Unorganised entrepreneurship and employment generation in India

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Abstract: Considering India’s population growth and paucity of job opportunities, entrepreneurship is the only key to come out of the juncture of unemployment. Entrepreneurship may be in the organised or unorganised form. So far as engagement of workforce is concerned, unorganised sector in India outweighs the organised sector. But the unorganised sector fails to win the confidence of the stakeholders owing to its unsystematic approach and unavailability of regulatory framework. Due to this the stakeholders of this sector do not boast about their affiliation. This paper unfolds how the unorganised sector in India easily accommodate heavy workforce but with many gray areas. Case study method and in-depth interview method are followed to highlight the problem and focus group discussion is conducted to design a framework for win-win situation.

Keywords: unorganised sector; entrepreneur; self-employment; contribution; challenges; India.


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1 Introduction

Entrepreneurship refers to the economic activity of a person or a group of persons in the society in order to achieve some business objective by taking risk in business. This leads to all economic activity by seeking opportunity of business and bear all the risk as well as benefit of the business activity. The meaning of self-employment goes to a work force who have aspirations and intention towards occupational choice depending upon either in family background or in demographic situation. This is a work force which is motivated by self and independent employment opportunity. In India unorganised sector plays an important role in economy development. Self-employment scope in unorganised sector is a foregone conclusion. Hence the role of an entrepreneur in establishing employment
opportunity in the unorganised sector has its own significance. In this context the Government of India is planning how to establish confidence on educated youth of our country to be self-sufficient by adopting entrepreneurship in unorganised sector. Accordingly the skill and technical know-how should be provided to each and every citizen so that the condition of unorganised sector will increased in future.

The unorganised sector plays a vital role in developing the economy of the country. Particularly in developing country major income is coming from such sector. It also reduces the unemployment problem up to maximum extent. The entrepreneurs in this sectors i.e., vegetable vendors, agents, footpath traders etc. sometimes they earn more than formal employees of our country. Community based business such as foot ware, beauty parlour, decorative things, clothes etc. is observed in most part of our country. It is also observed that most of the rural and urban people running their family business due to lack of employment opportunity (Sastry, 2004). Most of such family business is observed in unorganised sector and they earn lively hood from it. So the government planned to take necessary steps for uplifting such sector.

According to Economic Survey (2008), it was estimated that more than 93% of work force are engaged in unorganised sector of our country. Ministry of labour has differentiate unorganised labour force in terms of occupation, nature of employment, service and distressed category for different self-employment. At the same time unorganised sector though quite small it has contributed a lot towards Indian economy. In India growth of unorganised sector has increased proportionately due to density in population, unemployment situation and continuous increase of degree holders (Bhalla, 2003). In order to address this situation the Government of India has establish national commission on enterprises in the year 2004 in informal/unorganised sector. Now it is observed that role of an entrepreneur is one of the important contribution for self-employment in unorganised sector of our country.

This paper is going to establish the role of an entrepreneur in our country. At the same time the paper highlights various challenges and opportunities available in unorganised sector of India. It draws special attention to the situations of unorganised sector and how an entrepreneur will be able to redress the present unemployment position.

2 Objectives and methodology

The unorganised sector plays a major role in developing economies. It not only increases the income level of people but also reduces the unemployment problem of the country. Sometimes, it is observed that the informal/unorganised category of employees earns more than formal/organised one. It is also observed that most of the rural and urban people run their family business either due to lack of employment opportunity or owing to their mind set. Most of such family business is observed in unorganised sector and they earn livelihood from it. Considering the pivotal role the sector is supposed to play, the government has been planning to take necessary steps for upliftment of this sector. On the backdrop of the indispensable existence of unorganised sector in India, this paper is thought of. To address to the objectives, methodology opted is basically for a qualitative study by way of case study, in-depth interview and focus group discussion (FGD).
2.1 Objectives

The Objectives of this paper is to;

1. ascertain the positive and normative state of entrepreneurship in unorganised sector of India
2. unfold the opportunities and challenges in unorganised sector of India from entrepreneurship point of view
3. highlight governmental intervention, if required, for sustainability of unorganised sector of India.

2.2 Methodology

The study is based on both primary and secondary data. Sources considered for secondary data on unorganised sector and entrepreneurship in India are existing literature and published data from government sources.

Primary data is collected through case study method, in-depth interviews and FGD. A small case on unorganised entrepreneurship in construction industry is developed to present the rise and fall of an attempt. In-depth interviews are conducted among sampled stakeholders of the case presented. Interviews selected are on the basis of judgmental sampling. A FGD is conducted among the sampled individuals who were having concrete knowledge on the case presented in order to substantiate the findings of in-depth interview and put forth suggestions for sustainability of unorganised entrepreneurship. Participants of them are selected on the basis of judgmental sampling.

