



Informality in Manufacturing Sector in India

Badaiahunlang Mawkhiew and .Darishisha War Thangkhiew***

Abstract. *In many developing countries including India, a significant proportion of workers are in the informal sector which includes manufacturing, trade, construction, etc. The informal manufacturing sector has been playing an important role in employment generation despite several issues. This study aims to determine the size and sectoral (rural/urban) distribution of the informal manufacturing sector in India and the North Eastern States (NES) in recent years. The study has used secondary data from the 67th and 73rd National Sample Survey Office (NSSO) rounds and descriptive statistics like percentage and average. The percentage share of informal manufacturing enterprises has been found more in the rural than the urban areas in both rounds. During the period of study, the percentage increase in total number of informal manufacturing enterprises lies in between 13%-17% at all India level. The size of the informal manufacturing sector in the North Eastern States is seen to have declined both in absolute as well as percentage terms. This has been due to the fall in the number of units in the rural sector even though the decline has largely been offsetted by an increase in the urban sector.*

Key words: Informal Sector, Manufacturing, Economic Growth, India

**Badaiahunlang Mawkhiew is an Assistant Professor in the Department of Economics, St. Anthony's College, Shillong and **Darishisha War Thangkhiew is an Assistant Professor in the Department of Economics at North Eastern Hill University, Shillong. The authors can be contacted at badamwk@gmail.com*

Introduction. Many developing countries of the world, have experienced an expansion of informal economic activities in manufacturing, trade, construction etc. in the recent years. In fact, the informal sector has been providing employment to a large majority of workforce and contributed to more than half of the GDP of developing countries including India. In case of manufacturing sector also, an important driver of India's growth, the informal sector has the larger share in employment generation than its counterpart. The expansion can be attributed to a number of factors such as lack of formal jobs, avoidance of taxation, economic crisis, informalisation of previous formal employment, costly or stringent regulations etc. Nevertheless, the prevalence of the informal sector has been accompanied by numerous hardships such as lesser earnings, long working hours, poor working environment, low productivity, etc. which have raised a serious concern by many researchers and need to be considered by policy makers.

Manufacturing sector has played an important role in providing gainful employment and uplifting the developing countries. In India, a significant proportion of home-based workers are to be found in manufacturing and trade activities (ILO, 2013). Further, the informal manufacturing sector has become inevitable for strategic development policy in developing countries including India. In 2011-12, the manufacturing sector provided 12.6 per cent of employment in India (Uppal, 2016). The importance of the informal manufacturing sector has been observed in other studies as well in terms of employment generation (Avirgan, Gammage & Bivens, 2005; Charmes, 2012; Darkening Skies, 2019). As per the 73rd NSSO Report (2015- 2016), there were 6.34 crore unincorporated non-agricultural enterprises in total and out of that, 31 % enterprises were engaged in manufacturing, 36.3 % in trading and 32.6 % in other services during 2015-16.

The North Eastern States (NES) of India comprise of eight (8) states. While seven of these are usually categorised as ‘small’ states, Assam is the only state which falls under ‘major’ or ‘big’ state category. All the North Eastern States have been categorised as ‘Special Category’ states for many reasons. One of the reasons has been the lack of industrialisation compared to the other states of India. Assam is only state in the North East of India with substantial industrial activity. In the North Eastern States, the unorganized manufacturing sector (especially the tiny household enterprises) played an important role in both rural and urban economies (Kumar, 2007). The share of the unregistered manufacturing units of all the North Eastern States in the NSDP was 42.25%, 39.99%, and 44.92% during 1984-85, 1989-90 and 1994-95 respectively.

