CHAPTER VII

SUMMARY, CONCLUSIONS AND SUGGESTIONS

INTRODUCTION – TESTING OF HYPOTHESES – QUALITATIVE INTERPRETATION OF DATA COLLECTED – STATISTICAL ANALYSIS AND FINDINGS – SUGGESTIONS.
INTRODUCTION:
In the absence of large-scale industries and with less of private participation, the economy of Nagaland primarily depends upon informal sector activities to provide gainful employment opportunities to people of the state.

As mentioned, industries have not made any appreciable progress in Nagaland and is negligible because of various constraints like unrelenting and difficult topography, the perennial problem of insurgency combined with the lack of basic infrastructure, inaccessibility to adequate institutional finance and lack of political will and entrepreneurial spirit. Except for a few small-scale industries managed and controlled by private entrepreneurs, most of the public sector undertakings of the state are running on huge losses.

The problem of unemployment in this mountainous state has therefore not found a solution in industrialisation. In spite of all these, the government has given little, if any attention to this important sector of the economy i.e. the informal sector. Besides, the people of the state seem to be mostly ignorant of the vast potential of the informal sector in generating income and employment. Hence the present study has been undertaken to explore the vast potential for employment and income generation in the informal sector.

For the purpose of the study, the relevant data have been collected from both primary as well as secondary sources. The Primary data has been collected from 2000 informal sector units in the urban areas and 375 informal sector units in the rural areas. Relevant data from secondary sources such as Director of Industries, Khadi and Village Industries Board, Directorate of economics and Statistics, Directorate of employment and Craftsmen Training, Directorate of Census
Operations and various town Committees in Nagaland have been collected for the purpose of analysis.

The present chapter attempts to recapitulate the main findings of the study in its various parts to provide and integrated picture of the informal sector in Nagaland with a view to having certain analytical and policy conclusions on the role of informal sector in the economic development of Nagaland.

**TESTING OF HYPOTHESES:**

In this part of the chapter an attempt has been made to study about the testing of hypothesis. The hypothesis formulated at the beginning of the study were as follows:

1. Informal sector contributes significantly to the economy of Nagaland.
2. Extensive development of the informal sector would create substantial employment opportunities to the local unemployed.
3. The informal sector is pre-dominantly owned by people from outside the state.

The economy of Nagaland is substantially influenced by the activities of informal sector, which is evident from the findings and analysis made in earlier chapters. The basic features of informal sector of having low investment, high return with relatively higher degree of employment provides stimulus for the growth of economy of the state of Nagaland.

The sample analysis made by taking business units in both urban as well as rural informal sector and making a comparison with formal sector units clearly reveal
that informal sector units are more profitable, help to generate adequate income by providing employment opportunities to those having formal or less education. Low capital coupled with higher return and relatively lesser educational qualification would facilitate the economy of Nagaland as well as to eradicate poverty. Hence, the hypothesis “Informal sector contributes significantly to the economy of Nagaland” is proved to be true.

Informal sector offers substantial employment opportunities as is evident from the findings in earlier chapters. As per the report on fourth economic census of Nagaland 1998, conducted by the Directorate of Economic and statistics, Government of Nagaland, informal sector in Nagaland generates employment of about 65,099 persons, which is found to be the highest as compared with the formal sector as well as the state government employees.

Moreover, the employment generation potential in some segments of the informal sector such as construction, manufacturing and service segments is very much significant.

Further, in a state like Nagaland the emergence of the formal sector, as a major source of employment and income is also not foreseeable in the near future given the prevailing situation. Besides, additional job creation in the government sector is also not anticipated as this sector get downsized due to reform measures initiated at various levels.

Therefore, extensive development of informal sector is essential so as to create employment avenues for the local unemployed. Hence the hypothesis,
Informal sector activities:
The predominance of informal sector activities in urban areas of Nagaland is conspicuous by the negligible presence of the formal sector activities. The informal sector activities in urban areas consist of five segments such as trade,

URBAN INFORMAL SECTOR:

Informal sector activities:
The predominance of informal sector activities in urban areas of Nagaland is conspicuous by the negligible presence of the formal sector activities. The informal sector activities in urban areas consist of five segments such as trade,
service, manufacturing, construction and transport segment. The trade segment has been categorised into 25 activities for the purpose of the present study of which the most predominant ones are grocery, hardware, stationary, cloth store, pan shop, vegetable vendors, butchers etc. Similarly, service segment has been categorised into 11 activities such as hotel, workshop, P.C.O, saloon, cobbler etc. Manufacturing segment classified into 9 activities comprising furniture, bakery, steel fabrication, blacksmithy, tailoring etc. Construction segment into 3 activities like masons (brick and cement), masons (Stone) and carpenters while the transport segment into 2 activities such as cart pullers and rickshaws.