3 Unorganised sector in India

Indian national commission on labour has clarified the concept of unorganised sector as ‘those workers who have not been able to organise themselves in pursuit of their common interest due to some constraint’. By analysing this definition this sector refers to those work force like casual employment, ignorance, illiteracy in small and scattered size of establishment. These workers are generally associated in those enterprises where there is no legal provision and regular accounts are not maintained (International Labour Organisation, 2004). Some of the unorganised workforces are domestic workers, gardeners, garment makers, paper bag makers, incense stick rollers, food processors, barbers, book binders, carpenters, cobbler, roadside merchants, fast food owners etc.

The unorganised sector plays a major role in activity like manufacturing, construction, transport, trade, hotels and restaurant etc. It plays a significant role in economy by providing employment opportunity and reducing poverty from the country. It generates earning opportunity for large number of people to uplift them in the society. So far as employment in unorganised sector is concerned 60% are male and 40% are females. But the situation in rural area, 84% of total workers in unorganised sectors are engaged in agricultural activity. In urban and semi-urban areas 59% of total unorganised sector workers are engaged in road side trade, hotel, restaurant, manufacturing and services sectors (Central Statistical Organisation, 2006, 2007). In India a large portion of workforce are under unrecognised sector which contributes a major portion GDP.
Sometimes lack of control from government side may lead to reduce in taxation and social contribution. These unorganised sector activity attract people to increase their take home money which may give an opportunity to the entrepreneur for making black money which may affect the growth rate of the country.

3.1 Architecture of unorganised entrepreneurship in India

Architecture of the unorganised entrepreneurship in India is presented in Figure 1, i.e., the flow chart/block diagram.

Unorganised sector in India provides employment and earning opportunity to those who are not able to find a job in the formal or organised sector. But on the other hand it gives rise to loss in revenue of the country which could have been utilised in providing better facility and services to citizens of the country. Not only that it may give rise to high tax burden on registered labour (Satpathy, 2004). A high level of ignorance to this sector will also undermine the rules, regulations and governance. As a large share of the population in such sector ignorance pertaining to law, regulation and tax may weaken the countries economy.
In India the problem of unemployment in unorganised sector is increasing day by day. This is due to lack of social security and benefit of employment available in organised sector. Economic survey report indicates there is a growth of unemployment in rural area in comparison to urban area (National Statistical Commission, 2012). The employment position in unorganised sector differs from state to state in India due to social security and higher rate of payment. Rural unemployment in unorganised sector is higher than unemployment in urban area. At the same time rural unemployment for male is more than female in unorganised sector. As a result strong bargain, social security, high incidence of unemployment are some of the burning points to be taken into consideration at the government level in order to have self-employment (National Commission for Enterprises in the Unorganised sector, 2009).

### 3.2 Entrepreneurship and employment generation in India

According to the Annual Report (2018), MSME, Government of India, the jobs created through entrepreneurship in micro, small and medium sector is 11.10 crore. From which 360.41 lakh in manufacturing, 387.18 lakh in trade, 0.07 lakh in non-captive electric generation and transmission and 362.82 lakh in other services. This include both rural and urban areas across country. Category-wise employment in India through entrepreneurship is presented in Table 1 and Figure 2.

#### Table 1 Employment generation through entrepreneurship in India

<table>
<thead>
<tr>
<th>Broad activity category</th>
<th>Employment in lakh</th>
<th>Total %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rural</td>
<td>Urban</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>186.56</td>
<td>173.86</td>
</tr>
<tr>
<td>Trade</td>
<td>160.64</td>
<td>226.54</td>
</tr>
<tr>
<td>Non-captive electric generation and transmission</td>
<td>0.06</td>
<td>0.02</td>
</tr>
<tr>
<td>Other services</td>
<td>150.53</td>
<td>211.69</td>
</tr>
<tr>
<td></td>
<td>497.78</td>
<td>612.10</td>
</tr>
</tbody>
</table>


By analysing sector wise, employment provided to persons through micro is 1,076.19 lakh, small sector with 31.95 lakh and medium 1.75 lakh. Sector wise employment generation in India is presented in Table 2.

