CHAPTER III

THEORETICAL OVERVIEW OF AN ENTREPRENEURSHIP, INFORMAL SECTOR ENTREPRENEURS AND PROFILE OF THE STUDY AREA

Entrepreneurship

Entrepreneurship is the act of being an entrepreneur, which can be defined as "one who undertakes innovations, finance and business acumen in an effort to transform innovations into economic goods". This may result in new organizations or may be part of revitalizing mature organizations in response to a perceived opportunity. The most obvious form of entrepreneurship is that of starting new businesses (referred as Startup Company); however, in recent years, the term has been extended to include social and political forms of entrepreneurial activity. When entrepreneurship is describing activities within a firm or large organization it is referred to as intrapreneurship and may include corporate venturing, when large entities spin-off organizations.

Defining Entrepreneurship

Entrepreneurship means different things to different people. Conceptually and in practice, the term hints of no stereotypical model. Yet its very etymology – derived from the French ‘entreprendre which literally means, ‘to undertake’ – indicates the minimum characteristics of an entrepreneur.
From the perspective of economic functions, three crucial characteristics of entrepreneurial activity are: risk taking, innovation and venturing into new business activities for profit.

For the purposes of this study and keeping in mind its key role in creating value, National Knowledge Commission (NKC) defines Entrepreneurship as follows:

Entrepreneurship is the professional application of knowledge, skills and competencies and/or of monetizing a new idea, by an individual or a set of people by launching an enterprise de novo or diversifying from an existing one (distinct from seeking self employment as in a profession or trade), thus to pursue growth while generating wealth, employment and social good.

**Role of Entrepreneurship in the Economy: Creating Value**

The entrepreneur who implements ‘new combinations of means of production’ plays a crucial role in disturbing the status quo through innovation — or ‘creative destruction’ — and thereby becomes an agent of change.

As such, the ‘dynamic equilibrium’ achieved by a constantly innovating entrepreneur could generate the conditions for:

- a. Increasing opportunities for employment (comprising various competitive skill sets),
- b. Additional wealth creation,
- c. Introduction and dissemination of new methods and technology; and
- d. Overall economic growth.
It is in the creation of more wealth, and in the constant innovation from prevailing to the next best practices, that the significance and importance of Entrepreneurship lies.

As such, the development of Entrepreneurship in a particular milieu depends not on a single overriding factor but rather on ‘a constellation of factors’ at the individual, societal and national levels. Entrepreneurship depends on individual motivations, individual experiences, socio-cultural (including family) traditions, educational opportunities, availability of relevant skills and attitudes, supporting financial institutions and access to credit, existence of commercial trading centers, supporting infrastructure including trade routes with efficient transport and communication facilities, macro-economic environment and overall political stability. It has also been argued that Innovation and Entrepreneurship flourish best in decentralized systems by empowered people, who are willing to explore new ideas as well as willing to deal with exogenous influences.

**Entrepreneurship in India**

Entrepreneurship has been ‘embedded in the Indian genius and is a part of its tradition’. To quote the renowned economist, T.N. Srinivasan, ‘India has been an entrepreneurial society…we had the entrepreneurial skill but suppressed it for too long a time… and now it is thriving.’ The entrepreneurial spirit is an ongoing characteristic of India’s history, particularly visible in a number of communities engaged primarily in trading. Traditionally, the Entrepreneurship of such communities is facilitated principally by the successful use of informal ‘entrepreneurial ecosystems’ and interdependent business networks. Further, there is also a rich tradition within the Indian
diaspora, spanning the past several hundred years, whose spirit of enterprise is legion.

Entrepreneurship in India occurs in ‘far more encompassing and far reaching ways than in developed countries’, and could therefore be far more complex, ‘for there is so much more that needs to be done’. Commentators today celebrate the ubiquitous Indian attitude of ‘Jugaad’ (a Hindi word roughly translated as ‘creative improvisation…a tool to somehow find a solution based on a refusal to accept defeat, and calling on initiative, quick thinking, cunning and resolve, to quickly fulfill market demands at the lowest possible prices’) as an entrepreneurial trait that has been as much a part of everyday Indian living as its rich tradition of philosophy and speculation.