The sample survey:
The sample survey of informal activities in urban areas consist of 2000 units engaged in trade, service, manufacturing, construction and transport activities. The units have been randomly chosen considering the concentration of activities in the urban areas. Thus, the sample survey of 2000 units comprises of 1050 in trade, 140 in service, 70 in manufacturing, 310 in construction and 430 in transport. Although agriculture sector possess all the informal characteristics, it has been excluded altogether because this sector is exclusively looked after by a separate government department.

Primary data on informal activities from the above sample units have been collected by administering a questionnaire, specifically designed for seeking the relevant information. The broad features of the 2000 sample units like the enterprises, the entrepreneur, employment generation, investment and structure of financing, sales turnover and profitability have been presented as follows:

Profile of enterprises in informal sector economic units:
The adherence of strict industrial norms is not required to establish units in informal sector. The entrepreneurs are mostly guided by the economic reasons to
earn income with less capital. That is the reason for which most of the units in informal sector are found near inhabited areas or in urban centres so as to meet the needs of the people at large.

It is observed that enterprises located in the heart of the town and its surrounding are found to be more advantaged in terms of sales turnover and profit. Thus, most of the informal sector enterprises are concentrated in the vicinity of the main town. Almost all the economic units (74 percent) under the sample study are sole proprietorship concerns while family, joint family and partnership accounted for 11 percent, 8 percent and 7 percent respectively.

56 percent of the sample units are in fixed location and the remaining 44 percent have variable location engaged in trade, transport and construction. About 81 percent of the business premises are rented and only 8 percent are fully owned by the entrepreneurs. Most of the remaining are neither owned nor rented but in the form of paying a daily fee in market hât’s or doing business on the roadside.

Enterprises relating to trade, manufacturing, service and transport sectors are mostly registered with town Committees. Street hawkers and local vegetable vendors do not require a registration and operate by paying a fee of about Rs.5 per day. Construction units are not registered with any agency as most of the units are operated by people from outside the state who require an inner line permit which needs to be renewed every month.

Two thirds of the total units surveyed are of recent origin that came into existence within the last 6 years or so. 12 percent are there for the last 7 to 10 years while nearly 9.1 percent were established 11 to 20 years ago and about 6.1
percent were in operation for the last 21 to 30 years. Majority of the sample units (75 percent) had to confront with some problems at the initial stage of establishment. Over two-third stated that raising initial capital was the most difficult problem. Only 8 percent referred to lack of premises as the most difficult obstacle in starting their units. Significantly, one quarter of all units reported that they had no major problems at the time of establishing their units.

In order to overcome their initial problems, majority of them (78 percent) established their units by availing loans from family members, friends and relatives or mobilised resources at their own initiative.

The political situation, huge amount of bad debts incurred and financial problems are presently considered the most important problems for growth and expansion of the units.

Profile of entrepreneurs:
A typical informal sector entrepreneur in the urban areas of Nagaland is a man in the lower middle age group, who has migrated from other states with moderate education and practically no formal training in his sphere of activity. 85 percent of all entrepreneurs are males, and female owners are noticed mostly in vegetable vendors and dealers in foreign readymade goods. Majority of the entrepreneurs comprising 79.6 percent were in the age group of 21 – 40 years, 6.6 percent were below 20 years of age and only around 14 percent were above 41 years. Majority of the entrepreneurs are migrants, comprising about 73 percent and entrepreneurs of local origin are only about 27 percent. 75.4 percent of the entrepreneurs were found to be below matriculate having only 8 years of school education. 22.5 percent of entrepreneurs were found to be illiterate and
21.5 percent have the basic knowledge of reading and writing. Only about 24.6 percent of the entrepreneurs surveyed have the formal education with academic qualification of matriculation and above. Thus it is evident that the informal sector absorbs persons with relatively little education.

About 38.9 percent of the entrepreneurs had work experience earlier and 18.9 percent had acquired their skills working as apprentices. Only about 1.8 percent had undergone some formal training. Thus, the study reveals that work experience acquired through apprenticeship or as paid salesman and helpers in the line of their related activity, played an important role in the development of skills for managing their present activity.