#### Table 2 Sector wise employment generation through entrepreneurship in India

<table>
<thead>
<tr>
<th>Sector</th>
<th>Micro</th>
<th>Small</th>
<th>Medium</th>
<th>Total</th>
<th>Total %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td>489.30</td>
<td>7.88</td>
<td>0.60</td>
<td>497.78</td>
<td>45%</td>
</tr>
<tr>
<td>Urban</td>
<td>586.88</td>
<td>24.06</td>
<td>1.16</td>
<td>612.10</td>
<td>55%</td>
</tr>
<tr>
<td>All</td>
<td>1,076.19</td>
<td>31.95</td>
<td>1.75</td>
<td>1,109.89</td>
<td>100%</td>
</tr>
</tbody>
</table>

Further analysis indicates that out of 1,109.89 lakh employees, 844.68 are male and 264.92 are female employed through entrepreneurship. Gender wise employment generation through entrepreneurship in India is presented in Table 3.

Table 3  Gender wise employment generation through entrepreneurship in India

<table>
<thead>
<tr>
<th>Sector</th>
<th>Female</th>
<th>Male</th>
<th>Total</th>
<th>Total %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td>137.50</td>
<td>360.15</td>
<td>497.78</td>
<td>45</td>
</tr>
<tr>
<td>Urban</td>
<td>127.42</td>
<td>484.54</td>
<td>612.10</td>
<td>55</td>
</tr>
<tr>
<td>All</td>
<td>264.92</td>
<td>844.68</td>
<td>1,109.89</td>
<td>100</td>
</tr>
</tbody>
</table>


Table 4  State and UTs wise percentage of entrepreneurship in India

<table>
<thead>
<tr>
<th>Sl. no.</th>
<th>State/UT</th>
<th>Estimated no. of entrepreneurship</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>No. in lakhs</td>
</tr>
<tr>
<td>1</td>
<td>Uttar Pradesh</td>
<td>89.99</td>
</tr>
<tr>
<td>2</td>
<td>West Bengal</td>
<td>88.67</td>
</tr>
<tr>
<td>3</td>
<td>Tamil Nadu</td>
<td>49.48</td>
</tr>
<tr>
<td>4</td>
<td>Maharastra</td>
<td>47.78</td>
</tr>
<tr>
<td>5</td>
<td>Karnataka</td>
<td>38.34</td>
</tr>
<tr>
<td>6</td>
<td>Bihar</td>
<td>34.46</td>
</tr>
<tr>
<td>7</td>
<td>Andra Pradesh</td>
<td>33.87</td>
</tr>
<tr>
<td>8</td>
<td>Gujurat</td>
<td>33.16</td>
</tr>
<tr>
<td>9</td>
<td>Rajasthan</td>
<td>26.87</td>
</tr>
<tr>
<td>10</td>
<td>Madya Pradesh</td>
<td>26.74</td>
</tr>
<tr>
<td>Total of above ten states</td>
<td>469.36</td>
<td>74</td>
</tr>
<tr>
<td>Other state/UTs</td>
<td>164.52</td>
<td>26</td>
</tr>
<tr>
<td>All</td>
<td>633.88</td>
<td>100</td>
</tr>
</tbody>
</table>

State wise analysis indicated that largest no. of entrepreneurship is estimated in Uttar Pradesh with a share of around 14.2% of total country, followed by West Bengal with around 14% of total country. Major state and UTs wise percentage of entrepreneurship in India is presented in Table 4.

4 Importance of entrepreneurship in unorganised sector

An entrepreneur plays a pivotal role in generating employment opportunity in unorganised sector. Important roles played by the unorganised entrepreneurship are presented below.

- Good architectural planning: an entrepreneur is supposed to set the vision and mission of an enterprise. Particularly in unorganised sector the entrepreneur has to set the goal of the business. As there is no stipulated rules, regulation and programs are there for unorganised sector proper planning will bridge the gap between where the enterprise is and where the enterprise has to go. It is the duty of an entrepreneur to make a plan for the enterprise so that the objective can be achieved in a stipulated period of time.

- Capital formation: it is very essential to form capital for an enterprise. In unorganised sector most of the capital either contributed by the entrepreneur or the entrepreneur burrows the capital from outside in order to fulfil capital requirement. While planning for the business good entrepreneur should forecast for the future requirement of capital. The entrepreneur has to successfully mobilise the fund of his own as well as the persons or agencies from which the entrepreneur has burrowed for business. By doing good entrepreneurial activity the entrepreneur can go for good revenue generation which will lead to value addition and wealth creation. This is very much essential for national economic growth of the country.

- Provide employment opportunity: entrepreneurs who mainly run small and medium enterprises focusing unorganised sector are providing good employment opportunity to the society. By planning for seasonal business, agricultural activity, art and paint, tailoring are some of the area where employment can be generated in unorganised sector. The entrepreneur focusing on this can generate good employment opportunity to those people who are unskilled and are under poverty line. This will reduce the unemployment ration as well as the poverty ration of the country.

