CHAPTER-I
INTRODUCTION AND STUDY OF LITERATURE

I. INTRODUCTION:

Rapid urbanisation has been an integral part of the developing economies during the past four decades. This process is the result of large-scale economically motivated migration of people from the countryside towards the cities because of pull and push factors. This rural to urban migration coupled with the natural increment of urban population has caused a phenomenal increase in urban work force. While this development was taking place, development theorists started expressing their disillusionment and despondency in the efficacy of their conventional "trickle down theory". The folly of this "trickle-down theory" along with the imperatives of capitalist mode of production in the modern industrial sector proved fatal on this increased urban labour force, when the latter could not be absorbed in the former sector. Left to self, this surplus labour made a valiant effort to carve out a niche for its own living and subsistence within the same urban economic system by means of undertaking a variety of informal productive activities which is otherwise known as "Informal sector" (ILO:1972), "unorganised sector" (Joshi & Joshi. 1970, Hariss: 1978, Bharadwaj: 1979), "bazaar-type economy" (Geertz: 1963), "traditional sector" (Reynold: 1969) and so on in the literature of developmental and urban economics.

Of late in the literature of development economics, the "Informal sector" has gained importance because of its rapid growth especially in developing economies. In these economies despite rapid industrial growth, the formal or the modern sector has not been able to provide employment to all the surplus and marginal labour force in urban areas. Further, public sector employment in such economies has also considerably gone down. This is due to the fact that the
employment elasticity in relation to aggregate output growth has been diminishing over the years. In India the increase in manufacturing employment has been less than proportionate in comparison with output growth. Employment elasticity across various sectors of the economy is estimated to have declined from 0.61 during 1972-73 to 1977-78 period to 0.55 during 1977-78 to 1983 period and further to 0.38 during 1983 to 1987-88 period. In manufacturing the corresponding drop was from 0.55 to 0.42 and further to 0.26. Judged from this angle, employment creation in the informal sector becomes one of the surest ways of overcoming urban poverty, unemployment and environmental degradation. Development and promotion of the urban informal sector therefore has become the new operational philosophy of the developmental strategy in the 1990s.

II. ORIGIN AND EVOLUTION OF THE CONCEPT

In the literature of development economics one rarely comes across a concept like "Informal sector" which is so often mentioned and at the same time so much controversial and debatable ever since it was used in a Ghana study by Hart (1973). Since it is made to include in its scope every small scale activities of production, trade, services etc. in the sun, a universal theoretical definition therefore seems next to impossible. However for proper understanding of the concept and to develop an operational micro level definition for our envisaged study, we need to have a systematic review of literature in this field.

The concept is based on some theory of urban dichotomy developed in the context of dualism.
1. **Dualism**

It was Boeke (1953) who first used the term Social dualism to divide the society into two segments - one traditional and the other westernised. Higgins (1966) enumerates technological dualism as an important characteristic of underdeveloped countries. His technological dualism in such countries consists of an industrial sector and a rural sector. However, it was the famous model of Arthur Lewis (1954) that perfected and popularised the concept of sectoral dualism prevailing in underdeveloped countries. Lewis divides the economies of such countries into two sectors - a capitalist sector and a subsistence sector. The capitalist sector continuously expands by employing more and more surplus labour from the subsistence sector at constant real wage at subsistence level. This process continues till the entire surplus labour is absorbed in the capitalist sector.

Lewis model was modified later on by Fei and Ranis (1964). Fei and Ranis talk of the existence of a commercial industrial sector and a subsistence agricultural sector in a labour surplus underdeveloped economy. Their models have been developed drawing heavily from the historical experience of growth in U.S.A and U.K in the nineteenth century which exhibits considerable migration of rural people to urban industrial centers, enabling industrial capitalist to reap huge profits for reinvestment by keeping real wages below marginal productivity of labour.

However, sectoral dualistic model are not compatible with present economic structure of the economies of developing countries. Further these models are very simplistic in the sense that they failed to represent the dichotomy character of urban economies of such countries.
2. Dichotomy Model of Urban Economy

It is in Todaro's model (1969) dealing with migration that one finds the recognition of dichotomy in an urban economy. Todaro talks of rural-urban migration being a two stage phenomenon and to him such migration is conditioned by two principal factors: (i) the urban-rural real income differential (ii) the probability of getting an urban job.