The salience of Entrepreneurship in India has intensified in recent times, particularly with the rise in knowledge-intensive services. New entrepreneurs who do not belong to traditional business communities have begun to emerge in large numbers. Entrepreneurship has grown rapidly, visibly so, creating wealth and generating employment, especially in the past twenty years. Crucial efforts initiated after economic liberalization — including systematic attempts to reduce the ‘license raj’, greater efforts to make finance more easily accessible to entrepreneurs and other institutional support to ‘techno-preneurs’ — have helped improve the climate for Entrepreneurship.

The software industry, in particular, its initial growth arising largely out of the ‘interstices inadvertently left untouched by the State’, has today taken giant strides, with the top companies working ‘within the market and with a fuller understanding of the rules of international commerce’
Thus, the opportunities created by today’s global knowledge economy coupled with the ‘unshackling of indigenous enterprise’, have contributed to making India a ‘fertile ground’ for Entrepreneurship.

Statistics on the growth of India’s technology driven entrepreneurship are telling. In a recent survey by the Deloitte group, India ranks 2\textsuperscript{nd} globally as home to the fastest growing technology firms. 82 Indian companies entered the Deloitte Technology Fast 500 list of Asia Pacific Companies in 2007 and the companies that have made it to the Technology Fast 50 of India have an average three-year revenue growth of 489%. In this respect, particularly in high skill innovation driven Entrepreneurship, the opportunities offered by complex and interconnected global networks are also relevant. The ability to ‘adapt to changing market conditions and anticipate future technologies and economic trends’ and leverage across a large number of markets provide ‘opportunities for exploiting economies of scale.’ As such, comparative knowledge leverage at lower costs would play a key role in the race to achieve economic competitiveness.

Recent surveys, such as those undertaken by Goldman Sachs and Price waterhouse Coopers, have estimated that India has the potential to be among the world’s leading economies by 2050. Further, India’s economy can potentially gain significantly from the country’s characteristic features — a democratic open society, a strong technology base (with capacity for leapfrogging), unparalleled diversity, vibrant capital markets (including growing private equity and venture capital markets), an increasingly youthful population (50% of India is 25 years and younger), a sizeable market of a large number of customers with vast unmet needs as well as an environment of full and free competition in the private sector.
In this situation, India enjoys enormous potential for the creation of wealth through knowledge. Entrepreneurship and Innovation are the key drivers for generating wealth from knowledge, supported principally by the availability of skilled human resources, access to finance and the ability of the State to create an enabling environment.

The Entrepreneurship ‘Pyramid’ in India (in terms of sectors and numbers of people engaged) is made up of the following:

- **Level 1:** Agriculture and other activities: Crop production, Plantation, Forestry, Livestock, Fishing, Mining and Quarrying.
- **Level 2:** Trading services: Wholesale and retail trade; Hotels and restaurants
- **Level 3:** Old economy or traditional sectors: Manufacturing, Electricity, Gas and Water supply.
- **Level 4:** Emerging sectors (including knowledge intensive sectors): IT, Finance, Insurance and Business services, Construction, Community, Social & Personal Services, Supply Chain, and Transport-Storage-Communications etc.

**Informal Sector**

The informal sector or informal economy as defined by governments, scholars, banks, etc. is the part of an economy that is not taxed, monitored by any form of government, or included in any gross national product (GNP), unlike the formal economy.
In developing countries, some 60% of the potential working population earns their living in the informal sector. They would define this economy or sector in other words: not in what it is not, but what it is: the only way to earn a living for people who are self-employed outside the formal economy and not on anyone's payroll. Most of them live and work in this sector not because it is their wish or choice, but because they have no chance to be hired by an employer from the formal sector except for a few hours or days, with no legal right to be hired again.

In developed countries the informal sector is characterized by unreported employment. This is hidden from the state for tax, social security or labour law purposes but is legal in all other aspects.