- Balance regional development: more and more enterprise in unorganised sector should be establish in various regions to reduce regional disparity. In each and every region of the country some talent is there which is hidden among the people. The entrepreneur should try to find out those talent which can be channelise through various job opportunity and revenue generation so that the upliftment of that region can be done as well as new demand can be generated in the market. The entrepreneurs are also exempted of running after traditional business where lots of competition and risk is also there. Through this strategy balanced regional development can be possible which ultimately will land in the entire nation development.
• Reduces monopoly: it is due to the entrepreneur monopolistic attitude. Industrial development give rise to concentration of economic power within few individuals. Such economic power in future give rise to monopoly in the market. As it is known finance is the back bone of all business. Due to good financial soundness those entrepreneurs want to suppress the new comers in that area to that market. Such price war ultimately may land in decrease in quality or may be price hike. In order to reduce this problem entrepreneur should focus on opening large number of enterprise in rural areas so that the money will be circulated properly which will reduce the monopoly of large enterprise up to maximum extend and helps to promote fare competition. With these also large no of employment opportunity can be generated in those areas and society advancement can be done.

• Distribution of wealth: equal distribution of wealth can be possible in unorganised sector with the presence of an entrepreneur. Entrepreneurs open various sources of income for the people of a particular area in an unorganised sector. Which was earlier restricted among few people in the market. Due to ample numbers of enterprise open in unorganised sector by an entrepreneur it give rise to Equal distribution of wealth which leads to maximum satisfaction.

• Improve standard of living: it is possible on the part of an entrepreneur to improve the standard of leaving of the citizens under unorganised sector. The people of unorganised sector got employment opportunity through the entrepreneur. Due to this there income level increase. With increase of income their purchasing power increase. These people in such sector are able to fulfil their demand. This leads to a better standard of living of those person in the society.

• Skill development: as unorganised sector is not considered as structured enterprise, it seems to be difficult to improve the skill of its employees. But now it is the role of an entrepreneur in unorganised sector to provide training and orientation in order to improve skill of their employees. These skill development ultimately help the entrepreneur in establishing and expanding their business.

5 Case study of unorganised entrepreneurship in construction industry

Ramesh, a villager from a remote village of Odisha, belongs to a poor farmer’s family of nine members and was very slow in education in his childhood. He appeared in high school (10th) examinations but could not pass. As there was tremendous pressure of contributing to family for hand-to-mouth expenses, he was forced to work. He joined a mason from his village as assistant and started earning daily wages. Although he was poor in studies, he was bit sharp in learning other things. In couple of months only, he started working like a mason. After only six months of his daily wages as an assistant to the mason, he got the chance to work as a full-fledged mason and started earning multiple times of what he was earning earlier. For the sake of earning more he started doing mason job on contract, instead of on daily basis, and worked hard day and night to get established for completing the task on time. His hard work started fetching him rewards in the form of name and accelerated earnings. In couple of years, people started joining him as assistants and he formed a reasonable size of team of masons and workers to take multiple assignments simultaneously. Although he was having the manpower of all
required categories, he was lacking the supporting instruments or articles for framework, centring, shuttering and staging in construction work. For all these supporting articles, he was to depend on other parties dealing with those. As a consequence, occasionally, he was becoming defaulters in handing over the construction to the owner on time and a good amount of his would-be profitability was appropriated by those parties. To make an independent entity, he took loans from friends and relatives to have those supporting articles of his own. In fact, he owned around ten sets of all those articles and enlarged his team of manpower. With this, he was able to manage construction work simultaneously at ten sites. For the sake of accommodating all the articles and building fellow feeling among the team members, he leased a plot of land and build a temporary residential house and a big storeroom. Most of the team members were staying there and enjoying by cooking for their own. To facilitate their comfortable stay, he also made a small poultry farm only for the sake of consumption of the team members. With all these facilities, all the team members were putting their extra efforts in construction work with the feeling as the work is theirs only. Although he was basically a mason, with his extended network of activities, he was hardly concentrating on mason job. He started supervising all the sites. Around 70 people were working in his team throughout the year. People working with him were very happy as they were getting regular work and higher wages. Moreover, they were getting support from him both mentally and financially during the time of need. The standard of living of all the households of the people working with him got better. That phase was in fact the best example of rise of an unorganised unit. It worked for 5–6 years with progressive upward trend and his team got a name in the periphery of 50 kms of his home place. But the progression got a halt as people after didn’t pay his price even after completion of their projects. Multiple lakh of rupees remained pending with the landlords while he struggled to pay the remuneration to the workers and repay the loans taken from the moneylenders and relatives. People working with him started leaving him and he had to dismantle his entity and sell off all the articles he had possessed. He again came back to mason on daily-wage basis.