Subsequently a number of scholars started explaining the structure of an urban economy in terms of "dichotomy".

Reynolds (1969) explains the dichotomy character of an urban economy in terms of a "modern sector" and "traditional sector".

Mc Gee (1975) explains such a dichotomy in urban economy in the framework of "Farm type economy" and "bazaar type economy".

Santos (1979) presents an analysis of urban dichotomy using the terms "upper circuit" and "lower circuit". In Santos' treatment, technological advancement and monopoly power are the important organic elements of the "upper circuit", where as the "lower circuit" is the resort of the poor which includes small scale activities only.

3. Formal-Informal Dichotomy

a) Origin and approaches by the researchers on the concept

The term informal sector was first used by Hart (1973) in a study of urban Ghana. In the course of his field work among the urban workers in Ghana, he found a large self-employed sector which provided means of livelihood to the newly migrated labour force to the urban area
who were unable to find employment in the formal sector. Hart's study specified that the workers engaged in the informal sectors are self-employed while the workers employed in the formal sector are wage-earners. The new entrant to the urban labour force were forced to undertake informal income generating activities as they lacked the necessary skill and experience to find berth in the formal sector. One serious limitation of Hart's study is that it assumes non existence of wage-workers in the informal sector.

However the concept owes much of its popularity to a large number of country and city studies carried out by ILO under the auspices of its world Employment programme. The first official recognition of the term was made by the ILO-UNDP employment mission to Kenya (1972). This mission discussed the formal-informal dichotomy in an urban sector on the basis of characteristics of enterprises. It specified the main characteristics of informal sector as: (i) ease of entry (ii) reliance on indigenous resources (iii) family ownership of enterprises (iv) small scale operation (v) labour intensive and adapted technology (vi) skills acquired outside the formal school system and (vii) unregulated and competitive markets.

The greatest contribution of various country missions and city studies of ILO was that they brought the objective of employment generation to the centre-stage replacing the traditional strategy of economic growth which assumed employment generation as a residual. Further the ILO report classifies the "enterprise" and not the "individual" into two sectors.

In spite of the valued contribution of ILO's city and country studies on popularising the concept of informal sector, it also invited a number of criticisms. Most of the criticisms were
with regard to (i) the relevance and universal applicability of these ILO depicted characteristics, (ii) comparability and compatibility of these different criteria.

b. Refinement of the Concept

These criticisms also encouraged subsequent authors to redefine the concept of Informal sector. These definitions are based on any of the below listed factors or a combination of them: (i) characteristics of the enterprise, (ii) Exchange relationship with the state and the rest of the urban economy, (iii) Employment situation.

Mazumdar (1974, 1977) makes a distinction between formal and informal sectors on the basis of the size of the employment, security of job and unionisation of factory labour force.

Emmerij (1974) identifies informal sector by small scale labour intensive techniques, supply according to demand oriented market of low income people and exclusion from the official statistical enumeration. Emmerij thinks the informal sector to be transitory in nature.

Week (1975) departs from the traditional conceptualisation of the informal sector in terms of low income generation, labour intensive techniques, indigenous ownership etc. and makes a distinction between the formal and informal sectors on the basis of the organisational characteristics of exchange relationship and position of exchange activities vis-a-vis the state. Week is the advocate of the "structural disadvantage" argument which implies that the very nature of smallness of the informal units is itself a factor which debars it from getting access to various state benefits and favours that the formal sector derives often statutorily. These benefits among
others includes tariffs and quotas protection for import substitution industries, tax rebates, holding low interest rates, credit benefits etc.

Joshi and Joshi (1976) make a distinction between the formal and informal sectors (they used the word organised and unorganised sectors) on the basis of three major factors: market structure, technology and relationship with Government. To them, the informal takes place outside the scope of official regulations governing such matters as the setting up of shops or workshops, employers-employees relations, taxation, control of technical skills and product quality.

Sethuraman (1976) defines the informal sector on the basis of employment of "urban poor":

"One of the most convenient way of identifying the informal sector is to define it in terms of the source of employment of the urban poor" (Sethuraman: 1976b, p-75). However Sethuraman modified his definition latter on and his modified definition runs as follows:

"Informal sector consists of small scale units engaged in the production and distribution of goods and services with the primary objective of generating employment and incomes to their participants not withstanding the constraints on capital, both physical and human and knowhow" (Sethuraman: 1981, p.17).

