CHAPTER II

REVIEW OF LITERATURE

2.1 INTRODUCTION

An attempt has been made to pursue the literature of earlier studies. A few studies have been conducted in the field of informal sector. Informal Sector is the day-to-day usage of millions of people. A study on informal sector helps to millions of people how they are utilizing and how they opined about it. For the purpose of review, some studies conducted on informal sector are studied. The methodology and findings of these research works had been carefully studied and analyzed by the present researcher. Useful hints were drawn from these studies which helped in putting the present research work in a proper perspective. The gist of some of the relevant research studies and research papers on informal sector are presented in this chapter.

Steven Sampson, (1985) in his study found that, “The Informal Sector in Eastern Europe”, No society works exactly like its constitution, and no organization functions exactly according to its official administrative guidelines. In the life of all societies and all bureaucratic organizations — East and West — there exist a whole variety of “informal structures” by which people accomplish their delegated tasks or through which they achieve their own personal goals. In the West, we speak of such informal structures in terms of “networks” or “connections.” Those who “know somebody” can go around the bureaucratic queue or obtain free goods and services which others have to
pay for it. When the use of such connections becomes too blatant, we call it “nepotism” or “corruption.” When they take on an openly acknowledged market value we call it “bribery.”

Assar Lindbeck & Dennis J. Snower (1989) in their article stated that, The Insider-Outsider Theory of Employment and Unemployment, This book provides an accessible, balanced account of the insider-outsider theory of labor market activity. It focuses on how "insiders" (incumbent employees whose jobs are protected by various labour turnover costs) get market power, what they do with that power, and how their activities affect the "outsiders" (who are either unemployed or work in the informal sector). The book examines the effects of insider’s activities on wages, employment, and unemployment discusses the associated policy implications and relates the insider-outsider theory to other theories of labour market activity. The central part of the book consists of a series of previously published articles that have been edited to convey a single coherent account of the insider-outsider theory. Chapters are proceeded by overviews summarizing the main ideas and relating them to the books underlying theme.

Victor E. Tokman (1989) in his article explained that, Policies for a heterogeneous informal sector in Latin America, The concept of the “informal sector” has gained increasing acceptance in Latin America. Some 30 million persons now work outside the modern economy in low-productivity jobs with marginal incomes many of them are living in poverty. International and national policy makers have become aware of the political and economic consequences of this phenomenon and are seeking ways to improve returns and incomes. The sector, however, is composed of different kinds of activities, each with its own problems, which need to be addressed in different ways. Policy planners should bear this in mind as they seek solutions. The paper
recommends three types of measures, providing productive assistance to informal enterprises, supporting informal sector workers, and revising regulations that govern informal sector activities.

**Gary S. Fields, (1990)** observed that, Labour Market Modeling and the Urban Informal Sector, Theory and Evidence, The purpose of this paper is to assess the compatibility between theoretical models of the urban informal sector (UIS) and empirical evidence on the workings of that sector in the context of developing countries labour markets. The major point is that although the UIS is an excellent idea which has served well in the 1970s and 1980s, there is need in the next round of research to refine terminology and models in light of empirical findings which have come to the fore in the interim. It contends that what empirical researchers label “the informal sector” is the best represented not as one sector nor as a continuum but as two qualitatively distinct sectors. Wage employment or self-employment in small-scale units may be better than or worse than employment in the formal sector.

**Ira N. Gang, Shubhashis Gangopadhyay, (1990)** in their study stated that, A Model of the Informal Sector in Development. In discussions of the economic development, industrial dualism is often ignored. Industry or the modern sector, in developing countries is composed of an over regulated formal sector and a free-entry informal sector. Because of the nature of the regulations we can, in general, identify the formal sector with large industry and the informal sector with small industry. The informal modern sector is often a dynamic actor in the process of economic development, frequently outplacing the growth of the formal modern sector. We investigate in a general equilibrium model the conditions under which the informal sector increases its capital stock more rapidly than the formal sector. We also look at the employment-unemployment effects of industrial dualism.
**Klaus Zapotoczky, (1995)** in his article stated that, The Interdependence between local culture and the Informal Sector of the Economy. In recent times the informal sector of the economy has been receiving attention. This is the case in some European countries (mostly in Italy) and more especially in the so called third world countries in different employment programmes, especially those of the United Nations effort is geared towards the mobilization of this sector. This is considered as a means of creating employment opportunities and a new way of contributing towards the reduction of poverty in the world. The UN conference on social development that was held in Copenhagen brought along with a list of recommendations with regards to this issue.

