CHAPTER VI

SUMMARY AND CONCLUSIONS: IMPLICATIONS FOR POLICY AND ACTION
The substantial rise in the urban population, particularly in urban labour force due to the concentration of economic activities in these areas and rural-urban migration as a result of income differentials led to the growth of the informal sector in the developing countries. Low absorption capacity of the modern sector coupled with the restriction of entry into it forced the surplus labour force and the new entrants to create employment for themselves by engaging in the production and distribution of goods and services through a variety of small-scale activities.

The informal sector is generally viewed as consisting of small scale enterprises, but this is misleading as most of the participants in this sector function without a profit motive as their main aim is to generate employment and income for themselves and for family members. However, some of them may have crossed the barrier and evolved into small-scale enterprises with significant amounts of capital and skills over a period of time with the primary motive of profit earning. To define informal sector or to distinguish it from formal sector, the criterion based on the motive of the entrepreneur is not enough. It is always wise to look at the scale of operations of the units which can be judged from the value of capital, business turnover, employment size and the likes. Since it is well known that these parameters are highly correlated, it is more productive to measure the scale by employment size. Even employment as a criterion makes it difficult to separate the urban economy into formal and
informal sector due to the formal informal sector continuum. Despite all its limitations, one cannot but appreciate its usefulness for a study of the informal sector. Therefore in this study it was decided to take into consideration only those units which employ less than 10 workers with power and below 20 workers without power in defining the informal sector.

The purpose of the study was to give an idea about the anatomy and functioning of the informal sector in urban areas and to show its growth over a period of time. This study was basically explanatory in nature. The main aim of this study was to find out the relevant characteristics of informal sector in manufacturing industries in comparison to the formal sector. The study was planned with the basic objective of identifying the informal sector and to portray its structure. It also includes in its objectives, the examination of its employment and income generating capacity vis-a-vis the formal sector and also the description of the economic, social and demographic characteristics of the workers and entrepreneurs in comparison to those of the workers and entrepreneurs in the formal sector. Another important objective was to trace and assess the utilisation of manpower at the disposal of the urban sector, and particularly the pattern of labour force absorption with respect to age, sex, and size composition.

In the first instance the secondary data from the economic census and other sources were analysed to
distinguish the informal sector manufacturing from the formal sector in the state with districts as the unit of analysis. Further, primary data were collected from both informal sector and formal sector manufacturing units in Barhampur city of Orissa. A summary of the findings of various chapters is presented here.

GROWTH OF INFORMAL SECTOR IN URBAN ORISSA:

This analysis is entirely based on secondary data base. For this purpose, Population Census of 1961, 1971 and Economic Census of 1980 & 1990 (Provisional Results) were used. On the main analysis, however, 1961 census data were used only for the analysis of informal sector manufacturing units. Since the 1990 Economic Census provides only aggregate data various estimations based on the ratios and growths of the 1971 Population Census and 1980 Economic Census were used to arrive at the disaggregated data.

In urban Orissa a high proportion of units (more than 90.0 per cent) are informal in nature for all the three time periods. The manufacturing activities of the informal sector in Orissa is in line with the sectoral shift pattern prevailing in the country. Only 22.9 per cent, 21.2 per cent and 21.4 per cent of the units in 1971, 1980 and 1990 respectively have been engaged in manufacturing activities which clearly brings out the importance of trade, commerce and other activities in the informal sector. An informal sector unit in an urban area of Orissa has employed 2.3
workers in 1971, 2.1 workers in 1980 and 2.3 workers in 1990. There exists wide disparity in employment per unit at district level. Employment requirement for manufacturing activities was found to be higher than that of trade or services except for 1971. The structure of employment in the informal sector differs significantly among divisions of activities and among the districts. The share of manufacturing activities in total informal sector employment showed an increasing trend over the three periods of time.

The share of informal sector workers in the total number of workers and the share of manufacturing workers in the total number of workers when linked, shared a significant positive relationship. The relationship between the former and the share of informal sector manufacturing worker to total manufacturing workers also shared a positive relationship in 1971 and 1990 but it was negative in 1980.

Informal sector activities in urban areas of Orissa showed a positive growth in a time span of 29 years. Its growth was positively linked with the growth of formal sector activities and the level of urbanisation.