This definition of Sethuraman based on "enterprise" replaces his earlier definition based on "individual". Sethuraman also distinguishes both the sectors with reference to mode of production, organisation and scale of activities:
"Formal sector consisting of activities using modern mode of production and organisation comparable to developed world and hence larger in scale of operation as compared to those of the informal sector" (Sethuraman: 1981, p-12)

Breman (1976) classifies the labour market in an urban economy into four categories viz: labour aristocracy, lumpen proletariat, petit bourgeoisie and sub-proletariat, and then goes on to remark:

"The contrast made by between the formal and informal sectors parallels that between labour aristocracy and lumpen proletariat (Breman: 1976, p.1940).

Schaefer and Spindel (1976) identify the informal sector in terms of discontinuities or disparities in the levels of income, size of enterprise, and technology.

Yap (1976) makes a division between formal and informal sector along industry lines on the basis of the concentration of small scale labour intensive and low wage activities in the industry.

Davies (1979) distinguishes the two sectors exclusively on the basis of mode of production and opines that in the formal sector, the mode of production determines the superstructure, whereas the reverse is true for the informal sector. To Davies, highly developed division of labour characterises the formal sector where as the informal sector exhibits scant division of labour or if there is at all any division of labour it is only rudimentary and horizontal in nature.
In a study carried out in the city of Ahmedabad, Papola (1981) defines informal sector as:

"A segment of the economy having certain characteristics which led to unfavourable conditions for the growth of enterprise and activities in this segment" (Papola: 1981, p-13).

Papola lists a number of often observed attributes of the informal sector but finally comes to a conclusion that the various attributes are not always compatible with each other. Hence he settles down on "wage" as the basis of distinction between the two sectors.

A number of other scholars too have defined informal sector on the basis of mode of production (Gerry: 1979, Lipton:1984, Remy 1982).

Paul (1985) in a study finds risk as the most important attribute of informal sector. To him factors like official harassment, exclusion from subsidised capital markets, officially fixed wages and erratic nature of demand cause risks. It is this imperative to undertake risk that compels informal sector to undertake activities which exhibit small scale of production, use of little capital, unstable income generation.

A sizable section of scholars (Bose: 1978, Dhesi and Wardhwa: 1980, Guisinger and Infan:1980, Harriss B:1978; ILO:1980; Mazumdar, A:1980; ORG:1980; Papola:1981; Sethuraman:1976; Souza and Tokman:1976; Sreeramamurty:1986) have defined informal sector on the basis of size of the firm. Except a few cases, the most often used size criterion has been
ten or less than ten employees including casual labour, family labour, self-employed persons and part time workers.

The above discussion suggests that the concept of informal sector has got different implications to different scholars. To some it is synonymous with urban poor, to some others it means urban proletariat, to another group of researchers it is associated with low income households and to a section of other researchers it refers to urban slum dwellers. It is also clear from the above discussion that the concept is defined on the basis of a number of criteria: specialisation of labour, technology type, degree of organisation, magnitude of income generation, conformation to official rules and regulations, and size of the establishments. However, the most often used criterion is the size of establishment criterion.

c) Recent Definition of Informal Sector by ILO

The complexity and looseness of the concept of the informal sector made it difficult to have an international agreement on a definition covering the various analytical purposes adopted by data users. Hence, labour statisticians allowing for different operational definitions of IFS to meet the need of users at the tabulation stage, have settled down on one single definition for the purpose of data collection. The 15th International Conference on Labour Statistics (1993) has adopted the ILO prepared operational definition of the informal sector which runs as follows:

"The informal sector may be broadly characterised as consisting of units engaged in production of goods or services with the primary objective of generating
employment and income to the persons concerned. These units typically operate at a low level of organisation with little or no division between labour and capital as factors of production and on a small scale. Labour relation whether they exist are based mostly on casual employment, kinship or personal and social relations rather than contractual arrangements with formal guarantees. Production units of the informal sector have the characteristic features of household enterprises. The fixed and other assets used do not belong to production units as such but to their owners. The units as such cannot engage in transaction or enter into contracts with other units, nor incur liabilities on their own behalf. The owners have to raise the necessary finance at their own risk and are personally liable without limit, for any debts or obligations incurred in the production process. Expenditure for production is often indistinguishable from household expenditure. Similarly capital goods such as buildings or vehicles may be used indistinguishably for business and household purposes. Activities performed by the production units of the IFS are not necessarily performed with the deliberate intention of evading the payment of taxes or social security contribution or infringing labour or other legislations or administrative provisions. Accordingly, the concept of IFS activities should be distinguished from the concept of the hidden or underground economy" (ILO: 1993).

