

Growth of Unorganized Manufacturing Sector in India – Analysis of National Sample Survey Studies

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Abstract: *Employment in the informal sector is growing much faster than that in the formal sector. Between 1999/2000 and 2004/05, employment grew in the formal sector by 3.02 per cent per annum, while that in the informal sector grew by 5.17 per cent per annum. India is experiencing a contraction in its formal workforce and an expansion of its informal workforce, constituted by both the growth of the informal sector as well as growing informalization of work in the formal sector, particularly substituting for formal work. This paper analyses three important surveys of unorganized manufacturing sector made by the National Sample Survey Organization's 51st, 56th and 62nd Round in 1994-95, 2000-2001 and 2005-06 respectively. The study aims to understand the growth of - enterprises in the unorganized sector, gross value added, average GVA per worker, number of workers, and investment in the unorganized sector over these three time periods. From the analysis, it was found that, there was steady increase in the number of establishments in the unorganized sector in the country and the growth was found marginal during the study period. The gross value added of the unorganized sector recorded a significant increase recording a growth of 10.95 per cent and 7.79 per cent in 2000-01 and 2005-06 respectively.*

Keywords: *Gross Value Added, India, Manufacturing sector, National Sample Survey, Unorganized sector*

I. Introduction

The role of unorganized sector in India is highly significant in the provision of employment and in contributing to the economic growth of the country. Bhalla and Hazell (2003) observed that since early 80's and even before that more than 90 per cent of the total work force has been engaged in the unorganized sector to earn their income and livelihood. The unorganized sector not only provides income earning opportunity to the large number of poor people but also supplies essential raw materials to organized sector of the country. The informal sector represents an important part of the economy and the labor market in many countries, especially developing countries, and plays a major role in employment creation, production and income generation (OECD 2002).

II. Review Of Literature

Bhalla., and Sheila (2003) examined the importance of unorganized sector in the country and studied the structural changes in the sector during 1979-80 to 1994-95. The study stated that the vast majority of Indians earn their living through work in the unorganized segment of the economy. Bhalla and Hazell (2003), analyzed the changing trends in the employment in the unorganized sector of India and they found that an important feature of labor market situation in India is the predominance of unorganized employment. Dutt (2007) with the help of NSSO data (1999-2000) explained the nature of workers in the organized and unorganized sector in India. He stated that out of a total of 110 million unorganized non-agricultural workers, about 69 million, that is, 62 per cent are self-employed. Among the self-employed, 88 per cent are independent workers and 12 per cent are home-based workers. His study revealed that out of 458 million workers, the proportion of self-employed workers is 56.5 per cent (258 million) and casual workers are 28.3 per cent (130 million). Taken together, these two categories, which are the most vulnerable among workers constituted about 85 per cent. The remaining 69 million workers were regular workers (15 per cent). However, the proportion of self-employed in the unorganized sector was 64 per cent (253 million) out of a total of 395 million workers and that of casual workers was 29 per cent (116 million). Taken together, these two most vulnerable groups accounted for 93 per cent among the unorganized sector. Regular workers accounted for only seven per cent. This provides a vivid overview of the pathetic state of unorganized workers in which 93 per cent of workers suffered from job as well as social insecurity. Bairagya (2010) examined the relationship between the economic reforms in the country and the growth of unorganized sector during 1970-71 to 2005-06 considering major policy changes particularly the trade reforms. The study observed that the size of the unorganized sector is higher in terms of percentages share than organized sector for the entire study periods. However, during this study period there has been a decreasing trend in the share of unorganized sector in the NDP (Net Domestic Product) and despite it, the

unorganized sector was still found to have a large share (almost 60 per cent) in total NDP. Further, the study found that the informal employment increased overtime along with the estimated population and labor force, while the formal employment decreased in recent years. Kathuria and others (2010) compared the performance of manufacturing sector in the organized and unorganized sector in India. They collected data for organized manufacturing sector from the Annual Survey of Industries (ASI) and for unorganized sector, they relied on the NSSO data set related to 1994-95, 2000-01 and 2005-06. They used partial and total factor productivity growth and capital-labor ratio as the measures to estimate and compared the performance of the organized and unorganized manufacturing. The analysis revealed that labor productivity has increased for the organized sector over time whereas both labor productivity and capital intensity growth has slowed down in the unorganized sector during the period between 2000-01 and 2005-06. Total factor productivity (TFP) grew steadily in the organized manufacturing sector while there was a decline in the unorganized manufacturing sector. The study showed that that the growth in GVA is mostly productivity driven, not input driven, in both sectors.