In describing this sector, one should bear in mind that the informal economy is not a deviation of the formal economy, if only because all economic activities started informal and formed the basis from which the formal economy sprang, with firms and annual accounts, taxes, chambers of commerce, etc. Although the informal economy is often associated with developing countries, where up to 60% of the labour force (with as much 40% of GDP) work, all economic systems contain an informal economy in some proportion. The term informal sector was used in many earlier studies, and has been mostly replaced in more recent studies which use the newer term. The English idioms under the table and off the books typically refer to this type of economy. The term black market refers to a specific subset of the informal economy in which contraband is traded, where contraband may be strictly or informally defined.
History of the informal economy

Various labels have been used by scholars to refer to the “informal economy”, it has been called the irregular economy (Ferman & Ferman, 1973), the subterranean economy (Gutmann, 1977), the underground economy (Simon & Write, 1982, Houston, 1987), the black economy (Dilnot & Morris, 1981), the shadow economy (Frey, Weck, & Pommerehne, 1982, Cassel & Cichy, 1986), and the informal economy (McCrohan & Smith, 1986). The popular media uses terms such as invisible, hidden, submerged, shadow, irregular, non-official, unrecorded, or clandestine (U.S. Department of Labor, 1992). The common thread is that these activities are not recorded or imperfectly reflected in official national accounting systems.

The concept of the “informal sector” was first coined in an International Labour Organisation (ILO) study of urban labour markets in Ghana (Hart, 1973). It was subsequently used in ILO reports of labour market conditions in other African cities and by the World Bank in a series of studies of urbanization and poverty throughout the Third World (Sethuraman, 1981; Mazumdar, 1975). In its application to issues of equity, economic opportunity, and social development, the term “informal economy” first came into widespread use as a means of describing a dualistic economic structure found in developing countries. Such an economy involves both the mainstream formal economy and an unofficial economy within which economic transactions occur outside traditional channels and deliver explicit economic and social benefits. The concept has evolved to encompass various types of cash and non-cash transaction in both developing and industrialized economies-transactions that benefit both the poor and non-poor.
Drawing an extensive theoretical and empirical work on Third world countries, researchers began to examine the nature and dynamics of the informal economy in developed countries (Portes & Sassen-Koob, 1987; Sassen-Koob, 1989, Stepick, 1989). Although similar activities had been observed in European countries (Light, 1979, Feige, 1979), the concept did not gain much initial popularity in the United States. Ferman and Ferman’s (1973) paper documented the informal economic exchanges as means of survival among the urban poor of American cities that served as a major breakthrough in the field. Ethnographic studies by Stack (1974), Lowenthal (1975), and Dow (1977) highlighted the informal economic activity within the urban inner city. In 1978, Ferman began reporting the results from his Detroit study that combined anthropological ethnography with survey techniques. This technique later became a standard methodological approach for similar local-area studies (Pahl, 1984).

The literature is marked by considerable disagreement over the conceptual definition of informal work. This dispute was often fueled by different academic disciplines. For example, economists and ax specialists sought to estimate the total size of the informal economy. Their perspective focused on unregulated but cash exchanges (Gutmann, 1977, Feige, 1979, Simon & Witte, 1979, Schoepflle, Perez-Lopez, & Griego, 1992). On the other hand, anthropologists and sociologists often were more broadly concerned with the informal economy’s role as a household economic strategy or as a source of community cohesion. This perspective included both cash and no-cash exchanges between and within households (Leitan & Feldman, 1991, Pahl, 1987).
Typologies

Our understanding of the informal economy may benefit from typologies that classify various kinds of work and that classify various kinds of informal economy activities. We present one of each in this section.

Informal Work As A Labour Market Category

The Dual Labor Market theory (Doeringer & Piore, 1971, Saint-Paul, 1977) provides one approach to understanding the place of informal work within the labour market. It divides the labour market into four categories: primary, secondary, informal, and illegal.

Table No. 3.1: Labor Market Categories

<table>
<thead>
<tr>
<th>Primary Sector</th>
<th>Secondary Sector</th>
<th>Informal sector</th>
<th>Illegal Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>High wage</td>
<td>Low wage</td>
<td>Self- employment</td>
<td>Criminal</td>
</tr>
<tr>
<td>High security</td>
<td>Low security</td>
<td>Casual labor</td>
<td>Unregulated</td>
</tr>
<tr>
<td>Well regulated</td>
<td>Poorly regulated</td>
<td>unregulated</td>
<td></td>
</tr>
</tbody>
</table>

