

THE IMPACT OF UNORGANIZED SECTOR IN INDIAN ECONOMY

Dr. Rajesh Kumar Pandey*

ABSTRACT

The unorganized sector may be identified as small scale enterprises or units which are not registered with any government agency or not governed by Various acts of the Government . The basic features of this sector are easy entry, small scale of operation, local ownership, illegal status, labor-intensive, flexible pricing, non standard production and packaging, lack of branding, unavailability of an effective distribution network etc. Employees of enterprises belonging to the unorganized sector have no job security and chances of growth, they have no entitlement of leave or paid holidays, they have no legal protection against any misconduct done by employer. While the unorganized sector workers and entrepreneurs are play a leading role for the growth of Indian economy.

KEYWORDS: *Unorganized Sector, Unincorporated, Branding, Distribution Network.*

Introduction

The unorganised sector which comprises of small scale enterprises or units and are not registered with any government agency or not governed by Various acts like Factories Act, Bonus Act, PF Act, Minimum Wages Act . The sector which is registered by any Government agency the employment terms are fixed and employees have assured work is called organized sector. The term unorganized sector defined by National Commission for Enterprises in the Unorganized Sector in their Report on Conditions of Work and Promotion of Livelihoods in the Unorganized Sector as "... consisting of all unincorporated private enterprises owned by individuals or households engaged in the sale or production of goods and services operated on a proprietary or partnership basis and with less than ten total workers." The basic features of this sector are easy entry, small scale of operation, local ownership, illegal status, labor-intensive, flexible pricing, non standard production and packaging, lack of branding, unavailability of an effective distribution network etc . Employees of enterprises belonging to the unorganized sector have no job security and chances of growth, they have no entitlement of leave or paid holidays, they have no legal protection against any misconduct done by employer. The workers working in unorganized sector are playing a leading role for the growth of Indian Economy. A CENSUS report estimates that in 2005 out of the 458 million persons employed in India, 86 % worked in the unorganized sector, generating 50.6 percent of the country's Gross Domestic Product.

Actually unorganized workers are home-based workers or a self-employed workers or a wage workers. It includes a worker in the unorganized sector who is not covered by any of the Acts pertaining to welfare Schemes as mentioned in Schedule-II of Unorganized Workers Social Security Act, 2008.Jul 30, 2015. The unorganized sector or informal sector is the part of an economy that is neither taxed nor monitored by any form of Government. Activities of the unorganized or informal sector are not included in a country's gross national product (GNP) or gross domestic product (GDP). Only the activities of organized sector are included in a country's Gross National Product (G.N.P.) or Gross Domestic Product. under the term of occupation, unorganized workers may categorized as Small and marginal farmers, landless agricultural labourers, share croppers, fishermen, those engaged in animal husbandry, beedi rolling, labelling and packing, building and construction workers, leather workers, weavers, artisans, salt

* Associate Professor in Commerce, Working as Deputy Registrar, Uttar Pradesh Rajarshi Tandon Open University Allahabad, U.P., India.

workers, workers in brick kilns and stone quarries, workers in saw mills, oil mills, etc. under the nature of employment unorganized workers may be categorized as Attached agricultural labourers, bonded labourers, migrant workers, contract and casual labours etc.. Under the distressed category unorganized workers may be categorized as Toddy tappers, scavengers, carriers of head loads, drivers of animal driven vehicles, loaders and un loaders etc . Under the terms of service category unorganized workers may be categorized as Midwives, Domestic workers, Fishermen and women, Barbers, Vegetable and fruit vendors, News paper vendors etc.

In developing countries like India Unorganized sector is playing leading role for the economic growth and employability of economy. Various estimates (National Account Statistics, National Commission for Employment in Unorganized Sector, National Economic Census, etc.) estimated that about 90 % of workforce outside agriculture and 50 per cent of GDP are accounted for by this sector. Contribution to exports is also estimated around 40 per cent. According to NSSO, there are about 57.7 million non-corporate business units outside construction sector, mostly unregistered and self-employment units. A majority units unorganized sector is in the rural areas, where the government finds difficult to provide non- farm jobs. A high proportion of socially and economically weaker sections of the society are engaged in the unorganized economic activities. As per survey performed by NSSO two-thirds of enterprises in this sector are owned by SCs, STs and OBCs.

The workers of unorganized sector are providing finished goods for assembly line productions to e-waste collection and reprocessing. Now a day's unorganized sector is deeply intertwined with the formal sector. However, there are major hurdles that this sector faces. The players of unorganized sector are facing a lot of challenges. The major problem is uneasy Access to finance- with most of the 57.7 million units unregistered are not availing any type of financial support from banks or any other financial institutions. Lack of institutional credit occurs exploitation of unorganized players by Sahukars or money lenders.