Hence this operational definition of the informal sector defines informal sector as household enterprises. It defines: "household enterprises" as follows:
"Production units engaged in the production of goods and services which are not constituted as separate legal entities independently of the household or household members that own them, and for which no complete sets of accounts (including balance sheets of assets and liabilities) are available which would permit a clear distinction of the production activities of the enterprises from the other activities of the owners and the identification of any flows of income and capital between the enterprises and the owners" (ILO: 1993).

Household enterprises so defined are divided into two categories: (i) "own account enterprises", (ii) "enterprises of employers".

(i) **Own-Account Enterprises**

Own account enterprises are those enterprises which don't employ any paid employee/employees on a continuous basis. Depending on national circumstances either all "own account enterprises" or only those which are not registered under specific form of national legislation should be considered as informal. It is managed by the owner himself or with the contributing family members.

(ii) **Enterprises of Informal Employers**

Enterprises of informal employers are those which employ one or more paid employees on a continuous basis, and which comply with one or both of the following criteria:
(i) Size of the establishment below a specified level of employment (define on the basis of minimum size requirements embodied in relevant national legislation or other empirical or statistical practices: the choice of the upper size limit taking account of the coverage of statistical enquiries in order to avoid overlap); and/or

(ii) Non-registration of the enterprise or its employees.

The utility in importance of this definition lies under fact that it leans on existing practices for estimating informal employment at a national or macro-economic level.

III. STUDIES ON URBAN INFORMAL SECTOR IN INDIA

In India a number of studies have been undertaken by individual researchers and research institutions at micro level (i.e. city or town levels). At macro-level (i.e. country or state level) a handful of studies have been undertaken. These macro level studies are mostly secondary data based and often pertain to rural and urban sectors combined. Hence their implications and policy suggestions do not carry much significance and effectiveness. Below we present a review of some of the micro-level studies on urban informal sector in India.

Operations Research Group (1980) undertook a survey of two types of enterprises, (i) slum-based (ii) bank-assisted in the city of Madras. Ease of entry and limited access to capital were the essential features of the slum-based enterprises. 25 percent of the respondents in this type of enterprise considered the present enterprise to be an occupation of last resort. Most of such enterprises were tiny, employing one person and started with non-institutional finances. The bank
assisted units on an average were larger than slum-enterprises and had a greater degree of linkage
with the organised sector.

In a pioneering study in the city of Ahmedabad, Papola (1981) attempts to describe the
informal sector in terms of its various segments. The study advocates that the smallness of the
informal sector can be instrumental in generation of employment and income. So far as degree
of exploitation of workers is concerned, it is more in case of informal sector than formal sector.
However, Papola derives a paradoxical conclusion from this study - if the informal sector needs
to serve as a source of income, employment, and policy instrument of equity, it is to be made
formal. Papola's sample of 399 establishments consisted of 228 shops, 70 manufacturing
establishments, 67 commercial establishments, 10 hotels and 7 theatres.

Harris (1982) in his field research in the city of Coimbatore discusses the character of
linkages between different forms of production. He makes a distinction between small capitalist
units of production and petty commodity producer units and finds a high degree of subcontracting
relationship between formal sector industries and informal sector units.

Sriramamurthy (1983) in a study of Visakhapatnam analyses the determinants of average
earnings of various sub-sectors within informal sector itself.

Dhesi and Wadhwa (1984) based on a sample of 249 enterprises in the city of Nangal in
Punjab reach the conclusion that ownership status, training and education were the most effective
influencing variables affecting productivity, earnings and employment potential in the formal
sector.
Aziz (1984) in a study in the city of Bangalore on the waste recycle industry discusses the informality of this industry in terms of organisational and production characteristics. It explains the structure and organisation, income, employment, output, level of living and earning differentials of the participants. Aziz concludes that, urban informal sector is a permanent organic element of the process of urban growth.

In a study of Visakhapatnam which includes in its purview samples of informal industries, trade and self-employed categories (cycle rickshaw, auto rickshaw pullers, barber and washerman), Ramana and Krishna (1984) analyse the structure and functioning of unorganised sector vis-a-vis organised sector. It also explains the socio-economic conditions of worker households.