ENTREPRENEUR:

There were three types of entrepreneurs, with different motives, functioning and activity. In the first type are entrepreneurs of small scale manufacturing units who function in the same way as the entrepreneurs of the formal sector units with the primary motive of profit earnings. The second
type is of those entrepreneurs who are having their own household industries and have to play the role of employer and employee with less division of labour. The third type was considered entrepreneurs only marginally as they are mainly influenced by the middlemen and function more as labourer than as entrepreneurs.

Ownership Status: A high proportion (89.0 per cent) of the entrepreneurs run the business on the proprietary basis out of which 42.7 per cent inherited the unit. Partnership firms in the informal sector as the basis of manufacturing activities were few. Most of the entrepreneurs in the household sector inherited the unit in contrast to those in the non-household sector but the relationship was statistically nonsignificant. In contrast, majority of the entrepreneurs in the non-household sector established the unit themselves. In the formal sector inheritance was minimal.

Sex Ratio: In this study participation of females as entrepreneur was marginal (only 5.0 per cent of the entrepreneurs were females). This low proportion of female participation as entrepreneurs can be attributed to two reasons, (1) in some cases, although the entrepreneurial activities were being carried out by the females, during the time of interview it was mentioned that the units are owned by the male heads of the households. (2) the participation of females were low, as the study restricted itself to manufacturing activities, because it is a well known fact
that females participate, as entrepreneur in large numbers in case of informal sector trade, commerce and services activities.

Caste Status: Higher proportion of the entrepreneurs in this sector belong to the upper castes. Restriction of entry into certain manufacturing activities coupled with the requirement of higher investment led to the concentration of the lower caste population to certain specialized manufacturing activities. It was also proved that though not as a rule, the investment requirement and caste status are negatively related.

Age of the Entrepreneurs: The average age of the entrepreneur in the informal sector (44 years) can be compared with those in the formal sector (43.3 years). Gradual shift from apprenticeship and then to worker to entrepreneur is the reason why the entrepreneurs belong to a higher age group. In case of household industries the average age of the entrepreneur is very high as they generally work under their elders. A positive relationship between experience and age was established which is significant, whereas there was an inverse relationship between educational attainment and age. The average age of the entrepreneurs also differs for entrepreneurs belonging to different types of industries.

Educational Attainment Experience rather than education was more important to become an entrepreneur in this sector.
Average year of schooling of an entrepreneur is 6.3 years which is very less in comparison to the formal sector entrepreneurs. Entrepreneurs belonging to different types of industries have different level of educational attainment; those in the household sector have lower educational attainment than those in the non-household sector. Educational attainment has an inverse relationship with the age of entrepreneurs. In contrast, entrepreneurs in the informal sector have more year of experience than the formal sector entrepreneurs.

Skill level: In majority of cases the entrepreneurs attain their skill through apprenticeship or on the job training, specially in case of some of the household industries like textiles and wood product manufacturing. Here the skill is transferred from generation to generation. Hence, attainment of skill through formal training institutions is very low; 61.3 per cent of the entrepreneurs learnt their skill through apprenticeship and only 3.0 per cent have gone to formal sector institutes.

Migration: Migration played a lesser role in the informal manufacturing sector of Berhampur, only 11.8 per cent of the total entrepreneurs were not born in this town. The scope of being a migrant in the informal sector was reduced because the study was restricted only to those engaged in manufacturing. The new migrants generally ends up in trade, commerce and services sectors, as the manufacturing activities need higher investment and knowledge of the
market. The dominance of traditional and handicraft industries also restricted the proportion of migrants in this town. In contrast to this 40.0 per cent of the formal sector entrepreneurs are migrants.

**Earnings:** The entrepreneurs in the informal sector on an average earn more than the legal minimum wage set by the government and, in some cases, their earning is comparable and even more than the formal sector workers. However, in some cases, specially in the case of entrepreneurs of the third type in household industries, this earning is even less than the legal minimum level, inspite of putting in long hours of work.

There is a significant difference between the earnings of formal and informal sector entrepreneurs. In case of the informal sector it was found that earnings was positively linked with age, educational and skill attainment of the entrepreneur whereas experience had a negative relationship with income and the relationship is significant in case of entrepreneurs in food, wood and chemical industries.