Table 1: Number of factories/enterprises in the North Eastern States during 2010-11 and 2015-16				
States	Number of factories (registered)		Number of enterprises (unincorporated)	
	2010-11	2015-16	2010-11	2015-16
Arunachal Pradesh	Nil	120	21539	22766
Assam	2795	3890	1151066	1214125
Manipur	96	173	123828	180131
Meghalaya	94	102	97541	112280
Mizoram	n. a.	n. a.	20639	34933
Nagaland	84	185	27769	91163
Sikkim	64	68	27106	26099
Tripura	472	558	398263	210832
Source: ASI (2010-11 and 2015-16) and NSSO (67 th and 73 rd Rounds)				

It seems to be a paradox that the North Eastern States in spite of their rich natural resources- land resources, water resources, forest resources etc. are still considered to be industrially backward and underdeveloped. The ‘Special Category’ of the North Eastern States was considered by the government from time to time in order to help them develop and catch-up with the other states in India. Several government initiatives were undertaken, such as financial assistance for setting up industrial, infrastructure and agri-allied projects under the North Eastern Region of India under North Eastern Development Finance Corporation Ltd (1995), the formation of the Ministry of Development of North Eastern Region (2001), the North East Industrial Policy (1997), the North East Industrial and Investment Promotion Policy (2007) and the current North Eastern Industrial Development Scheme (2017). Table 1 above shows that both during 2010- 11 and 2015-16, the number of factories (registered) is quite low compared to those of the number of unincorporated enterprises suggesting probably low impact of the government initiatives.

The present study is an attempt to analyse the size and distribution of the informal manufacturing sector in India and particularly the North Eastern States using the most recent data available. For that, the state-wise and the rural/urban distributions of informal manufacturing units and the changes of the same throughout time have been examined.

Literature Review. Concepts and definitions. Among the number of studies conducted by the International Labour Organisation (ILO), it was the study on formal-informal urban income opportunities for the Frafas, a Northern Ghanaian Group, who migrated to the urban areas of Southern Ghana by Keith Hart (1973) that the term ‘informal sector’ was first used. According to Hart, the informal sector had the capability to create income opportunities to the unskilled migrants of North Ghana, despite several constraints. Similarly, the Kenya Mission (ILO, 1972) adopted the term ‘informal sector’ to study the employment situation and generation in Kenya. According to them, the informal sector is characterized by easy entry, family ownership of enterprises, depending on indigenous resources, operating in small scale and being labour intensive.

Papola (1980) mentioned about two different terms in informal economy- informal sector labour market and simply the informal labour market. While, the former is meant only the workers in the informal sector establishments, the latter includes the casual, contract, and irregular workers in the formal sector establishments. The informal sector is basically characterized by small size of operations, informal structure and family ownership, non-modern technology, lack of access to government favours, competitive and unprotected product market and unprotected labour market.

The 15th International Conference Labour Statisticians (ICLS), 1993, of the International Labour Organization has defined that employment in the informal sector comprises of all jobs in informal sector enterprises or all persons who were employed in at least one informal sector enterprise, regardless of their status in employment (main or a secondary job) during a given reference period (Hussmanns, 2003).

Later on, with the suggestion by the International Expert Group on Informal Sector Statistics (Delhi Group) the concept of informal employment was incorporated in the 17th International Conference Labour Statisticians, 2003(ibid). Therefore, the 17th ICLS (2003) defined that informal employment comprises of the total number of informal jobs, i.e., whether carried out in the formal sector enterprises, the informal sector enterprises, or households, during a given period under reference.

In India, the 55th National Sample Survey Office (NSSO) round of 1999-2000 defined all those unincorporated enterprises operating on either proprietary or partnership basis as the informal sector. On the other hand, the unorganized sector is a broader term. Apart from the unincorporated enterprises operating on proprietary or partnership basis, it also includes trusts, cooperative societies, private and public limited companies. Thus, the informal sector can be considered to be a subset of the unorganized sector.

The terms organized/unorganized has been used interchangeably with formal/ informal by the National Commission for Enterprises in the Unorganized Sector (NCEUS). According to the NCEUS, the unorganized sector consists of all unincorporated private enterprise owned by households or individuals, engaged in the sale and production of goods and services and operated on a proprietary or partnership basis but upto nine workers in total(National Commission for Enterprises in the Unorganised Sector2007:3).

The Informal Manufacturing sector in India. In India, as per Chadha and Sahu (2006), prior to 1980’s, a higher proportion of unorganized manufacturing units and number of workers employed were found to be located in the rural areas whereas the share of fixed capital and gross value added (GVA) by such units is low. Also, there has been a faster expansion of informal sector in the urban than the rural areas in the 1980s and 1990s. Among all, the *tinniest* rural OAMEs are in the most disadvantage position because of a number of technological, institutional and marketing infirmities compared to their urban counterparts or to the rural establishments. The unorganized manufacturing sector experienced a decline in employment growth rate both in the rural and urban areas for males and females during the post-reform period.