Most of the previous studies focused on employment conditions, social security and economic reforms. The present study compares three different reports of National Sample Survey of 1994-95, 2000-2001 and 2005-2006. The study aims to understand the growth of - enterprises in the unorganized sector, gross value added (GVA), average GVA per worker, number of workers and investment in the unorganized sector over these three time periods.

III. Unorganized Sector

Charmes (2000) estimated that the unorganized sector accounts for more than two third of total employment and more than one third of the total GDP of the non-agricultural sector in Asia. Further, the unorganized sector is characterized by the composition of a significant portion of female workers and socially backward section of the people. While studying the importance of unorganized sector in India, D'Souza (2013) pointed out that employment in the informal sector is growing much faster than that in the formal sector. Between 1999/2000 and 2004/05, employment grew in the formal sector by 3.02 per cent per annum, while that in the informal sector grew by 5.17 per cent per annum. Secondly, the growth of formal sector employment happened entirely due to informal employment within the formal sector. The formal workers in the formal sector declined at -0.32 per cent p.a. whereas informal workers grew by 8.05 per cent. As a result, informal workers in the non-agricultural sector grew by 5.58 per cent, whereas formal workers declined by -0.09 per cent. Overall, the non-agricultural formal sector experienced a growth of 8.3 million informal jobs and a contraction of 0.5 million formal jobs. Thus, it is clear that India is experiencing a contraction in its formal workforce and an expansion of its informal workforce, constituted by both the growth of the informal sector as well as growing informalization of work in the formal sector, particularly substituting for formal work. Thirdly, the tendency of informalization of work of the formal sector has been particularly marked for the manufacturing sector. Of the total net incremental jobs created (both formal and informal work) in the formal sector in this period, about 45 per cent have been informal jobs in manufacturing, followed by 19.5 per cent as informal jobs in construction and 15.5 per cent as informal jobs in education. To put it in perspective, of the 7.8 million net new jobs created in the non-agricultural formal sector, informal work in manufacturing alone accounted for 3.8 million. The burgeoning of informal jobs in the formal manufacturing sector has been paralleled by a sharp contraction of close to 0.9 million formal jobs in this sector. Finally, within the informal sector, manufacturing, with 27 per cent of the total workforce of the informal sector, is also its largest segment. Thus a large segment of the informal sector as well as informal workforce are involved in manufacturing activities.

In view of the growing importance of the unorganized sector in the country, the present section of the study makes an attempt to present a profile of the unorganized sector in India with the help of NSSO studies. This section considers three important surveys on unorganized manufacturing sector made by the NSSO 51st Round in 1994-95 (Report No. 433(51/2.2/1), 56th Round in 2000-2001 (Report No. 478(56/2.2/2) and 62nd Round in 2005-06 (Report No. 524(62/2.2/1), 525(62/2.2/2), 526(62/2.2/3) so as to present changes in the structure of the sector in the country.

The National Sample Survey Organization (NSSO) defined enterprise and establishment in its reports on Unorganized Manufacturing sector in India. An enterprise has been defined as, "an undertaking engaged in the production and / or distribution of some goods and / or services meant mainly for the purpose of sale, whether fully or partly. An enterprise may be owned and operated by a single household or by several households jointly on a partnership basis, or by an institutional body. Accordingly, there are two broad categories namely, Own Account Enterprise and Establishment.

3.1 Own-Account Enterprise: An enterprise, which is run without any hired worker employed on a fairly regular basis, is termed an own account enterprise. If such an enterprise is engaged in manufacturing and/or repairing activities, it is termed as an Own Account Manufacturing Enterprise (OAME).

3.2 Establishment: An enterprise which is employing at least one hired worker on a fairly regular basis is termed as an establishment. Paid or unpaid apprentices, paid household member/servant/resident worker in an enterprise are considered hired workers. Establishments have further been categorized into two parts: non-directory and directory.

