready to enrol as an MoSDE-approved quality centre), accountants, trade bodies, associations, sector councils

Technological Intervention/Innovations proposed for MOSDE: GIS based linking of needy informal entrepreneur with MoSDE approved/empanelled nearest tooling/production centre at a subsidized or no cost

6.3.2.2.5 Physical Infrastructure (Supply Side)

RECOMMENDATION AND COLLABORATION WITH OTHER STAKEHOLDERS

- Public Private Partnerships with private firms for physical infrastructure provision
 - Timeframe: 2 years
 - Priority: High
- Partnership with state and centre level government bodies for subsidized and expedited electricity, water, land allocation and respectable space for doing business
 - Timeframe: 4 years
 - Priority: Medium

Key Partners: Central and State Government, Urban Local Bodies

Technological Intervention/Innovations proposed for MoSDE:

- MoSDE can partner or act as an aggregator of physical infrastructure provider details using GIS based indexing in an app to enable informal entrepreneurs to access the desired infrastructure easily

6.3.2.2.6 Digital Infrastructure (Supply Side)

Working Plan (Proposed Areas of Intervention for MoSDE)

- Digital skills capacity building
 - Timeframe: 2 years
 - Priority: Medium
- Working with Creative Studios and private sector Digital Marketing firms to “Donate an hour” of their expertise to create quality digital marketing content and also help potential informal entrepreneurs to learn and reap benefits of Digital Marketing
 - Timeframe: 2 years
 - Priority: High

Key Partners: Telecom companies, Creative Studios and Digital Marketing firms

Technological Intervention/Innovations proposed for MOSDE:

- MoSDE can also use the demographic and economic data at an individual or firm level (in informal sector) to auto-populate and generate no-code website and social media profiles by using RPA (robotic process automation) in vernacular language for beneficiaries

6.3.2.2.7 Market Access and Entrepreneur Connect (Supply and Demand Side)

Working Plan (Proposed Areas of Intervention for MOSDE):

- Entrepreneurial skill development (furthering and connecting to the policy initiatives proposed as part of National Entrepreneurship Policy 2015 of MoSDE)
 - Timeframe: 3 years
 - Priority: Medium
- For Traditional and artisanal informal sector entrepreneurs – MoSDE can partner with platforms such as GoCoop to provide efficient logistics (supply chain enrichment) and allied value added features
 - Timeframe: 2 years
 - Priority: High

Key Partners: Digital platforms, Educational Institutions

6.3.2.2.8 International avenues for selling (Supply Side)

Working Plan (Proposed Areas of Intervention for MOSDE)

- MoSDE can select, vet, certify products/services of top informal sector entrepreneurs and promote it by issuance of service vouchers in international market for creating first instance of contact and an entry mode into the formal economy (furthering and connecting to the policy initiatives proposed as part of National Entrepreneurship Policy 2015 of MoSDE)
 - Timeframe: 3 years
 - Priority: Medium
- Team up with big private players like Amazon to look at the possibility of exporting the commodities/services of informal entrepreneurs
 - Timeframe: 2 years
 - Priority: High

Key Partners: Ministry of External Affairs, Technology Companies such as Amazon, Walmart

Technological Intervention/Innovations proposed for MoSDE:

- A demand-supply (matchmaking) portal on the lines of ASEEM that connects demand of goods/services in international markets with supply from the informal sector onboarded with MoSDE

6.3.2.2.9 Contracting with Government (Supply Side)

Working Plan (Proposed Areas of Intervention for MOSDE)

- MoSDE can create specific skilling programmes for assisting informal entrepreneurs towards e-tendering and e-procurement
 - Timeframe: 2 years
 - Priority: Medium
- MoSDE can create automated help (for example a vernacular chatbot) for assisting informal entrepreneurs towards e-tendering and e-procurement
 - Timeframe: 3 years
 - Priority: Low

Key Partners: Ministry of Commerce and Industry, Ministry of Finance

6.3.2.2.10 Livelihood Sufficiency (Supply and Demand Side)

RECOMMENDATION AND COLLABORATION BY MoSDE with other stakeholders:

- To prevent harassment and to promote social welfare amongst informal entrepreneurs a mobile based digital complaint filing, proof upload, resolution tracking could be put in place with local authorities in the information loop
 - Timeframe: 4 years
 - Priority: Medium
- Publishing region and context personalized impact stories on its app or website to encourage informal sector towards formalization (peer-connect augments relatability and comfort)
 - Timeframe: 2 years
 - Priority: Low
- Establishing a cohesive community of grassroot entrepreneurs by offering a group-insurance scheme at low or no premium to all the informal economic units/labours who decide to formalize. It is important that this registration enables the insurance cover to be extended to their dependents as well unlike one person one policy schemes in the past.
 - Timeframe: 3 years
 - Priority: High
- MoSDE can partner with Large Scale NGOs for empowering and enabling entry into formal sector for :
 - Artisans and handloom manufacturers
 - Forced sex workers
 - Women farmers, Women artisans and workers,
 - Women daily wage earners
 - Domestic workers, home-based workers, street vendors and waste pickers
 - Daily wage earners
 - Construction and domestic workers
 - Timeframe: 3 years
 - Priority: Medium

Key Partners: Technology Firms, District level local authorities, Ministry of Labour, Telehealth and m-health Startups/companies, NGOs, Legal firms

Technological Intervention/Innovations proposed for MOSDE::

- Voluntary donation of medical care worker's hours towards tele-medicine consultations with registered informal enterprises and labour (especially youth and women)
- Women and youth entrepreneurs operating in the informal sector can be better served by MoSDE (particularly in Tier 3, Tier 4 cities) using Aadhaar database, digital marketing and support of Private CSR initiatives, NGOs and Social Impact Enterprises.

6.3.2.2.11 Correct Skilling (Supply Side)

Working Plan (Proposed Areas of Intervention for MOSDE):

- Standardize, record and disseminate easy to follow sector-specific production practices to reduce cost and increase profitability in skill delivery (furthering and connecting to the policy initiatives proposed as part of National Entrepreneurship Policy 2015 of MoSDE)
 - Timeframe: 3 years
 - Priority: Medium
- English, Employability & Entrepreneurship Module (EEE) modules through a Learning Management System (LMS)
 - Timeframe: 2 years
 - Priority: High
- Dovetailing education promotion policies at K12 level (such as Sarv Shiksha Abhiyaan and National Education Policy 2020) to impart skills along with the conventional knowledge to interested and enterprising students – particularly women and minority students in semi-urban and rural areas. This would help in nurturing an enterprising mindset with sound business values from early stages.
 - Timeframe: 4 years
 - Priority: Medium

Key Partners: Ministry of Education, Schools, Skill and Task focussed Education Technology companies (Edtechs)

Technological Intervention/Innovations proposed for MOSDE:

- Creating a free-text search compendium of easy to search and learn standardized practices for skills under National Skill Framework. This can be part of a MoSDE app
- MooCs with AI enabled attention, identity and progress tracking. This can be part of a MOSDE app
- Focus on digital vernacular content in the proposed MoSDE app/platform

6.3.2.2.12 Trade-specific mentors (Supply and Demand Side)

Working Plan (Proposed Areas of Intervention for MoSDE):

- Trade/activity specific macro-economic trends can be turned into easily understandable visualizations and can be made available to informal sector entrepreneurs via a dedicated MoSDE-app to make leveraging them in decision making very easy
 - Timeframe: 2 years
 - Priority: Medium
- MoSDE's existing schemes (PMKVY, 2015 National Entrepreneurship Policy) around mentoring can help in this endeavour
 - Timeframe: 2 years
 - Priority: Medium

Key Partners: Technology firms, educational institutions

6.3.2.2.13 Technical skill upgrades (Supply Side)

Working Plan (Proposed Areas of Intervention for MoSDE):

- Standardize, record and disseminate easy to follow sector-specific production practices to reduce cost and increase profitability in skill delivery (furthering and connecting to the policy initiatives proposed as part of National Entrepreneurship Policy 2015 of MoSDE)
 - Timeframe: 3 years
 - Priority: Medium