Further, Majumdar and Sengupta (2010) observed that liberalization of the Indian economy during the 1990s has contributed towards the growth of informality among the Small-Scale Industries (SSIs). Liberalization has caused an increase in informalisation and adversely impacted the registered units (due to removal of benefits).

The study by Gupta (2010) also showed that among the unorganized manufacturing enterprises, the own account enterprises accounted for maximum number of units, provided employment to maximum number of persons in unorganized manufacturing sector in India during the post reform period and is mainly concentrated in the three sub sectors of agro-foods, textiles and wood & wood products. The bigger states have bigger share in employment and enterprises.

Saikia (2011) while comparing the pre-reform and post reform period, found that the eastern region of India with the highest number of enterprises and employment though it is lagging in terms of GVA and fixed assets for both the periods. The central region, with the least share in number of enterprises and employment is however, the leading region in terms of GVA and fixed assets. The differences between the two regions were due to productivity of the unorganized manufacturing sector and the industrial structure in terms of types of enterprises and industry mix. The cluster of the eight north-eastern states were found to be lagging behind in terms of development of unorganised manufacturing and other indicators of development. Further, the spatial concentration of unorganized manufacturing in terms of enterprises, employment, GVA and fixed assets has declined for both rural and urban sectors after reforms though it is still higher for the rural sector in terms of number of enterprises and employment and lower in terms of GVA and fixed assets for both pre and post reforms.

Manikandan, Kanagasabapathi and Sreeleakha (2016) found an increase in the number of establishments in the unorganized sector of the country but with marginal growth rate during the period 1994-95 to 2005-06. Also, the unorganized manufacturing sector experienced a significant increase in GVA during 2000-01 and 2005-06. Among the types of establishments, the share of OAMEs in terms of GVA decreased from the period 1994-95 to 2005-06 whereas that of DMEs increased in the same period. In both rural and urban areas in the country, the unorganized sector had always been a major source of employment though the number of persons engaged was significantly higher in 2005-06 than in 1994-95. Besides, the growth rate was observed to be more in rural than in urban areas. Among all, the number of OAMEs was found higher number of workers in absolute terms in 2005-06 even though its significance was found to be declining over the years in contrast to DMEs and NDMEs. Also, there had been a steady growth rate in investment in the unorganized sector. On the one hand, employment has declined in the formal sector despite its increasing share in the GDP of the country. On the other hand, the unorganized sector share in GDP is decreasing though it remained to be a major source of employment in both rural and urban areas of India.

The study by Kumar (2007) on the informal sector of north states of India revealed that from 1984-85 to 1994-95, Assam was the only state with the highest share of registered manufacturing industries in NSDP. Overall, the share of the registered manufacturing units was higher than that of the unregistered units during the same period. The share of unorganized manufacturing sector to the Net State Domestic Product (NSDP) in the North Eastern States from the years 1984-85 to 1989-90 and from 1989-90 to 1994-95 has been substantial and the rate of growth in this share has increased throughout the period.

In one of the northeastern states, Assam, Saikia (2015) pointed that the unorganized manufacturing sector had suffered sharp decline in employment during 1994-95 to 2000-01, more so in the number of full-time workers in the OAMEs segment. The new jobs created during the period 2000-01 to 2005-06 in the sector were mostly part-time workers in the OAMEs segment. The growth in unorganised sector employment recently had taken place largely due to casualisation and feminisation of workers along with decline in the quality of employment in the sector.

In Assam, the number of informal manufacturing enterprises in urban sector had increased during the period 1994- 95 and 2010-11(Saikia & Barman, 2017). During the same period, the number of workers in the urban informal manufacturing sector had a higher annual growth rate than those of the rural sector and the entire informal manufacturing sector. The urban informal manufacturing sector had somewhat a higher growth rate in nominal GVA than that of rural sector though the rate has been declining in both rural and urban sectors over the years.

