

# Role of Organised & Unorganised Sectors in Economic Development of India

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**Abstract** Unorganized sector was coined by the British economist Keith Hart in 1971, which emerged as a one of the dynamic and vibrant sector. This sector broadly corresponds to the household sector which includes private unincorporated enterprises. The unorganized sector also includes some formal activities on which there is no regular system of data availability.

Unorganized sector contributed significantly and expanded rapidly in the Indian economy. The contribution of formal activities in the unorganized sector is quite small. High population, unemployment and ample number of degree holders are some of the reasons for self-employment generation in an unorganized sector. The Government of India set-up a 'National Commission on Enterprises in the Unorganized/Informal Sector through a resolution dated 20th September 2004 as an advisory body and watchdog for the informal sector .

As per the Economic Survey 2007-08, 93% of India's Work force including the self-employed and employed in unorganised sector. The Ministry of Labour, Government of India Has categorised the unorganised labour force under various groups such as occupation, nature of employment, distressed category and service category.

This paper is based on role of entrepreneur and Challenges before the present youth in taking up such job in unorganized sectors as self-employment .It highlight about present scenario of unorganized sector, Status, role of entrepreneur in creating interest for self-employment, Challenges and problems faced in selecting self-employment.

**Index Terms** - Challenges, Entrepreneur, Role, Unorganized Sector.

## INTRODUCTION

Unorganised sector was coined by the British economist Keith Hart in 1971, which emerged as a dynamic and vibrant sector, representing a growing proportion of economic activity, particularly in the developing countries.

Unorganized sector contributed significantly and expanded rapidly for several years in the Indian economy. High labour intensity of production is the main reason for huge employment generation in the unorganised sector. About 48 per cent of non-agricultural employment in North Africa, 51 per cent in Latin America, 65 per cent in Asia and 72 percent in Sub-Saharan Africa are of informal nature [ILO (2002)].

In case of India, out of the total workforce, 86.36% of the workers in 1999-00 and 86.32% of the workers in 2004-05 were absorbed in informal sector. About 91.17% of the total work force in 1999-00 and 92.38% of the total work force in 2004-05 were informal in nature as per NSSO (1999-00) and NSSO (2004-05)]. The contribution of the unorganized workforce to the economic health of India society has largely remained neglected. In India, this sector accounts for 60% of Net Domestic Product (i.e., GDP minus depreciation), 68% of income, 60% of savings, 31% of agricultural exports, and 41% of manufactured exports. Even in the urban centers of India, the unorganized workers account for about 60-67% of the employment.

Women workers in the unorganized sector – the farm workers, vendors, casual construction labour, domestic help, home-based workers – are even far more neglected and unaccounted-for part of the informal economy. This is so, since the self-employed women work from homes and their contribution is mostly not calculated into the national economic data. However, according to the National Sample Survey '05, one-third of the informal sector workforce (about 120mn) comprises of women. Collectively, they accounted for 96% of the female workforce in the country and contribute to about 20% GDP of India.

The Government of India set-up a 'National Commission on Enterprises in the Unorganized/Informal Sector' through a resolution dated 20th September 2004 as an advisory body and

watchdog for the informal sector. The terms of reference of the Commission included (i) the status of unorganized/informal sector in India including the nature of enterprises, their size, spread and scope, and magnitude of employment; (ii) the existing arrangements for estimating employment and unemployment in the informal sector (iii) suggest elements of an employment strategy focusing on the informal sector; (iv) identify constraints faced by small enterprises with regard to freedom of carrying out the enterprise, access to raw materials, finance, skills, entrepreneurship development, infrastructure, technology and markets and suggest measures to provide institutional support and linkages to facilitate easy access to them, etc.

## II.LITERATURE REVIEW

### Unorganized Sector

In the Indian economy, several studies have focused their analysis on its impact on Indian economy. Kulshreshtha and Singh (1998) examined the contribution of unorganized segment and also the share of its different sub-sectors to NDP from 1980-81 to 1994-95. They found that though the contribution of the unorganized segment to the total NDP has been declining progressively over time, it accounts for a large share (over 60%) to the 3 consumer goods industries.