Buch and Pathak (1985) in a case study in India examines the nature, size, structure, growth dynamics and the role of the informal sector in the context of the development of two intermediate cities of the country-Itarsi and Ratlam in Madhya Pradesh. The study also focuses on the formal-informal sector linkages and concludes that informal sector is an important source of employment in small and intermediate cities.

In an important case study in the city of Calcutta, Shaw (1985) explains the presence of significant levels of linkages (both backward and forward) between the formal and informal sectors and this presence of linkages becomes instrumental in transferring substantially the value surplus of wage and non-wage goods produced in the informal sector to the formal sector.
In a survey based entirely on field data collected from seven informal sector clusters in different subregions of the national capital region, Lall (1987) among other things finds that (i) there exists an inverse relationship between registration status and degree of industrialisation (ii) there is also presence of little forward and backward linkages between the formal and informal sectors. The study analyses the role of informal sector units in employment generation and production, various constraints faced by these units and also the structure of sales and investments.

Kashyap and Singh (1987) based upon secondary material opine that in the state of Gujarat the dichotomous character of the urban economy is a continuum.

National institute of urban affairs (1987) in a study undertaken in four cities of India-Wardha, Ghaziabad, Allahabad and Jaipur on cross sector informal activities finds that:

(i) the informal sector occupies a predominant position in the urban economies of all the case study cities and its size in terms of total number of enterprises is estimated at above 95 percent of all the economic establishments in the four cities. (ii) There exists heterogeneity in the cross sector informal activities in terms of structural attributes, nature of production, employment generation potential, technology and productivity patterns and levels of income. (iii) They are having small capital base and low employment per unit. On an average they possessed a capital base ranging between Rs. 5000 and Rs. 10,000. (iv) Despite low income
levels, informal enterprises account for a substantial part of aggregate savings of the urban economy. (v) This sector faces constraints of finance, and marketing. (vi) Despite all these, the future of the urban informal sector is bright in India because of its very favourable capital output ratio and labour intensive nature.

Institute of Applied Manpower Research (1988) in a survey of informal sector in four selected towns-Tumkur, Karnal, Katni and Derria in India, explains the nature, composition, socio-economic and educational and training background of workforce. It also analyses the inter-sub-sectoral variations (within the informal sector itself) in employment intensities and labour productivities.

Vishwamitter (1988) in his research study on working of the urban economy in Punjab finds that urban informal sector provides substantial amount of employment to the urban labour force. Level of education and technical skill of the informal sector workers was far below the formal sector workers. Availability of credit is a great hindrance for majority of the enterprises.

Raju (1989) in a study of Visakhapatnam makes an analysis of the profile, background and attitudes of the entrepreneurs in the unorganised sector. An analysis of the size, structure and financial situation of informal enterprises, an explanation of the composition and characteristics of workers in these enterprises too find a place.
Afzal's study (1989) in the city of Hyderabad depicts that the informal sector is complimentary to that of the formal sector and it renders immense service for the development of the urban economy of Hyderabad city. This study also explains that the informal sector has got greater potential to absorb not only migrant labour force but also the production of goods and services of the formal sector.

Samal (1990) in his field study in the class-I town of Sambalpur in Orissa throws considerable light on issues of structure and productivity, size and growth, migration, socio-economic profile and linkages in respect of the urban informal sector there. The main findings of his study are:

(i) Fixed capital requirements per job in the informal sector is around one-third of that in the formal sector. (ii) Value-added per worker in the informal sector is also around one third of that in the formal sector. (iii) The size of informal sector employment forms 82 percent of the total urban employment in 1984. (iv) Most workers in informal sector of Sambalpur are migrants. (v) Backward linkages between the informal and formal sectors are substantial, the forward linkages between the two sectors are negligible.

Rao's study (1991) in a labour centered area "Annavarappadu" in Ongole town focuses on the income and employment patterns, levels of living, remittances and fertility differentials of the informal sector workers.
IV. STUDIES ON INFORMAL MANUFACTURING SECTOR IN INDIA

Most of these above studies have been general in nature and have included various activities/segments of the urban economy within the ambit of informal sector (trade, manufacturing and repairing, construction, domestic, personal and other services, transport etc.). They throw considerable insight into the nature, size, capital base, labour productivity, value added employment generation, level of living, intra and inter sectoral linkages in the informal sector. Some of them too explain the nature, and status of employment, earnings and conditions of living of employees in the informal sector. A lot of these no doubt discuss the problems and prospects of this sector and suggest policy measures to make informal sector as an instrument of socio-economic development in days to come.