Age affects the income level of entrepreneurs significantly in case of food, wood, non-metal and chemical industries. Effect of education on income is significant in case of food, tobacco, paper, wood, metal and chemical industries. Effect of experience is only significant in case of non-metal industries. Capital intensity has a positive
relationship with the entrepreneur's income and it significantly affected the income of the entrepreneurs.

Problems and future plan: Step brotherly treatment by the government to the informal sector led to various problems for the entrepreneurs of this sector. Most of the entrepreneurs had the problem of finance at the time of establishment of the unit and the same problem persists even now. Since they are operating in a competitive market, where competition is present within the sector as well as with the formal sector, marketing is yet another important problem for the entrepreneurs. They are also having problems like availability of labour and raw material. For raw material they have to pay a high price in the retail market and in certain cases even higher payment has to be made in the black market. In contrast to this only 4.0 per cent of the entrepreneurs are not having any problems in their economic activity. 60.0 per cent of the entrepreneurs want to expand their future activities and many of them were ready to mechanise their units. But plans for mechanisation or expansion is very limited in case of household industries.

INFORMAL SECTOR WORKERS:

Urban economy is characterised by variations in the labour force participation. Breman divided the entire labour market into four broad social classes of i) urban elite, ii) petit bourgeois, iii) sub-proletariat, and iv) paupers. It was decided to include all the three major categories of
workers like regular, casual and independent workers and their sub-categories in sub-proletariat class and a comparison was made between them and the workers of the formal sector who were grouped as the labour elites.

In this study it was found that participation of females in informal sector manufacturing was moderate (31.2 per cent). Their participation was specially high in household industries like textiles, bamboo and food products. They are concentrated in these activities because the activities are either female specific or females provide cheap labour. Participation of children in the production process of this sector is low (10.7 per cent). They mainly participate in the household industries and some of the industries which require cheap labour. The reason why child labour is more distinct in the household sector is because they become apprentice at an early age and skills are transferred from one generation to another.

Age: An informal sector worker is younger (29 years) than the formal sector worker (34 years). Independent workers are older than the regular and casual workers. The migrant workers are older than the non-migrants in case of all the three types of workers. There is a significant difference between the average age of the informal and formal sector regular workers. This difference in case of casual workers, though not significant, shows that the informal sector casual workers are younger than their counterparts in the formal sector. The above trend shows that most of the new entrants
into the urban labour market first enter the informal sector.

Educational and skill attainment: The workers of the informal sector manufacturing industries have, on an average, 3.6 years of schooling. The migrant workers are less educated than the non-migrants. One half of the workers belonging to this sector never went to school and only 11.5 per cent of them passed high school. A significant difference in the educational attainment of workers in the informal and formal sector is observed. This difference is also significant among the various types of workers.

The manufacturing activities in this sector also require certain level of skill, especially in some of the activities like textiles, paper, wood and metal products. Most of the workers in this sector acquire their skills by working as apprentice. However, it was observed that, in this sector skill requirement is not so important as in the case of the formal sector.

Migration: Migrant's role is found to be important in the services and trading activities. This study shows a moderate role of migrants because it concentrated only on the manufacturing component of the sector. 37.6 per cent of the workers are migrants, which is different for different types of industries. Concentration of migrants in particular activities is moderate. 28.3 per cent of the migrants migrated to Berhampur only recently. The hypothesis relating to the predominance of the migrant workers among the most
informal low earning and insecure jobs seems to hold in case of the informal sector manufacturing activities as there was a significant difference in the proportion of migrants and non-migrants in the three categories of workers. The correlation co-efficient between the percentage of casual to the total workers in the informal sector and the percentage of migrants to the total workers in different industries shows a significant positive relationship.

Economic upgradation is the main motive behind migration. The average age at the time of migration is only 20.7 years. 82.2 per cent of the migrants came to this town because of low wage rate at the place of origin. Bleak job prospect at the place of origin is another reason why 42 per cent of them migrated to this town. Most of the female migrants migrated to this town after marriage to join their families.

Almost two-third of the migrants were either unemployed or under-employed before migration, especially those who migrated from the rural areas. A higher proportion of the migrants were wage earners before migration. Low wage rate and high dependency ratio coupled with unemployment and under-employment forced them to migrate.