Context of Informal Work

Another typology presents categories of informal work based on the context of the work. Given the fairly broad definition of informal work. It is not surprising that there are varieties of forms or structures of informal work.
Table No. 3.2: Structure of Informal Work Typology

<table>
<thead>
<tr>
<th>Persons works for someone else</th>
<th>Primary work for company</th>
<th>Extra work for current employer</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Works off-the-books</td>
<td>Works extra hours on weekends or evenings (paid in cash and not taxed)</td>
</tr>
<tr>
<td></td>
<td>Works under-the-table</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Paid in cash and not</td>
<td></td>
</tr>
<tr>
<td></td>
<td>taxed</td>
<td></td>
</tr>
<tr>
<td>Person Self-employed</td>
<td>Person operates own</td>
<td>Does sporadic odd jobs, services, or products</td>
</tr>
<tr>
<td></td>
<td>small business</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cash-only exchanges</td>
<td>Seasonal work</td>
</tr>
<tr>
<td></td>
<td>On-going, regular</td>
<td>Helps keep household expenses down by bartering for services or offering low-cost products</td>
</tr>
<tr>
<td></td>
<td>Business is seen as</td>
<td>Not as formalized as a “small business”</td>
</tr>
<tr>
<td></td>
<td>primary income</td>
<td></td>
</tr>
<tr>
<td></td>
<td>May invest income into</td>
<td></td>
</tr>
<tr>
<td></td>
<td>business</td>
<td></td>
</tr>
</tbody>
</table>


People who work for someone else may be doing this as their primary job or as extra work, in addition to their primary work, for their primary employer. In one instance the person is employed by a small, medium, or large-scale company, for example, a hotel cleaning contractor that “employs” people off-the-books and pays them in cash. In another instance, this person is employed by his or her current employer to come in weekends or evenings, or to take work home to add to his or her home. Again, this arrangement is off-the-books. The people may have approached the employer to increase their income or the employer may have approached the employee. An example of this type of work would be “Sue,” who works in a textile factory and takes garments home to complete additional pieces and earn extra cash.

Other people are self-employed. Under this arrangement people may operate their own businesses, either as a primary source of income or as a way...
to supplement their income from their primary employment. For example, “Joe” operates a lawn care business as his primary source of income or “Ann” has a household repair business as a means of providing supplemental income in addition to her full-time employment. In a different arrangement the person is still self-employed but may approach his/her work in a less formal manner. For example, “Lisa” makes craft boxes around the holidays and sells them to friends.

**Types and definitions of activities within the hidden economy**

Not all activities within a hidden economy may be transferred to the formal sector, for example activities connected with illegal drugs. The following table provides categorization of activities related to the hidden economy.

<table>
<thead>
<tr>
<th>Table No. 3.3: Legal and Illegal activities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Monetary Transactions</strong></td>
</tr>
<tr>
<td>Illegal Activities</td>
</tr>
</tbody>
</table>
Legal Activities
Unreported income, activities from self-employment, wages, salaries and assets from unreported work related to legal services and goods.

Tax Evasion
Employee discounts, fringe benefits

Tax Evasion
Barter of legal services and goods

Tax Avoidance
All do-it-yourself work and neighborly help

Source: Schneider, Ernst

Distinguishing Characteristics of the Informal Sector

The characteristics of the informal sector have classified on four ways, they are

a. Employment,

b. Enterprise,

c. Habitat and

d. Credit

a. Employment

Characteristics of the people engaged in the informal sector

- Absence of official protection and recognition
b. Enterprise

Characteristics of the activities in the informal sector

- Unregulated and competitive markets,
- Small scale operation with individual or family ownership,
- Ease of entry,
- Reliance on locally available resources,
- Family ownership of enterprises,
- Labour intensive and adapted technology,
- Absence of access to institutional credit or other supports and protections.

c. Habitat

Characteristics of the informal sector land and housing

- Unauthorized use of vacant public or private land,
- Illegal subdivision and/or rental of land,
- Unauthorized construction of structures and buildings,
- Reliance on low cost and locally available scrap construction materials,
- Absence of restrictive standards and regulations,
- Reliance on family labour and artisanal techniques for construction,
- Non-availability of mortgage or any other subsidized finance.

d. Credit

Characteristics of informal credit markets

- Unregulated and non-subsidized,
- Easy accessibility,
- Availability in very small size and for short terms,
- Low administrative and procedural costs,
- Little of no collateral requirements,
- Flexible interest rates (from very high to no interest at all),
- Highly flexible transactions and repayments tailored to individual needs.

