

Impact Of Informal Sector In Developing Countries: A Socio – Economic Study

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Abstract: Informality may bring positive and negative impacts on the developing economic Governments, informality can be a problem. The Government cannot collect taxes from informal business and in turn are unable to finance the provision of good public services. Further the informal sector might also be a solution for unemployment problems a positive factor for the governments struggling to provide employment. Whereas the formal economy cannot absorb the surplus labor, due to its own limitations, the informal sector is the ideal remedy in developing countries especially, the governments tolerate informality to a large extent and use it as a means to address the issue of unemployment by creating a favorable frame work for promoting the informal economy. Although informal generates job and generates income, it has its own problems. Workers in the informal sector lack social security offered by government.

Key Points: Informality, Developing economics, Informal sector, Unemployment, Social Security.

I. INTRODUCTION

The developing countries' economies is characterized by the existence of a vast majority of informal or unorganized labour employment. As per the economic survey 2007-08, 93% of India's workforce include the self-employed and employed in unorganized sector. The ministry of labour, Government of India, has categorized the unorganized labour force under groups in terms of occupation. The characteristics of informal sector have been derived mostly from the empirical studies conducted in various cities in developing countries the following are some important. (1) Small size operations: - The differentiation is generally made on the basis of size of employment, on the one hand, it is sometimes suggested that single-worker establishment, and those with only self-employed and own account workers, form the core of the informal sector. On the other hand, it is felt that this would unnecessarily restrict the scope of the informal sector, since many of the establishments using hired labour also reveal the disadvantaged characteristics. (2) Informal structure and family ownership: Informal sector enterprises being small do not depict the style of larger and modernized organizations in terms of structure, division of labour communicate,

supervision, etc. (3) Non modern technology: The formal and informal sector distinction based on modern technology is only to indicate the simplicity in procedures with dominance of manual operations and labour to be more specific, the intent of using technology as variable in distinguishing informal from formal sector is to highlight that the informal sector units use labour-intensive pre-dominantly manual, low productivity techniques of production, as compared to capital-intensive, highly mechanized and high productivity ones used by the formal sector units. (4) Lack of access to government favours: Formal sector bias is the traditional allegation against the governments in developing and developed countries as the formal sector enterprise are reported to have access to resources controlled and distributed by the government the advantages of organized capital market, like bank finance, foreign technology, imported raw material, protection from foreign competition etc, are largely not available to the informal sector enterprise. The informal sector units have also been found to enter certain activities requiring legal permission without, obtaining it or acquire certain inputs requiring license from the legal market. (5) Home based employment in Informal economy: The term "Home based workers" refers to three types of workers who carry out

remunerative work with their homes, dependent sub contract workers, independent own account procedures, and unpaid workers in family business, whereas the term “Home workers” refers to the first category only.

II. FACTORS AFFECTING INFORMALISATION

It include the quality of labour in terms of education and training. The level of education is low and there is lack of vocational skill in workers entering the labour force. The plethora of labour organization often act as obstacles to growth of private entrepreneurship and reliance in capital, restoring to use of contractual labour problems in informal structure – work in the informal sector is less remunerative and conditions are inferior to organized sector women workers in particular, are in vulnerable positions. Lack of technology in informal sector is one of the for most activates in unorganized sector such as beedi making, gift item etc, are crafts based and requires human effort in traditional way and is not done on machines and technology which shows that the activities is unorganized sector are crafts based and indigenous and not power based.

III. INTERNATIONAL LABOUR ORGANISATION

The growth of the informal economy traced inappropriate and ineffective policies. ILO made many policies for protecting the labour force in informal sector. These policies effect positive impact to protect the unorganized labour force as most of the percentage of world labour are based on unorganized sector or informal sector.

IV. NATIONAL URBAN LIVELIHOOD MISSION (NULM) IN DEVELOPING COUNTRY INDIA

The Government of India has initiated in 2014 a new scheme under the sponsorship of ministry of Housing and urban poverty alleviation named as National Urban livelihood mission to address various occupational, residential problems faced by the poor in cities and towns so as to address them simultaneously in a comprehensive and integrated manner with a targeted focus on the vulnerable groups so that a

definite impact can be made on ground. The mission of NULM is to reduce poverty and vulnerability of urban poor households by enabling them to access gainful self-employment and skilled wage employment opportunities resulting in a appreciable movement in their livelihood on sustainable basis.

V. SCHEMES BY GOVERNMENT FOR INFORMAL SECTOR IN DEVELOPING COUNTRY – INDIA

- ✓ Atal pension yojana: Atal pension yojana provides a minimum guaranteed pension of Rs. 1000/- per month or 2000/- per month.
- ✓ Pradhan Manthry Suraksha Bima Yojana (PMSBY) for accidental and disability cover of up to Rs. 2 lakh at annual premium of Rs. 330/-
- ✓ Mudra Bank: Through corporate and business entities have a role to play this has to be complemented by informal sector enterprises which generated maximum employment.
- ✓ Micro units development refinance agency (MUDKA) Bank: With corpus of 20,000/- Crore and credit guaranteed scheme in budget 2015 to all young educated or skilled informal workers.
- ✓ MNREGA Mahatma Gandhi national Rural Employment Guarantee Act – 20015.

National Skill Development Mission: This mission is a holistic approach for needed to address the issue of informalization which a larger part is due to the Socio-economic drawback in society, comprising a large number of properly educated labour force or in traditional occupations, poor financial inclusions, lack of motivation and aspirations. This mission encourages and motivate micro and small enterprises of informal sector. It benefit the better livelihood by giving finance in informal market the government gives incentives and provides a good platform for informal associations this efforts overcome the uncertainty and safety needs for informal or unorganized sector with this scheme large extent of labour forced overcome the challenges informalisation not only unorganized sector but also for the growth of informal employment in organized enterprise. Informalisation tends for improvement of skill development which encourages informal sector employment.