**Michael et al., (1996),** in their study found that, Entrepreneurial activity in the Third World informal sector: The view from Khayelitsha. Extensive attention has been given in recent years to the role of entrepreneurship in facilitating Global Economic Development, with research indicating that much employment growth originates from the “entrepreneurial sector” of the economy. In many parts of the world, emphasis has also been placed on the so-called “informal sector” (comprising all activities that fall outside the formal net of registered, taxed, licensed, statistically documented business enterprises) as a contributor to the economic welfare of society. Aims to explore further the nature of the informal sector and specifically to distinguish entrepreneurial from non-entrepreneurial business activity within this sector. Describes the results of a series of in-depth interviews with owners from a cross-section of small businesses located in a black South African township. Identifies a sub-group of firms that demonstrate relatively strong entrepreneurial orientations and distinguishes this group from the remainder of the sample. Draws implications for theory development, ongoing research, and public policy.
Alec and William (1998) in their study on the Informal Sector, Firm Dynamics and Institutional Participation. This paper provides a new evidence on patterns of institutional participation and regularly compliance among small firms in Mexico. It also offers a unique theoretical motivation for empirical analysis, assuming that firm dynamics are comparable in both developing and industrialized countries. Equating formal production with institutional participation, key conclusions are that no institutional or governmental distortions are required to generate an informal sector, and that firms should be transitioned from informal to formal as part of their natural evolution. The framework (a) is able to generate many of the cross-sectional patterns of firm and worker behavior identified by existing models and empirical evidence and (b) many of the existing models can nest of informality, including those that generate the sector through distortions or government enforcement.

Bhattacharya (1998) in his article entitled, “The role of the informal sector” in structural transformation about some Indian evidence. The aim of this paper is to highlight the role of the informal sector in the Indian economy. The paper notes that in occupational distribution in India, particularly during the 1970s, it is the informal sector (I-sector) which accounted for most of the increasing in non-agricultural employment and that this growth of I-sector employment occurred not only in activities traditionally thought to be associated with the I-sector expansion (such as trade, construction and services) but also importantly in manufacturing and there is a strong presumption that the manufacturing segment of the informal sector expanded faster than its services segment. Evidence further suggests that the I-sector was not a passive absorber of labour but a dynamic sector responding successfully to changing demand in the economy and contributing significantly to income and output. The paper also offers a hypothesis that, simultaneously with these changes in economic structure, there is likely to have occurred a change in the composition of rural
and urban migrants with the share of those who go to the informal sector and have only informal sector jobs as their targets (usually members of the poorer households in the rural areas) increasing and that of those who go to the formal sector (usually well-educated members of the relatively well-to-do land-owning families in the rural areas) declining further migration by the members of the poorer rural households is likely to have increased not because of their rural income declined but also because of the informal sector income increased.

Gupta (1998), in their article found that, Informal sector and informal capital market in a small open less-developed economy. A three-sector static model of a small open economy has been developed with special consideration to the urban informal sector and the informal capital market. Informal capital is mobile between the rural sector and the urban informal sector. Policy effects in this model appear to be different from those analysed in other three-sector models.

Mead and Morrisson (1999) in their article stated that, The informal sector elephant, different analysts have used the term “informal sector” to mean different things. A data set with 2,200 small enterprises chosen using random procedures in seven countries makes it possible to test the relationships between different measures. The analysis finds only limited parallels between definitions based on size, on registration, on conformity to fiscal and other regulations, and on degrees of modernization. Wide variations appear from one country to another. The term may be appropriate for examination of individual countries, especially if the analyst defines it precisely; but its use in multi-country analysis is fraught with difficulties.

Chen et. al., (1999) in their study entitled, Counting the Invisible Workforce. The Case of Home-based Workers. This paper illustrates the
limitations of official statistics on the informal sector with the case of home-based women workers that is, women who work from their homes as own-account producers or subcontract workers. After noting that official statistics in most countries do not classify home-based subcontract work as such, the authors review the available data on both types of home-based work. The available evidence suggests that home-based work is an important source of employment throughout the world, especially for women and that home-based workers comprise a significant share of the workforce in key export industries. The evidence also shows that the informal sector often has direct ties to the formal sector and is growth-promoting. The case of home-based workers, the authors conclude, illustrates the need for improved informal sector statistics as well as a better understanding of the impact of policies on the informal sector and the contribution of the informal sector to national economies.

Loayza (1999), in his study found that, ‘The Economics’ of the Informal Sector, the author presents the view that informal economies arises when governments impose excessive taxes and regulations that they are unable to enforce. The results suggest that the size of the informal sector depends positively on proxies for tax burden and restrictions on the labor market.

Bose (1999), in his article entitled, Formal–informal sector interaction in rural credit markets. The majority of small cultivators in the less developed countries are not regarded as credit-worthy by the formal sector financial institutions and are forced to borrow from the moneylenders in the informal credit market. This paper shows that when such borrowers differ in their likelihood of default, and the moneylenders are asymmetrically informed about the client-specific degree of risk, the policy of providing cheap credit through the formal sector can generate adverse ‘composition effects' which worsen the terms of credit and the availability of loans in the informal sector.
Ihrig and Moe (2000) their article found that, “The Dynamics of Informal Employment”. This paper develops a dynamic model that includes an informal sector. It illustrates the natural dynamics of this sector, shows that how tax policy affects the size of this sector and quantifies the costs of having an informal sector. Simulations yield movements in informal employment and output consistent with empirical observations. Calibrating the model to United States data, we find approximately 5 percent of time is devoted to the informal sector and it produces 3 percent of GDP in steady state. For those who want to reduce the size of this sector, we find the best policy is to reduce tax rates. This policy not only reduces informal employment, but also increases the standard of living. If we hold tax revenues constant, then governments should increase efforts in tax collection in conjunction with lowering tax rates. However, the distortion from this sector, in terms of the lifetime loss in an economy's capital stock, is minimal - supporting those who want to keep the informal sector as a functioning part of society.