The economic evolution of India has undergone sea change, the post independence era was marked by Agrarian Economy that was nearly for one and half decades covering 1960’s and 1980’s. The second phase was Manufacturing Economy 1970’s and 1980’s and LPG gave a paradigm shift from manufacturing economy to Service economy.

As per the World Bank study, India has the potential to be the world leader with its knowledge economy in another two decades. In spite of the
present global meltdown Indian economy growing with its stride due to its inherent informal management system coupled with strong value base.

While analyzing the composition of the Indian Economy, it is of two major sectors namely, organized and unorganized. The organized sector contributes two third to the GDP. Whereas the remaining 1/3 is by unorganized sector. The following statistics by National Account Statistics reveals the contribution of unorganised sector to the NDP.

The informal sector contribution

The contribution of unorganized sector in net Domestic Product is 56.7% in 2002-03. Thus, the major chunk of NDP is provided by the unorganized sector.

Figure No. 3.1: Sector Share in Net Domestic Product

![Sector Share in Net Domestic Product](image)

Source: NAS 2005

Further, the sectorial composition in the NDP can be appreciated by the appended figures.
Industry wise distribution of NDP in organized and unorganized sectors shows that in agriculture sector, the share of organized sector is only 4% whereas 96% share is contributed by the unorganized sector. Due to this reason, the informal activities are studied in the non agricultural sectors only. In mining, manufacturing sector 60% share in NDP is of organized sector while 40% share is contributed by the unorganized sector. In service sector contribution of organized sector is 53% while 47% of the share is contributed by unorganized sector.

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It is evident that the primary sector viz., agriculture sector is the major contributor to the GDP followed by service sector.
These unorganized sectors are non-sensitive or seldom sensitive to the economic cycles, also complements the organized sector. The management practices followed by unorganised sector are passed on from generation to generation and have unique business acumen with an inbuilt value system. Unorganized sectors’ management practices have survived the onslaught of modernization due to its value base.

The unorganized sector has a time tested management practices unlike the adhochism followed in the modern management practices. The present study aims at exploring the management practices more particularly of financial management practices in this sector.

In India formally the term ‘informal’ has neither been used in the official statistics nor in the National Accounts Statistics (NAS). The terms used in the Indian NAS are ‘organised’ and ‘unorganised’ sectors. In fact informal sector and unorganised sector are quite close though not exactly the same. But quite often researchers and users have used the terms ‘unorganised’ and ‘informal’ interchangeably.

Main Industries of Informal Activities

Table No. 3.4: Sector wise distribution of different industries

<table>
<thead>
<tr>
<th>Industry</th>
<th>Organized sector (% of NDP)</th>
<th>Unorganized sector (% of NDP)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, forestry, fishing</td>
<td>4.1</td>
<td>95.9</td>
<td>100.0</td>
</tr>
<tr>
<td>Mining, manufacturing, electricity and construction</td>
<td>60.5</td>
<td>39.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Services</td>
<td>53.1</td>
<td>46.9</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>43.3</strong></td>
<td><strong>56.7</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Source: NAS 2005*
Status of non-agricultural informal enterprises

Only 12% of the enterprises in the rural areas are registered with any registration agency whereas in urban areas this percentage is a little higher at 31%.

Table No. 3.5: Status of non-agricultural informal enterprises

<table>
<thead>
<tr>
<th>Status of registration with any act/authority</th>
<th>Percentage of enterprises by location</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rural</td>
</tr>
<tr>
<td>Registered</td>
<td>11.6</td>
</tr>
<tr>
<td>Unregistered</td>
<td>88.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>


Attempts at defining informal sector for the purpose of statistical classification achieved a breakthrough when the Fifteenth International Conference of Labour Statisticians on January 1993 passed a resolution on the definition of the informal sector. The informal sector, for statistical purposes, is defined as the sector representing the production units which form part of the household sector as household enterprises or as unincorporated enterprises owned by the households.