Again, Saikia and Gogoi (2018) found that in Assam, between 1994-95 to 2010-2011, the rural sector has a higher proportion of number of enterprises, employment and output compared to the urban counterpart though the gap between the two is declining over the years. There was a negative average growth rate in number of enterprises in the rural unorganised manufacturing sector, a positive growth rate in the urban sector and a negative growth rate in the overall unorganised manufacturing sector. During the same period, the rural areas and overall unorganised manufacturing sectors experienced a negative growth rate in employment whereas, the urban counterpart had a positive growth rate. There was a positive rate of growth of value added in the overall unorganised manufacturing sector though the growth rate of real value added has been declining in both the rural and urban sector over the years.

In Meghalaya, the unregistered units have been more in rural than urban areas (MSME, D., 2011) Similarly, all categories of manufacturing enterprises, large, medium and small are found to be concentrated in rural areas than the urban areas (Meghalaya State Development Report, 2008-09). Besides, majority of the people are involved in the unorganised sector where small-scale unregistered manufacturing units provides a lot of employment opportunities.

From the literature reviewed, informality has increased after the reforms of 1990's and more so in the urban areas. The importance of the informal/unorganised manufacturing enterprises in rural areas has not diminished and likely to continue, more so in terms of number of enterprises and employment generation. It was also noted that urban informal/unorganised manufacturing sector fared better in contributing towards GVA and share of fixed capital. However, only few studies have been done on informal manufacturing sector which focus on the states of the North Eastern Region. Using recent data, this study tries to examine the status of informal manufacturing sector by sectoral distribution in different North Eastern States, other States and Union Territories.

Objective of the study. The objective of the study is to determine the size and distribution of informal manufacturing sector (rural/urban) in the North Eastern States (NES), the other States and the Union Territories.

Data and Methodology. Secondary data from two rounds of the National Sample Survey Office (NSSO), i.e., the 67th round (July 2010-June 2011) and the 73rd round (July 2015-June 2016) have been used for the study. Both are Enterprise Surveys on Unincorporated Non-Agricultural Enterprises and excludes Construction. NSSO conducted these surveys in order to generate estimates of various operational and economic characteristics of unincorporated non-agricultural enterprises belonging to manufacturing, trade and other services (excluding construction) at national and State level. For the purpose of this study, only data on manufacturing enterprises has been used. The states have been classified into three categories in the study- North Eastern States (NES), other States and Union Territories. Only data on informal manufacturing sector have been extracted and used to observe the size of such enterprises across States/UTs of India. Further, the data have been sub-categorised according to sectoral distribution, i.e., distribution of informal manufacturing enterprises in rural sector and urban sector at national and States/UTs level. For analyzing the size and distribution (rural/urban) of the informal manufacturing sector, simple tools such as averages, percentages, pie-charts, etc. along with tabular presentation have been used.

Findings

Distribution among the states

The distribution of informal manufacturing enterprises among the North Eastern States during the period of study is shown in table 2. Assam which is well known to have a high number of registered manufacturing units is no doubt in a better position in terms of industrial development. Therefore, even in the case of informal manufacturing enterprises among the North Eastern States, Assam has the highest number (approx. 2 lakhs) of informal manufacturing enterprises constituting 60% of all the units in North Eastern States during 2010-11 and 56% during 2015-16. Tripura, Manipur and Meghalaya are the three states with

considerable numbers of manufacturing units constituting around 36% of the units locating in these states. While the state with the lowest number of informal manufacturing enterprises has been Sikkim with 1186 units during 2010-11, Arunachal Pradesh has the lowest number of such units (977) during 2015-16.

North Eastern States	2010-11	2015-16
Sikkim	1186(0.3*)	2413(0.7)
Arunachal Pradesh	1373(0.4)	977(0.3)
Nagaland	7128(2)	16053(4.4)
Manipur	40727(11.3)	64059(17.8)
Mizoram	4003(1.1)	8283(2.3)
Tripura	69766(19.3)	50054(13.9)
Meghalaya	19424(5.4)	15833(4.4)
Assam	218084(60.3)	203187(56.3)
Total	361691	360859

Source: 67th NSSO (July 2010-June 2011) and 73rd NSSO Round (July 2015-June 2016) unit level data

*Values in parentheses represent percentage share of enterprises by the state.