More than half the migrants did not have to wait before entering into this sector, and most of them got their job within one year. This shows the ease of entry into the informal sector.
Jobs, employment and earnings: There is the existence of both vertical and horizontal mobility in the employment status of the workers in the informal sector. There is also evidence of upward and downward mobility. Incidence of frictional unemployment among informal sector workers is little, it is true especially in case of regular establishment workers and independent workers, as most of the activities studied in this town are perennial in nature.

Earnings of the informal sector workers, in the first place, is lower than that of their counterparts in the formal sector and, in the second place, there exists a clear-cut difference in the earnings of the various types of workers and also workers belonging to various types of industries. The average income of the informal sector regular and casual workers differed significantly. But this difference was not due to the levels of skill attainment or status. In the formal sector the difference in the earnings of different types of workers is not significant. The difference in the average earnings between formal sector regular and informal sector regular workers is significant which is also true in case of casual workers. Again a comparison between the two sectors shows significant variation in the average earning of the four different types of workers i.e. skilled male/female, unskilled male/female. By dividing Berhampur manufacturing sector workers into informal sector regular, casual and independent and formal sector regular and casual workers, a relationship was tried out between income and age,
education and experience. However this relationship is found to be non-significant in all the cases with the exception of informal sector regular workers in which case the relationship between education and income is significant. Effect of age on income is significant in case of casual workers of both the sectors.

**Job Satisfaction:** A sizeable proportion of the workers in this sector seem to enjoy a reasonable level of job security or assurance of availability of work regularly and their earnings are comparable to that of an average formal sector worker, which is especially true in case of skilled regular workers. Only one-third of the workers are not satisfied with their present work. Out of them 36.0 per cent were dissatisfied due to low salary, and another 40.6 per cent preferred a better job. Satisfaction in the present job is due to the nature of job (37.5 per cent), high salary (28.7 per cent), no other option (62.8 per cent), and trained in the particular job (51.6 per cent).

**Family Living:** The average family size of an informal sector worker is 6 persons. Family size is higher for the more affluent as well as the poor. Proportion of earning members is high in case of independent and casual workers. The informal sector workers have to work in poor working condition in comparison to the formal sector workers. More than half the workers do not get any increment in the salary. 89.0 per cent work more than 7 hours and 35.5 per cent more than 10 hours a day. Workers in the household industries
work more hours a day than the non-household industries workers.

INFORMAL SECTOR ESTABLISHMENT:

Berhampur city is mainly based on trade and craft based manufacturing, but it also has some organised government activities. Large scale organised manufacturing is, however, very less. Consequently this informal sector in this city is largely dominated by trade and craft based or household based industries.

In informal manufacturing sector, household and non-household industries are having almost equal share in Berhampur as the difference between the two proportion is not statistically significant. The difference between the proportional share of household and non-household industries is found to be significant in case of food, tobacco and textile industries. The manufacturing of traditional craft types is gradually declining and more modern types like manufacturing in metal, chemical etc. are increasing.

Age of the Units: The average age of the informal sector unit is estimated at 14 years, but the average is inflated due to the presence of a high proportion of household industries which have been inherited by the present owners. The rapid growth of the informal sector establishments is evident from the fact that a large number of them started their activities only recently (42 per cent during the last 10 years). In comparison, the average age of a formal sector
units is 12.4 years. The difference between the average age of informal sector units and the formal sector units is found to be significant.

**Size of the Units by Employment:** One-fourth of the workers in the informal sector are family members because of a high proportion of household industries. Participation of regular workers is very high in case of household industries as it was observed that family workers participate in the production process on a regular basis.

The average number of workers per unit is 5 persons. It is very high in case of non-household industries and low in case of household industries. A substantial proportion of the establishments are employing less than 5 persons. In contrast to informal sector, participation of workers in the formal sector on regular basis is very high. In the former case it is 58 per cent, in the latter case it is 66 per cent. The average number of workers per establishment in the formal sector is 39 persons. The difference between the two sectors with respect to the average number of workers is highly significant.

**Types of Ownership:** Most of the establishments in this sector are on a proprietary basis where more than half of the units are self-established. Inheritance is found to be dominating in case of household and craft based industries.
Types and Structure and Ownership Status: Three-fourths of the units are established in semi-pucca or pucca structures whereas the rest are either wooden or other types of katchcha structure or are simply run in an open space.

