

THE NEED OF STRATEGIC FOCUS ON INFORMAL SECTOR IN B-SCHOOL CURRICULUM

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Abstract

This paper explores how informal sector or informal economy plays a significant role in a developing or emerging economy like India in terms of employment opportunities and its contribution in national GDP is discussed. After exploring the reasons and demerits of this sector, the authors discover the need of strategic focus on this economy to devise the curriculum to benefit the local farmers and the owners of micro and small business enterprises of the informal sector to gain a win-win situation.

Keywords: Informal Economy, Agriculture, Micro and Small Enterprises and Curriculum.

Meaning of Informal Sector

According to the International Labour Organization (ILO), informal sector is defined as “all economic activities by workers and economic units that are in law or in practice not covered or insufficiently covered by formal arrangements”(ILO, 2002: p.25). ILO has traced the following as the features of enterprises operating in the informal sector:

- a) Small scale of economic and business operations
- b) Mostly family ownership
- c) Reliance on indigenous or locally available resources
- d) Labour oriented activity and local technology based
- e) Skills acquired outside the formal school system as education level of these workers is low
- f) Ease of entry into the activity; and
- g) Operations are unregulated as these are casual and need or self employed based.

Is Informality Indispensable?

Two billion of the global population in other words, more than 76% of all employed workforce in the world is working in the informal economy of the world, says the ILO report.

Table 1 : Share (%) of Youth in Formal and Informal Employment, 2016

CATEGORY	FORMAL	INFORMAL	TOTAL
Developing Economies	3.2	96.8	100
Emerging Economies	16.97	83.03	100
Developed Economies	80.76	19.24	100
World	23.3	76.7	100

Source; <https://www.ilo.org/wcmsp5/groups>

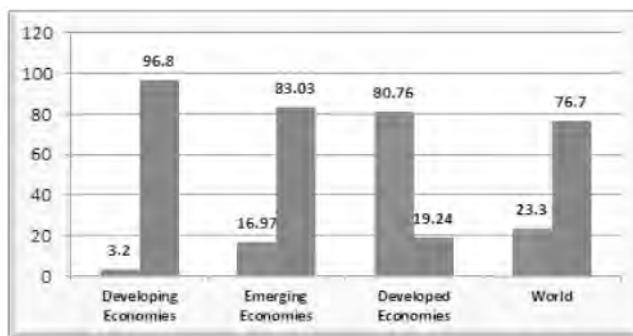


Figure 1: Share (%) of Youth in Formal and Informal Employment, 2016

In table 1 and figure 1, it is depicted that the share of employed youth in informal sector is more than 76%. Further it is classified with respect to developing countries and emerging and developed countries. It is found that 96 % and above in developing countries, 83 % in emerging nations however in developed nations it is less than 20% implying the significant difference in the share of youth employment between developing, emerging and developed nations.

In table 2 and figure 2, the dominance of informal sector is seen very clearly. In agriculture, the share of informal sectors in employment at global level is 93.6%, in industry it is 57.6% and services 47.2%. This implies that the share of informal sector is predominantly more in agriculture followed by industry and services. This calls for an urgent need of professional development and uniform code of conduct in management of the enterprises of the three sectors.

Table 2 : PC of Employment from Sectors

SECTOR	PC of Employment in the global Workforce	
	Informal Sector	Formal Sector
Agriculture	93.6	6.4
Industry	57.2	42.8
Services	47.2	52.8

Source: Global Employment Trends for Youth 2017

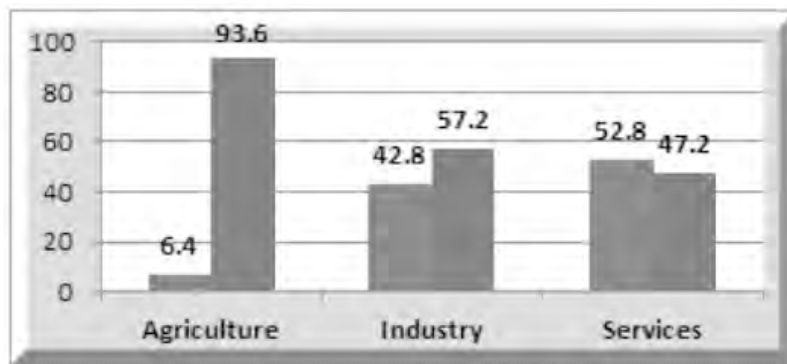


Figure 2 : Global Employment Trends for Youth 2017

Indian Scenario

Indian economy has been dominated by agriculture since independence. However this has been showing a declining trend in its share of employment opportunities. This is depicted in table 3. In other words the dependency level on agriculture is on gradual declining trend and services sector is depicting a marginally increasing trend.