**Employment generation:**

A part from creating employment for himself the entrepreneur in the informal sector also generates employment for others. The total employment generated by 2000 units is estimated at 1825 persons (excluding the entrepreneurs). As self-employment is a major objective of the entrepreneur in setting up his enterprise, the total no of people who get their employment is 3825 persons. The average employment generated per unit is found to be 1.9 persons. Construction sub-sector is found to generate the most employment (3.2), followed by manufacturing (2.4), service (2.2), trade (1.8) and transport (1).

**Socio economic characteristics of the workers:**

The workers in informal sector are deprived of the facilities, which are mandatory under labour laws prevailing in our country. They are disadvantaged as compared to those in the formal sector in terms of employment conditions, earnings and consequently living conditions.
The labour force in the urban informal sector is predominantly male (90 percent) and very few females are engaged as paid or unpaid employee. Family members constitute 30 percent of the labour force.

67 percent of the labour force (excluding family members) were employed on a full time regular basis while the remaining worked on a part time daily basis. Most of the part time workers do not receive any regular wages and are mainly employed in construction, retail trade, and workshops. 63.7 percent of those in full time regular basis get a monthly salary of not more than Rs.750, while 36.3 percent get a monthly salary of above Rs.750.

80 percent of the work force are young belonging to the age group of 15 to 25 years. In terms of education the majority of the work force are not illiterate but having moderate education below 8 years of school education, and only about 32 percent are illiterate. Similar to entrepreneurs, majority of the labour force (83 percent) are people from outside the state.

**Investment and resource mobilisation:**

The 2000 sample units covered in the study had a total investment of Rs.834 lakhs. The average investment per unit is Rs.41,745. The investment pattern however, varied from segment to segment and also between activities in the same segment as the study covered both big and very small units.

Majority of the 2000 sample units comprising of more than 73 percent have an investment of less than Rs.50,000 out of which nearly 26 percent have investment below Rs.2500 and about 7 percent have investment varying between Rs.2501 to Rs.5000. About 22 percent of the units have the investment
amount varying between Rs.5001 to Rs.10,000 and nearly 7 percent between Rs.10,001 to Rs.25,000 and 11 percent between Rs.25,001 to Rs.50,000. The remaining 26 percent have an investment of more than Rs.50,000. Thus, it can be observed that a unit in the informal sector can be established with little amount of investment. The study revealed that more than 18 percent of the sample units had started their units solely by themselves or with the help of family members. Only about a meagre 3 percent of the units availed of loans from commercial banks, which shows that financing institutions are playing insignificant role in financial and development of informal sector activities.

Sales performance of 2000 sample units:
The annual sale of 2000 sample units is estimated at Rs.4,033 lakhs. The average annual sale per units is Rs.2,01,695 and an average monthly sale of about Rs.16,808.

The annual sales is 483 percent of the total investment, in other words every Re1 invested in the informal sector yields annual sales turnover of Rs.4.83p. This brings out the low investment base of the economic activities. The majority of the units (about 53 percent) have an annual sales below Rs.1,00,000, while 18 percent had sales below Rs.2,00,000. About 11 percent had sales below Rs.3,00,000, about 9 percent below Rs.4,00,000, about 4 percent below Rs.5,00,000 and nearly 5 percent above Rs.5,00,000.

Profitability:
Profitability or rate of return on investment is 23.8 percent. The profitability rate varies considerably within the different informal sector activities ranging from 10 percent to as high as 50 percent. It was noticed that there is not much
uniformity in the rate of return or profitability rate on investment in informal sector. This is attributed to the fact that trade in informal sector is not guided by the basic principle of demand and supply of goods in the market but is primarily influenced by the extend of bargain made by the purchaser. The goods are usually quoted at a much higher price by the trader and ultimately sold at a price depending upon the customers bargaining ability. So the trade in informal sector does not follow the sound marketing practices.

The informal sector entrepreneurs re-invest a significant proportion of his profits into the business. This proportion varies from 10 percent to 20 percent. It indicates the financial efficiency of these units that needs to be appreciated.