Orlando and Beatriz (2001) their study entitled “The Informal Sector in Venezuela Catalyst or Hindrance for Poverty Reduction”. This paper shows the studies about the relationship between poverty and informality in Venezuela through the determinants of labor earnings. Estimating an earnings model, that considers the probability of working in the informal sector, it was possible to determine the impact that education, experience, gender, geographic location and economic activities have on informal workers. This paper finds evidence on the importance of education, experience, and capital access for informal earnings.

Kasim and Jayasooria (2001) in their paper stated that "Informal Economy, Micro-Finance and Non-Governmental Organizations in Malaysia. The main aim of this paper is two-fold first to discuss the role of micro-finance
institutions (MFIs) in promoting informal sector in Malaysia. Secondly, to identify issues and policy measures on MFIs and the informal sector. The paper attempts to suggest that there is a strong need for having formal polices and institutions to service the informal sector and tap their potential for economic regeneration. This paper focuses on six micro-finance programmes namely, Amanah Ikhtiar Malaysia, Yayasan Usaha Maju, Koperasi Kredit Rakyat, Kooperasi Kredit Pekerja, Partners in Enterprise Malaysia and Projek TEKUN.

Elis and Florez (2002) in their article found that “The Function of the Urban Informal Sector In Employment” - Evidence from Colombia 1984-2000. The aim of this paper is to analyze the function of the informal sector, its relationship to urban employment, with illustrative evidence from Colombia. The analysis is done for the period 1984-2000, which includes phases of boom and economic crisis as well as the implementation of neoliberal reforms to national development. The paper summarizes four competing approaches to the conceptualization of the informal sector, and describes their measurement strategies. It argues that elements of state regulation are fundamental whereas firm size should not be considered as a defining element. Subsequently, it analyzes how the internal composition of the informal sector evolved, considering elements of state regulation, firm size, and dynamism of the economic activities. It examines the function of the informal sub-sectors in the urban labor market, using indicators such as relative earnings size, and a crude indicator of labor mobility. At least three sub-sectors conforming the informal sector are identified, salaried workers of large and small firms, entrepreneurs and subsistence workers. It is argued that each sub-sector of the informal sector responds in different ways to prevailing economic conditions. The subsistence sub-sector supports the dualistic view, whereas the other two are integrated to the formal sector. No dominant sub-sector permits broad range generalizations about “the informal sector”.

Caroline and Moser (2002) explained that “Informal sector or petty commodity production Dualism or dependence in urban development?” This paper provides a critical review of the informal sector debate in recent studies of Third World poverty and employment. The use of the informal sector concept in the ILO World Employment Programme studies at country, city and sector level is discussed and definitional confusions in different conceptualizations are identified. Recognition of the essentially dependent and in evolutionary nature of the informal sector has resulted in critical concern with the limitations of this dualist model, both as a theoretical concept and as a basis for policy recommendations. An alternative more satisfactory model is presented, based on petty commodity production and its subordinate relationship to the capitalist sector. In identifying a continuum of productive activities, with complex linkages and dependent relationships, the dynamics of production and constraints on expansion are distinguished. Clarification as to whether the linkages are benign or exploitative is essential in order to assess whether petty commodity production is tolerated by or functional to, the capitalist system.

Das et al., (2002) suggested their article, An occupational health programme for adults and children in the carpet weaving industry, Mirzapur, India: A case study in the informal sector, The Indo-Dutch Environmental and Sanitary Engineering Project under Ganga action Plan in Kanpur and Mirzapur is being executed within the framework of Indo-Dutch bilateral development cooperation. The project aims to integrate technological, social and health related improvements. It is expected that the development approach and methodology can be replicated in other urban settlements in India. The project is being supplemented by a training and institutional strengthening programme, which will facilitate the transfer of new technologies and improvements in operation and maintenance of these new technologies. One of the project's
goals is to improve living conditions in the targeted areas by installing drinking water and drainage systems. A socio-economic unit (SEU) in the project supports these technical interventions by encouraging the community to participate in project activities.

Mazumdar (2002) in his article entitled The urban informal sector, on the basis of available information, this paper debunks some of the conventional wisdom concerning the informal sector. This sector is not the major point of entry for fresh migrants from rural areas and there exist large variations in earnings within it. A disproportionately large number of informal-sector workers are (i) very young or very old, (ii) females, (iii) limited in education and (iv) not the primary household earners. Finally, the paper confronts the predictions of a dualistic urban labour market model for trends over time in output, employment, productivity and earnings with the results of a case study of Peru by Richard Webb.

Hemmer and Mannel (2002) in their paper found that in the economic analysis of the urban informal sector, this paper examines the links and interactions between the formal and the informal sector in developing countries. It is argued that both the factor and the product markets show these links. Based on the assumption that for most products demand consists of a specific and a nonspecific demand, the paper presents an analysis of the product and labor markets and discusses the effects of shifts in demand on development strategies. It concludes that successful measures have to include the informal as well as the formal sector.