Nearly two-thirds of the entrepreneurs owned the premises. Some of the units are run in public places which are occupied illegally.

Registration: 34.2 per cent of the units were registered either with DIC or Food and Civil Supply Department. Registration with DIC is necessary for financial support. Industries under the food products registered themselves with the Department of Food and Civil Supply in order to get raw materials easily and cheaply.

Investment: Investment made at the time of establishing the units also shows substantial variations. The initial investment was different for different types of industries. More than one-half of the establishments had an initial investment of less than Rs.10,000 and only in case of 13.0 per cent of the units the initial investment is more than Rs.one lakh.

Capital Structure: Most of the units have some assets either in terms of machinery and equipment or in terms of land and building. On an average a unit in this sector has a productive capital of Rs.1,08,861 which is Rs.22.4 lakhs for the formal sector units. In the informal sector 57.3 per cent of the total productive capital is in the form of fixed
capital. The picture is more or less same in case of the formal sector units also.

**Turnover Structure:** In both the sectors the size of turnover varies significantly in various industries. Average turnover, in the two sectors, differs significantly.

**Generation of Employment:** In the informal sector a turnover of Rs.10,000 per month generates employment for 2.28 workers. The turnover generation capacity, however, differs substantially for different types of industries. Industries which are more informal and less mechanised and modern generate more employment according to turnover than those which are more formal. The difference of capital intensity between the formal and informal sectors was found to be statistically significant, both for the productive and fixed capital per worker.

The advantage of a rather low capital requirement per worker exists only in case of the units with a capital up to Rs.50,000. Low capital intensity of fixed assets of Rs.5,000 per worker is found only in case of units employing fixed capital of less than Rs.20,000.

**Factor Intensity and Productivity:** A turnover of Re.1 added the value of 21 paise in the informal sector and 18 paise in the formal sector. Value added per worker in the formal sector (Rs.1,908) is higher than the informal sector (Rs.727) and the difference is statistically significant. In case of average turnover per worker also the difference between the
two sector is significant: Large capital size with a large amount of value added was found to be synonyms with the manufacturing units of the informal sector. Capital productivity measured in terms of output capital ratio work out to be 0.04 in terms of total productive capital and 0.064 in terms of fixed capital for the entire sample of manufacturing units. The output capital ratio continuously declined with the increase in size of the unit by employment and increased in case of very big establishments. The labour productivity increases with the increase in the size of the unit. The share of wage in the value added is very high at the first size class bit shows a declining trend up to capital size class of Rs.10,000 and then shows an increasing trend. In contrast the wage share shows a declining trend in the formal sector units with the increase in size. The profit rate shows a declining trend in both the sectors.

Relative Efficiency: Relative labour productivity is less than unity in the case of 9 industries i.e. labour productivity in informal sector is lower than the formal sector units. On the other hand relative capital productivity is greater than unity in 10 types of industries i.e. capital productivity in informal sector exceeds those of the formal sector units. Relative capital productivity exceeds relative labour productivity i.e. capital per employee in formal sector unit is higher than that of informal sector. Out of 10 types of industries, one-half of the industries types, the informal sector is more efficient production wise than the formal sector units.
Linkages: Inter linkages between the sub-sectors of the informal sector as well as between informal and formal sectors shows that the phenomena of inter dependence between formal and informal sector is one of the popular myths about the informal sector. At the first stage of commercial transaction, the products of the informal sector are purchased by some other informal sector units or some individual residents in the informal sector. This may be done for further reprocessing of the product within the informal sector or for final sales elsewhere or, as we feel is the more common reason, the products are acquired by some agents of a formal sector enterprise, who may be either a trader, a final consumer or an intermediate or final manufacturer of products, based on the output of the informal units.

Secondly as in the case of forward linkage, the informal sector’s backward linkage with suppliers of raw material is predominantly within the sub-sectors of the informal sector, barring a few exceptions like textiles, chemicals, metal, wood and bamboo and paper industries, in which case their dependence on the formal sector is quite marked one. However, in most of the cases they acquire the raw material directly from such informal such sectors but not directly from the formal sector. The discussion on the backward linkages, at the point of final sale of material to the user, within the subsectors of the informal sector and between formal and the informal sector shows somewhat less
dependence of the informal sector on the formal sector. This study, however, revealed that a large proportion of raw material was supplied by some middlemen or a part of the formal sector, who operated from within the area, whether in the form of an unit or as an individual.