**RURAL INFORMAL SECTOR:**

**Informal sector activity:**

The rural people of Nagaland is basically dependent on agriculture for their livelihood and so, agriculture is the most important activity among the rural population. However, in most cases, agricultural activity is carried out on a subsistence level. Therefore to supplement their meagre earnings from agriculture, rural people also engage themselves in informal activities like trade, service, manufacturing and construction activities. The concentration of these activities is mainly in the semi-urban areas and along the national highways. These activities are visible in the villages in limited numbers depending on the size and the location of villages. Trade segment consists of activities such as general shops, pharmacy, pan shops, vegetable vendor, butcher etc. Service segment comprises of activities such as hotel/tea stalls, workshop and saloon. Manufacturing segment comprises of activities such as Bakery, tailoring and
Profile of enterprises:

Majority of the sample enterprises comprising 75 percent are in fixed locations and the remaining 25 percent in variable location engaged in trade and construction activities. 72 percent of the business premises are rented and only

The sample size:

The directorate of Census Operations have classified villages according to size of population such as very small villages (1 – 499 persons). Small villages (500 – 1999 persons), medium villages (2000 – 4999 persons) and big villages (5000 and more persons). Therefore, primary data relating to informal sector activities in the rural areas have been collected by taking a village as a sample unit.

32 villages each from Kohima and Dimapur district and 10 villages each from the remaining 6 districts (Mon, Tusesang, Zunheboto, Wokha, Mokokchung and Phek) having different population sizes as classified above have been surveyed. From the above sample villages primary data on 375 informal sector units engaged in trade, service, manufacturing, and construction activities have been collected by administering the same questionnaire used in urban areas seeking the relevant information.

In the following pages the broad features of the sample units like the enterprises, the entrepreneur, employment generation, investment and structure of financing, sales turnover and profitability have been presented.
As is the case in urban areas, the informal sector units in the rural areas too faced certain problems such as raising initial capital and inadequacy of transport and communication system. In order to overcome their initial problems, majority of the enterprises utilised their savings or obtained loans from friends and relatives to meet their initial capital requirement.

In the semi-urban areas where adhoc town committees have been constituted, the informal sector units are mostly registered with this local bodies, where as in the villages majority of the units are not registered with any agency except for big general shops that are registered with the district administrative office.

With regard to age structure of enterprises, 36 percent of the sample units are of recent origin, i.e. came into existence within the last 5 years or so. 27 percent are there for the last 6 to 10 years, while a little over 25 percent were established 11 to 15 years ago and over 9 percent between 16 to 20 years.

As in urban areas, the informal sector units in the rural areas too faced certain problems such as raising initial capital and inadequacy of transport and communication system. In order to overcome their initial problems, majority of the enterprises utilised their savings or obtained loans from friends and relatives to meet their initial capital requirement.
Finance, non-payment of debts, lack of proper communication facilities and prevailing political situation are some of the current problems faced by this units. Only about 7 percent mentioned lack of customers as the main problem.

**Profile of entrepreneur:**

Majority of the entrepreneurs in the rural areas comprising 82.6 percent were in the age group of 21 to 40 years, only about 15 percent were above 50 years of age. It indicates that the entrepreneurs engaged in Informal sector are within the middle aged group i.e. between 21 – 40 years, as is the case with urban areas. As regard to education nearly 20 percent of the sample entrepreneurs are illiterate, about 37 percent could read and write, and about 37 percent have 6 years of school education. Only about 6 percent were matriculate and above. Like the urban areas it also indicates that the informal sector absorbs persons with relatively little education.

About 36 percent of the sample entrepreneurs had acquired their skills working as apprentices and about 41 percent had work experience earlier in the line of their specialisation or related activity. Yet again like the urban areas it shows that the informal sector plays a key role in skill acquisition necessary to manage the informal sector units.

With the exception of a few units in trade and manufacturing segment operated under partnership basis, virtually all the units are one man concerns where the entrepreneur is working and managing all the operations by himself. In some cases it was noticed that the family members assist in the business related work. The entrepreneurial work in informal sector in most cases are male dominated, which is evident from the figure that about 79 percent of entrepreneurs are male
and 21 percent are females who are mainly engaged in selling of vegetables and operating pan shops and tea stalls. Unlike the urban areas, where entrepreneurs are mostly migrants, it is observed that in the rural areas both locals and non-locals equally participate as entrepreneurs.

**Employment generation:**
The informal sector in rural areas is mainly a source of self-employment, rather than paid employment. The total number of employment generated by 375 enterprises is 692 persons (including the entrepreneurs). The average employment generated per unit is 1.8 persons, which is found to be slightly lower than the urban areas. Family members (other than the entrepreneur) constitute 27.4 percent of the labour force. Again as in the urban areas, construction segment in the rural areas is found to be generating the most employment.

