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# Contribution of Unorganized Sector Entrepreneurship to the Indian Economy

Preeti Attri[1], Professor Sunita Bhartwal[2]

[1]*Research Scholar, Department of Management Chaudhary Bansi Lal University Bhiwani, India*

[2]*Professor Sunita Bhartwal2 Dean FCM, Department of Management Chaudhary Bansi Lal University Bhiwani, India*

***Abstract* -- The impact of entrepreneurship in the unorganized sector in economy of India is a vital aspect of its economic landscape. For India to modernise, expand, and achieve regional economic equality, the unorganised sector must change. For India to modernise, expand, and achieve regional economic equality, the unorganised sector must change. This sector, characterized by its informal nature and small-scale enterprises, plays a significant role in generating employment, and income, and fostering economic diversity. Entrepreneurs in the unorganised sector often operate in traditional industries, preserving local skills and contributing to cultural heritage. Their adaptive and flexible nature enables quick responses to changing market conditions, demonstrating resilience in the face of challenges. Despite the informal nature of many businesses. This sector contributes much to the nation's GDP, acting as a bridge for individuals and businesses to enter the formal economy. Additionally, unorganised sector entrepreneurship is instrumental in local and rural development, reducing economic disparities and promoting decentralised growth. The unorganised sector must change for India to modernise, expand, and achieve regional economic equality. The unorganised sector must change for India to modernise, expand, and achieve regional economic equality. The paper will study the how unorganized sector has contributed to the Economy in various aspects.**

***Keywords*-- Regional Economic, GDP, Economic Diversity, Entrepreneurship, Rural Development**

## I. INTRODUCTION

Indian socio-economic area is divided into many businesses and these businesses are carried out by two main sections that are organized and unorganized sectors. Before we talk about the different types of sectors, some knowledge should be thrown into the socio-economic aspects of Indian society. The socio-economic is the interplay between the society and the economic activities they perform, further, these economic activities are divided into various labour classes. Further, the socioeconomic a class is a group of people who have certain characteristics in common. These characteristics might include a person's employment, social and economic standing, and level of education, lineage, or cultural heritage. The Socio-economic aspects are multi-dimensional and it is very much attached to the roots of the society.

The gap between these socio-economic activities leads to the informal sector in India and most of the population comes under this informal sector and 50 % of the Indian workforce do economic activities here to earn livelihood. In most emerging nations, half of one-third of the national income comes from the unorganized sector, this sector reduces the unemployment from root. The Indian Economy is divided into two main sectors:Unorganised and Organised Sector **( Kathirever 2018**) the informal sector employs a significant percentage of the labour force—often more than 90% of all workers above this informal suffer from high poverty rates and gender discrimination, due to this the informal sector is not growing as compared to formal sector **(Kathuria et al. 2010**)additionally, a lot of newly established businesses operate in the unofficial sector, which fosters perseverance due to various plan policy (**Scholar 2009**). The informal sector is called the unorganised sector which works inan unorganised way **(Tripathi 2018).** Small, unofficial businesses are crucial to the development of emerging nations going through structural change. Informal economic activity is practiced by a significant portion of the economically and socially disadvantaged members of society.

Over the past two decades, the Indian economy has grown at significant rates, and this expansion has been accompanied by an increase in informatization. Growing connections between informal and formal economic activity are being seen. The informal economy has seen a surge in productivity, employment, and incomes and on living standards. In India, businesses in the unorganised sector are often not subject to governmental regulation, are not registered, and do not pay taxes. The most important effect has been due to globalization, due to this the production of this sector is also been exported**(Kalyani 2015**). The unorganised economy, which in an otherwise prosperous India makes up the vast majority of the impoverished and vulnerable people. The unorganised workers form the overwhelming population of shining India. The first Commission that was constituted for the unorganised sector was the National Commission for Unorganised Sector in Sep 2004.

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The National Commission for Enterprises of the Unorganized Sector is planning to lay a track for how the informal sector can be transmitted into the working sector in terms of giving job opportunities to the workers ,this sector is always crucial for a significant segment of the Indian labor force. Over 92% of all jobs in the Indian economy during 1999 and 2000 were in the unorganized/informal sector (NSSO 55th Round 1999-2000).

The percentage of unemployed workers in the majority of states is comparable to the national average **(Mehrotra and Pandey 2022)**. Manufacturing was shown to have substantially lower labour productivity (gross value added per worker) than commerce and services. In comparison to establishments, own account firms are in a worse situation. Some businesses are dynamic and may have chosen to stay tiny to minimise their tax burden, but own account enterprises make up residual type employment. Further implications include the possibility that governmental assistance and subsidies to comparatively bigger units falling under the purview of the formal sector may not be sufficient to persuade unorganised sector units to register and join the organised sector. For a company to register as a formal sector unit, significant gains are required, despite all this, the contribution of the Unorganised sector has a main role in the Economy either it is at the micro or macro level **(Mitra 2023)**

## II. Definition Of Unorganized Sector And Its Origin

*Origin of Unorganized Sector:*

*An Indian Definition:*

Definition of "Unorganized Worker" According to Section 2(m) of The Unorganized Workers' Social Security Act, 2008, an unorganized worker is a wage worker in the unorganized sector, a self-employed worker, or a home-based worker. A worker in the organized sector who is not protected by any of the following Acts is also included. The 1972 Payment of Gratuity Act, The 1947 Industrial Disputes Act, The State Insurance for Workers Act of 1948, The Provident Funds for Employees and Other Provisions Act of 1952, The 1961 Maternity Benefit Act, The 1923 Employees' Compensation Act, Social Security Rules for Unorganized Workers, 2009 .The authority granted by the 2008 Act was used to create the Unorganized Workers' Social Security Rules, 2009 .These regulations specify how welfare programs, registration, and board operations are carried out.