Kashyap (2002) suggested that, Growth of small-size enterprises in India: Its nature and content. The paper highlights the nature of growth of small-size enterprises in India and discusses how far the growth is
accompanied by the fulfillment of objectives such as poverty eradication and the removal of regional imbalances without hampering the long-term growth prospects of the economy. To facilitate the discussion, village, cottage and handcrafts enterprises of the small-scale sector are separated from its modern component. The available evidence, as is based on a number of studies in this area, suggests that the somewhat unusual and high growth of the small-scale sector is not accompanied by efficiency, innovativeness and social justice. Policy bias against largeness seems to explain the growth, whereas an elaborate system of subsidies and incentives has had only a marginal role.

Peattie (2002) explained that, An idea in good currency and how it grew: The informal sector The “informal sector” is an exceedingly fuzzy concept which has come into wide use because it seemed to address the interests of a number of very diverse groups: those interested in growth planning, those interested in alleviating poverty, Marxist structuralizes, and those interested in economic accounting. The use of the concept has been helpful in directing attention to phenomena previously ignored. But adopting the term obscures analysis of central issues and is counterproductive. We should, rather, specify critical policy issues and design field research around these.

Gupta, (2002) in his paper found that, Rural-urban migration, informal sector and development policies A theoretical analysis, A theoretical model of rural-urban migration has been developed with special reference to the informal sector. The wage rate and employment in the informal sector are determined endogenously. The paper shows the simultaneous existence of open unemployment and informal sector in the urban area in migration equilibrium. The effects of alternative subsidy policies on unemployment and welfare of the workers are studied.
**Bromley (2002)** in his paper revealed that, Introduction - the urban informal sector. Why is it worth discussing?. The paper reviews the relevance of dualist models of economic activities and enterprises, as applied to Third World countries. It concentrates on the origins, diffusion and deficiencies of the formal/informal dualist classification. Nine major deficiencies of this classification, as commonly presented in the literature, are identified. The rapid diffusion of the ‘informal sector’ concept since 1971 is attributed to the appropriateness of the time and place of its presentation, the importance of key institutions in the diffusion of ideas, and the concept's relevance to ‘apparently feasible and politically safe’ policy recommendations for international advisers and organizations.

**Chaudhuri (2002),** explained that, A theoretical analysis of the informal sector, In this paper, they present a theoretical framework of an economy which has an informal sector. The differences between the formal and the informal sector together with their linkages from the basis of their analysis. They show that the informal sector can expand in terms of output and employment even when the formal sector contracts.

**Azuma and Grossman (2002)** in their article observed that “A Theory of the informal sector”, In many countries, especially poor countries, a heavy burden of taxes, bribes, and bureaucratic hassles drives many producers into the informal sector. Is this situation explicable only as a consequence of either the ignorance or the ineptitude of the state authorities?. On the contrary this paper shows that we can attribute the existence of a large informal sector to the fact that, because productive endowments contain important unobservable components, the state cannot adjust the amounts that it extracts from producers in the formal sector according to each producer’s endowment. Given this fact we find that, if either the distribution of endowments is sufficiently in
egalitarian or the production of private substitutes for public services is sufficiently easy, then the state would extract a large enough amount from producers in the formal sector that poorly endowed producers would choose to work in the informal sector. This result obtains both for a proprietary state, which maximizes its own net revenue, and for a hypothetical benevolent state, which would maximize the total net income of producers. But, we also find that a proprietary state would create an informal sector for a larger set of combinations of parameter values than would a hypothetical benevolent state.

Jane and Moe (2003) in their paper explained that, Lurking in the shadows: the informal sector and government policy. This paper develops a dynamic model that sheds light on the evolution of the informal sector. We show how tax rates and enforcement policies influence the size of this sector, and how the sector naturally declines as an economy transitions towards steady state. We find small changes in the tax rate cause measurable changes in the size of informal employment, but modest changes in enforcement have negligible effects. These results suggest that while reductions in the tax rate, combined with increased enforcement, reduce the size of the informal sector, tax rate reductions and penalties for evasion are the most effective.

Beukering (2003), in his article entitled, An economic analysis of different types of formal and informal entrepreneurs, recovering urban solid waste at Bangalore (India), The recycling sector in India, which consists of a comprehensive trade and production sector, is rather complex. Nevertheless, it creates important benefits for both the economy and the environment. In order to comprehend the system, a case study has been performed on the recycling sector (paper, plastic, glass and non-ferrous metal) at Bangalore (India), focussing on the market structure, the scale of operation, employment effects, constraints, and recent developments. It was found that this highly competitive
and labour-intensive industry is largely dependent on cheap labour and the supply of solid waste from the local trade system. Its mostly informal nature results from the ‘unregisteredness’ of the materials. Consequently, government involvement is avoided as much as possible. With present growth rates, prospects of recycling at Bangalore are advancing. Yet, problems such as lack of supply and loss of quality emerge. Therefore, quality control and market conditions should be improved.

Pinelopi and Nina (2003) in their article entitled, “The response of the informal sector to trade liberalization”. This paper studies the relationship between trade liberalization and informality. It is often claimed that increased foreign competition in developing countries leads to an expansion of the informal sector, defined as the sector that does not comply with labor market legislation. Using data from two countries that experienced large trade barrier reductions in the 1980s and 1990s, Brazil and Colombia, we examine the response of the informal sector to liberalization. In Brazil, we find no evidence of a relationship between trade policy and informality. In Colombia, we do find evidence of such a relationship, but only for the period preceding a major labour market reform that increased the flexibility of the Colombian labour market. These results point to the significance of labour market institutions in assessing the effects of trade policy on the labour market.