It further classified establishment into two types namely,

3.2.1 Non-Directory Manufacturing Establishment: An establishment employing less than six workers (household and hired workers taken together) is termed non-directory establishment. If such an establishment is engaged in manufacturing activities, it is termed Non-Directory Manufacturing Establishment (NDME).

3.2.2 Directory Manufacturing Establishment: A directory establishment is an establishment which has employed six or more workers (household and hired workers taken together). If such an establishment is engaged in manufacturing activities, it is termed Directory Manufacturing Establishment (DME).

Accordingly, there are three types of establishments functioning in the unorganized sector namely, Own-Account Manufacturing Enterprise (OAME), Non-Directory Manufacturing Establishment (NDME) and Directory Manufacturing Establishment (DME). The following table reports estimated number of unorganized manufacturing establishments in India. The rural and urban classification has been made for better comparison.

IV. Findings And Discussion

4.1 Growth of Number of Establishments:

From the TABLE 1.1, it could be noticed that the total number of establishments were 14.50 million in 1994-95 which increased to 17.02 million in 2000-01 and in 2005-06, with a marginal increase, the total number of units were estimated at 17.07 million. In relative terms, the growth in the number of establishments per annum were estimated at 4.07 per cent in 2000-01 and 0.05 per cent in 2005-06. The number of establishments in the unorganized sector were noticed higher in the rural areas than in the urban areas during all the three reference periods. In 1994-95, there were 10.49 million establishments in rural areas and 4.01 million in urban areas. When compared to 2001-01 and 2005-06, the number of establishments in rural areas increased to 11.93 million and 12.13 million (a growth of 2.16 per cent and 0.32 per cent) while in urban area the number increased to 5.09 million (a growth of 4.07 per cent) in 2000-01 and declined marginally to 4.94 million recording a fall of -0.58 per cent per annum.

4.2 Growth of Type of Establishment

The TABLE 1.1 also presents the estimates of growth of number of establishments by types in rural and urban areas in the country. Among various types of establishments, during the year 1994-95, the OAME was observed higher with 12.25 million units at the country level (9.53 million and 2.71 million units in rural and urban areas respectively). This estimates increased to 14.66 million (2000-01) and 14.61 million (2005-06) units with an average annual growth of 3.05 per cent and -0.07 per cent respectively. The growth was noticed to be significant in 2000-01 at 4.85 per cent in the urban area and 2.50 per cent in rural areas. As against this, the number of units decreased marginally at -0.58 per cent in urban areas in 2005-06 with a negligible increase in rural areas (0.09 per cent) during the same year.

The second major type enterprise is the Non-Directory Manufacturing Establishments (NDME). At the national level, the number units in NDME was 1.6 million in 1994-95 which increased to 1.71 million in 2000-01 (a growth of 1.13 per cent per annum) and further to 1.77 million, recording a growth of 0.68 per cent in 2005-06. The NDME showed a marginal fall from 0.68 million in 1994-95 to 0.63 million in 2000-01 (-0.98 per cent) and an increase to 0.745 million in 2005-06 (3.43 per cent) in rural areas. As against this, the NDME increased in urban areas in 2000-01 to 1.08 million (2.52 per cent) from 0.932 million in 1995-95 and declined negligibly to 1.02 million (-1.08 per cent) in 2005-06. The number of directory manufacturing establishments (DME) was of the order of 0.654 million in 1995-95, 0.647 million in 2000-01 (-0.19 per cent) and 0.687 million in 2005-06 (1.23 per cent). While the number of units of DME in rural areas declined from 0.294 million 1994-95 to 0.247 million (-.88 per cent) in 2000-01, it increased to 0.274 million (2.13 per cent) in 2005-06, the number of units of DME in urban areas increased from 0.36 million to 0.40 million (1.77 per cent) and further to 0.413 million (0.65 per cent) in the same reference periods.