The unorganized sector units are not easy access to technology, because of limited finance. This hampers productivity and renders the enterprise uncompetitive. The units working in unorganized sector have lack of skilled workforce and Managerial competence. They are also facing the problem of Market uncertainty. Apart from these, lack of proper infrastructure poses greater difficulty due to the inability of unorganized sector to access costly means of transport and logistics. Although Unorganized sector is playing crucial role for the growth of our economy in terms of employment, National Domestic Product (N.D.P) savings and capital formation, But Problems of unorganized sector are not reducing . Some of basic characteristics are as follows:

- Unorganized sector having mainly low scale of organizations, because they work within their limits. They have scarcity of factors of productions as men, machine, material, money, market.
- Entrepreneurs of unorganized sector have their own capital, that's why they enjoy ownership of fixed and other assets by self.
- Generally manufactures of unorganized sector perform their jobs without any regulation or protection. In other words we can say that the workers of unorganized sector never feel to regulate or protect their business.
- Industries of unorganized sector always feel scarcity of capital, because financial institutions always feel risk to provide financial assistance to this sector. Mainly these organizations are operated by their family members.
- Industries involved in production use labor intensive technology. They never use automatic machines to replace men power.
- The players of unorganized sector do not get any support from Governments.
- The living conditions of workers of unorganized sector are very poor. Mainly they live in slums in poor hygienic conditions.
- The workers of unorganized sector are illiterate and they are perfect only for their jobs. The children of their families are also illiterate. They do not move towards school.
- The workers working in unorganized sector are mainly migrated from rural areas. There is high percent of migrant labor in unorganized sector.

In the broader sense the number of workers who work as agriculture workers, cultivators, construction workers, self employee vendors, artisan's traditional crafts persons, and home based workers, traditional service workers, and workers depending on the resources such as forests and

fisheries and others. Almost the entire non agricultural activities in rural India are in unorganized sector. It cannot be denied that the unorganized sector does not getting enough protection through labor legislation, despite the existence of labor laws for various reasons. The works in this sector are not getting social security and other benefits, as do their counterparts in the organized sector. Here workers are highly exploited by entrepreneurs mainly they are employed on casual basis. There is hardly any trade union to fight. For the workers particularly women workers are discriminated in this sector. They are getting fewer amounts than male workers. They are also facing the problem of job and financial security. Mainly the unorganized workers have the following insecurity dimensions:

- Poverty level in the country is increasing every year the unorganized labors are directly hit by inflation or by price rise.
- Unorganized sector labors are facing another type of problem such as actualization of employment, only Government laws can protect them by actualization of employment.
- Gender inequality is another problem for unorganized sector. We can see that the female are more in casual employment in comparison to males.
- Another shocking scenario in unorganized sector is that we can find more child labor below 18 of age and persons aged above 60 years of age.

In India the term social security is generally used in its broad sense. The security measures may be statutory, public or private. The term social security includes social insurance, social assistance and social protection etc. excepting some medical treatment the state run hospitals and P.H.C.s, there is no type of time tested social security programs for the workers working in unorganized sector in the country. Several state governments are running some old age pension schemes, national social assistance program (N.S.A.P.) etc. Thus we can say that if unorganized sector is playing key role for the promotion of Indian economy, then Government must follow some social, economic and employment security measures for unorganized category employees. Some suggestions are as follows:

- Monthly pension scheme for the retired and disabled at the age of 60 years. It is also necessary to provide the facilities of family pension scheme for all working in unorganized sector.
- Group insurance schemes for the farmers without linking to the banking finance for agriculture linked to holdings of land.
- It is necessary for the Government to promote and protect unorganized sector for the growth of economy and removal of unemployment.
- The players of unorganized sector must be united. Because unity is strength in our modern democratic pattern of society. Unorganized workers must form their unions for organizing themselves. Because in democracy we may find our rights with the help of union.
- Government should ensure to prevent child labor, because the children of workers working in unorganized sector are future of their families.
- There are thousands of organizations who can really come ahead with this mission to approach appropriate countries making them understand the necessary and influence them to provide social security workers who are in unorganized sector.
- It is must to bring attention of old aged people who lack social security to secure their old age. To address this issue in priority most developing countries lack social security schemes to their employees in unorganized sector. Without social security and lack of family or children care most old aged people come to street for begging through all means.

As per the suggestion of National Commission for Employment in Unorganized Sector (N.C.E.U.S), the government has taken some specific initiatives for unorganized sector, which are as follows.

- Government has established a MUDRA bank with a corpus of 20,000 Cr. and a credit guarantee fund of 3,000 Cr. MUDRA BANK will refinance the micro-finance institutions – which provide credit to organized sector.
- Skill India initiative for skilling of new entrepreneurs and existing labor force.
- Social sector schemes such as Atal Pension Yojana aim to provide pension cover to workers in unorganized sector. The scheme will provide social security to old age people.

- Dedicated e-commerce portal with the help of National Small Scale Corporation has been launched to provide wider market coverage for players of unorganized sector.

The government programs are beneficial, but their success depends on honest execution. Jan Dhan accounts and AADHAR may be useful for providing assistance to unorganized sector through above mentioned schemes. In future, skill development programs may be incorporated for unorganized labors and also for unorganized entrepreneurs. The potential of unorganized sector has been recently recognized by the Government and rating agencies. For achieving a higher growth rate of Indian economy, it is an essential to convert unorganized sector to organized sector.

References

- ✕ National commission for enterprises in the unorganized sector report.
- ✕ National accounts statistics report.
- ✕ National commission for employment in organized sector.
- ✕ National economic census.
- ✕ N.S.S. Survey-1999-2000 (2) I.S.O.-2000.