### Self employment

This suggests that intentions to become self-employed are either frustrated or that self-reported aspirations are vague and poorly formed. A further literature in economics models the choice of self-employment as an occupational choice decision, focusing on the importance of background and demographic associations. A key objective of this literature, taking its lead from the seminal study of Rees and Shah (1986), is to address whether the choice of self-employment might be motivated by the expected income differential between self-employment and employment for a given individual (see Le, 1999 and Parker, 2004, for surveys).

## III.PROBLEM OF THE STUDY

Unorganized sector contributed significantly and expanded rapidly in the Indian economy. ,even though

93% of India's Work force including the self-employed and employed engaged in unorganised sector, less importance is given by the government. In 2013 budget also people from the unorganised sector had their high expectations from the government it will provide some sort of benefits for this sector in the form of security for the job , incentives for unorganised entrepreneur, special development schemes, health care ,etc. but fail to do so. self-employment chosen by the present youth is not as a choice but because of the absence of any other attractive alternative. Even those who have chosen self-employment they face number of problems and challenges in their field.

## IV.OBJECTIVES

1. to find out present status and contribution of unorganized sector,
2. to know reasons for choosing self-employment
3. Challenges and problems faced by the present youth in selecting job as self- employment.
4. role of entrepreneur in creating interest for self-employment.

## V.METHODOLOGY

The required information is gathered from various articles, magazines, internet and data form government offices.

### DEFINITION

The definition of unorganized sector adopted by the Fifteenth International Conference of Labour Statisticians in 1993, is regarded as a group of household enterprises or unincorporated enterprises owned by households that includes informal own-account enterprises, which may employ contributing family workers and employees on an occasional basis; and enterprises of informal employers, which employ one or more employees on a continuous basis.

The first Indian National Commission on Labour (1966-69) defined the 'unorganised sector work-force' as "those workers who have not been able to organise themselves in pursuit of their common interest due to certain constraints like casual nature of employment, ignorance and illiteracy, small and scattered size of establishments". On the other hand, the unorganised sector refers to those enterprises whose activities

and/or collection of data are not regulated under any legal provision or where any regular accounts are not maintained.

According to the definition of International Labour Organisation (ILO, 2002), they comprise of a) the own-account workers in survival-type activities, e.g. vendors of vegetables, fruits, meat, fish, etc., and of non-perishable items like locks, clothes, vessels; garbage collectors, rag-and scrap pickers; head-loaders, construction and agricultural workers, rickshaw- and cart-puller, etc.

b) the paid domestic workers, e.g., maids, gardeners, chauffeurs, etc.

c) the home-based workers, e.g., garment makers, embroiderers, incense stick rollers, bidi-rollers, paper bag makers, kite makers, food processors, etc., and

d) the self-employed in micro-enterprises, e.g., road-side mechanics, barbers, cobblers, carpenters, tailors, bookbinders, owners of small stalls and kiosks, etc

#### VI.SELF EMPLOYMENT-MEANING

The self-employed refers to people solely operating their own business (own-account workers), employers operating small businesses with a few workers and unpaid family helpers. The self-employed rapidly increased during the Asian financial crisis in 1998, when many people who were laid off started their own businesses to self-employment. The number of the self-employed has gradually decreased since 2002 when the economy began to stabilize.

However, recent monthly statistics show that the number of the self-employed recorded 7.1 million as of August 2012, the highest since September 2009.

#### VII.EMPLOYMENT IN UNORGANISED SECTOR

In the usually employed ('all' workers) category, 57 per cent among males and nearly 62 per cent among females were self-employed in rural areas. The corresponding proportions in urban India were 44 per cent for males and 45 per cent for females. In the rural areas, 67 per cent of usually employed males and 84 per cent of usually employed females were engaged in the agricultural sector. In rural India, the proportion of 'all' male workers engaged in the agricultural activities declined gradually from 81 per cent in 1977-78 to 67 per cent in 2004-05. For all female workers, the

decline was less - from 88 per cent in 1977-78 to 83 per cent in 2004-05.