The informal economy is defined as comprising of both self-employed persons and paid workers. It is highly diverse. According to the UN System of National Accounts (SNA), 1993, the informal sector has broadly been characterised as consisting of units engaged in producing goods and services with the primary objective of generating employment and income to the persons concerned.
The characterization of the informal sector used in the resolution of the 15th International Conference of Labour Statisticians (ICLS) on statistics of employment in the informal sector, namely:

(1) The informal sector may be broadly characterized as consisting of units engaged in the production of goods or services with the primary objective of generating employment and incomes 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 relations -where they exist - are based mostly on casual employment, kinship or personal and social relations rather than contractual arrangements with formal guarantees.

(2) Production units of the informal sector have the characteristic features of household enterprises. The fixed and other assets used do not belong to the production units as such but to their owners. The units as such cannot engage in transactions 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.”
I. Informal Sector

What exactly is the informal sector? How can we define it? Most definitions focus on what it is not in terms of being non-regulated, non-taxpaying etc. The key to a better understanding of the informal sector, and development of effective policies, is a useable definition. Defining the concept of informal sector is not easy, because different categories of informal and informal sector overlap with each other and the difference between formal and informal is blurry. First, if unofficial earning strategies are exercised by a low-profit small enterprises with low quality working conditions, then workers in this enterprises and enterprises itself can be classified as belonging to informal sector. An example of such a case is an unregistered one-person low-profit street trade enterprise - these characteristics combine unofficial and survival activities. Second, some formal market jobs or enterprises can be classified as informal if it is found that they have poor work protection or if the life style and opportunities they entail are considered undesirable. If the street trader
from the previous example registers her/her enterprise, the enterprise and the trader herself/himself could be categorized as belonging to the formal sector if the profit is considered above the survival level.

The informal sector refers to the part of the economy that does not fall under the preview of organised economic activities. The growth that was visualized by those early development economists was essentially the growth of organized economic activities through rapid industrialization via capital formation and the expansion of domestic and export demand. In fact a large section of the population earning a daily living by participating in activities that fell outside the orbit of the organized sector was totally ignored, as it was considered to be a temporary phenomenon. It was expected that those activities would disappear with the growth of the economy. In other words, the idea was that once the takeoff in economic growth was accomplished, with the growth of the organized economy, the demand for, and returns to labour would increase. Consequently, the need to participate in activities outside the organized economy was expected to gradually disappear. This optimistic vision of economic transition did not match with what is actually happening in the world. In the late 1960s and 1970s, a large section of the population in the developing countries was still suffering from poverty and still working outside the organized sector in activities that were later broadly termed as “informal”. Economic growth was not percolating down to the masses fast enough. Due to population growth and urban migration, the active labour force was growing at a much faster rate than the availability of jobs in the organized sector. The focus of development policies is gradually shifting from pure economic growth to growth equity and the eradication of poverty. Interest was thus generated in sectors outside the organized economy that was providing a livelihood to a large section of the poor. Hence, the concept of the informal sector was born.
The concept of informal sector was introduced into international usages in 1972 by the International Labour Organization (ILO) in its Kenya Mission Report, which defined informality as a “way of doing things characterized by (a) easy entry (b) reliance on indigenous resources (c) family ownership (d) small scale operations (e) labour intensive and adaptive technology (f) skills acquired outside the formal sector (g) unregulated and competitive market”. Against this definition ILO symposium on the informal sector in 1999 proposed that the informal sector workforce can be categorized into three broad groups: (a) owners/employers of micro enterprise (b) own-account workers, who own and operate one-person business, who work alone or with the help of unpaid workers, generally family members and apprentices, and (c) dependent workers, paid or unpaid, including wage workers in micro enterprises, unpaid family workers, apprentices, contract labor, home workers and paid domestic workers.