POLICY IMPLICATION:

Various studies of the informal sector show that the sector has not only established itself as a major mechanism for generating employment but also provides an increasing range of low cost goods and services. There has been, in contrast, little conscious effort to utilise the cost-efficient informal delivery system in the development process. An effective strategy and action plan is crucial to have an effective and increasing utilisation of the informal mechanisms in the future. It is necessary not only to examine the present status of the sector and salient practices of the entrepreneur but also to identify the constraints faced by them at the operational level, areas of development assistance and interventions. Thus, the immediate implication is that the public agencies should provide development support in a more systematic manner which should include planned resource allocation as against the present ad hoc policies.

DEVELOPMENT NEEDS:

The operational problems and development needs of the informal sector in Berhampur will include problems that are
common to the total scenario of the informal sector in the town and interventions which could be considered by various public agencies at the micro level. It will also include a few product specific problems. From the survey it was ascertained that the units in this sector are facing problems in the areas of finance, marketing, raw material, labour, training or technical knowhow and shelter. The following few paragraphs will deal with each problem separately and will ascertain the major areas where the public and private agencies can intervene, which will not only help in the expansion of the sector but also develops its labour absorption and income generating capacity.

Financial Inputs: The first major problem encountered by the informal sector in Berhampur town concerns the accessibility to institutional credit. The informal sector enterprises either have no access to credit at all or they have access to it only at exorbitant interest rates and at stringent terms. Most of the entrepreneurs mobilise requisite finance from their own savings or from money lenders and middleman. Although the capacity of the entrepreneurs in raising resources on their own to initiate an economic activity is a positive one but the non-availability of institutional credit retards the growth of the unit. The entrepreneurs have no option but to resort to borrowing from the money lenders at high rate of interest. In case of textiles product manufacturing, due to lack of finance, most of the entrepreneurs have to depend on the middleman which converted the entrepreneurs into mere piece rate or job labour. They
have to surrender their decision making and marketing power to the money lender, in which case the profit goes to the later. Thus reduces the chance of further expansion and mechanisation of the units by the entrepreneurs. No doubt in some of the cases institutional credit is available at the initial stages but absence of a second and third dosage of financial input for further strengthening and expanding the base of the economic activity proved the failure of the government policy; for example the one-time financial input supply strategy of financial institutions under programmes like Nehru Rozgar Yojana. In contrast, in case of the large scale industrial and economic activities, the units have easy access to successive packages of financial inputs. Secondly, even the one-time financial help under various government programmes failed due to corruption at the administrative level. Some of the entrepreneurs even complained that they are not able to get the full amount sanctioned and prefer to depend on the middlemen in which case they are at least assured of getting the full amount either in terms of money or in terms of raw materials. A financial policy in the line of the large scale units is necessary for the informal sector which will definitely help in their future growth thus enabling them to generate more employment and income. However, if corruption can not be checked at the administrative level of the government programmes, then it will be difficult to deny the positive role played by the middleman and moneylenders in providing finance to this sector. Finance can be provided in three ways:
i) Finance for acquiring basic equipments and tools in various instalments, to match with the growing needs and absorbing capacity.

ii) Working capital for initiating and expanding activity, as also strengthening stock holding capability; and

iii) Composite credit needs for economic activity, household consumption, shelter, etc.

**Raw Material Flows:** A negative feature of the Berhampur informal sector is the absence of location-specific product specialisation. Except for textiles and wood and bamboo products the rest of the manufacturing activities are spread out in the town. This hampers the development of a mechanism for the flow of common inputs and also for marketing of common end-products. Almost all types of activities face the same type of raw material problems. The study also revealed the adverse terms of trade for the informal sector units both at the time of acquiring the raw material as well as at the time of selling the end products. In case of wood and bamboo products, the entrepreneurs are generally dependent on the forest department for raw material inputs but failure of the department in providing raw material regularly forced the entrepreneur to buy the inputs from the black market with an increased cost which in turn reduces their profit margin. Another example is the case of textiles manufacturing, share co-operative societies were formed to assist the members in terms of supply of raw material and marketing of end
products. The system itself failed as the middlemen entered into the higher level of the administrative hierarchy of the co-operatives. Ultimately the entrepreneurs had to depend on the middlemen. The government policy in this respect should be that of providing raw material for special activities through a specialised marketing channel and at lower prices.