**Socio-economic characteristics of the workers:**
The labour force in the rural informal sector is predominantly male as in the case with urban informal sector. Female participation in the informal sector is noticed mostly as entrepreneurs and very less as workers.

About 64.9 percent of the labour force are young belonging to the age group 16 to 25 years while 21.5 percent belong to the age group 26 to 35 years. In terms of education 45 percent could read and write, nearly 22 percent have had some school education below matriculation and only about 29 percent are illiterate.

Considering the native origin among the labour force, it is observed that 65.6 percent of the labour force are people from outside the state. Coming to the
wage structure, unpaid family and apprenticeship workers constitute 33.8 percent of the total sample workers. About 28 percent of the sample workers get a monthly salary of not more than Rs.750, where as about 38 percent get a monthly wage of above Rs.750.

**Investment and structure of financing:**

The 375 sample units had a total investment of Rs.65.74 lakhs. The average investment per unit is Rs.17,532. The invest pattern however showed variation from segment to segment as well as between individual units. It was as high as Rs.70,000 in a Bakery units to as low as Rs.1400 in a saloon. About 90.4 percent of the sample units have an investment of less than Rs.50,000. Further, units investing less than Rs.25,001 constitutes 70.1 percent, 65 percent below Rs.10,000, 57.3 percent below Rs.5001 and 38.1 percent investing below Rs.2,500 only.

Thus, it indicates that an informal sector unit can easily be established in the rural areas with very little investment.

The study reveals that more than 77 percent of the units established their activities solely by themselves or by taking loan from family members, friends and relatives. Only about 5.1 percent availed of loans from financial institutions, which indicates that financial institutions are playing an insignificant role in the development of informal sector activities, like that of informal sector units in urban areas.

**Sales performance of 375 informal activities:**
The total amount of annual sales of 375 informal sector units is estimated at Rs.630 lakhs. The average annual sales per unit is Rs.1,68,220, which comes to
an average monthly sales of about Rs.14,018. There is however considerable variation in the volume of sales at the unit level in the different sub-sectors because of differences in size of units sampled. The average annual sales per unit is less than Rs.41,000 in construction segment, whereas, it is Rs.2,47,782 in trade sector.

The frequency distribution of the 375 informal sector units in terms of their annual sales reveal that about 69 percent have annual sale turnover of less than Rs.1,00,000. Out of which near about 40 percent had annual sales between Rs.25,000 to Rs.50,000 and 8.8 percent had annual sales below Rs.25,000.

Profitability:
Profitability in the informal sector in rural areas measured in terms of sales is high and is estimated at 22.5 percent. The profitability rate however varies considerably among the different informal sector activities, ranging from 12 percent to 20 percent in activities like general shops, butcher and pan shops to as high as 25 percent to 40 percent in pharmacy, vegetable vendors, tea stalls and bakery.

The study reveals that majority of the units generate annual profits ranging between Rs.10,001 to Rs.75,000. Only 1.9 percent had profits between Rs.75,001 to Rs.1,00,000.

STATISTICAL ANALYSIS:
In the 1Vth and Vth chapter of the present study the informal sector activities in the urban and rural areas of Nagaland have been identified and a data base on this important sector of the economy, about which little is known has been presented. Accordingly, an attempt has been made to critically review the
informal sector for economic development of Nagaland with the help of statistical analysis.

The variables such as investment, sale and profit are considered to be important factors in determining the viability, growth and survival of any economic unit in the economy. Therefore, the relationship and growth of investment on profit and sale on profit have been examined with the help of a linear regression equation.

A separate regression equation has been applied for every analysis.
The regression equation used in all the analysis is in the following form:

\[ Y = A_1 + \beta_1 X_1 + \beta_1 \text{(Profit on investment)} \]
\[ Y = A_2 + \beta_2 X_2 + U_2 \text{(Profit on sale)} \]

Where \( Y \) = profit per annum in Rs.
\( X_1 \) = Investment per annum in Rs.
\( X_2 \) = Sale per annum in Rs.

\( U_1 \) and \( U_2 \) are random disturbance term, \( A_1 \) and \( A_2 \) are constants, \( \beta_1 \) and \( \beta_2 \) are the partial regression co-efficient of investment and sale respectively.