Table 1.1 Growth of Number of Establishments in Unorganized Sector (in Million)

Establishments	1994-95 (51 st Round)			2000-01 (56 th Round)			2005-06 (62 nd Round)		
	Rural	Urban	India	Rural	Urban	India	Rural	Urban	India
OAME	9.53	2.71	12.25	11.06 (2.50)	3.61 (4.85)	14.67 (3.05)	11.11 (0.09)	3.50 (-0.58)	14.61 (-0.07)
NDME	0.67	0.93	1.60	0.63 (-0.98)	1.08 (2.52)	1.71 (1.13)	0.75 (3.43)	1.03 (-1.08)	1.77 (0.68)

DME	0.29	0.36	0.65	0.25 (-2.88)	0.40 (1.77)	0.65 (-0.19)	0.27 (2.13)	0.41 (0.65)	0.69 (1.23)
All	10.49	40.07	14.50	11.93 (2.16)	5.09 (4.07)	17.02 (2.71)	12.13 (0.32)	4.94 (-0.58)	17.07 (0.05)

(Figures in the parentheses are the Compound Growth Rate, CGR in %)

Source: Compiled from NSSO reports of 51st, 56th and 62nd Round on Unorganized Sector in India

4.3 Growth of Gross Value Added

The changes in the structure of a sector could be analyzed through the changes in the important variables namely output as measured by Gross Value Added (GVA), number of workers and investment. The following section deals with the growth of GVA, employment and investment in the unorganized sector by type of establishments.

TABLE 1.2 reports the estimates of growth of GVA by type of establishments in the unorganized sector in India. From the table, it could be noticed that the GVA of the unorganized sector as a whole in the country increased from Rs.3227.5 million in 1994-95 to Rs.6019.2 million in 2001-01 recording an average annual growth of 10.95 per cent and further to Rs.8758.6 million in 2005-06 with an annual growth of marginally lesser at 7.79 per cent compared to previous reference period of 2000-01. Among the various of types of establishments, the OAME was found having higher gross value added during 1994-95 constituting 42.70 per cent with Rs.1378.2 million followed by DME at 33.57 per cent (Rs.1083.4 million) and the remaining 23.73 per cent (Rs.765.8 million) was shared by NDME. In 2000-01, the trend in the share of different types of establishments in the GVA of the unorganized sector was almost similar at 42.28 per cent, 25.02 per cent and 32.70 per cent respectively for OAME, NDME and DME during the reference period. In relative terms, there was noticeable growth in the GVA of all the types of establishments. For instance, the OAME recorded an increase in the GVA to the extent of 10.76 per cent per annum while that of NDME and DME were of the order of 11.93 per cent and 10.46 per cent respectively. This trend had completely changed in 2005-06. The share of OAME which was found higher in the earlier years declined significantly to 32.04 per cent and that of DME increased notably to 43.85 per cent and in the case of NDME, the fall was marginal at 24.11 per cent. In absolute terms, all the establishments recorded higher GVA in 2005-06 with varying levels of growth. The growth of GVA of OAME was estimated at 1.97 per cent over the previous reference period while that of NDME was 7.00 per cent and DME was higher at 14.30 per cent in 2005-06. Considering the varying estimates of growth rate, the unorganized sector as a whole witnessed a steady growth in GVA at 10.95 per cent in 2000-01 and 7.79 per cent in 2005-06. The higher and increasing growth of GVA indicates its growing importance in the economy.

Table 1.2 Growth of Gross Value Added by type of Establishments (Rs. In Million)

Establishment	1994-95	2000-01	CGR (%)	2005-06	CGR (%)
OAME	1378.2 (42.70)	2544.8 (42.28)	10.76	2806.1 (32.04)	1.97
NDME	765.8 (23.73)	1506.0 (25.02)	11.93	2112.0 (24.11)	7.00
DME	1083.4 (33.57)	1968.4 (32.70)	10.46	3840.5 (42.85)	14.30
All	3227.5	6019.2	10.95	8758.6	7.79

(Figures in the parentheses are the percentage share in total)

Source: Compiled from NSSO reports of 51st, 56th and 62nd Round on Unorganized Sector in India

4.4 Growth of Gross Value Added according to types of establishments

TABLE 1.3 presents estimates of average GVA of different types of establishments in the unorganized sector in the country during the three reference period considered in this section. The average GVA of all the types was found increasing over the years. In the case of OAME, the average GVA was Rs.112.51 in 1994-95 which increased to Rs.173.52 in 2000-01 and further to Rs.192.03 in 2005-06. In the same reference periods, the average GVA of NDME increased from Rs.478.63 to Rs.879.84 and to Rs.1193.03 and the average GVA of DME increased from Rs.1655.56 to Rs.3042.29 and to Rs.5585.11 during the same years. Among the three broad types of establishments, the DME was noticed to have highest average GVA followed by NDME and OAME during the reference period under consideration.