Baruah (2004), in his article entitled, “Earning Their Keep and Keeping What They Earn”. A Critique of Organizing Strategies for South Asian Women in the Informal Sector. It is now widely understood that the needs of women workers in the informal sector are not met by the conservative practices of labour organizations and trade unions. While the contribution of women to the economies of developing countries is critical, women rarely find employment in the regulated unionized sectors of these countries, and are
found instead in overwhelming numbers in the sector that is variously termed ‘unorganized’, ‘unprotected’, ‘unregistered’ or ‘informal.’ This article addresses the situation of women in the informal economy in South Asia. The author explores the major challenges and opportunities facing women in their efforts to organize and mobilize for change. She also provides a critical analysis of the different types of interventions adopted by the state and civil society organizations in South Asia to empower women in the informal sector. The author concludes with an attempt to identify the mix of interventions and strategies most needed for different social, political and economic circumstances.

**Becker (2004)** in his study entitled, The Informal Economy The main objectives of the study are to determine the relevance for a SIDA (Swedish International Development Cooperation Agency) strategy on the informal economy and to provide a background for further analysis of the informal economy in view of the SIDA strategy elaboration. It finds that the informal economy can no longer be considered as a temporary phenomenon. It is clear that the informal economy has a significant job and income generation potential. Therefore, in order to intervene in the best way to stimulate sustainable economic growth and job creation, the informal economy needs to be better understood both by governments and donors.

**Jonathan (2004)** in his paper entitled, Absorbing informal sector operators into improved urban services. Urban development for growing, modern cities may have adverse effects upon the informal sector. This article is based on three case studies from Bangladesh, India and Ethiopia. The first two illustrate the challenges faced by informal sector workers resulting from developments in the transport sector in Bangladesh, and in the energy sector in Ethiopia. In both cases, the informal sector entrepreneurs are characterized by
low incomes, vulnerability and high competition for limited markets and the research suggests that their vulnerability was increased by urban development. The third case study is intended to show how the needs of informal sector workers can be accounted for in development processes. In it, waste-recycling entrepreneurs are employed by an organized waste collection service.

Wilson et al.,(2005) in their paper entitled, Role of informal sector recycling in waste management in developing countries, Many thousands of people in developing country cities depend on recycling materials from waste for their livelihoods. With the focus of the Millennium Development Goals on poverty reduction, and of waste strategies on improving recycling rates, one of the major challenges in solid waste management in developing countries is how best to work with this informal sector to improve their livelihoods, working conditions and efficiency in recycling. The general characteristics of informal recycling are reviewed, highlighting both positive and negative aspects. Despite the health and social problems associated with informal recycling, it provides significant economic benefits that need to be retained. Experience shows that it can be highly counterproductive to establish new formal waste recycling systems without taking into account informal systems that already exist. The preferred option is to integrate the informal sector into waste management planning, building on their practices and experience, while working to improve efficiency and the living and working conditions of those involved. Issues associated with integrating informal recycling into the formal waste management sector are discussed.

Deepali et al., (2005) in their research found that, “A comparison of electronic waste recycling in Switzerland and in India”. Electronic waste, commonly known as e-waste, is comprised of discarded computers, television sets, microwave ovens and other such appliances that are past their useful lives.
As managing e-waste becomes a priority, countries are being forced to develop new models for the collection and environmentally sound disposal of this waste. Switzerland, is one of the very few countries with over a decade of experience in managing e-waste. India, on the other hand, is only now experiencing the problems that e-waste poses. The paper aims to give the reader insight into the disposal of end-of-life appliances in both countries, including appliance collection and the financing of recycling systems as well as the social and environmental aspects of the current practices.

Winkelried (2005) in his article entitled, analyzed the role of income distribution as a determinant of the size of the informal sector in an economy by relying on a channel whereby inequality affects the behaviour of aggregate demand and thus influences the incentives a firm has to become informal. It is further postulated that income distribution affects the response of the informal sector to different fiscal policies, either demand or supply-orientated. The main findings are that high inequality leads to a large informal sector and that redistribution towards the middle class decreases the size of the informal sector and increases the capacity of fiscal instruments to reduce informality.

Yuzon (2005) in his study stated that, The Informal Labor Sector Amidst Globalization. Globalization comes to the Philippines at an inopportune time. Countries, which have benefited optimally from globalization, went through inward-directed phases in their social and economic development. The Group-of-Seven Western powers, the Asian tigers like Japan, Taiwan, South Korea, and now the dragon of China, first made themselves ready before joining the global competition - they implemented land reform, became self-sufficient in food, engaged in self-reliance programs for basic industries, experienced import-substitution in various degrees, launched locally-driven industrialization, and had centuries of closed-door trade policies. These
countries first undertook phases of self-preparation and protectionism before going all-out into the global fray. Even today, Japan, European Union and the United States remain to have protectionist tendencies in their policies (e.g. key industries, labor supply, migration, etc.) even while mouthing platitudes about the supposed border lessness of the world. Norway and its Scandinavian neighbors are among the ten most progressive nations but have opted to stay away from what they see as the charade of globalization.