**Analysis of urban informal sector:**
Firstly, the analysis of urban informal sector has been made separately for all the different segments of the informal sector after which an intra trade comparative analysis has been made.

A linear regression equation (as stated above) has been fitted to the variables like investment, sale and profit relating to data on informal sector in urban areas.

The value of multiple determination \( (R^2) \) for investment and sales obtained from the analysis for all the segments indicates that the values are significant at 1 to 5 percent level of significance which indicates that significant percent variation of the total variation in profit is explained by investment and sales. The partial
regression co-efficient ($\beta_2$) figures obtained from the analysis for all the segments also shows that the values are significant at 1 to 5 percent level of significance. It indicates that an increase in investment and sale will lead to significant increase in profits.

Comparative analysis among the various segments like trade, service, manufacturing, construction and transport segments shows that construction and transport segments are the most profitable segments considered in terms of investment and sales (For example, if sales is increased by Re 1, Profit will be increased by 86 paisa approximately). This is followed by manufacturing, trade, and service segment respectively.

Secondly, since the trading sector activities constitute the major activity prevalent in the urban informal sector engaging the major work force and providing maximum employment opportunities, it is considered important to study the investment, sale and profitability behaviour of intra-unit activities in this sector.

Trade segment comprises about 25 activities. An analysis has been made, by classifying trade activities into four groups such as: Group A – Consumable goods, Group B – House wares, Group C– Human wares and Group D – Miscellaneous. Separate regression equations were fitted to the variables like investment, sale and profit relating to the data available on those different groups to examine the linear effect of investment on profit and sale on profit.

The regression analysis findings on intra trade activities in informal trade reveals that Group D (miscellaneous) activities like stationary, book stores and
motor parts units yields the best returns on investment (if investment is increased by Re. 1, Profit will be increased by 67 paisa approximately), followed by group A, B and C respectively. Likewise, a similar regression analysis on the different groups studying the linear effect of sale on profit shows that group C like shoe store, cloth store, readymade garments, cosmetics, etc., yield the best returns on sale (If sale is increased by Re. 1, profit will be increased by 19 paisa approximately), followed by group B, D and A respectively.

The above linear regression analysis findings on informal trade activities in urban areas show that all the units surveyed under the present study are viable economic activities yielding significant returns on investment and sales.

**Analysis of rural informal sector in Nagaland:**

With the exception of the semi-urban areas where varieties of informal activities are present, in the villages, it is observed that only a limited number of informal activities are operating. Therefore, the informal sector activities have not been segregated into segments and analysed in a consolidated form, taking together all the four segments.

The statistical analysis of the data relating to units in rural informal sector have also been made with the help of a linear regression equation taking into consideration the variables like investment, sales and profit. The linear effect of investment on profit and sale on profit has been evaluated by applying separate regression equation for each analysis. The regression analysis findings on rural informal sector shows that the value of multiple determination ($R^2$) for investment and sales are significant at 1 to 5 percent level of significance which
indicates that significant percent of variation in profit is explained by investment and sales. Similarly, the partial regression co-efficient ($\beta_1$ and $\beta_2$) figures also shows that the value are significant at 1 percent level of significance which indicates that an increase in investment and sales will lead to a significant increase in profits. For example, if investment is increased by Re. 1, profit will be increased by Re. 1.18 paisa approximately. Likewise, if sale is increased by Re. 1, Profit will be increased by 15 paisa approximately.

From the above it is evident that the informal sector activities in rural areas are also viable and efficient units generating reasonable levels of income and contributing significantly to the economic development of Nagaland.

**Comparative analysis between informal and formal sector:**

After analysing the trend of profitability for all the economic units in the informal sector in urban and rural areas a comparative study of the informal sector vis-à-vis the formal sector is attempted. The units registered with Khadi and village Industries Board as well as the department of Industries Government of Nagaland have been taken into account, which constitute the formal sector. The categorisations into various segments have not been made and all the units have been taken in consolidated form. The relationship and impact of investment on profit and sale on profit have been analysed for all the sectors with the help of a linear regression equation, so as to draw the inferences in relation to informal sector facilitating to make a critical analysis of informal sector in the economic growth of Nagaland.

A separate linear regression equation was fitted to the data representing each sector of the economy among the variables like investment, sale and profit.
The regression analysis findings on all the sectors of the economy relating to the linear effect of investment on profit reveals that the regression co-efficient figure for the rural informal sector has the highest value, followed by the urban informal sector, khadi and village industries sector and industries sector respectively.