Table 1.3 Estimates of Average GVA by type of Establishments (in Rs)

Establishment	1994-95	2000-01	2005-06
OAME	112.51	173.52	192.03
NDME	478.63	879.84	1193.03
DME	1655.56	3042.29	5585.11
All	748.90	1365.22	2323.39

Source: Compiled from NSSO reports of 51st, 56th and 62nd Round on Unorganized Sector in India

4.5 Estimates of Average GVA per worker

TABLE 1.4 reports average GVA per worker (average labor productivity) by types of establishments in the unorganized sector in the country. It has been an acceptable fact that an increase in the productivity is an indication of better utilization of resources put in the production process. The observed estimates of average GVA of per worker coincides with the average GVA of per establishment reported in the previous table with varying magnitude during the reference period. The average GVA of OAME in 1994-95 was Rs.60.82 which increase to 101.54 in 2000-01 and further to Rs.118.46 in 2005-06. During the same reference period, the increase in the average GVA of NDME was of the order of Rs.156.74, Rs.270.78 and Rs.365.44 and for the DME the average GVA per worker was estimated at Rs.191.59 in 1994-95, Rs.304.80 in 2000-01 and Rs.550.52 in 2005-06. It could be observed from the table that, the average GVA per worker of DME and NDME was higher than the national average while that of OAME was found lesser than the national average during the period under reference.

Table 1.4 Estimates of Average GVA per worker (in Rs)

Establishment	1994-95	2000-01	2005-06
OAME	60.82	101.54	118.46
NDME	156.74	270.78	365.44
DME	191.59	304.80	550.52
All	136.38	225.71	344.81

Source: Compiled from NSSO reports of 51st, 56th and 62nd Round on Unorganized Sector in India

4.6 Growth of Number of Workers in the Unorganized Sector in India

Another chief factor to be considered while studying the growth of any sector is the changes in the number of workers employed. Accordingly, the study made an attempt to estimate the changing pattern of employment in the unorganized sector by types of establishments in the country during the three reference periods of 1994-95, 2000-01 and 2005-06. The compiled data of employment in the unorganized sector has been reported in the TABLE 1.5.

From the TABLE 1.5, it could be noticed that the unorganized sector provided employment to 33.2 million people in the country constituting 22.13 million (66.6 per cent) in rural areas and 11.07 million (33.4 per cent) in urban areas. In terms of types of establishments, highest number of persons were found employed in OAME which was estimated at 22.66 million (68.25 per cent) followed by DME with 5.65 million (17.03 per cent) and NDME with 4.88 million (14.72 per cent) in 1994-95 at the country level. This case was found similar in the rural urban classification also. OAME provided employment to as high as 17.84 million people in rural areas (4.82 million in urban area) followed by DME as it provided employment to 2.45 million persons (3.2 million in urban area) and the employment in the NDME in rural areas was 1.83 million (3.06 million in urban area) during 1994-95. It could further be noticed that the number of persons engaged in the unorganized sector was found more in rural areas than in the urban areas at the national level but by types more employment was noticed in OAME in rural areas while NDME and DME provided comparatively more employment in urban areas.

The pattern of employment observed in 1994-95 was found to continue in 2000-01 also as the share of persons engaged in rural areas was greater than that of urban areas. At the country level, there were 37.08 million persons were estimated to have employed in the unorganized sector with 23.99 million in rural areas (64.7 per cent) and 13.10 million in urban areas (35.3 per cent). The growth was estimated at 1.86 per cent at the country level and 1.35 per cent in rural and 2.83 per cent urban areas. In terms of the types establishments, the OAME constituted a highest share of 67.58 per cent (25.06 million) followed by DME with 17.42 per cent (6.46 million) and NDME with 15 per cent (5.56 million) in 2000-01. In rural areas, more people were found employed in OAME (17.84 million) than in urban areas (5.91 million). As against it, number persons engaged in NDME and DME were more in urban areas (3.63 million and 3.55 million respectively) than in the rural areas (1.93 million and 2.9 million respectively in 2000-01). It could therefore be inferred that in general, more people were found engaged in unorganized sector in rural areas than in the urban areas. While this number was comparatively greater in the case of OAME in rural areas, NDME and DME were found providing employment more to persons in urban areas of the country.