Other States	2010-11	2015-16
Himachal Pradesh	91301	93904
Punjab	386774	383688
Uttarakhand	97719	72143
Haryana	189415	182923
Rajasthan	627008	750970
Uttar Pradesh	2338113	2209379
Bihar	447771	768427
West Bengal	2757288	4178374
Jharkhand	335121	494119
Odisha	614331	485692
Chhattisgarh	160697	194722
Madhya Pradesh	878382	833154
Gujarat	1404269	1240891
Maharashtra	1382373	1243178
Karnataka	860837	1248738
Goa	8371	11760
Kerala	497655	544685
Tamil Nadu	1651436	1744501
Andhra Pradesh	1617997	1020590
Telangana*	-	1143124
UTs		
J and K	222650	234393
Chandigarh	5236	6733
Delhi	203684	181113
Daman & Diu	2129	1635
Dadra & Nagar Haveli	1663	4629
Lakshadweep	364	737
Puducherry	15497	24511
A & N Islands	2901	2600

The other States represents a mixed group of states in levels of development besides geographical area. Table 3 show that among them, the state with the highest number of informal manufacturing units has been West Bengal with approximately 28 lakhs and 42 lakhs units during 2010-11 and 2015-16 respectively. On the other hand, Goa has the least number of informal manufacturing enterprises during the same period of study. Apart from the states, among the UTs, Jammu & Kashmir has the highest number of informal manufacturing enterprises (approx. 2 lakhs) in both years and Lakshadweep, the lowest with only 364 units and 737 units respectively during 2010-11 and 2015-16.

Source: 67th NSSO (July 2010-June 2011) and 73rd NSSO Round (July 2015-June 2016) unit level data
 *: Telangana was separated from Andhra Pradesh and formed as a new state in 2014.

Distribution of enterprises by sector- Rural and Urban

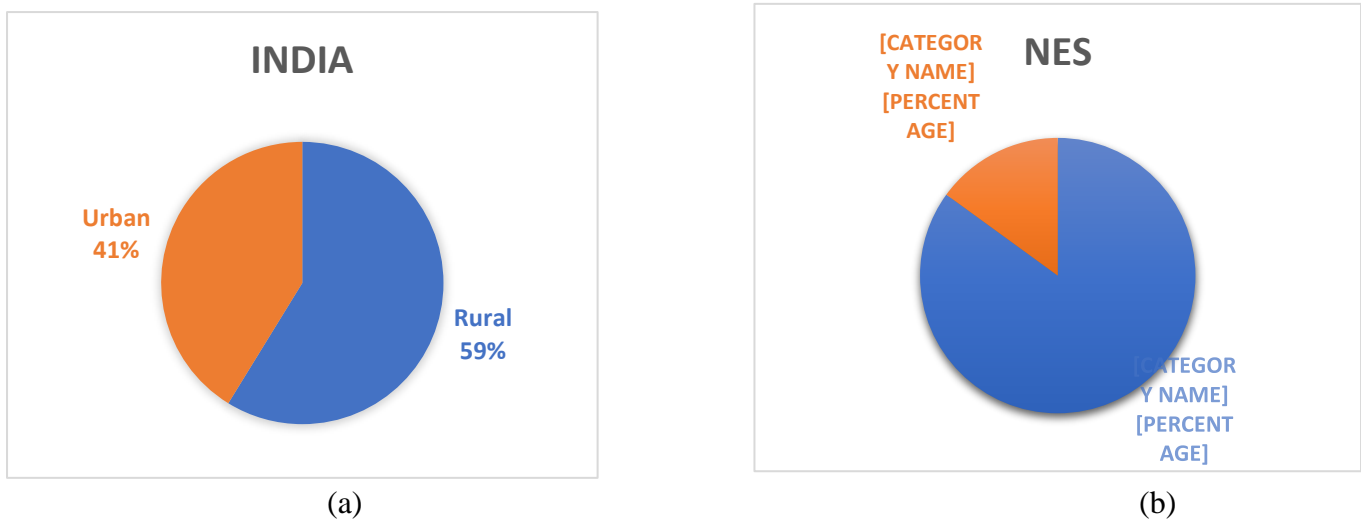


Fig 1: Rural and urban distribution of enterprises during 2010-11

The pie chart in figure 1(a) indicates that in India during 2010-11, there has been a higher percentage share of informal manufacturing enterprises in rural sector, i.e., 59% which represents 10088152 units than those in urban