It indicates that the rural informal sector will yield the best returns on investment followed by the other sectors respectively as per the above given sequence.

Likewise, the regression analysis findings on all the sectors of the economy, relating to the linear effect of sales on profit reveals that the regression co-efficient figure for khadi and village industries sector has the highest value, followed by the rural informal sector, urban informal sector and industries sector respectively.

The above analysis reveals that the informal sector in Nagaland is comparatively better than formal sector in terms of returns on investment made. Similarly, profitability considered in relationship with sales in informal sector activities is better than industrial units registered with Directorate of Industries Government of Nagaland and more or less at par with khadi and village industries sector.

An analysis of the number of employment generated by the different sectors of the economy also reveals that the informal sector is generating the highest
employment (excluding agriculture) in the economy, followed by the state Government and formal sector respectively.

Thus, it is evident from the findings that the informal sector is playing a dominant role in the economic development of Nagaland in terms of income and employment generation.

**SUGGESTION:**

The present study has provided evidence in terms of several parameters that indicates that the informal sector is a major growth point in the economy and contributes, to a significant extent, in providing solutions to the basic human problem of unemployment. This is particularly more significant in a situation where the formal sector has not made any appreciable progress and the emergence of the formal sector as a major source of employment and income is also not foreseeable in the near future given the prevailing situation. Besides employment and income opportunities offering well paid jobs from the government sector is also not forthcoming as this sector gets downsized due to reform measures initiated at various levels.

In this context, an important policy decision should be made by acknowledging the existence of informal sector and of its dynamic role in the development process. A development strategy should then be considered on how best to exploit the talent and expertise of this energetic, enterprising and resourceful sector to contribute more effectively and in a relatively more organised manner to the economic development of Nagaland. The following suggestions have been
put forward for the development of the informal sector both in urban and rural areas which will in turn lead to the development of the economy of the state.

1. The role and importance of the informal sector for economic growth of the state should be acknowledged and duly recognised as a major growth point in the economy.

2. The government should issue policy guidelines to rural banks, cooperative banks and other state government financial agencies, so as to provide finance in liberal terms and conditions to the people engaged in informal sector. Given the successful experiments being made in innovative banking policy to reach the rural poor in a number of Asian countries (like the Grameen bank in Bangladesh and Baden Kredit Kecamatan of Indonesia) there exist a vast potential for providing access to institutional finance to petty producers.

3. Short training programmes suited to informal sector units should be offered to the people engaged in informal sector activities. The programme package should provide technical know how, procedural matters to obtain financial assistance, basic knowledge in finance and maintenance of books of Accounts etc.

4. The government should formulate some schemes (area specific) so as to encourage entrepreneurs in informal sector units, both in urban and rural areas.

5. The rural development plans and programmes of the central government should be implemented affectively so as to encourage the participation of entrepreneurs in informal sector activities.
6. The Department of Employment and craftsmen training should be entrusted with the task of educating, providing adequate information about the potentials of informal sector, in choosing business career and gainful employment to the unemployed youths.

7. The government should encourage growth centres at each block level so as to encourage the activities in informal sector to provide gainful employment opportunities to local unemployed youths.

8. Trading regulations restricting trade by Non-Tribals should be passed (as is the case in Meghalaya and Mizoram states) and the local unemployed youths should be encouraged to participate in informal sector trade by introducing innovative schemes for them.

9. Wherever possible, voluntary agencies like Non-governmental organisations (NGO’s) should be encouraged to mobilise informal sector units into bigger groups so that lending and follow-up becomes easier.

10. Innovative schemes like group trading and group entrepreneurship should be developed, especially to encourage women participation in informal sector activities. There have been several such success stories like Lijjat papad, women India Trust (WIT), etc, in this area.

11. The informal sector human settlements have a good potential to generate savings and so, a programme should be developed to mobilise the savings from this sector.
AREA FOR FUTURE RESEARCH:

On the basis of present study, it is felt that the future research study should be undertaken on the following specific areas:

(a) Specific Governmental role on development of informal sector in Nagaland.

(b) Role of financial institutions for the growth of informal sector in Nagaland.

In conclusion it can be stated that all agencies, authorities and institutions must be made aware that helping informal sector units is the surest way to ensure economic growth with distributive justice, which is the prime goal of all developmental plans in the country.