Technological Intervention/Innovations proposed for MoSDE:

- Creation of an app based repository of MoSDE can act as a valid gig economy talent marketplace (an extension of low skill temporary jobs – architecture can be on the lines of ASEEM portal). To envisage it, a portal like naukri.com or vernacular LinkedIn can be introduced wherein informal entrepreneurs and labours can apply, learn, grow and showcase their skills

6.3.2.2.14 RPL and Skill Certification (Supply Side)

Working Plan (Proposed Areas of Intervention for MoSDE)

- Recognition of Prior Learning (RPL) allows informal sector workers and entrepreneurs, who do not have the required minimum level of education but have served at least four to seven years in industry or in the informal sector, to apply for respective trade test and go ahead with setting up shop of their own
 - Timeframe: 3 years
 - Priority: High
- MoSDE shall enhance robustness of monitoring and impact assessment of skills by making holistic qualitative (subjective) and quantitative (objective) feedback a pre-requisite for issue of unique certificate to each trainee

- Timeframe: 2 years
- Priority: High

Key Partners: Industry Associations, Training Institutes

Technological Intervention/Innovations proposed for MoSDE:

- Blockchain enabled valid skill certificates that are valid in and outside India could be a prime priority of MoSDE to enable global and local entrepreneurship and act as an incentive towards formalization

6.3.2.2.15 Service Vouchers (Demand Side)

Working Plan (Proposed Areas of Intervention for MoSDE)

- Service vouchers are a means of paying for availing a service. The proposition is quite straightforward. A service requestor can purchase a service voucher for a price X which pays for an hour of work. With these vouchers, the service requestor can then pay for services rendered by MoSDE certified companies. **Service requestor can claim a tax refund of up to 30% of the voucher value. This 30% is funded by MOSDE – to create informal sector employment.** These MoSDE certified companies hire people from informal sector. At first, the contracts offered to unemployed people can be rather small and flexible. Later they can be more permanent in nature.
 - Timeframe: 4 years
 - Priority: Medium

Key Partners: Ministry of Finance, Low skill Gig economy platforms

6.3.2.2.16 Facilitation of Availing of Government Services (Supply Side)

Working Plan (Proposed Areas of Intervention for MoSDE)

- Training for learning about diverse and relevant government schemes and services via SMS in vernacular languages and specifically designed training and awareness programmes
- Use of Posters for creating awareness – posters pasted at Ration shops where informal sector's footfall is high

6.3.2.2.17 Entrepreneurial motivation and orientation (Supply Side)

Working Plan (Proposed Areas of Intervention for MoSDE):

- Skilling initiatives towards augmented earnings, employability and livelihood for informal sector
- Integration with the policy initiatives proposed as part of National Entrepreneurship Policy 2015 of MoSDE

6.3.3 Illustrative Governance Structure and Working Plan

For efficient implementation of the proposed frameworks of formalization the illustrative governance structure given in Table has been conceptualized. The governance structure

encompasses primary bodies (Central Government and allied critical stakeholders – along with any council/committee/board that will hold the primary strategic responsibilities), secondary bodies (state and district level stakeholders along with panchayats and NGOs and civil societies that provide additional support to the proposed operational framework), existing policies and procedures (legislations - centre and state, policies/guidelines and allied policy interventions), operationalization (with a focus on strategy, knowledge, funding and technology exchange) and reporting and review (with a focus on assurance and accountability).