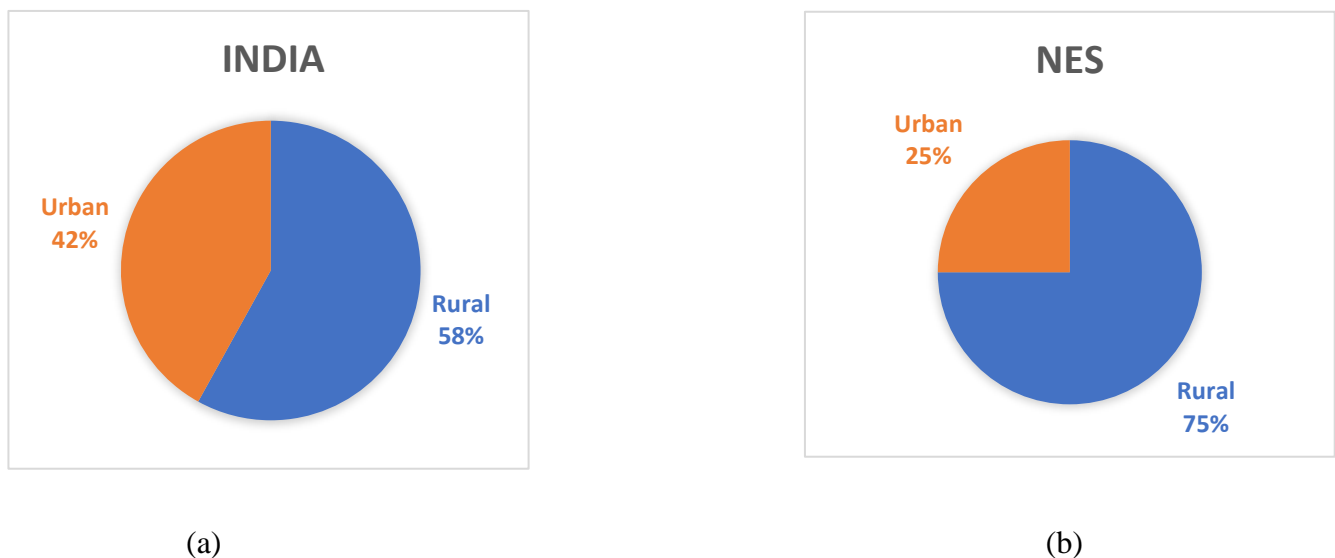


Fig 2: Rural and urban distribution of enterprises during 2015-16

sector, i.e., 41% (7074521 units). Among the North Eastern States, figure 1 (b) shows that the share between

rural-urban has similarly been higher in rural sector, i.e., 85% representing 307425 units as against 15% (54266 units) in

urban sector. Previous studies have also observed that the rural sector has been dominating in the number of enterprises and workers in the informal manufacturing sector though it has a low share in GVA and fixed capital.

During 2015-16, the pie chart in figure 2 (a) shows that the proportion of rural informal manufacturing enterprises continues to be higher in rural areas, i.e., 58% constituting 11412948 units than in the urban enterprises representing 42% (8249225 units) at all India level. Similarly, as per figure 2 (b), North Eastern States has higher concentration of 75% (270246 units) in rural areas in contrast to urban areas, i.e., 25% representing 90613 units. It can also be noted that there has been an increase of 10% in terms of concentration of units in rural areas from the previous data of 2010-11 in the North Eastern States.