In urban India, the tertiary sector engaged 59 per cent of male workers while secondary sector accounted for 35 per cent of the usually employed males. For females, the corresponding proportions were lower at 53 and 31 per cent. In urban India, the 'trade, hotel and restaurant' sector engaged about 28 percent of the male workers while 'manufacturing' and 'services' sectors accounted for nearly 24 and 21 percent, respectively.

#### VIII.UNEMPLOYMENT IN UNORGANISED SECTOR

93 per cent of the labour force is employed in the "unorganised sector", i.e. sectors which don't provide with the social security and other benefits of employment in the "organised sector." The unemployment rate went up between 1993-94 to 2004. On the basis of current daily status (unemployed on an average in the reference week), during the reference period, unemployment rate for males increased from 5.6 per cent to 9.0 per cent in rural areas, and from 6.7 per cent to 8.1 per cent in urban areas.

Unemployment rate for females increased from 5.6 per cent in 1993-94 to 9.3 per cent in 2004 in rural areas. The gender differential in the worker population ratio (WPR) was distinct: 55 per cent for males and 33 per cent for females in the rural areas, and 55 per cent for males and 17 per cent for females in the urban areas. The rate of growth of employment declined sharply from 2.04% per year in the period 1983-94 to only 0.98% per year in the period 19994 to 2000. This is while the labour force increases roughly by 2.5% every year.

Urban unemployment rates (current daily status) were higher than rural unemployment rates for both males and females in 1993-94. However, in 2004, rural unemployment rates for males was higher than that of urban males. Again, it is important to look at quality of employment in urban areas. Unemployment rates varied sharply across States. States, where wages are higher than in neighbouring ones because of strong bargains or social security provisions, such as high minimum wage, had high incidence of unemployment, in general.

#### IX. REASONS FOR SELF-EMPLOYMENT

They are classified into two broad types; those that have entered voluntarily for reasons such as independence, job satisfaction and or anticipated higher incomes, wish to work under himself, starting a flourishing business by himself with out depending on others and some are those which are being 'pushed' into self-employment because of the absence of any other attractive alternative.

If the motivations behind the decision to become self-employed are largely the former then self-employment can be viewed positively, providing the opportunity for individuals to improve their quality of life and/or for exploring creative entrepreneurial opportunities.

#### X.PROBLEMS/CONSTRAINTS FACED BY AN ENTREPRENEUR

Having a dream is easy; yet making this dream a reality demands a certain level of self discipline. Some personality types are not able to transit from reporting to a boss to reporting to no one yet remaining just as driven. Additionally, some personality types that benefited from the buffer the employer presented when it came to relationships with clients or customers, will sorely find their patience tested when a new client harshly criticizes the marketing strategy you present to them.

##### 1) Shortage of capital

Starting a new business or running a new business is not so easy in this competitive world. It needs lots of investment. Now everyone will start searching for a source to get money. The search may be for starting a business or to improve their existing business. In these situations you can take the help of self employed business loans.

##### 2) Nature and reach of markets.

The seasonality and volatility of demand and the low rates received are the chief constraints in the unorganized sector. The changes in demand is learned indirectly only through the middlemen .Enterprises producing purely for local markets, typically face narrow and lower quality markets, and thus typically tend to have less information about markets as well as lower skills.

##### 3)level of operation

The scale of business is very small. People setting up their own business with limited fund and they are closely related to daily life and other types of consumer related businesses which meet people's basic needs. The immobility and the narrowness of markets due to market, gender and caste constraints result in such producers limiting themselves to producing within the parameters of the segment.

##### 4)Transport, Storage and Communication

Informal enterprises reported lack of marketing and other infrastructural facilities, with manufacturing and trade reporting this more acutely Transport, Storage and Communication and Other Services are Certainly obvious constraints that are well recognized as affecting informal enterprises significantly.