National Board For unorganized workers, this board will recommend social security programs like as life and disability insurance, health and maternity benefits, old age protection, and any other benefits the government may want to offer. Following six sessions, the National Board recommended that some unorganized worker groups be covered by the Rashtriya Swasthya Bima Yojana (RSBY), Old Age pension, and Janshree Bima Yojana (JBY) (**Kalyani 2015**).

*An International Definition*

The 15th International Labor Statistics Conference gave the word Informal sector in January 1993 and it mentioned the activities which are must be included in the formation of the Informal sector., the informal sector is made up of unincorporated household businesses that are not like formal businessesin terms of labor-intensive procedures, economies of scale, technology, and the almost total absence of a well-maintained account. They also failed to pay GST. There isn't a specific operational definition of the informal sector that can be utilized for data collection, notwithstanding the aforementioned definitions of the sector. The "unorganised" portion of the economy in India and other emerging nations in Asia and the Pacific closely resembles the informal sector as defined by the ICLS. (**Kulshrestha 2011**).

An essential component of India's labour market environment has been the predominately informal employment paradigm. Due to its dominance in this sector, over the informal economy employs 90% of the labor force despite the sector contributing about half of the country's GDP**. (NCEUS 2015)** Many scholarly groups have focused their discussions on the importance of the unorganised sector in emerging nations' urban economies. In a nation with a high population density like India, The extent and complexity of urban informality are significantly higher, primarily because it has several significant effects on our urban economies. The degree of urban informality and its complexity is much higher in a country with a large population density like India mainly because it has various important implications on our urban economies to provide skilled jobs. **(Kundu, 1999**). The employment generated by the unorganised sector accounts for 65–70% of all employment in metropolitan areas. The low-skilled rural migrants who are incorporated into the rapidly expanding unorganised sector after being unable to find employment in the organised sector are the primary cause of the greater proportion**. (Mohapatra 2012).** In their analysis of the distribution of informal employment in India's organised and unorganised sectors, **(Shrija and Shirke 2014)** found that the manufacturing sector is one of the primary job-generating industries.

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As such, giving the manufacturing sector the attention, it deserves is essential to starting the country's economic growth journey. Apart from creating jobs, the industry undoubtedly contributes to output, generating income and export profits **(Saikia & Gogoi, 2018; Saikia, 2015; Mariappan, 2011).** It has been said that India's manufacturing industry is mostly growing due to the unorganised industrial sector. The growth performance of the urban unorganised manufacturing sector (UUMS) in North-East India, given the dearth of research on the subject **(Adhyapak and Et.al 2023).**

*The Indian data show four important facts concerning the unorganised sector:*

- There is a huge unorganised industry.
- The unorganised sector is extremely persistent
- This persistence is not attributable to specific state or industry groupings.
- In the unorganised sector, higher concentrations of localised business activity are linked to lower production functions for manufacturing companies.

*The Primary distribution of Unorganised Workers*

- The number of unorganised labourers is so large, that they are widely dispersed throughout India.
- The bulk of unorganised workers lack secure, long-term job opportunities because the unorganised sector experiences cycles of severe seasonality in employment.
- The unorganised work force in rural regions is strongly stratified according to caste and community factors. Although these factors are far less prevalent in urban regions, it cannot be said that they are non-existent because the majority of unorganised labourers in these places are essentially migrant workers from rural areas.
- The trade unions do not give the unorganised workers enough attention.
- Feudal production relations and outdated production technologies are widespread in the unorganized sector, preventing workers from being exposed to and integrating better production relations and advanced technology.

*Reserve Bank of India Index to Calculate Percentage of Unorganised Sector in India*

In India, the RBI calculates the Coincident Index for the unorganised sector. The UNCCI shows that unorganised activity has increased since July 2022 and has been stable in Q2:2022-23. It had good development and co-movement.

Measuring the unorganised or informal sector, which accounts for about half of all economic activity in India, is still a significant difficulty. According to the 2008 System of National Accounts (SNA) sectoral classification, the National Statistical Office (NSO) has implemented Organizational category-wise classification that divides the economy into four sectors: households, the general government, the private sector, and the public sector. This classification has been in place since the 2011–12 base year series. Gross value added is produced by the household sector which employs twenty or more people without power or fewer than ten workers overall. Referred to as unorganised sector GVA from now on, it roughly corresponds to unorganised sector activities.The UNCCI's component indicators fall into three categories: those relating to agriculture, construction, commerce, transportation, and other ancillary activities. The selection of indicators is done based on their dynamic link with the rise in the unorganised sector's gross value added (GVA).