Table 6.8 Illustrative Governance Structure and Working Plan

Dimensions Governance Parameters	Financial Dimension	Infrastructural Dimension	Knowledge Dimension
↓	Sub-Components of Formalization Framework ↓		
	Access to Credit, Collective Bargaining, Augmented Earnings	Access to Market; Mobilisation, Advocacy & Onboarding; Livelihoods	Mentoring and Handholding, Skilling, Apprenticeship and Certification
Primary Bodies	MoSDE + Banks	MoSDE + Ministry of Labour	MoSDE
Secondary Bodies	NBFCs, Decentralized Service Aggregators, Insurance Providers, Fintech and Financial Education platforms	Ministry of Labour, Civil Service Societies, Social Impact Firms, NGOs and Self-help Groups, Urban Local Bodies and Panchayats	Training Partners, Multi-lateral organizations, Impact Organizations, Ministry of Education
Policies and Procedures	MoSDE: PMYUVA, Future Programmes on Entrepreneurship by MoSDE Other Ministries: Export Promotion policies. Policies for easy onboarding on aggregator platforms and gig economy. Dedicated resources at low cost to entrepreneurs for formalization and enablement of informal labour (Eg: IFP and Mega food park schemes – APFPS Policy)	MoSDE: SANKALP, Model ITI Scheme, PMKVY, STRIVE Other Ministries: Policy push for clusters, FDI, IPDS – with a focus on welfare of handmade good entrepreneurs Informal workers often contribute to improved urban service provision through their work. For example cooperatives of market traders are well placed to manage markets, and where waste pickers are organised they can work in partnership with city governments, both contributing to municipal waste-collection services, and gaining improved working conditions.	MoSDE: SANKALP, PMKVY, DDU-GKY, Craftsmen Training Scheme, STRIVE Other Ministries: Ministry of Education

Operationalization	Logistics partnership to help informal sector enterprises compete with larger retailers	Development of competitive market orientation of micro-sized cluster units	Value ended production, design and product quality improvement
	Financial Inclusion is yet another infrastructural area that needs augmentation using PPP support	Digital Inclusion is yet another infrastructural area that needs augmentation using PPP support Without organization and representation, those in the informal economy are not able to pursue their employment interests through collective bargaining, or to lobby policy-makers on issues such as access to infrastructure, property rights, taxation and social security ¹⁰⁹ .	Knowledge augmentation about product diversification PPP promotion in the vocational and testing domain Focus on increasing competitiveness of informal enterprises and labour [Eg: Connecting with the nearest institute of eminence to pilot test and develop proof of concepts of modified/innovative products/services]
Reporting and Review	Tracking of metrics such as number of bank accounts per 1000 informal economy actors (labour/enterprises), difference in earnings of informal actor (pre and post formalization), number of informal actors (labour/enterprises) availing loan of P2P credit. The information about access to credit and finance can be triangulated with secondary data such as “provider-side” information on financial inclusion which is collected as part of the Financial Access Survey (fas.imf.org)	Since informal economy actors require infrastructure - measuring enablement of access to infrastructure for informal enterprises and workers such as toilets, water, waste collection, electricity, storage, security and access to respectable place to operate/do-business. Where there is a lack of adequate infrastructure, the toll on productivity is often high. Eg: Where paving and drainage in markets is lacking, or shelter from rain, sun, dust or wind is inadequate, workers’ health is compromised and goods get damaged ¹¹⁰ .	Dedicated point of contacts for quality checks. Eg: ‘Hygiene Rating Scheme’ by FSSAI Measurement of Indicators such as Gross Enrolment Ratios for skilling interventions.

6.4 Due diligence processes for partnerships and stakeholder engagement

¹⁰⁹ https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_218128.pdf

¹¹⁰ <https://www.wiego.org/sites/default/files/publications/files/WIEGO-productivity-urban-informal-economy.pdf>

MoSDE eco-system is going to expand and together. Taking into account that due diligence should be commensurate with risk and appropriate to a specific enterprise/partner-organization's circumstances and context, the following broad approach is envisaged for due diligence for partnerships and stakeholder engagement that MoSDE will enter as part of its efforts and initiatives of formalizing the informal economy through entrepreneurship promotion:

- *Clear incorporation of MoSDE's expectation, commitments and policies into the engagement with suppliers and other stakeholders prior to onboarding*
 - Develop and implement a pre-qualification processes for due diligence for the concerned stakeholder(s), where feasible, adapting such processes to the specific risk and context in order to focus on 'formalization' issues that have been identified as relevant for the partnership and their activities or area(s) of operation.
 - Provide adequate resources and training to suppliers and other prospective relationships for them to understand and apply during the onboarding process (Use of technology for creating knowledgebase for the same can prove to be effective)
- *Identify and assess Actual and adverse(if any) impacts associated with the enterprise's operations, products and services*
 - This is essentially a scoping exercise that would help MOSDE in defining the request (ROE/RFP/RFQ or allied nature of partnership) for onboarding/engaging with the partner
 - Gather information to understand high-level risks of adverse impacts related to the sector (e.g. products and their supply chains, services and other activities), geography (e.g. governance and rule-of-law, conflict, pervasive human rights or environmental adverse impacts) or organization-specific risk factors (e.g. known instances of corruption, misconduct, implementation of standards)
 - Where gaps in information exist, consult with relevant stakeholders and experts.
 - Review the findings of the scoping exercise on a regular basis (even if it means to repeat the exercise post on-boarding of an organization)
 - Assess the nature and extent of actual and potential positive impacts linked to prioritised operations
- Use leverage, to the extent possible, to prompt the partnership to prevent or mitigate adverse impacts or risks
 - Leverage here can be in the form of contracts (e.g. bank guarantees), written agreements and if possible use of market power; sharing of risks and ownership of responsibility
 - Pre-decided plan of action for possible risk mitigation particularly in financial, reputational and benefit-of-end-entrepreneur terms

- Monitor and track implementation and effectiveness of the organization's own internal commitments, activities and goals on due diligence, e.g. by carrying out periodic internal or third party reviews or audits of the outcomes achieved and communicating results at relevant levels within the organization to MoSDE
- Communicate externally relevant information on due diligence policies, processes, activities conducted to identify and address actual or potential adverse impacts, including the findings and outcomes of those activities (optional)
- When the organization identifies that it has caused or contributed to actual adverse impacts, address such impacts by providing for or cooperating in their remediation.

6.5 Concluding Remarks

This chapter focussed on the 'how' part of the formalization of informal sector by knitting together all preceding chapters as a premise for the framework and approaches presented in this chapter. Starting with - extant literature, priority sub-sectors, insights from primary data (details about the same given in Annexure 5), challenges and issues faced by the informal sector and summary of support/policies and stakeholders for formalization of informal sector – this chapter took an integrative approach for conceptualization of the framework and approaches of formalization .

The suggested framework as proposed in Section 6.3 has two parts to it viz. Part 1 being the framework towards formalization of informal sector through entrepreneurship promotion (Section 6.3.1) and skilling routes for enterprise as well as labour part of the framework. Part 2 being framework for efficient addressing of challenges faced informal sector (Section 6.3.2). The reason for proposing two frameworks was based on the understanding that formalization process on-ground is a convoluted process and has a close dependence on the way and the quantum of effort made for addressing of challenges and issues of the informal sector. Also, the route towards formalization for informal enterprises and informal labour follows a similar but not a same path. This distinction is important since this will help the policy makers and support ecosystem stakeholders to direct their efforts in a more targeted manner for designing interventions. Section 6.4 outlined the Due diligence processes for partnerships and stakeholder engagement followed by the conclusion.

The provision of legal identity and recognition of informal enterprises can be taken as a proxy of formalization but it is the facilitation towards access to the mainstream economic resources, including investment, capital, finance, property and markets, along with capacity development that result in the transition of informal sector (labour/enterprise) to formal sector at the grassroot level. As micro and small enterprises typically constitute a greater contingent of the informal economy, there is a significant need for a better understanding of the incentives and disincentives and possible strategies that combine the goals of supporting enterprises and enable the survival and growth of micro and small enterprises in highly competitive contexts—together with the application of labour standards. Furthermore, it is also about promoting informal enterprises, friendly macroeconomic frameworks, and making the productive sectors of the informal economy a priority target: channelling appropriate levels of investments improve productivity in the rural and urban informal economy to provide the necessary impetus that would enable a transition to formal sector. Inclusivity and sustainability of initiatives is yet another important factor

that needs to be taken care of when designing policy mechanisms and policy instruments for formalization. The key contribution of the chapter and this report, besides providing an overarching view of the informal sector, are the proposed framework and the operational strategy to address and facilitate the formalization of informal enterprises into formal economy through entrepreneurship promotion.



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