There was a moderate fall in the number of persons engaged in the unorganized sector in 2005-06 as the estimate fell to 36.44 million from 37.08 million in 2000-01, a fall of 0.35 per cent per annum. The fall was observed common both in rural and urban areas by 0.44 per cent and 0.17 per cent respectively. As observed earlier, OAME constituted a highest share in total employment with 23.69 million (65.01 per cent) followed by DME with 6.98 million (19.14 per cent) and NDME with 5.78 million (15.85 per cent). At the country level, the employment in unorganized sector was more in rural areas with 23.46 million (65.38 per cent) and the same in urban areas was 12.99 million (35.62 per cent). The fall in the employment in unorganized sector in 2005-06 was noticed across all types of establishments except in DME which recorded an increase both in rural and

urban areas. The employment in OAME declined by 1.12 per cent per annum recording a total employment of 23.69 persons from 25.06 million marked in 2000-01. The employment in OAME both in rural and urban areas declined of the order of 1.20 per cent 0.85 per cent respectively while that NDME declined in urban areas by 1.32 per cent and in rural area it increased by 4.28 per cent. In the case of DME, the persons employed increase by 0.99 per cent and 2.01 per cent in rural and urban areas in 2005-06 compared to 2000-01.

Thus, it could be inferred that over the years, the employment in unorganized sector was 36.44 million in 2005-06 marking a moderate fall compared to the previous survey period of 2000-01. The declining trend was observed both in rural and urban areas but the decline was noticed to be marginal at 0.44 per cent and 0.17 per cent in rural and urban areas respectively.

Table 1.5 Growth of Number of Workers in Unorganized Sector (in Million)

Establishments	1994-95 (51 st Round)			2000-01 (56 th Round)			2005-06 (62 nd Round)		
	Rural	Urban	India	Rural	Urban	India	Rural	Urban	India
OAME	17.84	4.82	22.66	19.15 (1.18)	5.91 (3.48)	25.06 (1.69)	18.02 (-1.20)	5.67 (-0.85)	23.69 (-1.12)
NDME	1.83	3.06	4.89	1.93 (0.93)	3.63 (2.90)	5.56 (2.18)	2.38 (4.28)	3.40 (-1.32)	5.78 (0.77)
DME	2.45	3.20	5.65	2.91 (2.87)	3.55 (1.74)	6.46 (2.24)	3.05 (0.99)	3.92 (2.01)	6.98 (1.56)
All	22.13	11.08	33.20	23.99 (1.35)	13.09 (2.83)	37.08 (1.86)	23.46 (-0.44)	12.99 (-0.17)	36.45 (-0.35)

(Figures in the parentheses are the compound Growth Rate in %)

Source: Compiled from NSSO reports of 51st, 56th and 62nd Round on Unorganized Sector in India

4.7 Growth of Number of Workers per Establishment

The TABLE 1.6 reports estimate of average number of workers in the unorganized sector both at the national level and at various types of establishments. At the country level, the average number of workers in the unorganized sector declined continuously from 2.29 in 1994-95 to 2.18 in 2000-01 and further to 2.13 in 2005-06. While this was the same for the OAME, NDME and DME showed an increase in the average number of persons employed and the increase was noticed higher for the DME than that of NDME in all the three reference periods. Similarly, DME was found to employ more persons both in rural and urban areas compared to other two types of establishments. For instance, it was 8.64 in 1994-95 which increased to 9.98 in 2000-01 and to 10.15 in 2005-06 and the estimates for rural and urban areas were 8.34 and 8.89 in 1994-95, 11.77 and 8.88 in 2000-01 and 11.13 and 9.49 in 2005-06. The higher employment in the DME could be attributed to a fact that there were more instances of OAME becoming DME over the years which could also be justified from the table 3.1 that the number of OAME declined against increasing number of DME over the years.