*Unorganised sector Entrepreneurship is equal to self-employment*

What Self-Employment Means Those who work exclusively for themselves (self -account workers), employers running medium enterprises with a limited staff, and unpaid family carers are all considered self-employed. During the 1998 Asian financial crisis, a large number of laid-off workers launched their firms and became self-employed, which led to a sharp rise in the number of self-employed persons. Since 2002, as the economy started to stabilise, the number of self-employed people has progressively declined. However, according to the latest monthly figures, there were 7.1 million self-employed people in August 2012—the largest level since September 2009(**Sharma 2021**)

*Unorganised Sector Employment*

Within the group of "all" workers who are normally employed, 57% of men and over 62% of women worked for themselves in rural regions. In urban India, the equivalent percentages were 44% for men and 45% for women. Eighty-four per cent of normally employed women and sixty-seven per cent of normally employed men worked in agriculture in rural regions. The percentage of "all" male workers in rural India who were involved in agriculture decreased with time, going from 81% in 1977–1978 to 67% in 2004–2005. The decrease was smaller, going from 88% in 1977–1978 to 83% in 2004–2005. In India's cities, 59% of male workers were employed in the tertiary sector, whilst 35% of men in regular employment were in the secondary sector.

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The comparable percentages for women were 53 and 31%, respectively. About 28% of male workers in urban India were employed in the "trade, hotel, and restaurant" sector, whilst the "manufacturing" and "services" sectors employed roughly 24% and 21% of male workers, respectively.They fall into two main categories: those who entered voluntarily because they wanted to work for themselves, start a successful business without the help of others, or because they were independent, satisfied with their jobs, or expected to make more money; and those who were "pushed" into it because there were no other appealing options. If the former are the main driving forces behind the choice to work for oneself, then self-employment may be seen favourably as it gives people the chance to explore innovative business options and/or enhance their quality of life**. (Sharma 2021**)

*Entrepreneurs Roles*

Entrepreneurs in the unorganized sector play a important role in the Indian economy by contributing to various aspects of economic activity and societal development. Here are some key roles they fulfil:

*Employment Generation:* Unorganized sector entrepreneurs are significant contributors to employment generation in India. They create job opportunities by establishing small businesses, engaging in informal trading, and providing services such as transportationrepair,and construction. These enterprises often absorb a large portion of the workforce, especially in rural areas and urban slums.

*Innovation and Adaptability:* Entrepreneurs in the unorganized sector exhibit innovation and adaptability in response to changing market dynamics and resource constraints. They develop novel solutions to address local needs, introduce new products and services, and adopt cost-effective methods of production. This innovative spirit fosters economic dynamism and resilience within the sector.

*Contribution to GDP:* Although difficult to measure accurately due to its unorganized sector's informal character makes significant contribution to India's GDP. Entrepreneurs in this sector engage in diverse economic activities such as agriculture, retail trade, manufacturing, and services, collectively adding value to the economy.

*Promotion of Local Economy:* Unorganized sector entrepreneurs often operate at the grassroots level, promoting economic activities in local communities and rural areas. They utilize local resources, employ indigenous knowledge and skills, and foster entrepreneurship among local populations. This localization of economic activity contributes to regional development and poverty alleviation.

*Empowerment of Marginalized Groups:* Entrepreneurship in the unorganized sector provides opportunities for social and economic empowerment, particularly for marginalized groups such as women, rural artisans, and minorities. Many small-scale enterprises in this sector are owned and operated by individuals from disadvantaged backgrounds, enabling them to gain financial independence and improve their livelihoods.

*Resilience and Informal Safety Nets:* Unorganized sector entrepreneurs demonstrate resilience in the face of economic challenges and uncertainties. They often rely on informal networks, mutual support systems, and community solidarity to cope with shocks and disruptions. These informal safety nets provide a buffer against economic risks and contribute to social cohesion within communities.

*Integration with Formal Economy:* Through supply chains, marketing channels, and subcontracting, entrepreneurs engaged in the informal sector frequently have connections to the formal economy. Many small businesses in the unorganized sector contribute to economic interdependence and diversity by participating in value chains or supplying goods and services to bigger businesses.

## III. CONCLUSION

Examining the extent to which institutional money is available to entrepreneurs is crucial, as itplays a significant role in the lives of independent contractors in the unorganised sector. In the five rural locations,84% of typically employed females and 84% of employed men worked in agriculture. In rural regions, the unemployment rate for men has climbed from 5.6% to 9.0%, while in urban areas, it has increased from 6.7% to 8.1%. As the workforce grows, the pace of employment growth is drastically decreasing year. Because there are few job prospects in the organised sector and because many jobs and activities are being outsourced from the organised sector, the size of the unorganised sector is and will remain relatively substantial. So, a greater number of workers and a larger labour force have access to income-earning opportunities through the unorganised sector.

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