However to make the policy formulation process more objective, relevant and pin-pointed, sector specific studies are undertaken. Sector specific studies also compliment the information on general studies and surveys on the informal sector as a whole. Amongst all the activities of the informal sector in the urban economy, manufacturing sector occupies an important place for various reasons. Firstly, as has just been pointed out sector specific study will be more relevant for micro level policy formulation. Secondly it plays an important role in absorbing labour. Thirdly it is capital saving in nature as: (i) it has more potential for labour intensive industrialisation than the formal manufacturing sector. (ii) It relies more on household saving. (iii) It is based on widespread recycling of waste, old materials and machinery. (iv) It acts as a training ground for skill formation and entrepreneurship development. (v) Informal manufacturing sector is believed to provide inexpensive wage goods which cater especially to the needs of low income
group. Hence in our study in the class-I town of Cuttack, we have concentrated on the informal manufacturing sector.

In Indian context, a few studies have been undertaken on this particular sector of informal sector. A brief review of literature on this sector is given below:

Harriss (1980) in his field research in the city of Coimbatore makes a distinction between small capitalist units of production and petty commodity producer units. He finds very high degree of subcontracting relationship between big capital industries and informal manufacturing and repairing units, and opines that the very existence of such informal units depends upon the existence and interests of big capitalist units of production.

Romatet (1983) in a significant field study in slum industries in Pilkhana, Howrah shows that: (i) More than two thirds of the units surveyed enable their owners to draw a "decent" income inclusive of the remuneration of their labour and capital, even if it is much lower than incomes in the formal sector. (ii) The hired workers are paid very low wages (Rs. 220 per month on an average) but they work for very longer periods under deplorable working conditions and there is complete lack of job security. (iii) These informal sector units supply a considerable number of low priced goods and provide jobs to people who otherwise would swell the ranks of the unemployed. Finally Romatet suggests to conceive and implement a specific policy towards the informal sector relating to provision of credit, transfer of technical knowhow, integration of informal sector with formal sector and strengthening associative capacity of this sector.
Aziz (1984) in his study on waste recycle industry in the city of Bangalore finds that:

(i) Majority of informal manufacturing enterprises have capital investment which is less than Rs. 500/-. (ii) The waste recycle industry is working capital intensive, small in size, male dominant. (iii) The value of output and value added vary greatly across the different sectors of this industry. (iv) The labour market in this industry is somewhat group specific in the sense that it serves the interest of the urban poor and even within this group the interest of the immigrant poor are well served. (v) The average earning of this industry are by and large lower than the average wage level obtainable in the formal sector implying thereby that the industry is labour absorptive. (vi) The urban informal manufacturing sector will derive growth impulses from the formal sector and is going to be a permanent institution of the urban economy.

National productivity council (1985) in a paper studies, three segments of Indian informal manufacturing sector handlooms, handicrafts, khadi and village industries. It finds the IMS suffering from capital deficiency, redundant technology, weak marketing network and poor infrastructure. Its policy recommendations are to meet effectively the infrastructure, technology, marketing and financial needs of the informal sector.

Mathew (1987) in an inter state (two states - Kerala and Gujarat) single industry (rubber and rubber products) study shows that the role of family members is gradually declining in the informal sector. Family labour was more in Gujarat than in Kerala. With regard to debt, the survey finds that in Kerala 50 percent of the informal sector households had no debt, while for Gujarat the same figure was only 21.62 percent.
Sethuraman's (1989) case study in the city of Bangalore undertaken under the world Employment Programme of ILO finds that majority of the micro informal manufacturing units could increase their technological capability, while a handful of them reported technology adaptation innovation. The study suggests that for the growth of the urban economy the access of this sector to credit, technology should be increased.

Singh (1994) in his sample field study in the city of Jaipur finds large scale segmentation of the Jaipur labour market in relation to these informal manufacturing enterprises group. Lack of credit happens to be one of the important problems of these enterprises, yet a small proportion of entrepreneurs depend upon money lenders. Access to formal credit institutions is very limited and sub contracting system prevails there. The study covers diverse industrial groups which have different input output relations, labour market relations, problems etc. and suggests different kinds of state intervention depending upon their strengths and weaknesses. It also feels the necessity to upgrade technology to promote broad based sustainable growth as the informal manufacturing sector is going to be a permanent institution of urban economy.