##### 5)skills and technology

Skills and technological development are not reported by enterprises . In many cases, it has been clearly seen that access to more discerning markets has resulted in greater skill or training requirements, but unorganised 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 hold for technology upgradation as well.

##### 6)Rejection of goods

Especially if you are in an artistic field, some of these criticisms could feel like personal attacks or even personal rejection, making this form of employment almost harder than working for someone else. The small firms end up with practically no option but to dispose off their products. Given the unequal bargaining strength of small firms, the risk sharing is also uneven.

##### 7) liquid cash

You probably also have bills, a family to feed, and if nothing else the daily needs that have to be fulfilled. The number one challenge associated with this step is the fact that many a newbie will use credit cards to get set up. How much liquidity you have at the onset will also determine your overall success since it dictates whether or not you can live with the fact that one client is taking an extraordinary long period of time to finally pay you. If one or maybe even more slow clients spell

financial trouble to such an extent that you have to touch your retirement savings or home equity.

8) Loss in business

Despite income claims made by business opportunity companies, or competing businesses, you must be ready to accept the reality of not seeing personal income for several months - or even years.

9)lack of preparation

some become self-employed without much preparation: More than half of the self-employed start their businesses with a preparation period of less than six months and with no business experience.

10) fierce competition

Most of the businesses in an unorganized sector has reported competition from large units as well as the self-employed people feel and states that other self-employed nearby is their major competitors.

11) Inappropriate age

The age group of the self-employed people is in 50s or elder age. The numbers of the self-employed steadily increased especially among the baby-boomer generation and the higher age group.

12) Lack of motivation

The realities of production conditions in these enterprises generate motivational problems which is very often termed as 'ignorance'. Working hours are often long and any time off from the productive work, less income, which affects the willingness of entrepreneurs and workers to take this job.

## XI.ROLE OF AN ENTREPRENEUR

The entrepreneur acts as a trigger head to give spark to economic activities by his entrepreneurial decisions. He plays a pivotal role not only in the development of industrial sector of a country but also in the development of other sector. The following roles can be played by an entrepreneur in an unorganized sector which are discussed in a systematic and orderly manner .

1)The Architect: Big-Picture Planning

Entrepreneurs set the vision, the romance, and culture around a big and daring goal. In doing so, they must

have a general plan for where they want to go, but they should not get hung up on developing the perfect plan. Their thinking should be like an architect in the concept and design development phase rather than one in the detailed schematic phase.

2) Researching and Selling

Entrepreneurs need to be constantly search for new vision, new sources to raise funds, evangelizing the vision among employees, recruiting top new talent, or selling the product itself. An entrepreneur needs to constantly learn effective means of new channels of selling trough which they can access to invaluable customer and product research. These customer interactions help turn a directional vision into one with more precise focus.

(3) Capital Formation:

Entrepreneurs promote capital formation by mobilising the idle savings of public. They employ their own as well as borrowed resources for setting up their enterprises. Such type of entrepreneurial activities lead to value addition and creation of wealth, which is very essential for the industrial and economic development of the country.

(4) Creates Employment Opportunities:

Entrepreneurs provide immediate large-scale employment to the unemployed which is a chronic problem of underdeveloped nations. With the setting up.of more and more units by entrepreneurs, both on small and large-scale numerous job opportunities are created for others whereby reduces unemployment in the country.

(5) Promotes Balanced Regional Development:

Entrepreneurs help to remove regional disparities through setting up of industries in less developed and backward areas which leads to more development of backward regions and thereby promotes balanced regional development.

(6) reduces monopoly

Industrial development normally lead to concentration of economic power in the hands of a few individuals which results in the growth of monopolies. In order to redress this problem a large number of small industries need to be set up in rural areas, which will help in

reducing the concentration of economic power amongst the population.

(7) Wealth Creation and Distribution:

It stimulates equitable redistribution of wealth and income in the interest of the country to more people and geographic areas, thus giving benefit to larger sections of the society. Entrepreneurial activities also generate more activities and give a multiplier effect in the economy.