A closer look among the North Eastern States in table 4 shows that Meghalaya has the highest percentage of rural informal manufacturing enterprises (92%) and Mizoram has the percentage of informal manufacturing enterprises in urban sector (42%) during 2010-11. Further, among the other States in table 5, the state with the highest and lowest percentage of rural informal manufacturing enterprises has been Odisha (89%) and Gujarat (19%) respectively. The low percentage of Gujarat could be that it is already one of the most industrialized state in the country with more units in the urban areas. Among the UTs of India, Delhi has the highest percentage (97%) of urban informal manufacturing units (understandably so being the National Capital Region) and A & N Islands, the lowest percentage (33%).

Table 4: Percentage distribution of informal manufacturing enterprises by sectors across North Eastern States during 2010-11 and 2015-16

North Eastern States	2010-11			2015-16		
	Rural	Urban	Rural+Urban	Rural	Urban	Rural+Urban
Sikkim	64	36	100	60	40	100
Arunachal Pradesh	60	40	100	39	61	100
Nagaland	81	19	100	71	29	100
Manipur	69	31	100	66	34	100
Mizoram	58	42	100	46	54	100
Tripura	89	11	100	69	31	100
Meghalaya	92	8	100	79	21	100
Assam	87	13	100	81	19	100
North Eastern States	85	15	100	75	25	100

Source: 67th NSSO (July 2010-June 2011) and 73rd NSSO Round (July 2015-June 2016) unit level data

During 2015-16, as per table 4, Assam has the highest percentage of rural informal manufacturing enterprises (81%) and Arunachal Pradesh in the case of urban informal manufacturing enterprises (61%)

among the North Eastern States. Furthermore in table 5, among the other States, the highest percentage of rural informal manufacturing enterprises has been found in Himachal Pradesh (89%) and the state with highest urban informal manufacturing enterprises is Gujarat and Goa (76% each). Among the UTs of India, Delhi continues to have the highest percentage (99%) of urban informal manufacturing units and Jammu and Kashmir, the lowest percentage (35%).

Table 5: Percentage distribution of informal manufacturing enterprises by sectors across other States and UTs during 2010-11 and 2015-16

Other States	2010-11			2015-16		
	Rural	Urban	Rural+Urban	Rural	Urban	Rural+Urban
Himachal Pradesh	87	13	100	89	11	100
Punjab	42	58	100	46	54	100
Uttarakhand	71	29	100	63	37	100
Haryana	43	57	100	47	53	100
Rajasthan	50	50	100	46	54	100
Uttar Pradesh	62	38	100	60	40	100
Bihar	84	16	100	71	29	100
West Bengal	78	22	100	74	26	100
Jharkhand	88	12	100	88	12	100
Odisha	89	11	100	84	16	100
Chhattisgarh	72	28	100	68	32	100
Madhya Pradesh	61	39	100	62	38	100
Gujarat	19	81	100	24	76	100
Maharashtra	45	55	100	48	52	100
Karnataka	62	38	100	57	43	100
Goa	42	58	100	24	76	100
Kerela	66	34	100	48	52	100
Tamil Nadu	41	59	100	37	63	100
Andhra Pradesh	62	38	100	56	44	100
Telangana*	-	-	-	61	39	100
UTs						
J and K	63	37	100	65	35	100
Chandigarh	15	85	100	4	96	100
Delhi	3	97	100	1	99	100
Daman and Diu	36	64	100	28	72	100
Dadra and Nagar	62	38	100	58	42	100
Lakshadweep	64	36	100	6	94	100
Puducherry	16	84	100	20	80	100
A & N Islands	67	33	100	49	51	100

Source: 67th NSSO (July 2010-June 2011) and 73rd NSSO Round (July 2015-June 2016) unit level data

*: Telangana was separated from Andhra Pradesh and formed as a new state in 2014.

Changes during the period 2010-11 to 2015-16

The changes occurred during 2010-11 to 2015-16 have been presented in table 6. It can be observed that the number of enterprises is seen to have a negative growth of 0.23% for the North Eastern States. This decline

can be because of the dwindling numbers of enterprises in the rural sector (-12%). However, at the same time there has been a spurt in the number of enterprises in the urban areas (67%) which largely offsetted the decline in the rural sector. Such trend seen in North Eastern States is not witnessed for the whole of India. Instead, there has been an increase of 15% in the number of informal manufacturing enterprises for the country as a whole. This increase in the number has been seen in both urban (17%) and rural (13%) sectors.