Krakowski (2005) in his paper explained that, Determinants of the Informal Economy: The Importance of Regional Factors, This paper analyses the determinants of the size of the informal economy using cross country regressions. Two sets of global data using indirect estimation techniques and the perception of business leaders for 109 countries as well as a regional set for Latin America based on direct data are used to estimate the size of the informal economies. Indirect estimation techniques arrive at higher estimates of the size of the informal economy than the perceptions of business leaders because they include not only the (fundamentally legal) activities of the informal sector, but also those activities which are illegal per se. Both kinds of estimate show strong regional differences in the size of the informal economies. Regressions on a set of indicators covering the intensity of regulations, taxes and the cost of establishing a business reveal that the intensity of labour regulations seems to be the most important factor in explaining the size of the informal economy in cross-country regressions using the rational behaviour approach. Socio-cultural indicators are only important in explaining the size of the informal economies in Latin America.

Henley et. al., (2006) in their paper explained that, On Defining and Measuring the Informal Sector, This paper investigates the degree of congruence between three definitions of informality based on employment
contract registration, on social security protection and the characteristics of the employer and employment using Brazilian household survey data for the period 1992 to 2001. Results suggest growing heterogeneity within the informal sector. Informal activity may be as much associated with entrepreneurial dynamism as with any desire to avoid costly contract registration and social protection.

Coate et al., (2006) in their articulated suggested that, Taking care of people and communities. Rebuilding livelihoods through NGOs and the informal economy in Southern Thailand. The purpose of this paper is to explore the role of NGOs in facilitating economic recovery to the tsunami devastated regions in Southern Thailand. This includes large international NGOs as well as small community based or local NGOs and how these organizations engage with one another as well as with government authorities and of course the local community to aid recovery. In particular, focus will be on how NGOs are able to assist local residents, especially those engaged in the informal sector in rebuilding their livelihoods in a region that has been devastated by a natural disaster. Given that in Thailand just over 70 per cent of the population is employed in the informal sector of the economy one of the key findings of this paper is that central to economic recovery is the need for policy makers directing recovery strategies to reflect measures that are broadly supportive of the informal sector across different industries including tourism and fisheries, and which provides the basis of economic livelihood for a large proportion of the affected Thai population

Amaral and Quintin, (2006) in their article found that, “A competitive model of the informal sector”. In developing nations, formal workers tend to be more experienced, more educated, and earn more than informal workers. These facts are often interpreted as evidence that low-skill
workers face barriers to entry into the formal sector. Yet, there is little empirical evidence that such barriers are important. This paper describes a model where, in equilibrium, the characteristics of formal and informal workers differ systematically, even though labor markets are perfectly competitive. The informal sector emphasizes low-skill work, as in the data, because informal managers have access to less outside financing, and choose to substitute low-skill labor for physical capital.

Nandal, (2006) in Women workers in unorganized sector: A study on construction industry in Haryana. A vast majority of India's labour force is in unorganized sector. In the absence of economic opportunities in their own states, many workers migrate across the other states of India to seek employment. Construction industry depends almost entirely on migrant workers, majority of which are women. The main object of this paper is to shed light on the socio-economic problems being faced by a section of the women workers in construction industry. These women workers have a very tough life. In spite of being actively involved in economic activities for survival, bearing and rearing of children remain their prime responsibility, and thus they end up with playing roles in both production and reproduction.

Paula and Scheinkman, (2007) in their article found that “The Informal Sector”, David C. Wilson, Costas Velis, Chris Cheeseman, (2006) Role of informal sector recycling in waste management in developing countries, This article reviews the role of informal waste recycling in achieving more sustainable waste management in developing countries. It identifies both the benefits the informal recycling sector provides to the local economy and its characteristics of concern. Public policy changes required to integrate informal recycling with the formal waste management sector are discussed.
**Dipa (2007)** found that, even in presence of a dominant factory sector, informal manufacturing sector can play a very vital role in shaping the development profile of a region through its diverse interaction and complementarities with the organised sector.

**Chen (2007)** conclude that, Rethinking the Informal Economy: Linkages with the Formal Economy and the Formal Regulatory Environment. This paper explores the relationship of the informal economy to the formal economy and the formal regulatory environment. It begins with a comparison of the earlier concept of the ‘informal sector’ with a new expanded concept of the ‘informal economy’ and a discussion of the size, composition, and segmentation of the informal economy broadly defined. The second section discusses the linkages between the informal economy and the formal economy, on one hand, and the formal regulatory environment, on the other. The concluding section suggests why and how more equitable linkages between the informal economy and the formal economy should be promoted through an appropriate policy and regulatory environment.