**Marketing Network:** As is the case in the capital market, imperfection can also be marked in the product market. The entrepreneurs are forced to sell their output to a single buyer or a small group of buyers either because they can not reach the market directly or they are entirely dependent on the buyers for their credit and other operational needs.

In Berhampur it is either the middleman or the retail traders who, formed the link between the entrepreneur and the final consumer. As a result, the entrepreneur has little or no say in fixing of the delivery schedule and prices and quite often has little freedom to utilise their skills freely in the production process. The distance between the entrepreneur and the final consumer creates a gap in the former about the prevalent market prices.

The second problem in this respect is the lack of stock holding capacity on the part of the entrepreneur. This is due to the lack of storage capacity and finances to maintain an inventory of the finished goods, which would have facilitated the entrepreneur to release the stock when prices are more remunerative. They are forced to sell off the
finished goods because they do not have the requisite holding capacity due to limited working capital and thus cannot wait for the prices to rise.

The basic policy needs in this respect are (1) strengthening of the stock holding capacity of the entrepreneurs and (2) improving their capability to have a larger, and direct, participation in the delivery system and price fixation. A marketing intelligence system can also be developed in order to provide information on the prevailing prices in the periphery areas and the major trade centres nearby. This system could also provide the informal sector entrepreneurs with information about changing tastes of the existing and potential customers and also information about new technologies, processes and materials that would strengthen and enlarge the scope of their activities.

Technical knowhow and skill training: As observed in the study, the bulk of the participants in this sector are either unskilled and uneducated rural migrants or unskilled local labourers whose main aim is to earn a living rather than profit making. Skill is a determinant of the activities they enter into and plays an important role in shaping the structure of this sector. Lack of skill also restricts the vertical mobility of the workers and the entrepreneurs within the sector as well as between the informal and formal sectors. Lack of technical knowhow also hampers further development of the sector and thus restricts the productive capacity. Low educational attainment of the entrepreneurs
leads to their exploitation by the middleman and the retailers. It was also observed that the prevailing training system in this sector is apprenticeship which is definitely playing a positive role in providing skills to the workers as well as entrepreneurs but the present system coupled with the support of formal training will help the entrepreneurs in adopting new technical knowhow and in providing knowledge about the prevailing market situation. The policy in this case should be to give entrepreneurs formal training on managerial skill as well as new technologies to the entrepreneurs. Training programmes for officials from government agencies, co-operatives and NGO's is also necessary as this would not only familiarise them with the operational techniques for need assessment, but also equip them with necessary information and knowledge about the informal sector activities, sources of supply of inputs, ways to provide development inputs etc. Besides these, these types of programmes would bring about attitudinal changes in their approach, thinking and working.

**Economic Infrastructure:** Lack of economic infrastructure like tools and machinery is another important deterrent in the production process of informal sector. Either due to lack of finance or due to the lack of knowledge about the prevailing technologies, the manufacturers in this sector are carrying out their activities with outdated or dormant tools and machineries. The government can provide assistance to the entrepreneurs in two ways in this respect. The
government should either provide financial assistance to the entrepreneurs to utilise the advanced technologies or can help in promoting co-operative activities in which case the co-operative can instal common machineries and tools for the use of the members on a rental basis to recoup the capital and interest cost of the economic infrastructure.

**Shelter and Social Infrastructure:** An integrated shelter and work place environment is needed for the informal sector. It is always necessary to upgrade the quality of the environment for improving the quality of life of the people, as also the productivity of the economic activities. There is a need to bring about clear demarcation between the shelter and work spaces, even if they are located within the same structure. This should be supported by a storage facility for the finished products. In Berhampur some of the activities like textiles and bamboo products need space outside the house in the production process. The entrepreneurs are interested to live in a cluster, which is necessary to develop activity specific clusters.

Besides shelter-cum-workplace provision, social infrastructure like, sanitation, drainage transport etc. are also needed for the informal sector units. Facilities like water and electricity have a direct linkage with the production activity and provision in this respect is always needed.