Table 3 : Total Employment – Sector-wise (1983 to 2008) in Percentage - India

SECTOR	1983-84	1987-88	1993-94	1990-00	2004-05	2007-08
Agriculture	68.6	65.0	64.7	59.9	56.4	55.9
Manufacturing	13.8	15.9	14.8	16.3	18.8	18.7
Services	17.6	19.1	20.5	23.8	24.8	25.4
Total	100	100	100	100	100	100

Source: National Sample Survey Organization

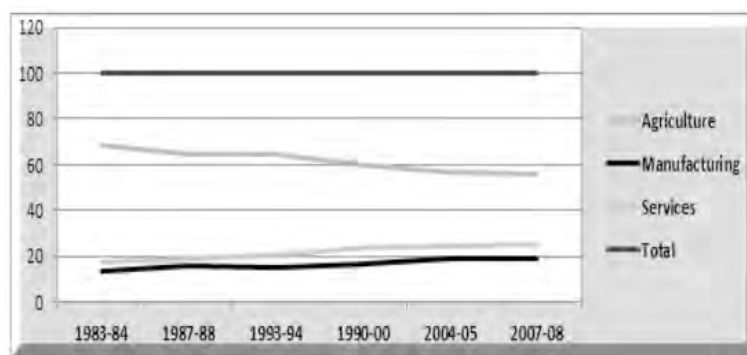


Figure 3 : Total Employment – Sector-wise (1983 to 2008) in Percentage - India

In table 4 and figure 4, estimations of non-agricultural workforce is presented and it has been found that a lion's share of informal sector among the sub sects of non-agricultural workforce too except post & Communication. 98.4% in Trade followed by hotels & restaurants 96.5%, manufacturing 87.8%, transport 87% and others 73.3%. This implies that informal sector is pervasive and present in all types of economic activities.

Table 4 : Estimates of Non-Agricultural Workforce of India - 1999-2000

Description	Total Organized & Unorganized	Workforce			Unorganized (%)
		Organized Sector			
		Public	Private	Total	
Manufacturing	50638524	-	-	6195922	44442602 (87.8)
Trade	39498321	0	616049	616049	38882182 (98.4)
Hotels & Restaurants	4817590	-	-	166608	4650982 (96.5)
Transport	16320766	711435	1404057	2115492	14205275 (87)
Post & Communication	1333792	240777	26153	808961	524831 (39.3)
Other Services	26843493	4341694	2830355	7172050	19671445 (73.3)

Source: Estimates of workforce from the NSSO 55th round, 1999–2000.

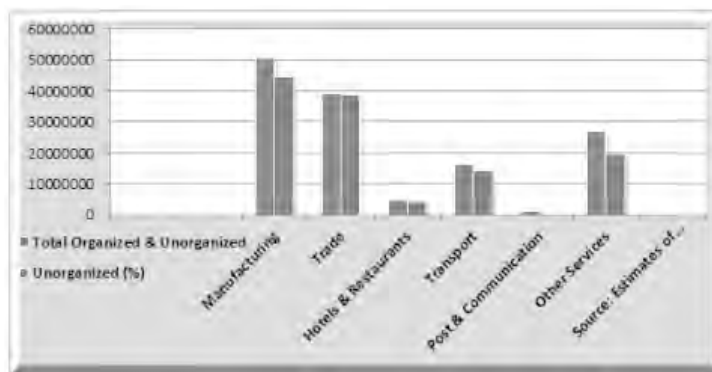


Figure 4 Estimates of Non-Agricultural Workforce of India - 1999-2000

The contribution of Informal Sector in terms of GDP is presented in table 5 and figure 5 for the year 2008 and 2013. 54% of GDP came from informal sector and excluding agriculture it is 38% in 2008 and 41.6% and 25.9% in 2013 respectively proving the pervasiveness of informal sector.