Table 1.6 Number of Workers per Establishment (in Number)

Establishments	1994-95			2000-01			2005-06		
	Rural	Urban	India	Rural	Urban	India	Rural	Urban	India
OAME	1.87	1.77	1.85	1.73	1.64	1.71	1.62	1.62	1.62
NDME	2.74	3.28	3.05	3.07	3.35	3.25	3.20	3.31	3.26
DME	8.34	8.89	8.64	11.77	8.88	9.98	11.13	9.49	10.15
All	2.11	2.76	2.29	2.01	2.57	2.18	1.93	2.63	2.13

Source: Compiled from NSSO reports of 51st, 56th and 62nd Round on Unorganized Sector in India

4.8 Growth of investment in the Unorganized Sector in India

Another important variable which could be considered while analyzing the growth of a sector is the growth of investment. There were notable changes in the amount investment in the unorganized sector in the country. These changes could also be observed across the types of establishments also. The estimates average amount of investment as measured by fixed assets per enterprise and its growth have been presented in the TABLE 1.7. It could be observed from the TABLE that there was a continuous and steady increase in investment in the unorganized sector during the periods considered in the study. In 1994-95, the average investment in the unorganized sector at the country level was Rs.92695 which increased to Rs.170600 in 2000-01 with an average growth of 10.70 per cent and the increase was still higher in 2005-06 at Rs.235088 with a growth of 6.62 per cent per annum. Similar trend could be noticed across the type of establishments also. In the case of OAME, the average amount of investment increased from Rs.11512 in 1994-95 to Rs.19342 in 2000-01 and further to Rs.24646 in 2005-06 recording a growth of 9.03 per cent and 4.97 per cent respectively. In the case of the NDME, the average investment increased at an annual rate of 9.88 per cent in 2000-01 and 5.87 per cent in 2005-06. The growth of investment in the DME was noticed to be higher when compared to all the other types and even higher than that of national average in all the reference periods. The average investment in DME increased at 11.05 per cent in 2000-01 and 6.93 per cent in 2005-06. From the table 3.8, it could be inferred that

there was a steady and continuous increase in the investment in the unorganized sector in the country. The growth in the investment was found higher in 2000-01 compared to 2005-06. Across the types of establishments also similar trend could be noticed. All the types of establishments the investment grew steadily over the years and the increase was found comparatively higher in DME during the reference periods considered in the study.

Table 1.7 Estimates of Average Fixed Assets by type of Establishments (in Rs.)

Establishment	1994-95	2000-01	% Growth (CGR)	2005-06	% Growth (CGR)
OAME	11512	19342	9.03	24646	4.97
NDME	65027	114445	9.88	152196	5.87
DME	201545	378014	11.05	528423	6.93
Total	92695	170600	10.70	235088	6.62

Source: Compiled from NSSO reports of 51st, 56th and 62nd Round on Unorganized Sector in India

V. Conclusion

From the analysis made in the previous sections, it could be summarized that there was steady increase in the number of establishments in the unorganized sector in the country and the growth was found marginal during the study period. The gross value added of the unorganized sector recorded a significant increase recording a growth of 10.95 per cent and 7.79 per cent in 2000-01 and 2005-06 respectively. Among the various types of establishments, the share of OAME in the GVA declined from 42.7 per cent in 1994-95 to 32.04 per cent in 2005-06 while that of DME increased from 33.57 per cent to 43.85 per cent in the same period. The unorganized sector continued to be a major source of employment both in rural and urban areas of the country. The number of persons engaged in the sector was estimated at 36.44 million in 2005-06 significantly higher from 33.20 million estimated for the year 1994-95 and growth was observed more in rural areas than in the urban areas. Among the various types of establishments providing employment, OAME was found higher in absolute terms with almost 23.69 million in 2005-06 but its significance was found declining as the share of DME and NDME increased over the years. In addition to GVA and employment, there was steady growth in the investment in the unorganized sector. The average amount of investment was found increasing across the types of establishments. In the case of OAME, the increase was from Rs.11512 in 1994-95 to Rs.24646 in 2005-06 while in the same period, the investment in NDME increased from Rs.65027 to Rs.152196 and in DME the increase was from Rs.201545 to Rs.528423.

The share of unorganized sector in the GDP of the country has been declining yet it constitutes almost 60 per cent which is significantly larger. While there has been an increase in the share of formal sector, it fails to absorb the growing work force in the country (Bairagya, 2010). There has been a fall in the employment in the formal sector despite an increase in its share in the GDP of the country. As against this, though the share of unorganized sector in the GDP is declining, the sector still continues to be a major source of employment both in rural urban areas of the country. But, as majority of the studies concluded, there is lack of policy initiatives to safeguard the interest of both the work force and the establishments in the country.

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