**Safavian and Wimpey, (2007)** in their article entitled, When Do Enterprises Prefer Informal Credit? This paper tests the hypothesis that enterprises may forgo formal finance in lieu of informal credit by choice. They do so to avoid the additional regulatory scrutiny and harassment that engaging with the formal financial sector invites. They test this hypothesis using enterprise level data on 3,564 enterprises in 29 countries. In this sample, enterprises finance approximately 57 percent of their working capital requirements with external finance. This external finance comes from formal sources, such as commercial banks (53 percent) and informal sources (42 percent), such as trade creditors, or family and friends. In their sample, 14 percent of enterprises rely exclusively on informal finance. They find that the
likelihood of enterprises preferring to only use informal finance is inversely related to the quality of the regulatory environment, particularly the quality of tax administration and overall governance. For example, they find that when an enterprise has been asked for bribes by tax inspectors, it is 17 percent more likely to prefer informal finance.

**Maiti and Marjit (2008)** in their study explained that, Trade liberalization, production organization and informal sector of the developing countries. The paper provides an explanation of recent empirical evidence on fragmentation and the expansion of the informal sector in India. We argue that as the prospect of getting a better price in the international market increases, the producers in the formal sector act more like merchants and subcontract production activities to the producers in the informal sectors. Expanding production in the informal sector allows the firm to take advantage of a growing export market. Our theoretical model explains such organizational change in terms of allocation of monitoring effort between marketing and production. The existence of a low-wage informal sector facilitates division of labor and specialization in the formal segment.

**Vuletin (2008)** in his study, Measuring the Informal Economy in Latin America and the Caribbean, This paper estimates the size of the informal economy for 32 mainly Latin American and Caribbean countries in the early 2000s. Using a structural equation modeling approach, they find that a stringent tax system and regulatory environment, higher inflation, and dominance of the agriculture sector are key factors in determining the size of the informal economy. The results also confirm that a higher degree of informality reduces labor unionization, the number of contributors to social security schemes, and enrollment rates in education.
**Zia et al., (2008)** in their paper entitled, Assessing informal waste recycling in Kanpur City, India. The purpose of this paper is to outline the socio-economic and environmental implications of the informal sector engaged in waste recycling in the city of Kanpur, with special emphasis on the lives of lowest group of people, i.e. waste-pickers, and to discuss various possible scenarios to integrate them with the formal sector. The study has attempted to delve into the socio-economic conditions of the waste and dump-pickers, the lowest segment of the informal recycling sector. The study of the status of existing alliances of formal-informal sector and the community shows that there is a lot of scope for improvement in the management of solid waste and the condition of the informal waste-recycling sector. Stronger alliances have the potential to improve the services as well as the socio-economic condition of the informal waste-recycling sector.

**Kishor (2008)** in his study stated that, Informal Sector: Emerging Issues and Labour Market, This paper is an attempt to analyze the major issues in general and labour market issues in particular in the informal sector. The paper deals with definitional aspects of informal sector, size of informal sector, role of informal sector, emerging issues in the informal sector and major policy recommendations.

**Naik (2009)** in his article entitled, Measuring the Informal Economy in Developing Countries, The objective of the paper is to study the informal sector employment and Informal employment scenario across sectors, states, industry group etc in India using the new definition of informal sector and informal worker proposed by National Commission for Enterprises in the Unorganised Sector (NCEUS) and to show that the new definition is more suitable to study the informal sector. The conclusion of the study is the Informal sector accounts for a sizeable number of workers in India across
different industry groups and states. The concept of informal sector and informal workers proposed by NCEUS is more appropriate in the context of Indian statistical system and it better compatible with international definition of informal sector.

**Anoop Singh (2009)** in his paper entitled, Informal markets for electricity: economics of lighting for hawkers in India. The purpose of this paper is to investigate the economics of supplying energy needs for illumination requirements by hawkers using alternatives like compact fluorescent lamps battery lamps, liquefied petroleum gas mantle lamps or supply from mini-grids supported by local diesel generators. Further, the prevailing business models like the lamp rental and the mini-grid models, which epitomise informal electricity markets, are also analyzed.

**Gill (2009)** finds that, Of Poverty and Plastic: Scavenging and Scrap Trading Entrepreneurs in India's Urban Informal Economy. Of Poverty and Plastic applies an interdisciplinary, 'field economics' approach to poverty analysis, using a mix of survey and ethnographic data to challenge received notions of the nature and extent of narrow income poverty and multiple deprivations experienced by those working in the informal waste recovery and plastic recycling economy of Delhi. A detailed analysis of specialization, capital, and value in various segments of this labour-intensive, 'green' informal market is undertaken, with explicit recognition of its wider social and political institutional context, and how it is shaped by unequal interactions with civil society and the state. In particular, the book focuses on the identity and agency of subordinate scheduled caste groups-living literally and metaphorically on the edge of the city-in negotiating 'a decent life' in today's neoliberal environment. The case studies of the ban on recycled polythene bags and the industrial relocation order illustrate the channels through which these actors collectively
seek to resist the perceived anti-urban poor status quo, driven by powerful middle class coalitions through legislation or judicial fiat, with varying degrees of success. In doing so, the book exposes the complex, and at times contrary, policy reality binding poverty and deprivation, formal and informal markets, the state and citizenship in contemporary urban India.