6 Case study analysis

Core of this paper is the case study and output emerged from the case study has been substantiated by in-depth interview and focused group discussion. The in-depth interviews focus to unfold Ramesh’s and his team members’ conditions. For the purpose, 15 workers working with him was taken. Such activity throws light on their social and psychological conditions, status in the society, etc. For better analysis of the result, a focus group was conducted by taking ten individuals who had proper knowledge about the formation, operation and liquidation of Ramesh’s group so that better solution could be devised for establishment of such groups and to address genuine problems of employment generation in the country.

6.1 Through in-depth interview

In order to unfold Ramesh’s and his team members’ present condition, in-depth interview was conducted with 15 workers himself. Important points of those interviews are given below.
• Workers including masons associated with Ramesh were having a better life socially and economically as they were getting higher wages that was certain and psychologically they were secured as they were not to search for work for everyday.

• Workers felt there should be some regulatory intervention for these type entities as objectives of such entities are clear and sacred.

• They have the feeling that construction workers including masons are no less than the skilled workers but they don’t have the backing as the skilled workers deserve.

• They opined that if chances come up again to get associated with any of such entities, it would be their great pleasure.

• They told that some of them had migrated to other States to maintain the regularity of work same amount of level of earning. They have succeeded in getting both but at the cost social issues as they are staying away from family.

• The feeling of Ramesh is no different from that of his former team mates. He is having a very tough life as he has to search for work on daily basis with relatively lesser remuneration.

• No doubt, Ramesh is maintaining his household but with much hiccup. He is confident that had there not been collection issues, he would have expanded his entity like anything.

6.2 Through FGD

A FGD was conducted among ten individuals who had concrete knowledge about the formation, operation and depletion of Ramesh’s team. The individuals selected for FGD are on the basis of referral sampling. While administering the FGD, the output of the in-depth interviews were presented and objective was to find out why and how there was sudden rise and fall of Ramesh’s team. The participants were also hinted to suggest the measures to safeguard any such entity with potential of employment generation.

It is found that the output of FGD converges with that of the In-depth interview in the context of ‘why’ and ‘how’ of ‘rise and fall’ of Ramesh’s team.

Concerning suggestive measures, the participants of the FGD felt that although the situation of such workers in urban areas is up to a certain reasonable level, the situation of their rural counter parts is precarious. There is a need of governmental intervention particularly in the form of designing a framework for provision of finance and collection of dues. Although it sounds funny if we critically see why the govt. should come to rescue of the private groups that too which are not registered, it has immense importance as it addresses the genuine problem of employment generation.

7 Conclusions

Persistently increasing intensity of the workforce and paucity of employment opportunities in India are the cause of massive unemployment in the country. It calls for creation of job opportunities. In fact, ‘creating job’ not ‘searching for job’ has been the slogan of the countries like India to promote entrepreneurship. But going for organised
entrepreneurship is not everybody’s cup of tea owing to its financial and operational complexity. As against, with mere will power and intensity to create job, one can easily go for entrepreneurship in an unorganised way. The best example has been cited in the case presented in this paper. Although number of individuals coming for entrepreneurship in unorganised sector is not as expected, if the regulatory framework ensures the sustainability of such entrepreneurship, undoubtedly the volume of unorganised entrepreneurship will shoot up.

To encash the possibility of large scale entrepreneurship for addressing the unemployment issues, there is a need of conducive but viable development plans by the government. To overcome the challenges faced by entrepreneurs of unorganised sector, along with the government, established organised entrepreneurs need to offer helping hands in the form of, may be, providing training for skill development and technology advancement to enhance productivity. There may be incentive schemes for the individuals coming for entrepreneurship in unorganised sector to encourage potential entrepreneurs for setting up business in different regions of India. Entrepreneurship holds the key to strengthen the economy of the country. So country-wide programmes on entrepreneurship must be lunched in true spirit for creating awareness among the masses. A consolidated framework from the government for setting up of unorganised enterprises, meeting financial requirements and marketing of both inputs and outputs of the unorganised enterprises is required.

Exploration to untold story of a mason that had created a good number of employment once upon a time calls for researchers to take up such projects that may light on gray areas of the sector. Similar type of case study method of research may be conducted in other sub-sectors of this unorganised sector. Particularly, brick workers, plumbers, electrical repairing workers, painters, etc. who are still in unorganised premises need attention of researchers. Moreover, the output of such researches need to be publicised so that the same will find a place in policy formulation. Besides, quantitative Study may also be conducted on such issues with a suitable Scale of measurements.

References