Table 6: Changes during 2010-11 to 2015-16			
North Eastern States	2010-11	2015-16	Percentage increase over time
Total number of manufacturing enterprises	361691	360859	-0.23
Total number of rural manufacturing enterprises	307425	270246	-12
Total number of urban manufacturing enterprises	54266	90613	67
All Indian States	2010-11	2015-16	Percentage increase over time
Total number of manufacturing enterprises	17162673	19662173	15
Total number of rural manufacturing enterprises	10088152	11412948	13
Total number of urban manufacturing enterprises	7074521	8249225	17
Source: Authors' own calculation			

From the study, the following three most striking observations have been observed:

1. A decline in the number of units both in absolute and percentage terms in the North Eastern States.
2. A declining trend in the number of enterprises in the rural sector in contrast to the urban sector.
3. The trend and pattern in North Eastern States have not been observed at all India level.

Discussion. Over the years, the growing importance of the informal manufacturing sector has been observed as an employment/ income generating sector especially for the many unskilled workers throughout the globe. This has also been observed by examining the data on informal manufacturing sector in India from two NSSO rounds, i.e., the 67th (July 2010-June 2011) and 73rd (July 2015-June 2016) rounds, used in this study. The study has given some insights of the informal manufacturing sector of our country and specially for the North Eastern States. Among the North Eastern States, Assam has the highest number of informal manufacturing units during 2010-11 and 2015- 16 but other states have also seen to have a fast growth in numbers. The policy measures may have not able to encourage much registration of enterprises. Among the North Eastern States, West Bengal continues to hold the largest number of informal manufacturing enterprises both during 2010-11 and 2015-16. In recent years, West Bengal has also witnessed an increase in the MSMEs (including manufacturing) with high share towards the state's GDP which can be attributed to the rising number of informal manufacturing units (unregistered).

The concentration of informal manufacturing enterprises is more in the rural than urban areas. On sector-wise distribution, it can be observed that Meghalaya appeared with the highest percentage of rural informal manufacturing units among the North Eastern States during 2010-11 substantiates the earlier study that majority of the unregistered manufacturing enterprises are located in rural areas of Meghalaya. But the

percentage of rural enterprises declined during the period of study, from 92% to 79%. Among the UTs, Delhi is shown to have the highest percentage of units in urban areas. The variations among the states, even within a given class, is however very high. Data of some states have more or less remained the same over the period of time with a sizable number of informal manufacturing units.

There has been some degree of changes in distribution of the informal manufacturing units over time. The expansion of informal manufacturing units has been observed with the percentage increase lying in between approximately 13%-17% in the total units both at all India level and in rural and urban areas.

Suggestion. The informal manufacturing sector still seems to persist and expand in the years to come. The efforts by the policy makers to encourage registration especially since the reform period has little impact on the whole informal sector. The inability of the formal manufacturing sector to generate employment accompanied by growing work force, lack of skill, lack of education, tax avoidance, etc. has resulted in a large informal sector with low or minimal productivity over the years. That the concentration of the informal manufacturing units is more in the rural areas in various categories of states could be due to the lack of formal units. The consequences of such happenings could be a great loss to the economy primarily due to low productivity and loss of tax revenue. Therefore, there is a need for appropriate policy measures which would separately address the expansion of informal manufacturing sector in the country and the higher concentration of informal units in the rural sector. The identification of the factors causing the state-wise as well as the sector-wise differences could be a requirement. Perhaps, there should also be proper incentives to informal units on registration and to formal units setting up in rural areas.

Conclusion. From above, this study has been able to present the status of size and sector-wise distribution of the informal manufacturing sector using recent data. Over time, there has been an increase in the number of enterprises at all India level but a decrease among the North Eastern States. That the concentration of informal manufacturing units has been more in the rural than urban areas is similar to earlier studies. This could be that people, especially in rural areas, are still attracted to informal manufacturing sector which can absorb low skill labourers and where the use of power is not necessary besides lack of formal units. To conclude, there is a need to further examine the differences in informal manufacturing distribution among the North Eastern States and the whole country, the probable consequences and appropriate policy measures thereof.

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