Table 5 : Contribution of the Informal Economy to GDP

	Informal sector (including agriculture) in % of total GDP	Informal sector (excluding agriculture) in % of total GDP
2008	54.2	38.4
2013	41.6	25.9

Source: <https://europa.eu/capacity4dev/rnsf-mit/wiki/133-contribution-informal-economy>

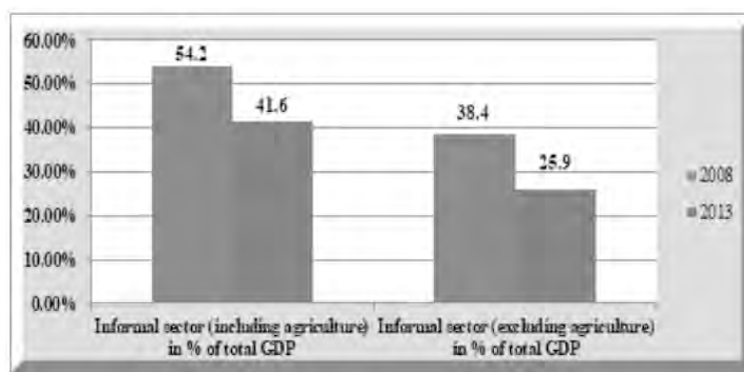


Figure 5 : Contribution of the Informal Economy to GDP

Is Increasing Informalization a Severe Threat to Economic Development?

Research reveals that economic development is associated with declining informality. In figure 6, it is understood that the declining trend of informal employment leads to increasing trend in the national GDP among the developing economies. This implies that informal economy should be minimized if not jeopardized for the better and long term growth of the economy.

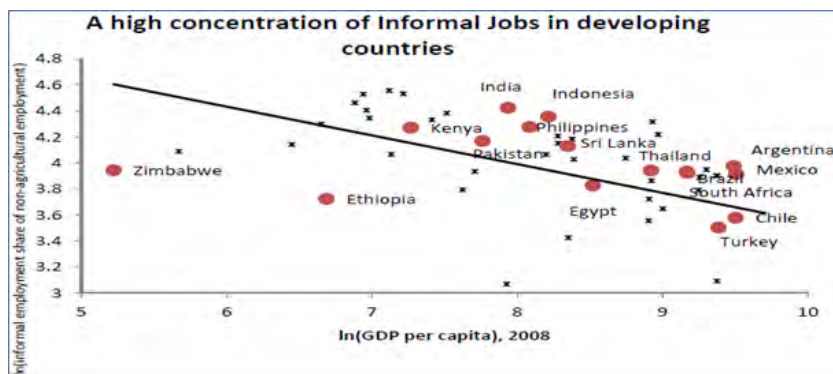


Figure 6 : Informal Jobs in Developing Countries

Source: <https://www.weforum.org/agenda/2015/06/why-we-need-to-rethink-the-informal-economy/>

Disadvantages of Informal Economy and Informal Employment to the Nation

The following are taken as the most disadvantages of having dominance of informal economy:

- a) Informal workers are not paid sufficient wages generally due to no legal framework to be followed by the employers. Therefore, less wages lead to increasing inequality.
- b) In economics, low wages lead to a lower or no savings stage, which hampers the credit cycle and further lending activities to low, slow and no economic development.
- c) In informal sector employers do not provide welfare benefits to the employees such as healthcare, insurance, and education facilities. This leads to more borrowings on the part of the workers and employees hence financial challenges, increased poverty and inequality obstructs economic development.
- d) Contract labour in all sectors and also in education sector one can find the recruitment of teachers and professors, medical professionals and others on contract for a consolidate salary. Under such work force will have no empathy and loyalty towards the employer and company, therefore productivity and economic development definitely will be hampered.
- e) Informal sector employers and workers are unaware of financial literacy because of their low or no education and no or low access to institutional credit which reduces domestic consumption and is a restraint to economic development.
- f) Productivity and efficiency of the whole economy declines as firms or employers have no interest to skill the employees, so that they can better reorient themselves to the demands of the economy.
- g) Lack of amenities or benefits such as maternity leaves for women workers leads to improper growth and development of the child and hampers human resource development.
- h) Informal sector is cash-based economy which is a major source of black money and tax evasion. Size of Indian black economy is estimated at nearly 1/4th of GDP. This is an obstacle in economic development.
- i) High fiscal deficit and high inflation also leads to credit deceleration which further results in low foreign investments due to macroeconomic instability. This is a calamitous situation for a

low capital-formation country like India.

The Power of Informal Economy

The report of the Committee on Unorganized Sector Statistics, the informal economy makes a considerable contribution to the economy and caters to the requirements of the formal economy not only in India and in all developing economies of the world.