The urban informal sector, often called the urban subsistence sector/unorganized sector/unremunerated sector, is conceptually defined to include all economic activities which are not officially regulated and which operates outside the incentive system offered by the state and its institutions. In contrast, enterprises which enjoy official recognition, protection and support are defined as formal sector enterprises. At the empirical level, the informal sector often is defined to comprise these economic enterprises which employ less than certain number of persons (e.g. 5 or 10, depending on the country's official procedures) per unit, and which simultaneously satisfy one or more of the following criteria: (a) it operates in open spaces, (b) it is housed in a temporary or semi permanent structure, (c) it does not operate from spaces assigned by the government, municipality or private organizers of officially recognized marketplaces, (d) it operates from residences or backyards, and (e) it is not registered.
PROFILE OF THE STUDY AREA

Dindigul town, which serves as the district head quarters of this district, has a hoary past. Once this city was under the sway of the famous king Tipu Sultan. This ancient city has a historical Rockfort, which was constructed by the famous Naik King Muthukrishnappa Naicker. Since the shape of the rock resembles cushion, this city is called Dindigul. It is located between 10°.05 and 10°.09 North latitude and 77°.30 and 78°.20 longitude.

For a long time, Dindigul town has been associated with Iron locks, Iron safe of good quality and durability. A lock manufacturing unit under co-operative sector is functioning here. Another industry for which Dindigul is noted is Leather Training.

Dindigul town, which is an important wholesale market for onion and groundnut, has the network of inter district roads connecting Coimbatore, Erode, Karur, Trichy, Madurai and sivagangai districts. Educationally, Dindigul is a well developed and popular city. It has got many high scools and higher secondary schools, colleges, arts and science and professional colleges to its credit.

This district is bound by Erode, Coimbatore, Karur and Trichy districts on the North, by Sivaganga and Tiruchi District on the East, by Madurai district on the South and by Theni and Coimbatore Districts and Kerala State on the West. It is spread over an area of 6266.64 sq.km. Dindigul district comprises

I. Three Revenue Divisions: Dindigul, Palani and Kodaikanal
II. Eight Taluks: Dindigul, Nilakkottai, Attur, Kodaikanal, Natham, Oddanchatram, Palani and Vedasandur.


The following are three municipalities of the district. Dindigul, Palani and Kodaikanal.

**Figure No. 3.3**

*Dindigul District Block Map*
Physiography

The district has extensive hilly and rocky areas with undulating plains. Palani forms the Northern spur of the Western Ghats ranging in height from 1000 to 2700 metres. The upper plains with an average height of 25000 metres comprise valleys and contain several peaks like Peruma Hill, the Vandarvery hills etc. they consist largely of plateus made up of rolling down covered with coarse grasses and isolated shoals in the valleys.

The lower plains consist of confused jungle of peaks from 1000 to 1700 metres height, separated from one another by steep and beautiful wooded valleys. Those hills are Thandigudi, Viripatchi hills etc. on the eastern side, Sirumalai, Algar malai and Natham and Ayyalur hills are found. A large number of isolated peaks namely Karumalai, a sacre hill, tapering Kodarangimalai, great rock of Dindigul, Rangamalai, etc., are also found. The rest of the district is characterized by undulating plains covered mostly by red soil (85 per cent). The upper plains have a thick layer of black earth over yellow clay.

Population in Dindigul District.

Table No. 3.6
Demographic Profile of Dindigul District (According to 2001 Census)

<table>
<thead>
<tr>
<th>Location</th>
<th>Population</th>
<th>Growth Rate 1991 - 2001</th>
<th>Gender ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural</td>
<td>Male</td>
<td>Female</td>
<td>Total</td>
</tr>
<tr>
<td></td>
<td>629073</td>
<td>620689</td>
<td>1249762</td>
</tr>
<tr>
<td>Urban</td>
<td>339064</td>
<td>334188</td>
<td>673252</td>
</tr>
<tr>
<td>Total</td>
<td>968137</td>
<td>954877</td>
<td>1923014</td>
</tr>
</tbody>
</table>
The population in Dindigul District according to 2001 census was 19,23,014 out of which 9,68,137 were males and rest were females. The gender ratio in the district was 986. The total rural population in the district was 12,49,762 whereas the remaining 6,73,252 were in the urban areas. The growth rate of male and female population in rural area during 1991-2001 was -10.02 and -09.32 per cent respectively whereas the growth rate of male and female in urban area during the same period was 96.91 and 80.29 per cent respectively. It indicates the tremendous increase in urban population of the district.

**Figure No.3.4**

**Demographic Profile of Dindigul District (According to 2001 Census)**