Samal (1994) in a recent study of informal manufacturing sector in the city of Sambalpur at two points of time; 1985 and 1994 finds that not a single informal manufacturing sector unit out of the 58 sample units has graduated to formal sector during the 9 year period 1985-1994. There is vertical contraction of informal manufacturing sector in Sambalpur during the same period. Average size of employment of IMS establishment as a whole has decreased from 3.93 in 1985 to 3.31 in 1994. Proportion of female workers in the total participants of IMS has increased but there is "localisation" of informal manufacturing sector in Sambalpur.
V. OUR STUDY - ITS NECESSITY

From the above review of literature on informal sector in general and informal manufacturing sector in particular, it is evident that there is disagreement among scholars relating to the concept of informal sector, there is variation in the status of workers, productivity and socio-economic characteristics of workers and owners in informal sector. All but all the studies have examined the informal sector from different angles. Some have examined the linkages aspect, some have highlighted the migration aspect, some the productivity and income generation aspect, some have discussed the labour status and a lot have also discussed a combination of these issues and a few too have examined the problems of Informal Manufacturing Sector units in general. However, the necessity of the present study arises because of the following reasons:

Firstly most of these studies have been undertaken in large cities. Recently the imperatives of environmental protection and promotion of balanced development have started emphasizing spatial decentralisation of human settlements and industrial and commercial activities. Thus, smaller towns have become focal points of planning and development policies. This necessitates to examine closely the nature, growth and problems of Informal Manufacturing Sector in such towns both for testing the earlier theories developed in this respect and to deduce appropriate employment and development policies.

Secondly, most of the studies in India on urban IMS have casually dealt with the problem of finance/credit aspect of the IMS units. However, it is found from these
studies that lack of finance happens to be one of the most important constraints in
the growth of the IMS. Hence, we feel the necessity to have an in-depth and
detailed study on the financial/credit aspects of such units in our study.

Lastly an exclusive study of manufacturing segment of informal sector would make
intervention policies more meaningful.

It is in the context of all these issues that we undertake our present study on informal
manufacturing sector in the small city of Cuttack.

VI. OUR DEFINITION OF INFORMAL SECTOR

In our present case study in the class-I town of Cuttack, the concept of informal
manufacturing sector is based on the following criteria:

It includes all manufacturing and repairing units in the private sector owned and
operated by a single member of a house hold or with the help of paid and unpaid
family members with or without having any hired labourer. The total number of
persons including the owner operator, hired labourers, family workers working for
the enterprise should be less than 10. This confirms more or less to the ILO
definition without the later's extra classification of IS into two sub sectors - "own
account enterprises" and "enterprises of employers". Instead, we have classified
the IMS in Cuttack in our study on the basis of major raw materials used. We have
resorted to such a classification of IMS in order to study the inter-industry variation in various economic, structural and operational characteristics of IMS as it is felt that the IMS is a sector with lot of heterogeneity. It was also felt that such a classification would be convenient, transparent and purposeful against a classification on the basis of product or any other factor which are having elements of vagueness in them. We therefore exclude from the purview of informal sector the following enterprises:

(i) Enterprises working with 10 or more than 10 persons with or without hired labourers. (ii) All public sector units, co-operative organisations, trust working in the manufacturing or repairing sector irrespective of the number of persons working.
NOTES:


2. Although Hart's article was published in 1973 after the official publication of ILO report in 1972; his is considered as the first because he had presented his paper at the conference on "Urban Unemployment in Africa" in the Institute of Development Studies, University of Sussex in September 1971; subsequently the paper was published in a revised form in *The Journal of Modern African Studies*, Vol. 11, No. 1., 1973 under title "Informal Income Opportunities and Urban Unemployment in Ghana".

3. As some Scholars started identifying Lewis's subsistence sector with agricultural sector or rural sector, Lewis reasserted that he talks of only subsistence sector and capitalist sector but not any other type of dualism.

4. WEP (World Employment Programme) was launched by ILO in its 1969 session. Since then the ILO has conducted a large number of Country and City Studies in 1970s, 1980s and early 1990s. All these studies primarily aim at creating an employment centered growth process.