Figure 7 : The Power of Informal Economy

Source: https://www.youtube.com/watch?v=ONM4JupBz_E



Figure 8 & 9 : The Power of Informal Economy

Source: <https://aspenxchange.com/blog/2018/11/25/the-hidden-opportunities-of-the-informal-economy/>

In the TED videos the great researchers on development economics such as Robert Neuwirth and Niti Bhan have expressed that there is unimaginable volume of business happening in the informal economy with enormous amounts of investments. In India also this trend is visualized in street food

sellers, fruit and vegetables vendors and so on forth.

Modalities To Include In B-school Curriculum

Indian Business and management schools are classified into three; namely top class institutes like IIMs and IITs, Middle class colleges including university campus based departments and AICTE approved premier institutes such as Nirma, IMT, MDI, SP Jain, Narsee Monjee, Bajaj, K. J. Somaiya, Great Lakes, Loyola Institute and so on. Finally, all the other institutes like private universities, deemed to be universities, affiliated colleges to different universities and others fall in the lower class

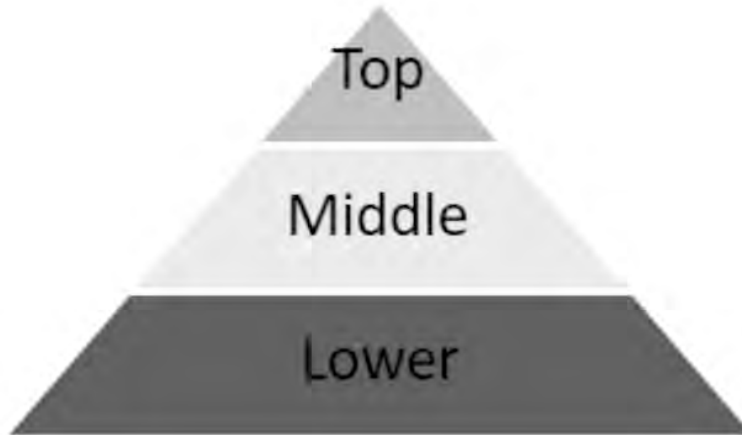


Figure 10. Classification of B-schools

As per media rating and NIRF rating majority of the management institutes are in the lower rung of the triangle refer figure 10 showing the low quality of education, low quality of performance in placement and the whole majority of the graduates do not meet the expectation of the industry recruiters and hence remain unemployed or poorly employed.

Majority of the researchers are of the opinion that the lower rung b-schools are badly in need of repositioning themselves in the minds of admission seekers and their parents on one hand and the recruiters on the other.

a) Faculty Training

The professors of those b-schools are needed to train themselves in development economics in general and informal economics in particular at regional, national and international level.

b) Faculty Research

Applied research on informal sector with respect to all functional aspects such as operations, human resource, marketing, finance, cost cutting, inventory management, information management, value addition processes etc. needs to be encouraged and linked to of increments, promotions and special training programmes.

c) A Research Journal

Exclusively for research papers on informal sector research and value addition process on Indian agricultural outputs so as to encourage the graduating students to take up internships and

entrepreneurial activity. The students who take-up internship or venture creation after their course is to be encouraged in terms of special scholarships and seed funds.

d) Tie-up with Department of Agriculture and SIDBI, NABARD etc.

To have frequent exchange of information on the new technologies, methods and strategies for value addition, brand building and channels management to market such produce.

e) Adoption of Villages and Micro and Small Enterprises

AICTE and UGC at central level and Dept of Higher Education at state level should strictly ensure that all aided and unaided institutions adopt nearby villages and micro and small enterprises to offer free consultancy services for their performance improvement in all domains so that their contribution in the GDP of that local area increases. Strict supervision and auditing is required at the time of inspection. The adopted village farmers and the beneficiaries from micro and small enterprises are required to be present at the time of inspection to give their feedback to extend the grants/renewal of affiliation etc.

Conclusion

The right combination of rational features (such as innovative teaching methods, high quality research on informal economy with local knowledge, intensive agriculture and micro and small industry exposure, sufficient support and proper counseling) and functional features (such as adequate library related to local micro and small industry and agri-entrepreneurship, high speed internet and good hostels) will definitely let the B-School to deliver emotional surplus value to the aspirants.

With all the above suggestions Informal sector (agri and non-agri) will start showing improved productivity and profitability and the owners of these will show professionalism in running their enterprises. When these are run profitably the government will be able to launch policy initiatives and can gradually bring these enterprises under tax regime.

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