



## Indian Retailing Business in Informal Sector

\* Dr. P. Vikkraman \*\* Mr. S. Baskaran

\* Director I/C – MBA, Anna University of Technology, Coimbatore, Tamilnadu

\*\* Research Scholar, Anna University of Technology, Coimbatore, Tamilnadu

### ABSTRACT

*The informal trade sector constitutes an important part of the Indian economy. Its emergence is largely attributed to the divergence between the growth in population, especially the urban population, and employment growth in the formal economy. Growth of informal enterprises, especially in the retail sector, is also thriving on the demand of less affluent households, whose household needs for unsophisticated and affordable products are aptly supplied by the informal sector. Currently, the vast majority of retail transactions in India are handled by the "informal" economy. These traditional, informal businesses have significant political clout, and it is these retailers who have pressured the Indian government to not even consider letting foreign companies participate in the retail sector.*

### Keywords :

#### INFORMAL SECTOR

The informal sector plays a significant role in the economy in terms of employment opportunities and poverty alleviation. This sector generates income-earning opportunities for a large number of people. In India, a large section of the total workforce is still in the informal sector, which contributes a sizeable portion of the country's net domestic product.

Most people in India earn a livelihood by working for an income. They work for one employer or many, or as self-employed or own account workers or as contract workers, home-based workers etc. in every sector in the economy. The informal sector is economic activity that is neither taxed nor monitored by a government; and is not included in that government's Gross National Product (GNP); as opposed to a formal economy. Although the informal economy is often associated with developing countries where up to 60% of the labor force (with as much 40% of GDP) works, all economic systems contain an informal economy in some proportion.

#### SHARE IN NATIONAL INCOME

The Non-Corporate or unincorporated sector constitutes largest portion of the economy in terms of value addition, savings, investments etc. The share of corporate sector is around 12-14 percent in our national income while that of unincorporated [non-corporate] or Bhagidari sector is more than 30 percent. In the case of United States, the share of corporate business is nearly 70 percent.

#### ACTIVITIES IN INFORMAL SECTOR

The non-corporate forms of organizations are major players in such activities as manufacturing, construction, transport, trade, hotels and restaurants, and business and personal services.

#### FEATURES OF INFORMAL SECTOR

From the point of view of mode of production or economic activity, the distinguishing features of the informal sector are as follows:

- Low level of organization; small in scale usually employing fewer than ten workers and often from the immediate family;

- Heterogeneity in activities;
- Easier entry and exit than in the formal sector;
- Usually minimal capital investment; little or no division between labour and capital;
- Mostly labour intensive work, requiring low-level skills; there is usually no formal training as workers learn on the job;
- Labour relations based on casual employment and or social relationships as opposed to formal contracts; employer and employee relationship is often unwritten and informal with little or no rights;

Due to their isolation and invisibility, workers in the informal sector are often largely unaware of their rights, cannot organize them and have little negotiating power with their employers and intermediaries (ILO 2000).

Informal or unorganized sector workers dominate the Indian labor market and represent some 90% of the total Indian workforce. India's unorganized sector is one of the largest, if not the largest, in the post-industrial world. Informal employment that characterizes the unorganized sector comprises both self-employment in informal enterprises (small or unregistered) and wage-based employment undertaken without a transparent employment contract in both informal and formal sector enterprises.

#### MORE CONVENIENT TO THE CONSUMERS

Consumers can easily access the necessary items through the informal retailing. The formal retailing business has lot of rules and regulations. The informal retailing business will overcome all the drawbacks of the formal retailing business.

#### INNOVATIVE PRACTICES

The retailing business has developed by the informal entrepreneurs. Unemployment and joblessness made the entrepreneurs in informal sector. The informal sector entrepreneurs are basically uneducated persons. They created lot of management practices.

The informal sector contributes more than one third of the national income in India. This sector provides employment opportunities to the rural and urban population. Now cities and

metropolitan cities people majority of them are doing some informal business for their livelihood. Some entrepreneurs are doing business in this sector as family business.

The informal retailing business increases the sales. The consumer feels the informal retailing will save the time and cost. Majority of the urban and rural entrepreneurs are doing business in informal sector. The informal retailers also have the regular customers. Their management functions are innovative nature. They are not following any structure and system in their business. Informal retailers are doing business based on the necessary of the people.

#### **INTERMEDIARY FOR MNC'S**

The informal retailing sector has more market share. The MNC's are trying to catch the market. But, consumers are preferred to access all the items through the informal people. Lot of super markets, retail outlets are functioning all the developing countries to increase the sales. Consumers are buying small items only from the informal retailers. So, the MNC's are using the informal retailer as a intermediary for supply to the rural and urban consumers.

#### **ORGANISED PRODUCT THROUGH INFORMAL SUPPLY**

The personal selling strategy implementation is very easy in informal sector business. The formal retailers have some restrictions to go for personal selling. The informal retailers are promoting their products directly to the public without the help

of any media. The retailers in informal sector can supply the organised products also, when they are supplying those types of products, the selling price will be more than the MRP.

#### **INFORMAL RETAILER ASSOCIATION**

The informal retailers have some associations like foot-path traders, small entrepreneurs etc. The retailers associations have not registered as per Act or rule. The retailers are supplying basic needs of the human like, water, milk, vegetables, etc. They are appointing the employees informally to supply the items to the consumer places. Majority of the employees in this sector are working for additional income. The working timings will be two or three hours in a day. Informal sector provides the employment opportunity to uneducated people. The unemployment decreases by the informal sector businesses.

The retailing through informal is not new to India. The informal retailers are marketing the branded items to the consumers. The retailers are intermediary for the branded companies. Sometimes these intermediaries sell the product more than Maximum Retail Price to rural area consumers.

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