**Joshi et. al, (2009)** their article explained that, Surveys of Informal Sector Enterprises - Some Measurement Issues, In this paper they examine the differences in the measures of (i) profits of an enterprise derived from a detailed set of questions on incomes and expenses, versus profits obtained through a single direct question; and (ii) GVA obtained using the production approach as the difference of output and intermediate consumption from a detailed set of questions on incomes and expenses, versus GVA using the income approach by asking a few questions on factor incomes, and a single direct question on profits. They use data from the 56th round survey of unorganized manufacturing conducted by the National Sample Survey Organization of India during the period July 2000–June 2001. They also examine if the differences vary with the characteristics of the enterprises, and suggest further empirical research to develop suitable tools for providing accurate measurements of informal sector enterprises.

**Sara and Minard, (2009)** their paper found that, Valuing entrepreneurship in the informal economy in Senegal. The purpose of the paper is to provide a theoretical reflection on existing and emerging literature on social entrepreneurship as it applies to the developing country experience, and specifically to the informal economy in Senegal, West Africa. Socio-religious networks in West Africa like Mouridism, with its strong emphasis on work and giving of one's personal financial gains back to the Muslim brotherhood, has
actually created a non-capitalist spirit of commerce, and to some degree entrepreneurialism, among Senegalese Mourids who are majority Wolof.

**Maiti and Sen (2010)** in their article suggested that, The Informal Sector in India - A Means of Exploitation or Accumulation? Is the informal sector in India a means of exploitation or a means of accumulation? One view takes the informal sector to be a site for primitive capital accumulation, with underpaid workers working in abysmal conditions. Another view takes the informal sector to be the venue for economic dynamism and entrepreneurial creativity. In this article, we evaluate these two views in relation to theories of the informal sector and empirical studies on India. We argue that both views have merit in the Indian context and accounts of the informal sector in India need to take into account the complexity and heterogeneity of production and labour relations that characterises the sector.

**Siggel (2010)** found that, The Indian informal sector: The impact of globalization and reform. Globalization and economic reforms typically affect the formal sector, the informal sector existing outside regulation. Yet, numerous links between them mean the informal sector is variously affected. Traditionally, the model used to explain the impact of these forces was labour market segmentation and migration: workers laid off in the formal sector increase informal labour supply, leading to wage decline and increased poverty. The author examines whether this pattern applies in India following economic reforms in the 1990s, and finds a more appropriate model, driven by expansion both in labour supply and in demand, through outsourcing, skill transfers and new enterprises.

**Meghana et al., (2010)** in his work entitled, Formal versus Informal Finance: Evidence from China, This paper takes a closer look at firm financing
patterns and growth using a database of 2,400 Chinese firms. The authors find that a relatively small percentage of firms in the sample utilize formal bank finance with a much greater reliance on informal sources. However, the results suggest that despite its weaknesses, financing from the formal financial system is associated with faster firm growth, whereas fund raising from alternative channels is not. Using a selection model, the authors find no evidence that these results arise because of the selection of firms that have access to the formal financial system.

**Bruns et al., (2011)** in their article entitled, Smuggling and small-scale trade as part of informal economic practices: Empirical findings from the Eastern external EU border. The paper provides empirical insights about why people carry out smuggling and small-scale trade and how these informal activities are perceived in the local environment. It suggests that informal economic cross-border activities are often highly legitimized despite their illegal character. The border creates certain extra opportunities as it enables arbitrage dealings. Rather as a side effect though, the Schengen visa regime has evoked a decreasing profit margin of transborder economic activities. Therefore, it remains unclear whether the Eastern external EU border will serve as an informal economic resource in the future.

**Williams and Gurtoo (2011)** their paper found that, Women entrepreneurs in the Indian informal sector: Marginalization dynamics or institutional rational choice? Studies on women entrepreneurs either view women through a structuralist lens, as marginalized populations engaged in low-quality work, or through a neo-liberal lens, as engaged in relatively higher quality endeavour more as a rational choice. The aim of this paper is to evaluate critically these explanations in relation to women entrepreneurs in the informal sector in India. The survey of 457 women entrepreneurs of the
informal sector shows that although the structuralist representation is largely appropriate for women working as waged informal employees, it is not as valid for women informal entrepreneurs working on a self-employed basis. The results challenge the traditional understanding of the informal sector and self-employed women in particular, and are discussed in the light of the institutional rational choice framework.

Cooke (2011) in work stated that, Labour market regulations and informal employment in China: To what extent are workers protected?. The purpose of this paper is to chart the sharp rise of informal employment in urban China in the last decade. It investigates the role of labour market regulations in shaping employment relations for those engaged in this form of employment and their employment outcome. It also examines various forms of organization and representation of these workers and the extent to which these mechanisms meet their needs. The paper concludes that the inadequacy of the function of employment agencies, the absence of a functioning social security system for workers in informal employment, and the lack of effective enforcement of employment-related regulations mean that the majority of the growing force of workers in this category will continue to be under-protected and disadvantaged.

Vivekanand et. al., (2011) in their work entitled, Scope for fair trade and social entrepreneurship in India. Social entrepreneurship will play a big role in bringing the growth to the rural masses in India and so it becomes important to study the factors, like fair trade, that will shape the social entrepreneurship philosophy. Discussions with FTF-I and study of IRFT revealed some surprising facts about fair trade in India – one of them being the expected size of the fair trade market in the near future. Fair trade is expected to grow exponentially in the coming years and it has the potential be an inspiration for many to enter into the social entrepreneurship world.