(8) Increasing Gross National Product and Per Capita Income:

Entrepreneur explore and exploit opportunities, bring in new products and services and develops markets for growth of the economy. In this way, they help increasing gross national product as well as per capita income of the people in a country.

(9) Improvement in the Standard of Living:

Entrepreneurs play a key role in increasing the standard of living of the people by adopting latest innovations in the production of wide variety of goods and services in large scale that too at a lower cost. This enables the people to avail better quality goods at lower prices which results in the improvement of their standard of living.

(10) Induces Backward and Forward Linkages:

Entrepreneurs like to work in an environment of change and try to maximise profits by innovation. When an enterprise is established in accordance with the changing technology, it induces backward and forward linkages which stimulate the process of development in the country.

(11) Development of skill

According to them what rural innovators don't have is access to the skills, networks and other resources needed to take their innovations to the market. Entrepreneur can important role in rural innovations to make it successful.

## XII.CONCLUSION

It is a great need to examine the extent of institutional finance to entrepreneur which plays an important role to in the lives of those self-employed in unorganized sector. In the rural 5 areas, 67 per cent of usually

employed males and 84 per cent of usually employed females were engaged in the agricultural sector. The unemployment rate for males have increased from 5.6 per cent to 9.0 per cent in rural areas, and from 6.7 per cent to 8.1 per cent in urban areas.

The rate of growth of employment is declining sharply year after year while the labour force increases. The size of the unorganized sector is relatively large and will continue to be so in the years to come in view of the limited employment opportunities in the organized sector as also due to the outsourcing of a number of occupations/activities from the organized sector. The unorganized sector thus provides income-earning opportunity to a larger work force and a larger number of workers are getting their livelihood from this sector. The unorganized sector, therefore, has been playing an important role in providing employment in the economy.

Only very few small unorganized sector in India have the financial and organizational capabilities to generate internal resources for technology acquisition, adaptation and innovation. Equally important is the lack of awareness of technological and other needs has to be taken care for the upliftment of this sector . In addition, skill development efforts and educational levels of the labour force is also low. Hence a specific firm-tailored technology and innovation policy is needed for the development of the unorganized sector. Thus, it requires a viable sustainable model to be framed by the government which would enable them to access modern technology and also wherever possible be in a position to tie up and meet challenges with the organized sector. Even then an entrepreneur plays a Vital role in bringing up unorganized sector at the better position in the country.

## XIII.RECCOMENDATIONS

First of all, we are required to encourage re-employment of the unemployed to reduce number of people left with no other choice but to turn to self-employment through skill development programs.

Self-regulatory environment to provide information to prospective self-employers on where and which business he or she may face over-competition and therefore advising them on what and where to avoid.

The government should encourage a well-prepared business and help in setting business by potential self-employers to start businesses with sufficient

preparation and to create good jobs by helping them to enhance productivity and develop to a sustainable and healthy business.

The authority should develop an appropriate policy which is suitable to people of different age groups and education levels. In particular, the government should consider how to increase the job security of the baby boomer generation.

More and more incubators should be formed in India to help in setting up small business and new entrepreneur in a big way not only in terms of numbers but also their size. Skill and training should also be imparted in Universities, Engineering Colleges and Business Schools to promote entrepreneurship.

Innovation and Entrepreneurship hold the key to enhancing the role in the business and to improve Indian economy, countrywide programs on entrepreneurship and innovation must be launched in the shape of a national movement.

Awareness about safety, health, ergonomics, occupational hazards and environmental issues needs a high priority and must go along with schemes and not separately.

District Industries Centres (DICs) and other technology

Centres should take keen interest in problems faced by unorganized sector and provide necessary facility for the development as provided to the organized sector.

Incentive for Linkage between Large and Unorganised Enterprises

Broad Base Credit Linked Capital Subsidy Scheme (CLCSS) for Technology Upgradation of unorganised Enterprises. Addressing to the problem of Credit for Technological Upgradation policy measures and organizational arrangements are needed to overcome the difficulties associated with marketing.

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